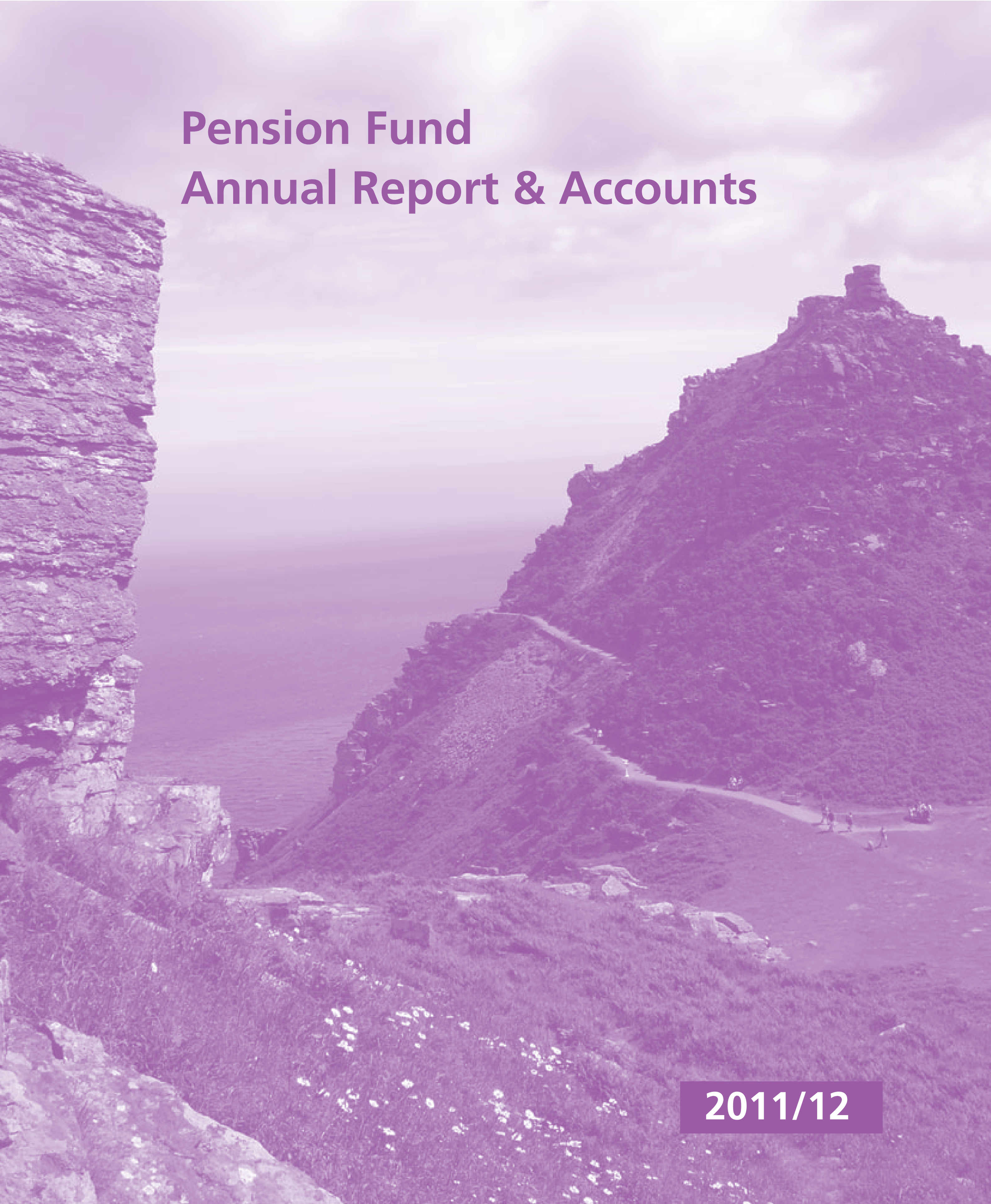
Devon County Council

Pension Fund
Annual Report & Accounts



2011/12

Front cover photo: Valley of the Rocks near Lynton

Contents

Report of the County Treasurer

The 2011/12 Financial Year has been another difficult period for world markets. The crisis in the Eurozone has continued to dominate news headlines. Many countries are still struggling with high levels of debt and the impact the measures needed to service and reduce that debt. Against this difficult background it is pleasing to report that during 2011/12 the value of the Fund did increase and grow by £77million.

As reported in last year's Annual Report, the Investment and Pension Fund Committee decided in November 2010 that it would seek to outsource the management of the Fund's property assets. A formal tender process was conducted during 2011/12, resulting in the appointment of Aviva Investors to manage the Fund's property portfolio. It is intended over the next year to increase the allocation to Property so that it reaches 10% of the total Fund.

All of the external investment managers have again provided a short commentary that reviews their performance during 2011/12, their engagement with the companies in which they invest, and their views on market conditions. These commentaries appear after my report.

Following the publication of Lord Hutton's report, the Government has over the last year been formulating its plans for public sector pensions, including the Local Government Pension Scheme (LGPS). At the end of May 2012, proposals were published for a revised scheme based on Career Average Revalued Earnings (CARE) to be implemented from April 2014. The proposed new scheme includes revisions to accrual rates and pensionable age, a more progressive scale of employee contributions, and the option to pay half contributions for half the pension.

