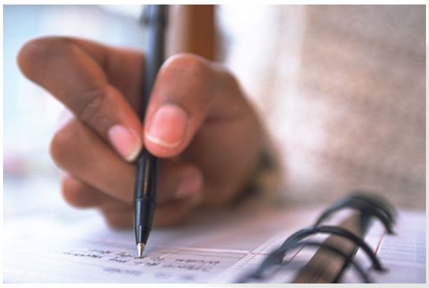
Norfolk Pension Fund



Investment Strategy Statement

March 2024

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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 approved 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 undue 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, via an appropriate investment strategy.

2.3 The investment strategy is set for the long-term, but is reviewed periodically. Normally a full review is carried out alongside 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. The Fund has (since 2017) adopted a multi-strategy approach comprising 4 distinct strategies to align employers of similar characteristics (i.e. funding levels, risk appetite, etc). Employers are allocated to the investment strategy that was deemed most appropriate to their funding objectives, liability characteristics and current funding position.

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 there is a sufficiently high likelihood of achieving the funding target (the estimated amount of assets needed to pay for members' benefits) in 20 years for both accrued benefits to date and those earned in the future. For employee members, accrued benefits will be valued on service completed but will take account of future salary and/or inflation increases.

2.6.2 The assumptions used to set funding plans to achieve this aim, correspond with those used in the latest Actuarial Valuation, which are shown in Appendix 2. The funding plans will be reviewed at least at each triennial Actuarial Valuation. The Committee will be advised of any material changes to the Fund or the funding plans 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

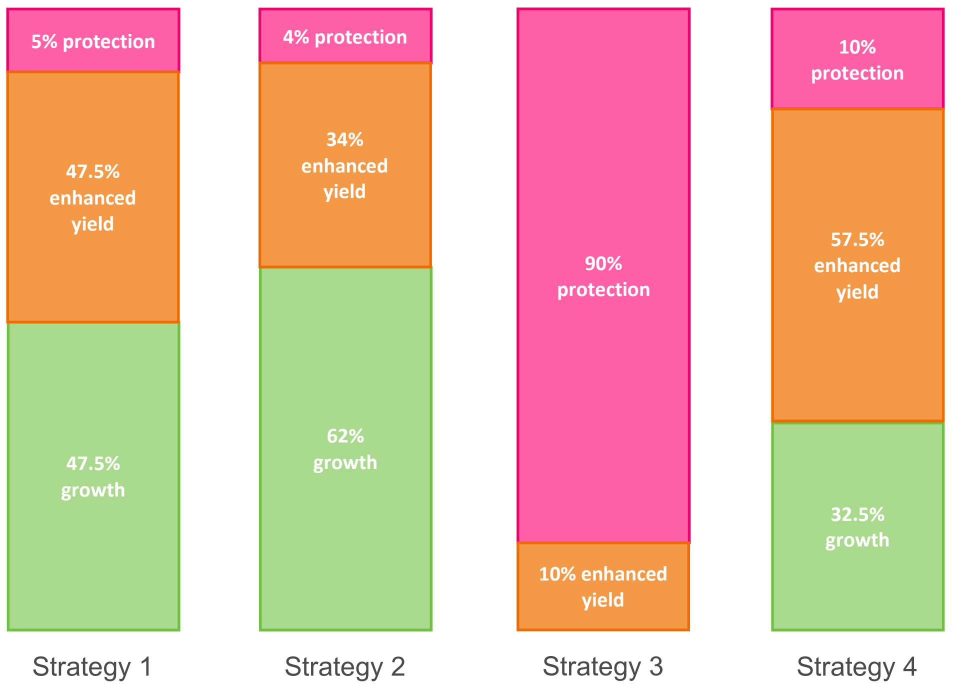
2.8.1 The Fund aims to achieve, over the long term, an overall return on investment assets which, in addition to contributions received from employers and members, results in sufficient monies to pay members' benefits in the future.

2.8.2 The investment strategy was formally reviewed in 2019-20 through an asset-liability modelling exercise which incorporated the results of the 2019 Actuarial Valuation. Over the course of late 2022 and 2023, a review focusing on the Enhanced Yield component of the investment strategy was conducted, resulting in a number of changes to investment strategy (reflected in Table 2 of Section 3) .

