Norfolk County Council

Pensions Committee

Date: **Thursday 1 October 2020**

Time: **9:30am**

Venue: **Virtual Meeting**

Pursuant to The Local Authorities and Police and Crime Panels (Coronavirus) (Flexibility of Local Authority Police and Crime Panel Meetings) (England and Wales) Regulations 2020, the 1 October 2020 Pensions Committee meeting of Norfolk County Council will be held using video conferencing.

The Pensions meeting will be broadcast live via You Tube. Please click on this link:

https://youtu.be/3Gh3zrfeAFg

Membership

Members

Cllr Judy Oliver – Chairman

Cllr Danny Douglas
Cllr Tom FitzPatrick
Cllr Martin Storey
Cllr Brian Watkins

Co-opted Members

Cllr John Fuller
Cllr Alan Waters - Vice-Chairman

Member Representative

Steve Aspin

For further details and general enquiries about this Agenda please contact the Committee Officer:
Tim Shaw on 01603 222948
or email timothy.shaw@norfolk.gov.uk

A g e n d a

1. To receive apologies – (please note that owing to the Trustee Status of this Committee, substitute members are not allowed)

2. Minutes **(Page 5)**

To confirm the minutes of the meetings held on 7 July 2020

3. Members to Declare any Interests

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

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

In either case you may remain in the room where the meeting is taking place. If you consider that it would be inappropriate in the circumstances to remain in the room, you may leave the room while the matter is dealt with.

If you do not have a Disclosable Pecuniary Interest you may nevertheless have an **Other Interest** in a matter to be discussed if it affects, to a greater extent than others in your division

- Your wellbeing or financial position, or
- that of your family or close friends
- Any body -
  - Exercising functions of a public nature.
  - Directed to charitable purposes; or
  - One of whose principal purposes includes the influence of public opinion or policy (including any political party or trade union);

Of which you are in a position of general control or management.

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

4. To receive any items of business which the Chairman decides should be considered as a matter of urgency

14	**Investment Update** Joint Report by the Executive Director of Finance and Commercial Services and the Director of the Norfolk Pension Fund	**(Page 529)**
	Comfort break	
15	**Fiduciary Duties of Elected Members** **Joint Report by the Executive Director of Finance and Commercial** **Services and the Director of the Norfolk Pension Fund**	**(Page 533)**
16	**Funding & Regulatory Update** Report by the Executive Director of Finance and Commercial Services and the Director of the Norfolk Pension Fund	**(Page 541)**
17	**Actuarial Update Presentation**	
18	**Exempt Minutes** To confirm the exempt minutes of the meeting held on 7 July 2020.	**(Page 564)**

Tom McCabe
Head of Paid Service
County Hall
Martineau Lane
Norwich
NR1 2DH

Date Agenda Published: 23 September 2020

Pensions Committee

Minutes of the meeting held on Tuesday, 7 July 2020 commencing at 9:30 am and held as a virtual teams meeting

Present:

Mr S Aspin	
Cllr D Douglas	
Cllr T FitzPatrick	
Cllr J Fuller	
Cllr J Oliver	(Chair)
Cllr M Storey	
Cllr A Waters	(Vice-Chair)
Cllr B Watkins	

Officers Present:

Simon George	Executive Director of Finance and Commercial Services
Glenn Cossey	Chief Investment Manager
Alex Younger	Investment and Actuarial Services Manager
Jo Quarterman	Norfolk Pension Fund Project and Development Manager
Debra Keeling	Pension Member Services Manager
Tim Shaw	Committee Officer

Others Present:

David Walker	Investment Adviser, Hymans Robertson
Brian Wigg	Pensions Oversight Board
Peter Baker	Pensions Oversight Board

1A Chairman's Opening Remarks

1A.1 In her opening remarks Judy Oliver, Chairman of the Pensions Committee, said that this was the first meeting of the Committee since the Covid-19 lockdown began and the first effort of a new set up by the County Council in the interests of keeping decision making and democracy going.

1A.2 Pursuant to The Local Authorities and Police and Crime Panels (Coronavirus) (Flexibility of Local Authority Police and Crime Panel Meetings) (England and Wales) Regulations 2020, this meeting was held under new Regulations which were brought in to deal with the restrictions under Covid 19. So although we were doing things differently decisions made in this meeting had the same standing and validity as if they had been made in a full meeting held at County Hall.

1B **Apologies for Absence**

1B.1 There were no apologies for absence.

2 **Minutes**

2.1 The minutes of the previous meeting held on 25 February 2020 were confirmed as a correct record and signed by the Chairman.

3 **Declarations of Interest**

There were no declarations of interest.

4 **Matters of Urgent Business/Additional Information**

4.1 There were no matters of urgent business.

5 **Administration Report**

5.1 The annexed report (5) by the Executive Director of Finance and Commercial Services and the Director of the Norfolk Pension Fund was received. The report was the quarterly update for the Pensions Committee on operational and administration matters relating to the Fund. This followed the last full quarterly report to Pensions Committee in February 2020.

5.2 The Committee received a slide presentation that highlighted the following issues mentioned in the report:

- Impact of Coronavirus.
- 24th March transition to home working.
- Stable operational basis established
- Reviewing priorities and monitoring
- Communication and decision making
- Business – but not quite as usual
- Fund governance framework
- Revision to accounts timetable & transparency
- Annual Internal Audit report – key messages
- Updated Investment Strategy Statement
- LGPS National Frameworks Outturn
- Admission agreement – Ambassador Travel

5.3 The Committee’s attention was drawn to the following:

- The Committee would not receive a report specifically about the impact of Coronavirus on the operation of the Norfolk Pension Fund.

- The Committee would receive regular updates on the impact that Coronavirus had on the risks to the Fund identified at previous meetings which continued to be carefully monitored.
- Members of the Committee and Members of the Senior Management Team said that they very proud of the way in which Norfolk Pension Fund staff had responded to the impact of the coronavirus pandemic on the operation of the Norfolk Pension Fund and were also pleased at how the staff had gone about maintaining NPF services both during and after pre-lockdown planning.
- Members' attention was drawn to the remote working arrangements that had been put in place for staff to work from home after the Lawrence House office had closed on 23 March 2020.
- Important issues at this time were identified as:
    - Paying members' benefits.
    - Retirement processing.
    - Bereavement services
    - Monitoring of employer pension contributions and of new employer contribution rates.
    - Preparing for the publication of Annual Benefit Statements (on-line in August and posted to NPF members in September).
- The Annual Internal Audit report had stated the Fund's internal controls remained acceptable and sound.
- The SAB, the LGA and the Pensions Regulator continued to provide support for the LGPS.
- In reply to questions it was pointed out that:
    - All essential NPF activities were being maintained as were many other NPF services.
    - The pandemic had resulted in the temporary suspension and re-prioritisation of the Strategic Review Programme (key work streams were being reprioritised). Arrangements were in place for the call-off from the new procurement framework for Pensions Administration Software which was progressing well, but the lockdown had meant a temporary suspension in the recruitment of new members of staff.
    - At this stage in the pandemic it was too early for officers to comment on future NPF accommodation requirements.
    - The proposed admission by ambassador travel was in relation to school transport and for one member of staff.

5.4 RESOLVED

That Committee agree and note the contents of this report,

specifically:

- **Paragraph 9 - Annual Internal Audit Report key messages.**
- **Paragraph10 - The updated Investment Strategy Statement.**
- **Paragraph 11- The LGPS National Framework 2019-20 Outturn.**
- **Paragraph 14 - The admission application by Ambassador Travel**

6 **Update from the Pensions Oversight Board**

6.1 The annexed report (6) by the Executive Director of Finance and Commercial Services and the Director of the Norfolk Pension Fund was received. The report updated the Pensions Committee on the work of the Pensions Oversight Board (POB) which had met twice since the last Pensions Committee meeting; on the 25th February 2020; and the 21 May 2020.

6.2 The Committee welcomed:

- The confirmation of Brian Wigg as Independent Chair of the POB.
- The election of Peter Baker as Retired Member representative.
- The discussions that had taken place at the virtual meeting of the POB on 21 May 2020 about the impact of Covid-19 on NPF operations.
- The 4th annual report of the POB which could be found as an appendix to the POB report.

6.3 **RESOLVED**

That the Committee note the contents of the report.

7 **ACCESS Update – Unrestricted Items**

7.1 The annexed report (7) by the Executive Director of Finance and Commercial Services and the Director of the Norfolk Pension Fund was received. The report updated the Committee on the work of the ACCESS Pool.

7.2 The Committee noted that:

- ACCESS had migrated to remote working.
- A virtual meeting of the Joint Committee was arranged for 17th July 2020.
- A revised Inter Authority Agreement that sets out the arrangements for the ACCESS pool was expected shortly for execution/sealing by each of the eleven Authorities that make up the ACCESS group.

- ACCESS support costs totalled £811k (£74k per Authority) in 2019/20.
- Estimated at £98k per Authority in 2020/21, which reflects the programme of work to be undertaken this year.

7.3 RESOLVED

That the Committee:

1. **Note the contents of the report.**
2. **Note that the next meeting of the ACCESS Joint Committee is the 17 July 2020.**

7A Exclusion of the Public Items 8-13 only

7A.1 The Committee was asked to consider excluding the public from the meeting under Section 100A of the Local Government Act 1972 for consideration of the items below on the grounds they involved the likely disclosure of exempt information as defined by paragraph 3 of Part 1 of the Schedule 12A to the Act, and the public interest in maintaining the exemption outweighed the public interest in disclosing the information.

7A.2 Paragraph 3 stated "information relating to the financial or business affairs of any particular person" (including the Authority holding the information).

Having applied the "Public Interest Test" it was recommended the Pensions Committee confirm the exclusions listed below:-

7A.3 Item 8 – ACCESS Update – Exempt Items

This report contained financial, business and commercial information including details about third party company operations which could significantly weaken their position in a competitive environment by revealing this activity to competitors.

Inappropriate disclosure would or would be likely to prejudice internal and third-party interests which might expose the Norfolk Pension Fund (Norfolk County Council) to legal action in the future.

7A.4 Item 9 – Risk Register

The consideration of this item involved the discussion of business and commercial information including details about third party company operations, which could significantly weaken their position in a competitive environment by revealing this activity to competitors.

Inappropriate disclosure would or would be likely to prejudice their interests which might expose the Norfolk Pension Fund (Norfolk

County Council) to legal action in the future.

7A.5 Item 10 –NPF Strategic Review Programme: Highlights Report

This report contains financial, business and commercial information including details about third party company operations which could significantly weaken their position in a competitive environment by revealing this activity to competitors.

Inappropriate disclosure would or would be likely to prejudice their interests which may expose the Norfolk Pension Fund (Norfolk County Council) to legal action in the future.

7A.6 Item 11 – Investment Performance Update by Hymans Robertson

This presentation contains financial, business and commercial information including details about third party company operations, including details of individual stock "buy and sell" activity which could significantly weaken their position in a competitive environment by revealing this activity to competitors.

Inappropriate disclosure would or would be likely to prejudice their interests which may expose the Norfolk Pension Fund (Norfolk County Council) to legal action in the future.

7A.7 Item 12 – Investment Update

This presentation contains financial, business and commercial information including details about third party company operations, including details of individual stock "buy and sell" activity which could significantly weaken their position in a competitive environment by revealing this activity to competitors.

Inappropriate disclosure would or would be likely to prejudice their interests which may expose the Norfolk Pension Fund (Norfolk County Council) to legal action in the future.

7A.8 Item 13 -Exempt Minutes

These minutes contained commercially sensitive information related to the performance of third-party individual fund management companies which if in the public domain could have a detrimental impact on the companies' commercial revenue and consequently adverse impact on Pension Fund Performance.

7A.9 RESOLVED

That the above items be excluded from public disclosure by virtue of paragraph 3 of Part I of Schedule 12A to the Local Government Act 1972 and the text applied above, confirming that the public interest in maintaining the exemption out-weighted the public interest in disclosing the information

8 **ACCESS Update- Exempt items**

8.1 The Committee received a report (containing exempt information) by the Executive Director of Finance and Commercial Services and the Director of the Norfolk Pension Fund updating Members on investment and governance matters pertaining to the ACCESS Pool (A Collaboration of Central, Eastern and Southern Shires).

8.2 The Committee received on a confidential basis an overview and update on the work of the ACCESS pool, governed by a Joint Committee made up of one Councillor from each Committee's Pensions Committee.

8.3 **RESOLVED**

That the Committee note the contents of the report.

9 **Risk Register**

9.1 The Committee received a report (containing exempt information) by the Executive Director of Finance and Commercial Services and the Director of the Norfolk Pension Fund updating Members on the Norfolk Pension Fund's Risk Register and Breaches Policy, since this was last reported to Pensions Committee in December 2019.

9.2 **RESOLVED**

That the Committee note the contents of the report and summary of breaches.

10 **NPF Strategic Review Programme: Highlight Report**

10.1 The Committee received a report (containing exempt information) by the Executive Director of Finance and Commercial Services and the Director of the Norfolk Pension Fund updating Members on progress with the Norfolk Pension Fund Strategic Review Programme and supporting projects.

10.2 **RESOLVED**

That the Committee note the report which set out progress with the Norfolk Pension Fund Strategic Review Programme and supporting projects.

11 **Investment Performance Update by Hymans Robertson**

11.1 Members received a detailed booklet by Hymans (containing exempt information) that reviewed Investment Managers' performance for the first quarter of 2020.

11.2 RESOLVED

That the Committee note the detailed booklet and the work undertaken by Hymans.

12 Investment Update

12.1 The Committee received a report (containing exempt information) by the Executive Director of Finance and Commercial Services and the Director of the Norfolk Pension Fund that dealt with a number of items relating to the investment strategy and assets of the Fund.

12.2 RESOLVED

That the Committee note the content of the report and agree to the recommendations contained therein.

13 Exempt Minutes of the meeting held on 25 February 2020

13.1 The exempt minutes of the meeting held on 25 February 2020 were confirmed by the Committee and signed by the Chairman.

The meeting concluded at 11.20 am

Chairman

Report to Pensions Committee

Item No. 5

Report title:	**Administration Report**
Date of meeting:	**1 October 2020**
Responsible Director:	**Simon George, Executive Director of Finance and Commercial Services Glenn Cossey, Director of the Norfolk Pension Fund**

Executive Summary

This report is the quarterly update for the Pensions Committee on operational and administration matters relating to the Fund. This follows the last full quarterly report to Pensions Committee in July 2020.

Recommendations

The Committee agree and note the contents of this report.

Background Papers

Appendix A - Risk Heat Map September 2020
Appendix B - Annual Benefit Statement Active
Appendix C - Annual Benefit Statement Deferred
Appendix D - Employer Newsletter August 2020
Appendix E - National Knowledge Assessment – Norfolk Pension Fund
Appendix F - National Knowledge Assessment – National data
Appendix G - Update on Bulk Transfer Values in Progress
Appendix H – Representation on behalf of the Norfolk Pension Fund
Appendix I – Pensions Committee Forward Plan

1. Background

1.1 This report is the quarterly update for the Pensions Committee on operational and administration matters relating to the Fund.

1.2 This follows the last full quarterly report to Pensions Committee in July 2020.

2. Coronavirus

2.1 The full Norfolk Pension Fund team transitioned to home working on the 23 March 2020.

2.2 <u>Operational update</u>

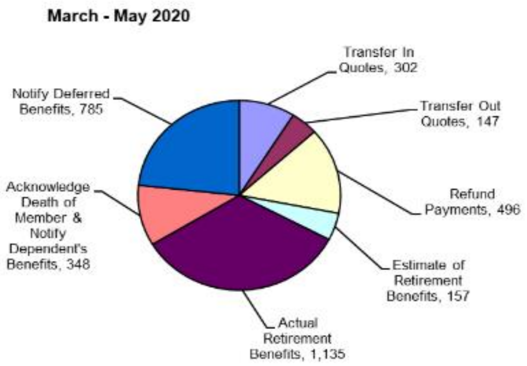
2.3 As reported to Committee in July, we have established a stable operational basis from which to deliver services to support scheme members and employers, and all aspects of administration, investments and governance.

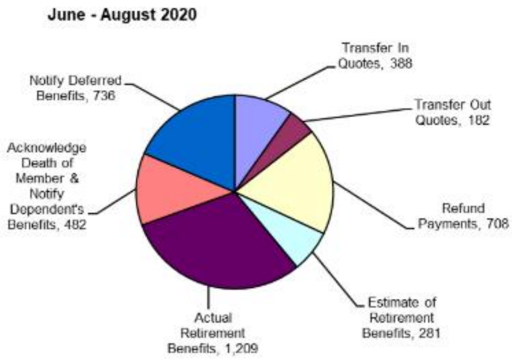
2.4 The impact of coronavirus and transition to home working inevitably affected our service performance standards. We are now seeing our highest priority tasks (reflected in our Key Performance Indicators) recover as demonstrated by our Performance Monitoring Data (please see below). The Management Team continue to monitor performance, risks and issues and re-prioritise across the service as necessary, delivering 'business' albeit not 'business as usual'.

2.5 **Pensions Administration Key Performance Indicators**

Target : 100% **RAG Status:** **<75%** **76% - 84%** **>85%**

Task	Days	Jan-20		Feb-20		Mar-20		Apr-20		May-20		Jun-20		Jul-20		Aug-20	
		Vol	%	Vol	%	Vol	%	Vol	%	Vol	%	Vol	%	Vol	%	Vol	%
Transfer In Quotes	10	27	96	33	100	26	81	3	67	2	100	14	71	15	73	16	94
Transfer Out Quotes	10	63	97	47	96	49	96	17	100	31	97	51	69	45	96	26	92
Refund Payments	5	68	100	71	97	48	98	30	97	20	95	62	100	56	100	43	98
Estimate of Retirement Benefits	10	150	99	187	99	86	97	37	81	71	92	81	93	145	94	136	93
Actual Retirement Benefits	5	140	99	83	100	103	100	107	99	114	98	139	96	112	99	94	98
Acknowledge Death of Member	5	99	99	66	97	68	97	64	41	81	25	79	34	73	49	63	90
Notify Dependant's Benefits	5	40	100	30	100	20	90	11	36	17	76	35	23	30	37	24	83
Notify Deferred Benefits	10	298	99	340	98	197	99	181	99	153	92	160	98	151	99	99	99
Altair Housekeeping	5	12	100	12	100	15	100	9	89	10	100	11	82	13	100	6	83





2.6 Accommodation and 'Smarter Working'

2.7 The current lease on accommodation at Lawrence House expires in February 2023. All the team are participating in 'smarter working' discussions. These will help inform the Fund's business requirements for accommodation in advance of the lease expiry.

3. Governance framework for the Norfolk Pension Fund

3.1 **Pensions Oversight Board**

3.2 The report from the Pensions Oversight Board is covered by agenda item 6 at this committee meeting.

3.3 **National Scheme Advisory Board**

3.4 The National Scheme Advisory Board (SAB) met virtually on the 25 August 2020.

3.5 The SAB, Secretariat and LGA continue to provide valuable support resources to the LGPS through the coronavirus pandemic, including liaison with MHCLG, TPR etc. The Norfolk Pension Fund is part of the COVID Practitioners Group established by the SAB.

3.6 Good Governance in the LGPS

3.7 The project team are progressing 3 key deliverables currently: implementation advice around the Phase 2 proposals ; a sample of a fund's new Governance Compliance Statement; and a sample independent governance review report.

3.8 Responsible Investment Guidance

3.9 Earlier this year the Board deferred the proposed Part 1 draft guidance until the position on fiduciary duty and the Supreme Court judgement in the Palestine Solidarity Campaign Ltd has been resolved.

3.10 Since then work has progressed in drafting the Part 2 draft guidance which takes the form of an A to Z of responsible investment. This will be an online facility and is intended to help explain and clarify the terminology associated with responsible investment and provide investment decision makers with a range of information, case studies and tools in an A to Z format to help meet the challenges associated with responsible investment.

3.11 **Ministry of Housing, Communities and Local Government (MHCLG)**

3.12 A number of projects had been delayed as a result of the pandemic, but these are now starting to be progressed, including:

- McCloud
- Cost cap
- Goodwin
- £95K exit cap
- Management of employer risk

3.13 Each of these has implications for employers, scheme members and the administration of the scheme. These are covered in more detail under Agenda Item 16: Funding & Regulatory Update.

3.14 We are still anticipating a formal consultation on Pooling Guidance.

3.15 **Risk Management**

3.16 Risks and mitigation are monitored regularly by Management Team. We saw some upward movement in some risk areas at the beginning of the pandemic. The latest Risk Heat Map shows that risks have stabilised.

3.17 The latest summary Risk Heat Map (at September 2020) is at Appendix A. The detailed Risk Report will be presented to the next Pensions Committee meeting on 1 December 2020.

3.18 **Web Content Accessibility Guidelines**

3.19 The Public Sector Bodies (Websites and Mobile Applications) (No.2) Accessibility Regulations 2018 has been introduced by the Government making it a legal requirement for most public sector websites to meet a set of Web Content Accessibility Guidelines.

3.20 The intention of the regulations, which came into force on 23 September 2020, is to ensure that, where there is no disproportionate burden in doing so, content and design of public websites must be clear and simple enough so that most people can use it without needing to adapt it, while supporting those who do need to adapt things.

3.21 We have reviewed the Norfolk Pension Fund website and content in light of the new guidelines. We source our base website from Hymans Robertson. The current version is not fully compliant; we will move to the updated version, which will be compliant, in the next few months. We are reviewing content and where necessary updating to be compliant. A current accessibility statement will be published on the website, as required by the regulations.

4. Communications

4.1 **With Active and Deferred Scheme Members**

4.2 <u>Annual Benefit Statements</u>

4.3 Annual Benefit Statements (ABS) were made available online to all scheme members (active and deferred) before the end of August, in line with the regulatory requirement.

4.4 Hard copies of this year's Annual Benefit Statements were posted to the home addresses of all scheme members (both active and deferred) in mid-September. (The total cost of ABS design, production and postage is £36,600. 55,000 booklets were sent to 47,500 members (some members have more than one membership) at an average cost of £0.67 per membership.

4.5 In addition to the personal statement of benefits, the booklets also include:

- A summary of benefits in the LGPS
- Information about the implications of opting out
- Information on options for increasing your pension, including Additional Pension Contributions (APCs) and Additional Voluntary Contributions (AVCs)
- The 50/50 option
- Freedom and Choice
- Information about tax limits (Lifetime Allowance and Annual Allowance)
- Information about pension clinics & annual meeting (virtual meetings)
- Information about the Pre-Retirement Course
- Death grant nominations
- Information about the Fund, including Pensions Committee and the Pensions Oversight Board, and an Accounts and Investments overview
- Information about the State Pension, National Insurance Contributions and State Pension forecasts
- Legislative changes over the past year
- Information about the dispute process
- Signposts to our website and the pensions calculator

4.6 This year's booklet also included relevant information relating to coronavirus and their LGPS membership.

4.7 Examples of this year's mailing can be seen at the following appendices:

- Appendix B – Active Member Sample Annual Benefit Statement 2020
- Appendix C – Deferred Member Sample Annual Benefit Statement 2020

4.8 <u>Pension Clinics and Annual Meeting</u>

4.9 Due to the current pandemic, we cannot hold our usual Pension Clinics (where members are invited for one-to-one meetings with our pension advisors following receipt of their annual benefit statements).

4.10 Members instead are invited to contact us to arrange to speak over the phone or to set up a virtual meeting.

4.11 Although we offer this service all year, the annual statements act as a valuable prompt to members to follow up any questions or concerns they may have about their pensions.

4.12 Members have been advised of the Fund's Annual Meeting scheduled for 6pm on 3 November. Although we offer an annual meeting (although not an Annual General Meeting) to Scheme Members every year as part of our commitment to accountability and transparency, interest has historically been very low.

4.13 <u>Annual Allowance and Lifetime Allowance</u>

4.14 Pension Savings Statements will be issued to all scheme members who exceeded the Annual Allowance in 2019/20 by the end of September 2020 to meet the statutory obligation. The deadline for issuing statements is 6 October 2020.

4.15 <u>Revaluation of Benefits</u>

4.16 The revaluation of career average pension benefits for the LGPS (the inflationary uplift applied to members individual career average pensions) is 1.7% at 31 March 2020/1 April 2020.

4.17 **With Retired Members**

4.18 <u>Retired Members Forum</u>

4.19 The Annual Forum for retired members is extremely popular and highly valued by retired members.

4.20 Due to the pandemic, this year's events (scheduled for the 11 – 14 May 2020) were cancelled and all attendees, speakers, exhibitors and venues advised, and we may be unable to return to a similar format for some time.

4.21 We want to maintain the important and valued contact we have established with retired members.

4.22 With the assistance of the Chair of the Pensions Oversight Board and the Retired Members Representative on the Board we are looking at how we may 're-imagine' contact with our retired members, retaining as many of the benefits to us and them as possible but in a safe, accessible, effective and efficient way.

4.23 If appropriate, we may continue to seek donations from our Custodian, Investment Advisor and Fund Managers to fund the alternative contact, as we have previously for the Forum.

4.24 **With Employers**

4.25 We have increased our employer engagement since March so that we can provide the support our employers need as a result of the pandemic, operational scheme requirements and regulatory developments.

4.26 Employer Forums

4.27 We held our first virtual Employer Forum on 8 July 2020. This included all the presentations we would have delivered if we had met as usual, together with the opportunity to raise questions. The event was recorded and made available to those employers and team members who weren't able to attend on the day.

4.28 The event was well received by those attending, although numbers were down on normal attendance. Some employers more remote from Norwich were able to attend who wouldn't normally.

4.29 The next Employer Forum is scheduled for the 11 December 2020.

4.30 Employer Webinars

4.31 McCloud: employers were invited to a webinar setting out the details, outcomes and implications of the McCloud case, presented by Fund Officers and Rob Bilton from Hymans Robertson. The webinar was well attended by more than 70 delegates and very well received. The event was recorded so it is available to those employers and team members who weren't able to attend on the day.

4.32 £95K exit cap: all employers will be invited to a webinar about the £95K exit cap and its implications. This will be scheduled in time to help inform employers responses to the current consultation, which closes on the 9 November.

4.33 Employer Newsletters

4.34 An August edition of the newsletter has been sent to employers and is attached at Appendix D. A September edition is about to be sent out. The September newsletter focuses on the 95K exit payment cap.

4.35 **Norfolk Pension Fund Team**

4.36 We are maintaining our weekly newssheet to help keep the team connected, supported and informed through remote working, alongside regular team meetings and less formal connections.

5. Year End

5.1 **Scheme Administration Year End**

5.2 Thanks to the commitment and hard work of the administration team and efforts of our employers, despite the pandemic, yearend was completed in time to publish Annual Benefit Statements in August, in compliance with the regulatory requirement.

5.3 As in previous years, the administration team worked very closely with employers to facilitate an efficient close down, and we are very grateful to all the employers who worked with us to achieve this.

5.4 **Financial Year End**

5.5 As discussed at the Pensions Committee meeting in July, a revised timetable is in place this year for the Annual Report and Accounts. The final draft Annual Report and Accounts is presented as item 7 together with discussion of the timetable for final completion and publication.

5.6 **Employer Financial Reporting Requirements**

5.7 The Fund has also worked with the Actuary to prepare, check and review financial reporting (IAS19/FRS102) of pension obligations and costs for the 31 Fund employers with a financial year-end of 31 March 2020. The checks undertaken by the Fund form part of the assurance regime for E&Y where they are the appointed auditor to the employer.

5.8 31 March is now the second largest of the employer financial reporting dates for the Fund. Exercises are also conducted at 31 July, 31 August and 31 December. The August exercise in particular has grown significantly as many more schools gain academy status, which brings with it a requirement to report and consider their individual pension positions.

5.9 31 July reports have now been issued and 31 August reports will be completed in mid-October.

5.10 It is notable that employer auditors have significant higher audit requirements on the accounting disclosures than previously. This creates additional queries and work burden for the Fund.

6. Collaborative Working/Value for Money

6.1 **National LGPS Procurement Frameworks**

6.2 The National LGPS Frameworks operate on a self-funding model, with liability shared between all Founding Authorities. They are hosted by the Norfolk Pension Fund, supported by a dedicated team of professionals with assistance from other external support as necessary (for example, legal and procurement specialists from Norfolk County Council).

6.3 Using the National LGPS Frameworks saves LGPS Funds significant time and money by allowing quicker and more efficient procurement of high-quality and value for money services. The frameworks mean users leverage better prices whilst still making local decisions about service requirements. The LGPS is already collectively benefiting from more than £119m in projected savings as a result of the National LGPS Frameworks programme.

6.4 In recognition of this collaboration, the National LGPS Frameworks were shortlisted again as Finalists of the GO Procurement Awards for the 'Team of the Year - Local Government, Central Government' 2020 category. The Frameworks team attended the 'virtual' Finalists Awards ceremony on 17 July.

6.5 The new Framework for Pensions Administration Software was successfully launched on 27th April 2020. There continues to be a huge demand for this Framework with 32 LGPS Funds expressing an interest to use the framework within the first few months.

6.6 The design and development of a new Global Custody Services Framework is progressing well with the launch planned for early 2021.

6.7 Work on the development of the Actuarial, Benefits and Consultancy Services Framework re-let has been postponed due to the impact of COVID-19 and the current Framework has been extended to 30th June 2021 to ensure continuity of these services.

7. Procurement: Pensions Administration Software

7.1 We need to re-procure Pensions Administration Software and online Employer and Employee portals, in time to safely transition to new contracts and potentially new service providers before the end of our existing contracts with Heywoods and Civica respectively.

7.2 We have issued further competition documents under the LGPS Framework for Pensions Administration Software. The procurement is being supported by Norfolk Procurement. We are also working with IMT and liaising with the NCC Enterprise Resource Planning (ERP) project.

7.3 This project is being managed within the overall Strategic Review Programme, covered in more detail under Item 12 of this Committee's agenda.

8. Knowledge and Skills

8.1 There is an ongoing requirement for members of the Pensions Committee to demonstrate a level of knowledge commensurate with the decisions they are making.

8.2 Following on from the LGPS National Confidence Assessment, members of Pensions Committee and the Pensions Oversight Board took part in the National Knowledge Assessment, facilitated by Hymans Robertson. The Norfolk Pension Fund report is at Appendix E, together with the national results report at Appendix F.

8.3 Hymans Robertson will update Pensions Committee and the Pensions Oversight Board with the latest update on the good Governance Project and the National Knowledge Assessment as part of a discussion to help shape the delivery training post Covid-19.

8.5 LGA's 'LGPS Fundamentals' training cannot go ahead this year. Details of the replacement webinars have been circulated to all Committee and Pensions Oversight Board members. The LGA's annual Governance Conference is also being reviewed.

8.6 A lot of training and information is being presented via teams and webinars. All team members are encouraged to participate, not only for operational knowledge and understanding but also to access other information, support and guidance for working remotely, including looking after one's own and one's teams mental health and well-being.

9. Update on Bulk Transfer Values in Progress

9.1 Please see Appendix G for Bulk Transfer Values in progress.

10. Freedom of Information Act (FoIA)

10.1 Since the last Committee papers were finalised, we have provided the following responses to Freedom of Information Act enquiries. All responses have been made via the Corporate Freedom of Information Act Officer within statutory deadlines.

10.2

20/08/2020	PitchBook ENQ-424526	Performance data from alternative asset holdings for Q1 2020	Responded
17/08/2020	Cobalt Software ENQ-422880-S8Q0P7	Q1 2020 fund level performance reports for private equity and real estate portfolio	Responded
12/08/2020	Whatdotheyknow.com ENQ 422429- S6J9C2	Details of fund assets under management for 2019/20 financial year and other general investment information	Responded
04/08/2020	Preqin Ltd ENQ-421098-G6F7L8	Information on hedge fund holdings	Responded
20/07/2020	PitchBook ENQ-419273-V9M7V9	Investment memorandum and due diligence/Terms and fees information	Responded
25/06/2020	What DoTheyKnow.com ENQ-412378-N6Y6Q4	Details of Norfolk Pension Fund investments including the name and amounts of each asset class/investment	Responded
23/06/2020	Altman ENQ-411685-Z3X4L6	Latest quarterly cash-flow reports of all private capital investments	Responded

12/06/2020	Bloomberg Private Equity Data ENQ-409654-H0B7F2	Fund detail on alternative investment portfolio for Q4 2019	Responded

11. Representation on behalf of the Pension Fund

11.1 Please see Appendix H for meetings and events which have taken place since the last Pension Committee and ones which may be of interest to trustees or officers of the Fund.

12. Norfolk Pension Fund – Pensions Committee Forward Plan

12.1 The rolling one-year Pensions Committee Forward Plan is attached at Appendix I.

13. Financial and Other Resource Implications

13.1 At the time of writing this report there are no additional financial or other resource implications beyond those already budgeted for and approved by Committee.

14. Other Implications (inc. Equality Impact Assessment (EqIA))

14.1 The Norfolk Pension Fund have considered the impact of the changes in service delivery as a result of the global pandemic. There are no issues relevant to equality in this report.

14.2 Officers have considered all the implications which members should be aware of. Apart from those listed in the report (above), there are no other implications to take into account.

15. Risk Implications/Assessment

15.1 Any risk implications relating to this report will be recorded on the Fund’s risk register.

16. Recommendations

16.1 The Committee agree and note the contents of this report.

17. Background Papers

Appendix A - Risk Heat Map September 2020
Appendix B - Annual Benefit Statement Active
Appendix C - Annual Benefit Statement Deferred
Appendix D - Employer Newsletter August 2020
Appendix E - National Knowledge Assessment – Norfolk Pension Fund
Appendix F - National Knowledge Assessment – National data
Appendix G - Update on Bulk Transfer Values in Progress
Appendix H – Representation on behalf of the Norfolk Pension Fund
Appendix I – Pensions Committee Forward Plan

Officer Contact

If you have any questions about matters contained in this paper please contact:

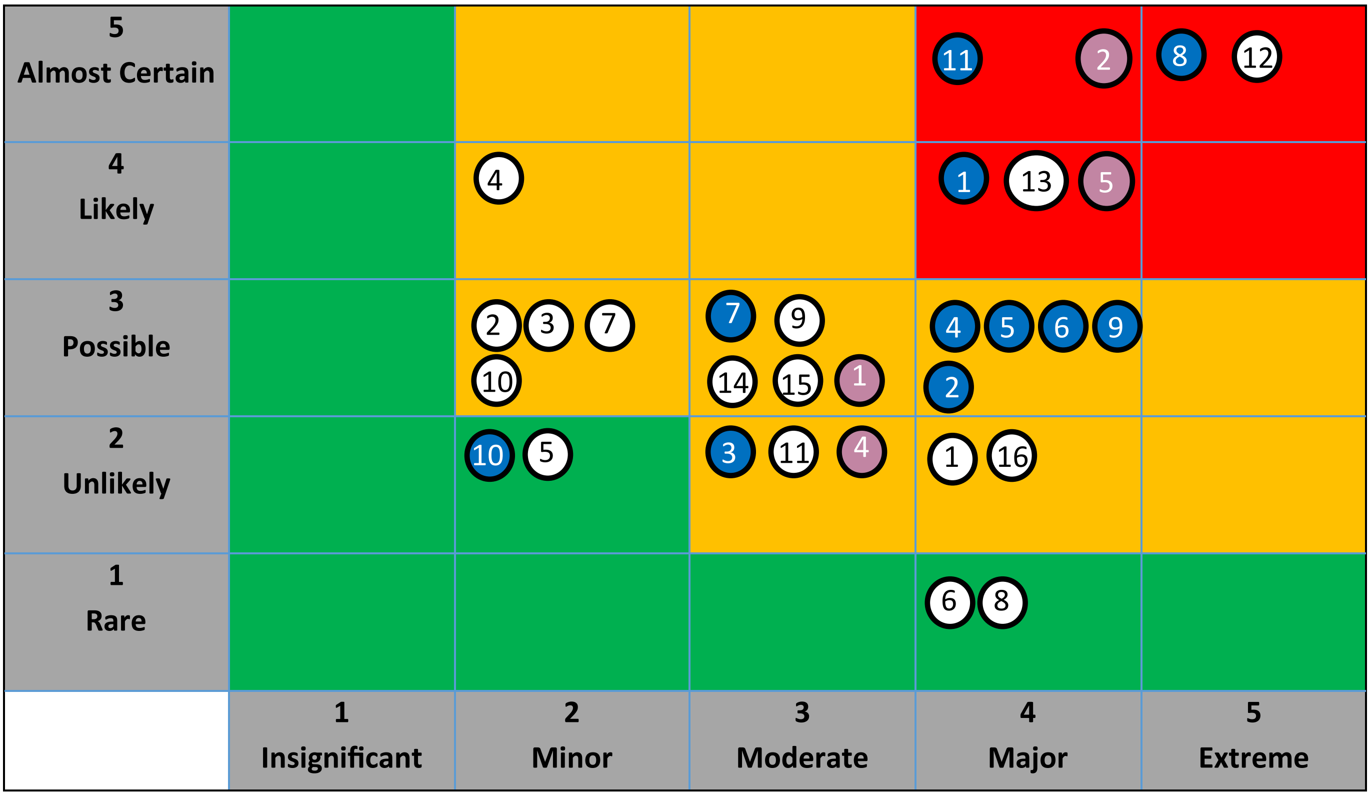
Officer name : **Glenn Cossey** **Tel No. :** **01603 228978**

Email address : **Glenn.cossey@norfolk.gov.uk**

IN TRAN communication for all

If you need this document in large print, audio, Braille, alternative format or in a different language, please contact Customer Services on 0344 800 8020 or Text Relay on 18001 0344 800 8020 (textphone) and we will do our best to help.

Norfolk Pension Fund Risk Heat Map September 2020 (reviewed by Mgt Team)



	Governance (NPFG)	Funding & Investment (NPFF)	Benefits Administration (NPFA)
1	Regulatory and performance requirements failure	Financial mismatch	Failure to meet regulatory and performance requirements
2	Asset pooling (ACCESS) (Gov)	Concentration	Lack of skilled resource (Admin)
3	Knowledge & understanding (O)	Manager underperformance	-
4	Knowledge & understanding PC	Systemic risk	Business continuity (Admin)
5	Knowledge & understanding POB	Credit default - Counterparty failure	Employer and Employee on line services
6	Business continuity (Gov)	Illiquidity	
7	Communication & Engagement	Default by participating employer	
8	Lack of skilled resource (gov)	Poor advice	
9	National LGPS Frameworks	Changing demographics (Assumptions v Experience)	
10	Brexit	Business Continuity (F & Inv)	
11	Cyber Security	Communication	
12		Lack of skilled resource (F & Inv)	
13		Asset pooling (ACCESS) (F & Inv)	
14		Currency risk	
15		Environmental, Social & Governance (ESG)	
16		Custody, Stock Lending, Transition	

Becoming more of a risk

Risk is stable

Becoming less of a risk

Norfolk Pension Fund

Delivering the Local Government Pension Scheme

This booklet contains important information about **your pension**

Please read it carefully and keep it in a safe place

Your Personal Annual Benefit Statement

A B SAMPLE

August 2020

lgps for you, for now, for the future

www.norfolkpensionfund.org

Contents

Cover image: Wild flowers, Norfolk

Welcome to your personal benefit statement for 2020

Your name	**Mr A B SAMPLE**
Date of birth	**4th October 1954**
National Insurance number	**XX999999X**
Your current employer	**NORFOLK COUNTY COUNCIL**
Employer payroll reference	**99999-9**

This booklet is **your personal benefit statement** from the Norfolk Pension Fund and is based on your service up to 31 March 2020. If you think any of the details in this statement are wrong, please let us know.

We have also included all the latest news about the Local Government Pension Scheme (LGPS), from how you can pay more or less into the scheme, to tax limits and legislation changes. We hope you find it a useful and interesting read.

You will receive a separate statement at different times of the year if you have an Additional Voluntary Contribution (AVC) plan with Clerical Medical, Utmost Pensions (formerly Equitable Life) or Prudential.

As always, if you have any questions or would like to talk to us about your pension, we are happy to hear from you.

We would also love to hear any feedback you have on your statement. You can complete our online survey at **www.smartsurvey.co.uk/s/statements**. It only takes a few minutes and will help us provide you with the service you need.

Your LGPS (Local Government Pension Scheme)

Your LGPS membership may be more valuable than you think

The LGPS is one of the main public sector pension schemes and is considered to be one of the best in the country. Membership provides you with a **secure, regular income in retirement** linked to inflation, along with other valuable benefits including:

- A **reliable pension for life** when you retire, based on your membership and pay – not linked to the ups and downs of financial markets
- The option to take a **lump sum** when you retire
- A **pension for your dependants** after you die
- Valuable **'peace of mind' life cover** at no extra charge – if you die whilst being an active member of the scheme, your partner will receive a lump sum death grant of 3 x your assumed pensionable pay. So, if you earn £20,000 a year we would pay out £60,000 if you died
- You may qualify for an **early pension** if you have to retire through ill health at any age or are made redundant after age 55

Did you know, as a member of the LGPS:

- **Your employer pays in** to your pension too – typically twice as much as you contribute!

- **You may pay less tax** as your pension contributions are taken out of your pay before tax. For example, if you pay £100 a month into your pension, your tax is reduced by £20 a month (if you are paying tax at the basic 20% rate).

More details on the scheme benefits can be found in our **Brief Guide to the LGPS**, available on our website at **www.norfolkpensionfund.org** or by contacting us using the details on the back of this booklet.

Coronavirus Job Retention Scheme

You may have been put on furlough where your employer has used the Coronavirus Job Retention Scheme to keep you on payroll in the event of having no work for you to do.

With Government funding, your employer could pay 80% of your wages up to a monthly cap of £2,500 with the option to top up your pay to 100%. However, if you receive less pay when you are on furlough, the amount of pension you build up during this period will also be reduced. You will continue to pay pension contributions on the pay you receive.

You can pay Additional Pension Contributions (APCs) to buy extra pension to make up for the pension lost. Your employer does not have to pay towards the cost, but they can choose to. To find out more about APCs, please visit **www.lgpsmember.org/more/apc**.

Emergency Volunteering Leave (EVL)

The Emergency Volunteering Leave (EVL) allows workers to take unpaid statutory leave to volunteer in health and social care authorities. If you take a period of EVL, your LGPS pension benefits will build up in the same way as if you were working normally. You will only pay contributions on any actual pay your employer pays you during the period.

Authorised Unpaid Leave

If your employer allows or requires you to take a period of unpaid leave, you will not build up any pension for the period unless you choose to pay Additional Pension Contributions (APCs) to purchase the amount of pension lost. If you choose to pay APCs and elect to do this within 30 days of returning to work, the cost will be split between you and your employer. To find out more about APCs, please visit **www.lgpsmember.org/more/apc**.

The LGPS
A reminder of the scheme

The scheme changed in 2014 from a **Final Salary** scheme to a **Career Average** one. This means any of the pension you have built up after 1 April 2014 in the scheme is based on the pay you earn each year, rather than on your **Final Salary** when you leave.

- All benefits you earned up to April 2014 remain protected as **Final Salary**
- For each year you are in the career average LGPS scheme, from April 2014 we will add pension equal to **1/49th of your pay** into your pension account (**or 1/98th of your pay** for any period spent in the **50/50 section**). This is then **re-valued** each year in line with inflation

Your **Normal Pension Date** – when you can retire and take your benefits in full – is linked to your **State Pension Age**. As a result it may change in line with any future changes to the **State Pension Age**.

You can choose to retire and draw your LGPS pension any time from age 55; however, your benefits will be **reduced** if you choose to retire before your **Normal Pension Date** or **increased** if you retire later.

How much does it cost to be in the scheme?

The cost to you is based on a series of **contribution bands.**

These bands are reviewed each year in line with inflation. The employee contribution bands from 1 April 2020 are:

Band	If your actual pensionable pay is:	You pay a contribution rate of:
1	£0 to £14,600	5.5%
2	£14,601 to £22,800	5.8%
3	£22,801 to £37,100	6.5%
4	£37,101 to £46,900	6.8%
5	£46,901 to £65,600	8.5%
6	£65,601 to £93,000	9.9%
7	£93,001 to £109,500	10.5%
8	£109,501 to £164,200	11.4%
9	£164,201 or more	12.5%

Your contribution is based on your actual pay

All your earnings, including pay for non-contractual overtime or additional hours worked, count towards your pension from April 2014.

There is more information about the scheme on our website at **www.norfolkpensionfund.org** or on the national **www.lgpsmember.org** site.

Your personal benefit statement

If you think any of these details are wrong, please let us know

This is your personal benefit statement from the Norfolk Pension Fund. It is based on the following pay information given to us by your employer.

Date you joined the Norfolk Pension Fund	01/12/2009
Section of the Scheme you were in at 31 March 2020	MAIN

Pensionable Pay for the Year Ending 31 March 2020 **£999.99**

This is the actual pay you received for 2019/20, including pay for non-contractual overtime or additional hours worked. It is used to calculate the Career Average Pension you built up in 2019/20.

If you have received reduced or no pay at any time during the year – either due to sickness or injury, relevant child related leave or reserve forces leave – your pay for these periods is based on your Assumed Pensionable Pay (an average of your Pensionable Pay for the 3 months, or 12 weeks if weekly paid, prior to the period of reduced or no pay).

Important – if you think the Pensionable Pay figure shown above is wrong please let us, or your employer, know as soon as possible. Most queries are easily solved; however if you still disagree with the figure you have the right to appeal via our official Dispute Procedure. You can find a guide about this on our website at www.norfolkpensionfund.org or contact us and we will send you a copy.

Final Salary Pay for Year Ending 31 March 2020 **£99,999.99**

This is the average pay for 2019/20 as supplied to us by your employer. It is used to calculate Final Salary Benefits. If you work part-time this is a whole-time equivalent figure.

Over the next few pages we will show you the benefits you have built up so far and an indication of what you might get when you retire.

If you have an Additional Voluntary Contributions (AVC) plan with Clerical Medical, Utmost Pensions (formerly Equitable Life) or Prudential, details are not included in this statement. Separate annual statements are sent out at different times of the year for these. However, if you are buying additional membership or pension within the scheme then these details are included in this statement.

The figures and projections in this statement are based on the information held on our records and the relevant scheme regulations. While we have taken every care with the figures, they should not be seen as a definitive statement of the benefits payable and they may not take into account the maximum level of benefits allowed by HM Revenue & Customs.

Before making any decision about your pension or retirement, please **contact us** for a personal quotation of the benefits payable.

Financial advice

We are very happy to help you understand your LGPS pension and pension options, however we are not able to offer financial advice. For a list of Independent Financial Advisers in your area you can contact IFA Promotions at **www.unbiased.co.uk**. You can find help in choosing one at **www.pensionsadvisoryservice.org.uk/about-pensions/pensions-basics/top-tips-for-your-pension/choosing-a-regulated-financial-adviser**. Always remember to check that the advisor is authorised by the Financial Conduct Authority. Please be aware that you may be charged a fee for any advice.

The current value of your benefits

Here are your retirement benefits built up to 31 March 2020 **assuming you retire at your Normal Pension Date** (see page 14). You can choose to retire earlier and take your benefits **from age 55** but they may be reduced for early payment.

Total benefits built up to 31 March 2020

Total annual pension

\+

Automatic tax-free lump sum

Your options

The **automatic tax-free lump sum** only applies to pre-2008 benefits. However, when you retire you could choose to give up part of your pension for an extra tax-free lump sum – a **smaller annual pension** and a **bigger tax-free lump sum**.

You get £12 extra tax-free lump sum for every £1 of pension you give up; although there are limits on the size of the tax-free lump sum you can take.

Your **Career Average** pension is **re-valued on 1 April** each year, in line with the cost of living.

This statement shows the value of your benefits up to **31 March 2020**.

How your benefits are calculated

Here's how we have worked out your total benefits

Value of Career Average Benefits at 31 March 2020

Pensionable Pay in Main Section (2019/20)	£999.99	
Pensionable Pay in 50/50 Section (2019/20)	£0.00	
Pension at 31/03/2019 (if any)		£999.99
Adjustment for Cost of Living		£9.99
Amount of Pension Build up in 2019/20:		
Main Section (£999.99 / 49)		£9.99
50/50 Section (£0.00 / 98)		£0.00
Additional Pension Bought		£0.00
Transfers in		£0.00
Total Annual Career Average Pension		**£999.99**

Value of Final Salary benefits at 31 March 2020

Final Salary Pay	£99,999.99	
Total Final Salary Annual Pension		**£99.99**
Includes Pension at 80ths	£0.00	
and Pension at 60ths	£99.99	
Total Automatic Final Salary Lump Sum		**£0.00**

(Your Final Salary Benefits include any extra membership and/or pension where the contract started before April 2014)

The figures on these pages don't take into account any pension sharing on divorce

The value of your death benefits

If you die 'in service' the value of your death benefits at 31 March 2020 were:

One-off lump sum life cover **£9,999.99**

+

Annual partner's pension **£99.99**

The figure shown above is an indication of the amount of pension we would pay to one of the following:

Your husband or wife or **Your civil partner** or **Your cohabiting partner**

Cohabiting partner

A 'cohabiting partner' is someone you are living with but are not married to or in a civil partnership with – some people call this a 'common law' marriage or partnership. If you and your partner have been living together for at least 2 years, are free to marry or enter into a civil partnership and are financially interdependent, then your partner may be eligible to receive a pension in the event of your death.

Since 1 April 2014 you no longer have to nominate a cohabiting partner to be eligible for a cohabiting partner's pension. We would require your partner to provide proof of eligibility before any cohabiting partner's pension would be paid. However, if you have nominated a cohabiting partner in the past, their details are shown here:

Want to set up or change your Expression of Wish details?
You can download a form at www.norfolkpensionfund.org or contact us (see back of this booklet)

Expression of Wish details for payment of lump sum life cover

If you have re-joined the LGPS in England or Wales, or do so in the future, the one-off lump sum life cover payable would be the greater of 5 x your deferred pension or 3 x your pay in your new job

Any eligible children under the age of 18, in full-time education and under the age of 23, or over 18 and with a physical or mental impairment would be entitled to a child's pension in addition to the amounts shown on page 12

The figures on these pages don't take into account any pension sharing on divorce

Please see page 25 for more on death benefits

What might you get when you retire?

This is an indication of the value of your benefits should you **continue paying into the scheme as now** and retire at your **Normal Pension Date**. It is based on the section of the scheme you were in at 31 March 2020.

Normal Pension Date

5th September 2020

Total annual pension

+

Automatic tax-free lump sum

Your **Normal Pension Date** is the date you can retire and take your benefits in full. It is linked to your **State Pension Age** for the pension you build up from 1 April 2014. As a result it may change in line with any future increases to the **State Pension Age**. You can find out your State Pension Age at **www.gov.uk/calculate-state-pension**.

You can choose to retire at any time between **age 55-75**; however, if you take your benefits before your **Normal Pension Date** they may be **reduced** for early payment. Your benefits will be **increased** should you retire after your **Normal Pension Date**.

If your **Normal Pension Date** in the current scheme is later than it was in the old pre-2014 scheme, we have added projected **Actuarial Increases** to your **Final Salary** benefits to cover the period between the two **Normal Pension Dates**.

The figures on these pages don't take into account any pension sharing on divorce

Here's how we have worked out your total projected benefits

Projected Career Average Benefits

Annual Career Average Pension	£999.99

Projected Final Salary Benefits

Annual Final salary Pension (including actuarial increase of £9.99)	£99.99
Automatic Lump Sum (including actuarial increase of £0.00)	£0.00

Projected Partners Annual Pension £99.99

This is an indication of the annual pension payable to your partner should you die after retirement. For the purpose of this statement we have assumed that you are married or in a civil partnership. If you would like to know about the benefits payable to a cohabiting partner in the event of your death, please contact us.

These projections are based on your current **Pensionable pay** and/or your **Final Salary pay** (see page 8). We have assumed these pay figures will remain the same until your **Normal Pension Date** and haven't allowed for any future inflation. This means the figures shown are in **'today's money'** terms which should make it easier to see if you are saving enough.

Your Final Salary membership up to 31 March 2014

If you were in the scheme before 1 April 2014 your membership is shown here. If you were paying into the scheme before and after April 2014, your total benefits will be a combination of Final Salary (pre April 2014) and Career Average (after April 2014). For more details see pages 10-11.

If you had a break in membership for any reason your period of membership has been reduced accordingly.

If you work in a school the **percentage of whole time** is averaged out over the year.

Employer or scheme	Membership from	Membership to
NORFOLK COUNTY COUNCIL	01/04/2013	31/03/2014
NORFOLK COUNTY COUNCIL	01/04/2012	31/03/2013
NORFOLK COUNTY COUNCIL	01/04/2011	31/03/2012
NORFOLK COUNTY COUNCIL	01/04/2010	31/03/2011
NORFOLK COUNTY COUNCIL	01/12/2009	31/03/2010

Only the most recent details of your membership are shown,

If you think that any of these details are wrong, please let us know.

If you have transferred membership into the LGPS from another public sector scheme, this is shown below (up to 31 March 2015). Other transfers received that have been used to buy **Career Average** benefits during the year are shown on page 11, under **Transfers in**.

Additional membership / pension purchased

If you have paid or are paying additional contributions to buy extra membership and / or extra pension then the extra membership and / or pension you have bought to date has been included in the figures shown in your statement.

Calendar length	Percentage of whole time	Period of membership
01 years 000 days	0.486500%	00 years 002 days
01 years 000 days	2.027000%	00 years 007 days
01 years 000 days	7.297300%	00 years 027 days
01 years 000 days	0.000000%	00 years 000 days
00 years 121 days	11.297297%	00 years 014 days

although all periods are used when we work out your benefits.

Your choices

Want to save more?

There may be times when you consider adding to your pension, for example, if you joined later in your career or have had a career break.

There are a couple of ways to do this in the LGPS.

Additional Pension Contributions (APCs)

You can buy extra LGPS pension for your retirement by paying APCs, either as a regular monthly amount or a one-off lump sum. This buys you a set amount of extra annual LGPS pension, up to a current maximum of £7,194.

You can find out more about APCs and get a quote by either using the online calculator at **www.lgpsmember.org** or contacting us using the details on the back of this booklet.

Remember!
You get tax relief on all your pension contributions, which can make it a very tax-efficient way to save

Additional Voluntary Contributions (AVCs)

You can build up extra savings for retirement by paying separate contributions into our 'in-house' AVC schemes with Clerical Medical or Prudential.

You can choose how much to pay in and how your contributions are invested. The money comes straight out of your pay and goes to Clerical Medical or Prudential who invest it for you.

Your AVC fund is designed to grow as it is invested. You can use it to either take a cash lump sum and / or additional pension from the Norfolk Pension Fund when you retire, or you can buy an annuity.

If you are interested in paying APCs or AVCs, please contact us using the details on the back of this booklet.

The 50/50 option

Need to pay less for a while?

If money is a bit tight, you may think about joining the **50/50 section**.

For any period you spend in the 50/50 section you will pay **half of your normal monthly contributions** and build up **half of your normal pension** in return. You will still get the **same level of life and ill-health cover** as you do in the main section of the scheme.

You can choose to move to the 50/50 section at any time and can switch between the main and 50/50 sections as many times as you like – you just need to send an **Option to switch between sections of the Scheme** form to your employer (available on our website at **www.norfolkpensionfund.org** or by contacting us using the details on the back of this booklet).

The 50/50 section is designed to be a short-term solution, so your employer will always bring you back into the main section when:

- you choose to move back into the main section of the scheme
- it is your employer's automatic enrolment anniversary date
- you get nil pay due to sickness or injury

Disclaimer

This statement is based on the current provisions of the Local Government Pension Scheme Regulations 2013 as amended and other relevant legislation. This statement is provided for information only and does not give you any legal rights. In the event of any dispute, nothing in it can override the scheme legislation.

Freedom and Choice

From 6 April 2015, people in **defined contribution pension schemes** were given far more choice on accessing their pension pots.

Does this affect my Local Government Pension?

The **Freedom and Choice** changes affect people in **defined contribution schemes**. The LGPS is a different type of scheme, known as a **defined benefit scheme**.

As a member of a **defined benefit scheme** you pay in a set amount to build up a **defined** range of benefits, based on your pay and length of service. This provides you with **a guaranteed income in retirement** – unaffected by the ups and downs of the financial markets – so there is no need to buy an **annuity**.

Also, there is already a feature built into your benefits package allowing you to give up some of your pension in exchange for **tax-free cash**.

So what is a defined contribution scheme?

In a **defined contribution scheme** members pay in a set amount – a defined contribution – which is invested in the financial markets to provide a pension pot. Until now members have had to use this pension pot to buy an **annuity** – an annual income paid to them for the rest of their life.

The **Freedom and Choice** changes remove the requirement to buy an **annuity.**

People in these types of scheme will still be able to buy an **annuity** if they wish, but if they prefer they will be able to draw all their pension savings as **one 'cash' amount**.

That sounds great but only the first 25% will be tax-free, with the rest being taxed. There is also the risk that some people may take all their pension savings in one go and spend them all, leaving themselves with no money to live on in retirement.

Could I join a defined contribution scheme instead?

Yes, it's not compulsory to be in the LGPS. There is nothing to stop you opting out of the scheme and joining a **defined contribution scheme**, then using the **Freedom and Choice** rules to access the new pot with more freedom. However:

- Most of our employers will only contribute to the LGPS, so you would **miss out** on what they currently pay in (typically twice as much as you do).
- You would be swapping your **secure, guaranteed defined benefits** for a pension pot that relies on the ups and downs of the investment markets.

Given that people opting out of the LGPS could also transfer the value of their current benefits into a **defined contribution scheme**, there is the risk that the benefits they have built up could be adversely affected by a fall in the stock market.

Getting the right advice

Where people are considering transferring benefits from a **defined benefit scheme** like the LGPS to a **defined contribution scheme**, they will have to take independent financial advice if the transfer value is £30,000 or more.

The Government has set up a service called **Pension Wise**, which offers online help at **www.pensionwise.gov.uk**. There is also one to one information available from bodies like **Citizens Advice**. They won't advise people what to do but they will offer guidance by helping them weigh up their options.

Tax limits and your pension

There are two different limits which could affect some scheme members - the **Lifetime Allowance** and the **Annual Allowance**.

Most members won't be affected by these limits; however, if you do exceed either or both of these you may have to pay a tax charge.

The **Lifetime Allowance** is the maximum value of tax relieved pension savings an individual can build up over their lifetime before any additional tax is due. The standard rate for the 2019-20 tax year was £1,055,000 and for the 2020-21 tax year it has been increased to £1,073,100.

The **Annual Allowance** is the amount that the value of your pension savings can increase in any one year before any additional tax is due. The standard allowance is currently £40,000 a year although there are now special rules for anyone earning in excess of £220,000 per annum. Please contact us if you believe you might be impacted by the annual allowance.

If you have exceeded the Annual Allowance for 2019-20 in respect of your Norfolk Pension Fund pension rights, you will be sent a Pensions Savings Statement with more details later in the year. If you earn less than the Annual Allowance, you can request a Pensions Savings Statement from us if you require one.

You can find out more from HMRC's website at **www.gov.uk/tax-on-your-private-pension/overview**.

You may wish to get professional independent advice if you are affected by the Lifetime Allowance or Annual Allowance limits.

Keep in touch with your pension **online**…

www.norfolkpensionfund.org

Visit the Norfolk Pension Fund website for all the latest news and information about the Local Government Pension Scheme.

Tip
Have your National Insurance number handy when you register for the first time

Register online with us to:

- Use your own pension calculator
- See your personal pension details
- Update your personal details

You can register online at
www.norfolkpensionfund.org
If you need any help, please call us on 01603 222132.

Over 18,000 scheme members have signed up so far!

Want to know more about your pension?

Please call us for a chat…

We are always available to help you with your LGPS pension and answer any questions you may have about planning for your retirement.

If you would like to speak to one of our LGPS experts, please call us on **01603 495923**.

We can explain your pension over the phone, or if you would prefer to see the person you're speaking to, we can arrange a virtual online meeting.

Due to the coronavirus outbreak, we are unable to hold our popular annual Pensions Clinics in October this year – but we're still here to help! Please do not hesitate to call us anytime during office hours for a chat on the phone or to book a virtual meeting with us.

The Fund's Annual Meeting is due to be held at 6pm on 3 November 2020. If you would like more details on how to attend, please call us on 01603 495923.

Financial advice

We are very happy to help you understand your LGPS pension and pension options, however we are not able to offer financial advice. For a list of Independent Financial Advisers in your area you can contact IFA Promotions at **www.unbiased.co.uk**. You can find help in choosing one at **www.pensionsadvisoryservice.org.uk/about-pensions/pensions-basics/top-tips-for-your-pension/choosing-a-regulated-financial-adviser**. Always remember to check that the advisor is authorised by the Financial Conduct Authority. Please be aware that you may be charged a fee for any advice.

Are you preparing for retirement?

We provide regular **pre-retirement courses** to help our scheme members prepare for retirement. The course is aimed at people who will be, or are considering, retiring in the next 18 months to two years.

The course covers:

- Creating a new future and managing change
- Making the most of your retirement, leisure and learning opportunities
- Information about the Local Government Pension Scheme
- Investment options and where to get financial advice
- Opportunities in the voluntary sector

To find out more, including course dates and how to book a place, please contact **HR Direct at Norfolk County Council** on **01603 222212** or **HRDirect@norfolk.gov.uk**.

Who do you want to benefit when you die?

A lump sum death grant of **three times your assumed pensionable pay** is payable if you die in service. Even if you die in retirement or as a deferred member, a death grant may still be payable.

You can nominate who you want this money paid to in the event of your death by completing an **Expression of Wish** form. If you have done this already the details are shown on page 13 of this booklet.

If you wish to complete or update your **Expression of Wish** you can download a form from our website at **www.norfolkpensionfund.org** or contact us.

Pensions Committee

Pensions Committee is responsible for the Norfolk Pension Fund. The Committee meets four times a year and meetings are open to the public. You can find **Pensions Committee** dates, agendas and reports on the Norfolk County Council website at **www.norfolk.gov.uk** under **What we do and how we work**.

Pensions Oversight Board

In Norfolk our local pension board is called the **Norfolk Pension Fund Pensions Oversight Board**.

Its role is to assist **Pensions Committee** in complying with all legislative requirements, making sure the scheme is being effectively and efficiently governed and managed.

The Board has an **equal number of scheme member and employer representatives**, along with an **Independent Chairman** to oversee its smooth running.

You can find out more about the Pensions Oversight Board on our website at **www.norfolkpensionfund.org** under **Governance** then **Local Pension Board**.

Queries and disputes

If you think the details in your benefit statement are wrong (for example your pay details) please let us, or your employer, know as soon as possible. Most queries are easily sorted out this way. However, if you disagree with any decision about your membership of the Local Government Pension Scheme, you're entitled to put your complaint through the official dispute procedure. You can find a guide and application form to the dispute procedure on our website at **www.norfolkpensionfund.org**. Alternatively please contact us and we will send you a copy.

The State Pension

There is a new **State Pension Scheme** for people who reach **State Pension Age** on or after 6 April 2016. You can claim the new State Pension if you are:

- a man born on or after 6 April 1951
- a woman born on or after 6 April 1953

If you reached State Pension Age **before 6 April 2016**, you will get your State Pension under the old scheme instead.

You can find out your State Pension Age at **www.gov.uk/state-pension-age**.

Your State Pension Forecast

You can get an estimate of your State Pension by contacting the Department of Work and Pensions Future Pension Centre on **0800 731 0175** or at **www.gov.uk/check-state-pension**.

Be scam aware!

The effects of financial scams can be devastating, with victims often losing their life savings or entire pension pots.

Fraudsters often scam people out of their life savings and pensions by offering attractive high investment returns whilst assuring the victim that their money is safe. In reality, the scammer will invest the money in high risk investments or simply steal it outright.

For more information on identifying and protecting yourself from the devasting effect of a financial scam, please read the leaflet enclosed with this statement or visit **www.fca.org.uk/scamsmart**.

Changes to the LGPS since September 2019

Protection for scheme members within 10 years of their retirement age at 2012

When the LGPS changed from a final salary to a career average pension scheme in 2014, protections for older scheme members were introduced. Similar protections were provided in other public sector pension schemes. The Court of Appeal ruled that younger members of the Judges' and Firefighters' Pension schemes have been discriminated against because the protections do not apply to them.

The Government has confirmed that there will be changes to all main public sector schemes, including the LGPS, to remove this age discrimination. This ruling is often called the 'McCloud judgment'.

The Government is still considering exactly what changes need to be made to remove the discrimination from the LGPS. This means it has not been possible to reflect the impact of the judgment in your annual benefit statement this year. If you qualify for protection it will apply automatically - you do not need to make a claim.

For more information, please visit **www.lgpsmember.org** and read the 'Age discrimination court case and the LGPS' article on the '**Latest News**' page.

Parental Bereavement Leave and Pay Regulations 2020

From 6 April 2020, Parental Bereavement Leave and Pay Regulations were introduced to the LGPS which means that assumed pensionable pay (APP) will apply when an employee takes statutory leave following the death of a child or a stillbirth. The new regulations ensure that parental bereavement leave and pay is treated in the same way as other family-related leave and pay entitlements (for example shared parental leave and pay) for the purposes of calculating entitlement to other statutory benefits or schemes.

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Data protection information

Norfolk County Council on behalf of the Norfolk Pension Fund is a Data Controller under the General Data Protection Regulations.

This means we store, hold and manage your personal data in line with statutory requirements to enable us to provide you with pension administration services.

To enable us to carry out our statutory duty, we are required to share your information with certain bodies, but will only do so in limited circumstances.

For more information about how we hold your data, who we share it with and what rights you have to request information from the Fund, please visit **www.norfolkpensionfund.org.**

Accounts and investments

Accounts and Investments

This is a summary of the Norfolk Pension Fund accounts and investments. Our **full accounts** for 2019-20 are published on our website at **www.norfolkpensionfund.org** following full external audit. You can also find there a copy of our **Investment Strategy Statement**, which includes details of our Socially Responsible Investment and Corporate Governance activities. If you would like a paper copy of either document please call us on **01603 222824**.

	2019-20 £000s	2018-19 £000s
Opening net assets of the scheme	**3,809,192**	**3,603,370**
Employees' contribution to the Fund	31,231	29,705
Employers' contribution to the Fund	119,463	117,522
Transfer values received	12,103	14,336
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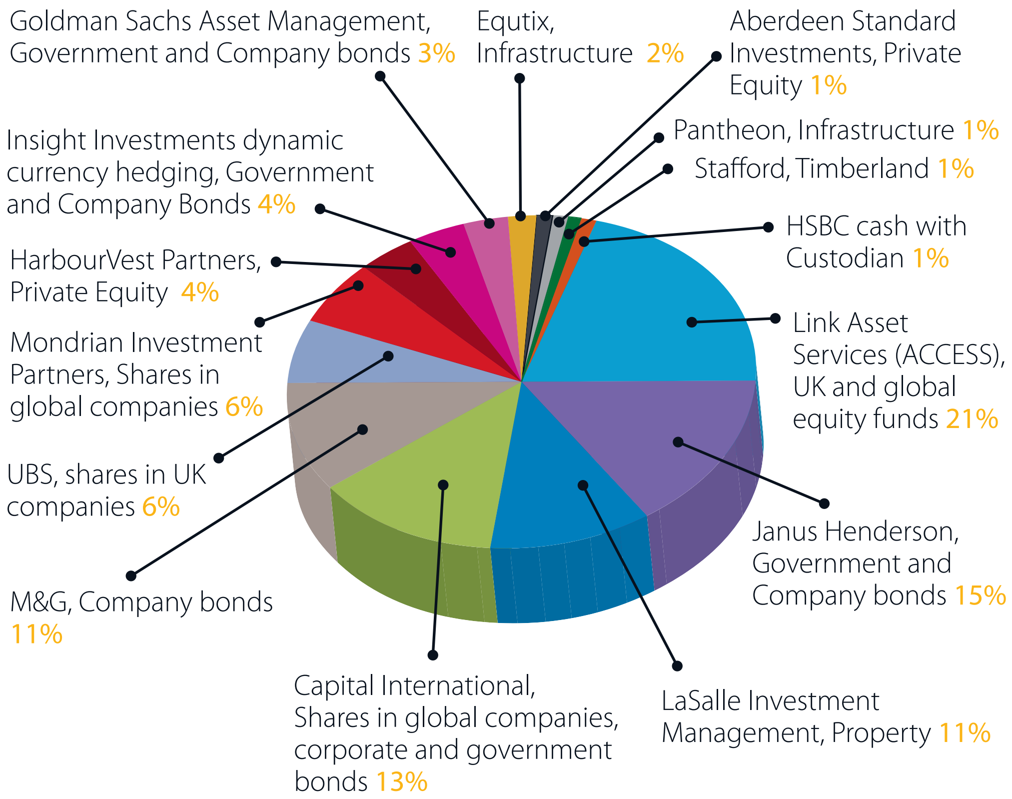
Transfers out and other payments to leavers	-6,491	-6,949
Advisor fees and general administration costs	-24,527	-20,634
Net investment return – including income and the change in value of investments	-175,540	210,477
Closing net assets of the scheme	**3,621,120**	**3,809,192**

The COVID-19 global pandemic created volatility on the financial markets and during this time most investment assets fell in value. The Norfolk Pension Fund was not immune to this, but our diversified, long-term, investment approach helped mitigate the effects. Over the year to 31st March 2020 the Fund's assets fell by 5.2% following a number of years of growth.



Our diversified approach means that we always have a mix of investment methods and asset types as we aim to get the best return on investment we can, whilst at the same time managing risk.

We are working with 10 other like-minded LGPS Funds to bring the management of many of our investments together in a pooled arrangement, in order to reduce costs whilst maintaining investment performance. This will not change Pensions Committee's overall responsibility for the Norfolk Pension Fund.

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communication for all

If you need this booklet in large print, audio, Braille, alternative format or in a different language, please contact 01603 495923 or email pensions@norfolk.gov.uk and we will do our best to help.

05 / 0000001 / A / 999
Mr A B Sample
2 Sample Road
Anywhere
Any Town
Any County
AB1 1BA

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APPENDIX C

Norfolk Pension Fund

Delivering the Local Government Pension Scheme

This booklet contains important information about **your pension**

Please read it carefully and keep it in a safe place

Your Personal Annual Benefit Statement

Mr A B Sample SAMPLE

August 2020

for you, for now, for the future
lgps

www.norfolkpensionfund.org

010914/01/JW/0000001/1 of 24/B0110/00000000

Contents

Cover image: Oilseed, Norfolk

Welcome to your personal benefit statement for 2020

Your name	**Mr Mr A B Sample SAMPLE**
Date of birth	**21st January 1974**
National Insurance number	**XX999999X**
Your employer	**COLLEGE OF WEST ANGLIA**
Employer payroll reference	**9999**
Date of leaving scheme	**18th July 2008**

This booklet includes your annual personal benefit statement and the latest information about the **Local Government Pension Scheme** (LGPS).

For members paying into the scheme in April 2014 the LGPS changed from a **Final Salary** scheme to a **Career Average** scheme, called LGPS 2014. **If you left the scheme before 1 April 2014 this won't have affected you.**

If you left the scheme **from** April 2014 onwards you may have built up some **Career Average** benefits in the scheme, alongside any **Final Salary** benefits up to April 2014.

Benefits you have built up in the scheme are included in this statement.

You will receive a separate statement at different times of the year if you have an Additional Voluntary Contribution (AVC) plan with Clerical Medical, Utmost Pensions (formerly Equitable Life) or Prudential.

As always, if you have any questions or would like to talk to us about your pension, we are happy to hear from you.

We would also love to hear any feedback you have on your statement. You can complete our online survey at **www.smartsurvey.co.uk/s/statements**. It only takes a few minutes and will help us provide you with the service you need.

Your LGPS (Local Government Pension Scheme)

Your LGPS membership may be more valuable than you think

The LGPS is one of the main public sector pension schemes and is considered to be one of the best in the country. Membership provides you with a **secure, regular income in retirement** linked to inflation, along with other valuable benefits including:

- **A secure pension for life** when you retire, based on your membership and pay – not linked to the ups and downs of financial markets
- The option to take a **lump sum** when you retire
- A **pension for your dependants** after you die
- At no extra charge, valuable **'peace of mind' life cover** if you die before payment of your benefits (and if you die in retirement we will still pay out a small lump sum if you haven't drawn a minimum amount of pension)
- You may qualify for an **early pension** if you have to retire through ill health

The above is just a summary of the main scheme benefits. You can find out more in our **Brief Guide to the LGPS**, available on our website at **www.norfolkpensionfund.org** or by contacting us using the details on the back of this booklet.

Guaranteed income in retirement – unaffected by the ups and downs of the financial markets

Your pension is linked to the cost of living

Keep in touch with your pension online…

www.norfolkpensionfund.org

Visit the Norfolk Pension Fund website for all the latest news and information about the Local Government Pension Scheme.

Register online with us to:
- See your personal pension details
- Update your personal details

You can register online at
www.norfolkpensionfund.org
If you need any help, please call us on 01603 222132.

Tip
Have your National Insurance number handy when you register for the first time

Over 18,000 scheme members have signed up so far!

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Your personal benefit statement

Over the next few pages we will show you the benefits you have built up and an indication of what you might get when you retire.

If you have an Additional Voluntary Contributions (AVC) plan with Clerical Medical, Utmost Pensions (formerly Equitable Life) or Prudential, details are not included in this statement. Separate annual statements are sent out at different times of the year for these. However, if you were buying additional membership or pension within the scheme then these details are included in this statement.

The figures and projections in this statement are based on the information held on our records and the relevant scheme regulations. While we have taken every care with the figures, they should not be seen as a definitive statement of the benefits payable and they may not take into account the maximum level of benefits allowed by HM Revenue & Customs.

Before making any decision about your pension or retirement, please **contact us** for a personal quotation of the benefits payable.

Financial advice

We are very happy to help you understand your LGPS pension and pension options, however we are not able to offer financial advice. For a list of Independent Financial Advisers in your area you can contact IFA Promotions at **www.unbiased.co.uk**. You can find help in choosing one at **www.pensionsadvisoryservice.org.uk/about-pensions/pensions-basics/top-tips-for-your-pension/choosing-a-regulated-financial-adviser**. Always remember to check that the advisor is authorised by the Financial Conduct Authority. Please be aware that you may be charged a fee for any advice.

Details of your membership

This is the record of your membership we hold. We received the information from your employer. If you have transferred membership into the LGPS from another scheme this is also shown.

If you think that any of these details are wrong, please let us know.

Employer or scheme	From	To
COLLEGE OF WEST ANGLIA	09/07/2007	18/07/2008
NORTHAMPTONSHIRE C.C.	04/10/2004	08/07/2007
NORTHAMPTONSHIRE C.C.	02/06/2003	30/09/2004

Only the most recent details of your membership are shown, although all periods are used when we work out your benefits.

The current value of your benefits

Normal Pension Date

21st January 2039

Annual pension

\+

Automatic tax-free lump sum

The above is an indication of the current value of your benefits, assuming you retire at your **Normal Pension Date.** This is the date you can retire and take your benefits without any early payment reductions.

If you left the scheme prior to 1 April 1998 your **Normal Pension Date** is fixed at the date shown above. However, you may be able to voluntarily retire and take your benefits at age 55, subject to an early payment reduction.

If you left the scheme after 31 March 1998 and before 1 April 2014 your **Normal Pension Date** is fixed at the date shown above. However, you may be able to voluntarily retire and take your benefits at any time from age 55 onwards, subject to an early payment reduction.

The figures on these pages don't take into account any pension sharing on divorce

If you left the scheme after 31 March 2014 your **Normal Pension Date** is linked to the **State Pension Age,** for any pension built up from 1 April 2014. It would change in line with any future increases to the **State Pension Age.** However, you may be able to voluntarily retire and take your benefits at any time from age 55 onwards, subject to an early payment reduction. You can find out your **State Pension Age** at **www.gov.uk/state-pension-age**.

Inflation-proofing

Pensions increase applied	99.9999%
Date of latest increase	6th April 2020

Your benefits are reviewed each year from the date you left the scheme so they keep pace with inflation. This is called **pensions increase** and applies to your **annual pension** and any **automatic tax-free lump sum**.

Your options

The **automatic tax-free lump sum** shown on page 8 only applies to pre-2008 benefits. However, when you retire you could choose to give up part of your pension for an extra tax-free lump sum – a **smaller annual pension** and a **bigger lump sum**.

You get £12 extra lump sum for every £1 of pension you give up; although there are limits on the size of the tax-free lump sum you can take.

The value of your death benefits

If you die before you retire, the current value of your death benefits is:

One-off lump sum life cover	**£9,999.99**

+

Annual partner's pension	**£999.99**

The figure shown above is an indication of the amount of pension we would pay to one of the following:

Your husband or wife or **Your civil partner** or **Your cohabiting partner**

Cohabiting partner

A 'cohabiting partner' is someone you are living with but are not married to or in a civil partnership with – some people call this a 'common law' marriage or partnership. **The LGPS does not provide a cohabiting partner benefit if you left before April 2008.**

If you were contributing to the LGPS from April 2008 to March 2014, you were allowed to nominate your cohabiting partner providing you had lived with them for at least 2 years, were free to marry or enter into a civil partnership and were financially interdependent.

Since 1 April 2014 you no longer have to nominate a cohabiting partner to be eligible for a cohabiting partner's pension. We would require your partner to provide proof of eligibility before any cohabiting partner's pension would be paid. However, if you have nominated a cohabiting partner in the past, their details are shown here:

Want to set up or change your Expression of Wish details? You can download a form at www.norfolkpensionfund.org or contact us (see back of this booklet)

Expression of Wish details for payment of lump sum life cover

Name	Percentage
Mr A B Sample	100%

If you have re-joined the LGPS in England and Wales, or do so in the future, the one-off lump sum life cover payable would be the greater of 5 x your deferred pension or 3 x your pay in your new job.

The partner's pension shown is an indication of the amount payable to the person you were married to, in a civil partnership with at the date you left the scheme, or have nominated to receive a partner's pension in the event of your death. If you have married or entered into a civil partnership since leaving, then different amounts may be payable. Please contact us if you would like more details.

Any eligible children under the age of 18, in full-time education and under the age of 23, or over 18 and with a physical or mental impairment, would be entitled to a child's pension in addition to the amounts shown on page 10.

Freedom and Choice

From 6 April 2015, people in **defined contribution pension schemes** were given far more choice on accessing their pension pots.

Does this affect my Local Government Pension?

The **Freedom and Choice** changes affect people in **defined contribution schemes**. The LGPS is a different type of scheme, known as a **defined benefit scheme**.

As a member of a **defined benefit scheme** you paid in a set amount to build up a **defined** range of benefits, based on your pay and length of service. This provides you with **a guaranteed income in retirement** – unaffected by the ups and downs of the financial markets – so there is no need to buy an **annuity**.

Also, there is already a feature built into your benefits package allowing you to give up some of your pension in exchange for **tax-free cash**.

So what is a defined contribution scheme?

In a **defined contribution scheme** members pay in a set amount – a defined contribution – which is invested in the financial markets to provide a pension pot. Until now members have had to use this pension pot to buy an **annuity** – an annual income is paid to them for the rest of their life.

The **Freedom and Choice** changes remove the requirement to buy an **annuity.**

People in these types of scheme will still be able to buy an **annuity** if they wish, but if they prefer they will be able to draw all their pension savings as **one 'cash' amount**.

That sounds great but only the first 25% will be tax-free, with the rest being taxed. There is also the risk that some people may take all their pension savings in one go and spend them all, leaving themselves with no money to live on in retirement.

Could I transfer my deferred LGPS pension into a defined contribution scheme?

You could transfer the value of your deferred LGPS pension into a **defined contribution scheme.** However, you could be swapping your secure, **guaranteed defined benefits** for a pension pot that relies on the performance of investment markets.

Getting the right advice

Where people are considering transferring benefits from a **defined benefit scheme** like the LGPS to a **defined contribution scheme**, they will have to take independent financial advice if the transfer value is £30,000 or more.

The Government has set up a service called **Pension Wise**, which offers online help at **www.pensionwise.gov.uk**. There is also one to one information available from bodies like **Citizens Advice**. They won't advise people what to do but they will offer guidance by helping them weigh up their options.

Want to know more about your pension?