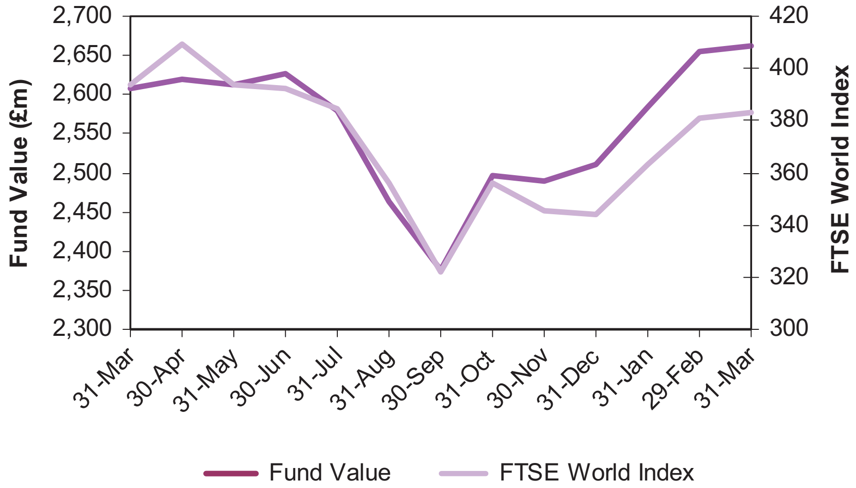
Informal consultation is now taking place on the proposals. The intention is to move directly to a statutory consultation in the Autumn, so that the required legislation can be enacted by the end of March 2013.

Investment Performance

The asset value of the Fund at the end of the financial year was £2.683billion. This represents a positive return of 2.6% for 2011/12, which is exactly in line with the local authority peer group average. This has been achieved by the majority of the Fund's managers delivering a good performance on their investments. However, the performance of two fund managers has fallen below the benchmark. An analysis of the performance of each fund manager is provided later in this report.

The performance for the first six months of the year was influenced by the severe fall in global equity markets during the July – September quarter. Between the beginning of October and the end of March the Fund's improved performance saw the value of the Fund bounce back, outperforming the trend in equities. This is illustrated in the following graph, which tracks the value of the Fund and the value of the FTSE World index over the year to 31 March 2012.

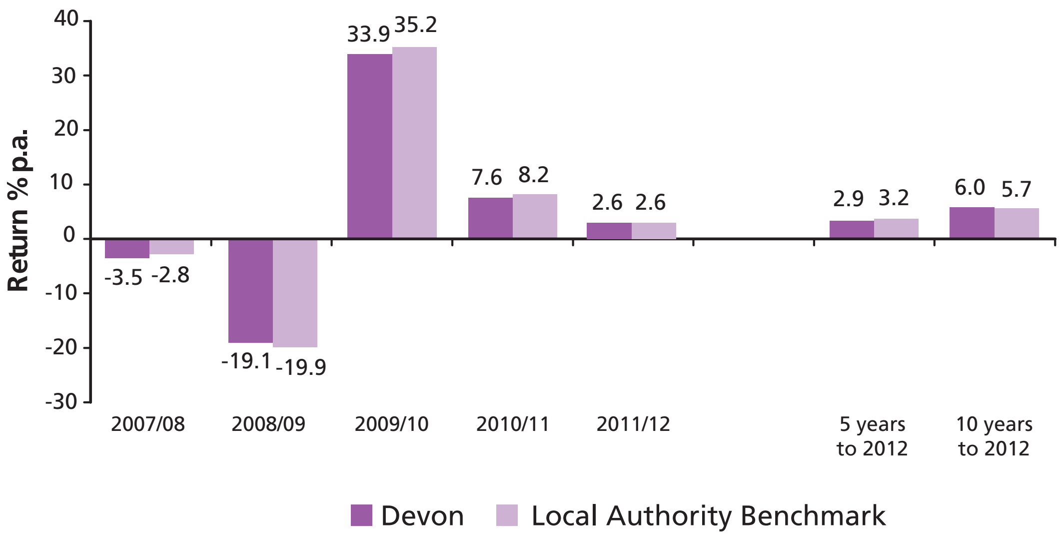
Fund Value and FTSE World Index over the year to 31 March 2012



Pension fund investment management is a long term business, and the Investment and Pension Fund Committee's principal aim for the Fund is therefore to maintain consistently high performance over the longer term. This is best demonstrated by focussing on the ten year performance shown in the chart below.

The chart presents the investment returns achieved by the Devon Fund compared to our peer group (other local authorities). I am pleased to report that the Devon Fund is ranked in the top third of 86 UK local authority pension funds over the10 year period from 2002 to 2012.

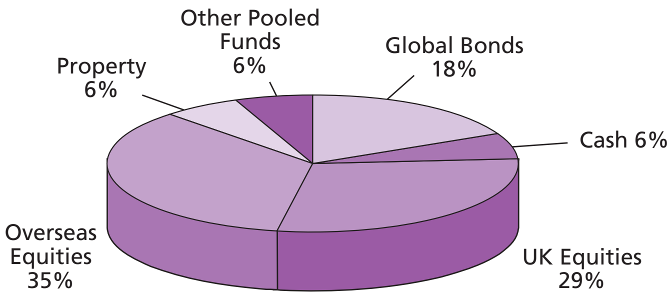
Investment Performance



Asset Allocation

The Investment and Pension Fund Committee is charged with the responsibility for governance and stewardship of the Fund and making decisions about strategic asset allocation policy. As reported earlier the Committee had decided to increase the allocation to property to the target figure of 10% of the Fund, and have appointed Aviva Investors to manage the Fund's property portfolio. An additional £20million was allocated to the property mandate when Aviva commenced management of the mandate in February 2012, with further new allocations to follow. In addition, a further £23million was allocated during May 2011 to the Montanaro European Smaller Companies Fund within the Specialist Funds mandate.

The Fund's asset allocation as at 31 March 2012 is shown below:



No change was made during the year to the Committee's notional asset allocation target of 70% equities and 30% fixed interest. However, over the last year the Committee has undertaken a review of the Fund, with the aim of improving risk management, increasing flexibility in varying the allocation between different assets in response to current market conditions, and improving the Fund's diversification across a range of assets.