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 The Fund continues to operate a core investment strategy which the majority of employers participate in (Strategy 1). Alongside the core strategy, the Fund also operates three additional investment strategies. The high-level investment strategies are illustrated below (target allocations shown).



2.8.5 Strategy 2 has a higher allocation to growth assets than Strategy 1 as this strategy is targeting a higher level of returns; as such, it is also taking a higher level of investment risk.

2.8.6 Strategy 3 has no allocation to growth assets, as this strategy is targeting a lower level of returns and therefore is taking a lower level of investment risk.

2.8.7 Strategy 4 has a higher allocation to enhanced yield and protection assets than Strategy 1, as this strategy is targeting a lower level of returns and lower level of risk and volatility than Strategy 1.

2.8.8 There were transfers of employers between strategies in early 2024, with all of those in Strategy 2 transferring to Strategy 1 (however, Strategy 2 remains available should this be required in future). In addition, 9 employers in Strategy 1 were switched to Strategy 4.

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 (though focus is almost exclusively on the latter). 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, in particular, currency.

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.

3.1.3 The target asset allocation within each asset portfolio is set in Appendix 3. The allocation within each asset class portfolio is maintained by rebalancing (details for which are also in Appendix 3). The intention is that the maximum invested in a particular asset class will be the target allocation plus a 2% rebalancing tolerance, subject to sufficient liquidity or any other operational practicalities. The target allocation and the rebalancing tolerance is subject to periodic review.

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 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, which provides indirect access to specific managers and mandates. A range of different Managers are employed, with different benchmarks and targets to reflect their specific mandates.

3.3.4 A management agreement and/or prospectus is in place for each Investment Manager setting out the relevant benchmark, performance target, asset allocation ranges and any restrictions. The kinds of investments which the Managers may hold, together with a summary of each Manager's brief, is 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 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 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 should be considered 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 The custodian of the Fund's assets switched from HSBC to Northern Trust on 1st November 2021.

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 a deterioration of the funding position and requirement for additional contributions to help close any deficit.

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 of the fund managers to achieve their target investment return as specified.
- 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. 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 Cambridgeshire, East Sussex, Essex, Hampshire, Hertfordshire, Isle of Wight, Kent, Norfolk, West 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. This is reviewed on a regular basis, with two new allocations to ACCESS investment grade credit funds taking place as part of the 2023 Enhanced Yield recommendations (implementation expected to be complete by the end of Q1 2024).

5.2.2 At 31 December 2023, the Fund had 47% of assets (c£2.4bn) invested in the ACCESS pool, with investments in the Baillie Gifford, Capital, Mondrian, Columbia Threadneedle, Fidelity equity ACS sub-funds, as well as the Janus Henderson Non-Government Debt Fund.. A collateralised stock lending program is undertaken for each of these mandates within the ACS by the pool custodian Northern Trust.

5.2.3 The Fund has elected not to pool certain illiquid assets (e.g. private equity) and assets held within closed ended pooled vehicles (e.g. direct lending) at this time, on the basis that it is not economically viable to transition these assets to the pool. Any asset that remains 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. ACCESS is currently developing a range of illiquid asset solutions (including private debt), which the Fund will consider in due course. The Fund will also invest in the real estate solutions currently being launched, the decision for which was approved as part of the 2023 review of the Fund's Enhanced Yield assets.

5.3 Structure and governance of the ACCESS Pool

5.3.1 The ACCESS Pool is governed by a Joint Committee (JC) made up of one elected councillor from each of the 11 administering authority's Pension Committee. It is currently chaired by Councillor Kemp-Gee of Hampshire.

5.3.2 The ACCESS Support Unit (ASU) is responsible supporting the running of the ACCESS Pool. It is hosted by Essex County Council and has responsibility for programme management, governance, contract management, client relationships, administration and technical support services to each of the 11 administering authorities in the Pool.

5.3.3 Waystone Group (formally Link Group) is the appointed Operator which set up and maintains an Authorised Contractual Scheme (ACS), with responsibilities including the creation of investment sub-funds and the appointment of investment managers. Each investment manager appointment follows a comprehensive due diligence process and the investments are monitored closely. Northern Trust was appointed by Waystone Group as the depositary to the ACS.