Please call us for a chat…

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Looking after your loved ones

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010914/01/JW/0000001/15 of 24/00000000

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Disclaimer

This statement is based on the current provisions of the Local Government Pension Scheme Regulations 2013 as amended and other relevant legislation. This statement is provided for information only and does not give you any legal rights. In the event of any dispute, nothing in it can override the scheme legislation.

Have you re-joined the Local Government Pension Scheme?

If you have re-joined the LGPS with another Fund in England and Wales, or if you do so in the future, there are a few things you need to do:

- Please let your new LGPS Fund know you have a deferred benefit in the Norfolk Pension Fund (and any other LGPS Funds you may have deferred benefits with)
- You will also need to let them know of any intervening service you may have had in any other public service pension scheme (even if you received a refund of contributions for that service)
- Let us know you are an active member of another LGPS Fund in England and Wales

This will help make sure you are given the appropriate options regarding aggregation of your benefits and certain statutory rights are applied.

Queries and disputes

Please check the information in this statement carefully and let us know if you think any of the details are wrong.

Most queries are easily sorted out this way; however, if you still disagree with our decision you have the right to appeal via our official dispute procedure.

You can find a guide to the dispute procedure on our website at **www.norfolkpensionfund.org**. Alternatively, please contact us and we will send you a copy.

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There is a new **State Pension Scheme** for people who reach **State Pension Age** on or after 6 April 2016. You can claim the new State Pension if you are:

- a man born on or after 6 April 1951
- a woman born on or after 6 April 1953

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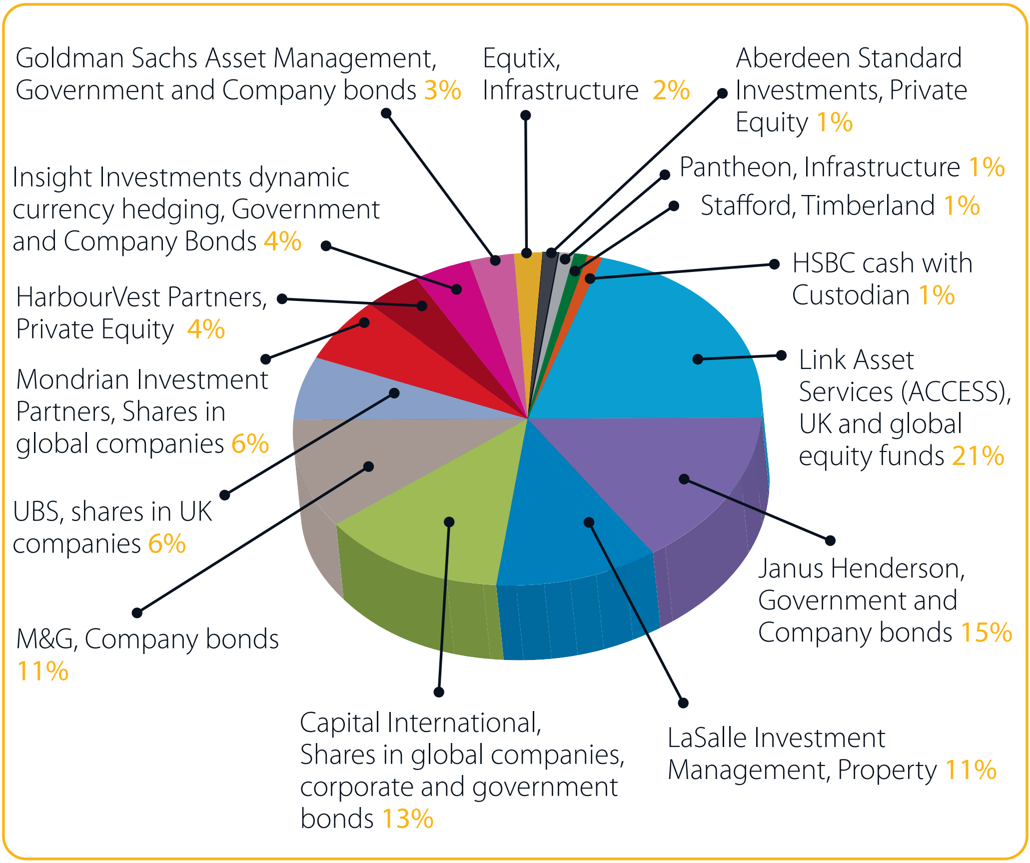
Net investment return – including income and the change in value of investments	-175,540	210,477
Closing net assets of the scheme	**3,621,120**	**3,809,192**

The COVID-19 global pandemic created volatility on the financial markets and during this time most investment assets fell in value. The Norfolk Pension Fund was not immune to this, but our diversified, long-term, investment approach helped mitigate the effects. Over the year to 31st March 2020 the Fund's assets fell by 5.2% following a number of years of growth.



Our diversified approach means that we always have a mix of investment methods and asset types as we aim to get the best return on investment we can, whilst at the same time managing risk.

We are working with 10 other like-minded LGPS Funds to bring the management of many of our investments together in a pooled arrangement, in order to reduce costs whilst maintaining investment performance. This will not change Pensions Committee's overall responsibility for the Norfolk Pension Fund.

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The Fund

Pensions Committee

Pensions Committee is responsible for the Norfolk Pension Fund. The Committee meets four times a year and meetings are open to the public. You can find **Pensions Committee** dates, agendas and reports on the Norfolk County Council website at **www.norfolk.gov.uk** under **What we do and how we work**.

Pensions Oversight Board

In Norfolk our local pension board is called the **Norfolk Pension Fund Pensions Oversight Board**.

Its role is to assist **Pensions Committee** in complying with all legislative requirements, making sure the scheme is being effectively and efficiently governed and managed.

The Board has an **equal number of scheme member and employer representatives**, along with an **Independent Chairman** to oversee its smooth running.

You can find out more about the Pensions Oversight Board on our website at **www.norfolkpensionfund.org** under **Governance** then **Local Pension Board**.

Please remember to keep us in the picture if you move house, or if this booklet didn't come to the right address.

- You can fill in and post the form below to us if your address details are not correct or up to date. Our address is on the back page of this booklet.
- If you have registered to use our online service, you can update your address details online (see page 5) at **www.norfolkpensionfund.org** .

Please use block capitals

Name ....

National Insurance number ....

Please update my address details as follows:

....

....

....

....

Postcode..

Signed .... Date ....

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If you need this booklet in large print, audio, Braille, alternative format or in a different language, please contact 01603 495923 or email pensions@norfolk.gov.uk and we will do our best to help.

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APPENDIX D

Employer Newsletter August 2020

Welcome to our August Employer Newsletter

It's been an interesting few weeks since our last Newsletter, with three of our key events delivered virtually for the first time - the Employer Forum, the July Pensions Committee meeting, and the Pre-Retirement Course.

Until recently, virtual communication was quite a rare and novel occurrence, but it's surprising how quickly we've all learned how to use the technology so effectively. It's possibly a little early to say whether virtual will be the new normal, but it certainly offers a useful alternative to the cost and travel involved with face-to-face meetings.

In other news, there have been important developments for the LGPS including the launch of the consultation in response to the McCloud judgement, the Government publishing its response to the Public Sector £95k Exit Payment Cap consultation and the lifting of the Cost Control Mechanism pause. We have addressed all of these in this issue and I hope you find the information useful.

The holiday period is likely to be a challenge this year, but I hope you get an opportunity to take a break although it's likely to be a bit closer to home than usual!

Best wishes,

Glenn Cossey
Director the Norfolk Pension Fund

In this issue

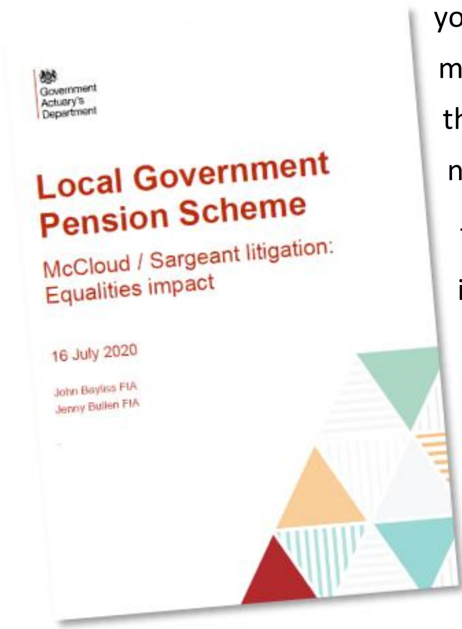
McCloud Case consultation

In July, the Ministry of Housing, Communities and Local Government (MHCLG) published a consultation on amendments to the statutory underpin, setting out proposals to remove the unlawful age discrimination identified in the McCloud judgment.

The underpin was a protection given to active LGPS scheme members, within 10 years of their retirement age at 2012, as part the introduction of the 2014 scheme. The aim was to ensure that a member would get a pension at least equal to what they would have received if the scheme had not changed.

In other words, the protection allowed a member to receive, for service accrued from 1 April 2014, the best of a 1/60th final salary benefit or a 1/49th CARE (career average revalued earnings) benefit.

However, the McCloud case (as well as other cases) was brought against the Government, claiming that the underpin, and other similar protections, was age discriminatory against younger scheme members because the protections did not apply to them.



The courts found in favour of the claim.

The consultation seeks views on proposed changes to the LGPS in England and Wales to address the findings of the judgment to 'level up' all members.

The consultation can be viewed by **clicking here** - the closing date for submission of comments is 8 October 2020.

A summary of the main proposals is published on the Scheme Advisory Board (SAB) website at **www.lgpsboard.org.**

In the meantime, we will keep you updated with any further announcements or guidance from the Local Government Association (LGA).

Thank you for keeping your member records up to date with changes in hours and breaks in service since 2014.

This means that we don't need any further information from you at this stage to update member data in line with the McCloud case.

However, if you think you may have missed telling us about any changes, please contact Mark Alexander on 01603 495781 or at **mark.r.alexander@norfolk.gov.uk**

Cost Control Mechanism

Alongside the McCloud underpin consultation, the Government made an announcement on the cost control mechanism that applies to all public service pension schemes.

The mechanism aims to allow steps to be taken to address a rise and fall in scheme costs outside of a target range.

As part of the process, the LGPS is required to monitor costs against the costs agreed by the Government in providing the pension scheme for their members. This monitoring is carried out every three to four years.

However, in January 2019, the Government paused the latest cost cap process pending the outcome of the McCloud case.

Subsequently, since the McCloud judgment, the latest Government announcement confirms that:

- the pause of the cost control mechanism will be lifted and the cost control element of the 2016 valuations process will be completed
- the costs of addressing the discrimination identified in the McCloud judgment will be included in this process

To view a copy of the announcement, please **click here.** As with the McCloud consultation, we will keep you up to date with any further developments regarding this issue.

New employer resources on www.lgpsregs.org

The website **www.lgpsregs.org** has recently been enhanced with the introduction of a resources section specifically for employers.

The new section contains guides and documents relevant to all LGPS employers in England and Wales.

In addition, an employer bite-size training resource has been launched that initially contains six modules on Assumed Pensionable Pay (APP).

Further training modules will then gradually be added to the page.

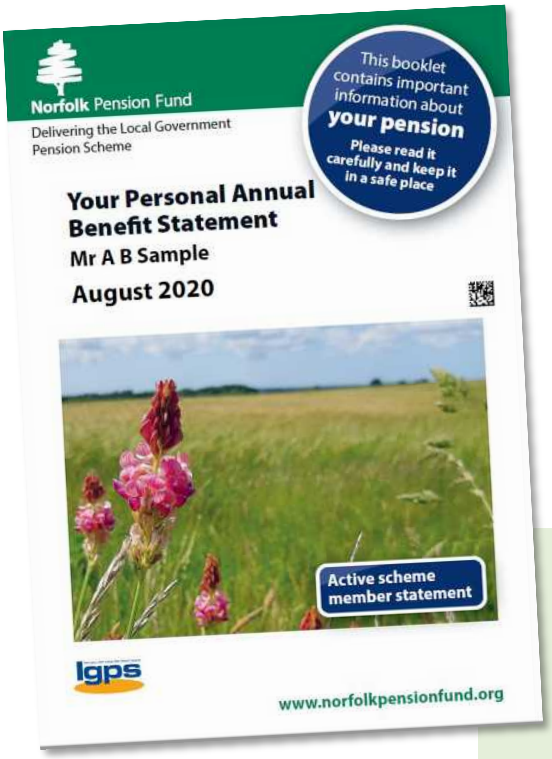
The site also offers general information about other training and resources, as well as COVID-19 FAQs for employers.

The new employer resources section is available at **www.lgpsregs.org/employer-resources**.

- **Employer guides and documents**
- **Employer bite-size training**
- **Other employer training**
- **COVID-19 FAQs for employers**

Annual Benefit Statement

The Annual Benefit Statement we send to scheme members gives them an estimated forecast of their pension at retirement age, based on the data you have given us and we hold.



It's an important document as it helps members plan and make decisions for their future.

Members can view their Annual Benefit Statement, showing accrued scheme benefits as at 31 March 2020, online by the end of August.

Please could you inform your employees that they can access their Annual Benefit Statement by registering on our secure member website at www.norfolkpensionfund.org.

The paper version of the Annual Benefit Statement will then be posted to members' home addresses during September.

Please let your employees know they can view their Annual Benefit Statement online by the end of August on our secure members website at www.norfolkpensionfund.org

Employer Forum webinar

Thanks very much to all of you that joined us for our first virtual Employer Forum on Wednesday 8 July.

The main part of the Forum was a webinar, introduced and hosted by Glenn Cossey, Director of the Norfolk Pension Fund.

Rob Bilton, from the Fund Actuary, Hymans Robertson, gave a presentation covering the 2019 Valuation, the impact of COVID-19 on funding, spotlight on latest developments (including the McCloud Case) and upcoming changes in the LGPS.

Debra Keeling, Pension Member Services Manager, gave an administration update including the impact of COVID-19 on the LGPS, pension scams, Year-End and details on our support to employers.

If you missed the Forum, you can view a recording of the event by **clicking here**.

The presentation slides are available on the Employer section of our website at **www.norfolkpensionfund.org**.

Public sector £95k exit payment cap

You may recall that in 2015, plans were announced to cap exit payments that can be made to employees when they leave the public sector.

The Government has now published its response to the 12-week consultation (which closed in July 2019) setting out how the cap will be implemented. The response can be viewed on the Government website at **www.gov.uk**.

The cap, which has been set at £95,000, as well as including redundancy payments (including statutory redundancy payments) and severance payments, also includes pension strain costs which arise when a LGPS pension is paid unreduced before a member's normal pension age upon termination of employment.

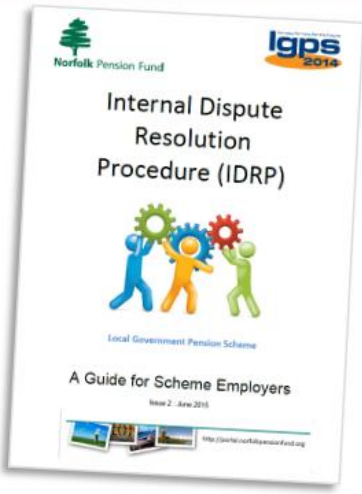
It could therefore impact on staff with long service at lower pay levels than may originally have been anticipated.

The Local Government Association (LGA) produced a summary specifically for LGPS employers, which can be viewed on the LGPS website at **www.lgpsregs.org**.

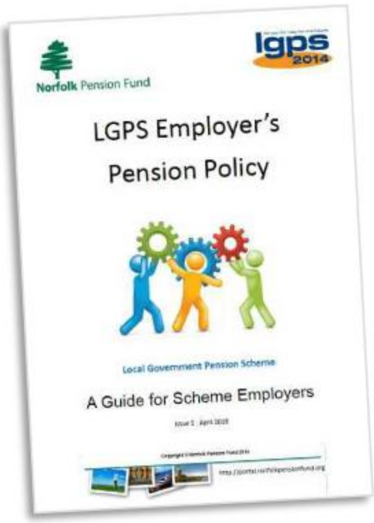
The Local Government Association (LGA) is considering the response and we will update you when it issues its findings.

Employer's Pension Policy and Internal Disputes

Just a reminder of the importance of keeping your Employer Pension Policy up to date. Your Employer Pension Policy should be sent to **graham.trussell@norfolk.gov.uk** within one month of joining the scheme and as soon as possible after making any update.



For more information please see the Employer Pensions Policy Guide (G060) available at **www.norfolkpensionfund.org/employers/forms-and-documents** under the **'Guides'** tab.



The Policy usually specifies the person that your employees should contact in the first instance of any dispute.

For more information about managing Internal Disputes please refer to the **'Employer IDRP Guide (G070)'** by visiting **www.norfolkpensionfund.org/employers/forms-and-documents** under the **'Guides'** tab.

There is also a **'Scheme Member Guide to disputes (G071)'** available at **www.norfolkpensionfund.org/governance/complaints-and-disputes**.

Calculation of Assumed Pensionable Pay (APP)

The Local Government Association (LGA) has changed its guidance on how employers should calculate Assumed Pensionable Pay (APP) in relation to regular lump sum payments.

The revised guidance is that the employer must assess whether any lump sum payment is regular.

Any regular lump sum paid in the 12 months before the start of the APP period **must be** added into the annual APP figure.

There is no requirement for an employer to assess how long the APP period is likely to last, nor the likelihood that the lump sum would have been paid again during that period.

You can learn more about calculating APP in the updated LGPS Payroll Guide which is available at **www.lgpsregs.org**.

Additionally, six employer bite-size APP training modules can be viewed at **www.lgpsregs.org/employer-resources.**

If you have any other questions about how you should be calculating APP, please contact Mark Alexander on 01603 495781 or at **mark.r.alexander@norfolk.gov.uk**.

What is Assumed Pensionable Pay?

Assumed Pensionable Pay is a notional pensionable pay figure used to ensure that a member's pension is unaffected by any reduction to, or suspension of, pensionable pay due to a period of sickness or injury, or any reduction due to relevant child related leave or reserve forces leave.

Wellbeing service

Social distancing and remote working has affected everyone's mental health to varying degrees.

With that in mind, your colleagues might be interested to know of Wellbeing, part of the NHS, a service designed to help anyone cope with tough times in their life or when they face health challenges.

The service offers a range of support including psychological therapies, self-help, training, social groups/events to help with common issues such as low mood, depression, stress and worry, to make changes to improve well being and quality of life.

wellbeing
Helping you live your life

Wellbeing is **FREE** to anyone aged 16 and over living in Norfolk & Waveney and can be accessed through a GP or any other health or social care professional, by calling **0300 123 1503** (8am-8pm) or by self-referral at **www.wellbeingnands.co.uk**

Please visit **www.nhs.uk** to check the availability of Wellbeing in other areas.

Norfolk Pension Fund governance

Norfolk County Council, as Administering Authority of the Norfolk Pension Fund, delegates its pensions functions to **Pensions Committee** to administer the scheme on behalf of all participating employers and scheme members.

All public sector pension schemes are also required to have a local pensions board (known in Norfolk as the **Pensions Oversight Board**), to assist the Administering Authority in ensuring the effective and efficient governance and administration of the scheme.

You can find more details about the Norfolk Pension Fund governance arrangements in our Governance Strategy Statement which can be found on our website at: **www.norfolkpensionfund.org/governance**.

Pensions Committee news

The last Pensions Committee meeting on 7 July 2020, was held virtually and streamed live via You Tube. In addition to Committee Members, the meeting was attended by Norfolk Pension Fund officers and representatives from the Fund Actuary, Hymans Robertson.

Alongside its regular oversight of investment and administration performance, and progress reports on the ACCESS investment pool, the Committee:

- considered the impact of coronavirus on the Fund and action taken
- reviewed the key messages from the Annual Internal Audit Report
- reviewed the updated Investment Strategy Statement
- noted the LGPS National Frameworks 2019-20 outturn
- noted the revision to the accounts timetable and transparency
- reviewed the Norfolk Pension Fund Risk Register
- received an update on the Norfolk Pension Fund Strategic Review

The Committee next meets on 1 October 2020.

The Pensions Oversight Board next meets on 10 September 2020.

Pensions Committee papers are published on the **Norfolk County Council** website.

Norfolk County Councillors

Judy Oliver (Chairman)

Danny Douglas

Tom FitzPatrick

Martin Storey

Brian Watkins

District County Councillors

John Fuller

Alan Waters (Vice Chairman)

Staff representative

Steve Aspin








LGA Employer Role training

The Local Government Association (LGA) has been holding a number of virtual LGPS Employer Role training sessions recently.

These have proved very popular and we are aware that many of you have been frustrated to find dates fully booked when attempting to reserve a place.

We understand though that another batch of dates are planned later this year and we will let you know of the arrangements as soon as they are published.

Please note that the course is provided by the LGA (not the Norfolk Pension Fund) and the cost is £270 + VAT per delegate.

Pre-Retirement Course

If you have any employees within two years of retirement, they may benefit from the Pre-Retirement Course delivered by Norfolk County Council on our behalf.

The course, which is currently being delivered virtually over two half day sessions via Zoom, covers general LGPS scheme information, the process of retiring and information members should know before they leave work.

The course is free to all members of the Norfolk Pension Fund and the content includes:

- Creating a new future and managing change

- Investment and finance planning
- Ideas for leisure, sporting, and cultural activities
- Volunteering opportunities
- Information about the Local Government Pension Scheme

Course Dates

- 14 & 19 October 2020 (two half days)
- 12 & 19 November 2020 (two half days)

To book a place please contact

HR Direct, Norfolk County Council
01603 222212
HRdirect@norfolk.gov.uk

New member joiner pack

We are currently unable to supply you with the joiner pack, which you would normally issue to new employees.

However, you can download the following pack items from our website at

www.norfolkpensionfund.org/employers/joiner-pack/

- A Brief Guide to the LGPS
- Membership Form (SR95)
- Non LGPS Benefits Transfer-In Request (SR96)
- Death Grant Form (SR81)

The Membership Form can be completed electronically, so you can email a copy to a new employee. The completed form can then be uploaded via the Employer Portal.

Contact details

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

Pensions Administration
01603 495923
pensions@norfolk.gov.uk

Investment, Accountancy and Actuarial Services
01603 222139
pensions.finance@norfolk.gov.uk

Website, Technical and Employer Queries
01603 222132
pensions.systems@norfolk.gov.uk

www.norfolkpensionfund.org

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HYMANS ROBERTSON

LGPS

National Knowledge Assessment

Norfolk Pension Fund

June 2020

National Knowledge Assessment

Overview

Following the success of the 2018 LGPS National Confidence Assessment, Hymans Robertson continued the journey to understand and develop knowledge levels in the LGPS with the 2020 LGPS National Knowledge Assessment (NKA). The NKA's key goal is to provide LGPS funds with an insight into the pensions specific knowledge and understanding of the people who hold decision making and oversight responsibility within their organisations.

18 LGPS funds and over 200 members have participated in this first ever National Knowledge Assessment of Pension Committee ('Committee') and Pension Board ('Board') members. The findings from this assessment will provide LGPS Funds with a quantitative report of the current knowledge levels of the individuals responsible for running their fund, aiding the development of more appropriately targeted and tailored training plans for both groups. This report is also a key document in evidencing your fund's commitment to training.

Background

The Norfolk Pension Fund ("the Fund") agreed to participate in the NKA using our online assessment. This report provides the participants' results broken down into 8 key areas. The online assessment opened in mid-March and closed at the end of May, and there were weekly progress updates provided to the Fund confirming participation levels. Each participant received their individual results report following completion of the assessment.

Challenging test

This was a challenging multiple-choice assessment of participants knowledge and understanding of relevant subject areas. There was no expectation that participants would score 100% on each subject area tested. Rather the goal was to gain a true insight into members' knowledge in the areas covered by the CIPFA Knowledge and Skills Framework and the Pensions Regulator's (TPR) Code of Practice 14.

Why does this matter?

In recent years there has been a marked increase in the scrutiny of public service pension schemes, including the 100 regional funds that make up the LGPS across the UK. The Public Service Pensions Act 2013 introduced new governance legislation, including the requirement for Local Pension Boards to be set up and extended the remit of the Pensions Regulator to public service schemes as set out in its Code of Practice 14[1]. Additionally, the Ministry of Housing, Communities and Local Government ("MHCLG") in England & Wales and Scottish Ministers in Scotland, and their respective Scheme Advisory Boards have emphasised the need for the highest standards of governance in the LGPS. This includes ensuring that all involved in the governance of public sector funds can evidence they have the knowledge, skills and commitment to carry out their role effectively.

While fund officers may deal with the day-to-day running of the funds, members of the Committee play a vital role in the scheme, and to exercise their roles effectively must be able to address all relevant topics including investment matters, issues concerning funding, pension administration and governance.

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[1] Governance and administration of public service pension schemes – issued April 2015

Recent events

The introduction of Markets In Financial Instruments Directive II (MIFID II) in January 2018 required Committee members to evidence their knowledge in order to be treated as professional investors. Also, in late 2019 the Scheme Advisory Board for England and Wales began a review of governance arrangements for LGPS funds. This project – termed 'Good Governance' – addressed stakeholder knowledge and skills. A clear recommendation of the Good Governance project is that the knowledge levels already statutorily required of Board members should also be required of Committee members. These recent events have reaffirmed that LGPS funds should evidence the training provided and current knowledge and understanding levels retained within their Committee and Board.

We would encourage the use of these results to better understand the areas where Committee and Board members feel comfortably informed, but crucially where further training may be of benefit.

In keeping with the theme of increased external scrutiny, it is important not only that the Committee and Board have confidence in their roles, but also that the Fund can demonstrate the steps taken to facilitate this. We would suggest you keep a record of the process used to assist the Committee and Board with training and development. This report should form part of the overall training records for both groups.

Approach

The members of the Norfolk Pension Fund Committee and Board were invited to complete an online knowledge assessment. In total there were 4 respondents from the Committee and there were 3 respondents from the Board. Each respondent was given the same set of 47 questions on the 8 areas below:

1	Committee Role and Pensions Legislation	**5**	Procurement and Relationship Management
2	Pensions Governance	**6**	Investment Performance and Risk Management
3	Pensions Administration	**7**	Financial Markets and Product Knowledge
4	Pensions Accounting and Audit Standards	**8**	Actuarial Methods, Standards and Practices

Under each subject heading, there were at least 5 multiple choice questions to answer. Each question had 4 possible answers, of which one answer was correct. This allows us to build a picture of the knowledge levels of each individual member in each of the topics, but crucially to help inform you of the overall levels of knowledge in each area.

Results

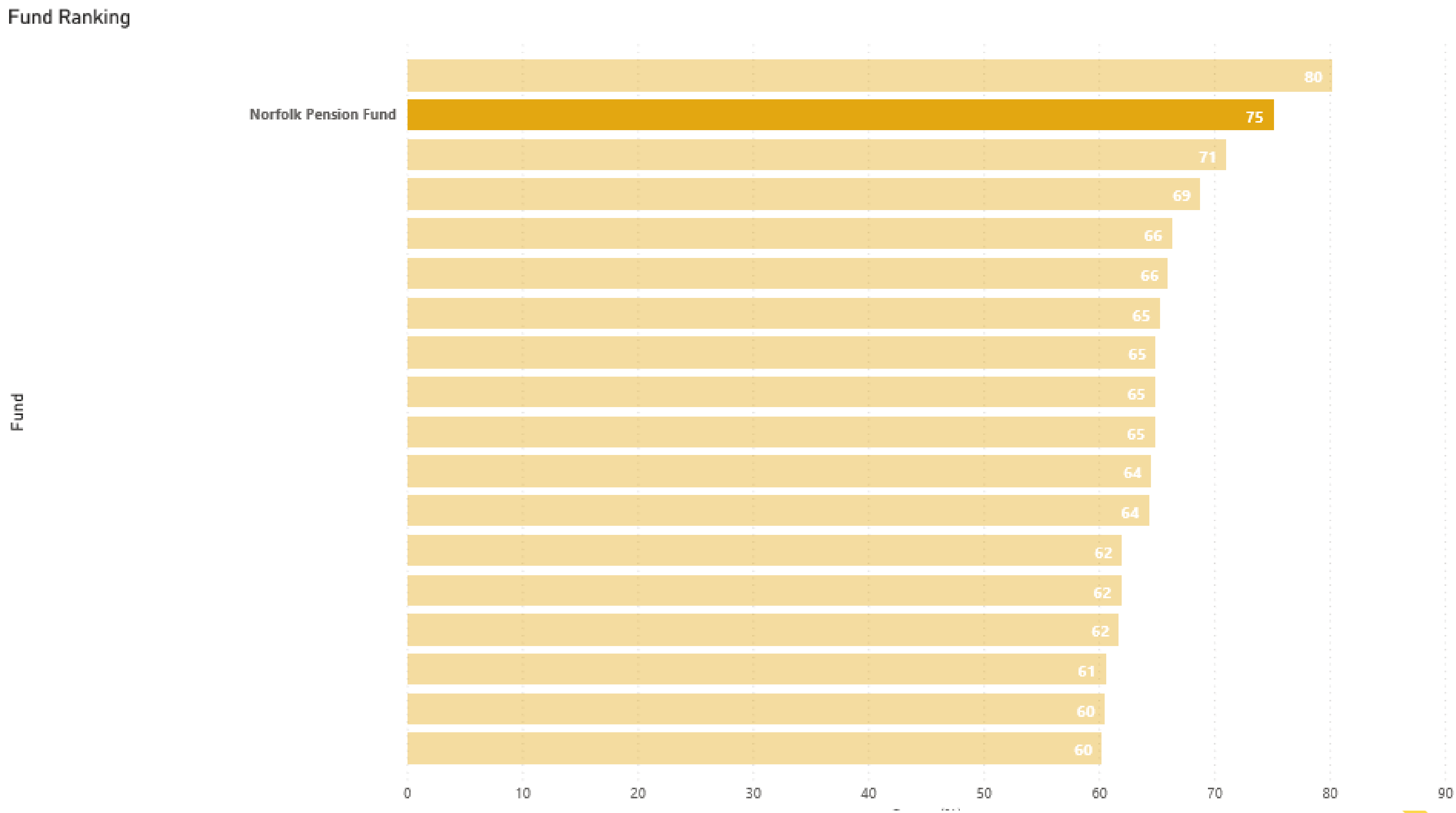
The responses for all members who participated have been collated and analysed. For each section we have shown:

- The Fund's overall ranking against other participating LGPS funds
- The average score for each of the 8 subject areas, for both the Committee and Board.
- Each average score benchmarked for both groups against the other NKA participant funds' Committee and Board for each of the 8 subject areas
- Engagement levels for both the Committee and Board and how these levels rank against other LGPS funds

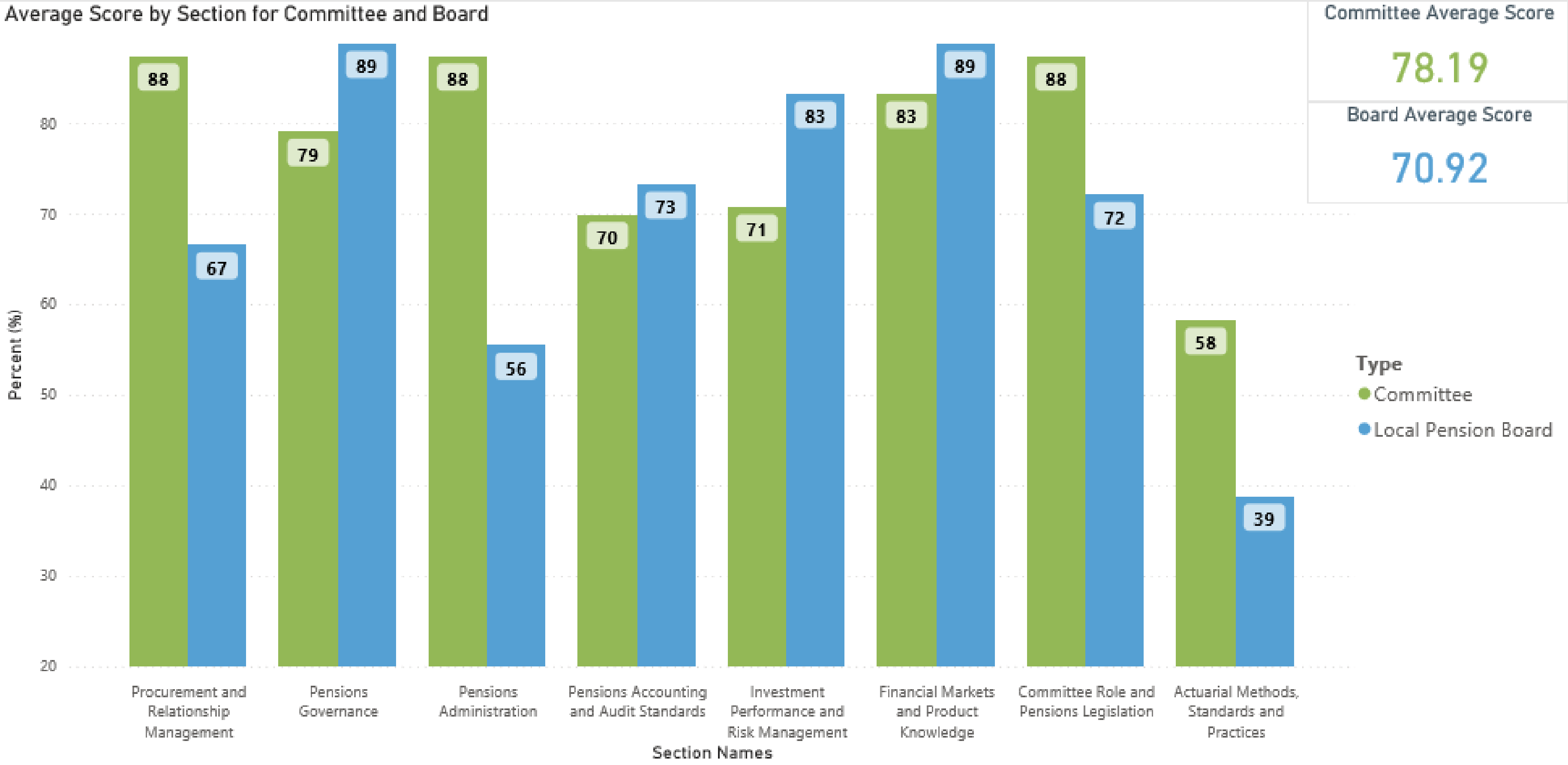
Based on the results and the responses received from participants we have also completed a proposed training plan for the Fund over the next 18 months, as well as some other "next steps" to consider.

Overall Results

The table below shows how the overall average score for your Fund compares with that of all other funds who took part in the Assessment. The "score" shown below is the average score of all participating Committee and Board members from each Fund. The Norfolk Fund is 2nd out of 18 Funds.



For each of the assessment's 8 areas we have shown the results of both the Committee and Board. These have been shown in the order in which the sections appeared in the survey. There is also a summary showing the average scores across all sections for the Committee and Board.

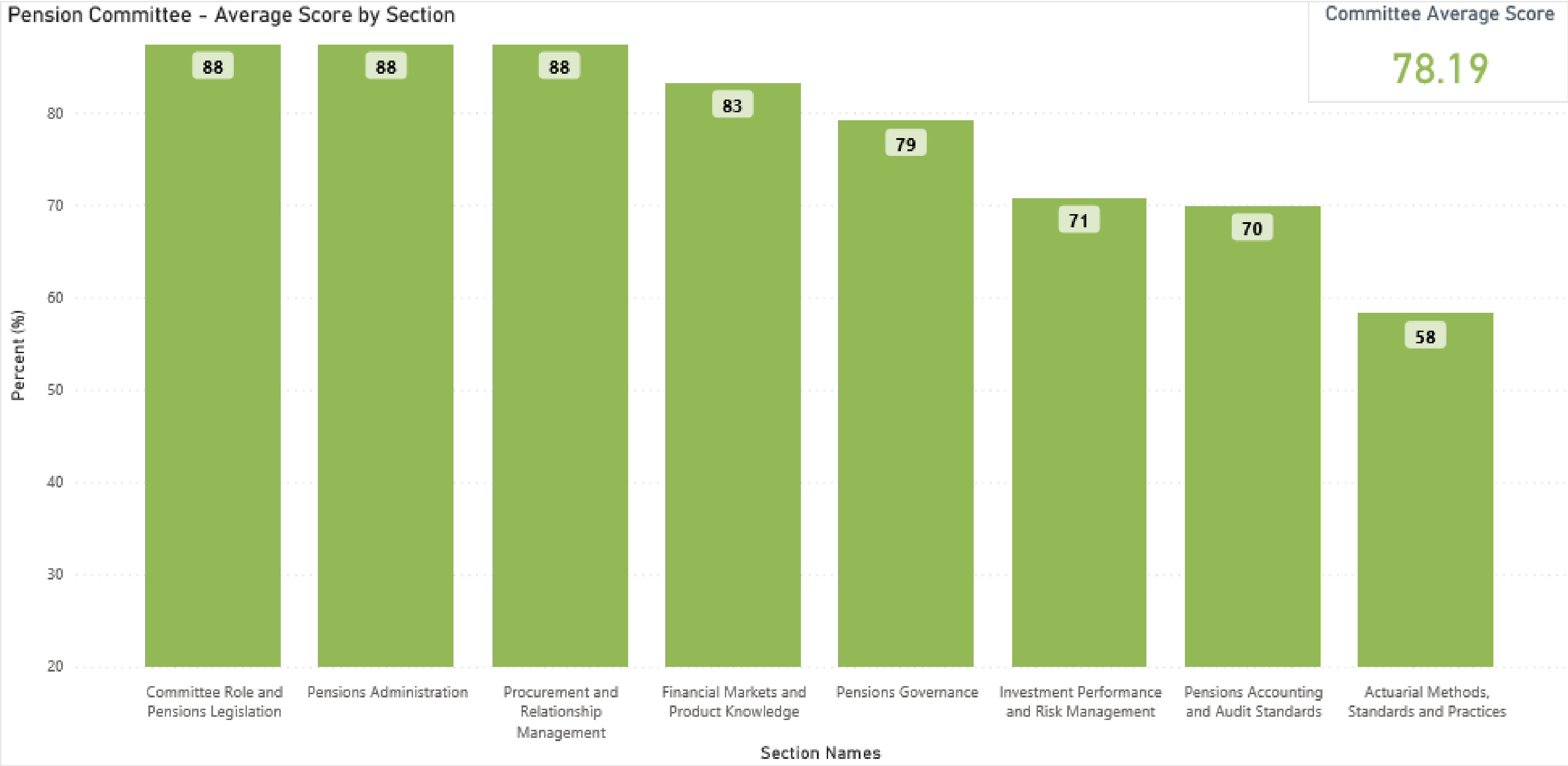


The participants from both groups scored very highly on average over most of the topics assessed. The Board scored highly in governance, as you might expect, as well as in financial markets and investment performance. The committee scored highest in sections to do with procurement, administration as well as the role of the committee and pension legislation.

Performance in each area

The results can be ranked for each section from the highest score (greatest knowledge) to lowest score (least knowledge). This is shown separately for both the Committee and the Board. The intention is that training plans and/or timetables can be tailored to focus on the areas of least knowledge, whilst ensuring the Committee and Board maintain the high level of knowledge in the stronger areas.

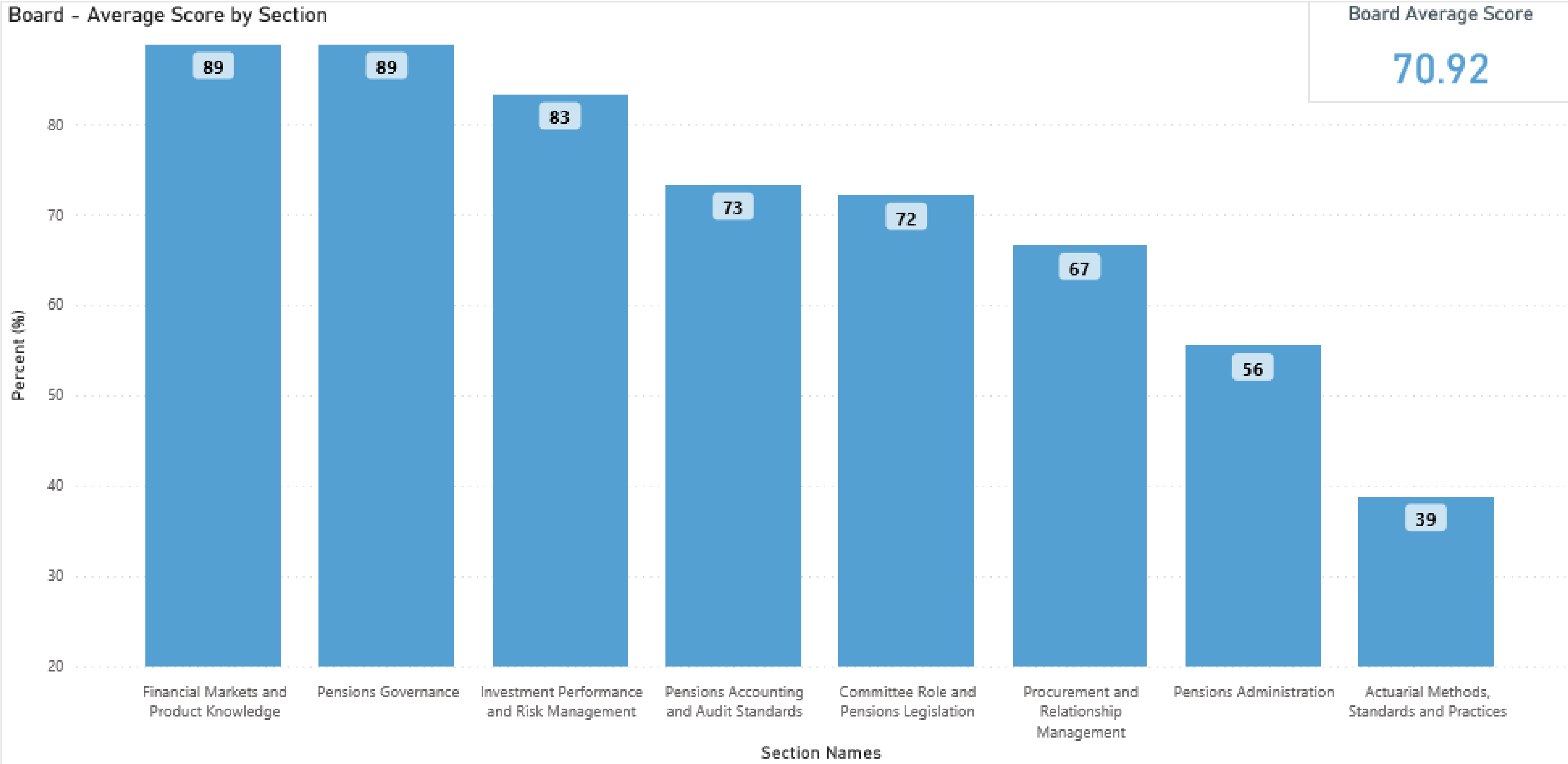
Pension Committee



The results show 3 areas in particular (legislation, administration and procurement) which were very strong for the Committee participants. There was a good spread of knowledge across other areas too.

Actuarial methods, standards and practices was the area with lowest score – significantly lower than all other areas.

Pension Board



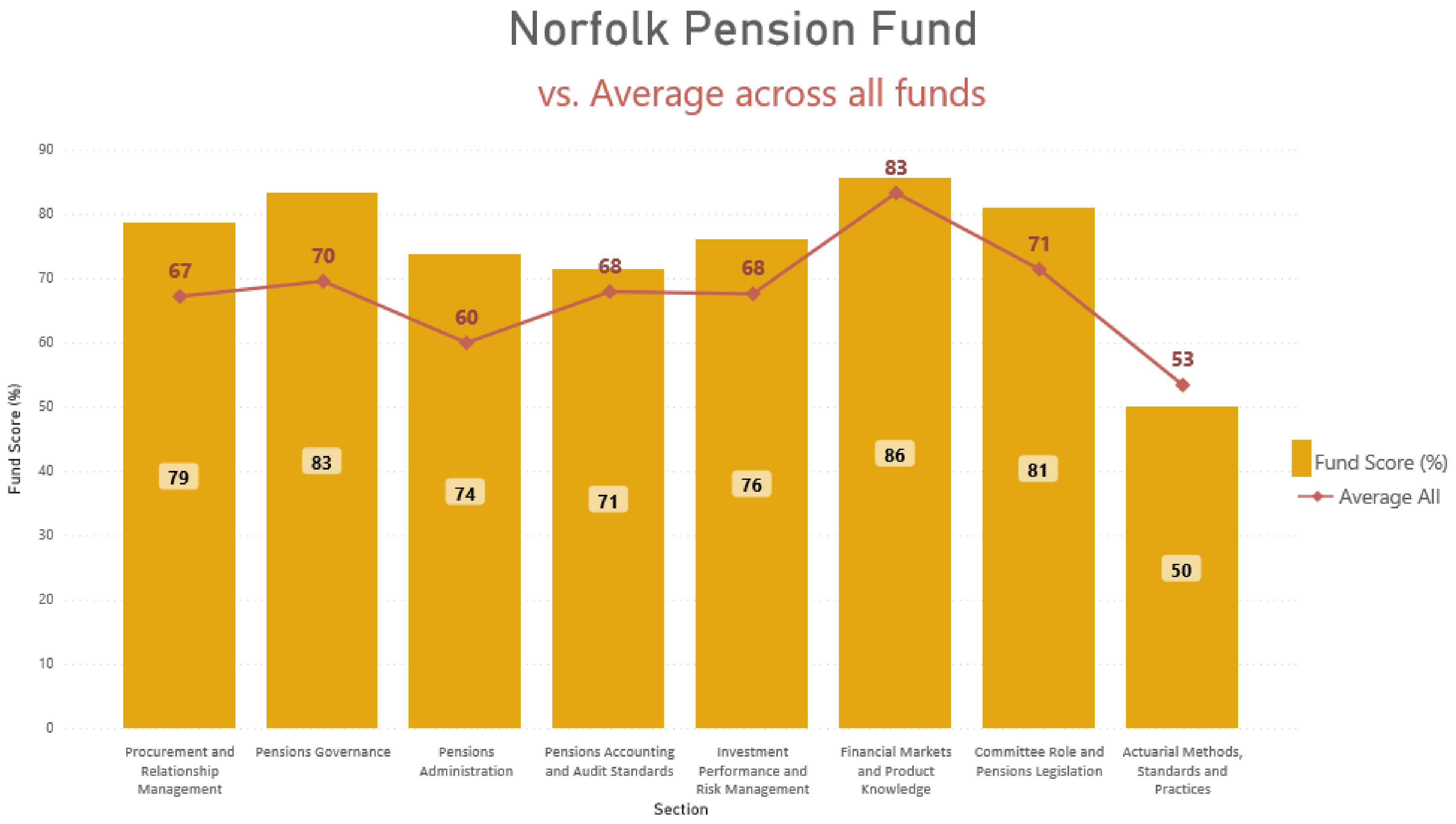
Financial markets and pension governance were the highest scoring areas for the Board, which is encouraging. Investment performance and risk management also scored highly.

It does appear that the Board's knowledge in the most areas is generally good, Actuarial methods and pension administration would be the key areas to focus on. This is highlighted further in the following section which compares the Norfolk results, with all participating funds' results.

Benchmarking

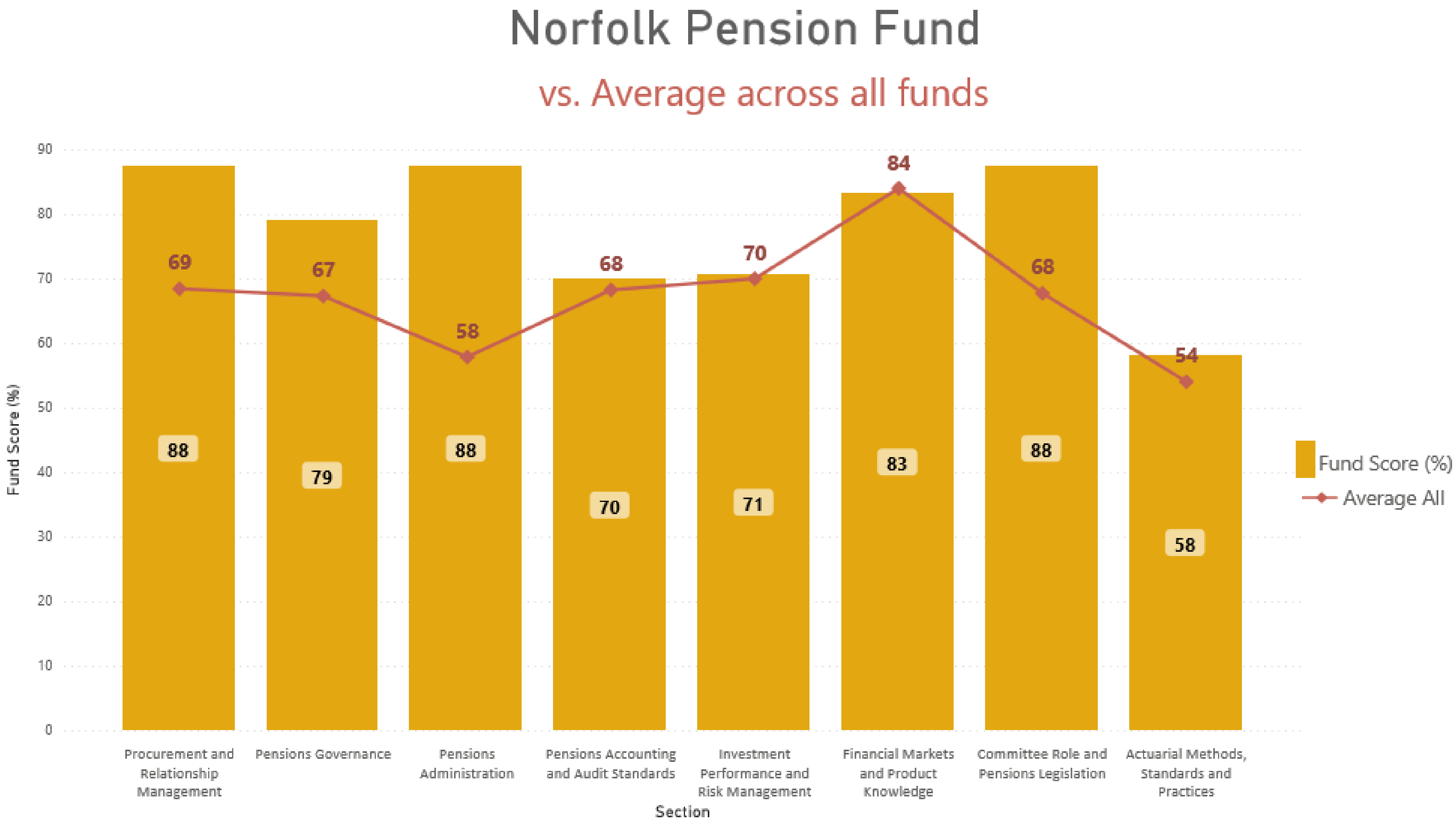
As this assessment is being conducted at national level across a number of LGPS funds we are able to provide details of how your Fund's results compare to those across the average of all funds who have taken part to date. We have provided a comparison of the results for both your Fund's Committee and Board, versus the average scores nationally for each group. This gives an idea of the knowledge levels across these groups, relative to the national average.

Committee and Board combined



Pension Committee

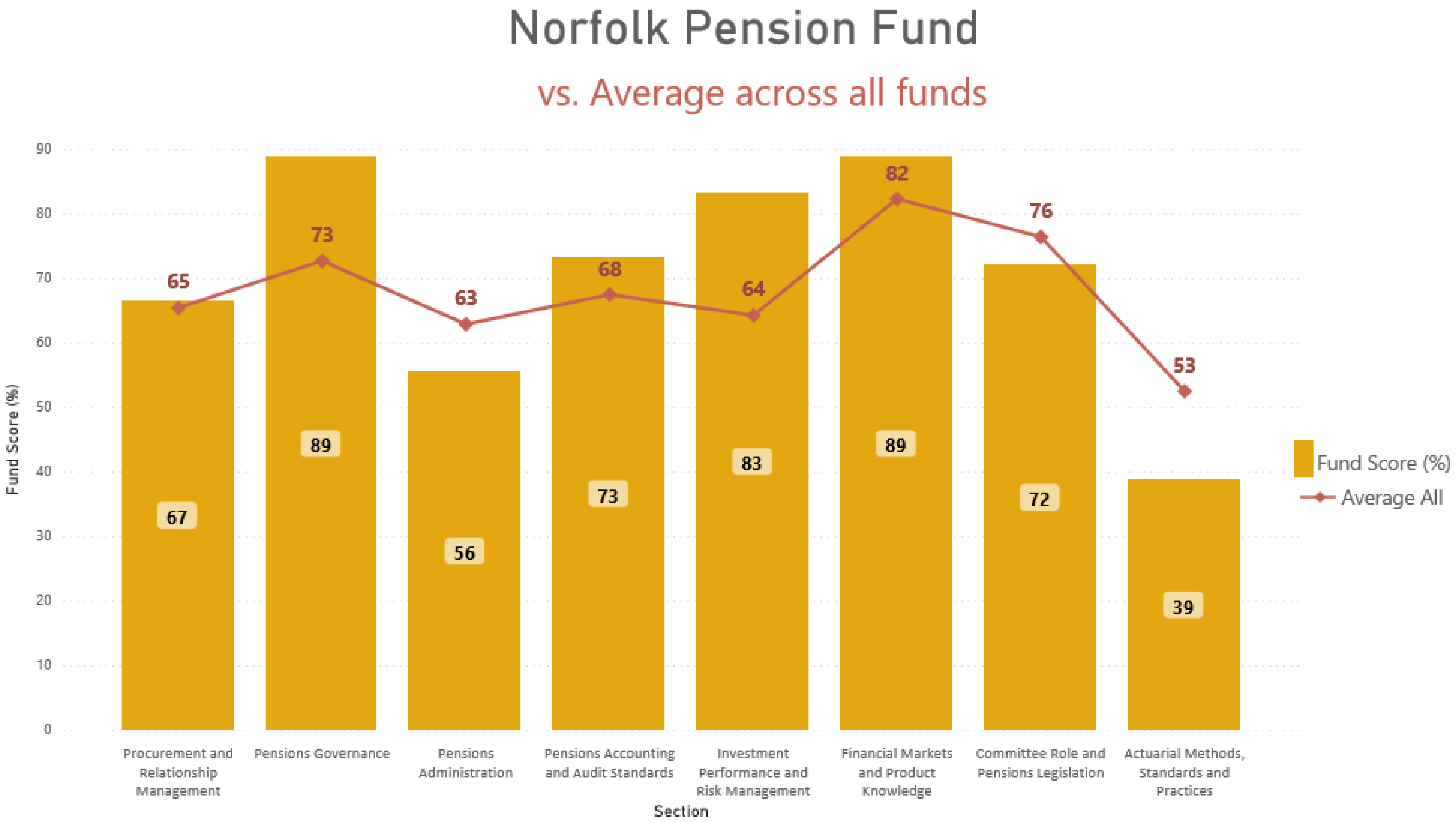
The following chart shows how your Fund's Committee scored in each section, versus the national average of all Committee members who took part.



The Committee ranked 2 out of 18 Funds' Committee results

Pension Board

The chart below shows how your Fund's Board scored in each section, versus the national average of all Board members who took part.



The Board ranked 5 out of 18 Funds' Board results.

Commentary

Overall the results from participants were positive and it is clear that there are areas of greater knowledge and there are those that should be developed over time. We would fully expect there to be gaps in the knowledge of all members, no matter their role on the Committee/Board, their tenure or indeed their background in terms of pensions experience. The most important thing to emphasise is that not everybody needs to be an expert in all areas, rather there should be a spread of knowledge across your Committee and Board which is supported by advice from officers and professional advisors.

Just as important as gaining the relevant knowledge and understanding expected of a Pension Committee or Board is the application of that knowledge and understanding, including the utilisation of an individual's own background and perspective. To supplement a Fund's training plan, we recommend that case study analysis is also included as part of both the Committee and Board training plans, allowing time for reflection on how both groups react and act on issues.

Committee

The results show that governance and financial markets and product knowledge have the highest levels of knowledge, but that the areas to focus any specific training on might be actuarial methods, audit standards and investment performance, which you might expect to be stronger for the Committee.

Local Pension Board

The results show that the highest levels of knowledge relate to governance and financial markets, but that the areas to focus any specific training on might be actuarial methods and pensions administration for the Board.

The next step would be to try an develop the knowledge of the lower scoring areas. You might already have a training plan in place, in which case you could use these results to tailor the specific training and with the knowledge of these results, ensure it aligns with your priorities.

Engagement

One of the key areas that we recommend funds focus on is Committee and Board engagement. With the ever-increasing pace of change in the pensions and investments world, member engagement is critical to maintaining strong collective knowledge. There is an expectation that they need to be not only willing, but keen to develop their knowledge and understanding across the raft of topics upon which they will need to make, or ratify, decisions.

Overall engagement

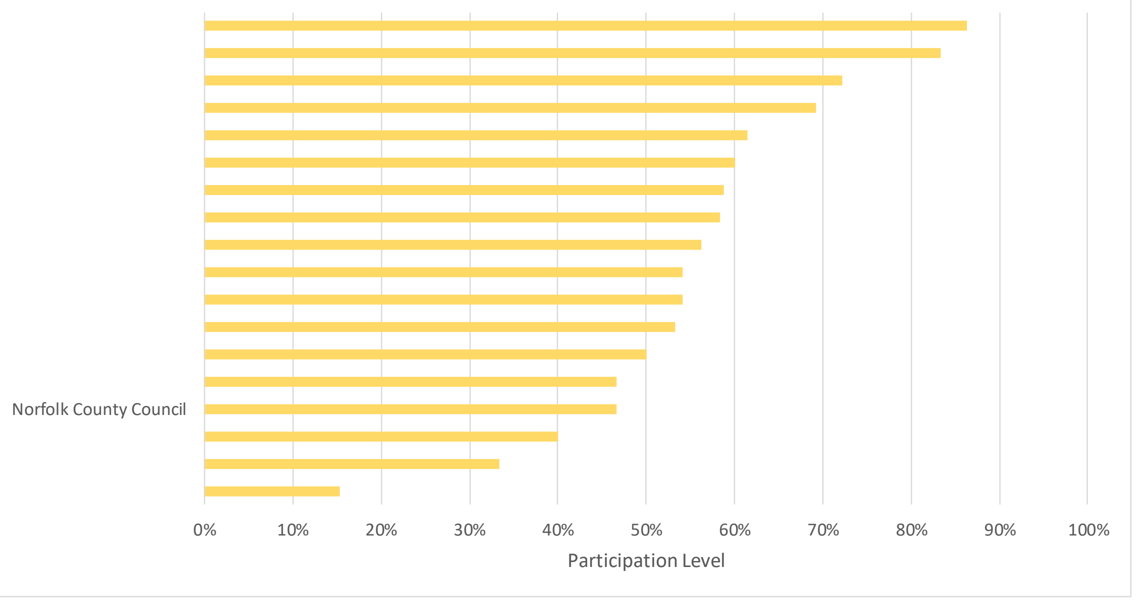
One measure of the engagement of members is their willingness to participate in training. As such, we have used the participation level of this survey to measure the engagement of your Committee and Board members. The table below shows the breakdown of the total number of participants from the Norfolk Fund, as a proportion of those who could have responded.

	Participants	Total Number	Participation rate
Committee	4	8	50%
Board	3	7	43%
Total	**7**	**15**	**47%**

We understand that different Committees function in different ways and have different numbers of members. We therefore draw no conclusions or make any inferences from these results. The information is simply being provided to the Fund officers, as they will be best placed to draw any conclusions.

Engagement benchmarking

The chart below shows how your Fund's participation level compares with that of all other funds who took part.



Commentary on engagement

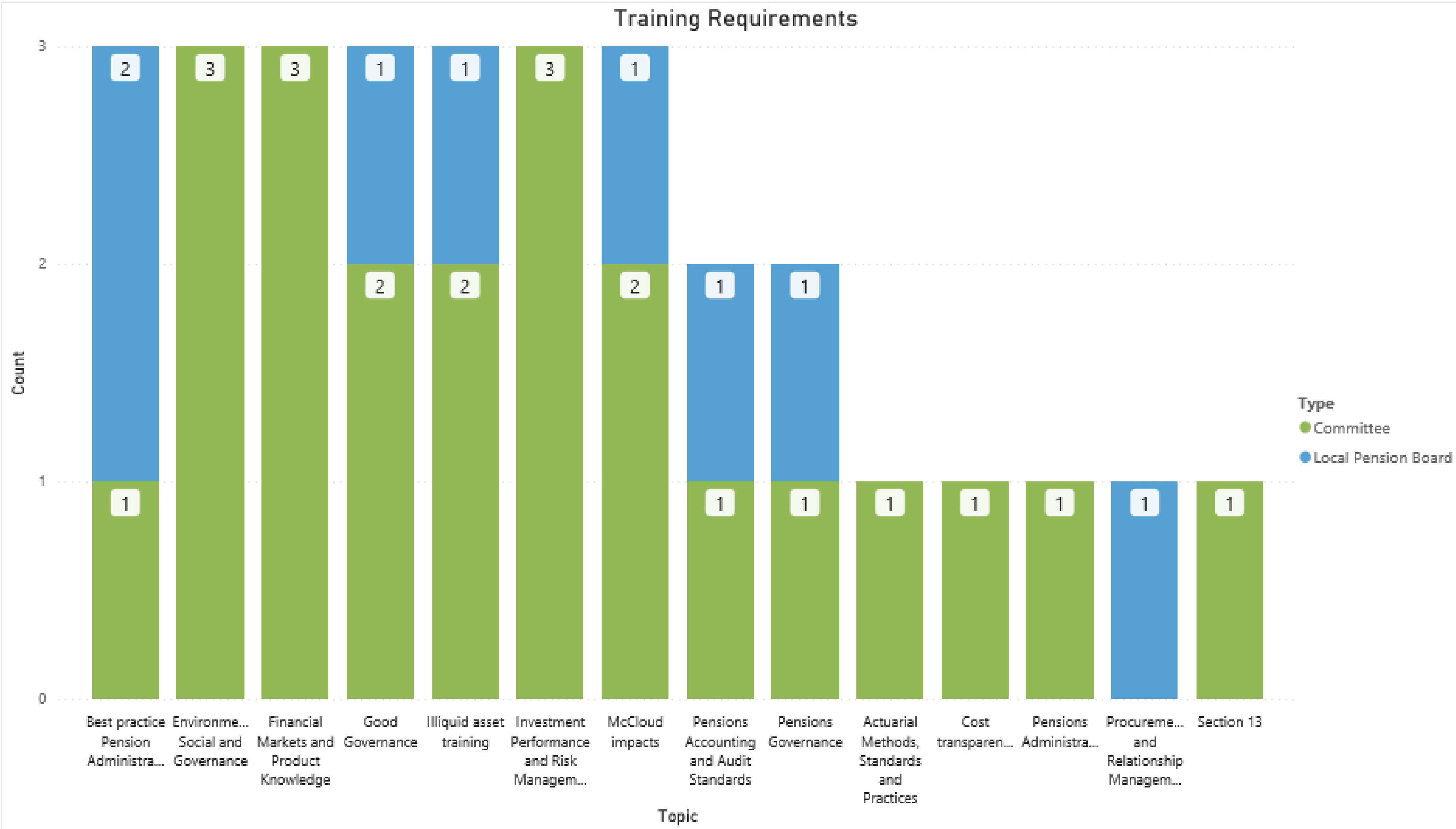
Unfortunately, in comparison to the strong results of participants, that only 7 participants from the Fund took part in the assessment is disappointing. With the number of changes to the LGPS in recent years, it is vital that Committee and Board members remain abreast of the latest developments and feel confident that they have the knowledge required to make the decisions required of them. Their level of engagement is a key driver of this.

Overall engagement is lower than would be expected and it is important to try to improve this position, particularly with current and known future challenges the Fund will have to navigate.

Training feedback from participants.

One of the final sections of the survey asked participants to indicate which topics they would like to receive training on. There was a list of options available, covering a broad spectrum of the topics we believe are most relevant to allowing Committee and Board members to effectively perform their roles. Members were also given the option to indicate any other areas in which they would benefit from further training.

The table below summarises the areas in which members indicated training would be beneficial.



In the addition to the pre-defined list of training, we also asked participants for comment and areas in which they feel further training would be beneficial. We have provided a selection of these comments below:

"Impact of Covid crisis on investments"

"Some refresher training from time to time"

Suggested Training Plan

We have put together a summarised training plan below, picking out the key areas for development based on participant assessment results and the training requests.

2020/21 – Q3	• The impact of COVID-19 on the Fund + actuarial methods
2020/21 – Q4	• Pensions administration – this was one of the most requested topics for training, which was one of the lowest scoring sections for the Board, but highest scoring for the Committee
2021/22 – Q1	• Pensions accounting and audit standards and good governance
2021/22 – Q2	• Investment performance and risk management and ESG – for the Committee • The Committee's role and pensions legislation for the Board
2021/22 – Q3	• Pensions governance for the committee • Procurement and relationship management for the Board.
2021/22 – Q4	• Valuation training sessions – purpose, role, outcomes etc. This has been timed to coincide with the 2022 Actuarial Valuations.

Training support

Tools such as this online assessment offer different ways for members to take part in training. There might be more options for online training sessions which you could take advantage of. We have noted some training materials and websites below which might help you deliver focussed sessions to your Committee and Board and keep them informed on the most pertinent pension areas.

- CIPFA Knowledge and Skills Framework
- TPR Public Service Toolkit
- LGA fundamental training – currently a 'physical' attendance course
- LGA monthly bulletins
- Hymans Robertson Training videos for Committee and Board members (details noted below)

Next Steps

Based on the results we would suggest that there should be consideration to the following next steps:

- This report should be **reviewed** by the funds officers and results shared with the Committee and Board
- Set up a **structured training plan** for the next 18 months covering the main areas highlighted in this report
- Plan for the **delivery** of training over a 6-month period while meeting restrictions might continue to be in place
- Consider the most **pressing** training requirements in the coming months, to ensure members have the required knowledge such as the effect of COVID-19 on assets and liabilities and how this might develop over time
- **Assess** the tools available to the Fund to assist with training.
- Consider ways of **maintaining** and **increasing** the engagement of both the Board and Committee. This could include providing them with more information, training materials, briefing notes etc.
- Ensure that the Fund's training strategy is up to date and **appropriate** for purpose
- Look to conduct a **case study workshop** with your Committee and Board. This will gain officers a further insight into the **practical application** of both groups knowledge and understanding. This could be presenting various scenarios e.g. how the administration teams will deal with the McCloud judgement and allowing group discussion on how the Committee and Board would deal with selected case studies in their role as decision makers and oversight bodies. Hymans Robertson can facilitate a case study workshop for your Committee and Pension Board, as well as preparing an observation report for the Fund.

Hymans Support

We are happy to run training sessions, and/or provide training materials covering any of the topics covered in this report. The value of a face-to-face session for this type of training lies in members being able to ask relevant questions and interrogate the trainer on the specific areas they want to develop knowledge in. We understand that at present this will exclude physical attendance, but we are happy to set up video conference calls to assist with the ongoing training of both groups now. We will very soon be releasing our Hymans LGPS online training support that will give a comprehensive but bitesize training course.

We will be producing an NKA report discussing and analysing the results at the national level. A copy of this will be made available to the Fund when that report is complete.

If you wish to discuss the contents of this report further, please get in touch with either myself, Alan or Gemma.

Prepared by Hymans Robertson LLP.

Andrew McKerns

LGPS Governance, Administration and Projects (GAP) Consultant

Alan Johnson

LGPS Governance, Administration and Projects (GAP) Consultant

Reliances and Limitations

This report has been prepared for the Norfolk Pension Fund.

This report must not be released or otherwise disclosed to any third party except with our prior written consent, in which case it should be released in its entirety.

Hymans Robertson LLP do not accept any liability to any party unless we have expressly accepted such liability in writing.

This report has been prepared by Hymans Robertson LLP, based upon its understanding of legislation and events as at June 2020.

HYMANS ROBERTSON

LGPS
National Knowledge Assessment

National Report 2020

In this report:

Executive summary

> An investment in knowledge pays the best interest
> – Benjamin Franklin

Pension Committees and Pension Boards in the LGPS have a significant responsibility. Acquiring, developing and maintaining a good level of knowledge is key to carrying out their role effectively and ensuring the successful running of their fund. The push for higher levels of knowledge and understanding in LGPS Committees and Pension Boards has two fundamental aims –

1. Informed decision making
2. Informed scrutiny

The goal of the National Knowledge Assessment (NKA) is to present participating LGPS funds with an insight into the level of knowledge of their Committee and Pension Board members, both individually and as collective groups.

We're pleased to share the results of the first ever National Knowledge Assessment.

Our key findings

- **Traditional topics are still dominating** - there are higher levels of knowledge in the traditional Committee and Pension Board topics of Investment and Financial Markets and lower knowledge levels on topics such as Administration and Actuarial Methods, Standards and Processes. A similar theme was found in the 2018 National Confidence Assessment.
- **Training engagement will come from varied and topical training subjects** – respondents to the assessment suggested that they would like more frequent training across a wide range of subjects – training needs to be kept topical and interesting!
- **Different knowledge levels at funds but crucially a good spread of knowledge** – funds did find a fluctuation in knowledge levels of participants - as they may have expected. Crucially though there is a good spread of knowledge on most topics which allows funds to evidence that appropriate challenge and decision making exists at their fund.

What should funds do next?

1. Ensure they have assessed the current knowledge levels of their Committee and Pension Board
2. Use the results to identify weaker areas of knowledge
3. Produce a training plan to improve on these areas and track and record Committee and Pension Board training

We hope you find this report insightful. If you would like to discuss any of our findings further, please do get in touch.

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Thoughts from England and Wales Scheme Advisory Board

> "A body charged with the administration for definite purposes of funds contributed in whole or in part by persons other than the members of that body, owes a duty to those latter persons to conduct that administration in a fairly business-like manner with reasonable care, skill and caution"

These words taken from the iconic case of Roberts v Hopwood are often cited to describe the duty owed by councils to the beneficiaries of their decisions. Although the fiduciary duty owed by decision makers in the Local Government Pension Scheme (LGPS) is an issue we and others are still wrestling with, we can take from this case the clear requirement for decisions to be made with care, skill and caution. It is difficult to envisage this being possible if those responsible for taking such decisions do not themselves possess, or have access to, the necessary knowledge of the environment in which they operate.

As Chair of the Scheme's advisory board I welcome the work that has been undertaken to assess the level of knowledge of both LGPS pension committees and local pension boards as a follow up to the 2018 assessment of confidence. The findings of these national assessments will contribute significantly to the Board's Good Governance project, in particular how we can assist both committees and boards in matching the standards required by the Pensions Regulator.

Readers will of course reach their own conclusion on what the national confidence and knowledge assessments say about the effectiveness of LGPS pension committees and local pension boards but for me there are several aspects that deserves further consideration.

Firstly, the findings appear to suggest that pension committees still tend to be investment-centric, which is understandable given the significant assets in the scheme. However, that leaves less time and focus for the equally important areas of scheme administration and governance, especially when scheme changes such as McCloud are on the horizon. I fully recognise that in many cases administering authorities make full use of their pensions board in these areas or have established separate advisory groups or sub-committees to focus on these issues. Where this is the case, proper engagement between committees and these bodies will be paramount. On the plus side, I am pleased to see that on training requirements, governance and administration score very highly.

Secondly, it is noticeable that in most of the eight sections of work explored, the level of confidence exceeds the level of knowledge for members of both pension committees and local pension boards. Again, this is understandable given the 'collective knowledge' provided through the support of both officers and advisors, however, care should perhaps be taken to ensure that such support is not taken for granted or maybe relied on a little too heavily. To that end, the good governance project will be seeking to assist administering authorities in evidencing how this collective knowledge is both achieved and maintained.

Finally, we shouldn't forget that the acquisition of knowledge and understanding is a statutory requirement for members of local pension boards but not for members of pension committees. I therefore take a considerable amount of comfort in the outcome that there is no significant difference between the knowledge of pension committee and local pension board members across the eight sections of work explored in both assessments.

To conclude, we are reaching a critical stage under the good governance project where aims and aspirations are developing into practical and real world changes to improve the governance and administration of the scheme on a consistent and measured basis that will match the standards expected by The Pensions Regulator. The results of the national assessment on both confidence and knowledge will greatly assist the good governance implementation group in making their final recommendations to the scheme advisory board.

Councillor Roger Phillips
Chair of the Scheme Advisory Board
(England and Wales)

Introduction

Following the success of the 2018 LGPS National Confidence Assessment, the 2020 LGPS National Knowledge Assessment takes the next step in our journey towards understanding and developing knowledge levels in the LGPS.

The NKA aims to provide LGPS funds, and other stakeholders, with an insight into the pensions-specific knowledge and understanding of the people who hold decision making and oversight responsibility at LGPS funds. It is a key barometer for the knowledge levels across the 8 topics of the CIPFA Knowledge and skills framework. This assessment allows funds to provide targeted training to help develop the knowledge of Committee and Board members, who play such a vital role within the LGPS.

Participation

Having assessed over 225 members participating across 20 LGPS funds, the NKA provides a clear indication and insight of national knowledge levels for the decision makers within the LGPS.

The breakdown on participants as at June 2020 is shown below.

	Chair	Member	Total
Committee	12	118	130
Board	18	78	96

Measuring engagement

The world of pensions and investments is continually evolving. Engagement is vital for effective informed decision making and maintaining strong collective knowledge within both groups.

As part of the assessment, we provided participating funds with a benchmark position on the level of engagement from both their Committee and Pension Board. This is a crucial insight for funds as a strong set of results based only on the knowledge performance of a small number of participants would not tell the full story. Understanding your engagement levels in comparison to your peers helps to round that insight.

This assessment was taken in participants own time. We're delighted that over 60% of those eligible to respond chose to do so.

Why does good knowledge matter?

In recent years, a number of events have seen a marked increase in the scrutiny of public service pension schemes, including the 100 regional funds that make up the LGPS across the UK. The below are the 'roots' for the National Knowledge Assessment:

- TPR – Pension Board knowledge requirements
- MIFID II – evidence from Committee training
- TPR 21st Century Trustee campaign – applicable to LGPS
- Hymans National Confidence Assessment 2018
- SAB (E&W only) Good Governance project

These recent events have reaffirmed that LGPS funds should evidence the training provided and current knowledge and understanding levels retained within their Committee and Board.

The results

Firstly, we look at the overall scores from the assessment, based on the sections used to group the individual questions.

We also made a comparison between the results from the National Confidence Assessment and National Knowledge Assessment.

We then analysed the results further to summarise the results of various sub-groups including:

- Board vs Committee
- Chair vs Members
- Tenure
- Highest and lowest answered questions
- Insight into engagement levels at funds
- Collective knowledge across a participant fund
- Engagement levels
- Training topic feedback

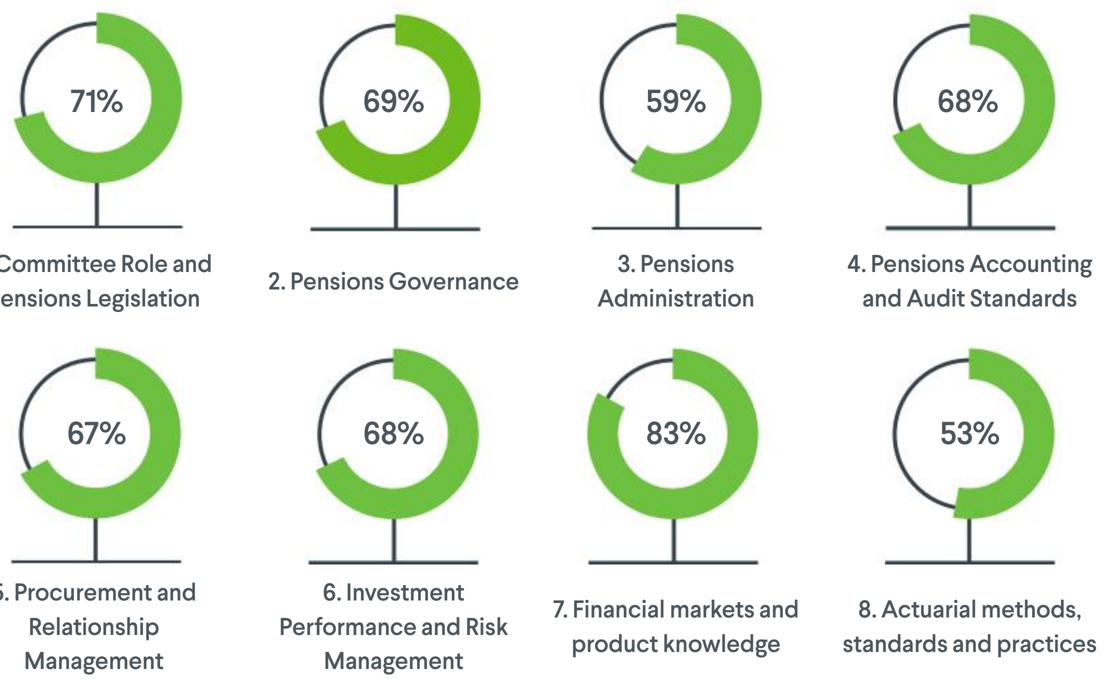
An overview

The responses for **all members** who participated have been collated and analysed. The first set of results show the average participant score across all 8 sections.

The highest scoring section is Financial Markets and Product Knowledge, with an average score of 83% – scoring well above all other areas in the assessment. The lowest scoring sections are Actuarial Methods, Standards and Processes (53%), followed by Pensions Administration (59%).

It's interesting that the highest scoring sections are probably those that are considered the more traditional areas which Boards and Committees might focus on. The lowest scoring sections would typically have less time spent on them at Committee and Board meetings. That's not to say these sections are any less important, it simply reflects our experience of the coverage of these sections on meeting agendas.

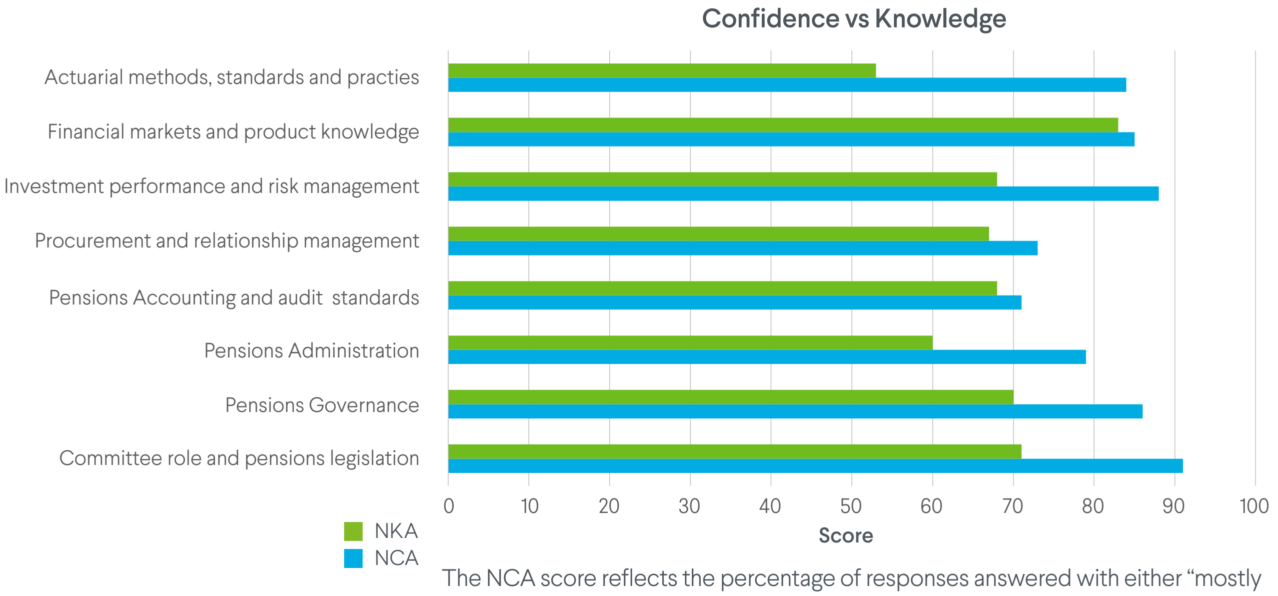
This in itself poses a challenge. It's easy to see why knowledge levels might be lower if they have less time dedicated to them on meeting agendas. To address this issue, it requires a concerted effort to develop knowledge in these areas.