As a result, following the end of the financial year, the multi-asset mandate managed by UBS Global Asset Management was terminated. JP Morgan Transition Management, acting on behalf of the Fund, liquidated the portfolio assets in the quarter ended June 2012, and the proceeds have been re-invested into two pooled diversified growth funds managed by Barings Asset Management Ltd and Baillie Gifford & Co. UBS will continue to manage a passive equity mandate for the Fund.

This will result in a revised strategic asset allocation of 55% to specialist equity managers, 18% to specialist fixed interest managers, 12% to alternatives (property and infrastructure) and 15% to diversified growth funds.

Fund Solvency

The Fund is required to have an actuarial valuation conducted every three years. The latest triennial valuation, as at 31 March 2010, was carried out by the Fund Actuary, Barnett Waddingham, which determined that the Devon Pension Fund had a funding level of 81%.

The next scheduled valuation is due as at 31 March 2013, and will take into account the revised LGPS scheme to be implemented from April 2014.

Conclusion

Much of the world economy continues to be in a fragile state, and the current uncertainty looks set to continue for some time. This is likely to be reflected in continued high volatility within markets. The Investment and Pension Fund Committee's decision to appoint two diversified growth fund managers should provide some additional flexibility in asset allocation to ensure that the Devon Fund is well positioned to avoid some of the downside, while capturing most of the upside, as markets rise and fall over the next few years.

Longer term performance of the Fund remains good with Devon producing returns +0.3% pa ahead of our local authority peers over a ten year period. We will need to work hard to maintain this position.

2011/12 will be the last full financial year in which the Investment and Pension Fund Committee will have had the benefit of the advice and guidance of Barry White. In September Barry will be retiring from the post of Principal Finance Manager for Investments, a post he has held since 2004. Barry's wisdom, clear vision and humour will be missed by all his colleagues.

Mary Davis
County Treasurer

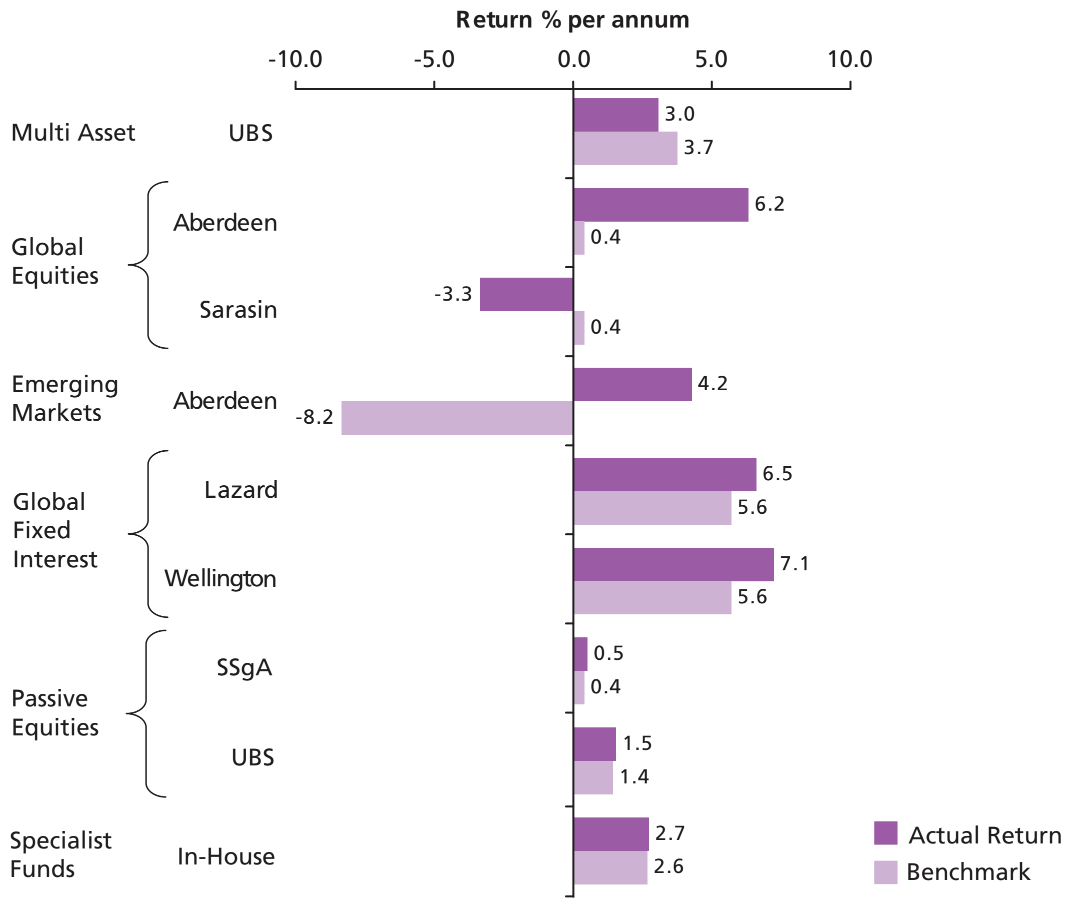
Management of Fund

The external managers working for the Devon Fund during 2010-11 were all still in place as at the end of March 2012. In addition, during 2011-12 Aviva Investors were appointed to manage a property mandate for the Fund. The following table lists the managers in place as at 31st March 2012 together with their mandates and the targets they have been set in relation to the benchmarks shown:

Manager	Mandate	Target	Benchmark
UBS Global Asset Management (UK) Ltd	Multi Asset	Outperform benchmark over rolling 3 year periods	Local Authority Peer Group Weighted Average
Aberdeen Asset Managers Ltd	Global Equity	Outperform benchmark by 3% per annum over rolling 3 and 5 year periods	FTSE World Index
Sarasin and Partners LLP	Global Equity	Outperform benchmark by 3% per annum over rolling 3 and 5 year periods	FTSE World Index
Aberdeen Asset Managers Ltd	Global Emerging	Outperform benchmark by 2-4% per annum over rolling 3 year periods	MSCI Emerging Markets Index
State Street Global Advisors Ltd	Passive Equities	Performance in line with benchmark	FTSE World - market specific indices
UBS Global Asset Management (UK) Ltd	Passive Equities	Performance in line with benchmark	FTSE All Share
Lazard Asset Management LLC	Global Fixed Interest	Outperform benchmark by 1% per annum	Barclays Capital Global Aggregate Bond Index
Wellington Management International Ltd	Global Fixed Interest	Outperform benchmark by 1% per annum	Barclays Capital Global Aggregate Bond Index
Aviva Investors	Property	Outperform benchmark	IPD UK PPF All Balanced Funds
DCC Investment Team	Specialist Funds	Outperform the median return of the local authority peer group	Local Authority Peer Group Weighted Average

The Investment and Pension Fund Committee regularly reviews the performance of each of the investment managers during the year. The following graph highlights the performance of each manager during 2011/12:

Manager Performance 2011/12



Performance of the majority of managers was good, with all but two achieving or improving on their benchmark. The existing multi-asset mandate managed by UBS performed below benchmark for the second year in succession and has subsequently been terminated.

The In-House managed Specialist Funds does not have an explicit benchmark due to the nature of the assets under management and the peer group average is used to demonstrate that the collective pool of investments is still performing well in the current environment. Aviva Investors were only appointed from the beginning of February, so have not been included in the graph.

Further detail on the performance of the individual managers and their outlook going forward, can be found in their individual reports on pages 10-19. All of the managers have provided an investment commentary, which provides further detail on their performance over the past year, and their outlook going forward.

Managers' Reports

Aberdeen Asset Management Ltd
Mandate – Global Emerging Markets

Performance Review
Sovereign debt worries in peripheral European countries was only part of the problem for emerging markets, which showed increasing evidence of economic troubles, with growth and inflation data both moving in the wrong direction, and this was reflected in the investment returns across the broad MSCI Global Emerging Market index. The index fell, down -8.2% in the year, but the portfolio turned in a modest positive return, +4.2%. The returns since inception in August 2009 have been strong, the portfolio climbing 21.1% pa, comfortably beating the MSCI index (+ 12.2% pa).

The focus of the investment approach is stock selection, and this was the primary source of the outperformance. Stocks that stood out as significant positives over the year represent a wide spread of countries and industries, and include FEMSA, the Mexican retailer; Ultrapar, the Brazilian resources company; Indian materials company Astra; Ayala Land from the Philippines; China Mobile; and Siam Cement from Thailand. The single largest contribution within a sector group was from Financials, as returns from Real Estate stood out, whilst the weakness across Bank stocks was contained, with several domestic banks, for example Bank of Philippines and Siam Commercial Bank bucking the trend. The share prices of Akbank in Turkey and Banco Bradesco from Brazil trailed, as concerns over bad loan losses dented confidence, but the long term investment case remains for well financed domestic banks across the regions, and we added to positions, as well as introducing new holdings such as Bank Pecao in Poland and Garanti Bank in Turkey. Other areas of success at a sector level included Consumer Staples and Energy; whilst stock selection was strong in China and Brazil in particular.

Stewardship
At Aberdeen we are signatories to the UN PRI, through which we have a commitment to engage with the managements of all of the stocks within our clients' portfolios. We are also signed up to the UK Stewardship Code. The Emerging markets are more challenging when it comes to engagement, with companies generally less familiar with the ESG agenda that we want to present, or being sufficiently transparent with information on the topics we want to pursue. However, our ESG team, supported by investors from the regional offices, set the extra-financial agendas for meetings with managements, with the aim over time to gain an improved level of disclosure through dialogue, as companies understand better what sort of ESG information is valuable for asset managers on behalf of the ultimate investors.

Outlook
The retrenchment across emerging equity markets since late in the first quarter suggests that investors may be turning cautious as economic indicators have appeared less upbeat. Sluggish external demand has slowed emerging economies' pace, while elevated oil prices threaten to revive price pressures again and cut into private consumption. The Eurozone's unresolved debt crisis is another nagging worry and a recession in Europe will have a material impact on the developing world. For the most part, however, policymakers have the ability to provide economic support through monetary easing and looser fiscal policy; this is evident in many emerging countries now that growth has cooled. At the corporate level, companies remain in good shape despite the flat earnings outlook, and we are confident that our longer term outlook for investment ideas will be rewarded with opportunities to reinforce the portfolio with additional investments at attractive levels.

Aberdeen Asset Management Ltd

Mandate – Global Equities

Performance Review

The backdrop for equity markets for most of the period was a return of anxieties for investors worried about sovereign crises across peripheral countries in Europe and a slowdown in many of the key countries across Asia and developing economies. Equity markets, in the form of the FTSE World index, were barely ahead, up 0.4% in the period, but the portfolio had a strong performance, climbing 6.2%, beating the +3% target by 2.8%, the more cautious, defensive strategy paying dividends. Returns since inception, just over two and a half years, are up 15.5% pa, versus 13.2% pa.

The successful performance came from positive stock selection and sector allocation, reflecting exposure to more defensive companies that are well-financed, have strong cash generation and good market presence. These include Swiss pharmaceutical group Roche; US healthcare services provider CVS Caremark; healthcare products company Johnson & Johnson; US food business Kraft; and FEMSA, a Mexican convenience store and Coke bottler. There was a meaningful contribution from Philip Morris International and UK-listed British American Tobacco, as investors recognised the cash generation and dividend prospects from tobacco. Other positives included leading technology businesses such as Taiwan Semiconductor Manufacturing and Samsung Electronics from Korea.