6.0 Environmental, Social and Corporate Governance

6.1 At the present time, the Committee does not have any formal commitment to take into account non-financial factors when selecting, retaining, or realising its investments. It does, however, recognise that environmental, social and governance (ESG) factors can influence long term investment performance. 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 well as its investment managers as part of the investment and ongoing monitoring processes.
- **Sustainable investment / ESG factors** – considering the financial impact of environmental, social and governance (ESG) factors on its investments.

Since the previous ISS was published, investment has been made into a global equity fund with strongly positive climate-change credentials (i.e. targets Paris-alignment), as well as introducing a private equity commitment focusing on stewardship. In addition, recommendations as part of the Enhanced Yield review took ESG, in particular climate change, into account, ensuring that the funds selected meet both investment and wider ESG objectives. The Committee will review its approach to ESG periodically, and is giving consideration to future climate reporting requirements accordingly.

6.2 The Committee carefully considers ESG matters 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 best corporate governance practice. 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.

- All shares in the ACCESS ACS are voted in accordance with the Pool voting policy by fund managers. If the manager believes that specific rationale exists to depart from this policy, this must be explained to the Pool.

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

Governance Effective governance and decision-making structure will add value to the Fund over the long-term	**Strategic** Strategic asset allocation is a key determinant of risk and return, and thus is typically more important than manager stock selection
Structural Structural matters can improve efficiency, but implementation approach must be aligned to the Fund's governance resource	**Responsible investment** Effective management of financially material ESG risks should enhance the Fund's long-term outcomes

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.

[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

The Committee supports long term investing as a means of enhancing returns, reducing transaction costs and encouraging improved governance at a corporate level.

There are a number of factors that lead to successful 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 four employer-specific investment strategies to reflect this belief, with flexibility to move employers to different strategies upon review, where required.

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 realised.

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. For the purpose of setting funding plans at the 2022 valuation, an economic scenario generator has been used to project a range of possible outcomes for the future behaviour of asset returns and inflation. The table below shows a summary of the returns and volatilities as used at the 31 March 2022 valuation:

		Annualised Total Returns														Inflation (CPI)	17 year real yield (CPI)	17 year yield
		Cash	Index Linked Gilts (long)	Fixed Interest Gilts (long)	UK Equity	Private Equity	Property	Emerging Market Debt	Unlisted Infrastructure Equity	Multi Asset Credit	Globl High Yield Debt	All World ex UK Equity	Asset Backed Securities	Direct Lending	Corporate Debt			
10 years	16th %ile	0.8%	-3.1%	-1.5%	-0.4%	-1.2%	-0.6%	-0.1%	**0.7%**	**1.7%**	**0.6%**	**-0.4%**	**1.2%**	**2.7%**	**-0.1%**	1.6%	-1,7%	1.1%
	50th %ile	1.8%	-0.7%	0.7%	5.7%	9.4%	4.4%	2.1%	**5.9%**	**3.5%**	**3.4%**	**5.8%**	**2.6%**	**6.0%**	**1.6%**	3.3%	-0.5%	2.5%
	84th %ile	2.9%	2.0%	2.8%	11.6%	20.1%	9.5%	4.1%	**11.2%**	**5.2%**	**5.8%**	**11.9%**	**4.0%**	**9.2%**	**3.2%**	4.9%	0.7%	4.3%
20 years	16th %ile	1.0%	-2.6%	-0.2%	1.7%	2.4%	1.4%	1.4%	**2.6%**	**2.8%**	**2.1%**	**1.8%**	**1.7%**	**4.3%**	**1.1%**	1.2%	-0.7%	1.3%
	50th %ile	2.4%	-0.9%	0.9%	6.2%	10.0%	5.0%	2.9%	**6.5%**	**4.4%**	**4.2%**	**6.3%**	**3.3%**	**6.8%**	**2.1%**	2.7%	1.1%	3.2%
	84th %ile	4.0%	0.8%	2.0%	10.6%	17.6%	8.9%	4.2%	**10.6%**	**6.0%**	**6.4%**	**11.1%**	**5.1%**	**9.2%**	**3.2%**	4.3%	2.7%	5.7%
40 years	16th %ile	1.2%	-1.1%	1.2%	3.2%	4.7%	2.6%	2.5%	**3.9%**	**3.6%**	**3.1%**	**3.4%**	**2.1%**	**5.5%**	**2.0%**	0.9%	-0.6%	1.1%
	50th %ile	2.9%	0.3%	1.9%	6.7%	10.3%	5.5%	3.8%	**7.0%**	**5.3%**	**5.1%**	**6.8%**	**3.8%**	**7.7%**	**3.1%**	2.2%	1.3%	3.3%
	84th %ile	4.9%	1.9%	2.8%	10.2%	16.1%	8.8%	5.3%	**10.3%**	**7.1%**	**7.2%**	**10.4%**	**5.9%**	**10.0%**	**4.4%**	3.7%	3.2%	6.1%
	Volatility (5 year)	2%	9%	8%	18%	30%	15%	7%	**15%**	**6%**	**8%**	**18%**	**3%**	**10%**	**7%**	3%		