Confidence vs Knowledge

So, how do the NKA results compare to those from our National Confidence Assessment (NCA) in 2018?

The NCA asked members to gauge how confident they were in the same 8 topics covered in the NKA. The chart below shows the comparison between confidence and knowledge.



The NCA score reflects the percentage of responses answered with either "mostly confident" or "completely confident" to questions under each section.

The NKA score reflects the average number of questions answered correctly in each section.

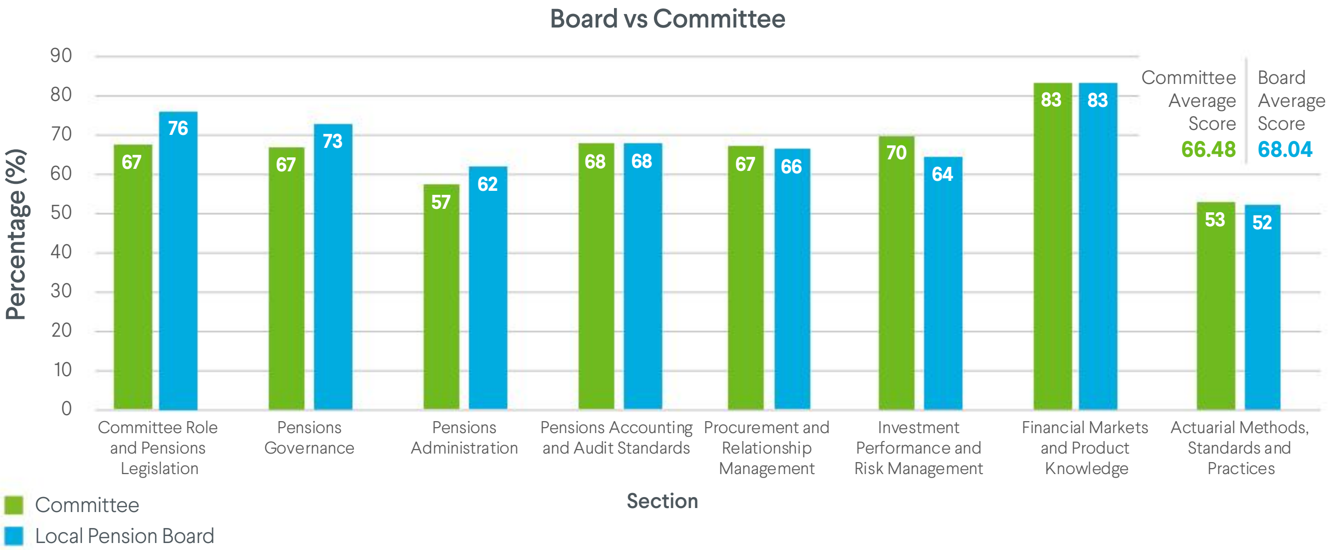
It should be noted that the NCA questions were subjective, with members asked to rate their confidence in the subject areas from very confident to not at all confident. There is no direct quantitative comparison between the 2 surveys, rather it is the gap between levels of knowledge and confidence in each subject area that is most relevant.

The confidence in Financial Markets is borne out in practice based on the NKA results. The biggest discrepancy between confidence and knowledge is for Actuarial Methods, Standards and Practices – the lowest scoring area overall. This suggests members felt confident in this subject area, but when tested with questions on the topic, they did not perform as well as expected. It may also suggest that NCA respondents were confident on the 8 areas due to advice from Officers and Advisers.

Members were most confident in the role of the Committee and Pensions Legislation, and this is reflected in the results of the NKA with this topic scoring second highest but lagging some way behind Financial Markets and Product Knowledge.

Board vs Committee

We have also compared the results of the Committee and the Boards to see if there is any pattern of results. The results indicate that the overall knowledge levels of the Board are marginally higher than those of the Committee, although this varies by section.

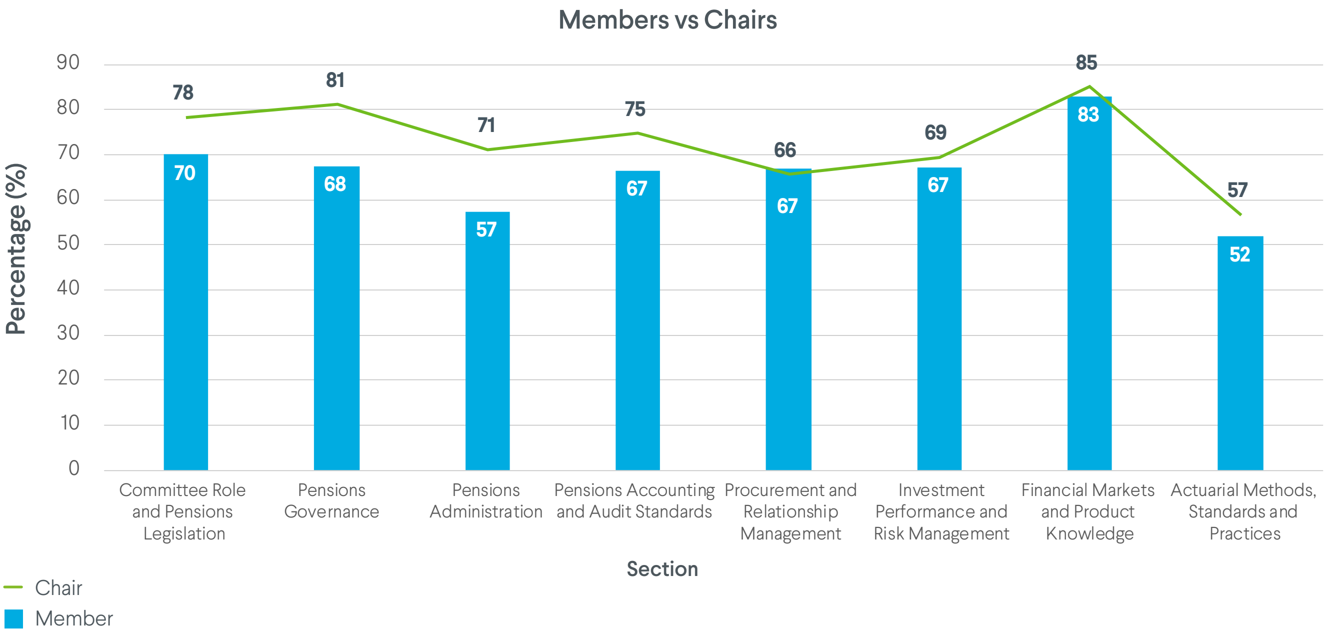


It's interesting that the Board have higher average scores in the sections on Committee Role and Pension Legislation, as well as Pensions Governance. This is not altogether unexpected, given the Board's oversight role. The Committee members' area of outperformance against the Board relates to investment performance. Again, this is not unexpected given the typical roles of both bodies.

The Board and Committee scored similarly in all other areas. As there is no current statutory requirement for Committees to attain a certain level of knowledge, it is encouraging that there is not a vast difference between them and the Pension Board who do have that requirement.

Members vs Chairs

As well as looking at the Committee scores and Board scores together, we have compared the results of the Chairs versus members. The Chair results reflect the results of both Committee and Board, against the remaining members of the Committees and Boards.



The knowledge levels of the Chairs are greater than that of the members on almost every topic. This is as you might expect given these roles are typically taken by individuals with experience of serving on the Committee / Board and often bring with them external experience relevant to the role.

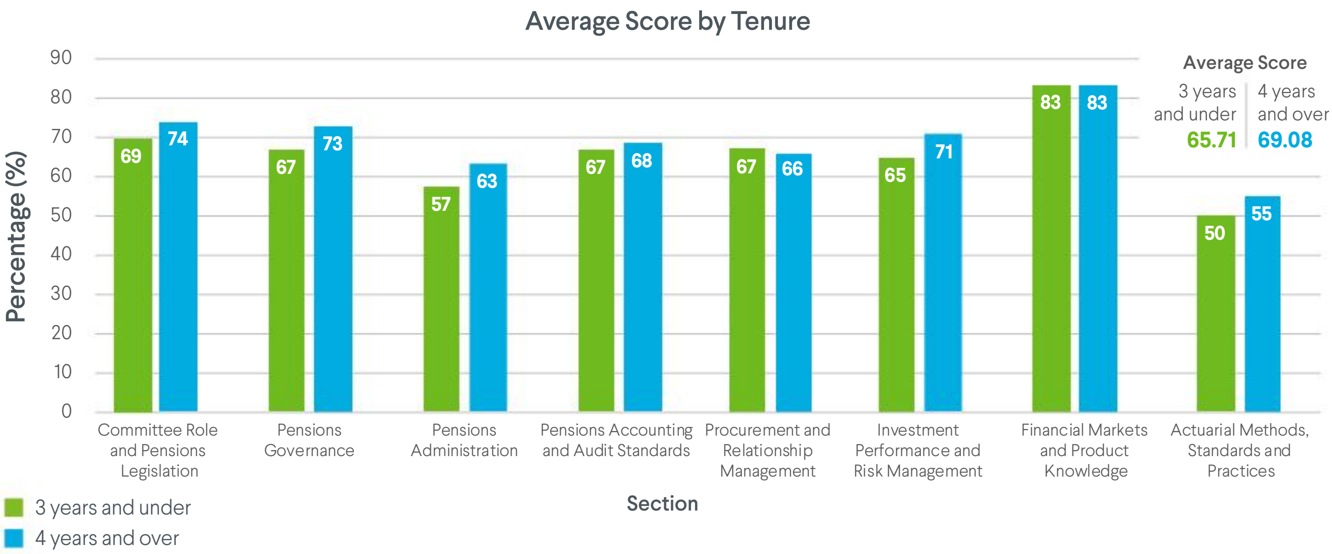
The average score for **members is 66%** and for **Chairs, 73%**.

Chairs outperform the members in all but one section – that of Procurement and relationship management.

There are some distinct differences in the scores of some sections with the Chairs outperforming most in governance and administration. As a key driving force for raising standards at individual funds, these Chair results are very encouraging as the LGPS continues that push.

Tenure

When completing the survey, we asked members to indicate the amount of time they had spent in their role. We have used tenure to gauge whether the time spent on a Committee and/or Board is reflected by the level of knowledge a member has. You would perhaps expect that those who serve longer have more knowledge in certain areas – this is clearly a generalisation but is supported by the results.

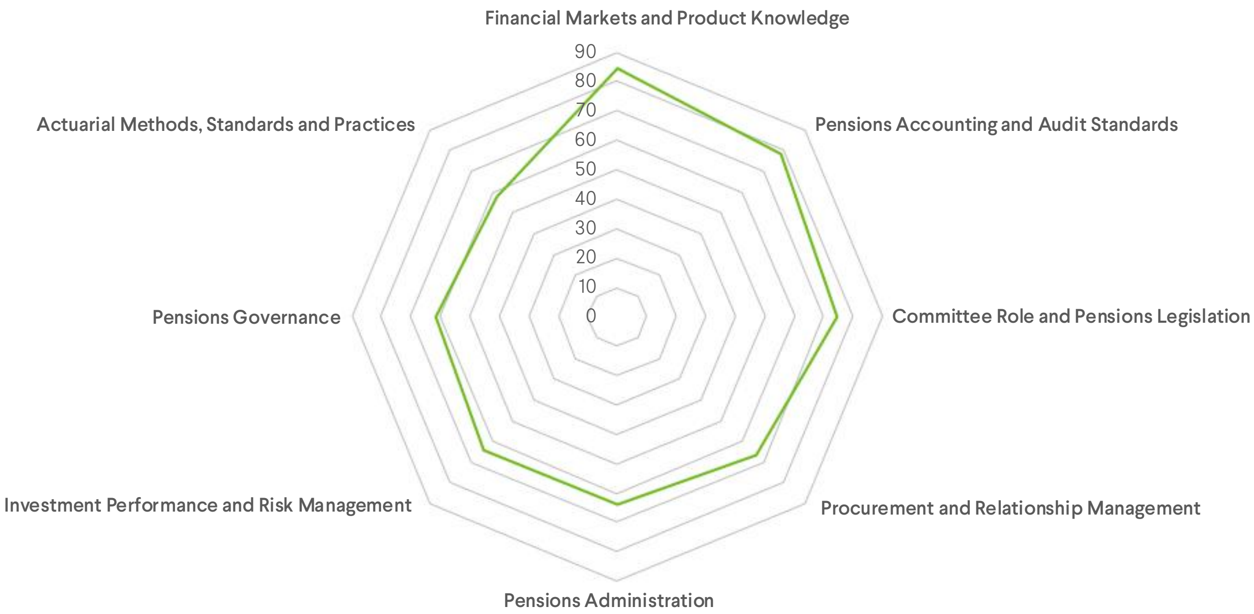


Of those who participated, around 4 years is the average length of service on the Committee/Board. We have used this to analyse the results based on tenure. The chart above shows the results of those who have a tenure of 3 years or less versus those 4 years or more.

As you might expect, the scores are higher for those with longer service on the respective Committee or Board. This will most likely reflect experience these members have had tackling the relevant issues as well as training sessions they have attended. The only section where those with a shorter tenure outperformed was in Procurement and Relationship Management.

There is not a huge divergence in the scores when using tenure as a marker. This probably reflects the fact that the Committee and Board members have a variety of backgrounds and working experiences. Background and experience will, of course, have an impact on a member's knowledge levels.

Spread of knowledge



The above chart highlights the spread of knowledge at a typical participating fund. Taken on its own, you may draw the conclusion that an area like Pension Administration will not be appropriately scrutinised at this Fund. However, as highlighted within the Good Governance project, decision making and scrutiny relies on both the collective knowledge of your decision makers and also on individual skills and knowledge levels within your Committee and Pension Board teams.

We recommend that funds continue to improve their overall scores in all areas, but they should also be encouraged to provide evidence that appropriate decision making, and scrutiny can be provided by at least some of their 'team', if not every member.

Commentary on results

We would fully expect there to be gaps in the knowledge of all members, no matter their role on the Committee or Pension Board, their tenure or indeed their background in terms of pensions experience.

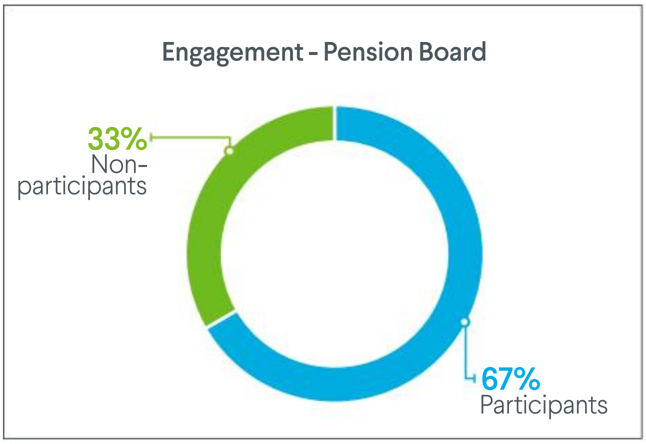
The most important thing to emphasise is that not everybody needs to be an expert in all areas, rather there should be a spread of knowledge across LGPS Committees and Pension Boards which is supported by advice from officers and professional advisors. This will help ensure informed decision making and informed scrutiny takes place up and down the LGPS land.

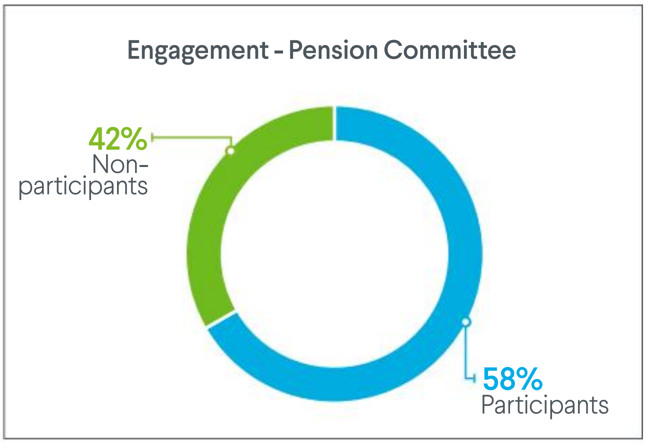
Engagement

One of the key outcomes from this assessment is being able to gauge the level of engagement of Committee and Board members, both at local fund level, but crucially at a national level as well.

It's very encouraging that 20 Funds signed up to participate in this assessment. However, what is most reassuring, is the level of uptake within those funds. The average participation level – the number of participants as a proportion of those eligible to participate – was over 60%. Given the current circumstances of home-working, this is a good result.

The diagrams below show the breakdown of the total number of Committee and Board participants nationally, as a proportion of those who could have responded from the participating funds.

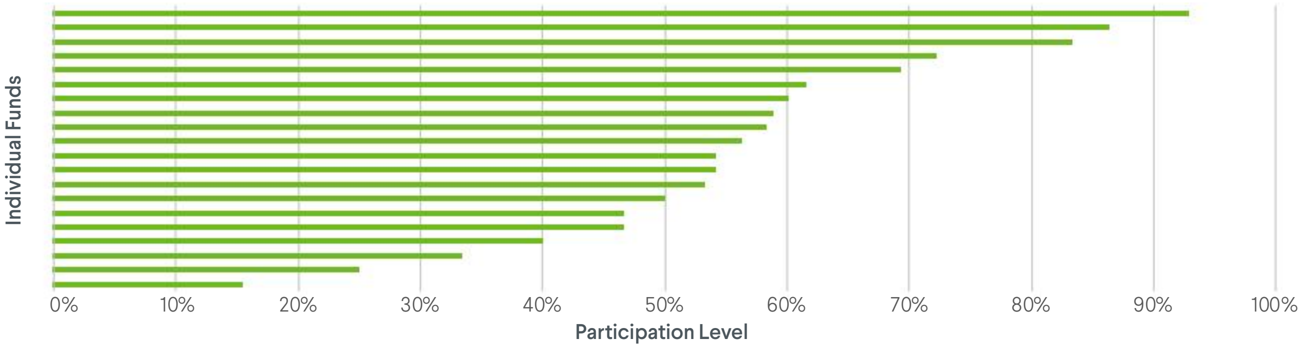




Members should not only be willing, but keen to develop their knowledge and understanding across the raft of topics upon which they will need to make, or oversee, decisions. Regardless of tenure, past experience or current knowledge levels, the landscape and Regulations of the LGPS changes so quickly (and often) that developing and enhancing knowledge is a continual part of their role.

Fund-level engagement

The following anonymised chart shows the breakdown of participation at fund-level.



We understand that different Committees function in different ways and have different numbers of members. We therefore draw no conclusions or make any inferences about specific funds from these results. The information is simply useful to demonstrate the wide differences in engagement between funds who participated.

With one fifth of the LGPS participating, we feel this can be extrapolated across all funds and suggests that there is great disparity with regards to engagement levels.

The decision making and scrutiny processes will be performed best by Committees and Boards which are fully engaged in their roles.

How to improve engagement levels

1. Keep training sessions varied, topical and interesting
2. Where possible, training sessions should be short and interactive – it's hard to maintain focus and energy levels within long training sessions
3. Introduce options for members to learn within their own time and without needing to be at a specific physical location
4. Have a clear training plan for the group and, where required, for individuals who require more training
5. If face to face training is required, ensure that the format is split between a presentation and a question and answer session

Insight into the questions

Highest scoring questions

We have picked out the top 3 questions in terms of correct answers from participants:

7.3 By lending money to companies or to Government you would be investing in which asset class?

- A **Bonds**
- B Property
- C Equities
- D Cash

3.4 Which of the following is not one of The Pensions Regulator's measures of good practice set out in its code of practice 14?

- A Appropriate knowledge and understanding
- B Strong internal controls and good data and record keeping
- C Providing high quality information to members
- D **Maximising investment returns**

5.6 How should the Fund ensure the services it receives are satisfactory?

- A Receive annual reports from providers on the services provided
- B **Have in place a contract management regime with regular reporting and challenge of provider performance**
- C Review at the end of the contract term
- D Annual customer surveys

These 3 questions with most correct answers were spread over 3 different topics. In each case they were answered correctly by **more than 90%** of respondents.

Lowest scoring questions

Similarly, we have picked out the 4 questions (8.2 and 8.3 had identical average scores) which were answered most poorly overall:

5.1 Who in the Council is responsible for ensuring that procurement rules are followed?

- A The committee
- B Relevant Director and Fund officers
- C **A specialist Procurement Officer**
- D Head of HR

8.2 Which of the following is not a key principle of the Funding Strategy Statement?

- A Prudent view of Fund solvency
- B **Adequate monitoring of Fund Manager performance**
- C Transparency of governance process
- D Contribution stability

3.2 Which of the following is not a requirement but which a Fund may currently have in place?

- A Funding Strategy Statement
- B **Administration strategy**
- C Governance compliance statement
- D Communications policy

8.3 An employer's "primary rate" (expressed as a percentage of pensionable pay) is...?

- A **The cost of new benefits accruing to the employer's active members**
- B The cost of the pensions due to be paid out in the next year to the employer's former employees
- C A standard contribution rate calculated by the government for the LGPS as a whole
- D The minimum contribution payable by the employer

These 4 questions were answered correctly by less than one third of respondents, with the question regarding procurement rules answered correctly in only 10% of responses. This indicates there is clearly some work which can be done to raise awareness of procurement rules and procedures.

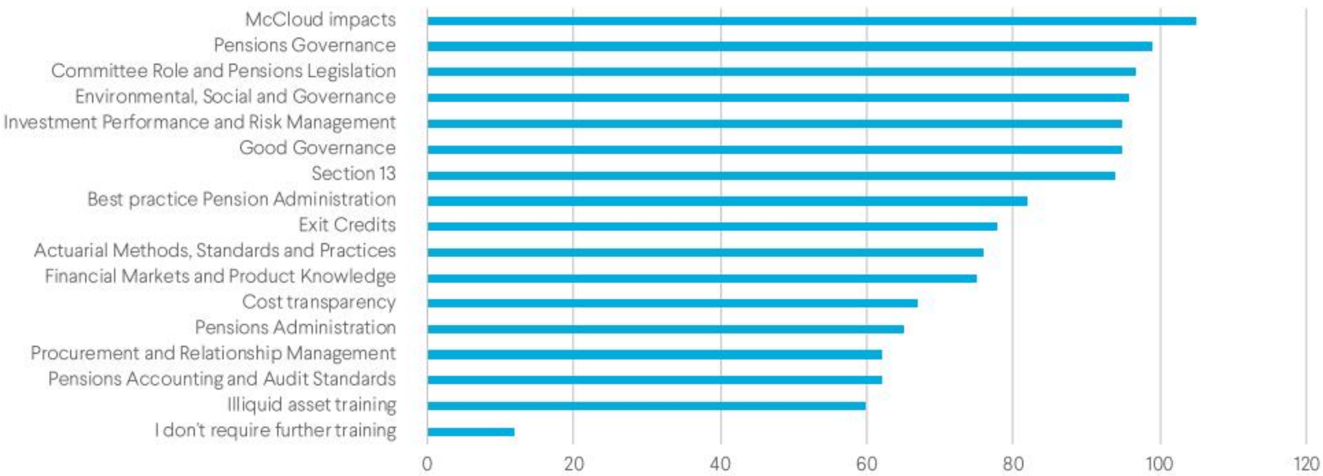
Two of the bottom 4 questions relate to the section on Actuarial methods, standards and practices. This is not surprising since this topic was the lowest scoring section overall but provides an indication of specific areas in which knowledge is lacking.

Training feedback from participants

One of our key aims from conducting this assessment is to facilitate putting in place bespoke training plans for all participating funds. This will allow members to get the most value from their structured training. We provided participating funds with a focussed training guide as part of their individual tailored results report. We hope that funds who opted not to participate in the assessment will still benefit from the aggregated national results and use these as the basis of structuring their training plan over the coming months and indeed years.

We asked members to indicate which topics they would like to receive training on. The list of options available covered a broad range of topics which we believe are most relevant to allow Committee and Board members to effectively perform their roles.

The table below summarises the areas in which members indicated training would be beneficial.



McCloud

The impact of the McCloud ruling is the single most requested training topic. As this is such an important current development in the LGPS, it's perhaps unsurprising. The fact that nearly half of all participants specifically requested training on this issue highlights the lack of confidence and understanding of the issue. We recommend that each fund has a McCloud section at their next Committee or Pension Board meeting if they have not already done so.

Committees could well be asked to approve project plans and measures put in place by the funds' officers to deal with the McCloud issues. Pension Boards will need to have oversight of this and sufficient knowledge to be able to scrutinise the decisions taken. It is apparent that a proportion of Committee and Board members do not feel equipped to do so currently, and that they would value further training.

Governance

Governance also features heavily in terms of requested training topics. Three of the top five topics requested concern governance. This has been a topical area in the LGPS over the past few years, and one which is quite rightly at the forefront of members' minds. That these topics have been requested by such numbers, suggests there is not only a desire, but a need, for further training in these areas.

Training support

Tools such as this online assessment offer different ways for members to take part in training. We have noted some training materials and websites below which might help you deliver focussed sessions to your Committee and Board and keep them informed on the most pertinent pension areas.

- CIPFA Knowledge and Skills Framework
- TPR Public Service Toolkit
- LGA fundamental training
- LGA monthly bulletins
- Hymans Robertson Training videos for Committee and Board members (more info below)

Hymans Robertson's Online training for Pension Committee and Local Pension Board members

We recognise that it's difficult to cover the extensive training requirements at quarterly meetings and understand elected members have limited time to dedicate to long training sessions outside of these meetings. That's why we're developing an online course to make it easier for members to obtain the knowledge they require, in a more efficient and engaging way.

Our online training course for Committee and Board members covers all the key areas that members need to understand in order to successfully manage the running of a fund, including:

1. An introduction to LGPS oversight bodies, governance, legislation and guidance
2. LGPS administration, including policies and procedures, pension fund auditing and accounting
3. LGPS valuations, funding strategy and LGPS employers
4. Investment strategy, pooling and responsible investment
5. Performance monitoring and procurement
6. Current issues in the LGPS

The benefits of going online

- Short and engaging 10 to 20 minute videos with extra learning materials
- Members can go at their own pace
- Regular reporting to funds on progress of their members
- Funds can easily evidence their members' knowledge and skills
- Limits the need for officers to create training material
- More cost effective than delivering training in person
- New members can benefit from training without going through a full cycle of meetings

Conclusion

Pension Funds

With increasing external pressures in the LGPS, there is a greater expectation on funds to improve knowledge levels for their Committees and Pension Boards. This first ever LGPS National Knowledge Assessment has provided the starting point for funds to measure where they are now and how they can measure progress for both groups in the future.

Regardless of external pressures, setting a goal to increase knowledge and understanding will provide strong informed decision making and informed scrutiny at each LGPS Fund. Those NKA benchmark numbers will be key for funds when planning future Committee and Pension Board Training.

Recommendations

We recommend the following action:

- For funds that haven't yet taken part in the National Knowledge assessment, please get in contact to discuss how your Fund can still take part in this assessment and tap into this wealth of benchmarking information. It is not too late for you to receive a 2020 local national report for your fund and gain a clear insight into your Committee and Pension Boards current knowledge levels.

For funds that have received their reports, we recommend you:

- Engage with your fund's Committee and Board members to agree the topics which are most relevant and create a **structured training plan** for the next 18 months, covering the main areas highlighted in this report.
- Plan for the **delivery** of training over a 6-month period while meeting restrictions might continue to be in place.
- **Assess** the tools available to the Fund to assist with training.
- Consider ways of **maintaining** and **increasing** the engagement of both the Board and Committee. This could include providing them with more information, training materials, briefing notes etc.
- Ensure that the fund's training strategy is up to date and **appropriate** for purpose.
- Keep a **training log** showing attendance by members at various training sessions, to ensure members are gaining a sufficient spread of knowledge.

Assessment, planning and **recording** of this work are key to ensuring your fund progresses and meets both the external and your own internal expectations of an informed Committee and Pension Board now and in the future.

We thank each fund and every participant for taking part in the 2020 National Knowledge Assessment – we look forward to working with you in assessing and measuring your progress in the years to come!

Appendix – Methodology

Approach

Participants were invited to complete the same set of 47 questions on the 8 areas below:

1	Committee Role and Pensions Legislation	5	Procurement and Relationship Management
2	Pensions Governance	6	Investment Performance and Risk Management
3	Pensions Administration	7	Financial Markets and Product Knowledge
4	Pensions Accounting and Audit Standards	8	Actuarial Methods, Standards and Practices

Under each subject heading, there were at least 5 multiple choice questions to answer. Each question had 4 possible answers, of which one answer was correct. This allows us to build a picture of the knowledge levels of each individual member in each of the topics, but crucially to help inform you of the overall levels of knowledge in each area.

The subject areas exactly mirror those that were used in the National Confidence Assessment in 2018. This allows a comparison to be made between the confidence members have in these areas and the knowledge they exhibit through participating in the NKA.

“An excellent initiative, hopefully leading to increased skills & knowledge.”

“By answering these questions it is obvious that there is still a great deal to learn and I would be happy to take part in any future training courses held.”

“Good test. Should be set as a minimum entrance requirement to be member of the Pension Fund Committee.”

“Thanks. This has been very well put together as it tests your field of knowledge. It also shows how much is still to learn and to keep abreast of.”

APPENDIX G

Update on Bulk Transfer Values in Progress

Name	Transfer Date	Estimated Completion Date	State of Play
Cambridgeshire County Council to Norwich City Council	April 2020	2021	Circa 60 staff transferred back to City Council as the second part of ceasing the outsourcing agreement with LGSS. We have provided a draft Actuary's Letter to the Cambridgeshire Fund reflecting the same terms as the bulk transfer received in March 2019 in respect of the 100 members of staff transferred back previously. We await a response from the Cambridgeshire Fund Actuary.

In addition to this transfer we are also working on a number of outsourcing agreements that potentially involve the transfer of staff under TUPE with both employers being members of the Norfolk Pension Fund.

Representation on behalf of the Pension Fund

During the period since the last Pension Committee, the following meetings and events have occurred – *most meetings were 'virtual' due to the Covid-19 Pandemic:*

GC: Glenn Cossey, **AY:** Alex Younger, **JQ:** Jo Quarterman, **MA:** Mark Alexander, **DK:** Debra Keeling, **RM:** Robert Mayes, **SA:** Steve Aspin, **JW:** Julie Ward **MM: Merv McCune**

Date	What	Who
July		
8	Norfolk Pension Fund Employer Forum Webinar	All
9	ACCESS Officer Working Group	GC/AY
14	Hymans Webinar – Preparing for McCloud	MA/DK
16	ACCESS Officer Working Group	GC/AY
17	ACCESS Joint Committee	GC/JO
21	Janus Henderson review meeting	GC/AY
23	ACCESS Officer Working Group	GC/AY
28	SECSOG - interim catch up meeting	MA/DK
30	ACCESS Officer Working Group	GC/AY
30	Audit Committee	AY/RM
August		
6	ACCESS Officer Working Group	GC/AY
10	SECSOG - to discuss McCloud consultation	MA/DK
13	ACCESS Officer Working Group	AY
20	ACCESS Officer Working Group	GC/AY
25	PLSA Local Authority Committee	JQ
25	ACCESS GSG	JQ
26-27	Local Authority Strategic Investment Forum	AY/SA
27	ACCESS Officer Working Group	GC
Sept		
7	ACCESS Joint Committee	GC/JO
9	Hymans McCloud webinar for employers	All
10	POB meeting	GC/JQ
10	PLSA Local Authority Committee	JQ
11	Capital Review Meeting	AY

17	ACCESS Officer Working Group	GC/AY
17	Covid-19 Practitioners Group Meeting	JQ
24	ACCESS Officer Working Group	GC/AY
25	JP Morgan Review Meeting	GC/AY
28	Berenberg Review Meeting	AY
29	Actuarial, Benefits and Governance Consultancy Services - Re-let Founders Project meeting 4	AY/JQ

National LGPS Frameworks: PB: Pippa Bestwick, **LT:** Leon Thorpe, **JF:** Jamie Freeman, **MJ:** Matt Jefford **LR:** Louise Reeves

July		
03	Global Custody 2020 re-let Advisor meeting	PB/LT/JF
10	Global Custody 2020 re-let Advisor meeting	PB/LT/JF
13 - 16	Global Custody 2020 re-let Market Engagement sessions (x 5) with Interested Providers and Founders	PB/LT/JF
17	Global Custody 2020 re-let Advisor meeting	PB/LT
17	Actuarial, Benefits and Governance Consultancy Services 2016 Fund advice/engagement	LT
17	UK National GO Public Procurement Awards 2020 - Finalist Go Awards Ceremony	LT/MJ/LR
21	Global Custody 2020 re-let - Advisor meeting	PB/LT
23	Global Custody 2020 - re-let Advisor meeting	LT
Aug		
04	Global Custody 2020 re-let Advisor meeting	PB/JF
07	Global Custody 2020 re-let Advisor meeting	PB/LT/JF
14	Global Custody 2020 Founders project meeting	PB/LT
21	Global Custody Services re-let Advisor meeting	PB/LT
Sept		
8	Actuarial, Benefits and Governance Consultancy Framework re-let advisory meeting	PB/LT
10	Global Custody Services Framework - Founders Project Meeting 6	PB/LT
11	Global Custody Services re-let Advisor meeting	PB/LT
23	Third Party Administration Framework Meeting	PB/LT
25	Global Custody Services Framework Re-Let	PB
29	Actuarial, Benefits and Governance Consultancy Services - Re-let Founders Project meeting 4	PB/LT

In addition to these meetings we have held a number of meetings with managers with whom we do not have a current commercial relationship, meetings in respect of transition and mandate changes and with various fund employers on individual issues. The Fund has attended various other meetings associated with the development of the ACCESS Pool.

The following forthcoming meetings and events have been identified as of possible interest to trustees or officers of the fund:

Date	What
5 Nov	Pensions Oversight Board
Nov	Joint Committee
1 Dec	Pensions Committee
11 Dec	Employer Forum

CIPFA – Chartered Institute of Public Finance and Accountancy
ACCA – Association of Chartered Certified Accountants
MHCLG – Ministry for Housing, Communities and Local Government
LAPF – Local Authority Pension Fund
LGA – Local Government Association
LGC – Local Government Chronicle
LGPS – Local Government Pensions Scheme
PLSA - The Pensions and Lifetime Savings Association (previously known as NAPF – National Association of Pension Funds)

APPENDIX I

Pensions Committee forward programme – as at 1st October 2020

Pensions Committee	Pensions Committee	Pensions Committee	Pensions Committee	Committee Training
1st December 2020	**2nd March 2021**	**tbc**	**tbc**	**2020/21**
Administration Report	Administration Report	Administration Report	Administration Report	LGPS Good Governance Fiduciary Duties National Knowledge Assessment
Update from the Pensions Oversight Board	Update from the Pensions Oversight Board	Update from the Pensions Oversight Board	Update from the Pensions Oversight Board	
LGPS Pooling/ACCESS Update	LGPS Pooling/ACCESS Update	LGPS Pooling/ACCESS Update	LGPS Pooling/ACCESS Update	
Strategic Review – Highlight Report	Strategic Review – Highlight Report	Strategic Review – Highlight Report	Strategic Review – Highlight Report	
Risk Register Report and Compliance with Breaches Policy	Corporate Governance and Shareholder Engagement Report	Risk Register Report and Compliance with Breaches Policy	Corporate Governance and Shareholder Engagement Report	
Investment Strategy Update	Investment Strategy Update	Investment Strategy Update	Investment Strategy Update	
	Pension Fund Service Plan and Budget Report			
Investment Managers: (tbc)	Investment Managers: (tbc)	Investment Managers: (tbc)	Investment Managers: (tbc)	

Report to Pensions Committee

Item No. 6

Report title:	**Update from the Pensions Oversight Board**
Date of meeting:	**1st October 2020**
Responsible Director:	**Simon George, Executive Director of Finance and Commercial Services** **Glenn Cossey, Director of the Norfolk Pension Fund**

Executive Summary

This report updates the Pensions Committee on the work of the Pensions Oversight Board.

Recommendations

Pensions Committee is invited to note the contents of this report.

1. Background

1.1. This report updates the Pensions Committee on the work of the Pensions Oversight Board. A further verbal report may be given by members of the Pensions Oversight Board who will also attend committee. The last update was given at the July 2020 Committee Meeting.

2. Pensions Oversight Board meetings

2.1. The Pensions Oversight Board (POB) met on the 10 September 2020. The agenda for this meeting is at Appendix A.

2.2 Due to the COVID-19 pandemic, the Board meeting on the 10 September 2020 was an informal, virtual meeting.

3. Knowledge and Skills

3.1 Alongside members of the Pensions Committee, members of POB also took part in the National Knowledge Assessment survey facilitated by Hymans Robertson.

3.2 POB members have been invited to join the presentation and discussion facilitated by Hymans Robertson after today's Pensions Committee meeting to consider how best to maintain and develop knowledge and skills post Covid.

4. Financial and Other Resource Implications

4.1 At the time of writing this report there are no additional financial or other resource implications beyond those already budgeted for and approved by Committee.

5. Other Implications (inc. Equality Impact Assessment (EqIA))

5.1 The Norfolk Pension Fund have considered the impact of the changes in service delivery as a result of the global pandemic. There are no issues relevant to equality in this report.

5.2 Officers have considered all the implications which members should be aware of. Apart from those listed in the report (above), there are no other implications to take into account.

6. Risk Implications/Assessment

6.1 Any risk implications relating to this report will be recorded on the Fund's risk register.

7. Recommendation

7.1 Pensions Committee is invited to note the contents of this report.

8. Background Papers

8.1 Appendix A: POB Agenda 10 September 2020

Officer Contact

If you have any questions about matters contained in this paper, please get in touch with:

Officer name : **Glenn Cossey** **Tel No. :** **01603 228978**

Email address : **Glenn.cossey@norfolk.gov.uk**

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Norfolk Pension Fund

Norfolk Pension Fund Pensions Oversight Board

Date: **Thursday 10 September 2020**

Time: **10:00am**

Venue: **Virtual Teams Meeting**

Membership

Chairman
Brian Wigg
Employer Representatives

Cllr Chris Walker	Poringland Parish Council
Debbie Beck	Norfolk County Council
Howard Nelson	DNEAT

Scheme Member representatives

John Harries	Active / Deferred member
Rachel Farmer	Trade Union
Peter Baker	Pensioner member

Agenda

1. Welcome and Introduction

2. Apologies
   To receive apologies

3. Minutes and matters arising
   To agree the minutes of the meeting held on the 25 February 2020 and the notes of the meeting on the 21 May 2020.

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

   Therefore, a conflict of interest may arise when a member of a Local Pension Board:
   - must fulfil their legal duty to assist the Administering Authority; and
   - at the same time they have:

- a separate personal interest (financial or otherwise); or
- another responsibility in relation to that matter, giving rise to a possible conflict with their first responsibility as a Local Pension Board member.

5. Items of urgent business
   To receive any items of business which the Chairman decides should be considered as a matter of urgency

6. Pensions Committee
   Feedback from the virtual Pensions Committee meeting on 7 July 2020 and items to be raised at the 1 October 2020 meeting.

7. Norfolk Pension Fund operational update
   An update on operational performance and issues

8. LGPS Reform
   Update on the on-going national reform programme and issues within the LGPS; presented by Rob Bilton, Hymans Robertson.

9. Audit reports

10. Risk Management

11. Knowledge, skills and training

12. Forward work programme for the Pensions Oversight Board

13. Date of next meeting: to confirm the date of the next meeting

Contact for questions about this agenda: Jo Quarterman, Business Development and Project Manager, Norfolk Pension Fund jo.quarterman@norfolk.gov.uk Tel.: 01603 223950
Date agenda published: 4 September 2020

Report to Pensions Committee

Item No. 7

Report title:	**Draft Pension Fund Annual Report and Accounts 2019-20**
Date of meeting:	**1 October 2020**
Responsible Director:	**Simon George, Executive Director of Finance and Commercial Services** **Glenn Cossey, Director of Pensions**

Executive Summary

This report presents the draft Annual Report and Accounts of the Norfolk Pension Fund for the year-ended 31 March 2020 based on our agreed service plan, for consideration by the Committee. The accounts section of the annual report in particular, should be noted by the Committee prior to presentation to the County Council's Audit Committee for approval.

The letter of representation and the Ernst & Young (EY) ISA 260 Report will be distributed to Committee for comment as soon as these are available. Subject to any comments that may arise the Committee is asked to delegate to the Chair of the Pension Committee and the Executive Director of Finance and Commercial Services to sign the letter of representation (LOR) on behalf of the Pension Fund.

Recommendations

It is recommended that the Committee receives and considers the draft 2019-20 Annual Report and Accounts of the Norfolk Pension Fund, attached at Appendix A.

It is recommended that subject to any comment arising on the ISA 260 Report and the LOR, Committee delegates to the Chair of the Pension Committee and Executive Director of Finance and Commercial Services to sign the letter on behalf of the Pension Fund.

1. Background and Purpose

1.1 The Annual Report has been prepared in accordance with guidance published by the Chartered Institute of Public Finance and Accountancy (CIPFA). The accounts have been prepared using the CIPFA example accounts and disclosure checklist, and in accordance with the requirements of the Code of Practice on Local Authority Accounting in the United Kingdom 2019-20 governing the preparation of the 2019-20 financial statements for Local Government Pension Scheme funds.

1.2 The preparation of a Pension Fund Annual Report is a requirement of the Local Government Pension Scheme Regulations, which also prescribe certain items for inclusion. The regulations require that an annual report is published by the Fund by 1 December following the year-end. The accounts are prepared as part of the Fund's own annual report and for inclusion within the Statement of Accounts of Norfolk County Council as Administering Authority of the Norfolk Pension Fund.

2. Approval timetable

2.1 As reported to Committee in July the plan and timetable for preparing and approving the Norfolk Pension Fund Annual Report and Accounts has been revised due to the COVID-19 global pandemic. The table below shows the original timeline reported to Committee and the revised timeline taking into account the changes to MHCLG deadlines for Public inspection, audit opinion and Committee meetings.

2.2

	Original Timetable	Revised Timetable
NPF Draft Annual Report and Accounts Prepared by NPF	31/05/2020	31/05/2020
Draft Accounts available for Public inspection	31/05/2020	On or before first working day of September 2020
External Audit	Early June	1 June 2020 to late September
Pensions Committee	7 July 2020	1 October 2020
Audit Committee	30 July 2020	15 October 2020
Audit Opinion planned to be issued by	Early Autumn	30/11/2020
Publication Date	01/12/2020	01/12/2020

2.3 The above revised timetable requires the annual report and accounts to be approved by Audit Committee by 15 October 2020. Prior to Member approval, the Statement of Accounts of the Administering Authority (incorporating the accounts of the Fund) were certified by the responsible financial officer (Executive Director of Finance and Commercial Services) on or before the first working day of September 2020. The draft accounts were submitted to EY for audit on 1 June 2020.

2.4 Pension Committee are required to consider the Funds Annual Report and Accounts as shown at Appendix A. In addition, the Pension Committee should consider the Auditor’s ISA260 report and endorse the letter of representation when available. As these are not currently available the Committee is requested to delegate signing the LOR to the Chair of the Pension Committee and Executive on behalf of the Pension Fund

2.5 On 15 October 2020 the Pension Fund financial statements will be presented to the Audit Committee for approval as part of the Norfolk County Council Statement of Accounts. Final sign off of the Letter of representation by the Chair of the Audit Committee will also be completed.

2.6 Following the approval process set out above, the Annual Report and accounts will be published after approval by Audit Committee and final sign off by the Executive Director of Finance and Commercial services and the issuing of the EY, audit opinion. The Annual report and accounts will be published on the Funds website prior to 1 December 2020 as required by LGPS regulations.

3. Accounting and Audit process

3.1 Despite the challenges posed by the COVID-19 global pandemic, the finance team successfully closed the accounts on the accounting system in accordance with the Funds year-end closing timetable and had a first draft of the accounts ready by 31 May 2020 for submission to the Executive Director of Finance and Commercial Services for sign off.

3.2 Where actual valuations are not available at the financial year end, the Fund has used estimated 31 March 2020 valuations in the accounts as is standard practice during the draft accounts stage.

3.3 For this financial year the draft accounts include reduced estimated valuations due to the COVID-19 global pandemic. From late February 2020 most, financial markets were significantly impacted, and most asset classes have reduced in value although since the balance sheet date there has seen a significant recovery in most asset valuations.

3.4 Where there is a mark to market valuation process or the investment manager has been able to supply a revised valuation at 31 March 2020, the investments held by the Pension Fund reflects the reduced COVID-19 asset valuation. However, for the more complex/illiquid assets held by the fund, where the investment manager has not been able to provide a revised COVID-19 adjusted valuation the Fund has agreed a reduced valuation based on the following percentage reductions as follows:

- Pooled and Freehold Property 10.0%
- Private Equity (range) 10.0% to 23.1%
- M&G Debt Investment Opportunities III 6%
- Timberland (Stafford) 10%

3.5 In previous years the Fund has not been in receipt of the actual valuations for certain complex and illiquid assets prior to the issue of the audit opinion on 31st July, and therefore not been able to make an adjustment according to materiality thresholds. However due the extended MHCLG reporting and auditing period for this financial year some actual valuations are available specifically relating to private equity. Property valuations have yet to be finalised as transactional evidence emerges only slowly, and surveyors remove fundamental uncertainty clauses in their reports. These valuations received have been considered alongside the estimated values and in accordance with the materiality thresholds set out by the external auditors and a decision made not to adjust the values disclosed. The unadjusted amounts are as follows:

- Private Equity £11.2M
- Property £40.3M (this the full value of the 10% write down applied by the Fund)

These adjustments would increase the total reported value of the fund by £51.1M

3.6 Employer Financial Reporting Requirements - The Fund has also worked with the Actuary to prepare, check and review financial reporting (IAS19/FRS102) of pension obligations and costs for the 31 Fund employers with a financial year-end of 31 March 2020. The checks undertaken by the Fund form part of the assurance regime for E&Y where they are the appointed auditor to the employer.

3.7 31 March is now the second largest of the employer financial reporting dates for the Fund. Exercises are also conducted at 31 July, 31 August and 31 December. The August exercise has grown significantly as many more schools gain academy status, which brings with it a requirement to report and consider their individual pension positions.

3.8 The Fund is subject to separate external audit appointment. This is the eighth year EY have audited the Fund. At the time of writing EY are still finalising some minor aspects of their field work.

3.9 The Terms of Reference of the Pensions Committee provide the following:

i. That the Committee receives and considers the draft financial statements for the Norfolk Pension Fund
ii. That the Committee comments on the Financial Statements and makes recommendation to the Audit Committee that they be approved/not approved.

4. Financial Implications and other Resource Implications

4.1 At the time of writing this report there are no additional financial or other resource implications beyond those already budgeted for and approved by Committee.

5. Other Implications (inc. Equality Impact Assessment (EqIA))

5.1 The Norfolk Pension Fund has considered the impact of the changes in service delivery as a result of the COVID-19 global pandemic.

5.2 Officers have considered all the implications which members should be aware of. Apart from those listed (if any), there are no other implications to take into account. There are no issues relevant to equality in this report.

6. Risk Implications/Assessment

6.1 Any risk implications relating to this report will be recorded on the Fund's risk register.

7. Recommendation

7.1 It is recommended that the Committee receives and considers the draft 2019-20 Annual Report and Accounts of the Norfolk Pension Fund, attached at Appendix A.

7.2 It is recommended that subject to any comment arising on the ISA 260 Report and the LOR, Committee delegates to the Chair of the Pension Committee and Executive Director of Finance and Commercial Services to sign the letter on behalf of the Pension Fund.

8. Background Papers

8.1 Appendix A - Draft Annual Report and Accounts 2019-20

Officer Contact

If you have any questions about matters contained in this paper, please get in touch with:

Officer name: Glenn Cossey **Tel No.:** 01603 228978

Email address: glenn.cossey@norfolk.gov.uk

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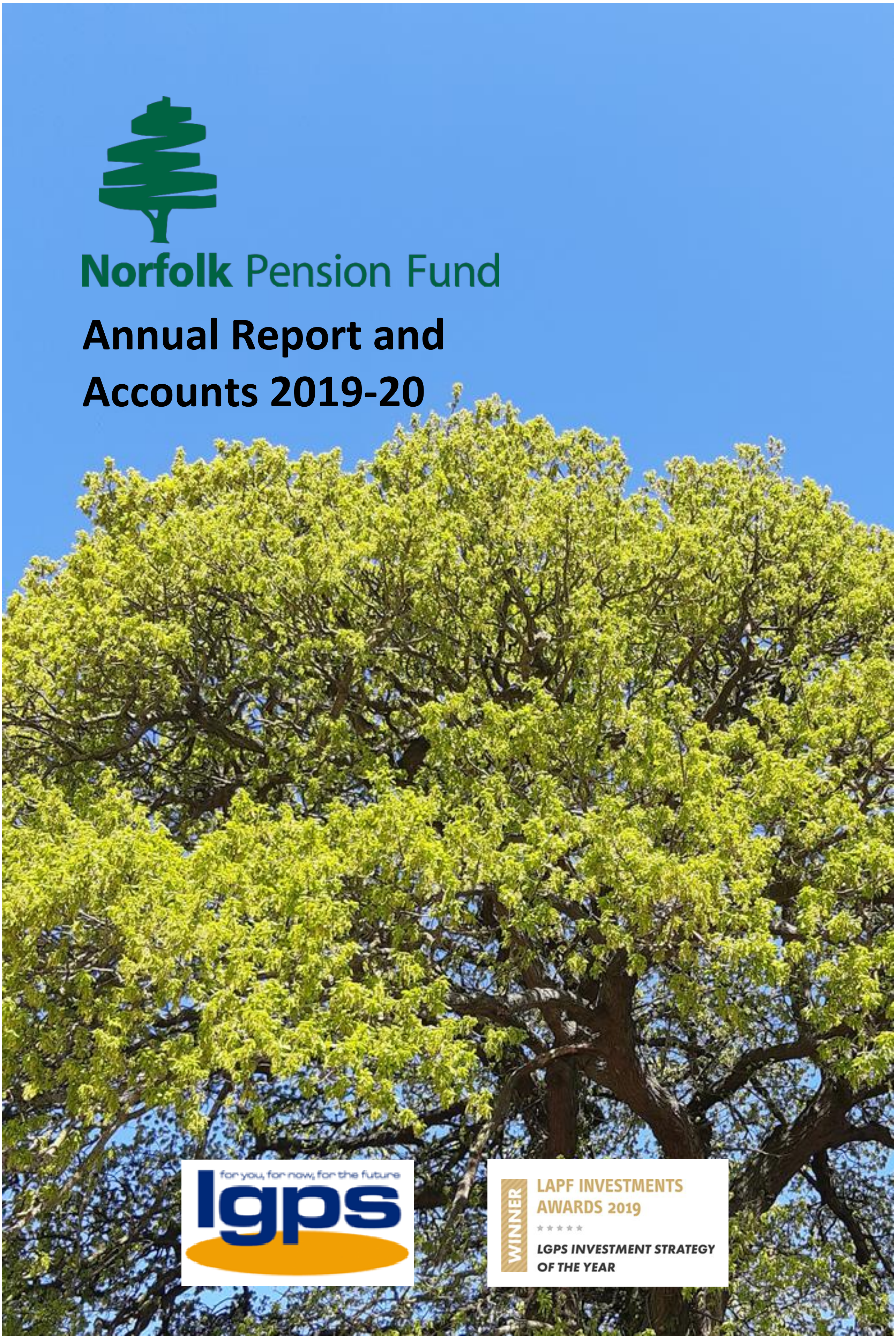
Norfolk Pension Fund

Annual Report and Accounts 2019-20



Contents

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We have referred to several documents in this report that are available online.

If you are unable to access any of these documents, or would like a hard copy, please don't hesitate to contact us on 01603 222824 or email pensions@norfolk.gov.uk.

Introduction

As Chairman of the Norfolk Pension Fund Committee, and on behalf of my fellow committee members, I am pleased to introduce the 2019/20 annual report and accounts.

Cllr Judy Oliver,
Chairman of the Pensions Committee

Looking back over the last year, the world is now a very different place. The global pandemic has not only affected each of us as individuals, but every aspect of society. Whilst perhaps too soon to understand fully the longer-term impact, whether economically, environmentally or socially, it seems that much of what we do and how we do it may be very different as we look ahead.

This is as true for the Norfolk Pension Fund and the Local Government Pension Scheme as for everyone else. Already we have seen significant operational changes to how we support over 92,000 scheme members, and 414 active employers as the Fund transitioned to working remotely in March. These are likely to continue for some time to come.

Not everything changes of course. The scheme members and employers in the Norfolk Pension Fund continue to deliver essential public services. Our average pension in payment remains around £5,000 and the LGPS offers the surety of a steady, inflation linked income in retirement, and valuable support for dependents. Pensions don't get any easier, and we remain committed to supporting our scheme members and employers to help them make informed decisions - for some members, perhaps the biggest financial decision they will make - and to invest in our team and services so that we continue to administer the scheme effectively and efficiently on their behalf.

Also undiminished is our recognition of our responsibilities as investors to invest wisely and carefully in order to pay pensions when they are due. We remain committed to demonstrating good corporate governance and responsibility via our investment beliefs which underpins our investment strategy. We continue to publish our voting record on our website and regularly monitor engagement at Pensions Committee. As members of the Local Authority Pension Fund Forum, we expect our investment managers to sign up to and comply with the Financial Reporting Council's Stewardship Code and the Scheme Advisory Board's Transparency Code.

Over the last year investment performance generally has been volatile with valuations at the date of these accounts, in the initial stages of global lockdowns, suppressed. Since the financial year-end we have seen a remarkable recovery in asset values. Whilst of course we expect financial market volatility to continue in the short to medium term, LGPS funds have long time horizons. We have been careful to review our funding position in the light of COVID-19 and are satisfied for now that it remains within the range of expected outcomes forecast by the Fund Actuary. This is important as we strive to maintain stable contribution rates for our scheme employers.

As members of the ACCESS ('A Collaboration of Central, Eastern and Southern Shires') investment pool, we have been pleased to see good progress in the careful transition of assets into the pooled vehicle. At the 31st March 2020, Norfolk's pooled assets totalled approximately £1bn, around a quarter of the Fund. During 2019-20 total savings from pooling these assets were £1.04m.

Pension funding, again, is a long-term activity. This year saw the completion of the important 2019 triennial valuation. I am pleased to be able to report that our funding position has improved significantly since the last valuation in 2016, and the Fund Actuary has judged that assets held by Norfolk Pension Fund covered around 99% of future pension promises. This is a very significant achievement and I want to pay tribute to the expert work of our officers and advisers in securing this strong position.

Looking forward, we welcome the on-going reform of the LGPS. My fellow Committee Members and Fund Officers are pleased to actively engage with Advisers, colleagues in other Funds and Pools, the Scheme Advisory Board, PLSA and the Government as we work closely together to continue to make a positive contribution to national debate and reform, and to strengthen strategic governance, decision making and accountability across the LGPS. Officers have already made a very valuable contribution to the 'Good Governance Project' and we look forward to the next stage in this important work. Together with ACCESS colleagues we continue to focus on responsible investment and the understanding of fiduciary responsibilities within the LGPS, reflecting our common interest in ensuring that we maintain proper arrangements and structures so that we and other LGPS Funds can continue to discharge our fiduciary obligations to beneficiaries and employers.

As hosts of the National LGPS Frameworks we are also pleased to continue to support and develop a successful collaboration facilitating efficient, timely access to professional services for Pools and Funds across the LGPS.

The Committee is grateful for the work of the Local Pension Board. This year we recorded our thanks to Kevin McDonald who as the Interim Independent Chairman helped establish a stable and effective Board for the Norfolk Pension Fund and we were pleased to welcome Brian Wigg as the new Independent Chairman. We look forward to continuing to work closely with the Board on behalf of members and employers.

This year also saw the retirement from the Norfolk Pension Fund of Nicola Mark, after being at the helm for 18 years. As a pioneer of holistic pension fund administration, and champion of scheme members, employers and administration services, Nicola not only established the culture, ethos and style of the Norfolk Pension Fund but also helped shape pensions nationally, for which she was awarded an MBE. Together with my colleagues on the Pensions Committee, and on behalf of the Pensions Board, Fund Officers and the

Fund’s stakeholders, I record our thanks and deep appreciation to Nicola for her inspiring leadership and wish her all the very best for her well-deserved retirement.

We were delighted to appoint Glenn Cossey as the new Director of the Norfolk Pension Fund. Glenn and his team have the full support of the Pensions Committee as together we look ahead to what promises to be another challenging year, including the implications of the McCloud ruling and the on-going implications of COVID-19. Delivering the recommendations of our internal strategic review will help ensure the Fund remains fit for the future.

May I take this opportunity to record my sincere thanks to my colleagues on Pension Committee, to Alan Waters the Vice-Chairman, to the Pensions Oversight Board and to our external advisors for their commitment and support over the last year. This year, I would also like to give a particularly special thank you to our Employers for their commitment to their responsibilities through the disruption of the pandemic. And as always and most importantly, I would like on behalf of my colleagues to record our grateful thanks for the excellent work and commitment of the Norfolk Pension Fund team.

Cllr Judy Oliver
Chairman of the Pensions Committee

The Local Government Pension Scheme

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

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

Under regulation 57 of The Local Government Pension Scheme Regulations 2013, all LGPS Funds are required to publish an Annual Report.

This document is the Annual Report of the Norfolk Pension Fund for 2019-20.

The LGPS in England and Wales

- The LGPS is one of the largest public-sector pension schemes in the UK with 5.9 million members in England and Wales as at end of March 2019
- 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 89 regional pension funds – one of which is the Norfolk Pension Fund
- It is a funded scheme, which means that the fund income and assets are invested to meet future pension fund commitments
- Benefits are defined and related to members' salaries and years of service, so they are not dependant on investment performance
- The scheme is regulated by Parliament

The LGPS in England and Wales changed on 1 April 2014. It is now a 'Career Average' scheme for benefits built up from 1 April 2014. All benefits built up before this date are protected as 'Final Salary'. For more information visit www.norfolkpensionfund.org or www.lgpsmember.org.

Contact Us

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

The Pension Administration Team offer dedicated helplines, operated by experienced staff. The team can help with all aspects of scheme membership and benefits for active, deferred and retired 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

Scheme Management and Advisers

Administering Authority:	Norfolk County Council (NCC) County Hall Martineau Lane Norwich NR1 2DW
Scheme Administrator:	Simon George, Executive Director of Finance and Commercial Services (NCC)
Norfolk Pension Fund Officers:	Glenn Cossey, Director of the Norfolk Pension Fund Alex Younger, Head of Funding and Investment Mark Alexander, Pensions Manager
Asset Pooling:	Norfolk Pension Fund participates in ACCESS (A Collaboration of Central, Eastern and Southern Shires), an investment asset pool of eleven Administering Authorities under an Inter-Authority Agreement which facilitates joint working between the ACCESS authorities and a Joint Committee, made up of one elected councillor from each authority's Pensions Committee, which provides governance oversight. Link Fund Solutions Ltd acts as the regulated Operator for ACCESS.
Legal Advisors:	nplaw (Norfolk Public Law)
Fund Custodian:	HSBC
Fund Actuary:	Hymans Robertson LLP
Investment Advisor:	Hymans Robertson LLP
Fund Managers:	Aberdeen Standard Investments Berenberg Bank Capital International Limited Equitix Goldman Sachs Asset Management HarbourVest Partners Insight Investment Management Janus Henderson Investors

	La Salle Investment Management Link Fund Solutions M&G Investments Mondrian Investment Partners Pantheon Stafford Capital Partners UBS Wellington International
Bankers:	Barclays Bank
Fund Auditor:	EY
Performance Measurement:	BNP Paribas
AVC Providers:	Clerical Medical Prudential Utmost Pensions (formerly Equitable Life) - legacy only

National Representation and Involvement

Our officers, and elected Members on the Pensions Committee, work closely with the Department for Housing, Communities and Local Government (DHCLG) and The Pensions Regulator (TPR) (the scheme regulators), the Scheme Advisory Board (SAB) and the Local Government Pensions Committee (LGPC), to contribute to the development of the LGPS.

Councillor John Fuller (Norfolk Pension Fund Pensions Committee Member) sits on the Local Government Pensions Scheme Advisory Board representing non-administering authorities. The Scheme Advisory Board advises the Secretary of State on LGPS matters.

Councillor John Fuller and Councillor Alan Waters are members of the Local Government Pensions Committee (LGPC).

Norfolk Pension Fund is represented at the Chartered Institute of Public Finance Accountants (CIPFA) Pensions Network and Benchmarking Group.

Norfolk Pension Fund is a member of the Pensions and Lifetime Savings Association (PLSA), which helps us contribute to the national pensions' debate.

Norfolk Pension Fund is 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.

Along with other senior officers, Mark Alexander (Norfolk Pension Fund Pensions Manager), 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.

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

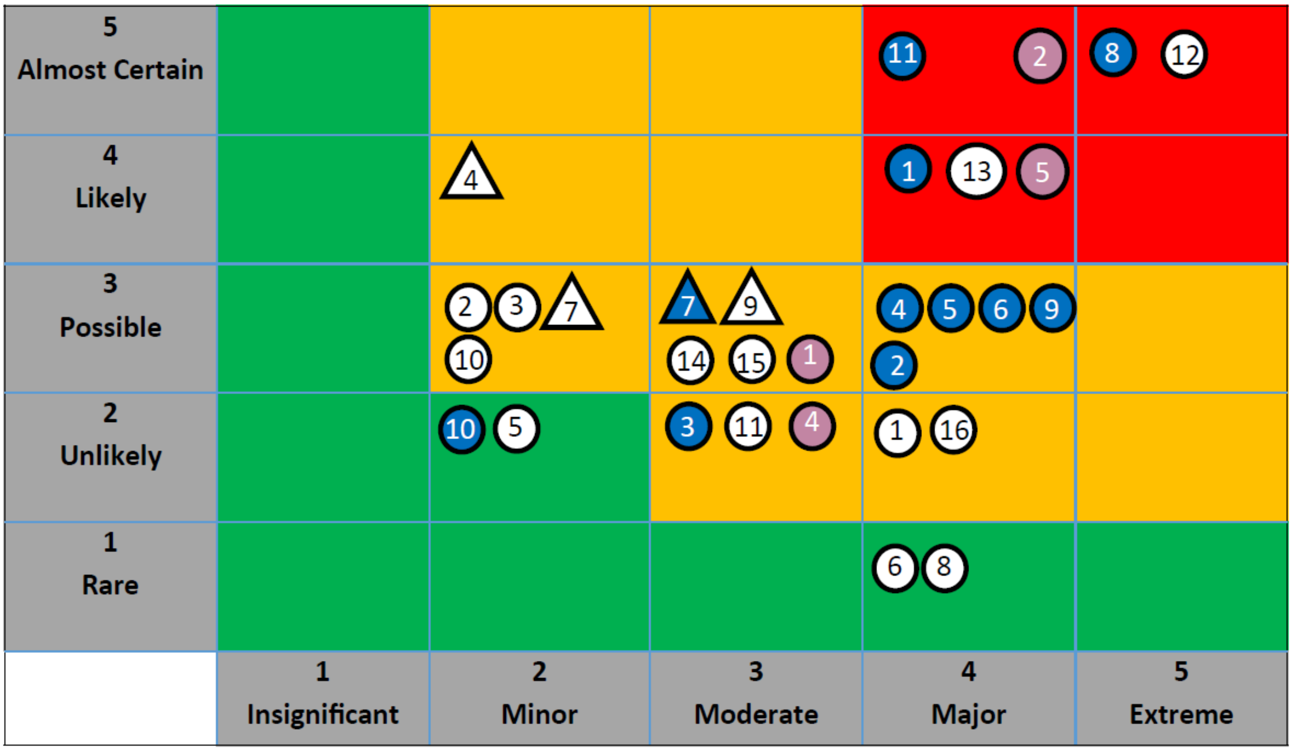
Norfolk Pension Fund officers sometimes attend and speak at seminars and conferences, with the purpose of continuing their professional development, maintaining knowledge levels and contributing to the development of the LGPS and the wider pensions industry.

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 considering 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 reviews investment risk and performance quarterly and meets 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 Appendix IX, our Funding Strategy Statement, which is also available on our website at www.norfolkpensionfund.org/governance/investment-and-stewardship
- Third party risks such as payments of contributions are robustly monitored. Assurance over third party operations is provided by obtaining and reviewing formal third-party Internal Control reports prepared under the appropriate audit regime
- An on-going framework of inspection and review by the Fund's internal auditors (Norfolk Audit Services) and external auditors supports and assists with the management of risks
- Further information on the nature and extent of risks arising from financial instruments is detailed in note 18 of the Statement of Accounts that accompanies this report

Norfolk Pension Fund Risk Map as at June 2020



Becoming more of a risk △   Risk is stable ○   Becoming less of a risk ▽

	Governance (NPFG)	Funding & Investment (NPFF)	Benefits Administration (NPFA)
1	Regulatory and performance requirements failure	Financial mismatch	Failure to meet regulatory and performance requirements
2	Asset pooling (ACCESS) (Gov)	Concentration	Lack of skilled resource (LGPS)
3	Knowledge & understanding (O)	Manager underperformance	
4	Knowledge & understanding PC	Systemic risk	Business continuity (Admin)
5	Knowledge & understanding POB	Credit default - Counterparty failure	Employer and Employee on line services
6	Business continuity (Gov)	Illiquidity	
7	Communication & Engagement	Default by participating employer	
8	Lack of skilled resource (Gov)	Poor advice	
9	National LGPS Frameworks	Changing demographics (Assumptions v Experience)	
10	Brexit	Business Continuity (F & Inv)	
11	Cyber Security	Communication	
12		Lack of skilled resource (F & Inv)	
13		Asset pooling (ACCESS) (F & Inv)	
14		Currency risk	
15		Environmental, Social & Governance (ESG)	
16		Custody, Stock Lending, Transition	

Internal Controls

Internal Control reports are reviewed on a rolling basis with any material issues reported to the Pensions Committee on an annual basis. Fund Managers marked with an asterisk submit only a part Internal Control report. Assurance for these managers is gained via a separate internal procedure.

Fund Manager	Report Type	Review completed
Aberdeen Standard Investments	AAF 01-06	Yes
Berenberg Bank *	ISAE 3402 Type II	Yes
Capital International Limited	SSAE16/ ISAE3402	Yes
Equitix **	Internal Control report not produced	Yes
Goldman Sachs Asset Management	SSAE16/ ISAE3402	Yes
HarbourVest Partners	SSAE16/ ISAE3402	Yes
HSBC	ISAE3402	Yes
Insight Investment Management	SSAE16/ ISAE3402	Yes
Janus Henderson Investors	SSAE16/ ISAE3402	Yes
La Salle Investment Management	ISAE3402/AAF 01-06	Yes
Link Fund Solutions	ISAE 3402 Type 1	Yes
M&G Investments	AAF 01-06	Yes
Mondrian Investment Partners	SSAE18/ ISAE3402	Yes
Pantheon	ISAE3402/SSAE18	Yes

AAF – Audit and Assurance Framework
ISAE – International Standard on Assurance Engagements
SOC - Service Organisation Controls
SSAE - Statement on Standards for Attestation Engagements

* The report received from Berenberg Bank is a partial report covering only the Overlay Management element of the organisation. A mechanism to review all internal controls for the whole organisation has been developed and agreed between the Fund and Berenberg Bank.

** Equitix do not produce an internal controls report. A mechanism to review internal controls has been developed and agreed between the Fund and Equitix pending further discussion around production of an industry standard report.

Internal Audit Testing

The Pension Fund is subject to internal audit scrutiny.

The audit universe is set out in the audit plan which is reported to and agreed by Pensions Committee on an annual basis. All audits during 2018-19 received an “Acceptable” (Low priority Findings) opinion.

Audit Universe	Testing Frequency
Governance and Strategy	1 to 3 audits annually
Admin Processes and Systems	2 to 3 audits annually
Investment Management	1 to 2 audits every year
Receivables (incl. Employer and Employee contributions)	Audited every 2 years
Member benefit payments	Audited every 2 years.

Financial Performance

Revenue and Fund Account

The Norfolk Pension Fund prepares an Annual Budget which is reviewed and approved by the Pensions Committee and monitored by the Pension Fund Management Team. Details of the expenditure incurred during 2019-20 are provided in the accounts section accompanying this report.

A summary budget and outturn for 2019-20 for Fund Administration, Oversight and Governance is shown below. The net underspend is mainly relates to the Funds project budget where the phasing of spend is variable and dependant on project timelines.

	Budget £'000	Actual £'000	Net Underspend £'000
2019-20 Fund Administration Costs	3,734	3,013	721
2018-29 Fund Administration Costs	3,417	2,910	507

Key fund income and Expenditure items are detailed below and lifted from the Revenue and Fund Account in the accounts section accompanying this report. Fund receivables and payables are reconciled and monitored on a monthly basis.

Investment Income, expenditure, profit and losses on disposal of investments and changes in the market value of investments are processed by the Funds Custodian bank and reported to the fund on a monthly basis. The Fund was net cashflow negative from dealings with members and including Fund Management Expenses during 2019-20. However, the Fund was cashflow positive after including investment income. The profit and losses on disposal of investments and changes in the market value of investments represent the negative impact during late February and March of the global COVID19 pandemic.

Extract from the Revenue and Fund Account	2018-19 Actual £'m	2019-20 Actual £'m
Fund Receivables (contributions and Transfers In)	161.6	162.8
Fund Payables (benefits and Transfers Out)	-145.6	-150.8
Management Expenses	-20.6	-24.5
Net additions/withdrawals from dealings with members Including Fund Management Expenses	**-4.6**	**-12.5**
Investment Income (less Taxation)	68.2	83.8
Profit and losses on disposal of investments and changes in the market value of investments	142.2	-259.3
Net increase/decrease in the net assets available for benefits during the year	**205.8**	**-188**

There were no notifiable late payments of contributions by scheme employers during 2019-20. All contributions outstanding at 31 March 2020 were collected within statutory timeframes.

Net Asset Statement

The net investment assets and liabilities held by the fund are detailed below and lifted from the Net Asset Statement in the accounts section accompanying this report. Except for direct property, all investment assets and liabilities are held in safe custody and reported through the Fund's custodian bank. Investment data is submitted monthly to the Fund and monthly accounting records maintained.

2019-20	Pooled and Freehold Property, Private Equity, Derivatives & Cash	UK	Overseas	Total
	£000	£000	£000	£000
Fixed Interest Securities				
Public sector quoted		65,899		**65,899**
Equities				
Quoted		31,267	502,790	**534,057**
Pooled Funds				
Unit trusts		214,551	99,185	**313,736**
Unitised insurance policies		207,776		**207,776**
Other managed funds		1,575,104	238,414	**1,813,518**
Pooled and Freehold Property, Private Equity & Derivatives				
Pooled property investments	363,109			**363,109**
Private equity	222,058			**222,058**
Direct property	1,089			**1,089**
Forward currency contracts	-4,180			**-4,180**
Cash deposits	89,977			**89,977**
Amounts receivable for sales/Amounts payable for purchases	-1,986			**-1,986**
Net investment assets	**670,067**	**2,094,597**	**840,389**	**3,605,053**

2018-19	Pooled and Freehold Property, Private Equity, Derivatives & Cash	UK	Overseas	Total
	£000	**£000**	**£000**	**£000**
Fixed Interest Securities				
Public sector quoted		62,784		**62,784**
Equities				
Quoted		35,474	559,352	**594,826**
Pooled Funds				
Unit trusts		256,591	148,096	**404,687**
Unitised insurance policies		218,099		**218,099**
Other managed funds		1,649,531	178,379	**1,827,910**
Pooled and Freehold Property, Private Equity & Derivatives				
Pooled property investments	427,934			**427,934**
Private equity	212,928			**212,928**
Direct property	470			**470**
Futures	-1,619			**36**
Forward currency contracts	470			**1,804**
Cash deposits	73,338			**73,338**
Amounts receivable for sales/Amounts payable for purchases	406			**406**
Net investment assets	**713,927**	**2,222,479**	**885,827**	**3,822,233**

Further commentary on the movements in assets and liabilities are discussed in the following Investment Policy and Performance section.

Funding Arrangements

Full details of the Fund's funding arrangements are detailed in Note 19 in the accounts section accompanying this report. The table below summarises the whole fund Primary and Secondary Contribution rates at this triennial valuation. The Primary rate is the payroll weighted average of the underlying individual employer primary rates and the Secondary rate is the total of the underlying individual employer secondary rates (before any pre-payment or capitalisation of future contributions), calculated in accordance with the Regulations and CIPFA guidance.

2019 Valuation			
Primary Rate (% of pay)	**Secondary Rate**		
1 April 2020 - 31 March 2023	**2020-21**	**2021-22**	**2022-23**
19.5%	£29,020,000	£30,689,000	£32,182,000

2016 Valuation			
Primary Rate (% of pay)	**Secondary Rate**		
1 April 2017 - 31 March 2020	**2017-18**	**2018-19**	**2019-20**
19.4%	£26,306,000	£27,463,000	£31,813,000

A list of contributing employers can be found at Appendix I in the accounts section accompanying this report. The amount of contributions received from each organisation during the year split between employees and employers is shown below.

	2018-19 £000	2019-20 £000
Employers – normal	113,532	117,517
Employers – special	870	58
Employers – augmentation	15	0
Employers – strain	3,105	1,888
Members – normal	28,991	30,678
Members – purchase of additional scheme benefits	714	553
TOTAL	**147,227**	**150,694**

By Employer Type

	2018-19 £000	2019-20 £000
Administering authority	57,381	58,850
Other scheduled bodies	63,772	67,576
Community admission bodies	8,021	6,236
Transferee admission bodies	2,345	2,499
Resolution bodies	15,708	15,533
TOTAL	**147,227**	**150,694**

The late pay over of employee and employer contributions is monitored for reportable breaches in accordance with fund policy. In addition to monthly reconciliation and monitoring of contributions, compliance with breaches policy is reported quarterly to Pensions Committee. All contributions outstanding at the 31st March have now been received.

Pension Overpayments

The table below analyses the pension overpayments, recoveries, any amounts written off and the results of participation in National Fraud Initiative (NFI) exercises (data matches, overpayments identified, actions taken, etc).

		2019-20
Number of Pension Overpayments		68
Number of Recoveries by Invoice	66	
Number of Recoveries from spouse	2	
Total recoveries	**68**	
Number/Amounts of Recoveries Written Off	12	£3,868.76
Life Certificates sent out		999
Unreturned Life Certificates		6

The National Fraud Initiative (NFI) runs every two years. For the year in between NFI Life Certificates are sent out to overseas pensioners and UK members over the age of 92.

Investment Policy and Performance Report

Fund Performance Review for the year 2019-20

Introduction

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

During 2019-20 sixteen external investment managers directly managed the Fund's assets:

- LaSalle (property)
- Link Asset Services (UK and overseas equities) – ACCESS pool operator
- Mondrian Partners (global equities) – from November 2019
- Capital International (global equities and emerging market and high yield debt)
- Pantheon (infrastructure) – initial funding May 2019
- Goldman Sachs Asset Management (absolute return fixed interest)
- HarbourVest (North American, European, global secondary and Asia Pacific focused private equity and secondary real assets)
- Insight (UK Government debt & securitised debt)
- Janus Henderson (fixed income, absolute return fixed income and multi-asset credit)
- Legal & General Investment Management (Index Linked Gilts – passive) – to April 2019
- M&G – including Infracapital (absolute return fixed income, distressed and private debt and infrastructure)
- Equitix (infrastructure)
- Aberdeen Standard Investments (European and global secondary focused private equity)
- UBS (UK equities - passive)
- Wellington (global equities) – to November 2019
- Stafford (timberland) – from November 2019.

The Fund has also signed commitments for infrastructure investments with Aviva Investors and JP Morgan that were undrawn on 31 March 2020. Both commitments have been fully drawn since 31 March 2020.

The global custodian is HSBC.

The asset allocation has evolved over the year as the Fund has developed its enhanced yield portfolios and further reduced growth asset portfolios. This has continued into 2020-21 with the funding of the infrastructure commitments with J P Morgan and Aviva Investors.

Three direct property assets are managed internally. Most of the cash holdings are swept to AAA rated money market funds managed by HSBC (the global custodian of the assets) and Goldman Sachs.

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

Manager Changes

In April 2019, the Fund redeemed its final assets held with Legal & General Investment Management, a small holding (£1m) of index linked Gilts that was held at the request of one employer. During the year additional commitments were made to the Fund's private markets programs.

During the year the Fund participated in a procurement exercise by the ACCESS pool to source a value global equity manager. As part of this process, the Fund transitioned the assets managed by Wellington to Mondrian Partners in November 2019. The timing of the transition was necessitated by the decision of Wellington to discontinue the existing strategy in which the Fund was invested. It is planned that the mandate managed by Mondrian will fully transition to the ACCESS pool during 2020-21.

2018-19 Investment Results

Investment performance for 2019-20 is largely dominated by the month of March 2020 when financial markets began to fully reflect concerns about the impact of COVID-19 on the global economy. Until that point markets had been moving generally upward. Although much of the valuation given up in this period of market turmoil was returns earned earlier in the financial year, overall the two main strategies finished the year with negative returns. As might have been expected only the protection strategy finished the financial year with a positive return. The returns for each of the strategies is shown below against their relevant CPI based benchmarks.

Strategy	One-year return to 31 March 2020	Benchmark return to 31 March 2020	Benchmark
1 (previously Core Strategy A)	-5.6%	4.40%	CPI plus 2.9%
2 (previously Alternative Strategy A)	-6.1%	4.70%	CPI plus 3.2%
3 (previously Alternative Strategy B)	4.6%	1.50%	CPI

Details of the strategy components are provided in the Funding Strategy Statement.

The inception date for the multi-strategy approach was 1 July 2017.

As might be expected in a year of high investment volatility strategy performance versus the inflation linked benchmarks has been mixed. We expect these strategies to meet and exceed the benchmarks over a more meaningful three to five-year measurement as the multi-strategy approach moves forward. The reduction in equity exposure has continued to reduce overall investment risk in the portfolio.

As may be expected in a diversified portfolio, the performance of the individual active fund managers was mixed over the last twelve months although the performance of the equity managers in declining markets was generally pleasing on a relative basis. Most risk assets saw negative performance for the year particularly in the second half of the final quarter.

In the equity space, Capital (+5.5%) and Fidelity (LINK) (+5.5%) both provided significant outperformance after fees compared to their equivalent passive benchmark. After a long period of outperformance, Baillie Gifford (LINK) continued to marginally outperform their benchmark in a UK market that saw heavier falls than global market posting results that were 0.8% ahead of the benchmark albeit an absolute return of -17.8%. The final eight months of the Wellington mandate continued to disappoint, but the replacement mandate managed by Mondrian got off to a promising staff albeit that the manager only received funds towards the end of the third quarter of the financial year. The absolute performance of both the Mondrian and Wellington mandates has been impacted by the “value” approach employed by both managers. This investment factor has been out of favour in markets for a number of years as “growth” stocks have outperformed but, in the trustees’ view, remains an important component of a diversified equity investment approach. Over the more relevant five-year performance period, each of the current active equity managers have added value net of fees. The passive UK equity mandate managed by UBS, tracked its benchmark as expected during the period.

The performance of the fixed income managers over the year was generally stable albeit that the disclosure has been impacted by the cash benchmarks employed by the Fund on this part of the portfolio.

Property had a difficult year that was compounded by the difficulty in obtaining transactional data to support valuations at 31 March 2020. The absolute return of the manager based on the available valuations was -1.8%, which was a little behind the benchmark. In common with the multi-manager industry generally, La Salle have struggled to add value above the benchmark return. The approach to managing property exposure is being reviewed as part of eth development of the access pool.

It is too early to comment on the performance of the infrastructure and real asset appointments, but funding activity has been strong, which will allow this to become a significant component of the investment strategy going forward.

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

The illiquidity and relative immaturity of the Fund's private equity investments, together with the impact of currency movements and ongoing drawdowns, mean that the performance recorded for the underlying funds continues to be volatile. However, as strong global corporate finance activity continued for most of this financial year, the Fund saw a strong flow of cash returns from investments made by the private equity managers earlier in the programme. To maintain the programme, we have continued to make new investment commitments through the year primarily with HarbourVest. It has continued to be pleasing to receive early cash returns on some of the secondary investments made by the Fund, which has mitigated the "J-curve" often seen in private programmes. The private markets program was extended during the year with further debt commitments with M&G and infrastructure commitments with Equitix and Aviva.