These successes were partially offset by several stocks that struggled, including Australian insurer QBE which was hit by a series of natural disasters; European industrials Schneider Electric and Philips Electronics, were also weak, the latter being sold from the portfolio mid-year as we became increasingly uncomfortable about competitive pressures. Petrobras, the Brazilian oil company and Tenaris, specialist of seamless steel pipes used in deep sea drilling, both weakened but remain in the portfolio, offering good long term cases. The omission of Apple, which performed powerfully, was also a drag to performance.

Changes over the period included the sale of four stocks, including Adidas and E.On; and the addition of six new holdings, including HSBC and AIA, with exposure to Asian and developing economies; and Vale, the Brazilian commodities producer.

Stewardship

At Aberdeen we are signatories to the UN PRI, through which we have a commitment to engage with the managements of all of the stocks within our clients' portfolios. We are also signed up to the UK Stewardship Code. Our ESG team, which sits with the Global Equity team, has meetings with the majority of managements of companies across a range of extra-financial issues such as health and safety, labour conditions, environmental factors and more. Many companies already have high levels of ESG disclosure, but others are more limited. We look for an extension of the overall level of disclosure through on-going dialogue, to the ultimate benefit of shareholders.

Outlook

The caution expressed a year ago about the outlook for western economies remains valid, and the position for Asian and developing countries is little improved – indeed, the slowdown in activity coupled with the on-going battles against inflation seen in China and Brazil mean that the challenges there are perhaps greater than before. We will remain vigilant for signs of further deterioration in the economic landscape, but also for opportunities to add further to our preferred companies, in particular the more recent additions which have been introduced at moderate weightings within the portfolio. Typically, our favoured stocks remain either internationally established as leaders in their sectors or are oriented towards the domestic consumer expansion in Asia and other growing regions.

Sarasin & Partners LLP

Mandate – Global Equities

Market Background

Over the year to 31 March, the FTSE World Index returned 0.4% in sterling terms. This small number masks high levels of volatility and disparity of returns across markets, with European stocks ending the year down by over 4% and the US equity market up 9%. After four months of relative stability, equity markets fell heavily in August as the outlook deteriorated. Political paralysis and growing systemic risk in Europe, combined with a bursting Chinese property bubble and a lack of bi-partisan approach to the gaping US deficit, injected enough uncertainty into what was already a low grade economic recovery to bring Western growth worryingly close to stall speed.

As the year progressed, whilst better economic news emerged in the US, the crisis in the euro zone escalated, culminating in the need for the European Central Bank to make a massive injection of liquidity to support the banking system and government bond markets. This long-term refinancing operation (LTRO) ultimately amounted to nearly 1 trillion and was sufficiently large to stimulate a sharp rally in global equities in December, January and February, particularly in the share prices of many of the most distressed companies such as European banks.

Performance Review

The portfolio underperformed in the year to 31 March 2012, producing a return of -3.3% against 0.4% for the benchmark. Performance was broadly in line with the World Index until the fourth quarter of 2011 and early part of 2012, when the portfolio did not participate fully in the LTRO-driven rally.

In this period, investments in our ‘Strong get Stronger’ theme (which identifies relative safe haven stocks with strong balance sheets) underperformed as did our ‘Pricing Power’ theme. There were few persistent thematic trends over the year as the time frame for many investors became very short, creating an environment more suited to short-term trading than our thematic approach focused on longer-term sustainable trends.

Stewardship

Where possible we vote on all shareholder resolutions on your behalf in accordance with core policies that reflect an understanding of local and international best practice. We will generally vote against shareholder resolutions that fail to uphold these policies.

Our voting policy pays particular attention to remuneration issues and 2011 was the first year that shareholders in US public companies had a “say on executive pay”, although the impact of shareholder activity in the US is still limited. Over the year we voted on over 750 resolutions on behalf of Devon Council Pension Fund and voted against or abstained on over 240 resolutions including nominees for the Citigroup and the Procter & Gamble compensation committees and the Oracle remuneration report.

Outlook

We start the new financial year with a still uncertain background and risk-aversion growing once again as the temporary effects of the LTRO injection wear-off. In the short-term there are still fears of a disorderly unwinding of the Euro and in the medium term there can be no escape from the need for over-indebted Western economies to reduce their debts.

Our primary focus remains on investments driven by themes which we see as robust under even difficult scenarios. For example companies that help enable productivity growth as austerity forces consumers to seek value for money; companies that benefit from inexorable trends such as the consequences of demographics or the beneficiaries from the explosion in the amount of electronic data as the number of web-enabled devices grows.

Lazard Asset Management Ltd

Mandate – Global Fixed Interest

Performance Review

During a volatile 12-month period, the portfolio performed strongly in both absolute and relative terms, returning 6.53% versus the benchmark, Barclays Global Aggregate Bond Index, which returned 5.60%.

The drivers of portfolio returns came from different sources. Our country allocations added relative value as the portfolio's overweight bond positions in Australia, UK, Scandinavia and Poland helped portfolio returns. Avoiding government bonds in peripheral Europe was also beneficial. Our sector allocations also added to returns, particularly our overweight exposure to diversified global spread product. Tactical currency exposure also contributed positively to returns, especially during the second half of 2011. The detractors to relative performance included our underweight position in Japanese bonds and a modest underweight position in the yen. An underweight duration exposure to European government bonds in December also weighed on performance.