2. For the purpose of disclosing a current funding position, the actuarial assumptions used at the 31 March 2022 valuation were:

	Nominal ***per annum***	***Real*** ***per annum***
Price Inflation (CPI)	*2.7%*	-
Pay Increases	*3.4%*	*0.7%*
Investment return (discount rate)	*4.3%*	*1.6%*

3. For the purpose of disclosing the funding position, the Actuarial Valuation as at 31 March 2022 was carried out using a “mark to market” approach meaning the Fund’s assets have been taken into account at their market value for the period ended 31 March 2022 consistent with the approach of valuing liabilities by reference to a single set of assumptions based on market indicators as at 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.

4. It should be noted that the absolute return figures 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.

5. For full details please see the 2022 Valuation Report and the Funding Strategy Statement which are both available from the Fund’s website at www.norfolkpensionfund.org.

6. Past Service Funding Position at 31 March 2022

Accrued (Past Service) Liabilities	***£m***
Past service liabilities:	
Employee Members	*1,514*
Deferred Pensioners	*998*
Pensioners	*2,101*
Total	***4,613***
Assets	
Market Value of Assets	*4,901*
Total Value of Assets	***4,901***
Surplus (Deficit)	***289***
Funding Level	***106%***

7. The remedy to resolve the McCloud case was yet to be formalised in regulations at the time of the 2022 valuation. Therefore, an allowance was included for this expected benefit change at the 2022 valuation, as directed by the Department of Levelling Up, Housing and Communities in their letter dated March 2022.

APPENDIX 3 – Asset Mix and Rebalancing

The Fund operates four investment strategies. Each strategy has a target allocation to the underlying Growth, Enhanced Yield (EY) and Protection asset portfolios as outlined in the table below.

Appendix 3 – Table 1

	Strategy 1	Strategy 2	Strategy 3	Strategy 4
Growth portfolio	47.5%	62.0%	0.0%	32.5%
EY portfolio	47.5%	34.0%	10.0%	57.5%
Protection portfolio	5.0%	4.0%	90.0%	10.0%
Total	**100.0%**	**100.0%**	**100.0%**	**100.0%**

The target asset allocations within each of the asset portfolios is outlined in the tables below.

Appendix 3 – Table 2: Growth asset portfolio allocation

Asset class	% of Growth Portfolio
UK equities	12.0
Global developed market equities*	69.5
Emerging market equities*	6.0
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, Mondrian and Capital. The benchmark hedge ratio (the proportion hedged to Sterling) is 0%.

Appendix 3 – Table 3: Enhanced Yield asset portfolio allocation

Asset class	% of Enhanced Yield Portfolio
Property	25.0
Infrastructure	20.0
Timberland	5.0
Investment grade credit	10.0
Multi-asset credit	17.0
Distressed debt	0.0 (in run off)
Real estate debt	3.0
Direct lending	7.0
Liquid Credit – Other*	11.0
Specialist Credit (Credit opportunities)	2.0
Total Enhanced Yield Assets	**100.0**

*Includes Capital GHIO and Insight Secured Finance holdings

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 on 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 provide detail on 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).Over time the differential relative performance of the asset classes and managers will mean that asset allocations (both at a strategic and portfolio level) deviate from the strategic 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.