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

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

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

Triennial Valuation

The triennial valuation of the Fund at 31 March 2019 was completed during 2019-20 in accordance with regulatory requirements. The valuation showed an improvement in the overall funding position to 99% (equivalent to a deficit of £28 million at the valuation date (£710 million deficit at 31 March 2016 (funding level 80%)). The estimated funding level at 31 March 2020 had fallen but remains with the expected range of actuarial outcomes used when setting contribution rates for long term participating employers.

A full 2019 Triennial Valuation report, including formal actuarial commentary, is available on our website at www.norfolkpensionfund.org.

Investment Market Review to 31 March 2020

Global stock markets put in a good performance for most of the reporting period. This ended in late February as the extent of the Covid-19 pandemic impact began to unfold, with the vast majority of asset classes, including equities, experiencing a sharp downturn. There remains much uncertainty about the global economic outlook and social impact, as governments around the world have taken measures to limit the spread of the coronavirus. This has been exacerbated by the collapse of oil prices.

In the US, the Federal Reserve (Fed) responded by cutting interest rates twice in March - the first time since the global financial crisis. It also announced an extensive bond purchasing programme and a $2 trillion stimulus relief package which included guaranteed loans to small businesses, expanded unemployment payments and direct cash payments to American households. All sectors saw significant declines, but large technology stocks held up relatively well.

Elsewhere, across emerging markets it is notable that countries that are deemed to have some measure of control over the spread of the virus have seen greater resilience in their stock markets. Of note, China's stock markets have outperformed, while Taiwan and South Korea have also been relatively robust. Going forward, perhaps the biggest areas of concern are India, Indonesia and Mexico, which have very large populations, but relatively limited public healthcare systems. Given this combination, the human cost in these countries may unfortunately be substantial, and with it will come the potential for significant economic challenges.

In Japan, the much-anticipated rise in consumption tax, which had been delayed on two previous occasions, dampened domestic consumption; however, efforts from the government to offset any negative effects with a major stimulus package pacified investors. A renewed spat with Korea which weighed on both exports and visitors to Japan was also unhelpful, but its impacts seemed to dissipate towards the end of 2019. Before the pandemic took hold, capital investment was resilient and share buybacks were running at record levels; both signs that business leaders are optimistic for the future.

UK equity markets had a strong end to 2019, supported by the decisive General Election result and clarity over the UK's departure from the EU, which removed some uncertainty. However, we cannot fail to observe the notable impact that Covid-19 had a on UK equity returns in the first quarter of 2020. Despite the unprecedented actions taken by the UK government to provide financial support to the economy, UK equity markets moved sharply lower towards the end of the period.

Government bond yields fell, although not uniformly, and there was elevated volatility during the last few weeks of the period. Governments around the world have responded by stepping in quickly, providing fiscal support for companies and employees. Central banks have also acted to reverse the tightening in financial conditions associated with the pandemic.

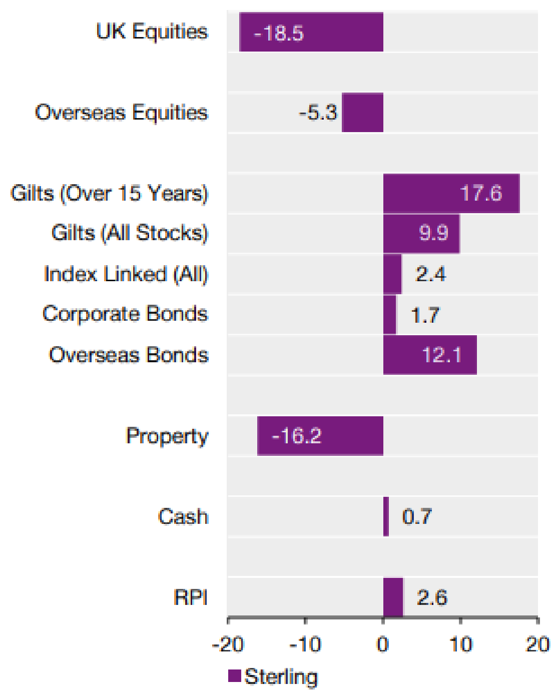
The impact of Covid-19 on corporate bond markets has been extreme. A wave of selling – exacerbated by the disruption to trading desks as offices closed – caused a severe reduction in liquidity and material moves in bond prices for even the highest quality companies. The additional yield spread offered by investment grade bonds, over and above government bonds, rose markedly. However, falling government bond yields meant returns were still positive. Sterling investment grade corporate bonds have generated a return of 1.7 per cent over the full 12 months, while UK government bonds returned 9.9 per cent.

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

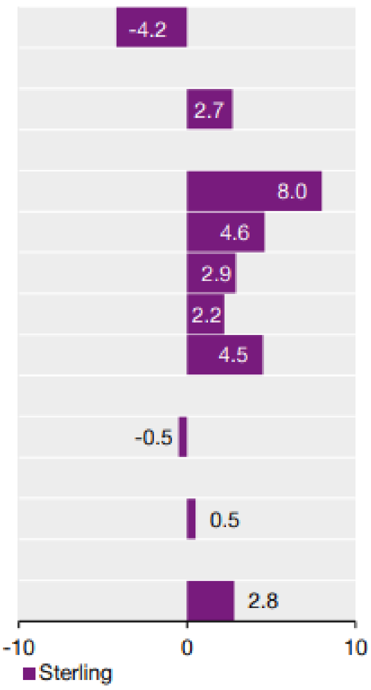
Our investment philosophy is very long-term. We do not pretend to know where the market may go from here, at least in the near term, nor do we try and time the markets. At times like this, we believe it important to stick to our strengths, which are to focus on long-term business fundamentals – looking for durable growth opportunities in companies that are well-managed, with strong competitive positioning, sustainable business models and solid balance sheets. Even more so than usual, we believe that being able to take a long-term perspective can be a real advantage and, as always, we remain extremely grateful to our long-term supportive clients.

Returns for World Markets to 31 March 2020

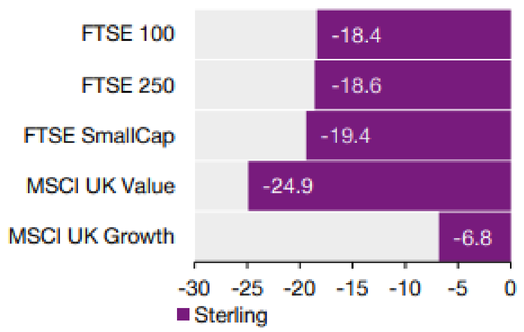
Major Classes – 12 Months (%)



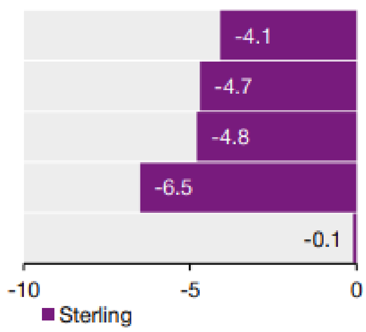
Major Classes – 3 Years (% p.a.)



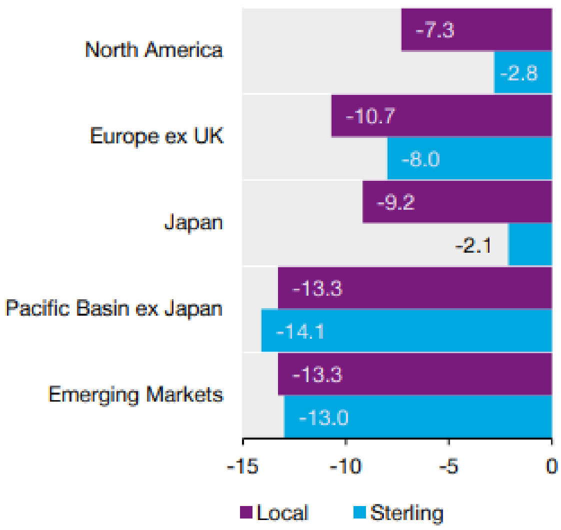
UK Market – 12 Months (%)



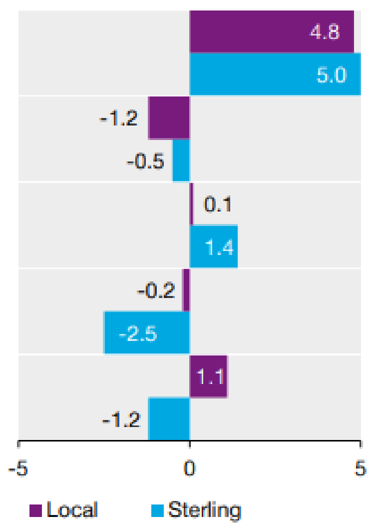
UK Market – 3 Years (% p.a.)



Overseas Equities– 12 Months (%)



Overseas Equities– 3 Years (% p.a.)



Source: StatPro, Datastream content from Refinitiv, FTSE, MSCI, ICE Data Indices.

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Scheme Administration

Value for money statement

The Norfolk Pension Fund is committed to delivering a consistently high level of performance and customer service, fully compliant with legislative requirements and recognised best practice, to meet the different needs of all its stakeholders in a responsive, effective, efficient and equitable way.

The Fund's operational financial performance is reviewed by the Pensions Committee, which approves the annual budget. Actual spend is monitored throughout the year by the Fund's management team and is reported in the Annual Accounts.

We operate within a three-year Service Development Plan to review and set out the strategic and operational administration objectives to maximise efficiencies and service standards. The Plan is shared with all the team and linked into the performance appraisal process.

The Fund has absorbed an increasing workload over the last few years, particularly in respect of governance, investment pooling, member and employer administration. The associated risks and issues of the changing regulatory and operational landscape are being addressed via the Norfolk Pension Fund Strategic Review and associated reform programme.

We take part in the CIPFA benchmarking club for pensions administration, which allows us to compare of performance and costs against other LGPS funds, a well as national performance statistics.

The average cost per member (CPM) to administer the Norfolk Pension Fund for 2018-19 (the latest available at time of publication) was £20.01, 6% lower than the average £21.34 CPM achieved by other local authorities who participated in the CIPFA Pensions Administration Benchmarking Club over the same period.

Average Cost per Member

	2014-15	2015-16	2016-17	2017-18	2018-19
Norfolk Pension Fund	£17.32	£17.85	£19.43	£18.97	£20.01
CIPFA Benchmarking Average	£19.17	£18.37	£20.14	£21.16	£21.34

We consistently deliver high service levels to our members and employers. For example, during 2018-19, over six CIPFA Industry Standard Performance Indicators, the Norfolk Pension Fund has delivered 96.22% within the CIPFA target timescale, 13% higher than the average of 85.03% for other local authorities who participated in the CIPFA Benchmarking Club for the same period. Please see the 'Key Performance Data' section below for more detail.

We receive positive feedback from our stakeholders on our service, as shown in the 'Customer Satisfaction' section below.

The Norfolk Pension Fund scores highly on data quality and, as reported in the 'Data Quality' section below, for 2020 we achieved a common data score of 95.42% and a conditional data score of 99.9%.

How the service is delivered

The Norfolk Pension Fund is managed and administered from its central Norwich offices at Lawrence House, 5 St Andrew's Hill, Norwich, NR2 1AD.

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.

To deliver the Fund's administrative requirements we use a software package which provides the following functions:

- Supports the whole member lifecycle from joining, through to benefits accrual, and retirement and pension payments
- Automated workflow-driven processing ensures accurate and streamlined back-office administration
- Automated employer management for regular uploads of HR data, contribution reconciliation and strain calculations
- Built-in document management and bulk processing pensioner payroll from a single member database

The Fund's website www.norfolkpensionfund.org provides advice, information and news about the Fund and the LGPS for scheme members and employers.

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

The Fund has an online Employer Portal giving scheme employers access to view their own data, securely exchange data and submit requests and changes online.

Scheme members, employers and our other stakeholders can contact the Norfolk Pension Fund team by telephone or email as follows:

Member Pensions Administration
Telephone 01603 495923
Email pensions@norfolk.gov.uk

Employer, Website and Technical Helpdesk
Telephone 01603 222132
Email pensions.systems@norfolk.gov.uk

Investment, Accountancy and Actuarial Services
Telephone 01603 222139
Email pensions.finance@norfolk.gov.uk

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
- Early retirement schemes for Fund employers
- Early retirement schemes for Norfolk LEA Teachers and Colleges

Data Security

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

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

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 on our website at www.norfolkpensionfund.org/governance/complaints-and-disputes/.

One IDRP complaint, in respect of the online member pension calculator, was logged against the Norfolk Pension Fund during 2019-20. The complaint was referred to the Ombudsman.

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

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.

Summary of significant projects

1. Guaranteed Minimum Pension (GMP) Reconciliation

The Guaranteed Minimum Pension (GMP) reconciliation exercise to ensure that we hold correct information for any of our members with contracted-out service has now completed. HMRC are no longer tracking GMPs or taking further queries. Our records have been updated with GMPs where these were available from HRMC. We are awaiting the final schedule from HMRC which will confirm the GMPs for all our members. A timetable for the publishing of the final data was expected by April 2020.

2. ACCESS Investment Pool

We have continued to work as a member of the ACCEESS pool and although no further liquid assets were transferred to the pool during the 2019-20 financial year, there are currently three investment mandates in 'live pipeline' with Capital International, Janus Henderson MAC and Mondrian Investment Partners totalling £771.07m. We continue to work with ACCESS to establish the long-term solution for real estate and other alternative asset classes.

3. Investment Strategy

The Fund has continued to build out its allocation to long-term enhanced yield assets, specifically infrastructure and timber land. We have also been working to develop a fourth strategy approach to better meet the needs of some employers.

4. Strategic Review

A work programme has been established to deliver the recommendations outlined in the comprehensive review of the Norfolk Pension Fund, in order to reduce high levels risks and ensure that the Fund is well placed to continue to support scheme members and employers as we look forward. Whilst the global pandemic has meant delays and alterations to the programme, to ensure that we meet immediate operational priorities, the Fund is remains committed to delivering the recommendations of the review for the benefit of scheme members, employers and other stakeholders.

5. **COVID-19 global pandemic**

The Norfolk Pension Fund transitioned to working remotely in March 2020 response to the global pandemic. The Fund's risk mitigation and resilience planning helped the Fund maintain critical services through this transition and quickly establish a stable service to effectively support scheme members and employers.

Data Quality

We published our Report on Data Quality in January 2020. The Report was prepared using guidance from the Pension Regulator on Record-keeping and detailed the steps taken to maintain and improve the quality of membership data maintained by Norfolk Pension Fund.

- **Common Data**

  Common data has been suggested by the Pension Regulator. It is basic data which is common to all membership types.

  The common data score which is used measure of all common data items averaged across all items for Norfolk Pension Fund was 95.42%

  The only significant area of "fail" is deferred pensioners' addresses. These are marked as "gone away" on our systems if mail is returned to us.

  Whilst it is certainly good practice to keep in touch with deferred pensioners, the fact that we don't know their current whereabouts does not cause problems in terms of paying out money due or accounting for money due to be paid.

  We carry out regular mortality screening which highlights where payments may due to be paid. Members not failing the mortality screening are assumed to be still alive and therefore will be entitled to receive benefits on retirement.

  As part of our Data Quality exercises we have scheduled to trace our deferred pensioners addresses using our tracing service. We repeat this exercise every 18 months or so in order to keep records as up to date as possible whilst bearing in mind the cost of such exercises and the response rates achieved.

When deferred members reach retirement age and benefits are payable, individual tracing services are employed in order to ensure benefits are paid on time.

Conditional Data

Conditional data is data which the Norfolk Pension Fund considers is essential to ensure correct recording of liabilities for actuarial purposes, correct calculations and payment of benefits.

The conditional data score averaged across all items for the Norfolk Pension Fund was 99.9%

The only significant area of fail is "deferreds passed due date". Regular reports are run against the system to highlight any cases where benefits are still being deferred but should possibly be in payment. The small numbers of cases shown as currently failing are those where we are currently carrying out tracing activities. We have instigated a write-off process where benefit amounts are small or beneficiaries cannot be traced after exhaustive search. This will reduce the number of cases that we are accounting for, but in practice will never pay out.

Where deferred benefits have not been put into payment by retirement age, this could be due to un-notified mortality, or “gone aways”. Large numbers of such cases could affect funding of schemes; however, the small numbers involved here do not represent any significant funding issues.

Data cleansing is an ongoing exercise and therefore does not have timescales associated with it.

From 2016 we have been running an annual check on deferred members addresses with an external tracing company. This gives us likely addresses for our deferred members who have moved house but not informed us.

It is recognised by the Fund Actuary that the Norfolk Pension Fund data is among the cleanest in local government, however we are not complacent and know that we must strive to keep standards up. Regular monitoring of the measures identified in the Report will be carried out and any actions necessary to ensure data quality is maintained.

The Norfolk Pension Fund will review best practice of other pension funds to ensure that appropriate measures are used and where appropriate additional data monitoring will be put in place.

Key Performance Data

Chartered Institute of Public Finance and Accountancy (CIPFA) Pensions Administration Benchmarking Club

Norfolk Pension Fund takes part in the annual Chartered Institute of Public Finance and Accountancy (CIPFA) Pensions Administration Benchmarking Club.

Benchmarking results are published in November for the previous financial year 1 April to 31 March.

CIPFA Benchmarking results for Industry Standard Performance Indicators and LGPS Management Expenses are shown below for 1 April 2018 to 31 March 2019 (the latest available at time of publication).

Industry Standard Performance Indicators

Task	Target	Norfolk Results	Club Average
Letter detailing transfer-in quote	10 days	91.6%	83.8%
Letter detailing transfer-out quote	10 days	95.4%	84.4%
Process and pay	5 days	95.7%	94.1%
Letter acknowledging death of member	5 days	98.0%	87.8%
Letter notifying amount of dependant's benefits	5 days	99.1%	84.8%
Calculate and notify deferred benefits	10 days	97.5%	75.3%
AVERAGE		**96.22%**	**85.03%**

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.

Top Case Types

The table shows the top case types processed by the Norfolk Pension Fund during the period 1 April to 31 March.

		2018-19		2019-20	
Case Type	**CIPFA Standard**	**Volume**	**% within CIPFA Standard**	**Volume**	**% within CIPFA Standard**
Transfer In Quotes	10 days	310	91.6	401	93.3
Transfer Out Quotes	10 days	516	95.4	586	95.9
Refund Payments	5 days	879	95.7	836	95.7
Estimate of Retirement Benefits	10 days	1,615	98.0	1,691	97.1
Actual Retirement Benefits	5 days	1,569	99.8	1,499	99.5
Acknowledgement Death of Member	5 days	772	98.0	823	97.3
Notify Dependant's Benefits	5 days	298	99.1	393	98.2
Notify Deferred Benefits	10 days	2,680	97.5	2,823	98.9
TOTAL		**8,819**	**96.9**	**9,051**	**97.0**

LGPS Management Expenses Summary

LGPS Management Expenses (2018-19)	£'000	£ per member - Norfolk Pension Fund	£ per member - CIPFA Club average
LGPS Administration costs (adjusted for one-off costs)	1,828	20.01	14.96
LGPS Oversight and governance expenses	816	8.93	7.86
LGPS Investment management expenses	17,960	196.57	191.43
Total LGPS Management Expenses	**20,604**	**225.51**	**214.25**

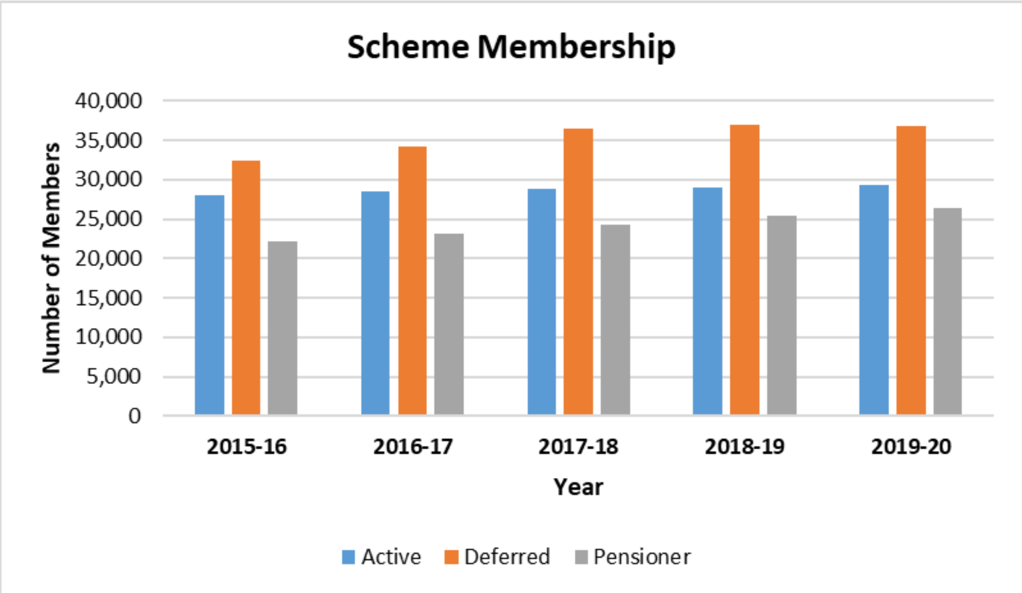
Please note that the Norfolk Pension Fund Unit Cost per Member for 1 April 2019 to 31 March 2020 is detailed in the following Analysis of Scheme Membership section.

Analysis of Scheme Membership

The Norfolk Pension Fund Unit Cost per Member for the period 1 April 2019 to 31 March 2020 is shown in the table below.

Process	2015-16	2016-17	2017-18	2018-19	2019-20
Investment Expenses					
Total cost £'000	13,371	14,601	15,748	17,960	21,782
Total Membership (Nos)	82,722	85,905	89,568	91,368	92,360
Cost per member (£)	161.64	169.97	175.82	196.57	235.84
Administration Costs					
Total cost £'000	1,766	1,684	1,749	1,858	1,858
Total Membership (Nos)	82,722	85,905	89,568	91,368	92,360
Cost per member (£)	21.35	19.6	19.53	20.34	20.12
Oversight and Governance Costs					
Total cost £'000	537	898	495	816	887
Total Membership (Nos)	82,722	85,905	89,568	91,368	92,360
Cost per member (£)	6.49	10.45	5.53	8.93	9.60

The Scheme Membership table below shows the change in scheme members over the five year period since 2015-16.

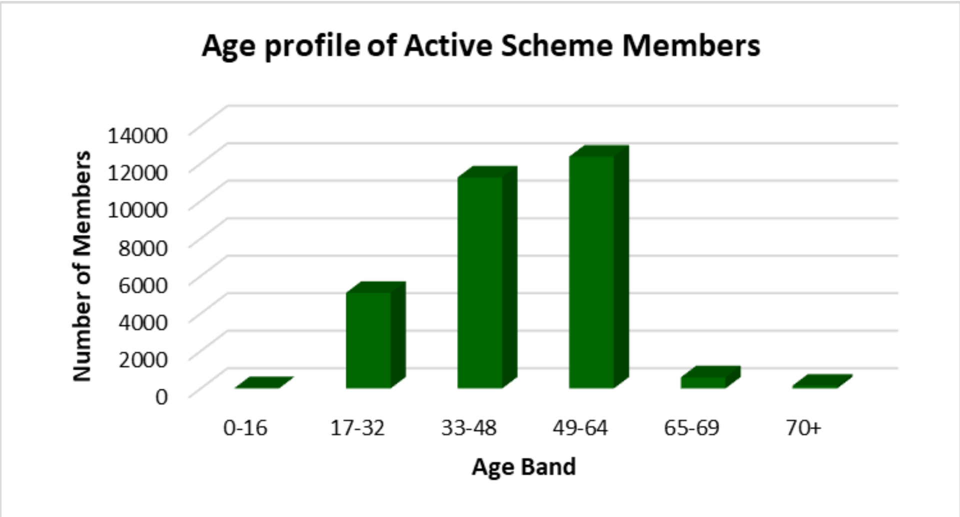


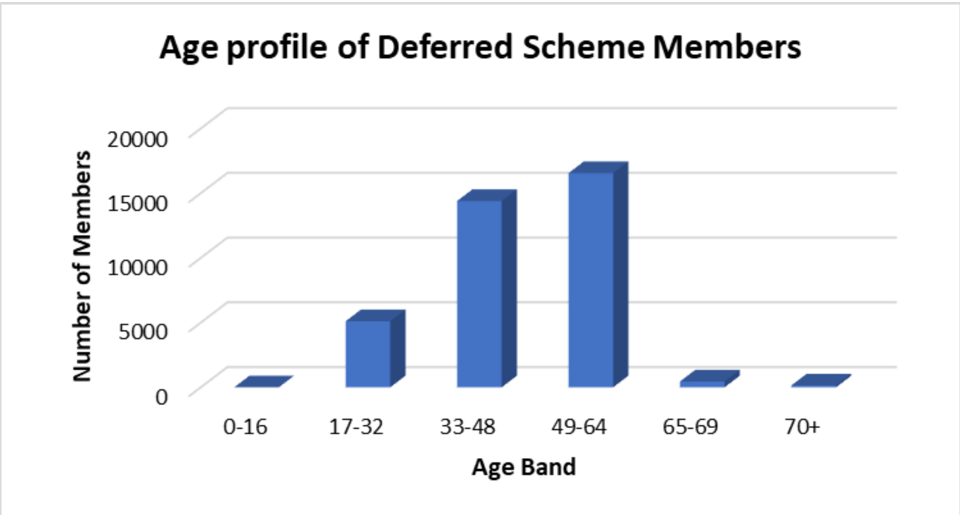
The table below illustrates the change in scheme membership since 2015-16. Since 2015-16 there has been a 5% increase in active scheme members, a 13% increase in deferred members and a 19% increase in pensioners (retired members). Over the past five years, the total scheme membership has grown by 12%.

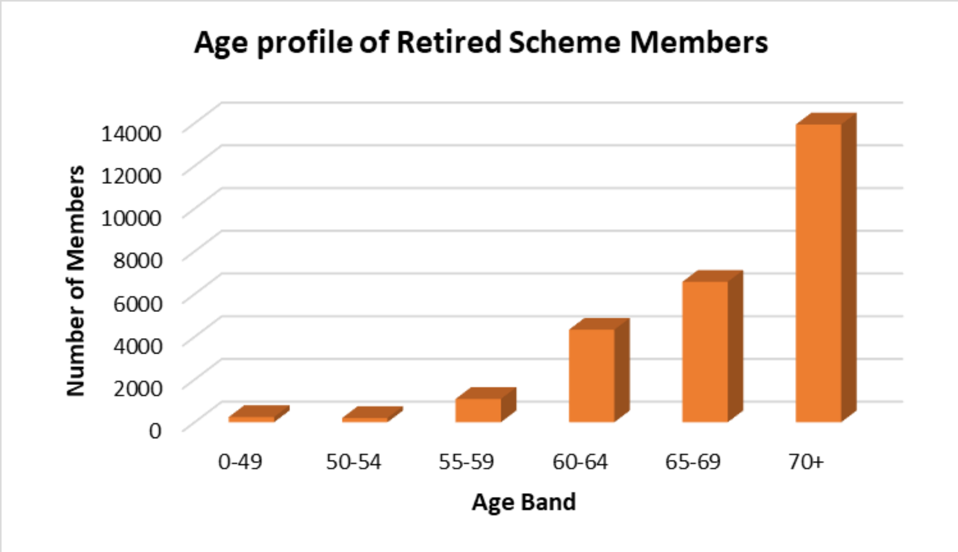
	2015-16	2016-17	2017-18	2018-19	2019-20
Active	28,030	28,469	28,837	29,067	29,317
Deferred	32,477	34,216	36,520	36,947	36,700
Pensioner	22,215	23,220	24,211	25,354	26,343
Total	**82,722**	**85,905**	**89,568**	**91,368**	**92,360**

Membership Age Profile

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

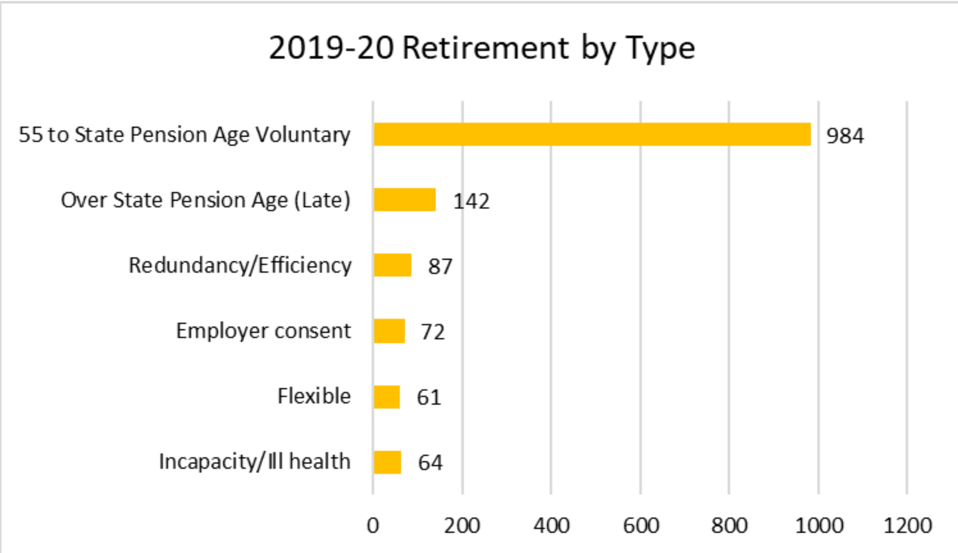






Breakdown of retirements

1,410 scheme members retired during 2019-20, broken down into the different retirement types shown in the graph below.



Employer Contributions

As at 31 March 2020 there were 414 employers with active members in the Fund.

A list of contributing employers is show at Appendix I.

The table below provides a split of contributions analysed by employer body.

2019-20	£'000
Administering authority	58,850
Other scheduled bodies	67,576
Community admission bodies	6,236
Transferee admission bodies	2,499
Resolution bodies	15,533
Total	**150,694**

All employers are required to lodge employer discretion policies with the fund and these are reviewed annually. Pension advice for employers undertaking TUPE staff transfers are encouraged to contact the fund in the first instance.

Details of the admission policy for new admitted bodies is contained in Appendix VI, the Funding Strategy Statement.

Customer Satisfaction

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

We hold events throughout the year so that we can meet key stakeholders face-to-face, which allows us to give updates on the Fund and our members and employers to ask questions and resolve any queries.

Some of the highlights from our survey feedback are shown below.

Recently Retired Members Survey

In February 2020 we wrote to over 300 scheme members who had retired between October 2019 and January 2020 asking them to complete a survey to get their feedback on their experience of the retirement process.

Of those who responded, over 95% said that overall they were ‘Very satisfied’ or ‘Satisfied’ (with 77% being ‘Very satisfied’) with the help received from the Norfolk Pension Fund.

Similarly, when asked 'How satisfied were you with the help from the Norfolk Pension Fund with queries or questions' again over 95% were 'Very satisfied' or 'Satisfied'. Some of the comments included: 'Communication was very good and I was very surprised with the ease of the whole process', 'Efficient. Quick. Excellent communication', 'Experienced, knowledgeable staff who could answer any queries. Having one person to contact via telephone/letter. Prompt replies. You did what you said you would do', 'Whenever I contacted the service, whoever I spoke to was able to deal with my query effectively. Calls answered very quickly' and 'Very professional. Very nice telephone manner. Very helpful'.

Retired Member Forums, 13 to 16 May 2019 – 'A very good cross section of social and serious issues – things we wanted to know and things we needed to know', 'We were given up to date information on a wide range of subjects together with the means to follow up on things we wanted to', 'I took a lot of notes – a lot of facts I was unaware of. Handouts and leaflets so useful', 'All my queries have been answered successfully', 'Information will help my neighbours, friends and family as well as myself', 'Speakers this year have been brilliant - confident, knowledgeable and enthusiastic' and, 'High quality – First class – Impressive – 11 out of 10! – Best ever'.

Employer Forums, 10 July 2019 and 26 November 2019 – 84% of respondents gave an overall assessment of the Forums as Excellent/Very Good and 87% rated the presentation content as Excellent/Very good. Comments included, 'Good update. Thank you!' and 'This is the second of these events that I've attended – as before the quality of presentation is excellent. Making highly technical content understandable! Thank you'.

Scheme Member Pension Clinics, 22 to 29 October 2019 – 100% of respondents said they were 'Very satisfied' or 'Satisfied'" (with 92% saying they were 'Very satisfied') with the service received at the Clinics. Comments included, 'Your member of staff was understanding and explained at a pace which suited my situation. Very honest and clear', 'Made jargon understandable and was able to answer all my questions clearly – also documented an action plan which increased my confidence. Much appreciated', 'Very informative. Clear and precise. I didn't feel rushed. Very welcoming and made me feel at ease', 'It was really useful. Thank you very much for providing these face-to-face appointments', 'All my questions were answered and additional information given. Good advice given', ' The information I requested before my appointment was available to see and take home' and 'Starting from a low point of understanding, staff were able to explain my booklet in a straightforward and easy to understand way'.

Key Staffing Indicators

The chart below details the Norfolk Pension Fund Key Staffing Indicators including staff turnover, ratio of staff to scheme members and ratio of staff to the number of case items. The results are for the period 1 April to 31 March.

	2015-16		2016-17		2017-18		2018-19		2019-20	
Staff Joining	2	7.0%	2	7.0%	1	3.5%	2	7.0%	4	14.5%
Staff Leaving	2	7.0%	2	7.0%	1	3.5%	2	7.0%	1	3.6%
Total Staff (FTE)	28.5		28.5		28.5		28.5		28	
LGPS Admin Staff (FTE)	22		22		22		22		22	
Total Scheme Membership	82,722		85,905		89,568		91,368		92,360	
Members per LGPS Admin Staff (FTE)	3,760		3,905		4,071		4,153		4,198	
Staff to Member Ratio	1:171		1:178		1:185		1:189		1:191	
Case Items	7,629		6,907		7,532		8,819		8,891	
Case Items per LGS Admin Staff (FTE)	347		314		342		401		404	
Staff to Case Item Ratio	1:16		1:14		1:16		1:18		1:18	

(FTE) = Full-time equivalent

National LGPS Frameworks

National LGPS Frameworks, is a ‘not for profit’ national collaboration between LGPS Funds and Pools to efficiently procure specialist pension related services.

The National LGPS Frameworks operate on a self-funding model, with liability shared between all Founding Authorities. They are hosted by the Norfolk Pension Fund, supported by a dedicated team of professionals with assistance from other external support as necessary (for example, legal and procurement specialists from Norfolk County Council).

Using the National LGPS Frameworks saves LGPS Funds and Pools significant time and money by allowing quicker and more efficient procurement of high-quality and value for money services. The frameworks mean users leverage better prices whilst still making local decisions about service requirements.

Since the inception of National LGPS Frameworks in 2012, the LGPS has already collectively benefited from more than £119m in savings with:

- 10 Live Frameworks in place
- 40 Funds and Pools have acted as 'Founding Authorities'
- 101 Funds and Pools joining the Frameworks (plus two non-LGPS users)
- 330 contracts awarded
- 137 years of estimated effort saved by procuring through the Frameworks

National LGPS **Frameworks**

Actuarial Report on Funds

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

Description of Funding Policy

The funding policy is set out in the Administering Authority's Funding Strategy Statement (FSS), dated March 2020. In summary, the key funding principles are as follows:

- to ensure the long-term solvency of the Fund using a prudent long-term view. This will ensure that sufficient funds are available to meet all members'/dependants' benefits as they fall due for payment;
- to ensure that employer contribution rates are reasonably stable where appropriate;
- to minimise the long-term cash contributions which employers need to pay to the Fund, by recognising the link between assets and liabilities and adopting an investment strategy which balances risk and return (this will also minimise the costs to be borne by Council Tax payers);
- to reflect the different characteristics of different employers in determining contribution rates. This involves the Fund having a clear and transparent funding strategy to demonstrate how each employer can best meet its own liabilities over future years; and
- to use reasonable measures to reduce the risk to other employers and ultimately to the Council Tax payer from an employer defaulting on its pension obligations.

The FSS sets out how the Administering Authority seeks to balance the conflicting aims of securing the solvency of the Fund and keeping employer contributions stable. For employers whose covenant was considered by the Administering Authority to be sufficiently strong, contributions have been stabilised to have a sufficiently high likelihood of achieving the funding target over 20 years. 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 at least a 75% likelihood that the Fund will achieve the funding target over 20 years.

Funding Position as at the last formal funding valuation

The most recent actuarial valuation carried out under Regulation 62 of the Local Government Pension Scheme Regulations 2013 was as at 31 March 2019. This valuation revealed that the Fund's assets, which at 31 March 2019 were valued at £3,835 million, were sufficient to meet 99% of the liabilities (i.e. the present value of promised retirement benefits) accrued up to that date. The resulting deficit at the 2019 valuation was £28 million.

Each employer had contribution requirements set at the valuation, with the aim of achieving their funding target within a time horizon and likelihood measure as per the FSS.

Individual employers' contributions for the period 1 April 2020 to 31 March 2023 were set in accordance with the Fund's funding policy as set out in its FSS.

Principal Actuarial Assumptions and Method used to value the liabilities

Full details of the methods and assumptions used are described in the 2019 valuation report.

Method

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

Assumptions

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

The key financial assumptions adopted for the 2019 valuation were as follows:

Financial assumptions	31 March 2019
Discount rate	4.2% p.a.
Salary increase assumption	3.0% p.a.
Benefit increase assumption (CPI)	2.3% p.a.

The key demographic assumption was the allowance made for longevity. The life expectancy assumptions are based on the Fund's VitaCurves with improvements in line with the CMI 2018 model, an allowance for smoothing of recent mortality experience and a long-term rate of 1.25% p.a.

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

	Males	Females
Current Pensioners	21.7 years	23.9 years
Future Pensioners*	22.8 years	25.5 years

*Aged 45 at the 2019 Valuation.

Copies of the 2019 valuation report and Funding Strategy Statement are available on request from the Administering Authority to the Fund.

Experience over the period since 31 March 2019

Markets were disrupted by COVID 19 which resulted in difficult market conditions towards the end of the financial year. As a result, the funding level of the Fund as at 31 March 2020 has reduced versus that reported in the previous formal valuation.

The next actuarial valuation will be carried out as at 31 March 2022. The Funding Strategy Statement will also be reviewed at that time.

Governance

Governance Strategy Statement

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

The Governance Strategy 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.

Norfolk Pension Fund is committed to the core principles of the Good Governance Framework.

Governance Compliance Statement

The Norfolk Pension Fund is fully compliant with the principles set out in the Local Government Pension Scheme Regulations 2013 (as amended) Regulation 55.

The full Governance Compliance Statement is at Appendix IV.

Administering Authority

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

- NCC has delegated its pensions functions to the Pensions Committee
- NCC has delegated responsibility for the administration and financial accounting of the Fund to the Executive Director of Finance and Commercial Services
- The Norfolk Pension Fund has established a Local Pension Board (known locally as the Pensions Oversight Board)
- This report supports NCC's Annual Governance Statement, which is published in the NCC Annual Statement of Accounts

Pensions Committee

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

- Ensure compliance with legislation and best practice
- Determine policy for the investment, funding and administration of the Fund
- Monitor performance across all aspects of the service

- Consider issues arising and make decisions to secure efficient and effective performance and service delivery
- Appoint and monitor advisors
- Ensure that arrangements are in place for consultation with stakeholders as necessary

Pensions Committee Membership 2019-20

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

Pensions Committee Meetings and Training

		Steve Aspin	Danny Douglas	Tom FitzPatrick	John Fuller	Judy Oliver - Chairman	Martin Storey	Alan Waters - Vice-Chairman	Brian Watkins
February 2020	LGC Investment Conference	√							
February 2020	ACCESS Governance and SAB RI Guidance	√		√		√	√	√	√
February 2020	Pensions Committee	√		√		√	√	√	√
January 2020	LGPC Governance Conference					√		√	
December 2019	LGPS Governance Fundamentals					√			
December 2019	LAPFF Conference		√						
December 2019	Pensions Committee	√	√	√	√	√		√	√
November 2019	Trustee Training Day	√	√	√	√	√		√	√
November 2019	ESG and Topical Investment Issues for Local Authority Pension Investors		√						
November 2019	LGPS Governance Fundamentals					√			
October 2019	ACCESS Investor Day					√			
October 2019	Pensions Committee	√	√	√		√	√	√	√
July 2019	Pensions Committee	√	√	√		√		√	√
June 2019	Trustee Training Day	√	√	√		√		√	√
May 2019	Good Governance Project Delivery					√			

Pensions Committee Training

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

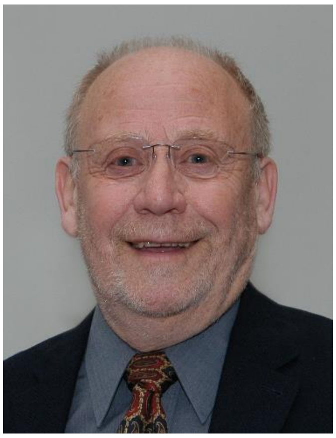
Member training is supplemented by attendance at Local Government Association (LGA) and other associated events. A training log is maintained.

In June 2018 an induction training session was held for new Pensions Committee Members, covering all aspects of pensions administration, including investment performance monitoring and implementation of investment strategies.

In November 2018, Pensions Committee Members attended an annual Local Government Association (LGA) event covering a wide range of aspects regarding LGPS investment, governance and current issues. This included meeting Hymans Robertson for a detailed overview of the Fund's Triannual Valuation and a session with various providers of investment services.

In January 2019 two members from the Pensions Committee attended a two-day 'Local Government Association (LGA): Local Government Pension Scheme (LGPS) Governance Conference' covering topics including investment costs, Responsible Investment and Climate Risk, infrastructure investment, fund valuation, scheme consultations and legal update.

Annual Report from the Pensions Oversight Board



Brian Wigg, Chairman

This is the Annual Report of the Norfolk Pension Fund Pensions Oversight Board, covering the period from 1 April 2019 to 31 March 2020.

Role and Function

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

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

to secure compliance with the LGPS regulations and any other legislation relating to governance and administration of the LGPS

to secure compliance with requirements imposed in relation to the LGPS by the Pension Regulator.

The Terms of Reference for the Norfolk Pension Fund Pensions Oversight Board (Local Pension Board) are available on the Norfolk Pension Fund's website: https://www.norfolkpensionfund.org/governance/local-pension-board/.

Membership

Membership of the Pensions Oversight Board is structured as follows:

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

Membership of the Board during the period April 2019 to March 2020 was as follows:

Role	Representing	Appointment
Independent Chair		Kevin McDonald[1], Director for Essex Pension Fund, Essex County Council Brian Wigg
Scheme Member representatives	Trade Union nominee	Rachel Farmer (UNISON)
	Active/Deferred representative	John Harries
	Pensioner representative	Brian Wigg[2] Peter Baker
Employer representatives	Norfolk County Council representative	Debbie Beck
	Precepting/levying employers representative	Councillor Chris Walker, Poringland Parish Council
	Other employers representative	Howard Nelson, Diocese of Norwich Education and Academies Trust

[1] Following Mr McDonald's resignation Mr Wigg was appointed as the Independent Chair

[2] Following Mr Wigg's appointment as Independent Chair, Mr Baker was elected as the Retired Members Representative

Pensions Oversight Board Meetings

The Pensions Oversight Board met four times during the year - formally in April and June 2019 and February 2020, and informally in December 2019.

In addition to these meetings, POB Members have attended as observers each of the Pensions Committee meetings between April 2019 and March 2020.

During the reporting period the areas reviewed and contributed to have included:

- Norfolk Pension Fund's internal structural review
- Investment pooling (including transition of assets to the ACCESS pool)
- LGPS reform (including the Good Governance Project)
- Data quality review and action plan
- 2019 Valuation Employer Engagement plan
- MHCLG and SAB consultations (including Fair Deal, Asset Pooling Guidance, RI Guidance)
- Scheme Member and Scheme Employer experience
- Review of the Pension Fund website
- Audit Reports

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

Attendance at POB meetings was 86%.

Pension Oversight Board Member Training

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

All Pensions Oversight Board members receive introductory training and resources. Pensions Oversight Board members are currently undertaking the Pensions Regulators public sector trustee toolkit modules and are encouraged and make use of other resources and training opportunities.

Together with members of Pensions Committee and Officers, Pensions Oversight Board members attended a 2-day bespoke training event in November 2019. Board members also attended national conferences and training events through the year. The Board acknowledges the opportunity of working closely with Pensions Committee.

Knowledge and skills are considered at each meeting, to help shape future development needs aligned with their forward work programme. Details of observing at Pensions

Committee meetings and training events (internal and external) are recorded throughout the year.

Review of the Pensions Oversight Board

Following a review of the Interim Chairing arrangements established when the Board was formed, Mr Brian Wigg was appointed as the independent Chair of the Board.

Brian Wigg
Chairman of the Norfolk Pension Fund Pensions Oversight Board
26 June 2020

Pensions Committee and Pensions Oversight Board Members Codes of Conduct

Pensions Committee Members must comply with the Norfolk County Council Members Code of Conduct which focuses upon 'The 7 Nolan principles of public life' of selflessness, integrity, objectivity, accountability, openness, honesty, and leadership.

It sets an objective, non-political and high standard the purpose of which is to remind members of the Authority of the behaviour expected of them in public life and to set out clearly the key principles against which their conduct will be measured.

A copy of the 'Members' Code of Conduct' is available at Appendix VII.

Pensions Oversight Board Members are also required to comply with the 'The 7 Nolan principles of public life' as detailed at [https://www.gov.uk/government/publications/the-7-principles-of-public-life/the-7-principles-of-public-life--2.](https://www.gov.uk/government/publications/the-7-principles-of-public-life/the-7-principles-of-public-life--2)

Conflict of interest: Pensions Committee

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

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

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

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

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

Conflict of Interests: Pensions Oversight Board

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

"Declarations of interest

> *Members to declare any conflict of interest. For the purposes of a member of a Local Pension Board (the Pension Oversight Board), a 'conflict of interest' may be defined as a financial or other interest which is likely to prejudice a persons exercise of functions of a Local Pension Board. (A conflict does not include a financial or other interest arising merely by virtue of being a member of the LGPS / Norfolk Pension Fund).*
>
> *Therefore, a conflict of interest may arise when a member of a Local Pension Board:*
>
> - *must fulfil their legal duty to assist the Administering Authority; and*
> - *at the same time they have:*
>   - *a separate personal interest (financial or otherwise); or*
>   - *another responsibility in relation to that matter, giving rise to a possible conflict with their first responsibility as a Local Pension Board member."*

Accountability and Transparency

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

Pensions Committee meetings are open to members of the public.

Pensions Oversight Board agendas, reports and minutes are published on the Norfolk Pension Fund website at www.norfolkpensionfund.org/governance/local-pension-board/.

ACCESS Joint Committee

The eleven ACCESS participating Funds are each administering authorities within the Local Government Pension Scheme, as set out in the Local Government Pension Scheme regulations 2013.

Each authority administers, maintains and invests their own respective funds within the LGPS in accordance with these regulations and the LGPS investment Regulations.
The ACCESS authorities have signed an Inter Authority Agreement which sets out how

they will work together.

The Inter Authority Agreement at http://www.accesspool.org/document/366.

The Inter Authority Agreement (Schedule 1) confirms the ACCESS governing principles, which can be viewed at http://www.accesspool.org/document/17.

Administering Authority Section 101 Committees ('Pensions Committees') are represented at the Joint Committee. A list of Joint Committee Members can be viewed at https://www.accesspool.org/governance/governance-1/.

The Norfolk Pension Fund Pensions Committee and Pensions Oversight Board are regularly updated and review the work of the Joint Committee, the Operator and ACCESS investment performance.

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
- Customer Care and Communication Strategy
- Employer Newsletters
- Funding Strategy Statement
- Governance Strategy Statement
- Primetime (retired members newsletter)
- Sample Annual Benefit Statements
- Investment Strategy Statement
- Voting Records
- Pensions Administration Strategy

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

- Confidentiality Policy
- Full Privacy Notice (including data protection policy)
- Governance Compliance Statement
- Information Security Policy

National Asset Pools

ACCESS Annual Report 2019/20

Cllr Mark Kemp-Gee
Chairman,
ACCESS Joint Committee

"I am pleased to introduce the ACCESS 2019/20 Annual Report.

We find ourselves in challenging times, facing a national emergency, but we will continue to manage these very substantial LGPS assets to the best of our abilities. I am truly grateful, at this time, that ACCESS has built a strong partnership that allows each of the 11 member authorities to support each other in this difficult period.

I would like to take this opportunity to thank Cllr Andrew Reid of Suffolk for the contribution he made as the first chairman of the ACCESS Joint Committee, which was critical in building a strong foundation for the Pool. It goes without saying that I was honoured by the confidence shown in me by my fellow Joint Committee members in choosing me to succeed Cllr Reid last December.

It has been another busy year for ACCESS with good progress made by our operator, Link, in launching new sub-funds, which has brought the total assets under management (AUM) under ACCESS auspices to £21.4bn. Equally important work has also taken place in reviewing the governance of the Pool and progressing options for pooling alternative investment categories.

I'm sure that 20/21 will be another busy year for ACCESS, not only in continuing to issue further sub-funds, but also in other crucial areas such as deepening the Pool's approach to Responsible Investment."

Mark N. Kemp-Gee

Cllr Mark Kemp-Gee
Chairman, ACCESS Joint Committee

ACCESS
Effective • Collective • Investment

At a glance

- **1** Inter Authority Agreement
- **1** Joint Committee
- **11** Authorities

- **£11bn** assets in **15** ACS actively managed sub funds
- **£10bn** assets with **1** jointly procured passive manager: UBS
  - **49%** pooling progress

- **3** FTE ASU* staff
- **4** part time Technical Leads**
- **Link:** ACS Operator
- **Alternatives** under consideration

- **£8.4m** costs
- **£20.6m** gross savings
- **£12.2m** net savings

Cumulative: 2016 inception to 31 March 2020

- **1st** Investor Day: 16 October 2019
- **6** Investment Managers: **70** delegates
- **2nd** Investor Day re-scheduled: October 2020

* FTE = Full Time Equivalent
ASU = ACCESS Support Unit

** Technical Leads drawn from ACCESS Authorities

All figures as at 31 Mar 2020 unless stated

Background

ACCESS (A Collaboration of Central, Eastern and Southern Shires) is made up of 11 Local Government Pension Schemes (LGPS) Administering Authorities: Cambridgeshire County Council; East Sussex County Council; Essex County Council; Hampshire County Council; Hertfordshire County Council; Isle of Wight Council; Kent County Council; Norfolk County Council; Northamptonshire County Council; Suffolk County Council and West Sussex County Council in response to the Governments pooling agenda across the LGPS. The first ACCESS Inter Authority Agreement was signed in late June 2017.

The ACCESS Administering Authorities are committed to working together to optimise benefits and efficiencies on behalf of their individual and collective stakeholders, operating within a clear set of objectives and principles that drives the decision-making process.

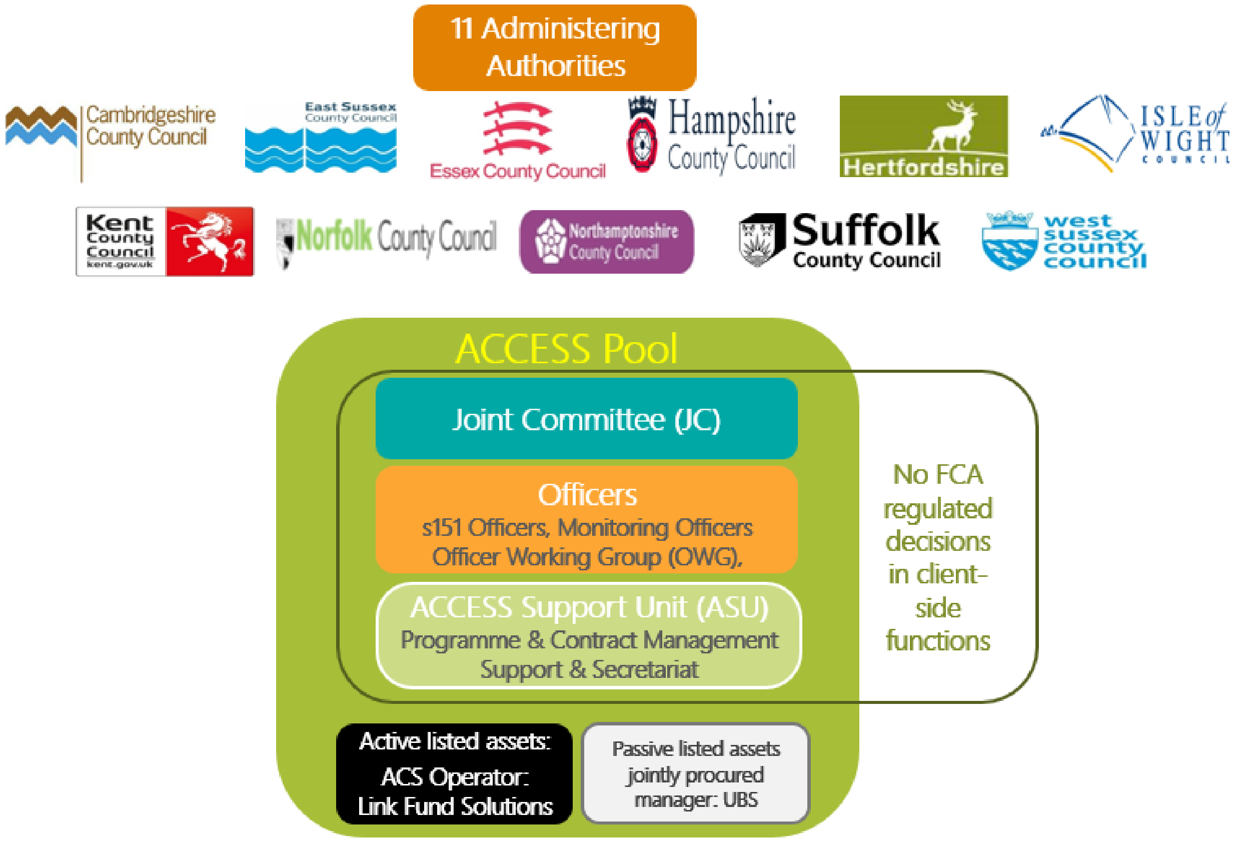
Collectively as at 31 March 2020, the ACCESS Authorities have

total assets of **£44 billion** (of which **49%** has been pooled)

serving **3,534** employers with **1.1 million** members including **288,248** pensioners

Governance

An extract from the ACCESS governance model is shown below.



Strategic oversight and scrutiny responsibilities remain with the Administering Authorities as does all decision making on their individual Funds asset allocation and the timing of transfers of assets from each Fund into the arrangements developed by the ACCESS Pool. The Joint Committee (JC) has been appointed by the 11 Administering Authorities under s102 of the Local Government Act 1972, to exercise specific functions in relation to the pooling of LGPS assets. The JC's functions include the specification, procurement, recommendation of appointment of pool Operators (for active asset management) and pool- aligned asset providers (for passive asset management), to the Administering Authorities. The JC also reviews ongoing performance.

The Section 151 Officers of ACCESS Authorities provide advice to the JC in response to its decisions ensure appropriate resourcing and support is available to implement the decisions and to run the ACCESS Pool.

The JC further supported by Officer Working Group (OWG) and the ACCESS Support Unit (ASU).

The Officer Working Group are officers identified by each of the Administering Authorities whose role is to provide a central resource for advice, assistance, guidance and support for the Joint Committee.

The ACCESS Support Unit (ASU) provides the day-to-day support for running the ACCESS Pool and has responsibility for programme management, contract management, administration and technical support services. 2019/20 saw the completion of appointments to each of the three full time ASU roles, hosted by Essex County Council.

These roles are also supplemented with additional technical support from Officers within the ACCESS Authorities.

The Operator: Link Fund Solutions

Appointed 2018 Link Fund Solutions Ltd pooled operator service, overseeing an Authorised Contractual scheme for the sole use of ACCESS Authorities. Link are responsible for establishing and operating an authorised contractual scheme along with the creation of a range of investment sub-funds for active listed assets and the appointment of the investment managers to those sub-funds. This is designed to enable Administering Authorities to execute their asset allocation strategies

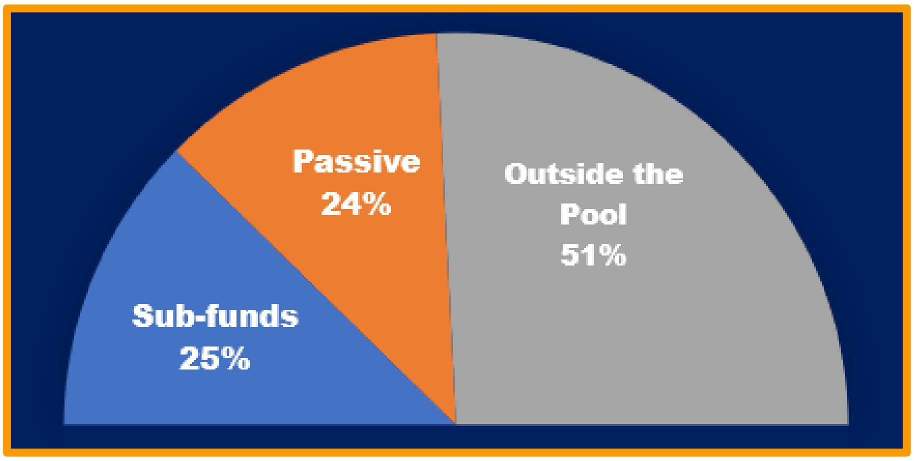
Pool Aligned Assets: UBS

Appointed following a joint procurement in 2017, UBS act as the ACCESS Authorities' investment manager for passive assets.

Progress on Pooling

ACCESS submitted its pooling proposal to Government in July 2016 with detailed plans for establishing and moving assets into the pool. Included in the proposal was an indicative timeline of when assets will be pooled, and ACCESS has continued to make excellent progress against the principal milestone of having £27.2 billion assets pooled and estimated savings of £13.6 million by March 2021.

As at 31 March 2020, 49% of assets have been pooled:



Pooled Assets

As at 31 March 2020 ACCESS has the following assets pooled:

Pooled Investments	£ Billion
Passive Investments	10.486
UK Equity Funds	1.588
Global Equity Funds	7.189
UK Fixed Income	0.834
Diversified Growth	1.262
Total Pooled Investments	**21.359**

The passive investment funds are held on a pool governance basis under one investment manager as these assets are held in life fund policies, which cannot be held within an authorised contractual scheme.

Key milestones achieved in 2019/20

- Recruitment of an interim Director to lead the ACCESS Support Unit.
- Establishment of business as usual functions of the ACCESS Support Unit being undertaken by the ACCESS Support Unit officers and technical leads officers.
- Approval and launch of a range of sub-funds further rationalising the existing range of mandates whilst reflecting the strategic asset allocation needs of the ACCESS Funds.
- Re-procurement of a legal advisor for ACCESS.
- Provision of updates of progress of pooling to Government and responding to consultations.
- Commencement of a review of Environmental, Social and Governance and Responsible Investment guidelines for ACCESS.
- In conjunction with Link Fund Solutions, held the first investor day for members and officers of the individual funds to hear from the investment managers in the ACCESS pool.
- Commencement of a review to formulate an approach to pooling and managing illiquid assets such as private equity and infrastructure. This will involve reviewing various structures and platforms and assessing these to identify the best fit to meet with the Funds current and future requirements.

Objectives for 2020/21

ACCESS is well placed to continue to develop the pool and progress will continue unbated despite the restrictions imposed by the COVID-19 lockdown. Virtual meetings are well established and productive. It is anticipated that 2020/21 will see key activities within the following themes:

- Actively managed listed assets: the completion of pooling active listed assets within the Authorised Contractual Scheme (ACS).
- Alternative / non listed assets: the initial implementation of pooled alternative assets.
- Passively managed assets: ongoing monitoring and engagement with UBS.
- Governance: the application of appropriate forms of governance throughout ACCESS.
- ACCESS Support Unit (ASU): the size and scope of the ASU will be kept under review.

Expected v Actual Costs and Savings

The table below summarises the financial position for 2019/20 along with the cumulative position since the commencement of ACCESS activity in early 2016.

A budget for ongoing operational costs is set by the Joint Committee and is financed equally by each of the 11 Authorities. 2019/20 saw an underspend primarily due to lower than anticipated costs of external advice combined with the establishment of the ACCESS Support Unit reducing the reliance on external project management support.

	2019-20		2019-20	
	Actual	Budget	Actual	Budget
	In Year	In Year	Cumulative to date	Cumulative to date
	£'000	£'000	£'000	£'000
Set Up Costs	-	-	1,824	1,400
Transition Costs	-	-	674	2,499
Ongoing Operational Costs	811	1,203	2,208	2,469
Operator & Depository Costs	3,247	2,000	3,632	2,500
Total Costs	**4,058**	**3,203**	**8,338**	**8,868**
Pool Fee Savings	**13,456**	**13,200**	**20,515**	**18,450**
Net Savings Realised	**9,398**	**9,997**	**12,177**	**9,582**

Operator and depositary fees are payable by each Authority in relation to assets invested within the Authorised Contractual Scheme established by Link Fund Solutions as pool operator. The initial ACCESS business plan to MHCLG anticipated Operator costs of 2bps.

The 2019/20 fee savings have been calculated using the CIPFA price variance methodology and based on the asset values as at 31 March 2020. This approach highlights the combined level of investment fee savings, across all ACCESSS Authorities stemming from reduced charges.

In summary, since inception ACCESS has demonstrated excellent value for money, maintaining expenditure broadly in line with the MHCLG submission whilst delivering savings ahead of the timeline contained in the original proposal.

Environmental, Social and Governance (ESG) and Responsible Investment (RI)

The ACCESS Authorities believe in making long term sustainable investments whilst integrating environment and social risk considerations, promoting good governance and stewardship.

Whilst the participating authorities have an overriding fiduciary and public law duty to act in the best long term interests of their LGPS stakeholders to achieve the best possible financial returns, with an appropriate level of risk they also recognise the importance of committing to responsible investment alongside financial factors in the investment decision making process.

Over the course of the last year a number of ACCESS Authorities have reviewed and developed their individual ESG /RI policies. Building on this ACCESS will, in the current year review its own ESG /RI guidelines to reflect both the requirements of the Authorities and the expectations associated with this fundamental aspect of institutional investment.

The ACCESS pool has a set of voting guidelines which seeks to protect and enhance the value of its shareholdings by promoting good practice in the corporate governance and management of those companies.

The voting guidelines sets out the principles of good corporate governance and the means by which ACCESS will seek to exercise its influence on companies. During the year ACCESS voted at **383** meetings on **6,000** resolutions.

Pool Costs

Set-Up Costs - Details of the set-up costs incurred by the Norfolk Pension Fund in respect of the ACCESS Pool are detailed in the table below. There were no set up costs incurred in financial year 2019-20. The table also shows the cumulative costs to date since financial year 2015-16 when the initial set up of the ACCESS Pool commenced.

Transition costs -In addition to the ACCESS Pool set up costs shown above, the Fund also incurs costs associated with the transition of assets into the pool. During 2019-20 there were no transitions of assets in to ACCESS Pool. The cumulative costs below were incurred in connection with the first two transitions during 2018-19. These one-off costs were considered as part of the overall cost benefit analysis of the transition into the pool.

Ongoing costs – These costs include external advice combined with the recharge of the ACCESS Support Unit hosted by the Essex Pension Fund. The Fund had set aside an estimate budget of £150K to meet these costs in financial year 2019-20. Costs associated with the operator and depository are included within investment expenses.

Whilst the fund has incurred costs associated with the set up the Pool, transtion of the assets and ongoing running costs, the Fund has also benefitted from a number of savings. The table below shows the savings made in 2019-20 and the total savings to date since financial year 2015-16.

	2019-20	
	Actual	Actual
	In Year	Cumulative to date
	£'000	£'000
Set Up Costs	-	183
Transition Costs	-	165
Ongoing Operational Costs	117	283
Total Costs	**117**	**631**
Pool Fee Savings	**1,042**	**5,341**
Net Savings Realised	**925**	**4,710**

The analysis below shows the investment expenses incurred during financial year 2019-20 between expenses incurred in respect of Pooled Assets held in the ACCESS Pool and those assets held outside of the pool. The analysis includes costs captured through the cost transparency code.

	Asset Pool				Non-Asset Pool				Fund Total	
Management Fees	**Direct £'000**	**Indirect £'000**	**Total £'000**	**bps**	**Direct £'000**	**Indirect £'000**	**Total £'000**	**bps**	**£'000**	**bps**
Invoice Fees (excl VAT)	737	0	**737**	4	12,457	12	**12,469**	55	**13,206**	**59**
Performance					248	0	**248**	1	**248**	**1**
Other Charges					0	531	**531**	2	**531**	**2**
Fees paid from NAV Pooled Funds	0	70	**70**	0	0	4,459	**4,459**	20	**4,529**	**20**
Broker Commission	73	0	**73**	0	297	0	**297**	1	**370**	**1**
Transaction Taxes					152	0	**152**	1	**152**	**1**
Implicit Costs	(118)	0	**(118)**	(1)	2,491	0	**2,491**	11	**2,373**	**10**
Legal and Advisory Fees					4	0	**4**	0	**4**	**0**
Other Transaction Costs	115	0	**115**	1	94	50	**144**	1	**259**	**2**
Indirect Transaction costs	0	10	**10**	0	0	482	**482**	2	**492**	**2**
Custody					88	0	**88**	0	**88**	**0**
Other	0	0	**0**	0	342	0	**342**	2	**342**	**2**
Total	**807**	**80**	**887**	**4**	**16,173**	**5,534**	**21,707**	**96**	**22,594**	**100**

The analysis below shows the investment assets that transitioned to the ACCESS Pool during financial year 2019-20 and the investment held outside of the pool.

	Opening Value		Closing Value	
	£'000	**%**	**£'000**	**%**
Asset Pool managed investments				
Pooled Investment - Equities - active	866,788	22.67%	770,300	21.37%
Total	**866,788**	**0.2267**	**770,300**	**21.37%**
Non-Asset Pool managed investments				
UK Public Sector Quoted - active	27,795	0.73%	32,474	0.90%
UK Quoted- active	34,989	0.92%	33,425	0.93%
Equities - active	594,826	15.56%	534,057	14.81%
Pooled Investment vehicles - active	1,269,280	33.20%	1,246,686	34.59%
Pooled Investment vehicles - passive	255,526	6.69%	207,776	5.76%
Derivatives – Futures	-1,619	-0.04%	0	0.00%
Derivatives - Forward Currency	470	0.01%	-4,180	-0.12%
Property Funds	427,934	11.20%	363,109	10.07%
Property - directly held	470	0.01%	1,089	0.03%
Private Equity	212,928	5.57%	222,058	6.16%
Infrastructure	59,102	1.55%	89,447	2.48%
Timberland	0	0.00%	20,821	0.58%
Cash N/A	73,744	1.93%	87,991	2.44%
Total	**2,955,445**	**77.33%**	**2,834,753**	**78.63%**
Total Fund	**3,822,233**	**100.00%**	**3,605,053**	**100.00%**

The table below details the return for the component strategies for the Fund. The 12 month return to 31st March 2020 is ahead of the benchmark return for each strategy.

Strategy	Return since inception	Annualised return since inception	12 month return to 31 March 2020	12 month benchmark return to 31 March 2020	Annualised benchmark return since inception	Benchmark
Core Strategy A	2.0%	0.7%	-5.6%	4.4%	4.7%	CPI plus 2.9%
Alternative Strategy A	2.0%	0.7%	-6.1%	4.7%	5.0%	CPI plus 3.2%
Alternative Strategy B	11.6%	4.1%	4.6%	1.5%	1.8%	CPI

Pension Administration Strategy Report

The Norfolk Pension Fund Pension Administration Strategy (PAS) sets out the requirements of employers which will enable them and the Norfolk Pension Fund to meet their legal obligations in respect of the Local Government Pension Scheme (LGPS).

The aim of the PAS is to detail requirements for liaison and communication between employers and the Norfolk Pension Fund and to establish minimum levels of administrative performance required by all parties to meet their statutory obligations. The PAS aims to promote good working relationships and improve transparency, efficiency and quality.

Norfolk Pension Fund works closely with employers to identify areas of poor performance and ensure where necessary training and development are undertaken to address any shortcomings.

This close working relationship has ensured that all our scheme employers have met required service standards in respect of providing the Fund with:

- the name of an employer contact (Pension Liaison Officer)
- an employer discretions policy document
- a statement of compliance regarding the administration of the scheme
- timely data submissions
- timely response to enquiries by the Fund

This collaborative approach means during 2019-20 that the Fund has not been required to:

- issue any employer Improvement Notice
- recharge any employer for administration costs due to failure to comply with requirements
- recover any costs from any employer for excessive service requests
- recharge any employer with other charges or obligations (e.g. fine imposed on the Norfolk Pension Fund by regulatory bodies) which relate to performance of the employer
- issue a penalty to any employer for failure to meet their statutory obligations

A copy of the Pension Administration Strategy is available at Appendix XII and on our website at www.norfolkpensionfund.org.

Customer Care and Communication Strategy Statement

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 achieve these objectives is detailed in our Customer Care and Communication Strategy Statement, which can be found at Appendix X and on our website at www.norfolkpensionfund.org/governance/keeping-you-informed/.

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.

Norfolk Pension Fund

Statement of Accounts
2019-20

Statement of Responsibilities

The Authority's Responsibilities

The Authority is required:

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

The Executive Director of Finance's and Commercial Services Responsibilities

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

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

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

The Executive Director of Finance and Commercial Services has also:

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

Certificate by the Executive Director of Finance and Commercial services

I certify the statement of accounts set out on pages XX to XXX (add page numbers) 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 2020.

Signed: 

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

Date: XX XXXX 2020

Independent Auditor’s Report

Independent Auditor’s Statement to the Members of Norfolk County Council on the Pension Fund Financial Statements

Revenue and Fund Account

For the Year Ended 31 March 2020

2018-19 £000		Notes	2019-20 £000
	Dealings with members, employers and others directly involved in the Fund		
147,227	Contributions	7	150,694
14,336	Transfers in from other pension funds	8	12,103
161,563			**162,797**
-138,635	Benefits	9	-144,311
-6,949	Payments to and on account of leavers	10	-6,491
-145,584			**-150,802**
15,979	**Net additions/withdrawals from dealings with members**		**11,995**
-20,634	Management Expenses	11	-24,527
-4,655	**Net additions/withdrawals from dealings with members Including Fund Management Expenses**		**-12,532**
	Returns on investments		
68,738	Investment income	12	84,245
-507	Taxes on income	13a	-473
142,246	Profit and losses on disposal of investments and changes in the market value of investments	14a	-259,312
210,477	**Net return on investments**		-175,540
205,822	**Net increase/decrease in the net assets available for benefits during the year**		**-188,072**
3,603,370	**Opening net assets of the scheme**		**3,809,192**
3,809,192	**Closing net assets of the scheme**		**3,621,120**

Net Assets Statement

As at 31 March 2020

2018-19 £000			Notes	2019-20 £000	
3,825,222		Investment assets	14	3,618,234	
-2,989		Investment liabilities	14	-13,181	
	3,822,233	**Total Net Investments**			**3,605,053**
2,119		Long term debtors	21	659	
	2,119				**659**
		Current Assets			
16,232		Debtors	21	14,254	
13,036		Cash in hand	21	9,374	
29,268				**23,628**	
		Current Liabilities			
-44,428		Creditors	22	-8,220	
-44,428				**-8220**	
	-15,160	**Net current assets**			**15,408**
	3,809,192	**Net assets of the Fund available to fund benefits at the period end**			**3,621,120**

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 20.

Signed: 

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

Date: XXth XXX 2020

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 2019-20 and the underlying statutory powers underpinning the scheme, namely the Public Service Pensions Act 2013 and the Local Government Pension Scheme (LGPS) Regulations.

a) General

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

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

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

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

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

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

b) Membership

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

Organisations participating in the Norfolk Pension Fund include:

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

There are currently 414 employer organisations with active members in the Norfolk Pension Fund including Norfolk County Council as detailed below. This is an increase of 14 employers since 31 March 2019.

	31 March 2019	31 March 2020
Number of Employers with Active Members	**400**	**414**
Full membership including employers with deferred and legacy pension commitments		
Number of Employees in Scheme		
Norfolk County Council	12,443	12,605
Other Employers	16,624	16,712
Total	**29,067**	**29,317**
Number of Pensioners		
Norfolk County Council	13,052	13,483
Other Employers	12,302	12,860
Total	**25,354**	**26,343**
Deferred Pensioners		
Norfolk County Council	20,130	19,764
Other Employers	16,817	16,936
Total	**36,947**	**36,700**
Total Members membership including employers with deferred and legacy pension commitments	**91,368**	**92,360**

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. Action for Children (Thorpe) 2. Alive Leisure Trust 3. Alive Management Ltd 4. Costessey Infant School 5. Downham & Stow Bardolph Internal Drainage Board 6. Edwards & Blake (Caister Academy) 7. Engage Educational Services 8. Nar & Terringtons Children's Centre 9. Norwich Airport Limited 10. Rackheath Parish Council 11. RM Education 12. St Andrews Primary 13. Trowse with Newton Parish Council 14. Village Green Children's Centre 15. Winterton-on-Sea Parish Council	1. Action for Children (Diss Children's Centre) 2. Action for Children (Fakenham Children's Centre) 3. Action for Children (Nar & Terringtons Children's Centre) 4. Alive West Norfolk Ltd 5. Capita (Breckland Contract) 6. Change Grow Live 7. Chartwell (Diocese of Norwich Education and Academies Trust) 8. Cromer Junior School 9. East Ruston Infant School and Nursery 10. Eastern Multi-Academy Trust 11. Edwards & Blake (Fakenham Infant and Nursery School) 12. Edwards & Blake (Fred Nicholson School) 13. Edwards & Blake (Cherry Tree Marham Infant Academy) 14. Evolution Academy Trust 15. Fakenham Infant & Nursery 16. Fakenham Junior School 17. Great Yarmouth Community Trust (Children's Centre 18. Hemsby Parish Council 19. Kinsale Junior School 20. Norse Eastern (Highways) 21. North Walsham High School 22. Northgate Primary School 23. Postwick with Witton Parish Council 24. Ringland Parish Council 25. Sacred Heart Catholic V A Primary 26. Sports & Leisure Management Ltd 27. St Martha's Catholic Primary School 28. Stalham Infant School and Nursery 29. White House Farm Primary School

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

c) Funding

Benefits are funded by employee and employer contributions and investment earnings. For the financial year ending 31 March 2020, employee contributions are made by active members of the Fund in accordance with the LGPS Regulations 2013 and range from 5.5% to 12.5% of actual pensionable pay.

Banding depends on a member's actual annual pay rate. The table below shows the bands for 2019-20 and 2020-21.

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

The March 2019 triennial valuation set the rates payable by employers for the period 1st April 2020 to 31st March 2023. Excluding lump sum deficit recovery payments these rates range from 0% to 34.5% of actual pensionable pay.

Actual Pensionable Pay 2019-20	Contribution rate per year	Actual Pensionable Pay 2020-21	Contribution rate per year
Up to £14,400	5.5%	Up to £14,600	5.5%
£14,401 to £22,500	5.8%	£14,601 to £22,800	5.8%
£22,501 to £36,500	6.5%	£22,801 to £37,100	6.5%
£36,501 to £46,200	6.8%	£37,101 to £46,900	6.8%
£46,201 to £64,600	8.5%	£46,901 to £65,600	8.5%
£64,601 to £91,500	9.9%	£65,601 to £93,000	9.9%
£91,501 to £107,700	10.5%	£93,001 to £109,500	10.5%
£107,701 to £161,500	11.4%	£109,501 to £164,200	11.4%
£161,501 or more	12.5%	£164,201 or more	12.5%

d) Benefits

Pension benefits under the LGPS (until March 2014) were based on final pensionable pay and length of pensionable service. From 1st April 2014 the scheme became a career average scheme, whereby members accrue benefits based on their pensionable pay in that year at an accrual rate of 1/49th.

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

Benefits are index-linked in order to keep pace with inflation. In June 2010, the Government announced that the method of indexation would change from the retail prices index (RPI) to the consumer prices index (CPI). This change took effect from 1 April 2011. The appropriate index for April 2020 is 1.7% (2.4% April 2019).

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

2. Basis of Preparation

The Statement of Accounts summarises the Fund's transactions for the 2019-20 financial year and its position at year-end as at 31 March 2020. The accounts have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2019-20 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 20 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 accounts have been prepared on a going concern basis.

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. Employee and employer normal contributions are accounted for on an accruals basis.

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

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

b) Transfers to and from other schemes

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

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

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

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

c) Investment income

i) Interest income

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

ii) Dividend income

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

iii) Distributions from pooled funds

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

iv) Property-related income

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

v) Movement in the net market value of investments

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

Fund Account - Expense Items

d) Benefits payable

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

e) Taxation

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

f) Management expenses

The fund discloses its pension fund management expenses in accordance with the CIPFA guidance Accounting for Local Government Pension Scheme Management Expenses 2016.

i) Administrative expenses

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

ii) Oversight and Governance Costs

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

iii) Investment Management Expenses

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

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

Manager	Asset Class
Janus Henderson Global Investors	Fixed Income
Pantheon	Infrastructure
M&G	Fixed Income

	2018-19 £000	2019-20 £000
Performance-related fees	428	324

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

	2018-19 £000	2019-20 £000
Value of invoiced fees based on estimates	3,429	2,907

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

Net Assets Statement

g) Financial assets

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

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

h) Freehold and leasehold properties

The direct freehold property holding was valued as at 31 March 2019. The direct freehold property holding is valued every 3 years at the year-end date in line with the triennial valuation of the Fund. The valuation is performed by independent external valuers on a fair value basis and in accordance with the Royal Institute of Chartered Surveyors' Valuation Standards (9th Edition). The next valuation will be as at 31 March 2022.

i) Foreign currency transactions

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

j) Derivatives

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

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

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

k) Cash and cash equivalents

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

l) Financial liabilities

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

m) Actuarial present value of promised retirement benefits

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

As permitted under IAS 26, the Fund has opted to disclose the actuarial present value of promised retirement benefits by way of a note to the net assets statement (note 20).

n) Additional voluntary contributions (AVCs)

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

AVCs are held by the providers and do not form part of the Fund's assets. These amounts are not included in the main Fund accounts in accordance with Regulation 4 (1) (b) of the Pension Scheme (Management and Investment of Funds) Regulations 2016 but are disclosed as a note only (note 23).

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 the following ways depending on the circumstances of the retiring member:

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

Accounting Standards issued but not yet adopted

o) The Code of Practice on Local Authority Accounting in the United Kingdom 2019–20 requires the disclosure of information relating to the expected impact of changes that will be required by a new standard that has been introduced but not yet adopted and applies to the adoption of the following disclosures as amended in the 2020-21 code:

- Amendments to IAS 28 Investments in Associates and Joint Ventures: Long-term Interests in Associates and Joint Ventures
- Annual Improvements to IFRS Standards 2015–2017 Cycle
- Amendments to IAS 19 Employee Benefits: Plan Amendment, Curtailment or Settlement.

The code requires implementation of the above disclosure from 1 April 2020. These changes are not considered to have a material effect on the Pension Fund accounts of 2019–2020.

Contingent Assets and contingent liabilities

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

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

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

COVID19 Asset Value Adjustments

q) Since late February 2020 financial markets have been significantly impacted by the global COVID19 pandemic and most asset classes have reduced in value. Where there is a mark to market valuation process or the investment manager has been able to supply a revised valuation at 31st March 2020, the investments held by the Pension Fund will reflect the reduced COVID19 asset valuation. For the more complex/illiquid assets held by the fund, where the investment manager has not been able to provide a revised COVID19 adjusted valuation the Fund has agreed a reduced valuation based on the following percentage reductions as follows:

- Pooled and Freehold Property 10.0%
- Private Equity (range) 10.0% to 23.1%
- M&G Debt Investment Opportunities III 15%
- Timberland 10%

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

	2018-19 £000	2019-20 £000
Value of unquoted private equity	212,928	222,058

Pooled Investment Vehicle – Property/Freehold Property

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.
Pooled property funds and Limited Partnerships in property have derived underlying assets that have been valued by independent external valuers on a fair value basis and generally in accordance with the Royal Institute of Chartered Surveyors' Valuation Standards (9th Edition). The valuation of freehold property is performed by independent external valuers on a fair value basis and in accordance with the Royal Institute of Chartered Surveyors' Valuation Standards (9th Edition).