Stewardship

Lazard investment professionals actively engage with both sovereign and corporate debt issuers on a continuous basis. It begins by meeting issuers in person (either in New York or in the country of issuance), or through analyst meetings, to further understand business models, financial projections, stress-case scenarios etc. We also benefit greatly by leveraging insights and research from other Lazard portfolio managers/analysts on a global basis, as they travel widely and meet continuously with corporations and sovereigns. Then, after determining to take a position in a corporate or sovereign bond, we continue to meet with these issuers and other strategists on a regular basis, and participate through a combination of conference calls and other ad hoc meetings to stay current on economic and financial conditions. Most of our contacts are at the CIO, CFO, and CEO, and/or Investor Relations level for corporate issuers and the Finance Ministry / Treasury level for sovereign debt.

It should be noted that as part of our overall risk management, we limit concentrations in any single issuer in order to minimise idiosyncratic risk (or specific risk associated with one security and which can be reduced through diversification) and maintain liquidity. Furthermore, we generally limit our total holdings (across each portfolio) of any single issuer to 5% of the total outstanding tradeable debt of the corporate or sovereign. Finally, again as a result of our focus on liquidity and value, we typically avoid distressed issuers. As such, we very rarely get involved in workouts or post-bankruptcy negotiations with corporate or sovereign issuers.

Outlook

We believe volatility will most likely continue to dominate financial markets, given elections in the US, France, and Mexico this year, continued headline risk in Europe and geopolitical risks. Although the US economy may have expanded by approximately 2% at an annualized rate during the first quarter, the eurozone economy likely contracted. The recent US expansion should help to balance global growth, as China is expected to slow marginally in 2012 relative to its 2011 growth rate. We believe sustainable global growth (even if unsynchronised) is a critical factor to solving fiscal problems.

Amid fragile global economic growth and rising oil prices, we expect that rates overall may trade in recent ranges, with a bias for steeper curves in select markets. US Treasury supply is worrisome, especially considering that the Federal Reserve purchased 61% of total net Treasury issuance in 2011. We will continue to monitor upcoming government bond auctions in the US and Europe as real-time measures of sentiment and demand.

As always, we continuously weigh fundamentals against valuations, and construct the portfolio according to our view of the best risk/reward trade-offs in global bond, credit and currency markets.

Wellington Management International Ltd

Mandate – Global Fixed Interest

Performance Review

- The Portfolio posted a return of 7.1% (in GBP terms), outperforming its benchmark by 1.4% over the year to 31 March 2012.
- Macro, Credit and Quantitative approaches all contributed positively to the Portfolio over the period. Currency was a slight detractor over the year. The biggest source of outperformance came from the Macro alpha source, as all the strategies within that approach outperformed.
- The major contributor to the Macro approach outperformance came from the tactical trading in duration over the first two quarters of the period. We were able to take advantage of the volatility in the global markets and remained nimble in our positioning.
- In Credit, our overweight to Investment Grade corporates was a detractor for the third quarter of 2011, when credit spreads widened, but this stance has been additive to results for the past two quarters.
- Within Quantitative, we moved from being long US 10-year vs. short Germany 10-year at the beginning of the year, to being long Germany 10-year vs. short US 10-year for the last two quarters. This was a positioning change, which added value over the period. We were also long UK 10-year vs. short US 10-year, which also aided results.
- Our Currency underperformance came at the start of the period and was from our overweight to Asia ex-Japan currencies and our overweight to the Mexican peso. For the last two quarters, the currency risk allocation has been taken over by the Macro team and has been a source of outperformance within that alpha source.

Stewardship

Consistent with the aims of the UN Principles for Responsible Investment (PRI) and the UK Stewardship Code, our portfolio management and corporate governance teams view ESG (environmental, social and corporate governance) integration and engagement as both return enhancing and risk mitigating. We believe that engagement with company managements can be an integral element of the investment process. Our portfolio management and corporate governance teams' decisions to engage are made on a case-by-case basis and depend on the materiality of the ESG issue, the responsiveness exhibited by the company to past communications and our assessment of whether such engagement is in the best interest of our clients. Dialogue can range from an agenda item on a regular investor call to a focused communication on a particular issue.

It is appropriate to emphasise that engagement is more closely associated with equity investments. As shareholders, equity investors have an ownership interest in a company and rights are derived from their fiduciary relationship with management and the board. The rights to elect directors, approve corporate actions and amend company charters provide equity investors with a strong foundation for effective engagement. In contrast, the rights of fixed income investors (as Devon County Council is in this Portfolio) are primarily contractual and generally limited to the covenant and indenture language of each bond agreement. That said, for our government bond portfolios, we have centralised resources available to help investors assess the ESG risks or opportunities that would impact the long-term economic growth and sustainable development of the respective countries. For example, ESG issues relative to sovereign bonds can include political stability, corruption, social inequality, investment in education and climate change management.

Outlook

Global outlook

- Global manufacturing data is showing signs of deterioration.
- Central banks will likely maintain accommodative policy stance. Slowing global growth increases chances of further unconventional policy measures.
- Europe is only one illustration of the sovereign debt overhang problem in most advanced economies.

Portfolio strategy

- Opportunistic risk taking, overweight duration bias.
- Tactically trading US Treasuries, currently overweight bias on a relative basis.
- Underweight peripheral Europe.
- Overweight duration in US, Australia and Sweden.
- Overweight USD, Asian currencies; underweight European and commodity currencies.

We Think…	Therefore…
• Global cycle losing momentum led by Europe. • US set to outperform Europe and other advanced economies.	• Overweight US, Canada and Sweden. • Long USD and MXN.
• China slowing, more easing on the horizon. • Sovereign default risk likely to rise again as growth slows.	• Underweight AUD. • Short peripheral Europe versus core Europe.
• Persistent inflation pressure in Asia. • Corporate balance sheets remain healthy, asset allocation flows to be supportive for HY and IG.	• Overweight Asian currencies versus JPY and EUR. • Overweight global corporates — financials, communications.

UBS Asset Management (UK) Ltd

Mandates – Multi Asset and Passive Equity

Performance Review

For the year to 31 March 2012, your UBS multi asset Portfolio returned 3.0% compared to a benchmark return of 3.7%.