Rebalancing entails portfolio transactions, so the benefit has to be weighed against the costs incurred, both in trading and indirectly in the market. Ahead of any rebalancing, Officers will consider a range of factors including, but not limited to the following:

- the materiality of under and overweight positions;
- any asset transitions that are already scheduled;
- market conditions at the time of rebalancing;
- market views on the relative attractiveness of different asset classes;
- liquidity and transaction costs; and
- the confidence of the Committee in the managers' ability to meet performance targets, informed by manager ratings provided by the Fund's investment adviser.

The Committee recognises that rebalancing can be costly or operationally challenging for illiquid assets (which, for the Fund, are typically in closed-ended structures). As such, focus is on assets that are readily tradable during typical market conditions, for example listed equity and credit, as well as government bonds. For these asset classes, Officers aim to ensure they remain within a range of +/-2% of their target allocations over the long-term.

APPENDIX 4 – Appointed Managers and Cash Management Strategy

Kinds of Investments held by Each Manager

Manager	Asset class	Equities		Bonds		Index-linked		Property	Infra-structure	Timber-land	Direct Lending
		UK	Overseas	UK	Overseas	UK	Overseas				
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 (via pool)	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							
Columbia Threadneedle (via Pool)	Emerging Markets Equity		✓								
Baillie Gifford (via Pool)	UK Equity	✓									
Baillie Gifford (via Pool)	Global Equity[1]	✓	✓								
Fidelity (via Pool)	Overseas Equity		✓								
Capital (via Pool)	Global Equity	✓	✓								
Mondrian (via Pool)	Global Equity	✓	✓								
La Salle	Property[2]							✓			
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									✓	
HarbourVest	Direct Lending										✓
Pantheon	Direct Lending										✓

[1] Baille Gifford Global Paris-Aligned Equity

[2] La Salle has the discretion to invest up to 30% of the property allocation in overseas property funds.

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. Abrdn (formerly Aberdeen Standard Investments) (European and secondary fund of funds)
2. HarbourVest (North American, European and Asia Pacific including specialist secondary, Clean-Tech, debt 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

Multi-Credit

Janus Henderson, M&G, Insight and Capital have been appointed to run multi-asset credit mandates against a cash 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 (now in run-off), real estate debt and specialist credit. M&G use closed-ended funds which invest in UK and global markets (predominately European).

Direct Lending

HarbourVest have been appointed to run a direct lending mandate within the Fund’s Enhanced Yield Portfolio. The mandate provides exposure, through closed-ended vehicles, to senior credit investments, primarily focussed on US middle market companies. The mandate provides quarterly income distributions and targets 8-10% pa. net returns.

Benchmark Information

The table below provides details of the target allocation for each Manager.

Growth portfolio* (approximate allocations – may not sum to 100% due to rounding and cash allocations)

	Baillie Gifford (GAPA)	Baillie Gifford (UK)	Columbia Threadneedle	Fidelity	Capital	Mondrian	Aberdeen Standard	Harbour Vest
Proportion of the growth portfolio %	***8.0***	***12***	***6.0***	***31.0***	***18.5***	***12.0***	***5.0***	***7.5***
UK Equities	2.0	100.0						
Global Equities	86.4			90.0	100.0	100.0		
Emerging Equities	10.2		100.0	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, Mondrian 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 2024, the benchmark currency hedge ratio was 0%.

Enhanced yield portfolio targets

	La Salle	JP Morgan	Equitix	Pantheon	M&G	Stafford
	Property	Infrastructure	Infrastructure	Infrastructure	Infracapital	Timberland
Proportion of the EY portfolio %	**25.0**	**10.0**	**5.0**	**2.5**	**2.5**	**5.0**
Property	100.0					
Infrastructure		100.0	100.0	100.0	100.0	
Timberland						100.0

	Janus Henderson	Janus Henderson	Capital	Insight	M&G	M&G	M&G	M&G	Harbour-Vest	Pantheon
	Corporate bonds	MAC			MAC	Distressed Debt	Real Estate Debt	Specialist Credit	Direct Lending	Direct Lending
Proportion of the EY portfolio %	**10.0**	**8.5**	**6.0**	**5.0**	**8.5**	**0.0 (inrun off)**	**3.0**	**2.0**	**3.5**	**3.5**
Investment grade corporate bonds	100.0									
Distressed debt						100.0				
Multi-asset credit		100.0			100.0					
Secured finance				100.0						
High yield debt			50.0							
Emerging market debt			50.0							
Real estate debt							100.0			
Specialist credit								100.0		
Direct lending									100.0	100.0

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, and this is due to be terminated in Q1 2024 . At 30 September 2023, c.28% of the protection portfolio was managed by Insight (c.72% with Janus Henderson).