	2018-19 £000	2019-20 £000
Value of Pooled Investment Vehicle – Property/Freehold Property	428,874	364,198

Infrastructure Equity Pooled Fund

Investments in Pooled Infrastructure Funds are valued using the fair value of the underlying investments. All assets are valued using income or discounted cash flows. Audited valuation is carried out annually and is based on the Limited partnerships are valued at Fair value based on the net asset value ascertained from periodic valuations provided by those controlling the partnership.

	2018-19 £000	2019-20 £000
Value of Infrastructure Equity Pooled Fund	59,102	89,447

Timberland Equity Pooled Fund
Investments in Pooled Timberland Funds are valued using the fair value of the underlying investments. Assets are valued by independent appraisers using comparable asset costs or sales and discounted cash flows. Audited valuations are carried out annually and based on the Fair value of the fund.

	2018-19 £000	2019-20 £000
Value of Timberland Equity Pooled Fund	0	20,821

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 19. 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 20). 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 19 and 20 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. For 2019-20 all assets classified as Level 3 in the fair value hierarchy have been subject to a review for the impact of the COVID19 pandemic. For the more complex/illiquid assets held by the fund, where the investment manager has not been able to provide a revised COVID19 adjusted valuation the Fund has agreed a reduced valuation based on the following percentage reductions as follows (see also Note 4 and Note 18):

Asset Class	Reduced Valuation %	Reduced Valuation £'000	Final Reported Value £'000
Pooled and Freehold Property	10.0%	40,345	363,108
Private Equity	(range) 10.0% to 23.1%	39,300	222,058
M&G Debt Investment Opportunities III	15.0%	4,397	24,917
Timberland	10.0%	2,313	20,821

As part of this exercise the Fund has also considered all valuations as at 31st March 2020 and subsequent post balance sheet valuations have been part of the review.

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:

<table>
<tr><th>Item</th><th>Uncertainties</th><th>Effect if actual results differ from assumptions</th></tr>
<tr><td>Actuarial present value of promised retirement benefits (measured under IAS26)</td><td>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</td><td>CIPFA guidance requires the disclosure of the sensitivity of the results to the methods and assumptions used. The sensitivities regarding the principal assumptions used to measure the liabilities are set out below:
<table>
<tr><th>Sensitivity to the assumptions for the year ended 31 March 2020</th><th>Approximate % increase to liabilities</th><th>Approximate monetary amount (£m)</th></tr>
<tr><td>0.5% p.a. increase in the Pension Increase Rate</td><td>9%</td><td>£483m</td></tr>
<tr><td>0.5% p.a. increase in the Salary Increase Rate</td><td>1%</td><td>£32m</td></tr>
<tr><td>0.5% p.a. decrease in the Real Discount Rate</td><td>10%</td><td>£518m</td></tr>
</table>
</td></tr>
</table>

Item	Uncertainties	Effect if actual results differ from assumptions
	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.	
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 £222.1 million. There is a risk that this investment may be under or overstated in the accounts. Generally, these investments are valued a minimum of a quarter in arrears. The final valuations received to date at 31st March 2020 indicate an unadjusted increase in asset values of £XX.Xm.
Pooled Property/Freehold Property	Pooled investment vehicles are valued at closing bid prices if both	The total pooled property/freehold property investments in the financial statements are £364.2m. There is a risk that this investment may be under or overstated in the accounts.

Item	Uncertainties	Effect if actual results differ from assumptions
	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. For freehold property the valuation is performed by independent external valuers on a fair value basis and in accordance with the Royal Institute of Chartered Surveyors' Valuation Standards (9th Edition).	

Item	Uncertainties	Effect if actual results differ from assumptions
Pooled Infrastructure Equity	Investments in Pooled Infrastructure Funds are valued using the fair value of the underlying investments. All assets are valued using income or discounted cash flows. Audited valuation is carried out annually and is based on the Limited partnerships are valued at Fair value based on the net asset value ascertained from periodic valuations provided by those controlling the partnership.	The total Pooled Infrastructure Equity investments in the financial statements are £89.4m. There is a risk that this investment may be under or overstated in the accounts.
Timberland Equity Pooled Fund	Investments in Pooled Timberland Funds are valued using the fair value of the underlying investments.	The total Pooled Timberland Equity investments in the financial statements are £20.8m. There is a risk that this investment may be under or overstated in the accounts.

Item	Uncertainties	Effect if actual results differ from assumptions
	Assets are valued by independent appraisers using comparable asset costs or sales and discounted cash flows. Audited valuations are carried out annually and based on the Fair value of the fund.	

6. Events after the Net Asset Statement Date

There have been no events since 31 March 2020, and up to the date when these accounts were authorised, which require any adjustments to these accounts.

7. Contributions Receivable

By Category

2018-19 £000		2019-20 £000
113,532	Employers – normal	117,517
870	Employers – special	58
15	Employers – augmentation	0
3,105	Employers – strain	1,888
28,991	Members – normal	30,678
714	Members – purchase of additional scheme benefits	553
147,227		**150,694**

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

2018-19 £000		2019-20 £000
32,310	Deficit recovery contribution included in employers normal contributions	33,785
32,310		**33,785**

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

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

By Authority

2018-19 £000		2019-20 £000
57,381	Administering authority	58,850
63,772	Other scheduled bodies	67,576
8,021	Community admission bodies	6,236
2,345	Transferee admission bodies	2,499
15,708	Resolution bodies	15,533
147,227		**150,694**

The LGPS provides scope for employers to award additional years of membership on retirement. If an employer opts to award augmented membership, the employer is required to purchase the additional period from the Pension Fund. Again, in some cases the cost can be paid in one instalment or over 3 years with an appropriate interest adjustment.

The outstanding instalments due after 31 March were:

2018-19 £000		2019-20 £000
136	Strain instalments due after the Net Asset Statement date	70
136		**70**

The debtors figure for augmentation/strain due in note 21 comprises the total of these balances plus the outstanding invoiced balances in respect of augmentation/strain due from Fund employers at 31 March 2020.

8. Transfers In From Other Pension Funds

2018-19 £000		2019-20 £000
4,614	Group transfers	0
9,722	Individual transfers	12,103
14,336		**12,103**

There were no group transfers in 2019-20. The group transfers figure in 2018-19 represent the transfer in of staff from the Cambridgeshire Pension Fund in respect of Norwich City Council. The individual transfers figure represents the payments received by the Fund in relation to individual members' transfers of benefit into the Fund from other pension arrangements.

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

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

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

2018-19 £000		2019-20 £000
2,757	HMCS total present value	1,404
2,757		**1,404**

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

9. Benefits Payable

By Category

2018-19 £000		2019-20 £000
115,356	Pensions	121,309
20,445	Commutation and lump sum retirement benefits	20,620
2,834	Lump sum death benefits	2,382
138,635		**144,311**

By Authority

2018-19 £000		2019-20 £000
65,101	Administering authority	66,296
50,929	Other scheduled bodies	53,670
6,058	Community admission bodies	6,647
3,867	Transferee admission bodies	4,159
12,680	Resolution bodies	13,539
138,635		**144,311**

10. Payments To and On Account of Leavers

2018-19 £000		2019-20 £000
534	Refunds to members leaving service	379
6,361	Individual transfers	5,997
54	Payment made under Regulations 74, 75 and 15(3) and 64 of the Local Government Pension Scheme (Administration) Regulations 2008/2018.	115
6,949		**6,491**

There were no Group Transfers paid out in 2019-20 or 2018-19.

11. Management Expenses

Pension fund management expenses for 2019-20 are accounted for in accordance with the CIPFA guidance Accounting for Local Government Pension Scheme Management Costs.

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

2018-19 £000		2019-20 £000
1,858	Administrative costs	1,858
17,960	Investment management expenses	21,782
816	Oversight and governance costs	887
20,634		**24,527**

The Local Government Pension Scheme Regulations enables administration expenses (including Oversight and Governance) to be charged to the Fund.

11a. Investment Expenses

2018-19 £000		2019-20 £000
15,266	Management fees – ad valorem	17,361
428	Management fees – performance	324
1,172	Management expenses on unit trusts	2,994
1	Direct Freehold Property	13
71	Custody fees	88
498	Fees and Other Expenses	329
524	Transaction Costs	673
17,960		**21,782**

12. Investment Income

2018-19 £000		2019-20 £000
346	Income from fixed interest securities	350
37	Income from index linked securities	38
21,333	Equity dividends	14,125
14,151	Pooled Property investments	15,619
22,786	Pooled fund income - unit trusts and other managed funds	45,721
1,302	Private equity income	1,171
7,341	Pooled funds rebate	5,467
230	Stock lending	110
1,106	Interest on cash deposits	1,397
36	Rents from Property (note 12a)	53
70	Other	194
68,738		**84,245**

12a. Property Income

2018-19 £000		2019-20 £000
36	Rental income	53
-1	Direct operating expenses	-13
35	**Net income**	**40**

13. Other Fund Disclosures

13a. Taxes on Income

2018-19 £000		2019-20 £000
448	Withholding tax - equities	417
59	Withholding tax – pooled investments	56
507		**473**

13b. External Audit costs

2018-19 £000		2019-20 £000
25	Payable in respect of external Audit	18
25		**18**

14. Investments

Market Value 31 March 2019 £000		Market Value 31 March 2020 £000
	Investment assets	
62,784	Fixed Interest Securities	65,899
594,826	Equities	534,057
2,450,696	Pooled Investments	2,335,030
427,934	Pooled property investments	363,109
212,928	Private equity Partnerships	222,058
470	Direct Freehold Property	1,089
36	Derivatives - futures	0
1,804	Derivatives – forward currency	5,724
73,338	Cash deposits	89,977
406	Amounts receivable for sales	1,291
3,825,222	**Total investment assets**	**3,618,234**
	Investment liabilities	
-1,655	Derivatives - futures	0
-1,334	Derivatives - forward currency	-9,904
0	Amounts payable for purchases	-3,277
-2,989	**Total investment liabilities**	**-13,181**
3,822,233	**Net investment assets**	**3,605,053**

14a. Reconciliation of Movements in Investments and Derivatives 2019-20

	Market value 31 March 2019 £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 2020 £000
Fixed Interest Securities	**62,784**	25,855	-25,463	2,723	**65,899**
Equities	**594,826**	912,836	-942,368	-31,237	**534,057**
Pooled property investments	**427,934**	27,059	-36,449	-55,435	**363,109**
Pooled investments	**2,450,696**	335,964	-278,910	-172,720	**2,335,030**
Private equity	**212,928**	41,640	-47,562	15,052	**222,058**
Direct Freehold Property	**470**	740	0	-121	**1,089**
	3,749,638	**1,344,094**	**-1,330,752**	**-241,738**	**3,521,242**
Derivative contracts:					
- Futures	**-1,619**	3,754	-200	-1,935	**0**
- Forward currency contracts	**470**	35,144	-27,052	-12,742	**-4,180**
	-1,149	**38,898**	**-27,252**	**-14,677**	**-4,180**
Other investment balances:					
- Cash deposits	**73,338**			0	**89,977**
- Amount receivable for sales of investments	**406**			-2,897	**1,291**
- Amount payable for purchases of investments	**0**			0	**-3,277**
Net investment assets	**3,822,233**			**-259,312**	**3,605,053**

14a. Reconciliation of Movements in Investments and Derivatives 2018-19

	Market value 31 March 2018 £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 2019 £000
Fixed Interest Securities	**60,150**	377	0	2,257	**62,784**
Equities	**796,781**	475,997	-720,788	42,836	**594,826**
Pooled investments	**2,016,462**	1,277,590	-928,317	84,961	**2,450,696**
Pooled property investments	**414,335**	59,220	-48,847	3,226	**427,934**
Private equity	**194,877**	36,806	-60,782	42,027	**212,928**
Direct Freehold Property	**444**	0	0	26	**470**
	3,483,049	**1,849,990**	**-1,758,734**	**175,333**	**3,749,638**
Derivative contracts:					
- Futures	**4,718**	15,386	-13,087	-8,636	**-1,619**
- Forward currency contracts	**1,380**	106,305	-80,806	-26,409	**470**
	6,098	**121,691**	**-93,893**	**-35,045**	**-1,149**
Other investment balances:					
- Cash deposits	**90,787**				**73,338**
- Amount receivable for sales of investments	**3,433**			1,958	**406**
- Amount payable for purchases of investments	**-3,458**				**0**
Net investment assets	**3,579,909**			**142,246**	**3,822,233**

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 2019-20	£673,000
Transaction costs incurred during 2018-19	£524,000

14b. Analysis of Investments

31 March 2019 £000		31 March 2020 £000
	Fixed Interest Securities	
	UK	
62,784	Quoted	65,899
62,784		**65,899**
	Equities	
35,474	UK Quoted	31,267
559,352	Overseas Quoted	502,790
594,826		**534,057**
	Pooled Funds - additional analysis	
	UK	
256,591	Unit trusts	214,551
218,099	Unitised insurance policies	207,776
1,649,531	Other managed funds	1,575,104
2,124,221		**1,997,431**
	Overseas	
148,096	Unit trusts	99,185
178,379	Other managed funds	238,414
326,475		**337,599**
	Pooled and Freehold Property, Private Equity and Derivatives	
427,934	Pooled property investments	363,109
212,928	Private equity	222,058
470	Direct Freehold Property	1,089

31 March 2019 £000		31 March 2020 £000
36	Derivatives - futures	0
1,804	Derivatives - forward currency	5,724
643,172		**591,980**
	Other Investment Balances	
73,338	Cash deposits	89,977
406	Amounts receivable for sales	1,291
73,744		**91,268**
3,825,222	**Total investment assets**	**3,618,234**
	Investment liabilities	
-1,655	Derivatives - futures	0
-1,334	Derivatives - forward currency	-9,904
0	Amounts payable for purchases	-3,277
-2,989	**Total investment liabilities**	**-13,181**
3,822,233	**Net investment assets**	**3,605,053**

14c. Investments Analysed by Fund Manager

Market Value 31 March 2019 £000	%		Market Value 31 March 2020 £000	%
Investments Managed by the ACCESS Pool (Link Fund Solutions)				
608,719	15.92%	LF ACCESS Global Equity (ex UK) Fund	563,325	15.63%
258,069	6.75%	LF ACCESS UK Equity Core Fund	206,975	5.74%
866,788	**22.67%**		**770,300**	**21.37%**
Investments Managed outside of the ACCESS Pool				
513,424	13.43%	Janus Henderson Global Investors	531,377	14.74%
461,951	12.09%	Capital International Limited	472,330	13.10%
449,825	11.77%	LaSalle Investment Management	397,381	11.02%
428,316	11.21%	M&G (Incl. Infracapital)	388,682	10.78%
0	0.00%	Mondrian	211,720	5.87%
255,526	6.69%	UBS	207,776	5.76%
175,154	4.58%	HarbourVest Partners	193,493	5.37%
163,362	4.27%	Insight Investment **	159,205	4.42%
148,096	3.87%	Goldman Sachs Asset Management	99,185	2.75%
59,102	1.55%	Equitix	75,476	2.09%
43,751	1.14%	Global Custodian*	34,097	0.95%

Market Value 31 March 2019 £000	%		Market Value 31 March 2020 £000	%
39,205	1.03%	Aberdeen Standard Investments	29,241	0.81%
0	0.00%	Stafford Capital Partners	20,821	0.58%
0	0.00%	Pantheon	13,969	0.39%
234,527	6.14%	Wellington International	0	0.00%
1,065	0.03%	Legal & General Investment Management	0	0.00%
117	0.00%	Baillie Gifford & Co	0	0.00%
12	0.00%	Fidelity	0	0.00%
0	0.00%	Berenberg Bank**	0	0.00%
-17,988	-0.47%	Goldman Sachs International	0	0.00%
2,955,455	**77.33%**		**2,834,753**	**78.63%**
3,822,233	**100.00%**		**3,605,053**	**100.00%**

All the above companies are registered in the United Kingdom.

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

**Currency hedging contracts in respect of the Fund's overseas equity holdings are reported in the Insight Investment and Berenberg Bank holdings. The market value of the contracts could represent a payable or receivable. The Insight Investment holding includes the Fixed Interest Securities (Gilts).

The following Investments Representing More Than 5% of the Net Assets of the Scheme

Security	Market Value 31 March 2019 £000	Percentage of total fund %	Market Value 31 March 2020 £000	Percentage of total fund %
LF ACCESS Global Equity ex UK A INC	608,719	16.0	563,325	15.6
M&G Alpha Opportunities Fund	352,742	9.3	276,890	7.6
Janus Henderson Managed Multi Asset Credit Fund	219,770	5.8	216,985	6.0
Link Fund Sol Ltd Access UK Equity Core A Inc	258,069	6.8	206,975	5.7
UBS Life UK Equity Tracker	255,526	6.7	207,776	5.7

During the year there were no individual investment (a single security) exceeding 5% of the total value of the net assets. Five pooled holdings (five in 2018-19) represent over 5% of the total value of the net assets of the scheme. Each holding is a pooled investment vehicle and comprises the following:

- As at 31 March 2020 the LF ACCESS Global Equity ex UK A INC fund held 210 (200) stocks.
- As at 31 March 2020 the M&G Alpha Opportunities Fund has 477 (442) positions, across 385 (353) issuers.
- At 31 March 2020 the Janus Henderson Multi Asset Credit Fund held 268 (239) individual issues from 227 issuers (200).
- As at 31 March 2020 the Link Fund Sol Ltd Access UK Equity Core A Inc fund held 57 (58) stocks.
- At 31 March 2020 the UBS Life UK Equity Tracker Fund held 641 securities (653).

The UBS investment is a unit linked contract of long term insurance (“the policy”) issued by UBS Asset Management Life Ltd (“UBS Life”). Units in the range of pooled investment funds operated by UBS Life ("Life Funds") are allocated to the Policyholders. The value of the units in a Life Fund are directly linked to the assets legally and beneficially owned by UBS Life and held in that Life Fund. Such units may be surrendered and their value realised in accordance with the conditions applying to the Policy (including at UBS Life’s discretion, by a transfer of assets in specie). The underlying assets are predominantly quoted investments which are listed or admitted to trading on a stock exchange (or similar public market) and may also include uninvested cash and derivatives. The policy falls within Class III of Part II of Schedule 1 to the Financial Services and Markets Act 2000 (Regulated Activities) Order 2001, and is not a “with profits” contract.

14d. Stock Lending

	31 March 2019 £000	31 March 2020 £000
Value of quoted equities on loan	98,237	57,759
Value of un-quoted equities on loan	0	0
Fair value of collateral held by Custodian	104,651	62,798
Collateral relative to stock on loan (percentage coverage)	107%	109%

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

All loans are fully collateralised with government securities and/or major index equities. HSBC provides certain additional indemnifications as part of the lending agreement with them, to protect the Fund in the event of a borrower default coupled with a collateral shortfall relative to the defaulting position.

The maximum value of stock that may be on loan is £300m and an individual borrower limit (applied at the parent borrower level) of £50m is applied.

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

Asset Type	Value on loan at 31 March 2019 £000	Value on loan at 31 March 2020 £000
UK Equities	1,999	872
Overseas Equities	96,238	56,706

At 31 March 2020, securities were on loan to 11 (12 2019) separate borrowers representing 11 (12 2019) parent groups. The largest single parent exposure was 25% (51% 2019) of the lending programme.

14e. Property Holdings

Details of the Funds directly owned freehold properties are as follows:

Year Ending 31 March 2019 £000		Year Ending 31 March 2020 £000
444	Opening balance	470
0	Additions	740
0	Disposals	0
26	Net increase in market value	0
0	Other changes in fair value	-121
470	**Closing balance**	**1,089**

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.

15. 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 also authorised the use of futures by Henderson to assist in meeting the investment objectives that they have been set. Henderson did not hold any futures contracts in its portfolio at 31 March 2020 (2019 nil).

b) Forward foreign currency

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

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

15a. Futures

Outstanding exchange traded futures contracts are as follows:

Type	Expires	Economic Exposure £000	Market Value 31 March 2019 £000	Economic Exposure £000	Market Value 31 March 2020 £000
Assets					
UK Equity	Less than 1 year	0	0	0	0
Overseas Equity	Less than 1 year	8,830	36	0	0
Total assets			**36**		**0**
Liabilities					
UK Equity	Less than 1 year	-34,327	-795	0	0
Overseas Equity	Less than 1 year	-56,681	-860	0	0
Total liabilities			**-1,655**		**0**
Net futures			**-1,619**		**0**

There are no cash balances in respect of initial and variation margins arising on open futures contacts at the year-end included within cash balances (2019 £8.2m).

15b. Open forward currency contracts

Settlement	Currency bought	Local value 000	Currency sold	Local value 000	Asset value £000	Liability value £000
Between one & three months	£	92,720	EUR	-109,140	0	-3,970
Between one & three months	£	66,759	JPY	-9,404,700	0	-3,597
Between one & three months	£	74,286	$	-95,110	0	-2,337
Between one & three months	$	102,210	£	-89,149	1,401	0
Between one & three months	JPY	7,828,000	£	-55,784	2,777	0
Between one & three months	JPY	63,090	£	-49,281	1,546	0

Open forward currency contacts at 31 March 2020	**5,724**	**-9,904**
Net forward currency contracts at 31 March 2020		**-4,180**
Prior year Comparative		
Open forward currency contacts at 31 March 2019	**1,805**	**-1,335**
Net forward currency contracts at 31 March 2019		**470**

At the 31 March 2020, the fund held £0.1m (£0m 2019) cash collateral posted against gains on its Forward foreign currency contracts with Berenberg Bank. The collateral is held in a separate account and is not included in the Revenue Account or Net Asset Statement. Following financial market regulation changes during 2017-18 the Fund uses its segregated fixed Interest securities holding (£65.9M) as a collateral pool against the notional gains and losses on the Insight Investment currency contracts.

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

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

16. Fair Value – Basis of Valuation

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

Description of Asset	Valuation Hierarchy	Basis of Valuation	Observable and unobservable inputs	Key sensitivities affecting the valuations provided
Equities	Level 1	The value of an investment for which there is a readily available market price is determined by the bid market price ruling on the final day of the accounting period.	Not required	Not required
UK Gilts and Quoted Bonds	Level 1	Fixed interest securities are valued at a market value based on current yields.	Not required	Not required
FX	Level 1	Market forward exchange rates at the year-end.	Exchange rate risk	Not required
Equity Futures	Level 1	Published exchange prices at year end.	Not required	Not required
Pooled Investment Vehicle – Equity and Debt	Level 2	Valued at closing bid prices if both bid and offer prices are published; or if single priced, at the closing single price. In the case of pooled investment vehicles that are accumulation funds, change in market value also includes income which is reinvested in the Fund, net of applicable withholding tax.	The valuation is undertaken by the investment manager or responsible entity and advised as a unit or security price. Observable inputs are used. 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.	Not required

Description of Asset	Valuation Hierarchy	Basis of Valuation	Observable and unobservable inputs	Key sensitivities affecting the valuations provided
Pooled Investment Vehicle - Property	Level 3	Pooled investment vehicles are valued at closing bid prices if both bid and offer prices are published; or if single priced, at the closing single price. In the case of pooled investment vehicles that are accumulation funds, change in market value also includes income which is reinvested in the Fund, net of applicable withholding tax.	Investments in unquoted property pooled funds are valued at the net asset value or a single price advised by the fund manager. Pooled property funds and Limited Partnerships in property have derived underlying assets that have been valued by independent external valuers on a fair value basis and generally in accordance with the Royal Institute of Chartered Surveyors' Valuation Standards (9th Edition).	Valuations could be affected by Material events.
Direct Freehold Property	Level 3	The valuation is performed by independent external valuers on a fair value basis and in accordance with the Royal Institute of Chartered Surveyors' Valuation Standards (9th Edition)	Existing lease terms and rentals; Independent market Research; Nature of tenancies; Covenant strength for existing tenants; Assumed vacancy Levels; Estimated rental Growth; Discount rate.	Significant changes in rental growth, vacancy levels or the discount rate could affect valuations as could more general changes to market prices.

Description of Asset	Valuation Hierarchy	Basis of Valuation	Observable and unobservable inputs	Key sensitivities affecting the valuations provided
Private Equity	Level 3	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. Limited partnerships are valued at Fair value based on the net asset value ascertained from periodic valuations provided by those controlling the partnership.	Observable inputs are subject to judgment by the respective manager but are applied in accordance with the appropriate industry guidelines.	Valuations could be affected by Material events occurring between the date of the financial statements provided and the Pension fund's own reporting date, by changes to expected cash flows, and by any differences between audited and unaudited accounts.

Description of Asset	Valuation Hierarchy	Basis of Valuation	Observable and unobservable inputs	Key sensitivities affecting the valuations provided
Infrastructure Equity Pooled Fund	Level 3	Investments in Pooled Infrastructure Funds are valued using the fair value of the underlying investments. Assets are valued using income or discounted cash flows. Audited valuations are carried out annually and based on the Limited partnerships valued at Fair value or based on the net asset value ascertained from periodic valuations provided by those controlling the partnership.	Unobservable inputs are subject to judgment by the respective manager but are applied in accordance with the appropriate industry guidelines.	Valuations could be affected by Material events occurring between the date of the financial statements provided and the Pension fund's own reporting date, by changes to expected cash flows, and by any differences between audited and unaudited accounts.
Timberland Equity Pooled Fund	Level 3	Investments in Pooled Timberland Funds are valued using the fair value of the underlying investments. Assets are valued by independent appraisers using comparable asset costs or sales and discounted cash flows. Audited valuations are carried out annually and based on the Fair value of the fund.	Observable inputs are subject to judgment by the respective manager but are applied in accordance with the appropriate industry guidelines.	Valuations could be affected by Material events occurring between the date of the financial statements provided and the Pension fund's own reporting date, by changes to expected cash flows, and by any differences between audited and unaudited accounts.

Sensitivity of assets valued at level 3

Having analysed historical data and current market trends, and consulted with independent investment advisors, the fund has determined that the valuation methods described above are likely to be accurate to within the following ranges, and has set out below the consequent potential impact on the closing value of investments held at 31 March 2020.

Description of Asset	Assessed Valuation Range (+/-)	Value at 31 March 2020 £'000	Value on Increase £'000	Value on Decrease £'000
Pooled Property/Direct Freehold Property	14.20%	364,198	415,914	312,482
Private Equity	28.40%	222,058	285,122	158,993
Pooled Infrastructure Equity	20.10%	89,447	107,426	71,468
Pooled Timberland Equity	20.10%	20,821	25,006	16,636
Net Investment Assets		**696,524**	**833,468**	**559,579**

The potential movement of +/- 14.20% for Pooled Property/Direct Freehold Property represents a combination of factors, the key one is market prices, which is derived from other factors, such as vacancy levels, rental movements and the discount rate.

Private Equity, Pooled Infrastructure Equity and Pooled Timberland Equity unrealised investments are typically valued in accordance with fair market value principles set out in the valuation policy and applicable valuation guidelines set out in international accounting standards. Actual realized returns on unrealised investments will depend on, among other factors, future operating results, the value of the assets and market conditions at the time of disposition, any related transaction costs, and the timing and manner of sale. Accordingly, the actual valuations on these unrealized investments may differ materially from those indicated and could be up to 20.10% for Infrastructure or Timberland investments and 28.40% for Private Equity investments (or higher or lower).

Description of Asset	Assessed Valuation Range (+/-)	Value at 31 March 2019 £'000	Value on Increase £'000	Value on Decrease £'000
Pooled Property/Direct Freehold Property	10%	428,404	471,245	385,564
Private Equity	15%	212,928	244,867	180,989
Pooled Infrastructure Equity	15%	59,102	67,967	50,236
Net Investment Assets		**700,434**	**784,079**	**616,789**

The potential movement of +/- 10% for Pooled Property/Direct Freehold Property represents a combination of factors, the key one is market prices, which is derived from other factors, such as vacancy levels, rental movements and the discount rate.

Private Equity, Pooled Infrastructure Equity and Pooled Timberland Equity unrealised investments are typically valued in accordance with fair market value principles set out in the valuation policy and applicable valuation guidelines set out in international accounting standards. Actual realized returns on unrealised investments will depend on, among other factors, future operating results, the value of the assets and market conditions at the time of disposition, any related transaction costs, and the timing and manner of sale. Accordingly, the actual valuations on these unrealized investments may differ materially from those indicated and could be up to 15% (or higher or lower).

16a. Fair Value Hierarchy

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

Level 1

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

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

Level 2

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

Level 3

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

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

Private Equity

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

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

Pooled Property

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

Direct Freehold Property

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

Infrastructure Equity Pooled Fund

Investments in Pooled Infrastructure Funds are valued using the fair value of the underlying investments. All assets are valued using income or discounted cash flows.

Audited valuation is carried out annually and is based on the unobservable inputs are subject to judgment by the respective manager, but are applied in accordance with the appropriate industry guidelines.

Timberland Equity Pooled Fund

Investments in Pooled Timberland Funds are valued using the fair value of the underlying investments. All assets are valued by independent appraisers using comparable asset costs or sales and discounted cash flows.

Audited valuation is carried out annually and is based on the Observable inputs are subject to judgment by the respective manager, but are applied in accordance with the appropriate industry guidelines.

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

Fair Value Hierarchy

Values at 31 March 2020	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	605,680	2,224,762	695,435	3,525,877
Non-Financial assets at fair value through profit and loss	0	0	1,089	1,089
Financial Liabilities				
Financial liabilities at fair value through profit and loss	-9,904	0	0	-9,904
Net Investment Assets	**595,776**	**2,224,762**	**696,524**	**3,517,062**

Values at 31 March 2019	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	659,451	2,391,593	699,964	3,751,008
Non-Financial assets at fair value through profit and loss	0	0	470	470
Financial Liabilities				
Financial liabilities at fair value through profit and loss	-2,989	0	0	-2,989
Net Investment Assets	**656,462**	**2,391,593**	**700,434**	**3,748,489**

16b. Transfers between Levels 1 and 2

There were no transfers between Level 1 and 2 in 2019-20 (no transfers during 2018-19). During the year one new investment was made and classified as level 3 in accordance with the classification guidelines in the Practical Guidance on Investment Disclosures (PRAG/Investment Association, 2016).

16c. Reconciliation of Fair Value Measurements within Level 3

	Market value 1 April 2019 £'000	Transfers into Level 3 £'000	Transfers out of Level 3 £'000	Purchases during the year and derivative payments £'000	Sales during the year and derivative receipts £'000	Rrealised gains/(losses) £'000	Unrealised gains/(losses) £'000	Market value 31 March 2020 £'000
Pooled and Direct Freehold Property Investments	428,404	0	0	27,799	-36,449	6,030	-61,586	**364,198**
Private Equity	212,928	0	0	41,640	-47,562	21,514	-6,462	**222,058**
Infrastructure Equity Pooled Fund	59,102	0	0	36,977	-9,564	124	2,808	**89,447**
Timberland Equity Pooled Fund	0	0	0	61,441	-41,041	112	309	**20,821**
	700,434	**0**	**0**	**167,857**	**-134,616**	**27,780**	**-64,931**	**696,524**

Unrealised and realised gains and losses are recognised in the changes in value of investments line of the fund account.

	Market value 1 April 2018	Transfers into Level 3	Transfers out of Level 3	Purchases during the year and derivative payments	Sales during the year and derivative receipts	Rrealised gains/(losses)	Unrealised gains/(losses)	Market value 31 March 2019
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Pooled and Freehold Property Investments	414,779	0	0	59,220	-48,847	18,106	-14,854	**428,404**
Private Equity	194,877	0	0	36,806	-60,782	31,380	10,647	**212,928**
Infrastructure Equity Pooled Fund	0	0	0	59,102	0	0	0	**59,102**
	609,656	**0**	**0**	**155,128**	**-109,629**	**49,486**	**-4,207**	**700,434**

Unrealised and realised gains and losses are recognised in the changes in value of investments line of the fund account.

17. Financial Instruments

17a. Financial Instruments – Classification

31 March 2019 Fair value through profit and loss £000	31 March 2019 Assets amortised at cost £000	31 March 2019 Liabilities at amortised cost £000		31 March 2020 Fair value through profit and loss £000	31 March 2020 Assets amortised at cost £000	31 March 2020 Liabilities at amortised cost £000
			Financial assets			
62,784			Fixed Interest Securities	65,899		
594,826			Equities	534,057		
2,450,696			Pooled Investments	2,335,030		
427,934			Pooled Property	363,109		
212,928			Private equity	222,058		
1,840			Derivative contracts	5,724		
	86,374		Cash		99,351	
2,771			Other investment balances	3,263		
	162		Debtors		114	
3,753,779	**86,536**	**0**		**3,529,140**	**99,465**	**0**
			Financial liabilities			
-2,989			Derivative contracts	-9,904		
		-40,536	Creditors			-5,438
0			Other Investment Balances	-3,277		
-2,989		**-40,536**		**-13,181**	**0**	**-5,438**
3,750,790	**86,536**	**-40,536**		**3,515,959**	**99,465**	**-5,438**

17b. Net Gains and Losses on Financial Instruments

31 March 19 £000		31 March 20 £000
	Financial assets	
265,529	Fair value through profit and loss	-217,733
0	Assets amortised at cost	0
	Financial liabilities	
-123,309	Fair value through profit and loss	-41,458
0	Liabilities at amortised cost	0
142,220	**Total**	**-259,191**
	Reconciliation to Revenue and Fund Account - Profit and losses on disposal of investments and changes in the market value of investments	
26	Direct Freehold Property Holding - Not classified as a financial Instrument	**-121**
142,246		**-259,312**

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.

18. 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.

18a. 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 2019-20 reporting period:

Asset Type	Potential Market Movements (+/-) %
Short Index-Linked Gilts	4.10%
Long Index-Linked Gilts	9.30%
UK Equities including pooled	27.50%
Overseas Equities including pooled	28.00%
Infrastructure Equity	20.10%
Timberland Equity	20.10%
UK Bonds including pooled	7.60%
Index Linked Gilts including pooled	9.30%
Bonds including pooled	8.70%
Cash and Cash Equivalents (Including Payables and Receivables)	0.30%
Pooled Property Investments/Direct Freehold Property	14.20%
Private Equity	28.40%
Total	**11.10%**

* The total % and value on increase/decrease totals are an aggregate across all asset classes and is applied to the assets in the Fund available to pay pensions benefits to illustrate sensitivity.

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 2020 £000	Percentage Change %	Value on Increase £000	Value on Decrease £000
Cash and Cash Equivalents including payables and receivables	83,812	0.30%	84,063	83,561
Investment Portfolio Assets:				
Short Index-Linked Gilts	20,563	4.10%	21,406	19,720
Long Index-Linked Gilts	12,862	9.30%	14,058	11,666
UK Equities including pooled	446,017	27.50%	568,672	323,362
Overseas Equities including pooled	1,066,114	28.00%	1,364,626	767,602
Infrastructure Equity	89,447	20.10%	107,426	71,468
UK Bonds including pooled	647,471	7.60%	696,679	598,263
Index Linked Gilts including pooled	32,474	9.30%	35,494	29,454
Bonds including pooled	599,216	8.70%	651,348	547,084
Pooled Property Investments/ Direct Freehold Property	364,198	14.20%	415,914	312,482
Private Equity	222,058	28.40%	285,122	158,994
Timberland	20,821	20.10%	25,006	16,636
Total Assets Available to Pay Benefits	**3,605,053**	**11.1%**	**4,005,214***	**3,204,892***

* The total % is an aggregate across all asset classes and is applied to the assets in the Fund available to pay pensions benefits to illustrate sensitivity.

Asset Type	Value as at 31 March 2019 £000	Percentage Change %	Value on Increase £000	Value on Decrease £000
Cash and Cash Equivalents including payables and receivables	72,595	0.50%	72,958	72,232
Investment Portfolio Assets:				
Short Index-Linked Gilts	15,686	4.10%	16,329	15,043
Long Index-Linked Gilts	12,109	9.20%	13,223	10,995
UK Equities including pooled	549,070	16.60%	640,216	457,924
Overseas Equities including pooled	1,168,070	16.90%	1,365,474	970,666
Infrastructure Equity	59,102	20.10%	70,982	47,222
UK Bonds including pooled	759,875	9.70%	833,583	686,167
Index Linked Gilts including pooled	34,989	9.20%	38,208	31,770
Bonds including pooled	509,405	7.70%	548,629	470,181
Pooled Property Investments/Direct Freehold Property	428,404	14.30%	489,666	367,142
Private Equity	212,928	28.30%	273,187	152,669
Total Assets Available to Pay Benefits	**3,822,233**	**10.80%**	**4,235,034***	**3,409,432***

* The total % is an aggregate across all asset classes and is applied to the assets in the Fund available to pay pensions benefits to illustrate sensitivity.

18b 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 2019 and 31 March 2020 is set out below. These disclosures present interest rate risk based on the underlying financial assets:

Asset Type	Value as at 31 March 2019 £000	Value as at 31 March 2020 £000

Investment Cash Balances	73,338	89,977
Cash in hand	13,036	9,374
Fixed Interest Securities	62,784	65.899
Total	149,158	165,250

Asset Type	Interest Receivable 31 March 2019 £000	Interest Receivable 31 March 2020 £000
Investment Cash Balances	1,033	1,324
Cash in hand	73	73
Fixed Interest Securities	383	388
Total	1,489	1,785

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	Asset values at 31 March 2020 £000	Impact of +1% £000	Impact of -1% £000
Investment Cash Balances	89,977	90,877	89,077
Cash in hand	9,374	9,468	9,280
Fixed Interest Bonds	65,899	66,558	65,240
	165,250	**166,903**	**163,597**

Asset Type	Asset values at 31 March 2019 £000	Impact of +1% £000	Impact of -1% £000
Investment Cash Balances	73,338	74,071	72,605
Cash in hand	13,036	13,166	12,906
Fixed Interest Bonds	62,784	63,412	62,156
	149,158	**150,649**	**147,667**

Asset Type	Interest Receivable 31 March 2020 £000	Impact of +1% £000	Impact of -1% £000
Investment Cash Balances	1,324	1,337	1,311
Cash in hand	73	74	72
Fixed Interest Bonds	388	392	384
	1,785	**1,803**	**1767**

Asset Type	Interest Receivable 31 March 2019 £000	Impact of +1% £000	Impact of -1% £000
Investment Cash Balances	1,033	1,043	1,023
Cash in hand	73	74	72
Fixed Interest Bonds	383	387	379
	1,489	**1,504**	**1,474**

In addition, the above interest receivable the fund holds debt pooled fund investments. These are a mix of multi asset credit vehicles including fixed and variable interest rate securities.

18c Currency Risk

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

Currency Risk Sensitivity Analysis

Following analysis of historical data in consultation with the Fund's performance measurers, the council considers the likely annualised volatility associated with foreign exchange movements to be 10% 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 10% 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 2020 £000	Change to net assets available to pay benefits +10.00% £000	-10.00% £000
Overseas Equities (including pooled equity funds where underlying assets are non-Sterling denominated)	1,066,114	106,611	-106,611
Private Equity	222,058	22,206	-22,206
Change in net assets available to pay benefits		**128,817**	**-128,817**

Currency Exposure – Asset Type	Asset Value as at 31 March 2019 £000	Change to net assets available to pay benefits +10.80% £000	-10.80% £000
Overseas Equities (including pooled equity funds where underlying assets are non-Sterling denominated)	1,168,070	126,152	-126,152
Private Equity	212,928	22,996	-22,996
Change in net assets available to pay benefits		**149,148**	**-149,148**

18d Credit risk

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

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

Contractual credit risk is represented by the net payment or receipt that remains outstanding, and the cost of replacing the derivative position in the event of a counterparty default. The residual risk is minimal due to the various insurance policies held by the exchanges to cover defaulting counterparties.

Credit risk on over-the-counter derivative contracts is minimised as counterparties are recognised financial intermediaries with acceptable credit ratings determined by a recognised rating agency.

Where a direct counterparty relationship exists, cash collateral is posted when the value of unrealised profit due to the Fund exceeds an agreed limit.

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

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

The credit exposure was as follows:

Summary	Short term Rating (S&P) 31st March 2019	Balances at 31 March 2019 £000	Short term Rating (S&P) 31st March 2020	Balances at 31 March 2020 £000
Bank Deposit Accounts				
Federated Money Market Fund	AAA	6,508	AAA	4,675
Aberdeen Money Market Fund	AAA	6,507	AAA	4,674
Bank Current Accounts				
Barclays Bank	A-1	21		25
Total		**13,036**		**9,374**

The majority of Custodied Investment cash is swept overnight to the AAA rated constant NAV money market funds of the custodian(s) and one other provider (Goldman Sachs Asset Management). The credit exposure on investment cash balances at 31 March 2020 comprise £88.0 million (31 March 2019, £65.1m) deposited with AAA rated money market funds, £0.4 million (£2.1m overdrawn) with the custodian HSBC (rated A-1+), £1.6 million (£6.1m) posted as variation margin to account held by HSBC and deposited overnight in the AAA money market funds detailed above. The current account figure includes control account balances.

18e 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 2020 (2019 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 2019 £000	Percentage of Total Fund Assets %	Balances at 31 March 2020 £000	Percentage of Total Fund Assets %
700,434	18.3%	586,256	16.3%

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 2020 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.

19. Funding Arrangements

In line with the Local Government Pension Scheme Regulations 2013 ("The Regulations"), the Fund's actuary undertakes a funding valuation every three years for the purpose of setting employer contribution rates for the forthcoming triennial period. The last valuation took place as at 31 March 2019.

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

- to ensure the long-term solvency of the Fund using a prudent long-term view. This will ensure that sufficient funds are available to meet all members'/dependants' benefits as they fall due for payment;
- to ensure that employer contribution rates are reasonably stable where appropriate;
- to minimise the long-term cash contributions which employers need to pay to the Fund, by recognising the link between assets and liabilities and adopting an investment strategy which balances risk and return (this will also minimise the costs to be borne by Council Tax payers);
- to reflect the different characteristics of different employers in determining contribution rates. This involves the Fund having a clear and

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

- to use reasonable measures to reduce the risk to other employers and ultimately to the Council Tax payer from an employer defaulting on its pension obligations.

The aim is to achieve 100% solvency over a period of approximately 20 years and to provide stability in employer contribution rates where prudently possible. Solvency is achieved when the funds held, plus future expected investment returns and future contributions are sufficient to meet the expected future pension benefits payable. When an employer's funding level is less than 100% of the funding target (full solvency), then a deficit recovery plan will be put in place requiring additional contributions from the employer to meet the shortfall.

	Funded %	*Deficit £ millions*
2019 actuarial valuation	99%	28
2016 actuarial valuation	80%	710

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

2019 Valuation			
Primary Rate (% of Pay) 1 April 2020 - 31 March 2023	**2020-21**	**Secondary Rate 2021-22**	**2022-23**
19.5%	£29,020,000	£30,689,000	£32,182,000

2016 Valuation			
Primary Rate (% of Pay) 1 April 2017 - 31 March 2020	2017-18	Secondary Rate 2018-19	2019-20
19.4%	£26,306,000	£27,463,000	£31,813,000

The employer contribution rates payable (plus cash sums as applicable) arising from the 2019 Valuation are as follows:

Year	*Employers Contribution Rates (% of actual pensionable pay)*
1 April 2020 to 31 March 2021	Range from nil to 34.5
1 April 2021 to 31 March 2022	Range from nil to 34.5
1 April 2022 to 31 March 2023	Range from nil to 34.5

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 2019 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 2019

	% per annum Nominal	% per annum Real
Price Inflation (CPI)	2.3	-
Pay increases	3.0	0.7
Investment Return (Discount rate)	4.2	1.9

Mortality Assumptions

The Fund is member of Club Vita which provides bespoke set of longevity assumptions specifically tailored to the membership profile of the Fund. The life expectancy assumptions are based on the Fund's VitaCurves with improvements in line with the CMI 2018 model, an allowance for smoothing of recent mortality experience and a long-term rate of 1.25% p.a. Based on these assumptions, the average future life expectancies at age 65 are as follows:

Mortality assumption at age 65	Male	Female
Current Pensioners	21.7 years	23.9 years
Future Pensioners (current age 45)	22.8 years	25.5 years

The assumptions have changed since the previous IAS26 disclosure for the Fund in accordance with those used for the recently completed 2019 Triennial valuation.

Commutation assumption

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

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

Experience over the period since 31 March 2019

Markets were disrupted by COVID 19 which resulted in difficult market conditions towards the end of the financial year. As a result, the funding level of the Fund as at 31 March 2020 has reduced versus that reported in the previous formal valuation.

The next actuarial valuation will be carried out as at 31 March 2022. The Funding Strategy Statement will also be reviewed at that time.

20. Actuarial Present Value of Promised Retirement Benefits

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

The required valuation is carried out by the Hymans Robertson LLP using a similar approach to that employed for individual participating employers reporting pension liabilities under either FRS102 (previously FRS17) or IAS19. For the avoidance of doubt this approach will result in a different valuation of liabilities than the methodology employed at the triennial funding valuation.

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

In order to assess the value of the benefits on this basis, the Fund Actuary has updated the actuarial assumptions (set out below) from those used for funding purposes (see note 19).

	31 March 2020 £000	31 March 2019 £000
Actuarial present value of promised retirement benefits	-5,199,000*	-5,627,000**
Fair Value of scheme assets (bid value)	3,621,120	3,809,192
Net Liability	**-1,577.880**	**-1,817,808**

*Note that the above figures at 31 March 2020 include an allowance for the "McCloud ruling", i.e. an estimate of the potential increase in past service benefits arising from this case affecting public service pension schemes. However, following the Government announcement on the McCloud remedy consultation in July 2020, the estimated impact for McCloud has fallen since the prior assessment as at 31 March 2019. The impact included within the 31 March 2020 liabilities has been adjusted to allow for this.

The figures include both vested and non-vested benefits, although the latter is assumed to have a negligible value. Further, there is no allowance made for unfunded benefits.

It should be noted the above figures are appropriate for the Administering Authority only for preparation of the pension fund accounts. They should not be used for any other purpose (i.e. comparing against liability measures on a funding basis or a cessation basis).

**Includes £10m for the estimated impact of the recent McCloud ruling and £12m for the estimated impact of GMP indexation changes.

The liabilities above are calculated on an IAS 19 basis and therefore will differ from the results of the 2019 triennial funding valuation (see note 19) because IAS 19 stipulates a discount rate rather than a rate which reflects market rates.

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

Assumptions Used	31 March 2019 %	31 March 2020 %
Inflation/Pension Increase Rate Assumption	2.5	1.9
Salary Increase Rate	2.8	2.6
Discount Rate	2.4	2.3

21. Current Assets

31 March 2019 £000		31 March 2020 £000
	Cash In Hand	
13,036	Cash In Hand**	9,374
	Debtors:	
2,515	Contributions due - employees*	2,441
7,298	Contributions due - employers*	5,723
1,406	Employers special contributions	1,406
597	Augmentation & strain due	668
1,191	Dividends receivable**	1,074
1,133	Pooled funds rebate due**	867
921	UK tax receivable	526
922	Overseas tax receivable	1,325
38	VAT refund due	74
23	Interest due**	25
18	Stock lending/commission recapture**	6
154	Recharge of fees**	108
8	Prepayments	5
8	Sundry **	6
16,232	**Debtors**	**14,254**
29,268	**Current Assets**	**23,628**

*Principally represents amounts due in respect of March payrolls but payable the following month. **Cash and Debtors classed as financial instruments (assets) note 17a.

31 March 2019 £000		31 March 2020 £000
	Long term debtors:	
2,057	Employer contributions	645
62	Augmentation & strain due	14
2,119		**659**

Long term debtors comprise 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 (including Long Term Debtors)

31 March 2019 £000		31 March 2020 £000
	Debtors:	
4,646	Central government bodies	3,330
4,383	Other local authorities	4,474
9,322	Other entities and individuals	7,109
18,351		**14,913**

22. Current Liabilities

31 March 2019 £000		31 March 2020 £000
	Creditors:	
610	Transfer values payable (leavers)	176
2,151	Benefits payable	1,474
3,429	Investment Management Fees**	2,906
34,512	Receipt in Advance**	9
2,593	Other Fees & Charges**	2,523
1,131	UK Taxation payable	1,132
2	Sundry creditors**	0
44,428		**8,220**

**Creditors classed as financial instruments (liabilities) note 17a.

Analysis of Creditors

31 March 2019 £000		31 March 2020 £000
	Creditors:	
1,145	Central government bodies	1,131
36,824	Other local authorities	2,385
6,459	Other entities and individuals	4,704
44,428		**8,220**

23. Additional Voluntary Contributions

The Fund has three in-house AVC providers; Prudential, Clerical Medical and Utmost Life and Pensions (previously 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 2019 £000		Market Value 31 March 2020 £000
5,709	Separately Invested AVC Funds	5,428

2018-19 £000		2019-20 £000
1,068	AVC contributions paid directly during the year	898

24. Agency Contracted Services

The Norfolk Pension Fund pays discretionary awards to the former employees of Norfolk County Council, the seven Norfolk district councils and 24 other employers. The amounts paid are not included within the Fund Account but are provided as a service and fully reclaimed from the employer bodies. The sums are disclosed below:

31 March 2019 £000		31 March 2020 £000
1,225	Norfolk County Council	1,210
1,190	Norwich City Council	1,189
252	North Norfolk District Council	255
238	Borough Council of Kings Lynn & West Norfolk	234
183	Great Yarmouth Borough Council	180
107	Broadland District Council	106
101	Breckland District Council	103
58	South Norfolk District Council	58
160	Other	154
3,514		**3,489**

25. Related Party Transactions

Norfolk County Council

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

The council incurred costs in relation to the administration of the Fund and was subsequently reimbursed by the Fund for these expenses.

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

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

	2018-19 £000	2019-20 £000
Norfolk County Council incurred administration and Investments costs reimbursed by the Fund	2,320	2,382

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

Norfolk County Council Employer Contributions	44,254	45,077

All contributions were paid in accordance with the rates and adjustment certificate.

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.

	2018-19 £000	2019-20 £000
Average investment balance held by NCC Treasury Management Operation	11,342	14,065
Interest earned on balances invested by NCC Treasury Management Operation	73	102

Governance

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

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

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

Disclosure of senior officer remuneration is made in note 13 of the Statement of Accounts of the Administering Authority (Norfolk County Council). This disclosure includes the Executive Director of Finance and Commercial Services 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 Administering Authority (Norfolk County Council) disclosure of senior officer remuneration includes the Executive Director of Finance and Commercial Services 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. For 2019-20 the remuneration amount incurred by the Fund was £9,000 (£9,000 2018-19).

Remuneration is deemed to include:

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

26. Contractual Commitments, Contingent Assets and Liabilities

26a Contractual Commitments

Outstanding Capital Commitments	31 March 2019 £000	31 March 2020 £000
Private equity partnerships	219,520	284,386
Property investment vehicles	15,370	28,526
Pooled Debt Funds	25,172	35,067
Pooled Infrastructure	250,489	285,025
Pooled Timberland	0	27,634
Total	**510,551**	**660,638**

At 31 March 2020 the Fund had made contractual commitments to private equity funds managed by Aberdeen Standard Investments and HarbourVest Partners. Commitments are made in the underlying currency of the Fund (Euros and US Dollars respectively) and are therefore subject to volatility (risk) arising from exchange rate fluctuation. This volatility will impact both on the value of unfunded commitments in Sterling terms and the valuation of the funded interest and monies received as distributions.

The Fund's private equity programme is still relatively immature. The commitments are paid over the investment timeframe of the underlying partnerships. Concurrently as these partnerships mature they distribute capital back to investors.

The current value of the funded commitment net of distributions in these funds at 31 March 2020 is included in the net asset statement.

In addition to the private equity commitments, within the LaSalle property portfolio there are unfunded commitments to various property investment vehicles. This total potentially includes Sterling and US Dollar denominated commitments as at 31st March 2020. The foreign exchange exposure on the funded portion of these positions is hedged within the LaSalle portfolio but the unfunded commitments are impacted by exchange rate volatility. There are also commitments on the M&G Debt and Credit opportunities portfolios.

During 2020 the Fund entered in to contractual relationships with two further Infrastructure managers. The contractual commitments associated with the new investments are shown above.

26b Contingent Assets

There were no contingent assets as at 31st March 2020. For the comparator year (as at 31st March 2019) the Administering Authority held charges on property relating to funding agreements put in place with one employer. This agreement allows the employer to extend their deficit recovery periods and therefore reduce the contributions immediately payable in return for providing additional security to the Fund. The total charge on one property was £0.233 million. Following the cessation of the employer the security related to the charge was released post the balance sheet date.

APPENDICES

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

Employer	Type
Acle Academy	Scheduled/Resolution Body
Acle Parish Council	Scheduled/Resolution Body
Action for Children (Wells)	Admitted Body
Action for Children (Dereham)	Admitted Body
Action for Children (Diss Children’s Centre)	Admitted Body
Action for Children (Ex4Children)	Admitted Body
Action for Children (Fakenham Gateway Children’s Centre)	Admitted Body
Action for Children (Hethersett)	Admitted Body
Action for Children (Nar & Terringtons Children’s Centre)	Admitted Body
Ad Meliora Academy Trust	Scheduled/Resolution Body
Admirals Academy	Scheduled/Resolution Body
Alderman Peel High	Scheduled/Resolution Body
Alive West Norfolk Ltd	Scheduled/Resolution Body
All Saints Academy	Scheduled/Resolution Body
Angel Road Infant School	Scheduled/Resolution Body
Angel Road Junior School	Scheduled/Resolution Body
Anglia Maintenance Services	Admitted Body
Anthony Curton Primary School	Scheduled/Resolution Body
Antingham & Southrepps Community Primary School	Scheduled/Resolution Body
Archbishop Sancroft High School	Scheduled/Resolution Body
Arden Grove Infant and Nursery Academy	Scheduled/Resolution Body
Aslacton Primary School	Scheduled/Resolution Body
Astley Primary	Scheduled/Resolution Body
Attleborough High School Academy	Scheduled/Resolution Body
Attleborough Town Council	Scheduled/Resolution Body
Aylsham Town Council	Scheduled/Resolution Body
Banham Community Primary School	Scheduled/Resolution Body
Barford & Wramplingham Parish Council	Scheduled/Resolution Body
Bawdeswell Community Primary School	Scheduled/Resolution Body
Beeston Primary	Scheduled/Resolution Body
Beighton Parish Council	Scheduled/Resolution Body
Belton with Browston Parish Council	Scheduled/Resolution Body
Biffa Municipal Ltd	Admitted Body
Bignold Primary School	Scheduled/Resolution Body
Bishop’s Primary School	Scheduled/Resolution Body
Blenheim Park Primary School	Scheduled/Resolution Body

Blofield Parish Council	Scheduled/Resolution Body
Borough Council of King’s Lynn & West Norfolk	Scheduled/Resolution Body
Bradwell Parish Council	Scheduled/Resolution Body
Breckland Council	Scheduled/Resolution Body
Brisley Church Of England Primary Academy	Scheduled/Resolution Body
Broadland District Council	Scheduled/Resolution Body
Broadland High Ormiston Academy	Scheduled/Resolution Body
Broads (2006) Internal Drainage Board	Scheduled/Resolution Body
Broads Authority	Scheduled/Resolution Body
Brundall Parish Council	Scheduled/Resolution Body
Bunwell Primary School	Scheduled/Resolution Body
Burnham Market Primary	Scheduled/Resolution Body
Burston Primary	Scheduled/Resolution Body
Butterflies Nursery	Scheduled/Resolution Body
Buxton With Lamas Parish Council	Scheduled/Resolution Body
Caister Academy	Scheduled/Resolution Body
Capita (Breckland Contract)	Admitted Body
Castle Acre Church of England Primary School	Scheduled/Resolution Body
Caterlink (College of West Anglia)	Admitted Body
Cawston Parish Council	Scheduled/Resolution Body
Cawston Primary School	Scheduled/Resolution Body
Change Grow Live	Admitted Body
Charles Darwin Primary School	Scheduled/Resolution Body
Chartwell (Iceni Academy)	Admitted Body
Chartwell (Diocese of Norwich Education and Academies Trust)	Admitted Body
Cherry Tree Academy Marham Infant	Scheduled/Resolution Body
Cherry Tree Academy Marham Junior	Scheduled/Resolution Body
Cherry Tree Academy Trust Marham	Scheduled/Resolution Body
Childhood First	Admitted Body
Churchill (Acle Academy)	Admitted Body
Churchill Park Academy	Scheduled/Resolution Body
Circle Anglia Limited	Admitted Body
City Academy Norwich	Scheduled/Resolution Body
City College Norwich	Scheduled/Resolution Body
City of Norwich School	Scheduled/Resolution Body
Clenchwarton Primary School	Scheduled/Resolution Body
Cliff Park Ormiston Academy	Scheduled/Resolution Body
Cliff Park Schools Trust Ltd	Scheduled/Resolution Body
Cobholm Primary Academy	Scheduled/Resolution Body
Colkirk Church of England Primary School	Scheduled/Resolution Body
College of West Anglia	Scheduled/Resolution Body
Corpusty Primary	Scheduled/Resolution Body
Costessey Junior School (Academy)	Scheduled/Resolution Body
Costessey Town Council	Scheduled/Resolution Body

Cranworth Parish Council	Scheduled/Resolution Body
Cringleford Parish Council	Scheduled/Resolution Body
Cromer Academy Trust	Scheduled/Resolution Body
Cromer Junior School	Scheduled/Resolution Body
Cromer Town Council	Scheduled/Resolution Body
Dereham Church of England Junior Academy	Scheduled/Resolution Body
Dereham Town Council	Scheduled/Resolution Body
Dersingham Parish Council	Scheduled/Resolution Body
Diamond Academy	Scheduled/Resolution Body
Dickleburgh Church of England Primary Academy	Scheduled/Resolution Body
Diocese of Norwich Education and Academies Trust (formerly Diocese of Norwich Multi-Academy Trust)	Scheduled/Resolution Body
Diss Church of England Junior School	Scheduled/Resolution Body
Diss High School (Academy)	Scheduled/Resolution Body
Diss Infant Academy And Nursery	Scheduled/Resolution Body
Diss Town Council	Scheduled/Resolution Body
Ditchingham Church of England Primary Academy	Scheduled/Resolution Body
Downham Market Academy	Scheduled/Resolution Body
Downham Market Town Council	Scheduled/Resolution Body
Drayton Community Infant School	Scheduled/Resolution Body
Drayton Parish Council	Scheduled/Resolution Body
Duchy of Lancaster Methwold Church of England Primary	Scheduled/Resolution Body
Dussindale Primary School	Scheduled/Resolution Body
East City Children’s Centre	Scheduled/Resolution Body
East Norfolk Sixth Form College	Scheduled/Resolution Body
East of Ouse, Polver & Nar Internal Drainage Board	Scheduled/Resolution Body
East Ruston Infant School and Nursery	Scheduled/Resolution Body
Eastern Inshore Fisheries and Conservation Authority	Scheduled/Resolution Body
Eastern Multi-Academy Trust	Scheduled/Resolution Body
Eastgate Academy	Scheduled/Resolution Body
Easton and Otley College	Scheduled/Resolution Body
Eaton Hall Specialist Academy	Scheduled/Resolution Body
Eaton Primary School	Scheduled/Resolution Body
Edith Cavell Academy	Scheduled/Resolution Body
Edward Worlledge Primary	Scheduled/Resolution Body
Edwards & Blake (Fakenham Infant and Nursery School)	Admitted Body
Edwards & Blake (Fred Nicholson School)	Admitted Body
Edwards & Blake (Magdalen Gates Primary)	Admitted Body
Edwards & Blake (Cherry Tree Marham Infant Academy)	Admitted Body
Edwards & Blake (Unity Trust Kings Park)	Admitted Body
Edwards & Blake (Wymondham Academy)	Admitted Body
Edwards and Blake	Admitted Body
Edwards and Blake (Reepham High)	Admitted Body
Emneth Primary	Scheduled/Resolution Body

Evolution Academy Trust	Scheduled/Resolution Body
Fakenham Academy Norfolk	Scheduled/Resolution Body
Fakenham Infant & Nursery	Scheduled/Resolution Body
Fakenham Junior School	Scheduled/Resolution Body
Fakenham Town Council	Scheduled/Resolution Body
Filby Primary School	Scheduled/Resolution Body
Firside Junior School	Scheduled/Resolution Body
Flagship Housing Group	Admitted Body
Flegg High School	Scheduled/Resolution Body
Flitcham Church of England Primary Academy	Scheduled/Resolution Body
Foulsham Primary	Scheduled/Resolution Body
Framingham Earl High School	Scheduled/Resolution Body
Framingham Earl Parish Council	Scheduled/Resolution Body
Freebridge Community Housing Ltd	Admitted Body
Garrick Green Academy	Scheduled/Resolution Body
Garvestone Primary School	Scheduled/Resolution Body
Garvestone, Remerston and Thuxton Parish Council	Scheduled/Resolution Body
Gayton Church Of England Primary Academy	Scheduled/Resolution Body
Gaywood Primary	Scheduled/Resolution Body
George White Junior	Scheduled/Resolution Body
Ghost Hill Infant & Nursery School	Scheduled/Resolution Body
Gillingham St Michael’s Primary	Scheduled/Resolution Body
Glebeland Primary School	Scheduled/Resolution Body
Gooderstone Church of England Primary Academy	Scheduled/Resolution Body
Great and Little Plumstead Parish Council	Scheduled/Resolution Body
Great Hockham Primary	Scheduled/Resolution Body
Great Snoring Parish Council	Scheduled/Resolution Body
Great Witchingham Church of England Primary School	Scheduled/Resolution Body
Great Witchingham Parish Council	Scheduled/Resolution Body
Great Yarmouth Borough Council	Scheduled/Resolution Body
Great Yarmouth Charter	Scheduled/Resolution Body
Great Yarmouth College of Further Education	Scheduled/Resolution Body
Great Yarmouth Community Trust (Children’s Centre)	Scheduled/Resolution Body
Great Yarmouth Norse	Scheduled/Resolution Body
Great Yarmouth Port Authority	Admitted Body
Great Yarmouth Port Company	Admitted Body
Great Yarmouth Primary Academy	Scheduled/Resolution Body
Gresham Village School	Scheduled/Resolution Body
Greyfriars Academy	Scheduled/Resolution Body
Grove House Nursery Primary School	Scheduled/Resolution Body
GYB Services Ltd	Scheduled/Resolution Body
Hardingham Parish Council	Scheduled/Resolution Body
Harleston CE Primary Academy	Scheduled/Resolution Body
Harling Parish Council	Scheduled/Resolution Body
Heacham Infant School	Scheduled/Resolution Body

Heacham Junior School	Scheduled/Resolution Body
Heart Education Trust	Scheduled/Resolution Body
Heartsease Primary Academy	Scheduled/Resolution Body
Heather Avenue Infant	Scheduled/Resolution Body
Hellesdon High School Academy	Scheduled/Resolution Body
Hellesdon Parish Council	Scheduled/Resolution Body
Hemblington Parish Council	Scheduled/Resolution Body
Hemblington Primary	Scheduled/Resolution Body
Hemsby Parish Council	Scheduled/Resolution Body
Henderson Green Primary Academy	Scheduled/Resolution Body
Hethel Innovation Ltd	Admitted Body
Hethersett Academy	Scheduled/Resolution Body
Hethersett Parish Council	Scheduled/Resolution Body
Highgate Infant School	Scheduled/Resolution Body
Hilgay Riverside Academy	Scheduled/Resolution Body
Hillside Avenue Primary and Nursery School	Scheduled/Resolution Body
Hindolveston Parish Council	Scheduled/Resolution Body
Hobart High School Academy	Scheduled/Resolution Body
Hockering Primary Academy	Scheduled/Resolution Body
Holt Town Council	Scheduled/Resolution Body
Hopton Church Of England Primary Academy	Scheduled/Resolution Body
Hoveton Parish Council	Scheduled/Resolution Body
Hunstanton Town Council	Scheduled/Resolution Body
I.E.Trust	Scheduled/Resolution Body
Iceni Academy	Scheduled/Resolution Body
Inclusive Schools Trust	Scheduled/Resolution Body
Independence Matters	Admitted Body
Inspiration Trust	Scheduled/Resolution Body
Jane Austin College	Scheduled/Resolution Body
Kenninghall Primary	Scheduled/Resolution Body
Kettlestone Parish Council	Scheduled/Resolution Body
Kier Support Services	Admitted Body
King Edward VII Academy	Scheduled/Resolution Body
King’s Lynn Internal Drainage Board	Scheduled/Resolution Body
King’s Park Infant School	Scheduled/Resolution Body
King's Lynn Academy	Scheduled/Resolution Body
King's Lynn Internal Drainage Board	Scheduled/Resolution Body
Kings Oak Academy	Scheduled/Resolution Body
Kinsale Junior School	Scheduled/Resolution Body
Kirby Cane And Ellingham Parish Council	Scheduled/Resolution Body
Konectbus Ltd	Admitted Body
KWEST Multi Academy Trust	Scheduled/Resolution Body
Lafarge Tarmac	Admitted Body
Lingwood and Burlingham Parish Council	Scheduled/Resolution Body
Lingwood Primary Academy	Scheduled/Resolution Body

Lionwood Infant + Nursery	Scheduled/Resolution Body
Lionwood Junior	Scheduled/Resolution Body
Litcham School	Scheduled/Resolution Body
Little Snoring Community Primary Academy	Scheduled/Resolution Body
Little Snoring Parish Council	Scheduled/Resolution Body
Loddon Parish Council	Scheduled/Resolution Body
Lodge Lane Infant School	Scheduled/Resolution Body
Long Stratton High	Scheduled/Resolution Body
Lynn Grove High School (Academy)	Scheduled/Resolution Body
Magdalen Village Academy	Scheduled/Resolution Body
Manor Field Infant Nursery School	Scheduled/Resolution Body
Marshland High School	Scheduled/Resolution Body
Marshland St. James Primary School	Scheduled/Resolution Body
Martham Parish Council	Scheduled/Resolution Body
Martham School Trust	Scheduled/Resolution Body
Mattishall Parish Council	Scheduled/Resolution Body
Mattishall Primary	Scheduled/Resolution Body
Middleton Primary School	Scheduled/Resolution Body
Moorlands Church of England Primary Academy	Scheduled/Resolution Body
Mousehold Infant And Nursery School	Scheduled/Resolution Body
Mundesley Parish Council	Scheduled/Resolution Body
Mundford Church of England Primary	Scheduled/Resolution Body
Narborough Church of England Primary Academy	Scheduled/Resolution Body
NCS (Assistive Technology)	Scheduled/Resolution Body
NCS Transport Ltd	Scheduled/Resolution Body
Neatherd High School	Scheduled/Resolution Body
Nelson Academy	Scheduled/Resolution Body
Nelson Infant School	Scheduled/Resolution Body
New Anglia Enterprise Council	Admitted Body
New Buckenham Parish Council	Scheduled/Resolution Body
Newton Flotman Parish Council	Scheduled/Resolution Body
Nightingale Infant & Nursery School	Scheduled/Resolution Body
Norfolk Academies Trust	Scheduled/Resolution Body
Norfolk Chief Constable	Scheduled/Resolution Body
Norfolk County Council	Scheduled/Resolution Body
Norfolk Educational Services (NES)	Scheduled/Resolution Body
Norfolk Heritage Fleet Trust	Admitted Body
Norfolk Police and Crime Commissioner	Scheduled/Resolution Body
Norfolk Rivers Internal Drainage Board	Scheduled/Resolution Body
Norman Church of England Primary School	Scheduled/Resolution Body
Norse Care Limited	Scheduled/Resolution Body
Norse Care Services	Scheduled/Resolution Body
Norse Commercial Services	Scheduled/Resolution Body
Norse Eastern	Scheduled/Resolution Body
Norse Eastern (Highways)	Scheduled/Resolution Body

North City Children's Centre	Admitted Body
North Norfolk Academy Trust	Scheduled/Resolution Body
North Norfolk District Council	Scheduled/Resolution Body
North Walsham High Schoo	Scheduled/Resolution Body
North Walsham Infant and Nursery	Scheduled/Resolution Body
North Walsham Junior	Scheduled/Resolution Body
North Walsham Town Council	Scheduled/Resolution Body
North Wootton Community School	Scheduled/Resolution Body
Northgate High School	Scheduled/Resolution Body
Northgate Primary School	Scheduled/Resolution Body
Northrepps Parish Council	Scheduled/Resolution Body
Norwich City Council	Scheduled/Resolution Body
Norwich Norse	Scheduled/Resolution Body
Norwich Primary Academy	Scheduled/Resolution Body
Norwich Regeneration Limited	Admitted Body
Norwich Road Academy	Scheduled/Resolution Body
Norwich University of the Arts	Scheduled/Resolution Body
Notre Dame High School Academy	Scheduled/Resolution Body
NPS (London) Ltd	Scheduled/Resolution Body
NPS (Norwich) Ltd	Scheduled/Resolution Body
NPS (South East) Ltd	Scheduled/Resolution Body
NPS (South West) Ltd	Scheduled/Resolution Body
NPS Property Consultants Ltd	Scheduled/Resolution Body
Old Buckenham High School	Scheduled/Resolution Body
Old Buckenham Primary School	Scheduled/Resolution Body
Old Catton Parish Council	Scheduled/Resolution Body
Open Academy - Heartsease	Scheduled/Resolution Body
Ormiston Herman Academy	Scheduled/Resolution Body
Ormiston Venture Academy	Scheduled/Resolution Body
Ormiston Victory Academy	Scheduled/Resolution Body
Ovington Parish Council	Scheduled/Resolution Body
Peterhouse Primary School	Scheduled/Resolution Body
Poringland Parish Council	Scheduled/Resolution Body
Postwick with Witton Parish Council	Scheduled/Resolution Body
Queensway Infant Academy and Nursery	Scheduled/Resolution Body
Raleigh Infant Academy	Scheduled/Resolution Body
Redenhall with Harleston Town Council	Scheduled/Resolution Body
Reepham High School and College	Scheduled/Resolution Body
Reepham Primary School	Scheduled/Resolution Body
Reepham Town Council	Scheduled/Resolution Body
Reffley Community School	Scheduled/Resolution Body
Right for Success Academy Sponsorship Trust	Scheduled/Resolution Body
Ringland Parish Council	Scheduled/Resolution Body
Rockland St Mary	Scheduled/Resolution Body
Rudham Church of England Primary School	Scheduled/Resolution Body

Runcton Holme Church of England Primary School	Scheduled/Resolution Body
Sacred Heart Catholic V A Primary	Scheduled/Resolution Body
Saffron Housing Trust Limited	Admitted Body
Salhouse Parish Council	Scheduled/Resolution Body
Sandringham And West Newton Church Of England Primary Academy	Scheduled/Resolution Body
Saxlingham Nethergate Parish Council	Scheduled/Resolution Body
Scoulton Parish Council	Scheduled/Resolution Body
Sculthorpe Church of England Primary School	Scheduled/Resolution Body
Seething + Mundham Primary	Scheduled/Resolution Body
Sentinel Leisure Trust	Admitted Body
Serco Government Services	Admitted Body
Sewell Park Academy	Scheduled/Resolution Body
Sheringham High School (Academy)	Scheduled/Resolution Body
Sheringham Town Council	Scheduled/Resolution Body
Short Stay School for Norfolk	Scheduled/Resolution Body
Sir Isaac Newton Free School	Scheduled/Resolution Body
Smithdon High School	Scheduled/Resolution Body
Snettisham Parish Council	Scheduled/Resolution Body
Snettisham Primary School	Scheduled/Resolution Body
South Norfolk District Council	Scheduled/Resolution Body
South Walsham Parish Council	Scheduled/Resolution Body
South Wootton Parish Council	Scheduled/Resolution Body
Southery & District Internal Drainage Board	Scheduled/Resolution Body
Southery Academy	Scheduled/Resolution Body
Spixworth Parish Council	Scheduled/Resolution Body
Spooner Row Primary	Scheduled/Resolution Body
Sporle Church of England Primary School	Scheduled/Resolution Body
Sports & Leisure Management Ltd	Admitted Body
Springwood High School Academy Trust	Scheduled/Resolution Body
Sprowston High School	Scheduled/Resolution Body
Sprowston Town Council	Scheduled/Resolution Body
St Augustine’s Catholic Primary School	Scheduled/Resolution Body
St Clements HS Academy	Scheduled/Resolution Body
St Edmunds Academy	Scheduled/Resolution Body
St Francis of Assisi Catholic School	Scheduled/Resolution Body
St Germans Academy	Scheduled/Resolution Body
St John the Baptist Trust	Scheduled/Resolution Body
St Martha’s Catholic Primary School	Scheduled/Resolution Body
St Martin at Shouldham Church of England Primary Academy	Scheduled/Resolution Body
St Mary & St Peter Catholic Primary School	Scheduled/Resolution Body
St Mary's Church of England Junior School (Academy)	Scheduled/Resolution Body
St Michael's Church of England Academy (King's Lynn)	Scheduled/Resolution Body

St Peter & St Paul Carbroke Church of England Primary Academy	Scheduled/Resolution Body
St Peters Church of England Primary Academy	Scheduled/Resolution Body
St. Clements Hill Primary Academy	Scheduled/Resolution Body
Stalham Academy	Scheduled/Resolution Body
Stalham High School	Scheduled/Resolution Body
Stalham Infant School and Nursery	Scheduled/Resolution Body
Stalham Town Council	Scheduled/Resolution Body
Stradbroke Primary	Scheduled/Resolution Body
Strumpshaw Parish Council	Scheduled/Resolution Body
Suffolk Coastal Services	Scheduled/Resolution Body
Surlingham Primary	Scheduled/Resolution Body
Swaffham Church of England Junior School	Scheduled/Resolution Body
Swaffham Town Council	Scheduled/Resolution Body
Swannington with Alderford LW	Scheduled/Resolution Body
Swanton Morley Parish Council	Scheduled/Resolution Body
Tasburgh Parish Council	Scheduled/Resolution Body
Taverham High School	Scheduled/Resolution Body
Taverham Parish Council	Scheduled/Resolution Body
Ten Mile Bank Community Primary School	Scheduled/Resolution Body
The Fen Rivers Academy	Scheduled/Resolution Body
The Free School Norwich	Scheduled/Resolution Body
The Hewett Academy	Scheduled/Resolution Body
The Howard Junior	Scheduled/Resolution Body
The Nicholas Hamond Academy	Scheduled/Resolution Body
The Wensum Trust	Scheduled/Resolution Body
The Wherry School	Scheduled/Resolution Body
The Yare Education Trust	Scheduled/Resolution Body
Thetford Academy	Scheduled/Resolution Body
Thetford Free School	Scheduled/Resolution Body
Thetford Town Council	Scheduled/Resolution Body
Thomas Bullock Primary	Scheduled/Resolution Body
Thompson Primary	Scheduled/Resolution Body
Thorpe St Andrew School and 6th Form	Scheduled/Resolution Body
Thorpe St. Andrew Town Council	Scheduled/Resolution Body
Thurlton Primary	Scheduled/Resolution Body
Tilney All Saints VC Primary School	Scheduled/Resolution Body
Tivetshall Primary	Scheduled/Resolution Body
Tuckswood Academy and Nursery	Scheduled/Resolution Body
Unity Education Trust	Scheduled/Resolution Body
University Technical College Norfolk	Scheduled/Resolution Body
Upton with Fishley Parish Council	Scheduled/Resolution Body
Upwell Community Primary School	Scheduled/Resolution Body
Valley Primary Academy	Scheduled/Resolution Body
Village Green Nursery	Scheduled/Resolution Body

Walpole Cross Keys Primary School	Scheduled/Resolution Body
Walsingham Parish Council	Scheduled/Resolution Body
Watton Town Council	Scheduled/Resolution Body
Watton Westfield Infant & Nursery School	Scheduled/Resolution Body
Wayland High School Academy	Scheduled/Resolution Body
Wayland Junior Academy	Scheduled/Resolution Body
Weasenham Church of England Primary School	Scheduled/Resolution Body
Weeting VC Primary School	Scheduled/Resolution Body
Wells Next The Sea Primary	Scheduled/Resolution Body
Wells-Next-The-Sea Town Council	Scheduled/Resolution Body
Wensum Junior School	Scheduled/Resolution Body
West Lynn Primary	Scheduled/Resolution Body
West Raynham VC Primary School	Scheduled/Resolution Body
Whitefriars Church of England Primary Academy	Scheduled/Resolution Body
White House Farm Primary School	Scheduled/Resolution Body
Wimbotsham and Stow Academy	Scheduled/Resolution Body
Winterton Primary School And Nursery	Scheduled/Resolution Body
Woodlands Primary Academy	Scheduled/Resolution Body
Wormegay Primary	Scheduled/Resolution Body
Wroughton Infant Academy	Scheduled/Resolution Body
Wroughton Junior Academy	Scheduled/Resolution Body
Wroxham Parish Council	Scheduled/Resolution Body
Wymondham Academy College	Scheduled/Resolution Body
Wymondham High Academy	Scheduled/Resolution Body
Wymondham Town Council	Scheduled/Resolution Body

Appendix II – Disclosure Regulations

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

Pensions Registry

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

The Pensions Regulator
Napier House
Trafalgar Place
Brighton
BN1 4DW

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

Investment Strategy Statement and Funding Strategy Statement

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

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

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

Alternatively, a copy can be obtained by contacting the Norfolk Pension Fund at:

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

Telephone: 01603 222870

Appendix III – The Fund

Norfolk County Council administers a Pension Fund to provide retirement benefits for all its employees who are members of the Local Government Pension Scheme. Also included in the Fund are employees of the seven District Councils in Norfolk and 406 other bodies who actively participate in the Scheme.

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

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

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

Appendix IV – Governance Compliance Statement

The Norfolk Pension Fund
Governance Compliance Statement as at May 2020
Local Government Pension Scheme Regulations 2013 (as amended)
Regulation 55

Principle A – Structure

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

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

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, two 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. Pensions Committee is observed by members of the Local Pension Board (known locally as the Pensions Oversight Board [POB]), made up of employer and employee representatives.

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. The Local Pension Board (known locally as the Pensions Oversight

Board [POB]) regularly reports to Pensions Committee and POB members observe all Pensions Committee meetings.

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

Principle B – Representation

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

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

i Employing authorities (including non-scheme employers, e.g. admitted bodies)
Two district councillors elected by the Local Government Association represent the largest group of employers. An additional observer is seat available to all other employers. POB: three employer representatives; all employers are invited to stand for POB.

ii Scheme members (including deferred and pensioner scheme members)
Scheme members (including active, deferred and retired) are represented at Committee by the Staff Representative, who has full voting rights. Scheme members are reminded that they can observe committee meetings via the annual "Your Pension" booklet and also at the Annual Meeting. POB: three scheme member representatives; all scheme members invited to stand for election.

iii Independent professional observers
Hymans Robertson, as Advisers to the Norfolk Pension Fund, attend Committee; they also attend POB as required.

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

Principle C – Selection and role of lay members

	Not compliant*				Fully compliant
a					√
b					√

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

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

Principle D – Voting

	Not compliant*				Fully compliant
A					√

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

Principle E – Training/facility time/expenses

	Not compliant*				Fully compliant
A					√
B					√
C					√

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

Subsistence costs incurred. In addition, the Fund maintains a training budget for Pensions Committee and POB for the delivery of our 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.
All relevant individuals / bodies are treated equally, for example the Staff Representative, members of the Pensions Oversight Board (Local Pension Board).

c That the administering authority considers the adoption of annual training plans for committee members and maintains a log of all such training undertaken.
Committee member and POB training needs are considered alongside the 12 month committee agenda planning process. However, training is business driven and therefore the programme is flexible. This allows us to align training most effectively with operational need/current agenda items, and therefore support member decision making. Regular Member training is supplemented by attending LGA and other associated events, as well as an annual (more frequently if required) comprehensive bespoke Knowledge and Understanding event, talking to leading experts about all aspects of LGPS Investment and Governance and current issues. A Training Log is maintained.