Much of the underperformance was attributable to the tactical asset allocation portion of your portfolio, underperforming the benchmark by 5.2%. Over the period, asset allocation detracted slightly while currency allocation was flat. Broadly speaking, the marginal detraction from asset allocation was a consequence of underperformance in the third quarter of 2011 and, in particular, the Fund's exposure to European equities at the start of August. De-risking the Fund in August did, however, shield the Fund from the equally sharp falls seen in equity markets in September. After a flat final quarter of 2011, performance rebounded somewhat in the first quarter of 2012 when the Fund's fixed income positioning in particular was rewarded.

The global equity portion of your portfolio also underperformed the benchmark by -1.5%. For global equity markets the year to March 2012 had two distinct halves: the period started with the natural disasters in Japan (which severely impacted global supply chains) and dramatic political uprising in the Middle East (which led to upward pressure on the oil price). Whilst investors were trying to grapple with these issues, sovereign debt problems, especially in the Euro zone, were worsening, with no sign of a cohesive or decisive response from policymakers. Not surprisingly, by the end of summer 2011, markets were in panic, with investors seeking the 'safe-haven' of defensive sectors such as consumer staples, healthcare and utilities.

We reacted to this underperformance by revisiting every investment thesis and reviewing all the valuations - especially our stress-testing and scenario analysis - for every holding in the portfolio. In almost all cases, this analysis served to confirm our research, confirm that the holdings remained robust and gave us the confidence to keep them, or even buy more to take advantage of the unjustified price weakness that the panic conditions had presented.

Our stance was vindicated in the second half of the year which saw a complete reversal in the panic sentiment triggered by some better economic data being released around the world. In general, the stocks which detracted in the six months to September rallied strongly in the six months to March and led to a strong bounce-back in relative returns.

For the year to 31 March 2012 your UBS UK passive Portfolio returned 1.5% compared to a benchmark return of 1.4%.

Stewardship

Almost two years into the publication of the UK Stewardship Code and UBS Global Asset Management continues to strongly support the principles set out in this code. The UK Stewardship Code aims to enhance the quality of engagement between institutional investors and companies.

We judge companies not only on the basis of traditional governance inputs such as board structures, but also the outputs of governance such as acquisitions and operational performances The most important issues for us include strategy, operational performance, executive remuneration, quality of the board, succession planning and health & safety.

We regard voting as an important part of the engagement process. Wherever practical we vote at all company meetings globally. During the year to 31 March 2012, we voted on 49,637 resolutions at 4,837 company meetings around the world.

Outlook (UK Equities)

We have seen sharp falls across equity markets (the UK included) since they peaked in mid-March 2012. Within UK equities in particular, when looking at more conventional measures, price /earnings ratios in a historical context are low and the current FTSE dividend yield is around double the yield on the UK 10 year government bond. Relative to some other equity markets, such as the US, UK equities appear attractive, having underperformed by around 10% since October 2011.

However, a degree of caution is warranted here as there are very strong headwinds facing the UK equity market and we do not expect the gap between today's prices and our long-term measure of fair value to be closed very soon.

What is particularly worrying for the UK is that it is already struggling under the weight of its fiscal austerity programme in an environment when others have not even really begun to retrench in earnest. This dynamic is not helped by the fact that the Eurozone is the UK's largest trading partner and so further turmoil within the region will have knock-on effects to the UK. The housing market appears overvalued at present while the private sector remains very indebted so will likely have to de-lever over the coming years. Put all this together, and it points to more lacklustre economic growth for the foreseeable future with similarly lower equity returns.

State Street Global Advisors Ltd

Mandate – Passive Global Equity & Emerging Markets

Performance Review

Equity markets finished the year on a positive note with two very strong quarters. Better economic data and hopes for progress in Europe helped the dour equity sentiment that had taken hold during August and September to reverse sharply in October, and the final quarter of 2011 and the first quarter of 2012 saw strong returns for many major equity markets.

The relative performance of the developed equity markets index tracking portfolios for the year ended 31st March 2012 was as follows:

- UK Equity +0.13%
- North America (Dynamic Currency Hedged) -0.20%
- North America (50% Currency Hedged) +0.01%
- Europe ex-UK (Dynamic Currency Hedged) +1.05%
- Europe ex-UK (50% Currency Hedged) +0.06%
- Japan (Dynamic Currency Hedged) +0.97%
- Japan (50% Currency Hedged) +0.18%

The Emerging Markets portfolio returned a relative -0.78% versus its custom benchmark for the year ended 31st March 2012.

Stewardship

The principles articulated under the UK Stewardship Code are addressed in practice by our engagement process and disclosure policy. We regularly engage with companies to discuss a variety of corporate governance issues. Topics for engagement include takeover, defences, mergers, proxy contests, board independence and skills, executive compensation and equity compensation plans. We vote in all markets, including emerging markets, and we make proxy voting decisions which we believe will most enhance the corporate governance of issuers held within clients' portfolios and the economic value of client accounts.

In the UK alone, we voted in over 9,000 resolutions and voted against on 255 occasions. We voted against a number of remuneration plans, including Rio Tinto, British American Tobacco, Xstrata and Sports Direct.

Outlook

For now, equity markets seem to be focussing more on the positives, principally strong corporate earnings, the liquidity boost provided to eurozone banks in December, better US economic data and ultra-accommodative monetary policy. Opposing forces include the next phase of the eurozone debt crisis, the impact of bank recapitalisation/deleveraging and the diminishing impact of fiscal stimulus, with austerity measures more to the fore. Given these competing forces, equity markets are likely to remain volatile but any progress on the eurozone debt crisis could lend support to the healthier tone in equity markets of late.