Performance Objectives and Fee Arrangements

Aviva	Internal Rate of Return of 7-8% p.a. (net of fees) Flat rate fees
Baillie Gifford GAPA (ACCESS)	Benchmark Return + 2%p.a. net of fees over rolling five-year periods Flat rate fees
Baillie Gifford UK Equity (ACCESS)	Outperform benchmark, net of fees, over 5 year rolling periods Flat rate fees
Berenberg Bank and Insight Investment	To produce an outcome (net of fees) superior to a fixed hedge ratio
Capital International (ACCESS)	Benchmark Return + 1.5% p.a.)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	Interest in Fund Partnerships of 8.5% pa (net of fees) Flat rate fees plus a performance related element
Fidelity (ACCESS)	Benchmark Return + 1.5% p.a. net of fees over a rolling 5 year rolling period Flat rate fees
HarbourVest (Direct Lending)	Internal Rate of Return of 8-10% p.a. (net of fees) Flat rate fees
Insight (Government Bonds)	No performance objective as passively managed No fees
Janus Henderson (Non-Government Bonds)	Benchmark Return + 1.4% p.a. gross of fees on rolling 3 year basis Flat rate fees plus performance related element
Janus Henderson (Government Bonds)	Benchmark Return + 1.4% p.a. gross of fees on rolling 3 year basis Flat rate fees plus performance related element
Janus Henderson (Multi Asset Credit)	Generate total return in excess of SONIA by 3.7% over any 5-year investment horizon after deduction of all costs and charges Flat rate fees

JP Morgan	8-12% net IRR p.a. over medium term Flat rate fees plus performance related element
La Salle	Benchmark Return + 0.75% p.a. net of fees Flat rate fees
M&G (Absolute Return – Alpha Opportunities)	Benchmark return +3-5% p.a. gross of fees Flat rate fees
M&G (Absolute Return – Sustainable Alpha Opportunities)	Sonia +3-5% gross p.a. over a rolling 5 year period, while applying ESG Criteria and Sustainability Criteria Flat rate fees
M&G (Distressed Debt)	Internal Rate of Return of 15% p.a. (gross of fees) Flat rate fees. Zero fees for DOF III
M&G (Real Estate Debt)	Benchmark + 4-5.5% gross discount margin p.a. (net of fees) Flat rate fees plus performance related element
M&G (Specialist Credit)	Benchmark Return + 8-10% p.a. net 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
Mondrian (ACCESS)	Outperform benchmark, net of fees, over 5 year rolling periods Flat rate fees
Pantheon (Infrastructure)	Internal Rate of Return of 10-12% p.a. (net of fees) Flat rate fees
Stafford	Internal Rate of Return of 8.0% p.a. (net of fees) Flat rate fees
Pantheon (Direct Lending)	Internal Rate of Return of 8-10% p.a. (net of fees) Flat rate fees

Benchmark Indices

Growth portfolio

	Index
Baillie Gifford (GAPA)	MSCI ACWI
Baillie Gifford (UK Equity)	MSCI UK IMI GR Index
Fidelity	MSCI North America, MSCI Europe ex United Kingdom, MSCI Japan, MSCI AC Asia Pacific ex Japan, MSCI Emerging Markets
Capital	MSCI ACWI
Mondrian	MSCI ACWI
Aberdeen Standard	FTSE AWD Europe
Harbourvest	FTSE US Index, FTSE Developed Asia Pacific Ex.Japan Index and FTSE AWD Europe