Principle F – Meetings (frequency / quorum)

	Not compliant*				Fully compliant
a					√
b					√
c					√

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

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

c That administering authorities who do not include lay members in their formal governance arrangements, provide a forum outside of those arrangements by which the interests of key stakeholders can be represented.
A Staff Representative (who represents all current, deferred and retired scheme members) sits on Pensions Committee. An Observer Seat at Committee is also available to Employers not directly represented, and Employers are reminded of this at Forums

and via other publications. In addition, regular Employers' Forums and Retired Members annual events are held. Pensions Clinics for all scheme members (including Deferred) are held regularly and an Annual Meeting is offered. The Pensions Oversight Board (Local Pension Board) has equal employer/scheme member membership.

Principle G – Access

	Not compliant*				Fully compliant
a					√

a That subject to any rules in the council's constitution, all members of main and secondary committees or panels have equal access to committee papers, documents and advice that falls to be considered at meetings of the main committee.
All committee and POB members have equal access to committee papers, documents and advice. Public Minutes of Committee Meetings are published on Norfolk County Councils website:
http://norfolkcc.cmis.uk.com/norfolkcc/Committees/tabid/62/ctl/ViewCMIS_CommitteeDetails/mid/381/id/30/Default.aspx

POB minutes are published on the Norfolk Pension Fund's website:
https://www.norfolkpensionfund.org/governance/local-pension-board/

Principle H – Scope

	Not compliant*				Fully compliant
a					√

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

Principle I – Publicity

	Not compliant*				Fully compliant
a					√

a That administering authorities have published details of their governance arrangements in such a way that stakeholders with an interest in the way in which the scheme is governed can express an interest in wanting to be part of those arrangements.
The Norfolk Pension Funds' Governance Statement and Communication and Customer

Care Strategy are published on the Funds' website www.norfolkpensionfund.org, 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 Employer Forum and Employer 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. All scheme members and employers are invited to stand for membership of the Pensions Oversight Board (Local Pensions Board).

Appendix V – Actuarial Statement for 2019-20 by Hymans Robertson LLP

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

Description of Funding Policy

The funding policy is set out in the Administering Authority's Funding Strategy Statement (FSS), dated March 2020. In summary, the key funding principles are as follows:

- to ensure the long-term solvency of the Fund using a prudent long-term view. This will ensure that sufficient funds are available to meet all members'/dependants' benefits as they fall due for payment;
- to ensure that employer contribution rates are reasonably stable where appropriate;
- to minimise the long-term cash contributions which employers need to pay to the Fund, by recognising the link between assets and liabilities and adopting an investment strategy which balances risk and return (this will also minimise the costs to be borne by Council Tax payers);
- to reflect the different characteristics of different employers in determining contribution rates. This involves the Fund having a clear and transparent funding strategy to demonstrate how each employer can best meet its own liabilities over future years; and
- to use reasonable measures to reduce the risk to other employers and ultimately to the Council Tax payer from an employer defaulting on its pension obligations.

The FSS sets out how the Administering Authority seeks to balance the conflicting aims of securing the solvency of the Fund and keeping employer contributions stable. For employers whose covenant was considered by the Administering Authority to be sufficiently strong, contributions have been stabilised to have a sufficiently high likelihood of achieving the funding target over 20 years. 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 at least a 75% likelihood that the Fund will achieve the funding target over 20 years.

Funding Position as at the last formal funding valuation

The most recent actuarial valuation carried out under Regulation 62 of the Local Government Pension Scheme Regulations 2013 was as at 31 March 2019. This valuation revealed that the Fund's assets, which at 31 March 2019 were valued at £3,835 million, were sufficient to meet 99% of the liabilities (i.e. the present value of promised retirement benefits) accrued up to that date. The resulting deficit at the 2019 valuation was £28 million.

Each employer had contribution requirements set at the valuation, with the aim of achieving their funding target within a time horizon and likelihood measure as per the FSS.

Individual employers' contributions for the period 1 April 2020 to 31 March 2023 were set in accordance with the Fund's funding policy as set out in its FSS.

Principal Actuarial Assumptions and Method used to value the liabilities

Full details of the methods and assumptions used are described in the 2019 valuation report.

Method

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

Assumptions

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

The key financial assumptions adopted for the 2019 valuation were as follows:

Financial assumptions	31 March 2019
Discount rate	4.2% p.a.
Salary increase assumption	3.0% p.a.
Benefit increase assumption (CPI)	2.3% p.a.

The key demographic assumption was the allowance made for longevity. The life expectancy assumptions are based on the Fund's VitaCurves with improvements in line with the CMI 2018 model, an allowance for smoothing of recent mortality experience and a long-term rate of 1.25% p.a.

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

	Males	Females
Current Pensioners	22.7 years	23.9 years
Future Pensioners*	22.8 years	25.5 years

*Aged 45 at the 2019 Valuation.

Copies of the 2019 valuation report and Funding Strategy Statement are available on request from the Administering Authority to the Fund.

Experience over the period since 31 March 2019

Markets were disrupted by COVID 19 which resulted in difficult market conditions towards the end of the financial year. As a result, the funding level of the Fund as at 31 March 2020 has reduced versus that reported in the previous formal valuation.

The next actuarial valuation will be carried out as at 31 March 2022. The Funding Strategy Statement will also be reviewed at that time.

Robert Bilton FFA

17 April 2020

For and on behalf of Hymans Robertson LLP

Appendix VI – Glossary

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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.

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.

Passive Management
An investment strategy that seeks to match the return and risk characteristics of a market segment or index, by mirroring its composition. also called passive portfolio strategy.

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

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

Portfolio
Term used to describe all investments held.

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

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

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

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

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

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

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

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

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

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

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

PART 8.1

MEMBERS' CODE OF CONDUCT

I ……………………………………………….. undertake to observe Norfolk County Council's Members' Code of Conduct.

Signed: ……………………………………... Date: …………………………………………..

Introduction to the Code

This Code of Conduct is a key part of the Authority's discharge of its statutory duty to promote and maintain high standards of conduct by its members and co-opted members. It is very much focused upon the principles of conduct in public life of selflessness, integrity, objectivity, accountability, openness, honesty, and leadership and it is the intention of the Authority that the Code be used exclusively in that context and not for any other purpose. It sets an objective, non political and high standard whose purpose is to remind members of the Authority of the behaviour expected of them in public life and to set out clearly the key principles against which their conduct will be measured.

The Code also contains provisions for registration and declaration of interests the breach of which will now attract potential criminal sanctions.

The Council's Standards Committee hears breaches of the Code and decides on sanctions against members found to be in default. Working closely with the Council's Monitoring Officer and Independent Person, the Standards Committee will oversee a straightforward and robust regime dealing only with substantial ethics and standards issues and filtering out the inconsequential, trivial and vexatious. The Code will deal in broad common sense principles and neither it nor the supporting arrangements are intended to be over-technical or over-procedural. To return to the wording of the statute, the Code is the Authority's public statement on the promotion and maintenance of high standards of conduct in public life.

Every member and co-opted member of Norfolk County Council, must sign an undertaking to observe the Code in the terms set out below.

The Code

As a member or co-opted member of Norfolk County Council, I have a responsibility to represent the community and work constructively with our staff and partner organisations to secure better social, economic and environmental outcomes for all.

In accordance with the Localism Act 2011 provisions, when acting in this capacity I am committed to behaving in a manner that is consistent with the following principles to achieve best value for our residents and maintain public confidence in this authority.

SELFLESSNESS: Holders of public office should act solely in terms of the public interest. They should not do so in order to gain financial or other material benefits for themselves, their family, or their friends.

INTEGRITY: Holders of public office should not place themselves under any financial or other obligation to outside individuals or organisations that might seek to influence them in the performance of their official duties.

OBJECTIVITY: In carrying out public business, including making public appointments, awarding contracts, or recommending individuals for rewards and benefits, holders of public office should make choices on merit.

ACCOUNTABILITY: Holders of public office are accountable for their decisions and actions to the public and must submit themselves to whatever scrutiny is appropriate to their office.

OPENNESS: Holders of public office should be as open as possible about all the decisions and actions that they take. They should give reasons for their decisions and restrict information only when the wider public interest clearly demands.

HONESTY: Holders of public office have a duty to declare any private interests relating to their public duties and to take steps to resolve any conflicts arising in a way that protects the public interest.

LEADERSHIP: Holders of public office should promote and support these principles by leadership and example.

As a Member of Norfolk County Council my conduct will in particular address the statutory principles of the Code by:

- Championing the needs of residents – the whole community and in a special way all my constituents and putting their interests first.

- Dealing with representations or enquiries from residents, members of our communities and visitors fairly, appropriately and impartially.

- Not allowing other pressures, including the financial interests of myself or others connected to me, to deter me from pursuing constituents' casework, the interests of Norfolk nor the good governance of the authority in a proper manner.

- Exercising independent judgement and not compromising my position by placing myself under obligations to outside individuals or organisations who might seek to influence the way I perform my duties as a member/co-opted member of this authority.

- Listening to the interests of all parties, including relevant advice from statutory and other professional officers, taking all relevant information into consideration, remaining objective and making decisions on merit.

- Being accountable for my decisions and co-operating when scrutinised internally and externally, including by local residents.

- Contributing to making this authority's decision-making processes as open and transparent as possible to enable residents to understand the reasoning behind those decisions and to be informed when holding me and other members to account but restricting access to information when the wider public interest or the law requires it.

- Behaving in accordance with all our legal obligations, alongside any requirements contained within this authority's policies, protocols and procedures, including on the use of the Authority's resources.

- Valuing my colleagues and staff and engaging with them in an appropriate manner and one that underpins the mutual respect between us that is essential to good local government.

- Always treating people with respect, including the organisations and public I engage with and those I work alongside.

- Providing leadership through behaving in accordance with these principles when championing the interests of the community with other organisations as well as within this authority.

The Localism Act provides for the disclosure and registration of Disclosable Pecuniary Interests ("DPIs"). I agree to notify the Monitoring Officer of my DPIs as soon as I become aware of them and in any event within 28 days. The Monitoring Officer will retain a register of my DIPs and will publish these on the Authority's website. If I have a DPI in a matter to be considered at a meeting and I have not notified the Monitoring Officer of that DPI, I shall disclose it to the meeting. In all cases where I have a DPI in a matter to be considered at a meeting I will not speak or vote at that meeting.

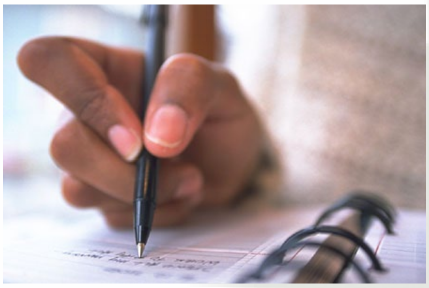
If a matter to be considered at a meeting affects, to a greater extent than others in my division:

- my wellbeing or financial position or
- that of family or close friends
- that of a club or society in which I have a management role
- that of another public body of which I am a member

then I will declare an interest (an "Other Interest") but provided it is not a DPI I may speak and vote on the matter.

Appendix VIII

Norfolk Pension Fund



Investment Strategy Statement

July 2019

If you would like this newsletter in large print, audio, Braille, alternative format or in a different language, please call 01603 222824 or email pensions@norfolk.gov.uk

1.0 Introduction and Background

1.1 This is the Investment Strategy Statement ("ISS") of the Norfolk Pension Fund ("the Fund"), which is administered by Norfolk Council, ("the Administering Authority"). The ISS is made in accordance with Regulation 7 of the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016 ("the Regulations").

1.2 The ISS has been prepared by the Fund's Pension Committee ("the Committee") having taken advice from the Fund's investment adviser, Hymans Robertson LLP. The Committee acts on the delegated authority of the Administering Authority.

1.3 The ISS is subject to periodic review at least every three years and without delay after any significant change in investment policy. The Committee has consulted on the contents of the Fund's investment strategy with such persons it considers appropriate.

1.4 The Committee seeks to invest in accordance with the ISS any Fund money that is not needed immediately to make payments from the Fund. The ISS should be read in conjunction with the Fund's Funding Strategy Statement.

1.5 The Committee strongly believe that well governed pension schemes benefit from improved outcomes over the long-term. The Committee has developed a set of investment beliefs (Appendix 1) which promote good governance by providing a framework for all investment decisions.

2.0 Investment of Money

2.1 The primary objective of the Fund is to provide pension and lump sum benefits for members on their retirement and/or benefits on death, before or after retirement, for their dependants, on a defined benefits basis. This funding position will be reviewed at each triennial actuarial valuation, or more frequently as required.

2.2 The Fund has built up assets over the years and continues to receive contribution and investment income. All of this must be invested in a suitable manner, which is the investment strategy.

2.3 The investment strategy is set for the long-term but is reviewed from time to time. Normally a full review is carried out as part of each actuarial valuation and is kept under review annually between actuarial valuations to ensure that it remains appropriate to the Fund's objectives.

2.4 The LGPS continues to see increased numbers and diversity of participating employers. Following the post 2016 actuarial valuation investment strategy review, it was agreed to move from one to three investment strategies, each with different asset allocations. Employers were allocated to the investment strategy that was deemed most appropriate to their funding objectives, liability characteristics and current funding position. For further details please refer to Appendix H of the Funding Strategy Statement.

2.5 The approach taken by the Fund in setting and maintaining its funding and investment objectives is detailed below.

2.6 Funding Objectives - Ongoing Plan

2.6.1 The Committee aims to fund the Fund in such a manner that, in normal market conditions, all accrued benefits are fully covered by the value of the Fund's assets and that an appropriate level of contributions is agreed by the employer to meet the cost of future benefits accruing. For employee members, benefits will be based on service completed but will take account of future salary and/or inflation increases.

2.6.2 The assumptions used for this test, corresponding with the assumptions used in the latest Actuarial Valuation, are shown in Appendix 2. This position will be reviewed at least at each triennial Actuarial Valuation. The Committee will be advised of any material changes to the Fund during the period between valuations.

2.7 Funding Objectives – Funding Strategy Statement

2.7.1 The Fund has published a Funding Strategy Statement (FSS). Its purpose is:

- “to establish a clear and transparent Fund-specific strategy which will identify how employers’ pension liabilities are best met going forward;
- to support the regulatory framework to maintain as nearly constant employer contribution rates as possible; and
- to take a prudent longer-term view of funding those liabilities.”

2.7.2 We recognise that these objectives are desirable individually, but may be mutually conflicting. The FSS sets out how the Administering Authority has balanced the conflicting aims of affordability of contributions, transparency of process, stability of employers’ contributions, and prudence in the funding basis.

2.7.3 Copies of the FSS can be obtained from the publication section of the Fund’s website at www.norfolkpensionfund.org or by writing to the Fund at the address at the end of this document.

2.8 Investment objectives and strategy

2.8.1 The Fund aims to achieve, over the long term, an overall return on investment assets which is in excess of the investment return assumed in the Actuarial Valuation.

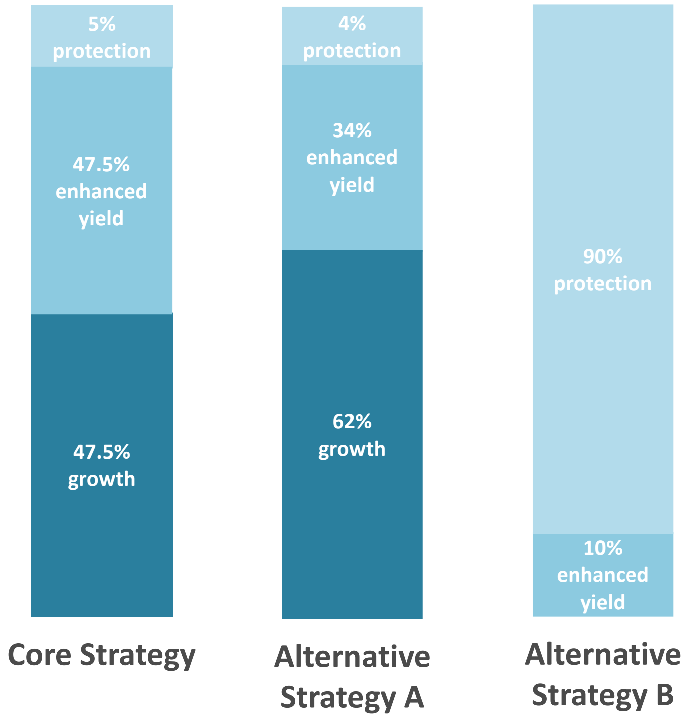
2.8.2 The investment strategy was formally reviewed in 2016-17 through an asset-liability exercise which incorporated the results of the 2016 Actuarial Valuation. The next review, based on the results of the 2019 valuation, is due to be completed by the end of 2019-20.

2.8.3 The exercise took account of the following: -

- The liability profile of the Fund;
- The solvency of the Fund (i.e. ratio of assets to liabilities);
- The expected contributions;
- The risk tolerance of the Committee.

2.8.4 As a result of the review, a number of changes to the asset allocation strategy were approved by the Committee. From July 2017, the Fund moved from operating a single investment strategy for all employers to three distinct investment strategies with different allocations to growth, enhanced yield and protection assets.

2.8.5 The Fund continues to operate a Core Investment Strategy which the majority of employers participate in. Alongside the Core Strategy, the Fund now also operates two additional investment strategies; Alternative Strategy A and Alternative Strategy B. The high level investment strategies are illustrated below (target allocations shown):



2.8.6 Alternative Strategy A has a higher allocation to growth assets than the Core Strategy. As a result, this strategy is targeting a higher level of returns and therefore is taking a higher level of investment risk.

2.8.7 Alternative Strategy B has no allocation to growth assets. As a result, this strategy is targeting a lower level of returns and therefore is taking a lower level of investment risk.

2.8.8 The Fund will continue to implement the new strategies during 2019-20.

2.9 Rebalancing of assets

2.9.1 Having approved the asset allocations, the Committee monitors the Fund's actual asset allocation on a regular basis to ensure it does not notably deviate from the target allocations. The Fund's approach to asset class rebalancing is set out in Appendix 3.

3.0 Suitability of Particular Investment Types

3.1 Asset classes

3.1.1 The Fund may invest in quoted and unquoted securities of UK and overseas markets including equities, bonds, cash, property, infrastructure and timberland either directly or through pooled funds. The Fund may also make use of derivative contracts either directly or in pooled funds investing in these products for the purpose of efficient portfolio management or to hedge specific risks.

3.1.2 The Committee reviews the nature of Fund investments on a regular basis, with particular reference to suitability and diversification. The Committee seeks and considers written advice from a suitably qualified person in undertaking such a review. If, at any time, investment in a security or product not previously known to the Committee is proposed, appropriate advice is sought and considered (and training provided) to ensure its suitability and diversification.

3.1.3 The target asset allocation within each asset portfolio is set out below (Tables 1-3). The asset allocation within each asset class portfolio is maintained by asset rebalancing (Appendix 3). The intention is that the maximum invested in a particular asset class will be the target allocation plus a 2% rebalancing tolerance. The target allocation and the rebalancing tolerance is subject to periodic review.

Table 1: Growth asset portfolio allocation

Asset class	% of Growth Portfolio
UK equities	26.0
Global equities	30.5
Overseas equities	31.0
Private equity	12.5
Total Growth Assets	**100.0**

Table 2: Enhanced Yield asset portfolio allocation[1]

Asset class	% of Enhanced Yield Portfolio
Property	26.0
Infrastructure	21.5
Timberland	3.0
Multi-asset credit	17.75
Absolute return	13.0
Investment grade corporate bonds	9.75
Distressed debt	4.0
Real estate debt	3.0
Specialist credit	2.0
Total Enhanced Yield Assets	**100.0**

[1] The strategic splits between the MAC mandates will be discussed in more detail over the remainder of 2019-20. In the interim the Fund's actual splits provide a reasonable approximation for such splits.

Table 3: Protection asset portfolio allocation

Asset class	% of Protection Portfolio
Gilts	50.0
Index-linked gilts	50.0
Total Protection Assets	**100.0**

3.2. Restrictions on investment

3.2.1 The Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016 have largely removed the investment restrictions that formed part of the previous regulations. The Fund will monitor the appropriateness of imposing its own investment restrictions relevant to the particular asset class and having taken appropriate professional advice. In line with the Regulations, the Fund's investment strategy does not permit more than 5% of the total value of all investments of fund money to be invested in entities which are connected with the administering authority (within the meaning of section 212 of the Local Government and Public Involvement in Health Act 2007).

3.3 Managers

3.3.1 The Committee has appointed a number of investment managers all of whom are authorised under the Financial Services and Markets Act 2000 to undertake investment business.

3.3.2 The Committee, after seeking appropriate investment advice, has agreed specific benchmarks with each manager so that they reflect the Fund's strategic objectives. The Investment Managers are given discretion over the management of their portfolio against the specified benchmark but within agreed investment guidelines. Investment Managers are expected to maintain a diversified portfolio within the guidelines provided to them.

3.3.3 The Managers appointed to manage the Fund's assets are summarised in Appendix 4, this includes the investments made via the ACCESS pool. The current structure embraces specialist management. A range of different Managers are employed, with different benchmarks and targets to reflect their specific mandates.

3.3.4 A management agreement is in place for each Investment Manager which sets out the relevant benchmark, performance target, asset allocation ranges and any restrictions, as determined by the Committee. The kinds of investments which the Managers may hold, together with a summary of each Manager's brief, are summarised in Appendix 4.

3.3.5 The Fund's assets are predominantly managed on an active basis and the managers are expected to outperform their respective benchmarks over the long term. The exception to this approach is a proportion of the UK equity holdings and government bonds, which are managed on a passive basis. The return on these mandates are intended to track the return of the benchmark index.

3.3.6 The majority of stocks held by the Fund's Investment Managers are quoted on major stock markets and may be realised quickly if required in normal market conditions. The Fund also has currency hedging mandates in place. The underlying instruments in these mandates tend to be highly liquid. Property, distressed debt, direct lending, specialist credit investments, infrastructure and private equity partnerships, which are relatively illiquid, currently make up a lower (albeit still notable) proportion of the Fund's assets. In periods of market volatility the liquidity of most investment classes will fall.

3.4 Custody

3.4.1 HSBC has been appointed as Global Custodian of the Fund's assets. The Fund participates in a collateralised securities-lending programme managed by the Custodian. This is restricted to a maximum loan balance of £150 million and an individual borrower limit (applied at parent borrower level) of £25 million. In addition HSBC provide certain additional indemnifications as part of the lending agreement with them to protect the Fund in the event of borrower default.

4.0 Approach to Investment Risk

4.1 The Committee is aware that the Fund has a need to take risk (e.g. investing in growth assets) to help it achieve its funding objectives. It has an active risk management programme in place that aims to help it identify the risks being taken and put in place processes to manage, measure, monitor and (where appropriate and possible) mitigate the risks being taken. One of the Committee's overarching beliefs is to only to take as much investment risk as is necessary.

4.2 The principal risks affecting the Fund are set out below, we also discuss the Fund's approach to managing these risks and the contingency plans that are in place.

4.3 Funding risks

4.3.1 Funding risks include:

- Financial mismatch – The risk that Fund assets fail to grow in line with the developing cost of meeting the liabilities.

- Changing demographics –The risk that longevity improves and other demographic factors change, increasing the cost of Fund benefits.
- Environmental, social and governance ("ESG") – The risk that ESG related factors reduce the Fund's ability to generate the long-term returns and also may impact the Fund's liabilities.
- Systemic risk - The possibility of an interlinked and simultaneous failure of several asset classes and/or investment managers, possibly compounded by financial 'contagion', resulting in an increase in the cost of meeting the Fund's liabilities.

4.3.2 The Committee measures and manages financial mismatch in two ways. As indicated above, the Committee has set strategic asset allocation benchmarks for the Fund. These benchmarks were set taking into account asset liability modelling which focused on probability of success and level of downside risk. The Committee assesses risk relative to the strategic benchmark by monitoring the Fund's asset allocations and investment returns relative to these benchmarks. The Committee also assesses risk relative to liabilities by monitoring the delivery of benchmark returns relative to liabilities.

4.3.3 The Committee also seeks to understand the assumptions used in any analysis and modelling so they can be compared to their own views and the level of risks associated with these assumptions to be assessed.

4.3.4 The Fund's longevity assumptions are reviewed as part of the Fund's triennial valuation process.

4.3.5 Details of the Fund's approach to managing ESG risks is set out later in this document.

4.3.6 The Committee seeks to mitigate systemic risk through a diversified portfolio but it is not possible to make specific provision for all possible eventualities that may arise under this heading.

4.4 Asset risks

4.4.1 Asset risks include:

- Concentration - The risk that a significant allocation to any single asset category and its underperformance relative to expectation would result in difficulties in achieving funding objectives.
- Illiquidity - The risk that the Fund cannot meet its immediate liabilities because it has insufficient liquid assets.
- Currency risk – The risk that the currency of the Fund's assets underperforms relative to Sterling (i.e. the currency of the liabilities).
- Manager underperformance - The failure by the fund managers to achieve the rate of investment return assumed in setting their mandates.

- Credit – the risk that one of the Fund's bond/credit holdings investments defaults on its obligations

4.4.2 The Committee measure and manage asset risks as follows:

- The Fund invests in a diversified range of asset classes. The Committee has put in place rebalancing arrangements to ensure the 'actual allocation' within each asset class portfolio does not deviate substantially from its target. Similarly, there are rebalancing arrangements in place to ensure that the allocation to growth, enhanced yield and protection assets in each strategy does not deviate substantially from its target allocation.
- The Fund invests in a range of investment mandates each of which has a defined objective, investment universe and performance benchmark which, when taken in aggregate, helps reduce the Fund's asset concentration risk. By investing across a range of assets, including liquid quoted equities and bonds, the Committee has recognised the need for access to liquidity in the short term. When assessing managers, the Committee gives considerable focus to managers' ability to assess the credit worthiness of their underlying investments.
- The Committee assess the Fund's currency risk during their risk analysis. The Fund invests in a range of overseas markets which provides a diversified approach to currency markets. The Fund also has a dynamic currency hedging mandate in place that helps to manage this risk.
- The Committee has considered the risk of underperformance by any single investment manager and have attempted to reduce this risk by appointing more than one manager and having a proportion of the Fund's assets managed on a passive basis. The Committee assess the Fund's managers' performance on a regular basis, and will take steps, including potentially replacing one or more of their managers, if underperformance persists.

4.5 Other provider risk

4.5.1 Other provider risks include:

- Transition risk - The risk of incurring unexpected costs in relation to the transition of assets among managers. When carrying out significant transitions, the Committee seeks suitable professional advice.
- Custody risk - The risk of losing economic rights to Fund assets, when held in custody or when being traded.
- Credit default - The possibility of default of a counterparty in meeting its obligations.

- Stock-lending – The possibility of default and loss of economic rights to Fund assets.

4.5.2 The Committee monitors and manages risks in these areas through a process of regular scrutiny of its providers (including the Pool – see comments below), and audit of the operations it conducts for the Fund, or has delegated such monitoring and management of risk to the appointed investment managers as appropriate (e.g. custody risk in relation to pooled funds). The Committee has the power to replace a provider should serious concerns exist.

4.6 Monitoring and reporting risks

4.6.1 A more comprehensive breakdown of the risks to which the Fund is exposed and the approach to managing these risks is set out in the Fund's Risk Register. The Risk Register is reviewed by Committee every six months and is available from the Fund's web site.

5.0 Approach to Asset Pooling

5.1 The Fund is a participating scheme in the ACCESS (A Collaboration of Central, Eastern and Southern Shires) Pool. The ACCESS Funds are Cambridge, East Sussex, Essex, Hampshire, Hertfordshire, Isle of Wight, Kent, Norfolk, Northamptonshire, Suffolk and West Sussex. The structure and basis on which the ACCESS Pool operates was set out in the July 2016 submission to Government and subsequent updates to Government.

5.2 Assets to be invested in the Pool

5.2.1 The Fund's intention is to invest its assets through the ACCESS Pool as and when suitable Pool investment solutions become available. An indicative timetable for investing through the Pool was set out in the July 2016 submission to Government. The key criteria for assessment of Pool solutions will be as follows:

- That the Pool enables access to an appropriate solution that meets the objectives and benchmark criteria set by the Fund.
- That there is a clear financial benefit to the Fund in investing in the solution offered by the Pool, should a change of provider be necessary.

5.2.2 At 31 March 2019, the Fund had 28% of assets (c£1bn) invested in the ACCESS pool, with investments in the Baillie Gifford and Fidelity sub-funds and the UBS passive mandates.

5.2.3 The Fund has elected not to pool certain illiquid assets (e.g. direct property and private equity) and assets held within closed ended pooled vehicles (e.g. indirect property) at this time, on the basis that it is not economically viable to transition these assets to the pool. Any asset that remain outside of the Pool will be reviewed at least every three years to determine whether the rationale remains appropriate, and whether it continues to demonstrate value for money. The next such review will take place no later than 2019-20.

5.3 Structure and governance of the ACCESS Pool

5.3.1 The July 2016 submission to Government of the ACCESS Pool provided a statement addressing the structure and governance of the Pool, the mechanisms by which the Fund can hold the Pool to account and the services that will be shared or jointly procured.

5.3.2 An Inter-Authority Agreement (IAA) has been signed by all 11 authorities defining governance and cost sharing arrangements for the ACCESS Pool.

5.3.3 The ACCESS Pool is governed by a joint Committee (JC) made up of one elected councillor from each authority's Pension Committee.

5.3.4 As the Pool develops, as the structure and governance of the Pool are fully established, and as the regulation surrounding asset pooling is confirmed, the Fund will include further information in future iterations of the ISS.

6.0 Environmental, Social and Corporate Governance

6.1 At the present time, the Committee does not take into account non-financial factors when selecting, retaining, or realising its investments. It does however recognise that environment, social and governance (ESG) factors can influence long term investment performance and the ability to achieve long term sustainable returns. The Committee therefore considers the following two key areas of responsible investment:

- **Corporate Governance / Stewardship** – acting as responsible and active investors/owners, through considered voting of shares, and engaging with investee company management as part of the investment process.
- **Sustainable investment / ESG factors** – considering the financial impact of environmental, social and governance (ESG) factors on its investments.

6.2 The Committee takes ESG matters very seriously and will regularly conduct reviews of its policies in this area and its investment managers' approach to ESG. The Committee has developed a set of responsible investment beliefs as one of its four core Investment Beliefs. These are detailed in Appendix 1.

6.3 Corporate Governance / Stewardship

6.3.1 The Fund takes the following approach to Corporate Governance / Stewardship:

- The Committee believe that the adoption of good practice in Corporate Governance will improve the management of companies and thereby increase long term shareholder value. The Committee expect the Investment Managers to make regular contact at senior executive level with the companies in which the Fund's assets are invested, both as an important element of the investment process and to ensure good Corporate Governance. The Committee have developed their own corporate governance engagement policy which includes specific consideration of environmental and social matters. Details of the current policy are set out in Appendix 5.

- The Fund believes in collective engagement and is a member of the Local Authority Pension Fund Forum (LAPFF), through which it collectively exercises a voice across a range of corporate governance issues.

- The Fund has appointed RREV (Research Recommendation and Electronic Voting) to undertake voting of the Fund's shares in line with the voting policy set out in Appendix 4 in respect of all resolutions at annual and extraordinary general meetings of companies.

- The Fund does not vote its shares in share-blocked markets as a matter of course, due to restrictions on dealing that may then arise.

6.4 Sustainable Investment / ESG factors

6.4.1 The Fund takes the following approach to Sustainable Investment / ESG factors:

- The Committee recognise that social, environmental and governance considerations are among the factors that can affect the financial return on investments. The Committee expects the managers to engage with the companies in which the Fund invests with the objective of seeking to enhance shareholder value over the long term.

- Appendix 5 sets out in detail the Fund's approach to responsible engagement.

6.5 Compliance with Myners Principles

6.5.1 The Myners report on Institutional Investment in the UK was published in 2001. Following pension industry consultation in 2007, the ten principles of good investment practice, were consolidated into six overarching principals. Norfolk's compliance with these investment principles is detailed in Appendix 6.

APPENDIX 1 – Investment Beliefs

Norfolk Pension Fund investment beliefs

1. The Committee of the Norfolk Pension Fund ("the Fund") strongly believe that well governed pension schemes benefit from improved outcomes over the long-term. They also take the view that a clear set of investment beliefs can help achieve good governance by providing a framework for all investment decisions. The Committee has four headline beliefs, with a number of sub-beliefs sitting underneath these headlines. Details of the Fund's investment beliefs are provided in this document. All beliefs will be reviewed on an ongoing basis to ensure that they remain appropriate.

Chart 1: Headline beliefs

2. Governance

A well-run Fund offers a number of benefits, most notably improving funding outcomes, but also to the local economy given a large number of people in the area relies on the Fund for their pension and the local employer base.

Clear and well defined objectives are essential to reflect the Fund's long-term[1] strategic direction of travel and to help build a plan for achieving these objectives.

The Committee supports long term investing as a means of enhancing returns, reducing transaction costs and encouraging improved governance at a corporate level.

[1] (1) The Committee view long-term as typically being greater than 15 years, medium-term typically being between 3-15 years and short-term being less than 3 years

There are a number of factors that lead to good decision making, most notably taking a long-term approach to any decisions, Members' having a clear understanding of their fiduciary duties and the Committee and Officers having the appropriate levels of knowledge and understanding, hence the Fund's commitment to high quality Member training.

Fees and costs matter. It is important to get the best value from the Fund's providers and to understand and minimise, as far as possible, any cost leakages from the investment process.

The Committee believes in full and transparent disclosure of investment and administration costs. It recognises the importance of adequate resources to operate effective financial reporting and controls and effective and efficient provision of scheme administration and related activities. It recognises the importance of these functions in facilitating and demonstrating good oversight and governance to multiple stakeholders.

The Fund should maintain access to skilled, high quality internal and external professional advice to support effective implementation and management of its investment and administration activities.

3. Strategic

Clear investment objectives are essential. Return and risk should be considered relative to the Fund's liabilities, funding position and contribution strategy. The information in the Fund's Funding Strategy Statement should be taken into consideration when setting investment strategy.

Employer covenant is a factor when it comes to setting investment strategy. In most cases, the strength of employers' covenants allows the Fund to take a long term view of investment strategy. However, it is appreciated there may be certain employers when a short-term to medium-term horizon is more appropriate and there is a need to develop technical solutions to accommodate this. As such the Fund has implemented three employer-specific investment strategies to reflect this belief.

Ongoing risk assessment is essential. This assessment can take many forms including (but not limited to):

- To understand progress relative to the long-term plan at an individual investment strategy level
- The implications of the increasing diversity and maturity of the Fund's underlying employers, including the impact on the Fund's net cash flow position, and;
- The risks associated with the Fund's managers and counterparties.

4. Structural

There exists a relationship between the level of investment risk taken and the rate of expected investment return. However, for certain investments, it may take a long period of time for this relationship to be established.

Markets are not always efficient, which can create opportunities for investors. For the majority of such opportunities, the Fund's investment managers are likely to be in the best position to exploit them.

Equities are expected to generate superior long-term returns relative to government bonds.

Alternative asset class investments are designed to further diversify the Fund and improve its risk-return characteristics. A premium return (net of fees) is required for any illiquid investments.

Currency volatility increases the Fund's risks and therefore should be managed.

Active management can add value but it is not guaranteed. If accessing active management, it is important that a manager's philosophy and processes are well defined, fees are good value and the manager is given an appropriate timescale to achieve their performance target.

Passive management has a role to play in the Fund's investment structure, most notably in more efficient investment markets.

Transitions between managers and asset classes can result in considerable transaction costs and market risks. It is important such transitions are carefully managed.

5. Responsible investment

Effective management of financially material environmental, social and governance ("ESG") risks should enhance the Fund's long-term outcomes.

The Committee prefer to take a holistic approach to ESG matters, rather than to focus on single issues.

Proactive engagement with the companies in which the Fund invests is the most effective means of understanding and influencing their social, environmental and business policies.

Investment managers should sign up and comply with the Financial Reporting Council's Stewardship Code. If they are not signed up, there should be a clear response as to why not.

The Fund's investment managers should review investee companies' approaches to employee rights and the risks within this. Managers should engage with companies where they believe there is room for improvement. This should be done on a global basis and reported on at least six-monthly. The Committee will hold the managers to account on the level and quality of their engagement.

APPENDIX 2 – Funding Objectives (Actuarial Assumptions)

1. Main Actuarial Assumptions as at the 31 March 2016 valuation were

	Nominal per annum	***Real per annum***
Price Inflation (CPI)	*2.2*	*-*
Pay Increases	*2.5*	*0.3*
Investment return (discount rate)	*3.8*	*1.6*

2. The Actuarial Valuation as at 31 March 2016 was carried out using the assets of the Fund at their market value as recorded in the audited Fund accounts for the period ended 31 March 2016, consistent with the approach of valuing liabilities by reference to spot market conditions on the valuation date. In addition an allowance has been made for payments in respect of early retirement strain and augmentation costs granted prior to the valuation date for consistency with the valuation of liabilities.

3. It should be noted that the absolute returns as given above are not critical to the results of the Valuation - it is the returns relative to one another which are more significant (in particular, the return achieved in excess of inflation).

   The actuarial assumptions also include statistical assumptions; for example, rates of ill health and mortality. All assumptions are reviewed as part of the formal actuarial valuation that is carried out every 3 years. In addition, the actuary will also review the funding position during the inter-valuation period, taking into account the actual experience, including early retirements, since the previous triennial actuarial valuation.

4. For full details please see the 2016 Valuation Report which is available from the Fund's website at www.norfolkpensionfund.org.

5. Past Service Funding Position at 31 March 2016

Accrued (Past Service) Liabilities	***£m***
Past service liabilities:	
Employee Members	*1,202*
Deferred Pensioners	*741*
Pensioners	*1,668*
Total	***3,611***
Assets	
Market Value of Assets	*2,901*
Total Value of Assets	***2,901***
Surplus (Deficit)	***(710)***
Funding Level	***80%***

APPENDIX 3 – Asset Mix and Rebalancing

The Fund operates three investment strategies; Core, Alternative A and Alternative B. Each strategy has a target allocation to the underlying Growth, Enhanced Yield and Protection asset portfolios as outlined in the table below.

Table: Appendix 3 – Table 1

	Core Strategy	Alternative Strategy A	Alternative Strategy B
Growth portfolio	47.5%	62.0%	0.0%
EY portfolio[1]	47.5%	34.0%	10.0%
Protection portfolio	5.0%	4.0%	90.0%
Total	**100.0%**	**100.0%**	**100.0%**

[1] Enhanced Yield ("EY")

The target asset allocations within each of the asset portfolios is outlined in the tables below.

Table: Appendix 3 – Table 2
Growth asset portfolio allocation

Asset class	% of Growth Portfolio
UK equities	26.0
Global equities*	30.5
Overseas equities*	31.0
Private equity	12.5
Total Growth Assets	**100.0**

* The Fund has a dynamic currency hedging programme in place with Berenberg Bank and Insight to hedge the Euro, US Dollar and Japanese Yen denominated positions within the portfolios of Fidelity, Wellington and Capital. The combined benchmark hedge ratio (the proportion hedged to Sterling) is 25% for Euro and USD and 12.5% for Yen. The managers are tasked to produce an outcome superior to the fixed hedge, with a particular emphasis on protecting the Fund in periods of drawdown (Sterling weakness). At 31 March 2019, due to extreme market conditions the currency hedging mandates have been suspended.

Table: Appendix 3 – Table 3
Enhanced Yield asset portfolio allocation

Asset class	% of Enhanced Yield Portfolio
Property	26.0
Infrastructure	21.5
Timberland	3.0
Multi-asset credit[1]	17.75
Absolute return	13.0
Investment grade corporate bonds	9.75
Distressed debt	4.0
Real estate debt	3.0
Specialist credit	2.0
Total Enhanced Yield Assets	**100.0**

[1] Includes mandates with Capital, Janus Henderson, Insight and M&G

Table: Appendix 3 – Table 4
Protection asset portfolio allocation

Asset class	% of Protection Portfolio
Gilts	50.0
Index-linked gilts	50.0
Total Protection Assets	**100.0**

Rebalancing

Table 1 above provides detail the strategic benchmark for each investment strategy, for which the Committee considers has the appropriate risk and reward characteristics for each employer grouping. Tables 2, 3 and 4 above provides detail the strategic benchmark for each portfolio. The Committee has appointed a portfolio of investment managers to provide exposure to the asset classes in the strategic benchmark. The managers are expected to provide the market return (beta) for the asset classes in their mandates plus (for the actively managed mandates) additional returns from the active management (alpha).

1. Over time the differential relative performance of the asset classes and managers will mean that asset allocations (both at a strategic and portfolio level) deviates from the agreed targets and the amount of money invested with each manager deviates from their target proportion of the Fund. Deviations from the targets result in tracking error, which is undesirable. Therefore rebalancing is required to tighten the distribution of returns around the expected return from each investment strategy.

2. Rebalancing entails portfolio transactions, so the benefit has to be weighed against the costs incurred, both in trading and indirectly in the market. Costs of rebalancing are broadly linear (selling twice as much of an asset will cost roughly twice as much). The net benefit of rebalancing is therefore the impact of tracking error less the costs of rebalancing. The exception to this is certain pooled funds where a dilution levy may be triggered if a seller is liquidating a significant holding in the Fund.

3. Hymans Robertson have advised that the trigger point for a rebalance should be when the benefits of the switch outweigh the costs involved. Historical evidence has indicated that such a point is when there is 2% deviation from target (at a strategic level) under normal market conditions.

4. The trigger determines when to rebalance, but not by how much. Hymans Robertson has advised that it does not pay to rebalance all the way to the target allocation, as the costs of rebalancing all the way tend to outweigh the benefits. The Fund's policy is rebalance to 1% from the target allocation.

5. The key risk being run within a pension fund is the proportion invested in growth assets. The Fund's rebalancing procedures for the three portfolios: growth, enhanced yield and protection, are as follows. The rebalancing will take place when one of the portfolios deviates by more than 2% from its target allocation. When rebalancing is required, the portfolio will be taken back to within 1% of the target allocation.

6. In periods of heightened market volatility or other uncertainty the rebalancing process may be temporarily suspended or the pace of rebalancing may be slowed.

7. Rebalancing decisions will be made with due consideration of the liquidity of the underlying assets.

8. The principles for rebalancing the Fund's investment strategies will be applied to the Fund's asset portfolio and manager rebalancing.

APPENDIX 4 – Appointed Managers and Cash Management Strategy

Kinds of Investments held by Each Manager

		Equities		Bonds		Index-linked		Property	Infra-structure	Timber-land
		UK	Overseas	UK	Overseas	UK	Overseas			
GSAM	Fixed Interest (Absolute Return)			See note below on Absolute Return Fixed Interest						
Janus Henderson	Fixed Interest (Credit)			✓						
Janus Henderson	Fixed Interest (Gilts and index link)			✓						
Insight	Fixed Interest (Gilts and index link)			✓						
Capital	Fixed Interest (Multi-asset credit)			See note on Multi-Credit Fixed Interest Mandates						
Janus Henderson	Fixed Interest (Multi-asset credit)			See note on Multi-Credit Fixed Interest Mandates						
Insight	Fixed Interest (Multi-asset credit)			See note on Multi-Credit Fixed Interest Mandates						
M&G	Fixed Interest (Multi-asset credit)			See note on Multi-Credit Fixed Interest Mandates						
LGIM	Index-linked gilts[1]					✓				
UBS (via Pool)	UK Equity	✓								
Baillie Gifford (via Pool)	UK Equity[2]	✓								
Fidelity (via Pool)	Overseas Equity		✓							
Capital	Global Equity	✓	✓							
Wellington	Global Equity	✓	✓							
La Salle	Property[3]							✓		
M&G	Distressed Debt/Real Estate Debt/ Specialist	See note on Specialist Mandates								
JP Morgan	Infrastructure								✓	
Equitix	Infrastructure								✓	
Aviva	Infrastructure								✓	
Pantheon	Infrastructure								✓	
M&G	Infrastructure								✓	
Stafford	Timberland									✓

[1] The Legal & General Index-Linked Gilts are held for a single employer-specific investment strategy outside of the core investment strategy.

[2] Baillie Gifford has the discretion to invest up to 10% of the value of their mandate in overseas equities.

[3] La Salle has the discretion to invest up to 30% of the property allocation in overseas property funds. LaSalle purchased this part of Aviva's property business during 2018; hence the change in named management firm.

Private Equity

The Fund has a 12.5% target allocation to Private Equity in the Growth Portfolio. Diversification is achieved through geography, stages (venture and buyout) and a mix of primary and secondary allocations. Two Private Equity funds of funds mangers have been appointed:

1. Standard Life (European and secondary fund of funds)
2. HarbourVest (North American, European and Asia Pacific including specialist secondary, Clean-Tech and real asset funds)

It is a characteristic of the asset class that committed funds are drawn down by the managers over time to achieve time diversification within the overall investment. The Fund will continue to make follow on investments to new funds with these managers (subject to suitable due diligence) to maintain its allocation and an appropriate time (vintage year) diversification. The Fund will not commit more than 2% of its value to any individual private equity partnership.

Fixed Interest Mandates

Absolute Return

GSAM has been appointed to run fixed interest mandates against an absolute return (LIBOR) benchmark. GSAM use a pooled vehicle to target the required benchmark. The pooled vehicle invests in a wide range of bonds and financial instruments to target the benchmark return.

Multi-Credit

Janus Henderson, M&G, Insight and Capital have been appointed to run multi-asset credit mandates against a LIBOR benchmark. All managers use pooled vehicles to target the required benchmark. The pooled vehicles invest in a wide range of bonds and financial instruments both in the UK and globally.

Specialist

M&G have been appointed to run three specialist mandates for the Fund ranging across distressed debt, real estate debt and specialist credit. M&G use closed-ended funds which invest in UK and global markets (predominately European).

Benchmark Information

The table below provides details of the target allocation for each Manager.

Growth portfolio*

	Baillie Gifford	UBS	Fidelity	Capital	Wellington	Standard Life	HarbourVest
Proportion of the growth portfolio %	***13.0***	***13.0***	***31.0***	***18.5***	***12.0***	***5.0***	***7.5***
UK Equities	100.0	100.0					
Global Equities (inc UK)				100.0	100.0		
Overseas Equities (ex UK)			100.0				
US Equities			33.3				
European Equities			30.0				
Japanese Equities			16.7				
Pacific Equities			10.0				
Emerging Equities			10.0				
Private Equity						100.0	100.0

* The Fund has a dynamic currency hedging programme in place with Berenberg Bank and Insight to hedge the Euro, US Dollar and Japanese Yen denominated positions within the portfolios of Fidelity, Wellington and Capital. The currency managers are tasked to produce an outcome superior to the fixed hedge, with a particular emphasis on protecting the Fund in periods of drawdown (Sterling weakness). At 31 March 2019, due to extreme market conditions the currency hedging mandates have been suspended.

Enhanced yield portfolio

	La Salle Property	Aviva Infrastructure	JP Morgan Infrastructure	Equitix Infrastructure	Pantheon Infrastructure	M&G Infracapital	Stafford Timberland
Proportion of the enhanced yield portfolio %[1]	**26.0**	**2.5**	**8.0**	**5.0**	**3.0**	**3.0**	**3.0**
Property	100.0						
Infrastructure		100.0	100.0	100.0	100.0	100.0	
Timberland							100.0

	Janus Henderson Corporate bonds	GSAM	Janus Henderson MAC	Capital	Insight	M&G MAC	M&G Distressed Debt	M&G Real Estate Debt	M&G Specialist Credit
Proportion of the enhanced yield portfolio %[1]	**9.75**	**13.0**	**17.75**				**4.0**	**3.0**	**2.0**
Investment grade corporate bonds	100.0								
Fixed Interest Absolute Return		100.0							
Distressed debt							100.0		
Multi-asset credit			100.0	100.0	100.0	100.0			
Direct lending								100.0	
Specialist credit									100.0

[1] The strategic splits between the MAC mandates will be discussed in more detail over the remainder of 2019-20. In the interim the Fund's actual splits provide a reasonable approximation for such splits.

Protection portfolio

	Janus Henderson	Insight[1]
Proportion of the protection portfolio %	**100.0**	**0.0**
UK Government gilts	50.0	50.0
UK Government index-linked	50.0	50.0

[1] There is no formal target allocation to Insight's bond mandate. At 31 December 2018, c30% of the protection portfolio was managed by Insight (c.70% with Janus Henderson).

Performance Objectives and Fee Arrangements

Aviva	Internal Rate of Return of 7-8% pa (net of fees) Flat rate fees
Baillie Gifford	Benchmark Return + 1.25% pa net of fees Flat rate fees plus performance related element
Berenberg Bank and Insight Investment	To produce an outcome (net of fees) superior to a fixed hedge ratio
Capital International	Benchmark Return + 1.5% pa net of fees Flat rate fees plus performance related element
Capital International (Multi-Asset Credit)	Outperform a blended benchmark (c.50% High Yield Debt, 50% Emerging Market Debt) by +1.5% Flat rate fees
Equitix	Internal Rate of Return of 8.5% p.a. (net of fees) Flat rate fees plus a performance related element
Fidelity	Benchmark Return + 1.5% pa net of fees Flat rate fees
Goldman Sachs Asset Management (Absolute Return – Strategic Income Bonds)	Benchmark Return + 4% pa net of fees Flat rate fees
Insight (Multi-Asset Credit)	Benchmark Return + 4% pa net of fees Flat rate fees
Janus Henderson (Non-Government Bonds)	Benchmark Return + 1.0% pa gross of fees Flat rate fees plus performance related element
Janus Henderson (Government Bonds)	Benchmark Return + 1.4% pa gross of fees Flat rate fees plus performance related element
Janus Henderson (Multi Asset Credit)	Benchmark return + 5% pa net of fees Flat rate fees
JP Morgan	Internal Rate of Return of 8-12% pa (net of fees) Flat rate fees plus performance related element
La Salle	Benchmark Return + 0.75% pa net of fees Flat rate fees
M&G (Absolute Return - Alpha Opportunities)	Benchmark return +3% pa net of fees Flat rate fees

M&G (Distressed Debt)	Internal Rate of Return of 15% pa (gross of fees) Flat rate fees plus performance element
M&G (Real Estate Debt)	Benchmark + 5% pa (net of fees) Flat rate fees plus performance related element
M&G (Specialist Credit)	Benchmark Return + 8-12% pa gross of fees Flat rate fees plus performance related element
M&G (Infracapital)	Internal Rate of Return of mid-teens (gross of fees) Flat rate fees plus performance related element
Pantheon	Internal Rate of Return of 10-12% pa (net of fees) Flat rate fees plus performance related element
Stafford	Internal Rate of Return of 8.0% pa (net of fees) Flat rate fees plus performance related element
UBS	Benchmark Return Flat rate fees
Wellington	Benchmark Return + 2% pa net of fees Flat rate fees

Benchmark Indices

Growth portfolio

	Index
Baillie Gifford	FTSE All Share
UBS	FTSE All Share
Fidelity	MSCI North America, FTSE AWD Europe, FTSE AWD Japan, FTSE AWD Asia Pacific ex Japan, MSCI Emerging Markets
Capital	MSCI AC World
Wellington	MSCI AC World
Standard Life	FTSE AWD Europe
Harbourvest	FTSE USA and FTSE AWD Asia Pacific ex Japan

Enhanced yield portfolio

	Index
La Salle	IPD PPF All Balanced Funds Index
Janus Henderson (Corporate bonds)	iBoxx Sterling Non-Gilts >15 years TR index
GSAM	ML GBP LIBOR 1-month constant maturity index
Janus Henderson (MAC)	ML GBP LIBOR 3-month constant maturity index
Capital	50% Barclays US HY (2%), 20% JPM EMBI, 20% JPM GBI-EM Global Div, 10% JPM CEMBI Broad Div
Insight	ML GBP LIBOR 3-month constant maturity index
M&G Multi-asset credit	ML GBP LIBOR 1-month constant maturity index
M&G Distressed debt	N/A
M&G Real estate debt	ML GBP LIBOR 1-month constant maturity index
M&G Specialist credit	Euribor

Protection portfolio

	Index
Janus Henderson	FTSE-A UK Government All Stocks TR Index, FTSE-A UK Government All Stocks >5years TR Index
Insight	FTSE-A UK Government All Stocks TR Index, FTSE-A UK Government All Stocks >5years TR Index

Pension Fund Cash Management Strategy

The Cash Management Strategy for the Fund is approved annually by the Pensions Committee.

There are two aspects to cash management within the Fund:

- The cash held on the Pension Fund bank account that is managed using a range of term and overnight deposits by the Norfolk County Council (NCC) treasury team.
- The "frictional" cash held on managers' accounts within the HSBC custody system. This arises for timing reasons on income, sales and purchases or as a more strategic decision (within mandate limits) taken by the manager.

The management of cash by the NCC treasury team is undertaken in accordance with the treasury management strategy approved by Norfolk County Council, including specified counterparties and maximum individual exposure limits. The arrangement is under-pinned by a formal Service Level Agreement (SLA) between the Pension Fund and Norfolk County Council.

The NCC team may manage the cash using a range of overnight, term deposits, call accounts and money market funds. The cash balances and returns attributable to the Fund are recorded separately from those of NCC or the other organisations for which the team undertakes treasury management activities.

There are three options for frictional cash held by managers:

- Each manager has the option of managing the cash as part of their own treasury management operations, using the counterparty list and lending limits provided by the NCC treasury team. The deals undertaken are monitored for yield comparison and compliance with the NCC counterparty list by the Pension Fund Accounting Team on a monthly basis.
- The manager may opt to sweep the cash to an agreed money market fund. Any fund used in this way must be available for Pension Fund purposes on the NCC approved list (and if appropriate, identified for Pension Fund use only).
- For all other US Dollar and Sterling denominated cash holdings within the HSBC custody system, an overnight sweep is undertaken by the custodian into AAA rated constant NAV (net asset value) money-market funds (US Dollar and Sterling denominated).

APPENDIX 5 – Environmental, Social and Governance Engagement Policy

Fund Policy

The Fund has an overriding fiduciary duty to maximise investment returns for the benefit of the pension fund members. We consider proactive engagement with the companies in which we invest to be the most effective means of understanding and influencing the social, environmental and business policies of those companies. We therefore encourage our investment managers to actively engage with the top management of the companies they invest in.

The Fund maintains membership of the Local Authority Pension Fund Forum (LAPFF) and supports and participates in its engagement activities on behalf of member funds.

Environmental factors are of particular concern because fossil fuels and climate change, the cost of pollution clean-ups and opportunities for the exploitation of green technology and services can be directly linked to long term investment returns. The risks and opportunities from exposure to climate change and fossil fuels should be incorporated on an on-going basis.

As part of their Environmental, Social and Governance (ESG) considerations, the Pension Fund's Investment Managers should review investee companies' approaches to employee rights and the risks within this, including employee safety, working conditions, working hours and pay (including where appropriate the UK Living Wage campaign as detailed below). They should engage with companies where they believe there is room for improvement. This should be done on a global basis and reported on at least six monthly.

The Fund has made Investment Managers aware of its consideration of the Living Wage Campaign. Where appropriate, Managers may consider employee compensation and minimum wages as part of their ESG analysis on companies and on a discretionary basis engage with companies to the extent that these issues have a material impact on business operations and where engagement is judged to be in the best interest of the Fund.

Application

The Fund expects companies to:

- Demonstrate a positive response to all matters of social responsibility.
- Take environmental matters seriously and produce an environmental policy on how their impact can be minimised.

- Monitor risks and opportunities associated with climate change and fossil fuels and take all reasonable and practical steps to reduce environmental damage.
- Make regular and detailed reports of progress on environmental issues available to shareholders.
- Openly discuss the environmental impacts of their business with shareholders.
- Establish procedures that will incrementally reduce their environmental impact.
- Comply with all environmental and other relevant legislation and seek to anticipate future legislative requirements.

Monitoring the Engagement Process

All the fund managers have robust statements which detail the principles by which they invest in and engage with companies. The fund managers carry out engagement as a matter of course and report progress to us on a quarterly basis.

Managers engage on behalf of all their clients, not just the Norfolk Fund and therefore the Fund will monitor engagement and encourage fund managers to engage on the issues that we consider of primary importance.

1. The Fund will receive regular updates from its managers to understand the issues on which they are engaging and to reassure ourselves of the robustness of their questioning.
2. The Fund will participate in the LAPFF to leverage engagement with other LGPS funds.
3. The Fund is a signatory to the Carbon Disclosure Project. This is an annual initiative which contacts the largest companies in the world annually and asks that they report on their carbon emissions. In this way the Fund can lend its weight to an organisation which is pursuing a direct goal in accordance with our policy.

The Fund expects its external investment managers to sign up and comply with the Financial Reporting Council's Stewardship Code. If they are not signed up, there should be a clear response as to why not.

Voting Policy

Voting is undertaken in accordance with the Pension Fund's voting guidelines (below) by Research Recommendations and Electronic Voting Ltd (RREV), part of the Institutional Shareholder Service (ISS) group.

Voting intention guidelines

		For	*Against*	*Manager Discretion*	*Notes*
🗁	Adoption of Report and Accounts	✓			Any against vote would be via a manual override at the behest of Norfolk managers
2	Final dividend approval	✓			
3	(Re)appointment of				
	Combined Ch/CEO		✓		
	Chairman of the board			✓	**- AGAINST Chairman chairing Remuneration or Audit Committee - AGAINST Chairman if not considered independent at AGM and sitting in Audit or Remuneration Committee**
	Executive director				**Vote AGAINST if board is not composed of at least 3 NEDs**
	• **Rolling contract up to one year**	✓			
	• **Rolling contract greater than one year**		✓		
	• **Fixed contract up to two years**	✓			
	• **Fixed contract over two years**		✓		**Vote also AGAINST Remuneration Report**
	No requirement for subsequent re-election		✓		
	Attendance concerns			✓	**Vote AGAINST low meeting attendance without a suitable explanation**
	Independent NED	✓			
	Non-independent NED			✓	**Vote AGAINST non-independent NED sitting in Audit and Remuneration committee**

		For	*Against*	*Manager Discretion*	*Notes*
	Non-independent NED			✓	**Vote AGAINST if at least half of the board is not independent (only 2 independent NEDs required in case of small Companies)**
	Senior Independent Director			✓	**-If no SID, vote AGAINST Ch of Nomination committee -If SID is not independent, vote AGAINST his/her re-election**
4	Directors' Remuneration				
	(a) Remuneration policy approval				
	• **Policy consistent with good practice**	✓			**● Performance related bonuses + long term performance criteria ● No awards below median performance (no more than 33% of award) ● Awards bonuses in form of shares ● Compensation for loss of office paid annually and dependent upon individual not acquiring another post Follow ISS on topics not covered under policy**
	• **Policy not consistent with good practice**		✓		
	(b) Incentive reward				
	• **Proposals consistent with good practice**	✓			
	• **Proposals not consistent with good practice**		✓		
5	All-employee share schemes	✓			
6	Re-appointment of auditors			✓	
7	Changes to articles of association			✓	**Vote AGAINST if shareholder value and rights were not protected**
8	Scrip Dividend	✓			

		For	*Against*	*Manager Discretion*	*Notes*
9	Share buy backs			✓	**Vote AGAINST if Listing Rules/shareholder Guidance were not met**
10	Authority to issue shares				
	• **Within pre-emption guidelines**	✓			**Includes updated ABI guidance allowing additional one third in event of rights issues.**
	• **Not within pre-emption guidelines**		✓		
11	Political donations				
	• **Authority to make party political donations**		✓		
	• **Authority to make EU political donations**			✓	**Vote FOR provided:** **-not a contentious resolution** **-the company has a policy against making party political donations**
12	Non-routine resolutions			✓	
13	EGM "investment" resolutions			✓	
	Against bundled resolutions				
	Follow ISS for Resolutions not supported by the board				
	Follow ISS when not enough information on any director				

APPENDIX 6 – Level of Compliance with the 6 Principles of Good Investment Practice

	Description of Principle	*Norfolk's position*	*Further development opportunity*
1	**Effective Decision Making** Administering authorities should ensure that: ➢ Decisions are taken by persons or organisations with the skills, knowledge, advice and resources necessary to make them effectively and monitor their implementation; and ➢ Those persons or organisations have sufficient expertise to be able to evaluate and challenge the advice they receive, and manage conflicts of interest.	**Our compliance** Norfolk County Council has delegated its pension functions to Pensions Committee. Pensions Committee act as 'quasi trustees'. ➢ Regular training is arranged for Committee. ➢ Long term membership is encouraged, which allows all members to become familiar with investment issues. ➢ Substitute Members are not permitted. ➢ Conflicts of interest are actively managed. Pensions Committee have delegated day to day running of the Fund to the Head of Finance. Pensions Committee are supported by the Head of Finance, the Head of Pensions and the pension team on investment and administration issues. Pensions Committee and Norfolk Pension Fund officers involved in investment decisions commission advice as and when required. Hymans Robertson are our current Investment Advisors. Norfolk Pension Fund Committee Members and Officers are supported in developing and maintaining their knowledge and qualifications. Pension Fund investment officers hold relevant financial qualifications and maintain appropriate ongoing professional development (CPD). The Norfolk Pension Fund's Governance Statement is published on our website www.norfolkpensionfund.org.uk The Norfolk Pension Fund is a member of CIPFA's Pensions Network.	Use the CIPFA Knowledge and Understanding Framework to identify additional training needs for Members and Officers Consider sponsoring officers to achieve further professional qualifications.
2	**Clear Objectives** ➢ An overall investment objective(s) should be set for the fund that takes account of the scheme's liabilities,	**Our Compliance** The Funding Strategy Statement (FSS) and the Investment Strategy Statement (ISS) set out the Norfolk Pension Funds primary funding objectives.	

	Description of Principle	Norfolk's position	Further development opportunity
	the potential impact on local tax payers, the strength of the covenant for non-local authority employers, and the attitude to risk of both the administering authority and scheme employers, and these should be clearly communicated to advisors and investment managers.	The Fund, in accordance with regulatory requirements, has an objective of keeping the employers' contribution rate as level as possible while maintaining its solvency. This is achieved by regular actuarial valuations and Asset Liability Modelling. Investment Managers contracts or mandates define the objectives, including targets based on 'customised' and 'bespoke' benchmarks and risk parameters. The Funds policy on Risk is set out in its Investment Strategy Statement (ISS). (Section 4 gives more details of our Risk Management strategy). The Funding Strategy Statement (FSS) and the Investment Strategy Statement (ISS) are published on our website www.norfolkpensionfund.org.uk During inter-valuation years, interim valuation of liabilities are undertaken to monitor our liability and asset match.	
3	**Risk and Liabilities** ➢ In setting and reviewing their investment strategy, administering authorities should take account of the form and structure of liabilities. ➢ These include the implications for local taxpayers, the strength of the covenant for participating employers, the risk of their default and longevity risk.	**Our Compliance** The Triennial Valuation exercise looks in detail at each participating employer's liability and is used to inform the setting of employers' contribution rates, as well as informing the investment strategy and objectives of the Fund. We also monitor via interim valuations. The Fund undertakes an Asset Liability Modelling (ALM) exercise every three years, following the Triennial Valuation. Any appointment made between the ALM exercise is re-evaluated in terms of risk and appropriateness prior to the procurement process proceeding. The strength of the covenant of participating employers is also considered as part of the exercise establishing contribution rates. The 2016 valuation exercise considered employer covenant in even greater depth. The Fund also participates in Club Vita to help manage and monitor longevity experience.	

	Description of Principle	Norfolk's position	Further development opportunity
		New Admission Agreements are not granted without the presence of a tax backed guarantor. A risk register is monitored monthly and maintained. Pensions Committee review the Risk Register every 6 months. Regular internal audit on the adequacy and effectiveness of risk management and internal control is undertaken and outcomes reported to the Pensions Committee. The Annual Report and Accounts of the Norfolk Pension Fund are subject to a separate external audit and an independent audit opinion is given.	
4	**Performance Assessment** ➢ Arrangements should be in place for the formal measurement of performance of the investments, investment managers and advisors. ➢ Administering Authorities should also periodically make a formal assessment of their own effectiveness as a decision making body and report on this to scheme members.	**Our Compliance** Investment Managers are measured against their targets, which in turn are based on the Fund's bespoke benchmarks. Performance is also monitored annually against the peer group. Market testing of providers is undertaken when appropriate. This includes the use of specialist advisors to undertake reviews, e.g. Custodian The Head of Pensions and the investment team formally meet Investment Managers twice a year to discuss performance, and additionally as required. The aim is for each Investment Manager to report in person to the Committee at least once a year. The Fund maintains a Governance Statement which is available from the Funds website www.norfolkpensionfund.org.uk The Fund also publishes an annual governance compliance statement, which is included within the Annual Report. Pensions Committee attendance and training is monitored and reviewed on a quarterly basis.	The CIPFA Knowledge and Understanding Framework will be used identify additional training needs for Members and Officers Further develop Committee's Terms of Reference to strengthen the monitoring of decision making and performance.

	Description of Principle	*Norfolk's position*	*Further development opportunity*
		All active and deferred scheme members receive the 'Your Pension' publication along with their Annual Benefit Statements which includes information on the Funds activity and a summary of the accounts; all retired members receive an annual newsletter with information on Fund developments and a summary of the accounts. The Fund produces a detailed annual report covering all aspects of its performance which is published on the website : www.norfolkpensionfund.org.uk	
5	**Responsible Ownership** Administering authorities should: ➢ adopt, or ensure their investment managers adopt the Institutional Shareholders' Committee Statement of Principles on the responsibilities of shareholders and agents ➢ include a statement of their policy on responsible ownership in the Investment Strategy Statement (ISS) ➢ report periodically to scheme members on the discharge of such responsibilities.	**Our compliance** The Norfolk Pension Fund monitors Fund Manager adoption of the Institutional Shareholders' Committee Statement of Principles on the responsibilities of shareholders and agents. The Norfolk Pension Funds' Investment Strategy Statement (ISS) (available from the Funds website at www.norfolkpensionfund.org.uk sets out its policy with regard to corporate governance and socially responsible investment. The Norfolk Pension Fund is a signatory to the Carbon Disclosure Project. The Norfolk Pension Fund is member of the Local Authority Pension Fund Forum (LAPFF). LAPFF exists to promote the investment interests of local authority pension funds, and to maximize their influence as shareholders whilst promoting corporate social responsibility and high standards of corporate governance amongst the companies in which they invest. Voting is undertaken on our behalf by RREV in accordance with our bespoke policy. We publish a record of our voting at the AGMs. The investment in overseas equities with Fidelity and passive UK equities by UBS is via pooled vehicles and therefore the voting is undertaken by the manager. Fidelity publishes a record of its own voting activity. The voting activity of the Pension Fund is reported to Pensions Committee twice a year. Pensions Committee papers are available on the Norfolk County Council website.	Follow up with investment managers their position regarding the Institutional Shareholders' Committee Statement of Principles on the responsibilities of shareholders and agents. Review all existing Investment Management Agreements to ensure that adequate reference is made to the Norfolk Pension Fund's policy on engagement and socially responsible investment.

	Description of Principle	Norfolk's position	Further development opportunity
		The voting activity of the Norfolk Pension Fund is published on our website www.norfolkpensionfund.org.uk Managers have policies on responsible investment which include the issues on which they engage, and there are links to these from our website: www.norfolkpensionfund.org.uk Engagement monitoring is reported to the Pensions Committee twice a year, at the same time as our voting activity.	
6	**Transparency and Reporting** Administering Authorities should: ➢ Act in a transparent manner, communicating with stakeholders on issues relating to their management of investment, its governance and risks, including performance against stated objectives. ➢ Provide regular communication to scheme members in the form they consider most appropriate.	**Our compliance** The Norfolk Pension Fund maintains a Communication Strategy, which is subject to regular review and monitoring. The Communication Strategy sets out how the Fund communicates with all stakeholders of the Fund. The Fund's Investment Strategy Statement (ISS), Funding Strategy Statement (FSS) and the Annual Report and Accounts (which includes a review of investment results) are published on our website, www.norfolkpensionfund.org.uk along with the Communications Strategy, Governance Statement and Voting Record. The Fund has a well-established Employers Forum, backed up by newsletters and targeted training and support. Scheme members (active and deferred) receive an annual newsletter and invitation to the Funds' annual meeting and Clinics together with their Annual Benefit Statement. Retired Members receive an annual newsletter and an invitation to Retired Members week events. The Fund actively manages risks. Pensions Committee review the risk register on a regular basis. Pensions Committee meetings are open to the public, and agendas, papers and minutes are available on Norfolk County Councils website, www.norfolk.gov.uk	

Glossary of Terms in Investment Management

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 Indexation or Passive Management.

Actuary

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

Actuarial Value of Assets

The value placed on the assets by the actuary. This may be market value, present value of estimated income and proceeds of sales or redemptions, or some other value.

Asset Allocation

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

Asset Classes

A specific category of assets or investments, such as stocks, bonds, cash, international securities and real estate. Assets within the same class generally exhibit similar characteristics, behave similarly in the marketplace, and are subject to the same laws and regulations.

Asset / Liability Modelling

A statistical tool designed to help establish the most appropriate asset mix for a pension fund, in the context of its liabilities.

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.

Corporate Bond

A debt security issued by a corporation, as opposed to those issued by the government.

Corporate Governance

Shareholders' right to vote on issues relating to the governance of publicly quoted companies (usually at the AGM).

Custody/Custodian

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

Diversification

The spreading of a fund's investments among different asset classes, markets and geographical areas in order to reduce risk – not "putting all your eggs in one basket". Diversification is a basic principle of multi-asset management.

Equities

Ordinary shares in U.K. and overseas companies.

Fixed Interest Security

An investment that provides a return in the form of fixed periodic payments and eventual return of principle at maturity. Unlike a variable-income security where payments change based on some underlying measure, such as short-term interest rates, fixed-income securities payments are known in advance.

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).

Hedging

A strategy which aims to eliminate the possibility of loss in an investment transaction. Often used in the context of overseas investments to eliminate any potential currency loss (or profit).

Index-Linked Securities

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

Infrastructure

Investments in new or existing companies and enterprises that are needed for the operation of society.

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, for a stated fee.

Objectives

Objectives for a pension fund may be expressed in several ways – in terms of performance against the “average”, against a specified benchmark or as a target real rate of return. For example, a reasonable objective for a UK equity fund might be to outperform the FTSE All Share for UK equities by 1% per annum over rolling 3-year periods.

Passive Management

The management of an asset portfolio to replicate the return on a specified index. This may also be referred to as index tracking.

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.

Pooled Fund

A fund managed by a fund manager in which investors hold units. Stocks, bonds, properties etc. are not held directly by each client, but as part of a “pool”. Contrasts with a segregated fund.

Private Equity

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

Rebalancing

The process of realigning the weightings of the portfolio of the Fund’s assets.

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.

Scrip Dividend

A dividend paid in the form of additional shares rather than cash.

Share Blocking

In certain overseas stock markets there are restrictions on dealing shares around meetings which the holder has exercised the associated voting rights.

Share Buy-back

The buying back of outstanding shares (repurchase) by a company in order to reduce the number of shares on the market. Companies will buyback shares either to increase the value of shares still available (reducing supply), or to eliminate any threats by shareholders who may be looking for a controlling stake.

Socially Responsible Investment (SRI)

Investment where social, environmental or ethical considerations are taken into account in the selection, retention and realisation of investment, and the responsible use of rights (such as voting rights) attaching to investments.

Spot Market Conditions

The “cash market” or “physical market”, where prices are settled in cash on the spot at current market prices, as opposed to forward prices.

Stock-lending

The temporary transfer of securities to a borrower, with agreement by the borrower to return equivalent securities at a pre-agreed time. The returns on the underlying portfolio is increased by receiving a fee for making the investments available to the borrower.

Change Control Table

Version Name	Updated by	Date sent live
Investment Strategy Statement	Robert Mayes	November 16
Investment Strategy Statement v2	Glenn Cossey	February 17
Investment Strategy Statement v3	Hymans Robertson	March 17
Investment Strategy Statement v4	Glenn Cossey	March 17
Investment Strategy Statement v5	Hymans Robertson	December 17
Investment Strategy Statement v6	Glenn Cossey	February 18
Investment Strategy Statement v6	Hymans Robertson/Glenn Cossey	March 2019
Investment Strategy Statement v6	Richard Ewles	July 2019

Norfolk Pension Fund

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Appendix IX

Norfolk Pension Fund

Funding Strategy Statement
March 2020




Contents

Funding Strategy Statement

Appendices

1 Introduction

1.1 What is this document?

This is the Funding Strategy Statement (FSS) of the Norfolk Pension Fund ("the Fund"), which is administered by Norfolk County Council, ("the Administering Authority").

It has been prepared by the Administering Authority in collaboration with the Fund's actuary, Hymans Robertson LLP, and after consultation with the Fund's employers and investment adviser. It is effective from [date of publication].

The FSS is reviewed in detail at least every three years as part of the triennial valuation process. The next full review is due to be completed as part of the valuation process at 31 March 2022. A revised statement will also be issued in the event of significant or material change arising.

If you have any queries, please contact Alex Younger in the first instance at alexander.younger@norfolk.gov.uk or telephone 01603 222995.

1.2 What is the Norfolk Pension Fund?

The Fund is part of the national Local Government Pension Scheme (LGPS). The LGPS was set up by the UK Government to provide retirement and death benefits for local government employees, and those employed in similar or related bodies, across the whole of the UK. The Administering Authority runs the Norfolk Fund, in effect the LGPS for the Norfolk area, to make sure it:

- receives the proper amount of contributions from employees and employers, and any transfer payments;
- invests the contributions appropriately, with the aim that the Fund's assets grow over time with investment income and capital growth; and
- uses the assets to pay Fund benefits to the members (as and when they retire, for the rest of their lives), and to their dependants (as and when members die), as defined in the LGPS Regulations. Assets are also used to pay transfer values and administration costs.

The roles and responsibilities of the key parties involved in the management of the Fund are summarised in Appendix B.

1.3 Why does the Fund need a Funding Strategy Statement?

Employees' benefits are guaranteed by the LGPS Regulations, and do not change with market values or employer contributions. Investment returns will help pay for some of the benefits, but probably not all, and certainly with no guarantee. Employees' contributions are fixed in those Regulations also, at a level which covers only part of the cost of the benefits.

Therefore, employers need to pay the balance of the cost of delivering the benefits to members and their dependants.

The FSS focuses on how employer liabilities are measured, the pace at which these liabilities are funded, and how employers or pools of employers pay for their own liabilities. This statement sets out how the Administering Authority has balanced the conflicting aims of:

- affordability of employer contributions,
- transparency of processes,
- stability of employers' contributions, and
- prudence in the funding basis.

There are also regulatory requirements for an FSS, as given in Appendix A.

The FSS is a summary of the Fund's approach to funding its liabilities, and this includes reference to the Fund's other policies; it is not an exhaustive statement of policy on all issues. The FSS forms part of a framework which includes:

- the LGPS Regulations;
- the Rates and Adjustments Certificate (confirming employer contribution rates for the next three years) which can be found in an appendix to the formal valuation report;
- actuarial factors for valuing individual transfers, early retirement costs and the costs of buying added service; and
- the Fund's Investment Strategy Statement (see Section 4)

1.4 How does the Fund and this FSS affect me?

This depends who you are:

- a member of the Fund, i.e. a current or former employee, or a dependant the Fund needs to be sure it is collecting and holding enough money so that your benefits are always paid in full;
- an employer in the Fund (or which is considering joining the Fund): you will want to know how your contributions are calculated from time to time, that these are fair by comparison to other employers in the Fund, in what circumstances you might need to pay more and what happens if you cease to be an employer in the Fund. Note that the FSS applies to all employers participating in the Fund;
- an Elected Member whose council participates in the Fund: you will want to be sure that the council balances the need to hold prudent reserves for members' retirement and death benefits, with the other competing demands for council money;
- a Council Tax payer: your council seeks to strike the balance above, and to minimize cross-subsidies between different generations of taxpayers.

1.5 What does the FSS aim to do?

The FSS sets out the objectives of the Fund's funding strategy, such as:

- to ensure the long-term solvency of the Fund, using a prudent long-term view. This will ensure that sufficient funds are available to meet all members'/dependents' benefits as they fall due for payment;
- to ensure that employer contribution rates are reasonably stable where appropriate;

- to minimise the long-term cash contributions which employers need to pay to the Fund, by recognising the link between assets and liabilities and adopting an investment strategy which balances risk and return (**NB** this will also minimise the costs to be borne by Council Tax payers);
- to reflect the different characteristics of different employers in determining contribution rates. This involves the Fund having a clear and transparent funding strategy to demonstrate how each employer can best meet its own liabilities over future years; and
- to use reasonable measures to reduce the risk to other employers and ultimately to the Council Tax payer from an employer defaulting on its pension obligations.

1.6 How do I find my way around this document?

In Section 2 there is a brief introduction to some of the main principles behind funding, i.e. deciding how much an employer should contribute to the Fund from time to time.

In Section 3 we outline how the Fund calculates the contributions payable by different employers in different situations.

In Section 4 we show how the funding strategy is linked with the Fund's investment strategy.

In the Appendices we cover various issues in more detail if you are interested:

A. the regulatory background, including how and when the FSS is reviewed,

B. who is responsible for what?

C. what issues the Fund needs to monitor, and how it manages its risks,

D. some more details about the actuarial calculations required,

E. the assumptions which the Fund actuary currently makes about the future,

F. a glossary explaining the technical terms occasionally used here.

2 Basic Funding Issues

(More detailed and extensive descriptions are given in Appendix D).

2.1 How does the actuary calculate the required contribution rate?
This is a three-step process:

1. Calculate the funding target for the employer, i.e. the estimated amount of assets it should hold to be able to pay all its members' benefits. See Appendix E for more details of what assumptions we make to determine that funding target;
2. Determine the time horizon over which the employer should aim to achieve that funding target. See the table in 3.3 and Note (c) for more details;
3. Calculate the employer contribution rate such that it has at least a given likelihood of achieving that funding target over that time horizon, allowing for various possible economic outcomes over that time horizon. See 2.3 below, and the table in 3.3 Note (e) for more details.

2.2 What is each employer's contribution rate?
This is described in more detail in Appendix D. Employer contributions are normally made up of two elements:

a) the estimated cost of benefits being built up each year, after deducting the members' own contributions and including an allowance for administration expenses. This is referred to as the "*Primary rate*", and is expressed as a percentage of members' pensionable pay; plus

b) an adjustment for the difference between the Primary rate above, and the actual contribution the employer needs to pay, referred to as the "*Secondary rate*". In broad terms, payment of the Secondary rate is in respect of benefits already accrued at the valuation date. The Secondary rate may be expressed as a percentage of pay and/or a monetary amount in each year.

The rates for all employers are shown in the Fund's Rates and Adjustments Certificate, which forms part of the formal Actuarial Valuation Report. Employers' contributions are expressed as minima, with employers able to pay contributions at a higher rate. Account of any higher rate will be taken by the Fund actuary at subsequent valuations, i.e. will be reflected as a credit when next calculating the employer's contributions.

2.3 What different types of employer participate in the Fund?
Historically the LGPS was intended for local authority employees only. However, over the years, with the diversification and changes to delivery of local services, many more types and numbers of employers now participate. There are currently more employers in the Fund than ever before, a significant part of this being due to new academies.

In essence, participation in the LGPS is open to public sector employers providing some form of service to the local community. Whilst most members will be local authority employees (and ex-employees), the majority of participating employers are those providing services in place of (or alongside) local authority services: academy schools, contractors, housing associations, charities, etc.

The LGPS Regulations define various types of employer as follows:

Scheduled bodies - councils, and other specified employers such as academies and further education establishments. These must provide access to the LGPS in respect of their employees who are not eligible to join another public-sector scheme (such as the Teachers Scheme). These employers are so-called because they are specified in a schedule to the LGPS Regulations.

It is now possible for Local Education Authority schools to convert to academy status, and for other forms of school (such as Free Schools) to be established under the academies legislation. All such **academies (or Multi Academy Trusts)**, as employers of non-teaching staff, become separate new employers in the Fund. As academies are defined in the LGPS Regulations as “Scheduled Bodies”, the Administering Authority has no discretion over whether to admit them to the Fund, and the academy has no discretion whether to continue to allow its non-teaching staff to join the Fund. There has also been guidance issued by the MHCLG regarding the terms of academies’ membership in LGPS Funds.