Enhanced yield portfolio

	Index
La Salle	MSCI/AREF All Balanced Property
Janus Henderson (Corporate bonds)	iBoxx Sterling Non-Gilts >15 years TR index
Janus Henderson (MAC)	Cash
Capital	50% Bloomberg US HY (2%), 20% JPM EMBI, 20% JPM GBI-EM Global Div, 10% JPM CEMBI Broad Div
Insight	Cash
M&G Multi-asset credit	Cash
M&G Distressed debt	N/A
M&G Real estate debt	Cash
M&G Specialist credit	Cash (SONIA/Euribor)
Harbourvest Direct lending	Cash

Protection portfolio

	Index
Janus Henderson	FTSE-A UK Government All Stocks Index, FTSE-A Index Linked >5years Index
Insight	FTSE-A UK Government All Stocks Index, FTSE-A Index Linked >5years 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 Northern Trust 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 Northern Trust 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 expect our investment managers to actively engage with the top management of the companies they invest in. Investment managers regularly attend Committee meetings, with engagement, where appropriate, forming part of the agenda.

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 as climate change, the cost of pollution clean-ups and opportunities related to 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 assessed 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, including, but not limited to, employee safety, working conditions, working hours and pay (including where appropriate the UK Living Wage campaign as detailed below). They should constructively 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 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 investors.

- Establish procedures that will incrementally reduce their environmental impact.

- Comply with all environmental and other relevant legislation and seek to anticipate future legislative requirements, for example the Taskforce on Climate-related Financial Disclosures (TCFD).

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.

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 ACCESS Pool voting policy.

Climate Risk Monitoring

The Committee receives six-monthly reporting of climate risk metrics for its public equity holdings. These are used to monitor risk exposures and as a source of engagement and discussion with the individual investment managers. A bi-annual summary of this monitoring is published by the Fund.

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 stable 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 Fund's 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 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 member of the Marche 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 amongst the companies in which they invest. The voting activity in respect of the Pension Fund investments is reported to Pensions Committee twice a year. Pensions Committee papers are available on the Norfolk County Council website. The Fund has introduced twice yearly climate risk monitoring of its public equity portfolios. The summary of this analysis is published on our website.	. Working within ACCESS to further develop its voting and ESG policy.

	Description of Principle	*Norfolk's position*	*Further development opportunity*
		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, supported 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 index-tracking (sometimes referred to as passive management).

Actuary

An independent consultant who carries out the Actuarial Valuation and advises on all actuarial-related matters, for example changes to the benefit structure, employer contribution rates, etc.

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 is typically set on strategic i.e. long-term, basis. Some Funds may also make tactical asset allocation decisions, i.e. on a short-term basis, aiming to take advantage of relative market movements.

Asset Classes

A specific category of assets or investments, such as equities, bonds, cash-like instruments, and real estate. Assets within the same class generally exhibit broadly similar characteristics, behave relatively 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 or selected 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 the MSCI World Index. A target return is generally expressed as some margin over the benchmark over a specified period (for example “over a 5-year rolling period”).

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.

Equity ownership rights

Shareholders' right to vote on issues relating to the governance of publicly quoted companies (usually at the AGM).

Corporate governance

The system or rules, processes and practices through which companies are controlled and directed.

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 investments among different asset classes, markets and geographical areas in order to reduce risk – not "putting all your eggs in one basket".

Equities

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, i.e. market capitalisation).

Hedging

A strategy which aims to eliminate the possibility of loss in an investment transaction, or reduce the materiality of losses incurred. Often used in the context of overseas investments to eliminate any potential currency loss (or profit).

Index-Linked Securities

U.K. Government bonds on which the interest, and eventual repayment of the loan, are based on movements in the Retail Price Index (from February 2030, this will be based on the data and methods of an alternative index, CPIH – a variant of the Consumer Prices Index including owner-occupiers' housing costs).

Infrastructure

Investments in new or existing companies and enterprises that are needed for the operation of society. This covers a broad range of opportunities, for example transport, energy transition, digitalisation.

Investment Advisor

A professionally qualified individual or company whose provides 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 as closely as possible 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 a particular benchmark.

Pooled Fund

A fund managed by a fund manager in which a range of 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 typically require higher expected 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 buy-back 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
Investment Strategy Statement v7	Alex Younger/Hymans Robertson	July 2021
Investment Strategy Statement v8	Alex Younger/Hymans Robertson	March 2024

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