Designating employers - employers such as town and parish councils can participate in the LGPS via resolution (and the Fund cannot refuse them entry where the resolution is passed). These employers can designate which of their employees are eligible to join the scheme.

Other employers are able to participate in the Fund via an admission agreement and are referred to as ‘admission bodies’. These employers are generally those with a “community of interest” with another scheme employer – **community admission bodies** (“CAB”) or those providing a service on behalf of a scheme employer – **transferee admission bodies** (“TAB”). CABs will include housing associations and charities, TABs will generally be contractors. The Fund can set its criteria for participation by these employers and can refuse entry if the requirements as set out in the Fund’s admissions policy are not met. (NB the terminology CAB and TAB has been dropped from the current LGPS Regulations, which instead combine both under the single term ‘admission bodies’; however, we have retained the old terminology here as we consider it to be helpful in setting funding strategies for these different employers).

2.4 How does the calculated contribution rate vary for different employers?

All three steps above are considered when setting contributions (more details are given in Section 3 and Appendix D).

1. The **funding target** is based on a set of assumptions about the future, (e.g. investment returns, inflation, pensioners’ life expectancies). If an employer is approaching the end of its participation in the Fund then its funding target may be set on a more prudent basis, so that its liabilities are less likely to be spread among other employers after its cessation;
2. The **time horizon** is the period given to reach the funding target. Employers may be given a lower time horizon if they have a less permanent anticipated membership, or do not have tax-raising powers to increase contributions if investment returns under-perform; and

3. The **likelihood of achieving** the funding target over the time horizon will be dependent on the Fund's view of the strength of employer covenant and its funding profile. Where an employer is considered to be weaker than the required likelihood will be set higher, which in turn will increase the required contributions (and vice versa).

For some employers it may be agreed to pool contributions, see 3.4.

Any costs of non-ill-health early retirements must be paid by the employer, see 3.6.

Costs of ill-health early retirements are covered in 3.7 and 3.8.

2.5 How is a funding level calculated?

An employer's "funding level" is defined as the ratio of:

- the market value of the employer's share of assets (see Appendix D, section D5, for further details of how this is calculated), to
- the value placed by the actuary on the benefits built up to date for the employer's employees and ex-employees (the "liabilities"). The Fund actuary agrees with the Administering Authority the assumptions to be used in calculating this value.

If this is less than 100% then it means the employer has a shortfall, which is the employer's "deficit"; if it is more than 100% then the employer is said to be in "surplus". The amount of deficit or shortfall is the difference between the asset value and the liabilities value.

It is important to note that the funding level and deficit/surplus are only measurements at a particular point in time, on a particular set of assumptions about the future. Whilst we recognise that various parties will take an interest in these measures, for most employers the key issue is how likely it is that their contributions will be sufficient to pay for their members' benefits (when added to their existing asset share and anticipated investment returns).

2.6 How does the Fund recognise that contribution levels can affect council and employer service provision, and council tax?

The Administering Authority and the Fund actuary are acutely aware that, all other things being equal, a higher contribution required to be paid to the Fund will mean less cash available for the employer to spend on the provision of services. For instance:

- Higher Pension Fund contributions may result in reduced council spending, which in turn could affect the resources available for council services, and/or greater pressure on council tax levels;
- Contributions which Academies pay to the Fund will therefore not be available to pay for providing education; and
- Other employers will provide various services to the local community, perhaps through housing associations, charitable work, or contracting council services. If they are

required to pay more in pension contributions to the LGPS then this may affect their ability to provide the local services at a reasonable cost.

Whilst all this is true, it should also be borne in mind that:

- The Fund provides invaluable financial security to local families, whether to those who formerly worked in the service of the local community who have now retired, or to their families after their death;
- The Fund must have the assets available to meet these retirement and death benefits, which in turn means that the various employers must each pay their own way. Lower contributions today will mean higher contributions tomorrow: deferring payments does not alter the employer's ultimate obligation to the Fund in respect of its current and former employees;
- Each employer will generally only pay for its own employees and ex-employees (and their dependants), not for those of other employers in the Fund;
- The Fund strives to maintain reasonably stable employer contribution rates where appropriate and possible. However, a recent shift in regulatory focus means that solvency within each generation is considered by the Government to be a higher priority than stability of contribution rates;
- The Fund wishes to avoid the situation where an employer falls so far behind in managing its funding shortfall that its deficit becomes unmanageable in practice: such a situation may lead to employer insolvency and the resulting deficit falling on the other Fund employers. In that situation, those employers' services would in turn suffer as a result;
- Council contributions to the Fund should be at a suitable level, to protect the interests of different generations of council tax payers. For instance, underpayment of contributions for some years will need to be balanced by overpayment in other years; the council will wish to minimise the extent to which council tax payers in one period are in effect benefitting at the expense of those paying in a different period.

Overall, therefore, there is clearly a balance to be struck between the Fund's need for maintaining prudent funding levels, and the employers' need to allocate their resources appropriately. The Fund achieves this through various techniques which affect contribution increases to various degrees (see 3.1). In deciding which of these techniques to apply to any given employer, the Fund will make a risk-based judgement of the employer. This judgement will have regard to the type of employer, its membership profile and funding position, any guarantors or other security provision, material changes anticipated, etc. This helps the Fund to establish a picture of the financial standing of the employer, i.e. its ability to meet its long-term Fund commitments.

For instance, where the Administering Authority has reasonable confidence that an employer will be able to meet its funding commitments, then the Fund will permit options such as stabilisation (see 3.3 Note (b)), a longer time horizon relative to other employers, and/or a lower likelihood of achieving their funding target. Such options will temporarily produce lower contribution levels than would otherwise have applied. This is permitted in the expectation that the employer will still be able to meet its obligations for many years to come.

On the other hand, where there is doubt that an employer will be able to meet its funding commitments or withstand a significant change in its commitments, then a higher funding target, and/or a shorter time horizon relative to other employers, and/or a higher likelihood of achieving the target may be required.

The Fund actively seeks employer input, including to its funding arrangements, through various means: see Appendix A.

2.7 What approach has the Fund taken to dealing with uncertainty arising from the McCloud court case and its potential impact on the LGPS benefit structure?

The LGPS benefit structure from 1 April 2014 is currently under review following the Government's loss of the right to appeal the McCloud and other similar court cases. The courts have ruled that the 'transitional protections' awarded to some members of public service pension schemes when the schemes were reformed (on 1 April 2014 in the case of the LGPS) were unlawful on the grounds of age discrimination. At the time of writing, the Ministry of Housing, Communities and Local Government (MHCLG) has not provided any details of changes to the LGPS benefit structure as a result of the case. However, it is expected that benefits changes will be required, and they will likely increase the value of liabilities. At present, the scale and nature of any increase in liabilities are unknown, which limits the ability of the Fund to make an accurate allowance.

The LGPS Scheme Advisory Board (SAB) issued advice to LGPS funds in May 2019. As there was no finalised outcome of the McCloud case by 31 August 2019, the Fund Actuary has acted in line with SAB's advice and valued all member benefits in line with the current LGPS Regulations.

The Fund, in line with the advice in the SAB's note, has considered how to allow for this risk in the setting of employer contribution rates. The Fund has increased the prudence margin in funding plans by raising the minimum likelihood of achieving the funding target for all employers from 66% to 75%.

Once the outcome of the McCloud case is known, the Fund may revisit the contribution rates set to ensure they remain appropriate.

The Fund has also considered the McCloud judgement in its approach to cessation valuations. Please see note (j) to table 3.3 for further information.

2.8 When will the next actuarial valuation be?

On 8 May 2019 MHCLG issued a consultation seeking views on (among other things) proposals to amend the LGPS valuation cycle in England and Wales from a three-year (triennial) valuation cycle to a four-year (quadrennial) cycle.

On 7 October 2019 MHCLG confirmed the next LGPS valuation cycle in England and Wales will be 31 March 2022, regardless of the ongoing consultation. The Fund therefore instructed the Fund Actuary to certify contribution rates for employers for the period 1 April 2020 to 31 March 2023 as part of the 2019 valuation of the Fund.

3 Calculating Employer Contribution Rates

3.1 General comments

A key challenge for the Administering Authority is to balance the need for stable, affordable employer contributions with the requirement to take a prudent, longer-term view of funding and ensure the solvency of the Fund. With this in mind, the Fund's three-step process identifies the key issues:

1. What is a suitably (but not overly) prudent funding target?
2. How long should the employer be permitted to reach that target? This should be realistic but not so long that the funding target is in danger of never actually being achieved.
3. What likelihood is required to reach that funding target? This will always be less than 100% as we cannot be certain of the future. Higher likelihood "bars" can be used for employers where the Fund wishes to reduce the risk that the employer ceases leaving a deficit to be picked up by other employers.

These and associated issues are covered in this Section.

The Administering Authority recognises that there may occasionally be circumstances affecting individual employers that are not easily managed within the rules and policies set out in the Funding Strategy Statement. Therefore, the Administering Authority reserves the right to direct the actuary to adopt alternative funding approaches on a case by case basis for specific employers.

3.2 The effect of paying lower contributions

In limited circumstances the Administering Authority may permit employers to pay contributions at a lower level than is assessed for the employer using the three-step process above. At their absolute discretion the Administering Authority may:

- extend the time horizon over which an employer meets the funding target;
- adjust the required likelihood of meeting the funding target;
- permit an employer to participate in the Fund's stabilisation mechanisms;
- permit extended phasing in of contribution rises or reductions;
- pool contributions amongst employers with similar characteristics; and/or
- accept some form of security or guarantee in lieu of a higher contribution rate than would otherwise be the case.

Employers which are permitted to use one or more of the above methods will often be paying, for a time, contributions less than required to meet their funding target, over the appropriate time horizon with the required likelihood of success. Such employers should appreciate that:

- their true long-term liability (i.e. the actual eventual cost of benefits payable to their employees and ex-employees) is not affected by the pace of paying contributions;

- lower contributions in the short term may lead to higher contributions in the long term; and
- it may take longer to reach their funding target, all other things being equal.

Overleaf (3.3) is a summary of how the main funding policies differ for different types of employer, followed by more detailed notes where necessary.

Section 3.4 onwards deals with various other funding issues which apply to all employers.

Norfolk Pension Fund

3.3 The different approaches used for different employers

Type of employer	Scheduled Bodies			Community Admission Bodies and Designating Employers		Transferee Admission Bodies*
Sub-type	**Local Authorities and Police**	**Colleges and other FE establishments**	**Academies**	**Open to new entrants**	**Closed to new entrants**	**(all)**
Funding Target Basis used	Ongoing participation basis assumes long-term Fund participation (see Appendix E)			Ongoing participation basis, but may move to "gilts exit basis" - see Note (a)		Contractor exit basis, assumes fixed contract term in the Fund (see Appendix E)
Primary rate approach	(see Appendix D – D.2)					
Stabilised contribution rate?	Yes - see Note (b)	No	Yes - see Note (b)	No	No	No
Maximum time horizon – Note (c)	20 years	15 years	20 years	15 years	Future Working Lifetime, subject to 15 years maximum	Outstanding contract term, subject to 15 years maximum
Secondary rate – Note (d)	Monetary	Monetary	Monetary	Monetary	Monetary	Monetary
Treatment of surplus	Covered by stabilisation arrangement	Contributions kept at Primary Rate	Covered by stabilisation arrangement	Preferred approach: contributions kept at Primary rate. Reductions may be permitted by the Admin. Authority		Reduce contributions by spreading the surplus over the remaining contract term
Minimum likelihood of achieving target – Note (e)	75%	75%	75%	75%	75%	75%
Phasing of contribution changes	Covered by stabilisation arrangement	3 years	Covered by stabilisation arrangement	3 years	None	None
Review of rates – Note (f)	Administering Authority reserves the right to review contribution rates and amounts, and the level of security provided, at regular intervals between valuations					Particularly reviewed in last 3 years of contract
New employer	n/a	n/a	Note (g)	Note (h)		Notes (h) & (i)
Cessation of participation: exit debt/credit payable	Cessation is assumed not to occur, as Scheduled Bodies are legally obliged to participate in the LGPS. In the rare event of cessation occurring (machinery of Government changes for example), the cessation calculation principles applied would be as per Note (j).			Can be ceased subject to terms of admission agreement. Exit debt/credit will be calculated on a basis appropriate to the circumstances of cessation – see Note (j).		Participation is assumed to expire at the end of the contract. Cessation debt/credit calculated on the contractor exit basis. Awarding Authority will be liable for future deficits and contributions arising – see Note (j)

*Where the Administering Authority recognises a fixed contribution rate agreement between a letting authority and a contractor, the certified employer contribution rate will be derived in line with the methodology specified in the risk sharing agreement. Additionally, in these cases, upon cessation the contractor's assets and liabilities will transfer back to the awarding authority with no crystallisation of any deficit or surplus. Further detail on fixed contribution rate agreements is set out in note (i).

Note (a) (Gilts exit basis for CABs and Designating Employers closed to new entrants)

In the circumstances where:

- the employer is a Designating Employer, or an Admission Body but not a Transferee Admission Body, and
- the employer has no guarantor, and
- the admission agreement is likely to terminate, or the employer is likely to lose its last active member, within a timeframe considered appropriate by the Administering Authority to prompt a change in funding,

the Administering Authority may set a higher funding target (e.g. based on the return from long-term gilt yields) by the time the agreement terminates or the last active member leaves, to protect other employers in the Fund. This policy will increase regular contributions and reduce, but not entirely eliminate, the possibility of a final deficit payment being required from the employer when a cessation valuation is carried out.

The Administering Authority also reserves the right to adopt the above approach in respect of those Designating Employers and Admission Bodies with no guarantor, where the strength of covenant is considered to be weak but there is no immediate expectation that the admission agreement will cease, or the Designating Employer alters its designation.

Note (b) (Stabilisation)

Stabilisation is a mechanism where employer contribution rate variations from year to year are kept within a pre-determined range, thus allowing those employers' rates to be relatively stable. In the interests of stability and affordability of employer contributions, the Administering Authority, on the advice of the Fund Actuary, believes that stabilising contributions can still be viewed as a prudent longer-term approach. However, employers whose contribution rates have been "stabilised" (and may therefore be paying less than their theoretical contribution rate) should be aware of the risks of this approach and should consider making additional payments to the Fund if possible.

This stabilisation mechanism allows short term investment market volatility to be managed so as not to cause volatility in employer contribution rates, on the basis that a long-term view can be taken on net cash inflow, investment returns and strength of employer covenant.

The current stabilisation mechanism applies if:

- the employer satisfies the eligibility criteria set by the Administering Authority (see below) and;
- there are no material events which cause the employer to become ineligible, e.g. significant reductions in active membership (due to outsourcing or redundancies), or changes in the nature of the employer (perhaps due to Government restructuring), or changes in the security of the employer.

Based on extensive modelling carried out for the 2019 valuation exercise (see Section 4), the stabilised details are as follows:

Type of employer	Precepting Category 1	Precepting Category 2	Precepting Category 3	Academies
Max cont increase	+0.5% of pay p.a.	+1% of pay p.a.	+2% of pay pa	+0.5% of pay pa
Max cont decrease	-0.5% of pay p.a.	-0.5% of pay p.a.	-1% of pay pa	-0.5% of pay pa

The categorisation applies to the Councils and other precepting bodies and the stabilisation parameters are set which is most appropriate to each employer's funding position.

The stabilisation criteria, categories and limits will be reviewed at the 31 March 2022 valuation, to take effect from 1 April 2023. However, the Administering Authority reserves the right to review the stabilisation criteria and limits at any time before then, based on membership and/or employer changes as described above.

The Administering Authority may review an employer's eligibility for stabilisation at any time in the event of significant changes in the employer's membership (due for example to redundancies or outsourcing) or if there is a significant change in the Administering Authority's assessment of an employer's security.

Stabilisation rules and eligibility may be reviewed at any time in the event of changes to scheme benefits. Changes in scheme benefits may arise because of changes in regulations or other events that have a material impact.

The stabilisation rules and eligibility criteria will be reviewed at each formal valuation (next undertaken at 31 March 2022), with any changes in contribution strategy taking effect from 1 April 2023 with the revised Rates & Adjustment Certificate. The review will consider factors including but not necessarily restricted to market conditions (the long-term risk-based analysis will be recalibrated to market conditions as at 31 March 2022), the Administering Authority's assessment of employer's security and the maturity of each employer's membership profile.

The stabilisation mechanism limits increases and reductions in contribution rates for public sector bodies. Therefore, any emerging surplus will not reduce their contributions outside the pre-determined range.

Note (c) (Maximum time horizon)

The maximum time horizon starts at the commencement of the revised contribution rate (1 April 2020 for the 2019 valuation). The Administering Authority would normally expect the same period to be used at successive triennial valuations but would reserve the right to propose alternative time horizons, for example where there were no new entrants.

Note (d) (Secondary rate)

For employers where stabilisation is not being applied, the Secondary contribution rate for each employer covering the period until the next formal valuation will often be set as an annual monetary amount payable on a monthly basis. However, the Administering Authority reserves the right to amend these rates between valuations and/or to require these payments in percentage of pay terms instead.

Note (e) (Likelihood of achieving funding target)

Each employer has its funding target calculated, and a relevant time horizon over which to reach that target. Contributions are set such that, combined with the employer's current asset share and anticipated market movements over the time horizon, the funding target is achieved with a given minimum likelihood. A higher required likelihood bar will give rise to higher required contributions, and vice versa.

The way in which contributions are set using these three steps, and relevant economic projections, is described in further detail in Appendix D.

Different likelihoods are set for different employers depending on their nature and circumstances: in broad terms, a higher likelihood will apply due to one or more of the following:

- the Fund believes the employer poses a greater funding risk than other employers,
- the employer does not have tax-raising powers;
- the employer does not have a guarantor or other sufficient security backing its funding position; and/or
- the employer is likely to cease participation in the Fund in the short or medium term.

Note (f) (Regular Reviews)

Such reviews may be triggered by significant events including but not limited to: significant reductions in payroll, altered employer circumstances, Government restructuring affecting the employer's business, or failure to pay contributions or arrange appropriate security as required by the Administering Authority.

The result of a review may be to require increased contributions (by strengthening the actuarial assumptions adopted and/or moving to monetary levels of deficit recovery contributions), and/or an increased level of security or guarantee

Note (g) (New Academy conversions)

At the time of writing, the Fund's policies on academies' funding issues are as follows:

i. The new academy will be regarded as a separate employer in its own right and will not be pooled with other employers in the Fund. The only exception is where the academy is part of a Multi Academy Trust (MAT) in which case the academy's figures will be calculated as below but can be combined with those of the other academies in the MAT;

ii. The new academy's past service liabilities on conversion will be calculated based on its active Fund members on the day before conversion. For the avoidance of doubt, these liabilities will include all past service of those members, but will exclude the liabilities relating to any ex-employees of the school who have deferred or pensioner status;

iii. The new academy will be allocated an initial asset share from the Schools' Pool's assets in the Fund. This asset share will be calculated using the estimated funding position of the Schools' Pool ceding council at the date of academy conversion. The share will be based on the active members' funding level, having first allocated assets in the Schools' Pool share to fully fund deferred and pensioner members. The assets allocated to the academy will be limited if necessary so that its initial funding level is subject to a maximum of 100%. The asset allocation will be based on market conditions and the academy's active Fund membership on the day prior to conversion;

iv. The new academy's calculated contribution rate will be based on the time horizon and likelihood of achieving the funding target outlined for Academies in section 3.3. above;

v. As an alternative to (iv), the academy will have the option to elect to pay contributions over the period to 31 March 2023 at the same rate as that payable by the ceding LEA. This approach will be assumed by the Fund unless the academy specifies otherwise. However, using this approach will not alter its asset or liability allocation as per (ii) and (iii) above. Ultimately, all academies remain responsible for their own pension funding position.

The Fund's policies on academies are subject to change in the light of any amendments to MHCLG and/or DfE guidance (or removal of the formal guarantee currently provided to academies by the DfE). Any changes will be notified to academies and will be reflected in a subsequent version of this FSS. In particular, policies (iv) and (v) above will be reconsidered at each valuation.

Note (h) (New Admission Bodies)

With effect from 1 October 2012, the LGPS 2012 Miscellaneous Regulations introduced mandatory new requirements for all Admission Bodies brought into the Fund from that date. Under these Regulations, all new Admission Bodies will be required to provide some form of security, such as a guarantee from the letting employer, an indemnity or a bond. The security is required to cover some or all of the following:

- the strain cost of any redundancy early retirements resulting from the premature termination of the contract;
- allowance for the risk of asset underperformance;
- allowance for the risk of a greater than expected rise in liabilities;
- allowance for the possible non-payment of employer and member contributions to the Fund; and/or
- the current deficit.

Transferee Admission Bodies: For all TABs, the security must be to the satisfaction of the Administering Authority as well as the letting employer and will be reassessed on an annual basis. See also Note (i) below.

Community Admission Bodies: The Administering Authority will only consider requests from CABs (or other similar bodies, such as section 75 NHS partnerships) to join the Fund if they are sponsored by a Scheduled Body with tax raising powers, guaranteeing their liabilities and providing a form of security as above.

The above approaches reduce the risk, to other employers in the Fund, of potentially having to pick up any shortfall in respect of Admission Bodies ceasing with an unpaid deficit.

Note (i) (New Transferee Admission Bodies)

A new TAB usually joins the Fund as a result of the letting/outsourcing of some services from an existing employer (normally a Scheduled Body such as a council or academy) to another organisation (a “contractor”). This involves the TUPE transfer of some staff from the letting employer to the contractor. Consequently, for the duration of the contract, the contractor is a new participating employer in the Fund so that the transferring employees maintain their eligibility for LGPS membership. At the end of the contract the employees revert to the letting employer or to a replacement contractor.

Ordinarily, the TAB would be set up in the Fund as a new employer with responsibility for all the accrued benefits of the transferring employees; in this case, the contractor would usually be assigned an initial asset allocation equal to the past service liability value of the employees' Fund benefits. The quid pro quo is that the contractor is then expected to ensure that its share of the Fund is also fully funded at the end of the contract: see Note (j).

The Fund may consider modifications to this approach on request with the agreement of all parties and having taken appropriate advice.

For staff transfers on or after 1 October 2018, the Administering Authority requires that a new TAB will participate in the Fund via a fixed contribution rate arrangement with the letting employer. The certified employer contribution rate will be set equal to the fixed contribution rate agreed between the letting authority and the contactor. The fixed rate that will be paid is at the discretion of the letting authority and contractor subject to a minimum rate equal to the letting authority's primary rate when assessed on a probability of achieving funding target of 75% (the funding target and time horizon remain unchanged). Upon cessation the contractor's assets and liabilities will transfer back to the awarding authority with no crystallisation of any deficit or surplus.

In order to avoid the Administering Authority becoming involved in any disputes relating to risk sharing and to protect the other participating employers, the Fund will not be party to any risk sharing agreement between any employer (awarding authority) and a contractor. Accordingly, any such arrangements will not be detailed in the admission agreement and the admission body will be required to follow the principles of the agreement as if no such risk sharing was in place and as if they were any other employer within the Norfolk Pension Fund. It is at the sole discretion of the Administering Authority as to whether any risk sharing agreement is recognised in the certified employer contribution rate. If the risk arrangement is not recognised, then it will then be up to the awarding authority and the contractor to put in place separate steps to allow the risk sharing to be implemented (e.g. via the contract payments). Accordingly, the contractor will be required to pay the certified employer contribution rate to the Fund and any other contributions required e.g. early retirement strain costs, regardless of risk sharing arrangement in place.

Note (j) (Admission Bodies Ceasing)

Notwithstanding the provisions of the Admission Agreement, the Administering Authority may consider any of the following as triggers for the cessation of an admission agreement with any type of body:

- Last active member ceasing participation in the Fund (**NB** recent LGPS Regulation changes mean that the Administering Authority has the discretion to defer acting for up to three years, so that if the employer acquires one or more active Fund members during that period then cessation is not triggered. The current Fund policy is that this is left as a discretion and may or may not be applied in any given case);
- The insolvency, winding up or liquidation of the Admission Body;
- Any breach by the Admission Body of any of its obligations under the Agreement that they have failed to remedy to the satisfaction of the Fund;
- A failure by the Admission Body to pay any sums due to the Fund within the period required by the Fund; or
- The failure by the Admission Body to renew or adjust the level of the bond or indemnity, or to confirm an appropriate alternative guarantor, as required by the Fund.

On cessation, the Administering Authority will instruct the Fund actuary to carry out a cessation valuation to determine whether there is any deficit or surplus. Where there is a deficit, payment of this amount in full would normally be sought from the Admission Body, where there is a surplus, following the LGPS (Amendment) Regulations 2018 which came into effect on 14th May 2018, this will normally result in an exit credit payment to the Admission Body within three months of the cessation date (or another date agreed between the Administering Authority and the Admission Body). If a risk-sharing agreement has been put in place no cessation debt or exit credit may be payable, depending on the terms of the agreement.

As discussed in Section 2.7, the LGPS benefit structure from 1 April 2014 is currently under review following the Government's loss of the right to appeal the McCloud and other similar court cases. The Fund has considered how it will reflect the current uncertainty regarding the outcome of this judgement in its approach to cessation valuations. For cessation valuations that are carried out before any changes to the LGPS benefit structure (from 1 April 2014) are confirmed, the Fund's policy is that the Fund Actuary will include a 1% loading to the value of the liabilities at the cessation date.

The Fund Actuary charges a fee for carrying out an employer's cessation valuation, and there will be other Fund administration expenses associated with the cessation, both of which the Fund will reserve the right to recharge to the employer. For the purposes of the cessation valuation, this fee will usually be treated as an expense incurred by the employer and the Administering Authority will deduct the amount from the employer's cessation surplus or add it to the employer's cessation deficit, as appropriate. This process improves administrative efficiency as it reduces the number of transactions required to be made between the employer and the Fund following an employer's cessation.

For non-Transferee Admission Bodies whose participation is voluntarily ended either by themselves or the Fund, or where a cessation event has been triggered, the Administering Authority must look to protect the interests of other ongoing employers. The actuary will therefore adopt an approach which, to the extent reasonably practicable, protects the other employers from the likelihood of any material loss emerging in future:

(a) Where a guarantor does not exist then, to protect other employers in the Fund, the cessation liabilities and final surplus/deficit will normally be calculated using a “gilts exit basis”, which is more prudent than the ongoing participation basis. This has no allowance for potential future investment outperformance above gilt yields and has added allowance for future improvements in life expectancy. This could give rise to significant cessation debts being required.

(b) Where there is a guarantor for future deficits and contributions, the details of the guarantee will be considered prior to the cessation valuation being carried out. In some cases, the guarantor is simply guarantor of last resort and therefore the cessation valuation will be carried out consistently with the approach taken had there been no guarantor in place. Alternatively, where the guarantor is not simply guarantor of last resort, the cessation may be calculated using the ongoing participation basis or contractor exit basis as described in Appendix E;

(c) Again, depending on the nature of the guarantee, it may be possible to simply transfer the former Admission Body’s liabilities and assets to the guarantor, without needing to crystallise any deficit or surplus. This approach may be adopted where the employer cannot pay the contributions due, and this is within the terms of the guarantee.

Under (a) and (c), any shortfall would usually be levied on the departing Admission Body as a single lump sum payment. If this is not possible then the Fund may spread the payment generally subject to there being some security in place for the employer such as a bond indemnity or guarantee.

If the Fund is not able to recover the required payment in full, then the unpaid amounts fall to be shared amongst all the other employers in the Fund. This may require an immediate revision to the Rates and Adjustments Certificate affecting other employers in the Fund, or instead be reflected in the contribution rates set at the next formal valuation following the cessation date.

As an alternative, where the ceasing Admission Body is continuing in business, the Fund at its absolute discretion reserves the right to enter into an agreement with the ceasing Admission Body. Under this agreement the Fund would accept an appropriate alternative security to be held against any deficit on the gilts exit basis and would carry out the cessation valuation on the ongoing participation basis. Secondary contributions would be derived from this cessation debt. This approach would be monitored as part of each formal valuation and secondary contributions would be reassessed as required. The Admission Body may terminate the agreement only via payment of the outstanding debt assessed on the gilts exit basis. Furthermore, the Fund reserves the right to revert to the “gilts exit basis” and seek immediate payment of any funding shortfall identified. The Administering Authority may need to seek legal advice in such cases, as the Admission Body would have no contributing members.

3.4 Pooled contributions

From time to time, with the advice of the Actuary, the Administering Authority may set up pools for employers with similar or complementary characteristics. This will always be in line with its broader funding strategy.

The intention of the pool is to minimise contribution rate volatility which would otherwise occur when members join, leave, take early retirement, receive pay rises markedly different from expectations, etc. Such events can cause large changes in contribution rates for very small employers in particular, unless these are smoothed out for instance by pooling across a number of employers.

On the other hand, it should be noted that the employers in the pool will still have their own individual funding positions tracked by the Actuary, so that some employers will be much better funded, and others much more poorly funded, than the pool average. This therefore means that if any given employer was funding on a stand-alone basis, as opposed to being in the pool, then its contribution rate could be much higher or lower than the pool contribution rate.

It should also be noted that, if an employer is considering ceasing from the Fund, its required contributions would be based on its own funding position (rather than the pool average), and the cessation terms would also apply: this would mean potentially very different (and possibly much higher) contributions would be required from the employer in that situation.

Community Admission Bodies that are deemed by the Administering Authority to have closed to new entrants are not usually permitted to participate in a pool. Transferee Admission Bodies are usually also ineligible for pooling.

The Fund may consider requests for smaller admitted bodies to be pooled with the letting employer, provided all parties (particularly the letting employer) agree.

Employers who are permitted to enter (or remain in) a pool at the 2019 valuation will not normally be advised of their individual contribution rate unless agreed by the Administering Authority.

Those employers which have been pooled are identified in the Rates and Adjustments Certificate.

3.5 Additional flexibility in return for added security

The Administering Authority may permit greater flexibility to the employer's contributions if the employer provides added security to the satisfaction of the Administering Authority.

Such flexibility includes a reduced rate of contribution, an extended time horizon, or permission to join a pool with another body (e.g. the Local Authority).

Such security may include, but is not limited to, a suitable bond, a legally-binding guarantee from an appropriate third party, or security over an employer asset of sufficient value.

The degree of flexibility given may consider factors such as:

- the extent of the employer's deficit;
- the amount and quality of the security offered;
- the employer's financial security and business plan; and

- whether the admission agreement is likely to be open or closed to new entrants.

3.6 Non-ill health early retirement costs

It is assumed that members' benefits are payable from the earliest age that the employee could retire without incurring a reduction to their benefit (and without requiring their employer's consent to retire). (**NB** the relevant age may be different for different periods of service, following the benefit changes from April 2008 and April 2014).

Employers are required to pay additional contributions ('strain') wherever an employee retires before attaining this age. The actuary's funding basis makes no allowance for premature retirement except on grounds of ill-health.

At the discretion of the Administering Authority the payment may be spread over a period of up to 3 years (but no more that the outstanding contract term for a Transferee Admission Body).

3.7 Ill health early retirement costs

If a member retires early due to ill-health, an additional funding strain will usually arise, which can be very large. Such strain costs are the responsibility of the member's employer to pay. However, from 1 April 2019, these strains are met by a Fund-operated ill health risk management solution (see 3.8 below).

3.8 Ill health risk management

The Fund recognises ill health early retirement costs can have a significant impact on an employer's funding and contribution rate, which could ultimately jeopardise their continued operation.

The Administering Authority therefore has put in place an approach to help manage ill health early retirement costs. The current approach was put in place on 1 April 2019 and will next be due for review as part of the 2022 valuation (note that the Fund may review the policy earlier if felt necessary).

The Fund operates a form of cost-sharing between employers whereby all ill health early retirement strain costs are spread across all employers. When a member retires on ill health early retirement the strain cost is spread across employers in proportion to their asset share (i.e. versus the total of all employers receiving the risk protection). The asset share of the employer whose member has retired on ill health grounds, will then be credited with the strain cost amount.

It should be noted that this approach does not completely indemnify the employer from future costs associated with the ill health retirement. The strain cost is an estimate and as such the actual cost may be higher or lower.

3.9 Employers with no remaining active members

In general, an employer ceasing in the Fund due to the departure of the last active member, will pay a cessation debt or receive an exit credit on an appropriate basis (see 3.3, Note (j)) and consequently have no further obligation to the Fund. Thereafter it is expected that one of two situations will eventually arise:

a) The employer's asset share runs out before all its ex-employees' benefits have been paid. In this situation the other Fund employers will be required to contribute to pay all remaining benefits: this will be done by the Fund actuary apportioning the remaining liabilities on a pro-rata basis at successive formal valuations;

b) The last ex-employee or dependant dies before the employer's asset share has been fully utilised. In this situation the remaining assets would be apportioned pro-rata by the Fund's actuary to the other Fund employers after satisfying any requirements arising from situation a) above.

In exceptional circumstances, the Fund may permit an employer with no remaining active members and a cessation deficit to continue contributing to the Fund. This would require the provision of a suitable security or guarantee, as well as a written ongoing commitment to fund the remainder of the employer's obligations over an appropriate period.

The Fund would reserve the right to invoke the cessation requirements in the future, however. The Administering Authority may need to seek legal advice in such cases, as the employer would have no contributing members.

3.10 Policies on bulk transfers

Each case will be treated on its own merits, but in general:

- The Fund will not pay bulk transfers greater than the lesser of (a) the asset share of the transferring employer in the Fund, and (b) the value of the past service liabilities of the transferring members;
- The Fund will not grant added benefits to members bringing in entitlements from another Fund unless the asset transfer is sufficient to meet the added liabilities; and
- The Fund may permit shortfalls to arise on bulk transfers if the Fund employer has suitable strength of covenant and commits to meeting that shortfall in an appropriate period. This may require the employer's Fund contributions to increase between valuations.

3.11 Salary strain recharge mechanism

The Fund operates a salary strain recharge mechanism to recoup any funding strain associated with salary increases above expectations. Further detail of this mechanism is detailed in Appendix G.

4 Funding Strategy and Links to Investment Strategy

4.1 What is the Fund's investment strategy?

The Fund has built up assets over the years and continues to receive contribution and other income. All of this must be invested in a suitable manner, which is the investment strategy.

Investment strategy is set by the Administering Authority, after consultation with the employers and after taking investment advice. The precise mix, manager make up and target returns are set out in the Investment Strategy Statement, which is available to members and employers.

The investment strategy is set for the long-term but is reviewed from time to time. Normally a full review is carried out as part of each actuarial valuation and is kept under review annually between actuarial valuations to ensure that it remains appropriate to the Fund's liability profile.

Currently there are three investment strategies in the Fund, with a range of allocations to growth, enhanced yield and protection assets. Employers are allocated to the investment strategy that is most appropriate given the employers funding objective and current funding position. Please see Appendix H for further details.

4.2 What is the link between funding strategy and investment strategy?

The Fund must be able to meet all benefit payments as and when they fall due. These payments will be met by contributions (resulting from the funding strategy) or asset returns and income (resulting from the investment strategy). To the extent that investment returns, or income fall short, then higher cash contributions are required from employers, and vice versa

Therefore, the funding and investment strategies are inextricably linked.

4.3 How does the funding strategy reflect the Fund's investment strategy?

In the opinion of the Fund actuary, the current funding policy is consistent with the current investment strategy of the Fund. The actuary's assumptions for future investment returns (described further in Appendix E) are based on each employer's investment strategy. The future investment return assumptions underlying each of the Fund's three funding bases include a margin for prudence and are therefore also considered to be consistent with the requirement to take a "prudent longer-term view" of the funding of liabilities as required by the UK Government (see Appendix A1).

In the short term – such as the three yearly assessments at formal valuations – there is the scope for considerable volatility in asset values. However, the actuary takes a long-term view when assessing employer contribution rates and the contribution rate setting methodology takes into account this potential variability.

The Fund does not hold a contingency reserve to protect it against the volatility of equity investments.

4.4 Does the Fund monitor its overall funding position?

The Administering Authority monitors the relative funding position, i.e. changes in the relationship between asset values and the liabilities value, when felt necessary.

5 Statutory Reporting and Comparison to other LGPS Funds

5.1 Purpose

Under Section 13(4)(c) of the Public Service Pensions Act 2013 ("Section 13"), the Government Actuary's Department must, following each triennial actuarial valuation, report to the MHCLG on each of the LGPS Funds in England & Wales. This report will cover whether, for each Fund, the rate of employer contributions is set at an appropriate level to ensure both the solvency and the long-term cost efficiency of the Fund.

This additional MHCLG oversight may have an impact on the strategy for setting contribution rates at future valuations.

5.2 Solvency

For the purposes of Section 13, the rate of employer contributions shall be deemed to have been set at an appropriate level to ensure solvency if:

- the rate of employer contributions is set to target a funding level for the Fund of 100%, over an appropriate period and using appropriate actuarial assumptions (where appropriateness is considered in both absolute and relative terms in comparison with other funds); and either
- employers collectively have the financial capacity to increase employer contributions, and/or the Fund can realise contingent assets should future circumstances require, to continue to target a funding level of 100%; or
- there is an appropriate plan in place should there be, or if there is expected in future to be, a material reduction in the capacity of fund employers to increase contributions as might be needed.

5.3 Long Term Cost Efficiency

The rate of employer contributions shall be deemed to have been set at an appropriate level to ensure long term cost efficiency if:

i. the rate of employer contributions is sufficient to make provision for the cost of current benefit accrual,

ii. with an appropriate adjustment to that rate for any surplus or deficit in the Fund.

In assessing whether the above condition is met, MHCLG may have regard to various absolute and relative considerations. A relative consideration is primarily concerned with comparing LGPS pension funds with other LGPS pension funds. An absolute consideration is primarily concerned with comparing Funds with a given objective benchmark.

Relative considerations include:

i. the implied deficit recovery period; and

ii. the investment return required to achieve full funding after 20 years.

Absolute considerations include:

i. the extent to which the contributions payable are sufficient to cover the cost of current benefit accrual and the interest cost on any deficit;

ii. how the required investment return under "relative considerations" above compares to the estimated future return being targeted by the Fund's current investment strategy;

iii. the extent to which contributions paid have been in line with the expected contributions based on the extant rates and adjustment certificate; and

iv. the extent to which any new deficit recovery plan can be directly reconciled with, and can be demonstrated to be a continuation of, any previous deficit recovery plan, after allowing for actual Fund experience.

MHCLG may assess and compare these metrics on a suitable standardised market-related basis, for example where the local funds' actuarial bases do not make comparisons straightforward.

Appendix A – Regulatory Framework

A1 Why does the Fund need an FSS?

The Ministry for Housing, Communities and Local Government (MHCLG) has stated that the purpose of the FSS is:

- *"to establish a **clear and transparent fund-specific strategy** which will identify how employers' pension liabilities are best met going forward;*
- *to support the regulatory framework to maintain **as nearly constant employer contribution rates as possible**; and*
- *to take a **prudent longer-term view** of funding those liabilities."*

These objectives are desirable individually but may be mutually conflicting.

The requirement to maintain and publish a FSS is contained in LGPS Regulations which are updated from time to time. In publishing the FSS the Administering Authority must have regard to any guidance published by Chartered Institute of Public Finance and Accountancy (CIPFA) (most recently in 2016) and to its Statement of Investment Principles / Investment Strategy Statement.

This is the framework within which the Fund's actuary carries out triennial valuations to set employers' contributions and provides recommendations to the Administering Authority when other funding decisions are required, such as when employers join or leave the Fund. The FSS applies to all employers participating in the Fund.

A2 Does the Administering Authority consult anyone on the FSS?

Yes. This is required by LGPS Regulations. It is covered in more detail by the most recent CIPFA guidance, which states that the FSS must first be subject to "consultation with such persons as the authority considers appropriate" and should include "a meaningful dialogue at officer and elected member level with council tax raising authorities and with corresponding representatives of other participating employers".

In practice, for the Fund, the consultation process for this FSS was as follows:

a) A draft version of the FSS was issued to all participating employers for comment;

b) Comments were requested within 45 days;

c) Following the end of the consultation period the FSS was updated where required and then published on 31 March 2020.

d) The funding principles of the FSS were discussed with employers at Forum events in July and November 2019.

A3 How is the FSS published?

The FSS is made available through the following routes:

- Published on the website at www.norfolkpensionfund.org
- A full copy linked from the annual report and accounts of the Fund;
- Copies made available on request.

A4 How often is the FSS reviewed?

The FSS is reviewed in detail at least every three years as part of the triennial valuation (which may move to every four years in future – see Section 2.8). This version is expected to remain unaltered until it is consulted upon as part of the formal process for the next valuation in 2022.

It is possible that (usually slight) amendments may be needed within the three-year period. These would be needed to reflect any regulatory changes, or alterations to the way the Fund operates (e.g. to accommodate a new class of employer). Any such amendments would be consulted upon as appropriate:

- trivial amendments would be simply notified at the next round of employer communications,
- amendments affecting only one class of employer would be consulted with those employers,
- other more significant amendments would be subject to full consultation.

In any event, changes to the FSS would need agreement by the Pensions Committee and would be included in the relevant Committee Meeting minutes.

A5 How does the FSS fit into other Fund documents?

The FSS is a summary of the Fund's approach to funding liabilities. It is not an exhaustive statement of policy on all issues, for example there are several separate statements published by the Fund including the Investment Strategy Statement, Governance Strategy and Communications Strategy. In addition, the Fund publishes an Annual Report and Accounts with up to date information on the Fund. These documents can be found on the web at www.norfolkpensionfund.org.

Appendix B – Responsibilities of Key Parties

The efficient and effective operation of the Fund needs various parties to each play their part.

B1 The Administering Authority should: -

1. operate the Fund as per the LGPS Regulations;
2. effectively manage any potential conflicts of interest arising from its dual role as Administering Authority and a Fund employer;
3. collect employer and employee contributions, and investment income and other amounts due to the Fund;
4. ensure that cash is available to meet benefit payments as and when they fall due;
5. pay from the Fund the relevant benefits and entitlements that are due;
6. invest surplus monies (i.e. contributions and other income which are not immediately needed to pay benefits) in accordance with the Fund's Investment Strategy Statement (ISS) and LGPS Regulations;
7. communicate appropriately with employers so that they fully understand their obligations to the Fund;
8. take appropriate measures to safeguard the Fund against the consequences of employer default;
9. manage the valuation process in consultation with the Fund's actuary;
10. provide data and information as required by the Government Actuary's Department to carry out their statutory obligations (see Section 5);
11. prepare and maintain an FSS and an ISS, after consultation;
12. notify the Fund's actuary of material changes which could affect funding (this is covered in a separate agreement with the actuary); and
13. monitor all aspects of the fund's performance and funding and amend the FSS and ISS as necessary and appropriate.

B2 The Individual Employer should: -

1. deduct contributions from employees' pay correctly;
2. pay all contributions, including their own as determined by the actuary, promptly by the due date;
3. have a policy and exercise discretions within the regulatory framework;
4. make additional contributions in accordance with agreed arrangements in respect of, for example, augmentation of scheme benefits, early retirement strain; and
5. notify the Administering Authority promptly of all changes to its circumstances, prospects or membership, which could affect future funding.

B3 The Fund Actuary should: -

1. prepare valuations, including the setting of employers' contribution rates. This will involve agreeing assumptions with the Administering Authority, having regard to the FSS and LGPS Regulations, and targeting each employer's solvency appropriately;
2. provide data and information as required by the Government Actuary's Department to carry out their statutory obligations (see Section 5);
3. provide advice relating to new employers in the Fund, including the level and type of bonds or other forms of security (and the monitoring of these);
4. prepare advice and calculations in connection with bulk transfers and individual benefit-related matters;
5. assist the Administering Authority in considering possible changes to employer contributions between formal valuations, where circumstances suggest this may be necessary;
6. advise on the termination of employers' participation in the Fund; and
7. fully reflect actuarial professional guidance and requirements in the advice given to the Administering Authority.

B4 Other parties: -

1. investment advisers (either internal or external) should ensure the Fund's ISS remains appropriate, and consistent with this FSS;
2. investment managers, custodians and bankers should all play their part in the effective investment (and dis-investment) of Fund assets, in line with the ISS;
3. auditors should comply with their auditing standards, ensure Fund compliance with all requirements, monitor and advise on fraud detection, and sign off annual reports and financial statements as required;
4. governance advisers may be appointed to advise the Administering Authority on efficient processes and working methods in managing the Fund;
5. legal advisers (either internal or external) should ensure the Fund's operation and management remains fully compliant with all regulations and broader local government requirements, including the Administering Authority's own procedures;
6. MHCLG (assisted by the Government Actuary's Department) and the Scheme Advisory Board, should work with LGPS Funds to meet Section 13 requirements.

Appendix C – Key Risks and Controls

C1 Types of risk

The Administering Authority has an active risk management programme in place. The measures that it has in place to control key risks are summarised below under the following headings:

Financial;

Demographic;

Regulatory; and

Governance.

C2 Financial risks

Risk	Summary of Control Mechanisms
Fund assets fail to deliver returns in line with the anticipated returns underpinning the valuation of liabilities and contribution rates over the long-term.	Only anticipate long-term returns on a relatively prudent basis to reduce risk of under-performing. Assets invested based on specialist advice, in a suitably diversified manner across asset classes, geographies, managers, etc. Analyze progress at three yearly valuations for all employers. Inter-valuation roll-forward of liabilities between valuations at whole Fund level. Consider Environmental, Social and Governance aspects in initial and ongoing investment decision making and monitoring including where appropriate consideration of climate change risk on investment returns.
Inappropriate long-term investment strategy.	Overall investment strategy options considered as an integral part of the funding strategy. Used asset liability modelling to measure 4 key outcomes. Chosen option considered to provide the best balance. Operation of three investment strategies to meet the needs of a diverse employer group.

Risk	Summary of Control Mechanisms
Active investment manager under-performance relative to benchmark.	Quarterly investment monitoring analyses market performance and active managers relative to their index benchmark.
Pay and price inflation significantly more than anticipated.	The focus of the actuarial valuation process is on real returns on assets, net of price and pay increases. Inter-valuation monitoring, as above, gives early warning. Some investment in bonds also helps to mitigate this risk. Employers pay for their own salary awards and should be mindful of the geared effect on pension liabilities of any bias in pensionable pay rises towards longer-serving employees.
Effect of possible increase in employer's contribution rate on service delivery and admission/scheduled bodies	An explicit stabilisation mechanism has been agreed as part of the funding strategy. Other measures are also in place to limit sudden increases in contributions.
Orphaned employers give rise to added costs for the Fund	The Fund seeks a cessation debt (or security/guarantor) to minimise the risk of this happening in the future. If it occurs, the Actuary calculates the added cost spread pro-rata among all employers – (see 3.9).

C3 Demographic risks

Risk	Summary of Control Mechanisms
Pensioners living longer, thus increasing cost to Fund.	Set mortality assumptions with some allowance for future increases in life expectancy. The Fund Actuary has direct access to the experience of over 50 LGPS funds which allows early identification of changes in life expectancy that might in turn affect the assumptions underpinning the valuation.

Risk	Summary of Control Mechanisms
Maturing Fund – i.e. proportion of actively contributing employees declines relative to retired employees.	Continue to monitor at each valuation, consider seeking monetary amounts rather than % of pay and consider alternative investment strategies.
Deteriorating patterns of early retirements	Employers are charged the extra cost of non-ill-health retirements following each individual decision. The Fund operates a form of internal insurance whereby any ill-health early retirement strain costs are in effect spread among all employers
Reductions in payroll causing insufficient deficit recovery payments	In many cases this may not be sufficient cause for concern and will in effect be caught at the next formal valuation. However, there are protections where there is concern, as follows: Employers in the stabilisation mechanism may be brought out of that mechanism to permit appropriate contribution increases (see Note (b) to 3.3). For other employers, review of contributions is permitted in general between valuations (see Note (f) to 3.3) and may require a move in deficit contributions from a percentage of payroll to fixed monetary amounts.

C4 Regulatory risks

Risk	Summary of Control Mechanisms
Changes to national pension requirements and/or HMRC rules e.g. changes arising from public sector pensions reform.	The Administering Authority considers all consultation papers issued by the Government and comments where appropriate. The Administering Authority is monitoring the progress on the McCloud court case and will consider an interim valuation or other appropriate action once more information is known. The government's long-term preferred solution to GMP indexation and equalisation - conversion of GMPs to scheme benefits - was built into the 2019 valuation.

Time, cost and/or reputational risks associated with any MHCLG intervention triggered by the Section 13 analysis (see Section 5).	Take advice from Fund Actuary on position of Fund as at prior valuation, and consideration of proposed valuation approach relative to anticipated Section 13 analysis.
Changes by Government to employer participation in LGPS Funds, leading to impacts on funding and/or investment strategies.	The Administering Authority considers all consultation papers issued by the Government and comments where appropriate. Take advice from Fund Actuary on impact of changes on the Fund and amend strategy as appropriate.

C5 Governance risks

Risk	**Summary of Control Mechanisms**
Administering Authority unaware of structural changes in an employer's membership (e.g. large fall in employee members, large number of retirements) or not advised of an employer closing to new entrants.	The Administering Authority has a close relationship with employing bodies and communicates required standards e.g. for submission of data. The Actuary may revise the rates and Adjustments certificate to increase an employer's contributions between triennial valuations Deficit contributions may be expressed as monetary amounts.
Actuarial or investment advice is not sought, or is not heeded, or proves to be insufficient in some way	The Administering Authority maintains close contact with its specialist advisers. Advice is delivered via formal meetings involving Elected Members and recorded appropriately. Actuarial advice is subject to professional requirements such as peer review.
Administering Authority failing to commission the Fund Actuary to carry out a termination valuation for a departing Admission Body.	The Administering Authority requires employers with Best Value contractors to inform it of forthcoming changes. Community Admission Bodies' memberships are monitored and, if active membership decreases, steps will be taken.

Risk	Summary of Control Mechanisms
An employer ceasing to exist with insufficient funding or adequacy of a bond.	The Administering Authority believes that it would normally be too late to address the position if it was left to the time of departure. The risk is mitigated by: Seeking a funding guarantee from another scheme employer, or external body, where-ever possible (see Notes (h) and (j) to 3.3). Alerting the prospective employer to its obligations and encouraging it to take independent actuarial advice. Vetting prospective employers before admission. Where permitted under the regulations requiring a bond to protect the Fund from various risks. Requiring new Community Admission Bodies to have a guarantor. Reviewing bond or guarantor arrangements at regular intervals (see Note (f) to 3.3). Reviewing contributions well ahead of cessation if thought appropriate (see Note (a) to 3.3).
An employer ceasing to exist resulting in an exit credit being payable	The Administering Authority regularly monitors admission bodies coming up to cessation where exit credits may be payable. The Administering Authority invests in liquid assets to ensure that exit credits can be paid when required. Employers able to exit make up a relatively small proportion of the total assets and liabilities.

Appendix D – The Calculation of Employer Contributions

In Section 2 there was a broad description of the way in which contribution rates are calculated. This Appendix considers these calculations in much more detail.

As discussed in Section 2, the actuary calculates the required contribution rate for each employer using a three-step process:

- Calculate the funding target for that employer, i.e. the estimated amount of assets it should hold in order to be able to pay all its members' benefits. See Appendix E for more details of what assumptions we make to determine that funding target;
- Determine the time horizon over which the employer should aim to achieve that funding target. See the table in 3.3 and Note (c) for more details;
- Calculate the employer contribution rate such that it has at least a given likelihood of achieving that funding target over that time horizon, allowing for various possible economic outcomes over that time horizon. See the table in 3.3 and Note (e) for more details.

The calculations involve actuarial assumptions about future experience, and these are described in detail in Appendix E.

D1 What is the difference between calculations across the whole Fund and calculations for an individual employer?

Employer contributions are normally made up of two elements:

a) the estimated cost of ongoing benefits being accrued, referred to as the "Primary contribution rate" (see D2 below); plus

b) an adjustment for the difference between the Primary rate above, and the actual contribution the employer needs to pay, referred to as the "Secondary contribution rate" (see D3 below).

The contribution rate for each employer is measured as above, appropriate for each employer's assets, liabilities and membership. The whole Fund position, including that used in reporting to MHCLG (see section 5), is calculated in effect as the sum of all the individual employer rates. MHCLG currently only regulates at whole Fund level, without monitoring individual employer positions.

D2 How is the Primary contribution rate calculated?

The Primary element of the employer contribution rate is calculated with the aim that these contributions will meet benefit payments in respect of members' **future** service in the Fund.

This is based upon the cost (in excess of members' contributions) of the benefits which employee members earn from their service each year.

The Primary rate is calculated separately for all the employers, although employers within a pool will pay the contribution rate applicable to the pool as a whole. The Primary rate is calculated such that it is projected to:

1. meet the required funding target for all future years' accrual of benefits*, excluding any accrued assets,
2. within the determined time horizon (see note 3.3 Note (c) for further details),
3. with a sufficiently high likelihood, as set by the Fund's strategy for the category of employer (see 3.3 Note (e) for further details).

* The projection is for the current active membership where the employer no longer admits new entrants, or additionally allows for new entrants where this is appropriate.

The projections are carried out using an economic modeller (the "Economic Scenario Service") developed by the Fund's actuary Hymans Robertson: this allows for a wide range of outcomes about key factors such as asset returns (based on the Fund's investment strategy), inflation, and bond yields. Further information about this model is included in Appendix E. The measured contributions are calculated such that the proportion of outcomes meeting the employer's funding target (at the end of the time horizon) is equal to the required likelihood.

The approach includes expenses of administration to the extent that they are borne by the Fund and includes allowances for benefits payable on death in service and on ill health retirement.

The Primary rate for Councils has not been set in the way described above. For operational reasons, the Primary rate certified for the period 1 April 2020 to 31 March 2023 has been set equal to the percentage of pay rate payable over the 2019/20 year. This has no impact on the total rate payable by these employers, which is determined in line with the stabilisation parameters set out in 3.3 Note (b).

D3 How is the Secondary contribution rate calculated?

The Fund aims for the employer to have assets sufficient to meet 100% of its accrued liabilities at the end of its funding time horizon based on the employer's funding target assumptions (see Appendix E).

The Secondary rate is calculated as the balance over and above the Primary rate, such that the total contribution rate is projected to:

1. meet the required funding target relating to combined past and future service benefit accrual, including accrued asset share (see D5 below)

2. at the end of the determined time horizon (see 3.3 Note (c) for further details)
3. with a sufficiently high likelihood, as set by the Fund's strategy for the category of employer (see 3.3 Note (e) for further details).

The projections are carried out using an economic modeller (the "Economic Scenario Service") developed by the Fund Actuary Hymans Robertson: this allows for a wide range of outcomes about key factors such as asset returns (based on the Fund's investment strategy), inflation, and bond yields. Further information about this model is included in Appendix E. The measured contributions are calculated such that the proportion of outcomes meeting the employer's funding target (at the end of the time horizon) is equal to the required likelihood.

D4 What affects a given employer's valuation results?

The results of these calculations for a given individual employer will be affected by:

1. past contributions relative to the cost of accruals of benefits;
2. different liability profiles of employers (e.g. mix of members by age, gender, service vs. salary);
3. the effect of any differences in the funding target, i.e. the valuation basis used to value the employer's liabilities at the end of the time horizon;
4. any different time horizons;
5. the difference between actual and assumed rises in pensionable pay;
6. the difference between actual and assumed increases to pensions in payment and deferred pensions;
7. the difference between actual and assumed retirements on grounds of ill-health from active status;
8. the difference between actual and assumed amounts of pension ceasing on death;
9. the additional costs of any non-ill-health retirements relative to any extra payments made; and/or
10. differences in the required likelihood of achieving the funding target.

D5 How is each employer's asset share calculated?

Individual asset shares are calculated monthly by the Fund Actuary using the HEAT system. This system uses monthly income and expenditure amounts split by each employer and provides a full audit trail of calculations.

D6 How is each employer's asset share calculated?

Under the cashflow approach for tracking employer asset shares, the Fund has allowed for any individual members transferring from one employer in the Fund to another, via the transfer of a sum from the ceding employer's asset share to the receiving employer's asset share. This sum is equal to the member's Cash Equivalent Transfer Value (CETV) as advised by the Fund's administrators.

Appendix E – Actuarial Assumptions

E1 What are the actuarial assumptions used to calculate employer contribution rates?

These are expectations of future experience used to place a value on future benefit payments ("the liabilities") and future asset values. Assumptions are made about the amount of benefit payable to members (the financial assumptions) and the likelihood or timing of payments (the demographic assumptions). For example, financial assumptions include investment returns, salary growth and pension increases; demographic assumptions include life expectancy, probabilities of ill-health early retirement, and proportions of member deaths giving rise to dependants' benefits.

Changes in assumptions will affect the funding target and required contribution rate. However, different assumptions will not of course affect the actual benefits payable by the Fund in future.

The actuary's approach to calculating employer contribution rates involves the projection of each employer's future benefit payments, contributions and investment returns into the future under 5,000 possible economic scenarios. Future inflation (and therefore benefit payments) and investment returns for each asset class (and therefore employer asset values) are variables in the projections. By projecting the evolution of an employer's assets and benefit payments 5,000 times, a contribution rate can be set that results in a sufficient number of these future projections (determined by the employer's required likelihood) being successful at the end of the employer's time horizon. In this context, a successful contribution rate is one which results in the employer having met its funding target at the end of the time horizon.

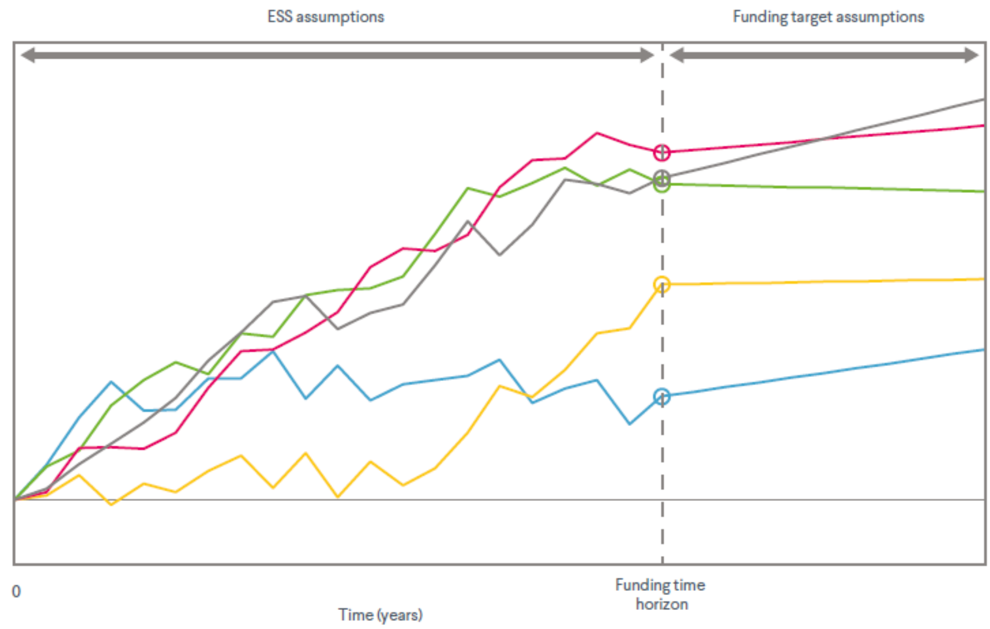
Setting employer contribution rates therefore requires two types of assumptions to be made about the future:

1. Assumptions to project the employer's assets, benefits and cashflows to the end of the funding time horizon. For this purpose, the actuary uses Hymans Robertson's proprietary stochastic economic model - the Economic Scenario Service ("ESS"). These assumptions vary in two ways: between each of the 5,000 scenarios *and* between each year. Some assumptions might be high in the first few years but then reduce later (e.g. the blue line in the illustration below) or vice versa (e.g. the yellow line).

2. Assumptions to assess whether, for a given projection, the funding target is satisfied at the end of the time horizon. For this purpose, the Fund has three different funding bases. These assumptions vary between each of the 5,000 scenarios but are fixed from year to year e.g. one scenario might assume a fixed level of inflation of 5% per year (e.g. the grey or blue lines) whereas another might assume a fixed inflation level of near zero (e.g. the yellow line).

The difference between the two assumptions is represented graphically in the following diagram, where each line represents one of the 5,000 scenarios. Up to the end of the time horizon, the assumptions vary between scenarios and from year to year (these are the ESS assumptions). Beyond this point they vary between scenarios but are fixed from year to year (these are the funding target assumptions).

The diagram is illustrative so the height of the vertical lines above the axis does not represent any particular variable, but it could be thought of as the cumulative total investment return or inflation, for example.



Details on the ESS assumptions and funding target assumptions are included below (in E2 and E3 respectively).

E2 What assumptions are used in the ESS?

The actuary uses Hymans Robertson's ESS model to project a range of possible outcomes for the future behaviour of asset returns and economic variables. With this type of modelling, there is no single figure for an assumption about future inflation or investment returns. Instead, there is a range of what future inflation or returns will be which leads to likelihoods of the assumption being higher or lower than a certain value.

The ESS is a complex model to reflect the interactions and correlations between different asset classes and wider economic variables. The table below shows the calibration of the model as at 31 March 2019. All returns are shown net of fees and are the annualised total returns over 5, 10 and 20 years, except for the yields which refer to the simulated yields at that time horizon.

		Annualised total returns									
		Cash	Index Linked Gilts (medium)	Fixed Interest Gilts (medium)	UK Equity	Overseas Equity	Property	A rated corporate bonds (medium)	RPI inflation expectation	17 year real govt bond yield	17 year govt bond yield
5 years	16th %'ile	-0.4%	-2.3%	-2.9%	-4.1%	-4.1%	-3.5%	-2.7%	1.9%	-2.5%	0.8%
	50th %'ile	0.7%	0.5%	0.3%	4.0%	4.1%	2.4%	0.8%	3.3%	-1.7%	2.1%
	84th %'ile	2.0%	3.3%	3.4%	12.7%	12.5%	8.8%	4.0%	4.9%	-0.8%	3.6%
10 years	16th %'ile	-0.2%	-1.8%	-1.3%	-1.5%	-1.4%	-1.5%	-0.9%	1.9%	-2.0%	1.2%
	50th %'ile	1.3%	0.0%	0.2%	4.6%	4.7%	3.1%	0.8%	3.3%	-0.8%	2.8%
	84th %'ile	2.9%	1.9%	1.7%	10.9%	10.8%	7.8%	2.5%	4.9%	0.4%	4.8%
20 years	16th %'ile	0.7%	-1.1%	0.1%	1.2%	1.3%	0.6%	0.7%	2.0%	-0.7%	2.2%
	50th %'ile	2.4%	0.3%	1.0%	5.7%	5.8%	4.3%	1.9%	3.2%	0.8%	4.0%
	84th %'ile	4.5%	2.0%	2.0%	10.3%	10.4%	8.1%	3.0%	4.7%	2.2%	6.3%
	Volatility (Disp) (1 yr)	1%	7%	10%	17%	17%	14%	11%	1%		

E3 What assumptions are used in the funding target?

At the end of an employer's funding time horizon, an assessment will be made – for each of the 5,000 projections – of how the assets held compare to the value of assets required to meet the future benefit payments (the funding target). Valuing the cost of future benefits requires the actuary to make assumptions about the following financial factors:

- Benefit increases and CARE revaluation
- Salary growth
- Investment returns (the "discount rate")

Each of the 5,000 projections represents a different prevailing economic environment at the end of the funding time horizon and so a single, fixed value for each assumption is unlikely to be appropriate for every projection. For example, a high assumed future investment return (discount rate) would not be prudent in projections with a weak outlook for economic growth. Therefore, instead of using a fixed value for each assumption, the actuary references economic indicators to ensure the assumptions remain appropriate for the prevailing economic environment in each projection. The economic indicators the actuary uses are: future inflation expectations and the prevailing risk-free rate of return (the yield on long term UK government bonds is used as a proxy for this rate).

The Fund has three funding bases which will apply to different employers depending on their type. Each funding basis has a different assumption for future investment returns when determining the employer's funding target.

Funding basis	**Ongoing participation basis**	**Contractor exit basis**	**Low risk exit basis**
Employer type	All employers except Transferee Admission Bodies and closed Community Admission Bodies	Transferee Admission Bodies	Community Admission Bodies that are closed to new entrants
Investment return assumption underlying the employer's funding target (at the end of its time horizon)	Long term government bond yields plus an asset outperformance assumption (AOA) of 1.6% p.a.	Long term government bond yields plus an AOA equal to the AOA used to allocate assets to the employer on joining the Fund	Long term government bond yields with no allowance for outperformance on the Fund's assets

E4 What other assumptions apply?

The following assumptions are those of the most significance used in both the projection of the assets, benefits and cashflows and in the funding target.

a) Salary growth
The salary increase assumption at the 2019 valuation has been set to be a blended rate combined of:

1. 2% p.a. until 31 March 2020, followed by
2. Retail prices index (RPI) thereafter.

This gives a single "blended" assumption of CPI plus 0.7%. This is a change from the previous valuation, which assumed a blended assumption of CPI plus 0.3%. This change has led to an increase in the funding target (all other things being equal).

b) Pension increases
Since 2011 the consumer prices index (CPI), rather than RPI, has been the basis for increases to public sector pensions in deferment and in payment. Note that the basis of such increases is set by the Government and is not under the control of the Fund or any employers.

At this valuation, the Fund has continued to assume that CPI is 1.0% per annum lower than RPI.

c) Life expectancy
The demographic assumptions are intended to be best estimates of future experience in the Fund based on experience of LGPS funds which participate in Club Vita, the longevity analytics service used by the Fund, and endorsed by the actuary.

The longevity assumptions that have been adopted at this valuation are a bespoke set of "VitaCurves", produced by the Club Vita's detailed analysis, which are specifically tailored to fit the membership profile of the Fund. These curves are based on the data provided by the Fund for the purposes of this valuation.

Allowance has been made in the ongoing valuation basis for future improvements in line with the 2018 version of the Continuous Mortality Investigation model published by the Actuarial Profession and a 1.25% per annum minimum underpin to future reductions in mortality rates. This updated allowance for future improvements will generally result in lower life expectancy assumptions and hence a reduced funding target (all other things being equal).

The approach taken is considered reasonable considering the long-term nature of the Fund and the assumed level of security underpinning members' benefits.

d) General
The same financial assumptions are adopted for most employers (on the ongoing participation basis identified above), in deriving the funding target underpinning the Primary and Secondary rates: as described in (3.3), these calculated figures are translated in different ways into employer contributions, depending on the employer's circumstances.

The demographic assumptions, the life expectancy assumption, in effect vary by type of member and so reflect the different membership profiles of employers.

Appendix F – Glossary

Funding basis	The combined set of assumptions made by the actuary, regarding the future, to calculate the value of the funding target at the end of the employer's time horizon. The main assumptions will relate to the level of future investment return, salary growth, pension increases and longevity. More prudent assumptions will give a higher funding target, whereas more optimistic assumptions will give a lower funding target.
Administering Authority	The council with statutory responsibility for running the Fund, in effect the Fund's "trustees".
Admission Bodies	Employers where there is an Admission Agreement setting out the employer's obligations. These can be Community Admission Bodies or Transferee Admission Bodies. For more details (see 2.3).
Covenant	The assessed financial strength of the employer. A strong covenant indicates a greater ability (and willingness) to pay for pension obligations in the long run. A weaker covenant means that it appears that the employer may have difficulties meeting its pension obligations in full over the longer term.
Designating Employer	Employers such as town and parish councils that can participate in the LGPS via resolution. These employers can designate which of their employees are eligible to join the Fund.
Employer	An individual participating body in the Fund, which employs (or used to employ) **members** of the Fund. Normally the assets and **funding target** values for each employer are individually tracked, together with its **Primary rate** at each **valuation**.

Gilt	A UK Government bond, i.e. a promise by the Government to pay interest and capital as per the terms of that particular gilt, in return for an initial payment of capital by the purchaser. Gilts can be "fixed interest", where the interest payments are level throughout the gilt's term, or "index-linked" where the interest payments vary each year in line with a specified index (usually RPI). Gilts can be bought as assets by the Fund, but are also used in funding as an objective measure of a risk-free rate of return.
Guarantee / guarantor	A formal promise by a third party (the guarantor) that it will meet any pension obligations not met by a specified employer. The presence of a guarantor will mean, for instance, that the Fund can consider the employer's **covenant** to be as strong as its guarantor's.
Letting employer	An employer which outsources or transfers a part of its services and workforce to another employer (usually a contractor). The contractor will pay towards the LGPS benefits accrued by the transferring members, but ultimately the obligation to pay for these benefits will revert to the letting employer. A letting employer will usually be a local authority but can sometimes be another type of employer such as an Academy.
LGPS	The Local Government Pension Scheme, a public sector pension arrangement put in place via Government Regulations, for workers in local government. These Regulations also dictate eligibility (particularly for Scheduled Bodies), members' contribution rates, benefit calculations and certain governance requirements. The LGPS is divided into 100 Funds which map the UK. Each LGPS Fund is autonomous to the extent not dictated by Regulations, e.g. regarding investment strategy, employer contributions and choice of advisers.
Maturity	A general term to describe a Fund (or an employer's position within a Fund) where the members are closer to retirement (or more of them already retired) and the investment time horizon is shorter. This has implications for investment strategy and, consequently, funding strategy.
Members	The individuals who have built up (and may still be building up) entitlement in the Fund. They are divided into actives (current employee members), deferred (ex-employees who have not yet retired) and pensioners (ex-employees who have now retired, and dependants of deceased ex-employees).
Primary contribution rate	The employer contribution rate required to pay for ongoing accrual of active members' benefits (including an allowance for administrative expenses). See Appendix D for further details.

Profile	The profile of an employer's membership or liability reflects various measurements of that employer's **members**, i.e. current and former employees. This includes: the proportions which are active, deferred or pensioner; the average ages of each category; the varying salary or pension levels; the lengths of service of active members vs their salary levels, etc. A membership (or liability) profile might be measured for its **maturity** also.
Rates and Adjustments Certificate	A formal document required by the LGPS Regulations, which must be updated at the end of the formal **valuation**. This is completed by the actuary and confirms the contributions to be paid by each employer (or pool of employers) in the Fund for the period until the next valuation is completed.
Scheduled Bodies	Types of employer explicitly defined in the LGPS Regulations, whose employees must be offered membership of their local LGPS Fund. These include Councils, colleges, universities, academies, police and fire authorities etc, other than employees who have entitlement to a different public sector pension scheme (e.g. teachers, police and fire officers, university lecturers).
Secondary contribution rate	The difference between the employer's actual and **Primary contribution rates**. See Appendix D for further details
Stabilisation	Any method used to smooth out changes in employer contributions from one year to the next. This is very broadly required by the LGPS Regulations, but in practice is particularly employed for large stable employers in the Fund.
Valuation	A risk management exercise to review the **Primary and Secondary contribution rates**, and other statutory information for a Fund, and usually individual employers too.

Appendix G - Salary Growth: Managing the Risk

G1 What is salary growth strain?

Prior to 1st April 2014, the Local Government Pension Scheme (LGPS) was a 'final salary' scheme, so a member's pension accrued before 1st April 2014 is directly linked to their salary at retirement. This means that salary increases awarded to your employees have a direct impact on your total pension costs. At each triennial valuation of the pension fund, the actuary assumes about the level of future salary growth. At the next valuation, the actuary then assesses the difference between the increases awarded over the last three years compared to those assumed. If salary increases were higher than anticipated, then this will lead to higher pension costs. This increase in costs is referred to as 'salary growth strain'.

G2 Why is the salary growth strain calculated?

At the 2019 valuation, the fund has discussed the appropriateness of such an assumption considering recent economic conditions and the outlook for future long term pay awards. The actuary has agreed to use a lower assumption at this valuation, equal to an equivalent long-term rate of consumer price inflation ("CPI") plus 0.7% p.a. A lower salary increases assumption benefits employers in that the value placed on their pension costs are reduced via an improved balance sheet position and lower calculated contribution rate (all else being equal).

However, this places a greater risk on the fund of employers awarding larger than expected pay increases and not being able to meet the additional pension costs in the future. Therefore, it is appropriate for the fund to put in place a mechanism that helps control this risk.

G3 How will the mechanism work?

Salary increases will be monitored annually and any salary growth strain arising will be immediately billed to the responsible employer.

At each period end, the Fund will provide salary data for all your employees to the actuary who will calculate whether any salary growth strain has occurred over the year. The actuary will compare each member's salary at the period-end (e.g. 31 March 2020) against the salary at the previous period end (e.g. 31 March 2019). For those members who have left during the period, the period-end salary will be that at the date of leaving. For those members who have joined during the period, the previous period end salary will be that at the date of joining.

If a strain has occurred, the Fund will recharge the additional liabilities incurred to you in the form of an additional one-off top up contribution. Assessing and managing pay growth strain on an annual basis means that there will be no nasty surprises resulting from pay awards at the 2022 valuation.

It is important to realise that these additional contributions are not an extra cost of participating in the fund. Any salary strain payments have historically been met via higher ongoing pension contributions (due to a higher salary growth assumption being used) or they have emerged at the next valuation resulting in a funding deficit and caused future contributions to rise.

G4 What if salary increases are less than expected?

It is not permissible under the LGPS Regulations to reduce the level of an employer's contributions between actuarial valuations. You will therefore not be permitted a reduction in your certified contributions because of pay increases being less than expected. If, however, a pay award gain is calculated in one year, then we would allow this to offset a strain occurring in any future year up to the next formal valuation date. If the overall impact of salary increases between valuations is a gain, then this will be credited to you in your balance sheet position at the next valuation and this will help to reduce your contribution rate going forward (all other things being equal).

Appendix H – Details of the Fund's Multiple Investment Strategies

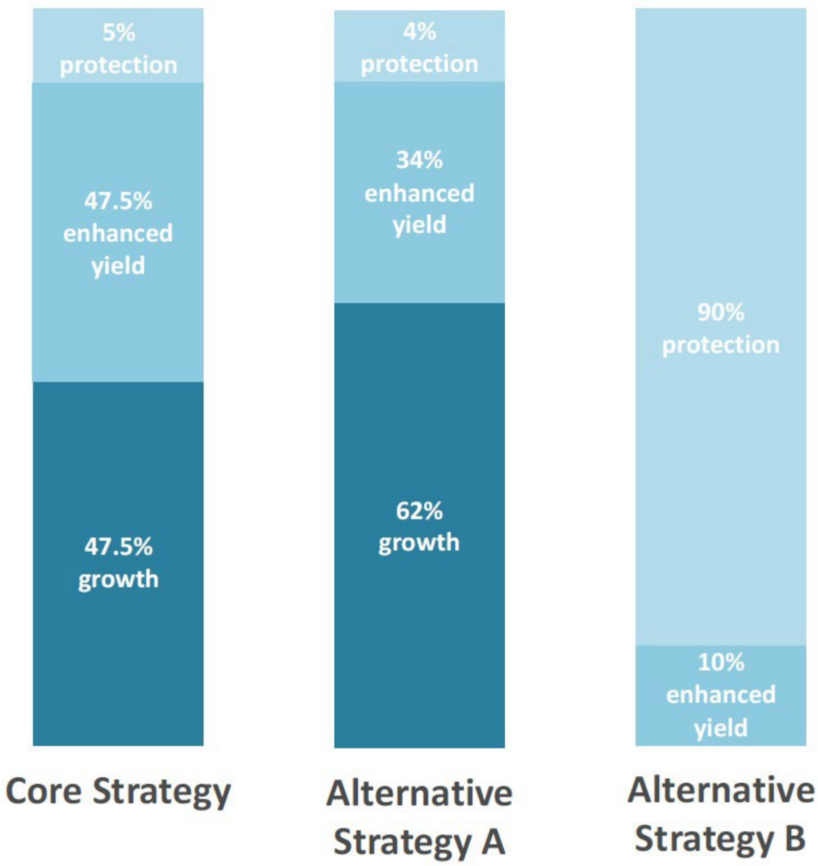
Historically the Fund operated a single investment strategy for all employers. However, due to the increasing diversity amongst the Fund's employers, this approach was changed.

From June 2017, the Fund continues to operate a Core Investment Strategy which most employers participate in. Alongside the Core Strategy, the Fund now also operates two additional investment strategies:

• Alternative Strategy A: this investment strategy has a higher allocation to growth assets than the Core Strategy. The purpose of this strategy is to generate additional investment returns to help improve funding positions. With higher allocation to growth assets does increase the investment risk in the strategy is increased.

• Alternative Strategy B: this investment strategy has no allocation to growth assets. The purpose of this strategy is to protect the funding positions for employers who have ceased participation in the Fund and reduce the risk to remaining employers of having to fund these residual liabilities.

At a high level, the investment strategies are:



Further details can be found in the Fund's Investment Strategy Statement.

An employer is allocated into one of the alternative investment strategies if the Fund deems this to be an appropriate change in strategy given an employer's funding profile and objective.

The following factors are considered when making this decision:

• Employer body type e.g. admitted body

• Funding target i.e. ongoing or cessation

• Approach to new entrants i.e. open or closed

• Other factors depending on employer's funding objective:

- Open, non-admitted Body: maturity, net cashflow
- Closed, non-admitted body: funding level
- Admitted body: funding level, maturity, net cashflow

Employers with active members who are deemed to fit the criteria for participating in one of the alternative investment strategies are consulted with before any change in strategy is implemented.

Appendix X

Norfolk Pension Fund

CUSTOMER CARE AND COMMUNICATION STRATEGY STATEMENT FEBRUARY 2020

The Norfolk Pension Fund is committed to delivering a consistently high level of performance and customer service.

Good communication is core to this commitment.

This document sets out how we do this.

for you, for now, for the future

lgps

Customer Care and Communication Strategy Statement

This Customer Care and Communication Strategy Statement aims to ensure that the Norfolk Pension Fund:

- provides clear, relevant, accurate, accessible and timely information
- listens, considers and responds appropriately to communication we receive
- uses plain English wherever possible, and avoids unnecessary jargon
- uses communication channels which best fit the audience and the information being passed on

Communication is ‘to share or exchange information or ideas’

Our Core Customer Care Standards

- To answer the telephone within 15 seconds, and respond to enquiries within five working days
- To respond to letters and faxes within five working days
- To respond to email or text phone enquiries within three working days
- To meet visitors within five minutes of appointment time
- When visiting, to agree a time in advance and show identity card

Who are we in regular communication with?

- Pensions Committee (The Trustees)
- Pensions Oversight Board
- Participating employers
- Scheme members
- Prospective members
- Scheme member representatives
- Norfolk Pension Fund staff
- Other bodies, including
    - Investment managers
    - The media
    - Actuaries
    - Other pension funds
    - Ministry of Housing, Communities and Local Government (MHCLG) and The Pensions Regulator (regulators of the scheme)

How does the Norfolk Pension Fund communicate?

When deciding how to communicate, we consider the audience, the message and the cost to the Fund.

We want to get our messages over and to make ourselves available to hear queries, opinions and concerns.

We make use of telephone, email, surface mail, fax, internet, social media, paper publications, face to face conversations and meetings, seminars, road shows, attendance at conferences and other forums.

Data Protection Statement

Norfolk County Council on behalf of Norfolk Pension Fund is a Data Controller under the General Data Protection Regulations. This means we store, hold and manage your personal data in line with statutory requirements to enable us to provide you with pension administration services. To enable us to carry out our statutory duty, we are required to share your information with certain bodies, but will only do so in limited circumstances. For more information about how we hold your data, who we share it with and what rights you have to request information from the Fund, please visit www.norfolkpensionfund.org.

Pension Committee Trustees

The Pensions Committee act as trustees and oversee the management of the Norfolk Pension Fund. The Members of the Committee are committed to ensuring the best possible outcomes for the Norfolk Pension Fund, its participating employers and scheme members. Their knowledge is supplemented by professional advice from Norfolk Pension Fund staff, professional advisers and external experts.

The Trustees

Norfolk County Councillors

Judy Oliver (Chairman)

Danny Douglas

Tom FitzPatrick

Martin Storey

Brian Watkins

Two District Councillors

Alan Waters (Vice-Chairman)

John Fuller

Staff representative

Steve Aspin

Sharing information

Committee Meetings

The Pension Committee meets quarterly, to consider all investment and administration (the calculation and payment of benefits) issues related to the Norfolk Pension Fund. It monitors performance, discusses significant issues and makes all decisions related to the Fund. The Executive Director of Finance and Commercial Services, Norfolk Pension Fund staff and other professional advisors prepare reports, briefings and make recommendations for the Committee to consider and act upon.

Observers

People who would like to see the Pensions Committee in action are always welcome to attend public session meetings as observers.

Internet

Pensions Committee reports, agendas and minutes are available via the Norfolk County Council internet and intranet sites at www.norfolk.gov.uk under **Council and Democracy** then **Meetings**.

Pensions Oversight Board

The Pensions Oversight Board helps ensure that the Norfolk Pension Fund continues to be well run and properly managed. The purpose of the Board is to assist Pensions Committee and Officers with responsibilities for managing the Norfolk Pension Fund by helping to:

- Secure compliance with the Regulations, any other legislation relating to the governance and administration of the scheme, and requirements imposed by The Pensions Regulator in relation to the scheme and;
- Ensure the effective and efficient governance and administration of the scheme

The full **Terms of Reference** for the **Pensions Oversight Board** are on the Norfolk Pension Fund website at **www.norfolkpensionfund.org**.

Board Members

Independent Chair	Brian Wigg
Scheme Member Representative	John Harries (Active/Deferred member)
Scheme Member Representative	Peter Baker (Pensioner member)
Scheme Member Representative	Rachel Farmer (Trade Union)
Scheme Employer Representative	Cllr Chris Walker, Poringland Parish Council (Levying/precepting employers)
Scheme Employer Representative	Howard Nelson, Diocese of Norwich Education and Academies Trust (Non levying/precepting employers)
Scheme Employer Representative	Debbie Beck, Norfolk County Council

Sharing information

There are at least two **Pensions Oversight Board** meetings a year. Papers, agendas and minutes of these meetings are published on the Norfolk Pension Fund website at **www.norfolkpensionfund.org**.

In addition, the **Pensions Oversight Board** produce an annual report in accordance with any regulatory requirements.

Scheme members

Norfolk Pension Fund scheme members come from a range of private, public and quasi-public organisations across the county.

It is essential that scheme members are provided with detailed information about the scheme and be able to understand what pension and benefits they may be entitled to in the future.

Communication with members reflects the varying interests and concerns of the different groups of scheme members:

Active members (29,067)
People currently in the employment of a participating employer.

Deferred members (36,947)
People who have left the employment of a participating employer, but who have not yet retired.

Pensioner members (25,354)
People in receipt of a pension from the Norfolk Pension Fund.
(Membership numbers as at 31 March 2019)

Telephone Helpline

A dedicated helpline for scheme members is operated by our experienced Pension Administration Team.

The team gives advice to active, deferred and retired members on scheme membership and benefits.

01603 495923

Phone lines open

Monday to Thursday 8.45am - 5.30pm

Friday 8.45am - 4.30pm

Sharing information with scheme members…	Active	Deferred	Pensioner
Internet The Norfolk Pension Fund website provides advice, information and news as well as **direct and secure access to members personal data,** including a pensions calculator for active members at **www.norfolkpensionfund.org**	✓	✓	✓
Scheme guide A scheme guide is supplied to all members and published on the website.	✓	✓	✓
Annual Benefit Statement and newsletter Annual Benefit Statement booklets are sent to members' home addresses. The booklet also gives information on changes to the scheme and other topical issues, including a summary of the accounts and a general review of the years progress.	✓	✓	✗
Annual Meeting and Pension Clinics Scheme members can raise questions directly with Pensions Committee at the Annual Meeting or discuss their LGPS pension face to face at a Pension Clinic.	✓	✓	✗
Pay Advice and Pensions Increase Notification Payslips are posted to all pensioners when the pension payment after tax is more that £1.00 different to the last monthly payment. Members can view their monthly payment details on our website. We write to members about the annual pensions increase and other important messages. We also send them a P60 Tax Form each year.	✗	✗	✓
Pensions roadshows Roadshows are run as, when and most importantly where they are needed.	✓	✗	✗
Pre-retirement course The Pension Fund supports a pre-retirement course, to help members approaching retirement prepare for the financial and lifestyle changes retirement brings.	✓	✗	✗
Retired members events An annual event for pensioners takes place at a number of venues across the County. Speakers cover a range of pensions, financial and lifestyle subjects, including an update on the LGPS. These events are made possible by kind donations from our fund managers, Custodian and Actuary. The annual **Christmas card**, sent to all retired members, acts as the invitation to this event.	✗	✗	✓
Retired members newsletter Our annual newsletter for retired members, Primetime, covers the latest information about Pensions and related information and is sent to all retired members.	✗	✗	✓

Prospective and new scheme members

Most people coming to work for any of the employers participating in the Norfolk Pension Fund are able to join the Local Government Pension Scheme (LGPS).

An up-to-date list of all the employers who participate in the scheme is posted on our website:

www.norfolkpensionfund.org

Most employers automatically enrol eligible new employees into the LGPS. They then have the right to 'opt out' of the Fund and cease to be a member.

Some members will have circumstances that may make it appropriate to opt out of the Fund.

We want people to make well informed decisions. We work closely with employers to help prospective members understand the wider benefits of membership and to encourage new members not to give up scheme membership without careful consideration.

Sharing information with prospective/new scheme members

New joiner pack

All new members receive a 'new joiner' pack that includes a summary of the scheme benefits and costs, relevant forms and a full scheme booklet.

Online

The Norfolk Pension Fund website has an area for joiners with details of the scheme benefits, costs, who can join and how to join.
www.norfolkpensionfund.org

Induction courses

The benefits of membership are highlighted by scheme employers during their induction procedures.

Recruitment

Recruitment exercises highlight the opportunity of joining the scheme to potential employees.

Member representatives

The staff representative member of the Pensions Committee is also a representative of UNISON.

We maintain positive relations with member representatives and meet as requested or needed.

Employers

At the end of March 2019, the Norfolk Pension Fund had 400 contributing employers. This included Norfolk County Council, non-uniformed police authority and fire service staff, district councils, parish councils and drainage boards, a range of charities and quasi-government organisations such as the Citizens Advice and housing associations, increasingly some private companies delivering services on behalf of local authorities, and a growing number of academy schools.

Sharing information with our employers

Employer Forum

All employers are invited at least twice a year to the Employer Forum. This is a great opportunity for employers and Norfolk Pension Fund colleagues to get together, to exchange news and views. Norfolk Pension Fund staff update employers with the latest news affecting the Norfolk Pension Fund, and external speakers provide insights into the wider pensions world.

Employer Manual

Our interactive Employer Manual is provided via the Norfolk Pension Fund website, and aims to provide all the information needed to take part effectively in the pension scheme.

Employer Newsletter

The Fund publishes a newsletter at least twice a year, aimed specifically at employers. It covers topical issues under debate, technical changes that need their attention and changes to regulations that impact on their duties and responsibilities.

Annual Report and Accounts

The audited accounts of the Norfolk Pension Fund are prepared as at 31 March each year and published on our website.

Specialist advice

Professional advice can be provided/arranged, related to specific pensions activities undertaken by employers, for example transfer of staff, external contracts, etc.

Internet - www.norfolkpensionfund.org and PensionsWeb (Employer Portal)

The Fund's website hosts an area for employers. It has lots of information about the scheme and the Norfolk Pension Fund. The employer manual, year end packs, information, forms and employer newsletters are all available online. Our Employer Portal gives employers access to view their own data, securely exchange data and submit requests and changes online.

Contacts database

We maintain an employer contact database.

Email

Updates on relevant topics are emailed to employer contacts as appropriate.

Fact sheets

Pension Fund fact sheets are maintained on issues such as early retirements.

Individual employer meetings

Pension Fund staff will attend pensions related meetings at employers premises on request.

Other bodies we communicate with

The Ministry of Housing, Communities and Local Government (MHCLG): We have regular contact with MHCLG, as regulator of the scheme, and participate in a number of working groups where new developments are discussed.

Scheme Advisory Board (SAB): Head of the Norfolk Pension Fund, Nicola Mark, is the elected practitioner representative on the Scheme Advisory Board.

The Pensions Regulator (TPR): to ensure good governance and standards of administration and compliance with Public Service Code of Practice 14.

ACCESS (A Collaboration of Central, Eastern and Southern Shires): The Norfolk Pension Fund is one of 11 LGPS Funds in the ACCESS investment pool.

The Society of County Treasurers

Chartered Institute of Public Finance Accountants (CIPFA): The Head of the Norfolk Pension Fund, Nicola Mark, sits on the CIPFA Pensions Panel.

Local Authority Pension Fund Forum (LAPFF): Norfolk Pension Fund is a member of the LAPFF, which was established to help local authority funds share information and ideas about how we can be socially responsible owners of the companies in which we invest.

Pensions and Lifetime Savings Association (PLSA): The Norfolk Pension Fund is a member of the PLSA, which helps us be a part of the national pensions debate. The Head of the Norfolk Pension Fund sits on the Main Policy Board and is also Chair of the Local Authority Committee.

South Eastern Counties Superannuation Officers Group: Pension Officers from administering authorities in the region meet regularly to share information and ensure uniform interpretation of the rules governing the scheme.

Investment Managers, Professional Advisors and Actuaries: We have regular meetings with the Fund Managers who invest the monies belonging to the Fund. We also meet the Fund's actuaries who measure and value the assets and liabilities of the Fund, and calculate the necessary Employer contribution rates to keep the Fund solvent.

Heywoods CLASS and Payroll User Groups: We are active members of the Heywood's Administration CLASS (Computerised Local Authority Superannuation System) and Payroll system users groups.

Pension Fund Custodian: The Fund's custodian is HSBC, who ensure the safekeeping of the Fund's investment transactions and all related share certificates, etc.

Barclays Bank: provide banking services to the Fund

The Press: The Fund has a good working relationship with professional pension publications and the local media.

Seminars and conferences: Norfolk Pension Fund staff regularly attend and speak at seminars and conferences, to continue their professional development, maintain knowledge levels and to contribute to pensions development.

Norfolk Pension Fund staff

The Norfolk Pension Fund is administered by Norfolk County Council.

Administrator of the Norfolk Pension Fund

Norfolk County Council Executive Director of Finance and Commercial Services, Simon George.

Head of Service

Director of the Norfolk Pension Fund, Glenn Cossey, leads the Service.

Administration Management

Pensions Manager, Mark Alexander and **Pension Member Services Manager,** Debra Keeling, and their team provide benefit administration services to scheme members and participating employers.

Investment Management

Head of Funding and Investment, Alex Younger, and his team manage the pension fund investments and accounts, as well as providing support to employers and the Trustees in their stewardship of the Fund.

Business Management

Business Development and Project Manager, Jo Quarterman, supports the Fund's governance, communication, service development and project management.

Sharing information

Management meetings

The Management Team meets regularly, for strategic and development planning and review, as well as operational performance issues and monitoring.

Team meetings

Team meetings take place regularly, and are supplemented by additional or informal meetings for specific issues as required.

Service Plan

The Fund maintains a three year service plan, which sets out the agenda for the future. All the team share the plan, and discuss at team meetings.

Team development

A budget is allocated for training and development. A combination of formal and informal training and development is maintained.

Appraisal process

The appraisal process provides a formal opportunity for discussion between staff and their managers, in addition to informal day to day communication. Objectives are linked to the Service Plan.

Intranet, internet and email

All staff have access to the (Norfolk County Council) intranet, the internet, email and a shared electronic diary system.

Norfolk Pension Fund

Norfolk Pension Fund,
4th/5th Floor Lawrence House,
5 St Andrews Hill, Norwich, NR2 1AD
Telephone: 01603 495923
Fax: 01603 495795
Email: pensions@norfolk.gov.uk
www.norfolkpensionfund.org

Norfolk Pension Fund publications

Communication material	Paper based	Online	Large sight copy	Braille/ Audio	When published	When reviewed
Website: **www.norfolkpensionfund.org**		✓	Help available	Help available	Constantly available	Ongoing
Scheme Booklet	✓	✓	On request	On request	Constantly available	Ongoing
Summary Guide to the LGPS	✓	✓	On request	On request	Constantly available	Ongoing
Annual Benefit Statement, members newsletter and accounts	✓	✓	On request	On request	Annually	Annually
Pay advice slip	✓	✓	On request	On request	Online - Monthly Paper - only if payment changes	Monthly
Retired members newsletter	✓	✓	On request	On request	Annually	Annually
Information sheets (various)	✓	✓	On request	On request	As required	Ongoing
Employer Manual	✓	✓	On request	On request	Constantly available	Ongoing
Employer Newsletter	✓	✓	On request	On request	Twice a year	Twice a year
Report and Accounts	✓	✓	On request	On request	Annually	Annually
Pensions Committee Papers	✓	✓	On request	On request	Quarterly	Quarterly
Pensions Oversight Board Papers	✓	✓	On request	On request	3-4 times a year	3-4 times a year
Press articles	✓	✓	On request	On request	As required	As required

IN TRAN®
communication for all

If you would like this newsletter in large print, audio, Braille, alternative format or in a different language, please call 01603 222824 or email pensions@norfolk.gov.uk

Norfolk Pension Fund Events

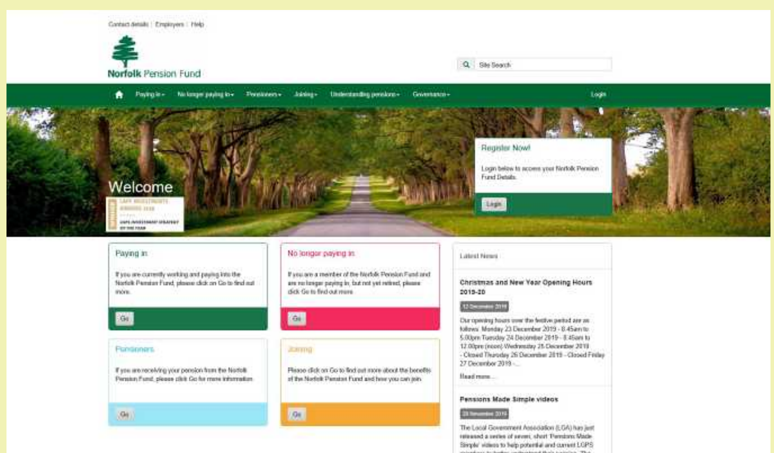
Pensions Committee	Four times a year
Pensions Oversight Board	Three to four times a year
Employer Forum	Twice a year
Annual Meeting and Pension Clinics	October/November
Retired member events	April/May
Pre-retirement course	Bi-monthly
Norfolk Pension Fund member roadshow	At employers premises, as requested
Induction sessions for employers (new HR and Finance staff)	As requested

Visit the Norfolk Pension Fund at

www.norfolkpensionfund.org

For information on

- Benefits
- Fund performance
- Fund literature and guides
- Events
- Latest news
- Contact information



Register for online services for

- Personal details
- Annual Benefit Statement
- Pension payments
- Online requests

Norfolk Pension Fund

Appendix XI

Norfolk Pension Fund

This document sets out the

Governance arrangements

for the

Norfolk Pension Fund

as at June 2020

Governance Statement June 2020

for you, for now, for the future

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Administering Authority

Norfolk County Council (NCC) is the **Administering Authority** of the Norfolk Pension Fund and administers the Local Government Pension Scheme (LGPS) on behalf of participating employers and scheme members.

- Norfolk County Council has delegated its pensions functions to the **Pensions Committee**
- Norfolk County Council has delegated responsibility for the administration and financial accounting of the Norfolk Pension Fund to the **Executive Director of Finance and Commercial Services**
- The **Norfolk Pension Fund Pensions Oversight Board** acts as the **Local Pension Board** for the Norfolk Pension Fund

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 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 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 Trustees*

- The Pensions Committee act as Trustees and oversee the management of the Norfolk Pension Fund
- As Trustees, their overriding duty is to ensure the best possible outcomes for the Pension Fund, its participating employers and scheme members
- Their knowledge is supplemented by professional advice from Pension Fund staff, professional advisers and external experts
- To meet the requirements set out by the Pensions Regulator's Code of Practice, Trustees need a certain level of expertise. An ongoing programme of trustee training is delivered and no substitutions are allowed at Committee

Pensions Committee Membership

There are eight members of the Pensions Committee:

Chairman	Norfolk County Councillor	Judy Oliver
	Norfolk County Councillor	Danny Douglas
	Norfolk County Councillor	Tom FitzPatrick
	Norfolk County Councillor	Martin Storey
	Norfolk County Councillor	Brian Watkins
Vice-Chairman	District Councillor (elected by the Local Government Association)	Alan Waters
	District Councillor (elected by the Local Government Association)	John Fuller
	Staff Representative	Steve Aspin
	Observer**	Open to all participating
Other attendees	Administrator of the Fund (NCC Executive Director of Finance and Commercial Services)	Simon George
	Director of the Norfolk Pension Fund	Glenn Cossey
	Investment Advisor to the Fund (Hymans Robertson)	William Marshall

* Pensions Committee members act as Trustees but do not have legal status as Trustees.

** The observer seat is not currently part of the formal Constitution and does not have voting rights. However, the observer seat is an equal member of the Committee in all other ways, with access to all Committee papers, officers, meetings and training, along with the opportunity to contribute to the decision making process.

Local Pension Board

In line with all public service pension schemes, each Local Government Pension Scheme (LGPS) Fund is required to have a Local Pension Board.

The Local Pension Board for the Norfolk Pension Fund is called the **Norfolk Pension Fund Pensions Oversight Board**.

Role of the Pensions Oversight Board

The role of the **Pensions Oversight Board**, as defined by Regulation 106 of the Local Government Pension Scheme Regulations 2013, ("the Regulations") is to:

- Assist the **Administering Authority** to secure compliance with:
  - the Regulations and any other legislation relating to the governance and administration of the Local Government Pension Scheme (LGPS);
  - requirements imposed in relation to the LGPS by the Pensions Regulator (tPR); and
  - such other matters as the LGPS regulations may specify
- Assist the **Administering Authority** to ensure the effective and efficient governance and administration of the Norfolk Pension Fund
- Provide the **Administering Authority** with such information as it requires ensuring that any member of the **Pensions Oversight Board** or person to be appointed to the **Pensions Oversight Board** does not have a conflict of interest

The **Pensions Oversight Board** also helps ensure that the Norfolk Pension Fund is managed and administered effectively and efficiently and complies with the Code of Practice on the governance and administration of public service pension schemes issued by The Pensions Regulator.

The creation of the **Pensions Oversight Board** does not change the core role of the **Administering Authority** nor the way it delegates its pension functions to the **Pensions Committee**. The **Pensions Oversight Board** does not replace the **Administering Authority** nor make decisions which are the responsibility of the **Administering Authority** under both the Regulations and other relevant legislation.

The **Pensions Oversight Board** only has the power to oversee decisions made by the **Administering Authority** and to make recommendations to improve the efficient and effective administration and governance of the pensions function, including funding and investments.

The full **Terms of Reference** for the **Pensions Oversight Board** are on the Norfolk Pension Fund website at www.norfolkpensionsfund.org.

Pensions Oversight Board Membership

The **Pensions Oversight Board** has an equal number of scheme member and scheme employer representatives (three of each), along with an Independent Chairman:

Independent Chair	Brian Wigg
Scheme Member Representative	John Harries Active/deferred member
Scheme Member Representative	Peter Baker Pensioner member
Scheme Member Representative	Rachel Farmer Trade union
Scheme Employer Representative	Cllr Chris Walker, Poringland Parish Council Levying/precepting employer
Scheme Employer Representative	Howard Nelson, Diocese of Norwich Education and Academies Trust Non-levying/precepting employer
Scheme Employer Representative	Debbie Beck, Norfolk County Council

Pensions Oversight Board members comply with the Norfolk Pension Fund training policy, and training opportunities are as far as possible are shared with the **Pensions Committee**.

Each member of the **Pensions Oversight Board** is responsible for complying with the knowledge and understanding requirements of section 248A of the Pensions Act 2004.

Pensions Oversight Board Meetings

There are at least two **Pensions Oversight Board** meetings a year and it normally meets quarterly.

Papers, agendas and minutes of these meetings are published on the Norfolk Pension Fund website at www.norfolkpensionfund.org.

In addition, the **Pensions Oversight Board** produce an annual report in accordance with any regulatory requirements.

Executive Director of Finance and Commercial Services

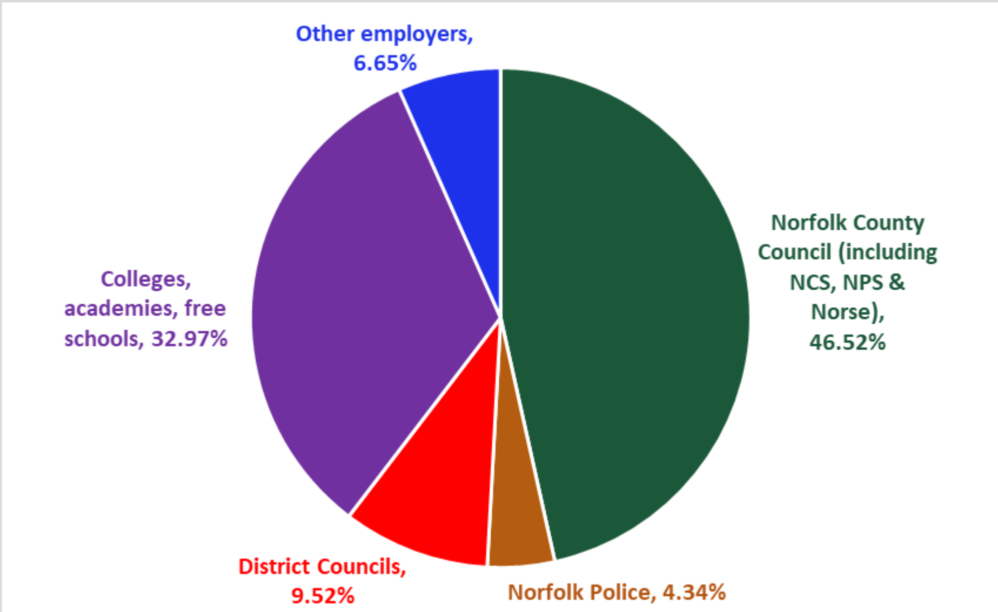
- The **Executive Director of Finance and Commercial Services** is Norfolk County Council's Chief Finance Officer and Section 151 Officer
- As Administrator of the Fund he is responsible for:
  - The administration and financial accounting of the Fund
  - The preparation of the Pension Fund Annual Statement of Accounts

Legislation and Regulations

- The Norfolk Pension Fund administers the Local Government Pension Scheme (LGPS) in Norfolk and is governed by the:
  - Local Government Pension Scheme Regulations 2013
  - Local Government Pension Scheme (Miscellaneous Amendments) Regulations 2014
  - Local Government Pension Scheme (Transitional Provisions, Savings and Amendment) Regulations 2014
  - Local Government Pension Scheme (Amendment) Regulations 2015
  - Local Government Pension Scheme (Management and Investment of funds) Regulations 2009, and subsequent amendments
- **Pensions Committee** is governed by Norfolk County Council's procedural rules under the Council's Constitution. The Committee's **Terms of Reference** are:
- "To administer all aspects of the Norfolk Pension Fund on behalf of Norfolk County Council as Administering Authority of the Local Government Pension Scheme, and on behalf of Norfolk County Council as an employer within the scheme alongside all other contributing employers, and on behalf of all scheme beneficiaries (scheme members) including:
  - Functions relating to local government pensions etc under regulations made under Sections 7, 12 and 24 of the Superannuation Act 1972
  - To receive and consider the draft Financial Statements for the Norfolk Pension Fund
  - To comment on the draft Financial Statements and make a recommendation to the Audit Committee that they be approved/not approved"
- Financial affairs are conducted in compliance with Norfolk County Council's Financial Regulations
- Funds are invested in compliance with the Norfolk Pension Fund's Statement of Investment Principles

Membership of the Fund and Local Accountability

Active Membership Breakdown by Employer as at 31 March 2020



Local Accountability - Representation

Employers

- Employers are directly represented on Pensions Committee and the Pensions Oversight Board
- All employers are invited to regular Employer Forums and the Annual Meeting

Scheme Members

- Scheme Members are directly represented on Pensions Committee and the Pensions Oversight Board
- All active and deferred scheme members are invited to the Annual Meeting and Pensions Clinics; retired members are invited to the Retired Members Forum

Membership as at 31 March 2020

414 Contributing Employers

26,343 Pensioners

(members in receipt of a pension from the Fund)

29,317 Active Members

(members who are currently in the employment of a participating employer)

36,700 Deferred members

(members who have left the employment of a participating employer, but who are not yet in receipt of their pension)

Local Accountability - Transparency

- The Fund is committed to providing clear, relevant, accessible and timely information to all stakeholders
- How it does this is set out in the annually updated Customer Care and Communication Strategy Statement. This is on our website at **www.norfolkpensionfund.org**
- Pensions Committee reports, agendas and minutes are published on the Norfolk County Council website at **www.norfolk.gov.uk**
- Pensions Committee meetings are open to the public
- Pensions Oversight Board reports, agendas and minutes are published on the Norfolk Pension Fund website at **www.norfolkpensionfund.org**
- The Annual Pension Fund Report and Accounts, reporting on the activities and investment performance of the Fund, and including the Pensions Oversight Board annual report, are on our website at **www.norfolkpensionfund.org**
- Payments over £500 are published on the Norfolk County Council website at **https://www.norfolk.gov.uk/what-we-do-and-how-we-work/open-data-fois-and-data-protection/open-data/payments-to-suppliers**
- Extracts from the Annual Report and a signpost to the whole document are included in the Annual Benefit Statement sent to all scheme members, and in Primetime, the annual magazine sent to all retired members
- All scheme members and employers are invited to an Annual Meeting
- All employers and members of the Pensions Committee are invited to our Employer Forums, held twice a year. These are an opportunity for employers to discuss matters of interest to their organisations with officers and members

ACCESS Investment Pool

The Norfolk Pension Fund participates in ACCESS (A Collaboration of Central, Eastern and Southern Shires), an investment asset pool of eleven Administering Authorities within the Local Government Pension Scheme (LGPS).

The ACCESS authorities have signed an Inter Authority Agreement which established a Joint Committee at which the Chair from each Administering Authority Section 101 Committee ('Pensions Committee') is represented.

The Norfolk Pension Fund Pensions Committee and Pensions Oversight Board are regularly updated and review the work of the Joint Committee and the Operator, and ACCESS investment performance.

More information can be found on the ACCESS website at www.accesspool.org.

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Website, Technical and Employer Queries

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Norfolk Pension Fund

LOCAL GOVERNMENT PENSION SCHEME

Pension Administration Strategy

Introduction

The Norfolk Pension Fund is responsible for administering the Local Government Pension Scheme on behalf of Norfolk County Council (the Administering Authority).

The Pension Administration Strategy (PAS) sets out the requirements of employers which will enable them and Norfolk Pension Fund to meet their legal obligations in respect of the Local Government Pension Scheme (LGPS) within a regulatory regime which has increasingly high levels of external scrutiny.

Approximately 250 employers participate in the Norfolk Pension Fund at October 2015 which includes the County, District, City, Borough, Town and Parish Councils together with Norfolk Police (non-uniformed), Academies and Free Schools (non-teaching), many charities and voluntary organisations and an increasing number of private sector companies.

In preparing the PAS, Norfolk Pension Fund has consulted on the principles of this strategy with scheme employers. This document sets out the PAS incorporating those principles.

The PAS will be kept under review and any appropriate revisions made to this document. Any material change will come back to Pensions Committee for consideration. The latest version is always available from our website www.norfolkpensionfund.org.

Aims and Objectives

The aim of the PAS is to detail requirements for liaison and communication between employers and Norfolk Pension Fund and to establish minimum levels of administrative performance required by all parties to meet their statutory obligations. The PAS aims to promote good working relationships and improve transparency, efficiency and quality.

The efficient operation of the scheme is dependent upon stakeholders carrying out their responsibilities diligently and in accordance with agreed and well documented processes. The actions of employers have a significant impact on the performance and quality of pension administration.

Administration fees are spread proportionately among all employers of the fund via an allowance (defined by the scheme actuary) within the employer pensions contributions. Where an employer puts a disproportionate burden on administration through its poor performance then this could in effect be subsidised by other employers. This strategy enables Norfolk Pension Fund to reserve the right to re-charge such employers for the additional costs they cause.

The objective of the PAS is to ensure that Norfolk Pension Fund can provide an efficient and value for money service at fair cost to **all** its stakeholders.

Regulatory Framework

The LGPS is a statutory scheme set up under the Public Sector Pensions Act. Its scheme rules are contained within the Local Government Pension Scheme Regulations 2013 (as amended). The relevant regulations for this Strategy document are:

Regulation 59 – Pension Administration Strategy
Regulation 70 – Additional Costs arising from Scheme Employer's Level of Performance
Regulation 71 – Interest on Late Payments by Scheme Employers
Regulation 80 – Exchange of Information

Other relevant legislation and guidance:

- Pensions Regulator's "Code of Practice" Number 14: "Governance and Administration of Public Sector Pension Schemes"
- Data Protection Act
- Pensions Acts
- Finance Acts
- Occupational Pension Schemes (Disclosure of Information) Regulations

Supporting Employers

All new employers are given appropriate support and training including a walk-through of online services (PensionsWeb) and the Employer Handbook (G001).

All employers have access to all our Employer Guides, policy and strategy documents on our website or they are available in hardcopy on request.

Additionally, Norfolk Pension Fund hold regular Employer Forum, training events and issue Employer newsletters.

Relevant Norfolk Pension Fund Documents

These are available on our website:
AD1 - Administering Authority Policy
G001 - Employer Handbook
G010 - Pensionable Pay Guide
G020 - Contributions Guide
G030 - Absence Guide
G040 - Leavers and Retirements Guide
G050 - Guide to the Employer Portal
G060 - Employer Pensions Policy Guide
G070 - Employer IDRP Guide
G080 - Prospective Employer Guide
G100 - HR Guide to the 2014 Scheme
G101 - Payroll Guide to the 2014 Scheme

Customer Care and Communications Strategy
Governance Strategy Statement
Pension Administration Strategy – AD2 (this document)

Scheme Employer Main Responsibilities

The main responsibilities of all scheme employers are set out below. The performance standards are required to enable the Norfolk Pension Fund to deliver an efficient, high quality, value for money service within the regulatory framework it operates under.

Where an employer uses a third party (e.g. payroll or HR provider) to carry out the functions on their behalf the employer still retains the legal responsibility for ensuring those functions are carried out correctly and on time.

Function / Task	Performance Expectation / Target
Provide details to Norfolk Pension Fund of a person to be the main point of contact for LGPS pension matters (the Pensions Liaison Officer – PLO)	Notify Norfolk Pension Fund 1 month before a new employer joins the scheme. Notify Norfolk Pension Fund within 1 week of any change to the PLO
Ensure that the PLO has access to PensionsWeb (secure website)	Within 1 week of being notified a Norfolk Pension Fund account has been set up
PLO should ensure that contact details are maintained on PensionsWeb for all relevant staff of the employer including "online users"	Update the relevant details within 1 week of any changes
Publish a Pensions Policy Statement and send a copy to Norfolk Pension Fund	Within 1 month of employer joining the fund or within 1 month of any changes to the policy
Nominate an adjudicator for disputes	Within 1 month of employer joining the fund or within 1 month of any changes
Nominated representative(s) attend Employer Training Events, Employer Forum, Employer Briefing held by NPF	Attendance at such events
Respond to enquiries from Norfolk Pension Fund	Within 10 days of the enquiry or such other timescale requested by Norfolk Pension Fund
Distribute information provided by NPF for information of active scheme members	Within 10 days of being provided with the information
Implement correct or amended Employer Contribution Rate or monthly deficit payment	From the appropriate date notified by Norfolk Pension Fund
Pay over monthly employee and contributions to Norfolk Pension Fund by BACS or similar electronic method and provision of SR71 form	By date shown on SR71 forms (e.g. 7th or 15th (or earlier working day) of the month following the deduction of employee contributions)
Pay over monthly employee AVC contributions to the relevant AVC provider by BACS or similar electronic method	By 15th (or earlier working day) of the month following the deduction of employee contributions
Make payment of invoices issued by Norfolk Pension Fund in respect of additional employer contributions, missing employee contributions, early retirement strain, early retirement compensation payments, or additional costs associated with non-compliance of the PAS	Within 30 days of the date of the invoice

*Remit the Annual Contribution Return to Norfolk Pension Fund in required format	By 30 April following 31 March year end
Notify Norfolk Pension Fund of any contracting out of services/outsourcing etc. involves a TUPE transfer of staff	As soon as possible. Preferably up to 6 months before any such event
Issue New Member Packs to new or prospective scheme members	Preferably before employment begins, but within 1 month of starting
Deduct appropriate amount of employee contributions from employees pay inc additional contributions as notified by Norfolk Pension Fund or AVC provider	From next available payroll
Maintain individual (unique) reference (e.g. payroll reference or job reference) for each separate job an individual has. So that separate pension accounts can be identified and maintained for each.	Include this reference on all notifications and correspondence to Norfolk Pension Fund
* Notify NPF of new joiners. Including additional jobs for existing members	Within 1 month of joining
*Notify Norfolk Pension Fund of relevant changes to members circumstances (name, address, part-time hours, break in service)	Within 1 month of the change
* Early notification to Norfolk Pension Fund of forthcoming retirements	1 month before date of retirement (where possible – i.e. notice given by employee or employer)
Notification to Norfolk Pension Fund of death of active member including details of spouse, next of kin etc. by telephone	Within 2 days of the event
* Notify Norfolk Pension Fund of any leavers, retirements, deaths, opt outs	Within 1 month of the event to include all relevant paperwork and certificates

* Notification to Norfolk Pension Fund should be in the prescribed format. See section "Notifying Norfolk Pension Fund"

Notifying Norfolk Pension Fund

Norfolk Pension Fund currently provides several channels for employers to provide information. All notifications must be by one of the prescribed forms/methods. Options available currently include, paper forms (sent by post or delivered by hand), online forms, online bulk processes, secure email, fax transmission.

There is an overhead to the multi-channel approach as several systems have to be maintained and operated. Therefore Norfolk Pension Fund is moving to an online format (PensionsWeb) only for most forms where third party completion is not required. Online facilities exist for:

- Employers to maintain their contact details with us
- Notification of New Starters in bulk
- Notification of Changes
- Early Notification of Retirement
- Notification of Leaver
- Secure transmission of standard spreadsheets for Year End Return, notification of TUPE transfers, any other documents required to be sent to Norfolk Pension Fund

Forms requiring third party completion that cannot be catered for directly online include:

- New Member Form (completed by scheme member)
- Opt Out Notification (part completed by the scheme member)
- Il Health Certificate (completed by the Medical Advisor)

However, completed versions of all these forms could be scanned by the employer and uploaded to the secure online facility.

From October 2016 it is expected that all employers will use online services only (PensionsWeb) where the appropriate facility exists.

Employer Performance Monitoring

Norfolk Pension Fund will look to work closely with employers where areas of poor performance are identified to ensure the necessary training and development are undertaken in order to address any shortcomings.

Pension Fund Responsibilities in Relation to Scheme Members

The main responsibilities of Norfolk Pension Fund in relation to scheme members are set out below, together with the performance standard expected to be met in order to demonstrate an efficient and high quality service.

Function / Task	Performance Expectation / Target
Provide Transfer In Quotes to scheme member	Within 10 working days of receipt of request and all information required
Provide Transfer Out Quotes to scheme member	Within 10 working days of receipt of request and all information required
Make Refund Payments to scheme member	Within 5 working days of receipt of request and all information required
Provide Estimate of Retirement Benefits in respect of scheme member	Within 10 working days of receipt of request and all information required
Calculate and Notify scheme member of Actual Retirement Benefits	Within 5 working days of receipt of request and all information required
Acknowledge Death of Member	Within 5 working days of receipt of request and all information required
Notify Dependants' Benefits	Within 5 working days of receipt of request and all information required
Notify Deferred Benefits	Within 10 working days of receipt of request and all information required
Response to general member enquiries	Within 5 working days of receipt of request and all information required
Make Monthly Pension Payments	On or before last banking day of each month
Issue Annual Benefit Statements	By 31 August following year end

Pension Fund Performance Monitoring

Norfolk Pension Fund carries out continual performance monitoring against its performance targets. These are measured against its peers in annual benchmarking exercises which are reported to employers, the pensions committee and details included in Norfolk Pension Fund annual report.

Policy on Re-charging Employers Direct for Administration Costs due to Failure to Comply with Requirements

Where ongoing performance issues are identified Norfolk Pension Fund will pro-actively seek to put an improvement plan in place. An ***Improvement Notice*** would be sent to the employer detailing the areas of concern, set timescales for improvement and confirm possible fees that Norfolk Pension Fund would seek to charge to the employer should performance not improve (see section **Administration Fees for Employer Work**).

Should performance not improve within the timescale set out in the ***Improvement Notice*** the breach will be reported to the Head of Norfolk Pension Fund in the first instance for consideration. Norfolk Pension Fund reserves the right to invoke the appropriate administration fees. Any events of this type will be reported to Pensions Committee.

Where performance issues are related to one-off events (e.g. provision of annual contribution return), and no extenuating circumstances are known to Norfolk Pension Fund, then an ***Improvement Notice*** will be sent by Norfolk Pension Fund. Fees (see section **Administration Fees for Employer Work**) may be incurred immediately and reported to the Pensions Committee. Serious non-compliance will also be reported to the Pensions Regulator.

Policy on Recovering Costs from Employers where Excessive Service Requested

In exceptional circumstances, Norfolk Pension Fund reserves the right to charge an administration fee. Examples of where this may apply include:

• Disproportionate or excessive employer requests for non-standard information (e.g. bespoke lists of its members' data etc.)

• An employer requests Norfolk Pension Funds significant assistance in ensuring that its own pension records are up-to-date.

• Where an employer changes payroll provider; the additional costs incurred in updating pension fund records may be recovered and also costs associated with processing multiple year end returns.

Norfolk Pension Fund may need to agree non-standard turnaround times for certain work in order to keep any administration costs to a reasonable level. Norfolk Pension Fund also reserve the right to charge fees (to cover the additional cost) to employers at the discretion of the Head of Norfolk Pension Fund.

Policy on Re-charging Employer with Other Charges or Obligations

Any fines, fees or other charges made on Norfolk Pension Fund but which relate to performance of the employer (e.g. by Pensions Ombudsman, the Pensions Regulator or other regulatory bodies) will be recharged to the employer.

Interest on late payment of contributions as defined in the Local Government Pension Scheme may be charged to the employer in addition to any administration fee.

Any event that seriously jepordises the Norfolk Pension Funds ability to meet statutory requirements may invoke an immediate fine e.g. failure to provide annual contribution returns.

Penalties for Failure by Employers to Meet their Statutory Obligations

Administration fees shown below are charged at the discretion of the Head of Norfolk Pension Fund and would only be invoked if an employer has consistently failed to meet its obligations and an ***Improvement Notice*** has been issued but not complied with.

Regulatory Task	Administration Fee/Charge
Failure to appoint a Pension Liaison Officer (PLO) or keep NPF informed of PLO or change to contact details	£50 per occurrence plus £50 for each month of continued non provision
Late payment of employee and/or employer contributions	£50 per occurrence plus interest as defined in the LGPS Regulations
Non provision of the monthly SR71 contributions schedule	£50 per occurrence, plus £50 per week of continued non provision
Late provision of year end contribution return in prescribed format*****	£1,000 per occurrence plus £100 for each week or part week of continued non provision
Late provision of starter notification	£50 initial charge plus £50 per month or part month of continued non provision
Late provision of leaver notification	£50 initial charge plus £50 per month or part month of continued non provision

***** Due to the serious impact of this requirement, a penalty charge will apply for late submission and will only be waived in exceptional circumstances, as agreed by the Head of the Norfolk Pension Fund.

Apart from the requirement above, these fees and charges will only be made in exceptional circumstances and Norfolk Pension Fund will do everything possible to support employers in order to avoid them.

Norfolk Pension Fund
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www.norfolkpensionfund.org

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Report to Pensions Committee

Item No. 8

Report title:	**Corporate Governance and Shareholder Engagement Report**
Date of meeting:	**1 October 2020**
Responsible Director:	**Simon George, Executive Director of Finance and Commercial Services** **Glenn Cossey, Director of the Norfolk Pension Fund**

Executive Summary

This report is the six-month update for the Pensions Committee on corporate governance and shareholder engagement matters relating to the Fund including ESG matters relating to the ACCESS Pool. This follows the last full report to Pensions Committee in February 2020 and covers the period 1 January 2020 to 30 June 2020.

Recommendations

The Pensions Committee is asked to consider and note the contents of this report.

1. Background and Purpose

1.1 Over many years, the Committee have developed their own policy on Corporate Governance in line with industry best practice. Details of the current policies on Voting and Engagement are set out in Appendix 5 of the Norfolk Pension Fund Investment Strategy Statement (ISS). A copy of the ISS can be found on our website at www.norfolkpensionfund.org (type ISS into the 'Site Search' box).

1.2 The Fund believes that through the adoption of good practice in corporate governance, environmental and social matters, the management of companies will improve, and long-term shareholder value will increase. The Fund's policy expects Investment Managers to make regular contact at senior executive level with the companies in which the Fund's assets are invested, both as an important element of the investment process and to ensure good Corporate Governance and raise awareness of Environmental, Social and Environmental (ESG) issues. Key AGM voting, and manager discussion themes are as follows:

- Board structure
- Chairman independence
- Executive remuneration
- AGM proposals

1.3 The key themes of the engagement policy are as follows.

The Fund expects companies to:

- Demonstrate a positive response to all matters of social responsibility
- Take environmental matters seriously and produce an environmental policy on how any detrimental impact can be minimised
- Monitor risks and opportunities associated with climate change and fossil fuels and take all reasonable and practical steps to reduce environmental damage
- Make regular and detailed reports of progress on environmental issues available to shareholders

- Openly discuss the environmental impacts of their business with shareholders
- Establish procedures that will incrementally reduce their environmental impact
- Comply with all environmental and other relevant legislation and seek to anticipate future legislative requirements.

1.4 Voting has been undertaken in accordance with the Pension Fund's policy by the Research Recommendations and Electronic Voting organisation (RREV). For those Norfolk equity assets transferred to the ACCESS Pool (Baillie Gifford and Fidelity mandates) voting has been undertaken by the investment managers in accordance with Pool policy, see section 7 for more detail. The Fund's investment managers have continued to engage with companies and markets to improve governance generally.

1.5 We are currently working to improve the disclosure of manager engagement policies on our website.

1.6 When the segregated equity mandates managed by Capital and Mondrian transfer to the ACCESS pool before the end of the calendar year as planned; the Fund will no longer vote any stock directly through its own proxy voting provider. The voting arrangements for Capital and Mondrian will then mirror the approach for the Baillie Gifford and Fidelity mandates described in 7.

2. Voting

2.1 Details of all votes cast for UK and overseas companies can be found on our website at www.norfolkpensionfund.org.

2.2 During the first and second quarters of 2020 (01 January 2020 to 30 June 2020) there were 61 UK company meetings, including Annual General Meetings (AGMs), Extraordinary General Meeting (EGMs) etc., covering 1224 resolutions relating to the Fund's shareholdings. Further analysis of the votes cast at UK Company meetings by the Norfolk Pension Fund is shown below.

Votes "For"	1188
Votes "Against"	23
Votes Abstained from	13
Total Votes	1224

2.3 Votes against the management of UK companies only are shown in Appendix A.

3. Engagement

3.1 Norfolk Pension Fund expects the fund managers to engage with the companies in which we invest, with an emphasis on environmental issues. The fund managers have supplied us with highlights of their engagement, which is summarised in Appendix B.

4. Voting and Engagement - Pooled Funds

4.1 UBS invest in pooled passive funds on behalf of the Fund. Accordingly, we are not able to exert direct control over their voting or engagement activity. However, at previous Committee meetings it has been noted that UBS operate a high-quality programme of corporate governance. An update of all the managers activity is included in Appendix B.

5. Responsible Investment Active Equity Manager Ratings

5.1 Hymans have developed an approach to rate investment managers and products by considering how responsible investment (RI) matters are addressed and integrated within investment manager's decision making. The premise being that investment managers who effectively integrate responsible investment into their investment decision making can help deliver better risk adjusted returns.

5.2 Hymans include an RI rating for Norfolk's equity managers in the quarterly performance report (Item 13).

6. Local Authority Pension Fund Forum

6.1 The Norfolk Pension Fund is a member of The Local Authority Pension Fund Forum (LAPFF). LAPFF exists to promote the investment interests of local authority pension funds and to maximise their influence as shareholders, whilst promoting corporate social responsibility and high standards of corporate governance among the companies in which they invest.

6.2 LAPFF Business Meetings were held in January and April 2020. Items discussed at these meetings are detailed in the following table:

Date of Meeting:	Items Discussed:
29 January 2020	• Infrastructure • Responsible Investment & Stock Lending • Balance Sheets, Short Selling & Capital Stewardship • Update on Audit, Reporting & Governance Authority (ARGA) • Climate Change Survey Results • Modern Slavery Policy
15 April 2020	• Reliable Accounts – Engaging Directly with the Standard Setter • Climate Change – Can Carbon Capture & Storage Work? • Accounting Aspects of Climate Change – Oil & Gas • Tobacco Update • Managing Water Risk • Cybersecurity Engagement

7. LGPS Pooling

7.1 The Funds participation in the ACCESS Pool includes the development of corporate governance and socially responsible investment policies to enable the pool to continue to discharge its responsibility in respect of LGPS regulations and corporate governance activity.

7.2 The ACCESS Joint Committee has approved voting guidelines for ACCESS Equity sub-funds. The guidelines are based on the ACCESS Fund's current voting practice as well as from guidance issued by the investment association. Pensions Committee considered the ACCESS sub-fund voting guidelines at its June 2018 meeting.

7.3 As detailed in its 2020-21 Business Plan, ACCESS has committed to undertake a review of its responsible investment/environmental, social and governance policy.

7.4 A position statement on the development of updated ESG/RI guidelines for the ACCESS pool was presented to the ACCESS Joint Committee on 7th September 2020. The position statement noted key milestones in order to complete the review:

- the status of each Authority's review of its own RI Policy;
- the upcoming timescales for compliance with
    - the revised UK Stewardship Code; and
    - the Task Force for Climate Related Financial Disclosures;
- the work in progress on the stewardship and engagement survey of all Investment Managers within the ACCESS ACS using the questionnaire developed by Norfolk;
- OWG's view that specialist advice be procured for ACCESS.

8.0 Portfolio Carbon Measurement

8.1 The ACCESS pool has begun to develop portfolio carbon footprint measurement reporting. Carbon footprint measurement is the sum of a proportional amount (based on stock held) of each portfolio company's emissions. This can help in understanding, quantifying and managing the carbon and climate related impacts and risks to the investments held.

8.2 The measurements in the table below refer to scope 1 and scope 2 emissions only for the two sub-funds that the Norfolk Pension Fund is invested in.

- Scope 1 emissions are all direct emissions from the activities of an organisation this includes fuel combustion such as gas boilers, fleet vehicles and air conditioning leaks.
- Scope 2 emissions are indirect emissions from energy purchased by the organisation and the emissions measured are those created during the production of the energy and eventually used.
- Scope 3 emissions are all other activities of the organisation occurring from sources they do not own or control. These would include those generated from business travel, procurement, water and waste.

Sub-Fund	**Carbon Intensity**		**Carbon Emissions**		**Date of Measure**
	Ton/£M	**B'Mark**	**Ton/£M**	**B'Mark**	
LF ACCESS Global Equity Ex UK (Fidelity) *	111	160			Jul-20
LF ACCESS UK Equity Core (Baillie Gifford)	137	157	72	119	Mar-20

** Carbon footprint reporting is a relatively new development and as such not all Investment Funds were able to provide the requisite data. All data received has been presented in the table above.*

8.3 It should be noted that both mandates have lower carbon intensity and emissions than that for the respective benchmarks where reported.

8.4 This development currently only covers our investments via the ACCESS pool. The Fund is also in conversation with Hymans Robertson about participating in a pilot to develop whole portfolio reporting to allow similar analysis across the range of our investments on a consistent basis.

8.5 This is the first time that ACCESS has attempted to collect this information. We have raised our concern with Fidelity that they have not been able to produce both metrics.

8.6 ACCESS now have an ESG sub-group taking forward the development of the future approach. We have a representative working as part of this group.

9. Financial and other Resource Implications

9.1 At the time of writing this report there are no additional financial or other resource implications beyond those already budgeted for and approved by Committee.

10. Other Implications (inc. Equality Impact Assessment (EqIA))

10.1 The Norfolk Pension Fund has considered the impact of the changes in service delivery as a result of the COVID-19 global pandemic.

10.2 Officers have considered all the implications which members should be aware of. Apart from those listed (if any), there are no other implications to take into account. There are no issues relevant to equality in this report.

11. Risk Implications/Assessment

11.1 Any risk implications relating to this report will be recorded on the Fund's risk register.

12. Recommendations

12.1 The Pensions Committee is asked to consider and note the contents of this report.

13. Background Papers

13.1 Appendix A – 2020 Q1 & Q2 Voting and Results UK
Appendix B – Engagement 01 January 2020 to 30 June 2020

Officer Contact

If you have any questions about matters contained in this paper, please get in touch with:

Officer name : **Glenn Cossey** **Tel No. :** **01603 228978**

Email address : glenn.cossey@norfolk.gov.uk

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Votes: Quarters 1 and 2 - 2020

APPENDIX A

Res.	Company	Item	Issue	Meeting Date	Proponent	Fund Vote	For	Against	Abstain
14	euromoney institutional investor plc	to authorise the directors to allot relevant securities	A Vote AGAINST as the proposal gave the company the right to issue up to two-thirds of its issued share capital via a rights issue under Section 551 of the Companies Act 2006, whereas ACCESS guidelines recommended supporting. We do not believe that it is in the best interests to forego the right to vote on a large rights issue at an EGM.	28-Jan-20	Management	Against	92.5%	7.5%	0.0%
16	euromoney institutional investor plc	to authorise the directors to disapply the statutory pre-emption rights additional 5% of share capital for the purposes of financing an acquisition or other capital investment)	A Vote AGAINST as the resolution which sought authority to issue equity, whereas ACCESS guidelines recommended supporting. We believe the potential dilution levels are not in the interests of shareholders.	28-Jan-20	Management	Against	88.5%	11.5%	0.0%
19	compass group plc	to renew the directors' authority to allot shares	A Vote AGAINST as the proposal that gave the company the right to issue up to two-thirds of its issued share capital via a rights issue under Section 551 of the Companies Act 2006, whereas ACCESS guidelines recommended supporting. We do not believe that it is in the best interests to forego the right to vote on a large rights issue at an EGM.	06-Feb-20	Management	Against	92.0%	7.9%	0.01%
21	compass group plc	to authorise the directors to allot shares for cash in limited circumstances	A Vote AGAINST as the resolution sought authority to issue equity, whereas ACCESS guidelines recommended supporting. We believe the potential dilution levels are not in the interests of shareholders.	06-Feb-20	Management	Against	94.8%	4.9%	0.3%
16	victrex plc	to authorise the directors to allot shares pursuant to section 551 of the companies act 2006	A Vote AGAINST as the proposal that gave the company the right to issue up to two-thirds of its issued share capital via a rights issue under Section 551 of the Companies Act 2006, whereas ACCESS guidelines recommended supporting. We do not believe that it is in the best interests to forego the right to vote on a large rights issue at an EGM.	06-Feb-20	Management	Against	95.1%	4.9%	0.0%
18	victrex plc	to authorise the directors to disapply pre-emption rights up to a further 5% for the purposes of financing an acquisition or other capital investment	A Vote AGAINST as the resolution which sought authority to issue equity, whereas ACCESS guidelines recommended supporting. We believe the potential dilution levels are not in the interests of shareholders	06-Feb-20	Management	Against	89.2%	10.8%	0.0%
15	integrafin holdings plc	authority to allot shares	A Vote AGAINST as the proposal that gave the company the right to issue up to two-thirds of its issued share capital via a rights issue under Section 551 of the Companies Act 2006, whereas ACCESS guidelines recommended supporting. We do not believe that it is in the' best interests to forego the right to vote on a large rights issue at an EGM.	20-Feb-2020	Management	Against	96.0%	4.0%	0.0%
17	integrafin holdings plc	further disapplication of pre-emption rights for acquisitions or specified capital investment	A Vote AGAINST as the resolution which sought authority to issue equity, whereas ACCESS guidelines recommended	20-Feb-2020	Management	Against	95.4%	4.6%	0.0%
2	hsbc holdings plc	to approve the directors' remuneration report	A Vote AGAINST as the Remuneration Report due to the inclusion of allowances which we do not believe are aligned with shareholders.	24-Apr-2020	Management	Against	96.1%	3.5%	0.4%
17	hsbc holdings plc	Shareholder requisitioned resolution regarding the Midland Bank defined benefit pension scheme (special resolution)	A Vote AGAINST the shareholder resolution relating to the payment of Midland Bank pensions. The board has taken external legal advice on the matter and has undertaken an extensive review of scheme documentation and communications. We are satisfied that the board has taken the matter seriously, has committed resource to investigating it and that the outcome of that work is supportive of the board's position.	24-Apr-20	Shareholder	Against	3.1%	96.5%	0.4%
2	british american tobacco plc	approval of the 2019 directors' remuneration report	A Vote AGAINST the executive remuneration report and policy due to concerns regarding the potential size of the pay award.	30-Apr-2020	Management	Against	61.8%	38.0%	0.2%
18	british american tobacco plc	approval of the british american tobacco restricted share plan	A Vote AGAINST the executive remuneration report and policy due to concerns regarding the potential size of the pay award.	30-Apr-21	Management	Against	94.3%	5.6%	0.1%
3	standard chartered plc	to approve the annual report on remuneration contained in the directors' remuneration report for the year ended 31 december 2019 as set out on pages 108 to 137 of the 2019 annual report	A Vote AGAINST as the remuneration report continued use of fixed pay allowances which we believe to be poor practice.	06-May-2020	Management	Against	95.9%	3.0%	1.1%
2	InterContinental Hotels Group Plc	Approve Remuneration Policy	A Vote AGAINST as the maximum LTIP opportunity will be increaased to 350% of the salary for the CEO and 275% of salary for other executives.	07/05/2020	Management	Against	75.4%	22.3%	2.2%
8	InterContinental Hotels Group Plc	Amend Long Term Incentive Plan	A Vote AGAINST as the proposed amendment will increase the maximum award limit under the LTIP and the remuneration committee has not provided a compelling rationale for such an increase.	07/05/2020	Management	Against	75.5%	22.2%	2.2%
15	Lloyds Banking Group Plc	Approve Remuneration Policy	A Vote AGAINST as the proposed policy replaces a performance based long-term incentive structure with a scheme modeled around a restricted share plan. There are also questions revised regarding the mechanics of the plan.	21/05/2020	Management	Against	62.6%	35.5%	1.8%
20	Lloyds Banking Group Plc	Approve Long Term Share Plan	A Vote AGAINST as as the proposed policy replaces a performance based long-term incentive structure with anon-performance-based scheme.The reduction in quantum opportunity is not considered to sufficiently offset he certainty of payout introuced by the new plan.	21/05/2020	Management	Against	63.2%	36.0%	0.8%
8	Coca-Cola European Partners Plc	Re-elect Irial Finan as Director	A Vote AGAINST a Non independent non-executive director sitting on the remuneration committee	27/05/2020	Management	Against	99.5%	0.5%	0.0%
12	Coca-Cola European Partners Plc	Re-elect Mario Rotllant Sola as Director	A Vote AGAINST a Non independent non-executive director sitting on the remuneration committee	27/05/2020	Management	Against	86.7%	13.3%	0.0%
17	Coca-Cola European Partners Plc	Approve Waiver on Tender-Bid Requirement	A Vote AGAINST as all rule 9 waivers are deemed contentious as institutional investors are concerned about the risk of creeping control.	27/05/2020	Management	Against	49.6%	11.1%	39.3%

Appendix B

Engagement during the period 1 January 2020 to 30 June 2020

Capital International Limited

In quarter one, Capital visited China-based ENN Energy integrated energy project at Haofeng Industrial Park in Dongguan City. ENN are looking to transition from being a natural gas distributor to an integrated energy supplier. The company adopts various clean energy sources such as natural gas, industrial waste heat, solar energy and wind power, to provide tailor-made integrated energy solutions. This helps its customers reduce total energy consumption costs, while also improving energy efficiency and reducing emissions. The facilities mainly use gas turbines and boilers – replacing coal boilers – to generate electricity and steam from natural gas sourced through ENN's city gas business. Heat recovery helps maximise energy efficiency. Solar panels are also used to generate extra electricity. Projects like this allow ENN to provide integrated energy solutions to commercial and industrial customers.

Capital noted that surplus electricity generated can be sold to the state grid, and any deficit can be bought from the grid. On-the-ground research such as this enables distinguishing between genuine ESG practices that run through the culture of a company and greenwashing that can come through in glossy CSR reports. ENN was one of the first movers into integrated energy projects. To further strengthen its commitment to sustainability, the company has also established an ESG committee chaired by the CEO and has included ESG metrics in performance reviews of executive managers.

Capital also spent a day at Ocado's Erith warehouse in London in quarter one where the complexity of the operation was astonishing, with robots picking fifty separate items from a range of 55-65,000, across different temperature zones, e.g. chilled, frozen, ambient. Items have to be picked and packed to be delivered to customers within a one-hour window. The aim of these visits is to verify the company's reported processes are consistent with reality. The findings were favourable with the efficiency gains generated from Ocado's state-of-the-art automated warehouse system extending into waste reduction. Ocado wastes only one in 6,000 items (or 0.02%) compared with 3% for the industry as a whole.

Food waste is a significant issue for grocers and steps to ensure it is minimised not only improve social and environmental perspectives, they can also reduce costs. Early identification of an innovative advantage helps analysts to capture value. This can be particularly valuable when early disruptors identify solutions around ESG issues, as these are increasingly important to a company's licence to operate. Companies taking an innovative approach to food production and distribution are likely to drive value over the long term, not just for customers and investors, but the planet.

In quarter two, ahead of a Costco shareholder meeting, Capital contacted Costco management to discuss a shareholder proposal requesting a report on the use of prison labour and related policies. Costco's management explained that while the use of lawful prison labour in its supply chain is minimal, they view this as a nuanced issue. Providing prisoners with employment options creates opportunities for rehabilitation. On the other hand, it can be exploitative. In the few areas where prison labour is used in the supply chain, Costco requires wages paid to prisoners to be on par with non-incarcerated persons. Its Statement on Prison Labour noted a 2017 survey of suppliers found eleven with prison labour programmes. Audits of these facilities indicated nine followed Costco's policy, and the remainder were removed from the supply chain. In 2019, nine facilities were audited.

Eight were compliant with the policy and the ninth took corrective action of a marginal wage increase to be compliant.

The proposal for a report on prison labour was removed from the agenda before the shareholder meeting following separate discussions between Costco and the proponent. Many shareholders were probably unaware of the issue. However, the in-depth research and longstanding relationship with management provided Capital with this additional insight into the company's management of its supply chain.

Capital believe systematic corporate engagement is key to sound long-term investing. At a recent meeting with Barclays chairman Nigel Higgins, Capital suggested the company consider "a senior appointment on the environment" to join its executive committee. This would be an independent unit reporting to the CEO to help accelerate the transformation of the bank in the ESG space. The suggestion was taken seriously and after the meeting, the chairman called directly to inform Capital they were on board with the idea.

A few weeks later Chief of Staff to the CEO, Sasha Wiggins, was appointed Head of Public Policy and Corporate Responsibility. Ms Wiggins, who joined Barclays in 2002, will be responsible for leading Barclays' efforts in tackling climate change and for the integration of the company's ambition and commitments around the transition to a low-carbon economy. According to the CEO, "Sasha's broad banking knowledge and, most importantly, her ability to build strong relationships of trust, and engage effectively with diverse stakeholders, make her the ideal candidate for this critically important role." The chairman also highlighted he was impressed at Capital Group's approach on this issue, referring to the cohesive process between research analysts, proxy team and ESG team, which may have helped Capital to reinforce the message.

UBS

During the quarter one, UBS carried out sixty-two engagement meetings with fifty-nine companies covering a range of issues including corporate governance and business strategy, supply chain management and environmental issues. These included Adobe Inc, Barclays plc, Korea Electric Power Corporation, Lafarge Holcim Ltd, Royal Dutch Shell, Viacom CBS Inc and Wells Fargo & Company.

UBS engaged with Elanco Animal Health to provide guidance on investor expectations with regards to their ESG key performance indicators and issuance of their first CSR report in 2021 post spin-off from Eli Lilly last year. UBS discussed the pros and cons of the various disclosure frameworks and shared best practice examples with the company after the call to help facilitate the development of their own policies and practices. The company are beginning to gather information on best practice, so the feedback was timely. UBS also discussed the Elanco Animal Health's remuneration plan and encouraged the company to make enhancements by linking at least 50% of the awards in the long-term incentive plan to specific and disclosed performance conditions.

UBS also had extensive engagement with Novartis over the past 12 months. Topics covered included board independence and refreshment, and executive remuneration. Novartis has added two new non-executives to the board, however UBS decided to withhold support for the election of two long-tenured board members who were still serving on the audit committee.

Improvements were noted on remuneration, specifically regarding simplification of the long-term incentive plan and addition of a two-year holding requirement, which lead UBS to support the advisory vote on the remuneration report. UBS will be monitoring the inclusion of capital efficiency targets and the effect of the ongoing data manipulation investigation on future executive pay decisions.

During quarter two, UBS engaged with forty-six companies. These included BAE Systems plc, Barclays plc, British American Tobacco, easyJet plc, JPMorgan Chase & Co, Prudential Financial, Tesco plc, Uber Technologies and Volkswagen AG.

UBS engaged with Barclays in quarter two. At the AGM in May, shareholders were presented with two resolutions related to the company's climate change strategy. One proposal was put forward by the company, with a further proposal filed by ShareAction. The resolution filed by Barclays outlined an ambition to become a net zero bank by 2050, including the transitioning of its provision of financial services to align with the Paris Agreement. The resolution requisitioned by ShareAction, a UK-based charity focused on responsible investment and co-filed by eleven institutional investors, broadly requested that Barclays commit to phase out the provision of financial services to companies within the energy and utilities sector(s) that are not aligned with the Paris Agreement.

Following extensive direct engagement with both Barclays and ShareAction, and collaborative engagement via the Investor Forum, it was clear that efforts were made by both parties to come to an agreement on the strategy for Barclays in regard to lending practices linked to climate sensitive business activities. However, unfortunately an agreement was not reached, and shareholders were therefore required to determine what action they feel is appropriate at this stage for Barclays. On balance, UBS determined that the ShareAction proposal was restrictive upon Barclays at this point in time and would not allow Barclays sufficient adaptability and flexibility. UBS therefore decided to Abstain on the shareholder proposal while supporting the company proposal. While UBS supported the intent of the ShareAction proposal, Barclays need time to sufficiently outline a clear strategy later in 2020, as committed to by the company during the engagement.

In quarter two, UBS also met with the head of sustainability from Fortis, a regulated utility company primarily engaged in distribution and transmission of energy and gas. The appointment of the new head two years ago has brought results in terms of enhanced disclosure and attention to climate change/sustainability. UBS welcomed the commitment to set up a science based GHG reduction targets for the energy generation business and new goals from the gas distribution segment. Nevertheless, UBS encouraged management to define enterprise wide climate goals in the near future. The current strategy is to invest more in renewable energy as it is reflected in the company's capex plans. However, the company has to define a clearer coal phase out plan for the remaining plants that contribute to 70 per cent of its total carbon footprint. Alignment with the TCFD disclosure recommendation is still not sufficient, however the company has committed to provide more information on risk management, targets, metrics and trends in the next sustainability report.

UBS have encouraged the company to provide more information on the fossil fuel exposure of the energy purchased and distribute in addition to the energy generated. Finally, during the meeting UBS explained concerns on remuneration linked to current accelerated vesting in case of change of control.

Mondrian

An important element of Mondrian's process is actively meeting with and engaging with management and the board of current and prospective investments. In order to support their analysis, at meetings with management Mondrian analysts will discuss:

1. The current and long-term outlook for the business
2. The risks to that outlook and the company's business
3. The company's future business strategy
4. Governance policies and structures that support or hinder confidence in the future outlook

The latter will potentially include a discussion of governance policies, corporate structure, management and board experience and composition, remuneration policies, board oversight policies and procedures as well as policies on shareholder returns. To the extent that issues such as climate change, carbon emissions, human capital concerns and energy usage have been identified as potential risk factors to consider in evaluating the investment case of a particular company, Mondrian analysts will conduct further investigation into the extent of these risks as well as risk mitigation. The findings from this questioning and disclosure will be incorporated into the overall investment evaluation of the company.

Time Period:	Quarter 1 2020	Quarter 2 2020
Total Engagements Across Equity Teams:	354	261
Total Engagements with Global Equity strategy-related Companies:	173	144
Total Engagements with Norfolk Portfolio Companies:	22	24
Top Five Engagement Issues Across Equity Teams:	1. Ownership	1. Labour
	2. Labour	2. Supply Chain
	3. Supply Chain	3. Board
	4. Board	4. Product Safety & Security
	5. Green Opportunities	5. Green Opportunities
Top Five Engagement Issues with Norfolk Portfolio Companies:	1. Labour	1. Climate Change
	2. Accounting	2. Green Opportunities
	3. Supply Chain	3. Labour
	4. Executive Pay	4. Board
	5. Green Opportunities	5. Other Governance

Link Asset Services - LF ACCESS UK Equity Core Fund (Baillie Gifford)

In quarter one, Baillie Gifford met with the CEO and the new CFO of Abcam plc and discussed the board's review of capital allocation priorities that was announced with the interim results. Recent acquisitions and external investments were also covered.

On a call with BHP Group Plc, Baillie Gifford discussed recent leadership changes, including the appointment of a new CEO, Mike Henry, following his predecessor's retirement. It was good to hear him commit to continuing the group's sustainability work. Baillie Gifford subsequently participated in a collective meeting to discuss a report published by the company following a review of its membership of various industry associations. This report was in progress at the time of the 2019 AGM when there was significant support for a shareholder resolution calling on BHP to suspend some of its memberships. The company is undertaking two further reviews relating to the outcome of the report; completion deadlines have been set and further engagement is expected thereafter.

Baillie Gifford also met with the new CFO of Bunzl plc who is an external appointment and discussed the handover from his predecessor, his perceptions of the group following visits to forty-two businesses, acquisition opportunities, the firm's culture and how challenge in relation to a particular contract is being addressed.

In quarter two, Baillie Gifford engaged with Hargreaves Lansdown plc to discuss measures to strengthen the company's governance structure and address perceived conflicts of interest. The outcome followed an independent board effectiveness review after the appointment of a new chair and company secretary with a corporate governance focus, as well as KPMG's independent review of the firm's governance structure.

Over the past twelve months, Baillie Gifford have consistently encouraged the board to separate the decision-making process for the Wealth 50 shortlist from that being used for the firm's multi manager funds; and are pleased that this is a feature of the outcome. Also welcome is the establishment of a conflicts committee to review and manage conflicts of interest, and the appointment of two new independent non-executive directors to the board.

Baillie Gifford also engaged with Rio Tinto Group to discuss the blasting of the Juukan Gorge in Western Australia. Before the call, management and the board issued an apology for disrupting the site which was deemed to be of archaeological significance to Aboriginals. A board-led review is underway focusing on the company's standards, procedures and governance structures. It will also examine Rio's relationship with the Aboriginal community.

The review is being conducted by an independent director who sits on Rio Tinto's Sustainability Committee and its aim is to learn the necessary lessons. Findings will be made public and are expected by October. There is also a government inquiry into the incident. Baillie Gifford are writing to the chair to encourage a broad review with independent external input.

Link Asset Services – LF ACCESS Global Ex UK Fund (Fidelity)

As part of regular ESG engagements with a Korean semi-conductor and consumer electronics manufacturer Samsung Electronics, Fidelity had a conference call with the company's investor relations and ESG team to discuss their latest updates in quarter one. On corporate governance, the company highlighted that it recently appointed an independent director to be the chair of the board, making the company one of the first in Korea to have an independent board chair. However, considering the said independent director received close to 30% of against votes from shareholders when he was re-elected to the board at last year's AGM, the choice of him among all independent directors as the board chair also appears to be a blatant disregard of shareholder dissent. When questioned, the company was not able to provide any rationale other than he was the longest serving director, which was less than compelling. Fidelity also suggested to the company that instead of settling all its long-term incentives (LTIs) for senior executives in cash, part of the LTIs can be settled in shares to provide better alignment with shareholder interest.

The company has always had a strong environmental policy and program to manage its own environmental footprint. In conversation with the company last year, it was highlighted that the company aimed to achieve 100% renewable energy usage for its operations in overseas countries where there is robust renewable infrastructure to support such an ambition by 2020. During the latest conference call, the company confirmed that it was on track of achieving this goal. Moreover, it has started to extend its environmental policies and practice to its suppliers. At the current stage, they are only encouraging their top suppliers to set up a mid-to-long term plan to switch to renewable energies. Over time the company may consider building in more solid incentives in their supplier selection criteria to provide more impetus for their suppliers to improve their green credentials.

As part of a company group that has seen numerous misconducts by its senior executives, the company has introduced several policies and procedures in an attempt to improve its internal control. Recently, the group has set up an independent compliance committee that sits on top of seven listed group affiliates, including the company. However, the company was unable to provide much information with regards to the roles and authorities of the committee. Fidelity plan to follow up with the company to learn more about the independent compliance committee and have also expressed the intention to engage with their independent directors to discuss board-level issues such as the nomination process and executive remuneration design.

Fidelity also met with Studio Retail Chairman and Senior Independent Director in quarter one who have been focused very much on the Studio Business, while the retail one is still facing significant headwinds and are currently in the process of enhancing and replacing the legacy IT infrastructures, making both investments in human capital expertise and Cloud based solution. The topic of cybersecurity was clearly on top of the Board's agenda and the Senior Independent Director himself seemed very knowledgeable on the risks and work needed in that area. Fidelity discussed the disruption to supply chain that might be caused by the Coronavirus outbreak: Studio have very high exposure (70/80% of supplies) to far east Asia - much higher than other UK online retailers. In the current state of things, they might miss the autumn/winter season - already know supplies for summer season will be delayed by few weeks.

On the Governance side, Studio told of the complicated relationship with their major shareholder (>20%), who also voted against the CFO re-election at least year's AGM. However, the Board still tries to manage communication effectively and mentioned that the

CEO is expected to resign during the first half of the year. Succession planning was already underway, and an orderly transition is expected. Fidelity also discussed updates to executive remuneration, which are largely non contentious and include a rebalancing of short term and long-term incentive, and introduction of a three-year deferral for bonus pay-outs and an increase in executive shareholding requirements. Following market developments in the UK, the Board have also decreased existing Executives pensions' contributions to 15% of salary and capped new Executive pensions to 6.5%.

As part of thematic engagement on banks and financing climate change, Fidelity engaged with DBS Group on the back of their new Sustainability Policy on responsible financing and their current exposure to coal in 2018 and 2019 (as part of a collaborative engagement) on their policy on financing coal-fired power plants (CFPPs.). DBS stated, at the time, that they would not finance CFPPs in the developed world but would continue to do so in the developing world. Fidelity engaged with the company again in Q2 2020 and discussed their current exposure to a limited number of CFPP financing projects (which are legacy commitments). The company confirmed that they expect their current commitments to be completed by 2021 (they have pulled out of one of these projects already due to a change of shareholding).

As part of their internal process on coal investments, all new corporate finance and loans in coal are questioned and analysed on their transition plans and are continually monitored to ensure the transition plans are being met. The company confirmed that they are currently focusing on TCFD (Task Force on Climate-related Financial Disclosures) reporting and working specifically on the impact of carbon price on their borrowers and the financial costs of physical risks on certain sectors. Overall, the company is putting a lot of focus on climate risk and it will be interesting to see how detailed and impactful their TCFD reporting will be. They discussed the company's policies and programmes on sustainable palm oil, and they stated that they ensure customers are in line with the Roundtable on Sustainable Palm Oil (RSPO) and have No Deforestation, No Peat, No Exploitation policies. They run yearly reviews to ensure alignment but if they receive adverse information from the market that their license is revoked or there are suppliers boycotting them due to non-sustainable practices, this will then trigger an ad-hoc ESG assessment by the bank. Fidelity encouraged the bank to provide more disclosure on their palm oil policies.

Fidelity are still part of a collaborative engagement with Singaporean banks and have recently participated in joint letters to each bank requesting more disclosure on their coal policies and the current exposure to coal, as well as a request to release more details of their TCFD reporting intentions and results.

Fidelity held a conference call with PNC Financial Services to discuss its approach to sustainability approach and disclosures in quarter two. The bank had planned to publish its Sustainability Report in June on a backward-looking basis, but has delayed publication until September so that it can cover Covid-19, the George Floyd protests and racial justice issues, and other relevant events following the end of FY19. On Climate change, the bank said that it has put together a cross-functional group to look at the feasibility of setting science based targets, though it is not planning to be a first mover in this space. It discussed its ESG due diligence framework and its ESG engagement with clients and other stakeholders. The bank has ceased funding companies that derive a significant portion of revenues from mountain top removal mining, and it has reduced exposure to the coal sector generally, partly as a result of its stakeholder engagement.

From an operational standpoint, the bank was relatively well-positioned to deal with the impact of the Covid-19 crisis. It said that it was one of the few companies equipped for its call centre to work remotely, and its branch employees are working on a week on, week off basis. It has not furloughed employees. From a CSR perspective the bank is shifting some of its focus to social justice-related initiatives, having pledged $1 bn to economic empowerment initiatives for African American and low- to moderate-income communities. The company told Fidelity that it was still in the process of researching organisations to partner with.

Report to Pensions Committee

Item No. 9

Report title:	**ACCESS Update – Unrestricted Items**
Date of meeting:	**1 October 2020**
Responsible Director:	**Simon George, Executive Director of Finance and Commercial Services** **Glenn Cossey, Director of the Norfolk Pension Fund**

Executive Summary

The Government requires LGPS Funds to work together to "pool investments to significantly reduce costs, while maintaining investment performance".

Since December 2016 the Norfolk Pension Fund has been working with 10 other 'like-minded' Administering Authorities to form ACCESS (A Collaboration of Central, Eastern and Southern Shires) Pool. The ACCESS Funds are Cambridge, East Sussex, Essex, Hampshire, Hertfordshire, Isle of Wight, Kent, Norfolk, Northamptonshire, Suffolk and West Sussex.

An Inter-Authority Agreement (IAA) has been signed by all 11 authorities defining governance and cost sharing arrangements for the ACCESS Pool.

The ACCESS Pool is governed by a Joint Committee (JC) made up of one elected councillor from each authority's Pensions Committee. The Norfolk Pension Fund is represented by the Chair of Pensions Committee.

This report provides an update to the Pensions Committee on the work of the ACCESS Pool.

Recommendations

- The Pensions Committee is asked to consider and note the contents of this report.
- The Committee notes that the next virtual meeting of the JC will be early-mid November 2020, date to be confirmed.

1. Background and Purpose

1.1 The ACCESS Joint Committee (JC) has met twice since the July Pensions Committee; the first meeting was on the 17th July 2020, with the most recent meeting being on the 7th September 2020. A full set of restricted and unrestricted agenda papers relating to these meetings was circulated to members of this Committee and the Pensions Oversight Board for information.

1.2 This report briefs Pensions Committee on the unrestricted items considered by the JC at the July and September meetings and the work undertaken by ACCESS Authorities and the ACCESS Support Unit (ASU) during the intervening period.

1.3 Items from the March JC deemed to be exempt under Schedule 12A of the Local Government Act 1972 are presented under agenda item 11 at today's Pensions Committee meeting.

2. COVID-19 – Remote Working Arrangements

2.1 In response to the COVID-19 crisis, ACCESS Authorities, along with the ASU and Link (the pool operator) have migrated to remote working arrangements. The ACCESS Officer Working Group (OWG) hold weekly calls to discuss and progress operational matters. The ASU holds regular briefing calls with the Chairman and Vice Chairman of the ACCESS JC and a monthly briefing is produced and circulated to all members of the JC and ACCESS S151 Officers.

2.2 The July and September meetings of the JC were held virtually. It is anticipated that JC meetings will continue to be held virtually for the foreseeable future.

3. Business Plan and Budget

3.1 At the September meeting of the JC, the Committee discussed the schedule of meetings for the remainder of 2020-21. The volume of work on a number of the milestones within the current years' Business Plan is significant, which in turn puts a degree of pressure on the agendas being prepared for each meeting of the Committee. In view of this the Committee noted proposals to amend the 2020-21 meeting schedule. The planned December meeting will be cancelled and replaced with November and January meetings, dates to be confirmed.

3.2 Progress on updating the Inter Authority Agreement (IAA) was reported to both the July and September JC. The Committee were informed in September that the IAA had now been agreed by the Monitoring Officers of each Authority and that formal approval of the revised IAA by each authority will commence shortly.

3.3 Given the nature of the changes, Norfolk will execute the revisions to the IAA under authority delegated to the Executive Director of Finance and Commercial Services and the Director of the Norfolk Pension Fund, in consultation with the Chairman of the Pensions Committee. This authority was agreed when the IAA was originally approved by Full Council in 2017.

3.4 At its December 2019 meeting, the JC determined a budget of £1,080,000 (£98,160 per authority) to support the 2020-21 business plan. The ACCESS Support Unit (ASU) reported an underspend of £91,933 (£6,228 per authority) to the September JC, highlighting that no additional budget provision would be required to fund proposed work on external communications and ESG/RI as budgeted costs for the procurement of an illiquid assets pooling solution were being rescheduled into next financial year, allowing monies to be varied between projects.

4. Communications

4.1 A communications workshop was held on the afternoon of the July JC meeting. The workshop was led by Hymans Robertson to discuss perceptions of the ACCESS Pool and identify measures to shape future communications and influence perceptions.

4.2 At the September meeting, the JC considered and agreed to a proposed communications plan, drafted by Hymans Robertson, which recommended:

- key communications priorities;
- the procurement of external support to assist with the delivery of communication priorities;
- identification of a spokesperson for ACCESS (the ASU Director);
- key messages that ACCESS ought to covey through its communications.

5. Environmental Social and Governance and Responsible Investment Guidelines

5.1 At both the July and September JC meetings, the Committee were updated on the development of ESG/RI guidelines for the ACCESS Pool. At the September meeting, the Committee were advised of the initial results from the survey of ACCESS sub-fund investment managers, indicating that:

- all 11 investment managers are UNPRI signatories;
- all 10 UK based managers intend to be signatories to the revised UK Stewardship Code;
- 9 of the 10 UK based managers have been assessed as Tier 1 under the current UK Stewardship Code;
- 6 managers currently benchmark the carbon footprint of their portfolio.

5.2 Further work is being done to analyse the survey results and it is hoped that this analysis will help inform the development of ESG/RI guidelines.

5.3 Following agreement that specialist advice was required to assist ACCESS develop ESG/RI guidelines, the Committee noted that this advice would include:

- advice on developing appropriate ESG/RI pool guidelines on behalf of the 11 ACCESS Funds
- ongoing advice on implementing ESG/RI guidance in a pooled environment.

5.4 To support the development of ESG/RI guidelines, it is proposed that ACCESS forms an ESG/RI “task and finish group” for which Norfolk has nominated an officer to work alongside the ASU and appointed service provider on the development of the guidelines.

6. Financial and Other Resource Implications

6.1 At the time of writing this report there are no additional financial or other resource implications beyond those already budgeted for and approved by Committee.

7. Other Implications (Inc. Equality Impact Assessment (EqIA))

7.1 The Norfolk Pension Fund has considered the impact of the changes in service delivery as a result of the COVID-19 global pandemic.

7.2 Officers have considered all the implications which members should be aware of. Apart from those listed (if any), there are no other implications to take into account. There are no issues relevant to equality in this report.

8. Risk Implications/Assessment

8.1 Any risk implications relating to this report will be recorded on the Fund’s risk register.

9. Recommendations

9.1 The Pensions Committee notes the contents of this report.

9.2 The Committee notes that the next virtual meeting of the JC will be early-mid November 2020, date to be confirmed.

10. Background Papers

10.1 None

Officer Contact

If you have any questions about matters contained in this paper, please get in touch with:

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IN TRAN communication for all

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