Devon County Council In-House Team

Mandate – Specialist Funds

The Specialist Funds mandate comprises investments into a number of more concentrated pooled funds, which as a consequence may carry higher risk. It also includes management of the Fund's unallocated cash balances.

Performance Review

- **Property** - The In-House Team managed the property portfolio until 1 February 2012, achieving a part year return of 5.8%, against a benchmark to the end of January of 6.1%. The Investment and Pension Fund Committee appointed Aviva Investors to manage the mandate from 1 February 2012.
- **Activism Funds** – The Funds continued to be managed by Hermes and Relational. The UK and European Funds managed by Hermes outperformed the benchmark by 17.6% and 3.4% respectively, as their companies continued to perform well with self help agendas helping the positive momentum. Relational's large cap US Fund underperformed the benchmark by 2.1%.
- **European Smaller Companies** - The Montanaro European Small Companies Fund continues to perform ahead of its benchmark in a difficult market environment, outperforming by 6.6% in 2011/12. A further investment of £23million was made in this fund during the Summer.
- **Infrastructure** - The UBS Infrastructure Fund performed strongly, delivering an 18.8% return during the year, benefiting from significant income distributions from a number of its investments.
- **Summary** - Overall performance was 2.7% against the WM Local Authority Peer Group weighted average of 2.6%.

Stewardship

It is expected that all the individual funds that specialist funds have been allocated to will engage with the companies that they are invested in. In addition the Devon Pension Fund is a member of the Local Authority Pension Funds Forum (LAPFF) who conduct engagement on behalf of their membership comprising 55 pension funds. LAPFF has a strong record of engagement.

LAPFF's activity over the last year includes: making representations on accounting, auditing and financial reporting issues, where the needs of shareholders are not being met; engaging with companies on non-monetary rewards; pressing for greater disclosure of climate related information. Companies engaged with included News Corp (governance and ethics), Easyjet and Ryanair (climate change), BP (risk management and sustainability), Gazprom (remuneration, governance and sustainability), and Shell (human rights and environmental record).

Outlook

The current Eurozone crisis will present a challenge to the success of the European funds within the portfolio, but the specialist nature of the funds invested in should provide a firm basis for them to perform well in a volatile market.

The emerging market investments may be impacted by the global economic volatility and a slow down in growth rates, but still provide significant potential for increasing value over the longer term

The Fund's investment in the UBS International Infrastructure Fund (IIF) is now almost fully committed and the IIF now holds 5 significant stakes in a variety of assets, ranging from a UK water utility to an Australian wind farm. With the investment phase almost complete, the IIF has now started to deliver a substantial increase in the income being generated across these investments and it is anticipated that this will continue.

Financial Statements 2011/12

Statement of Responsibilities for the Statement of Accounts

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 County Treasurer;
- manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets;
- approve the Statement of Accounts.

Responsibilities of the County Treasurer

The County Treasurer is responsible for the preparation of the Authority's Statement of Accounts in accordance with proper practices as set out in the CIPFA / LASAAC Code of Practice on Local Authority Accounting in the United Kingdom ('the Code of Practice').

In preparing this Statement of Accounts, the County Treasurer has:

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

The County Treasurer 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 of the County Treasurer

I hereby certify that this Statement of Accounts for the year ended 31 March 2012 has been prepared in accordance with the Accounts and Audit Regulations 2011 and that it presents a true and fair view of the financial position of the Pension Fund as at 31 March 2012 and its income and expenditure for the year ended 31 March 2012.

Mary Davis
County Treasurer
12th September 2012

Approval of the Statement of Accounts

I confirm that these accounts were approved by the Audit Committee at its meeting on 21st September 2012.

Councillor Andrew Moulding

Chairman of the Audit Committee
21st September 2012

Summary of Scheme and its Management

The Local Government Pension Scheme (LGPS) is one of the oldest public sector schemes in operation, having been established as a national scheme in 1922. There are about 4.6 million members of 99 regional pension funds spread across England and Wales, roughly 75% of the local government workforce.

The LGPS is managed by administering authorities in accordance with regulations approved by Parliament. In Devon's case this is Devon County Council. Each administering authority is responsible for its own Fund, into which all contributions are paid. Rules by which the administering authorities must operate - the LGPS Regulations - are determined by the Government after consultation with representatives for both employees (trade unions) and employers (Local Government Association, Local Government Pensions Committee).

Each LGPS administering authority pays its benefits from a dedicated pension fund. Both the scheme member and their employer pay into this fund in order to provide retirement benefits for the member once they reach retirement age (or earlier if the situation demands). Before this time arrives however, the contributions paid into the scheme are invested in a variety of suitable investments. By investing the contributions in this way the fund can build up enough assets to cover any payments it may be expected to make regarding its scheme members retirement benefits. Please visit the website www.devonpensions.org for further information.

As of 31st March 2012, the net assets of the Devon County Council Pension Fund were valued at £2,684 million. The fund itself currently has 35,287 actively contributing members, employed by 143 employers of various descriptions (Unitary, District, Town & Parish Councils, Education Establishments and Admitted Bodies). Pensions are paid to 25,854 pensioners (and/or dependants) every month. There are currently 26,260 members with rights to deferred benefits.

The LGPS is contracted-out of the State Second Pension (S2P) and must, in general, provide benefits at least as good as most members would have received had they been members of the State Second Pension.

Management Structure

Administering Authority	Devon County Council County Hall Exeter EX2 4QD	

Your Pension Fund Representatives
Investment and Pension Fund Committee (at 31 March 2012)

Representing Devon County Council	Councillor Barry Parsons (Chairman) Councillor Andrew Moulding (V.Chairman) Councillor Jerry Brook Councillor Rodney Cann Councillor Richard Edgell Councillor Anne Fry Councillor Des Hannon Councillor Chris Haywood Councillor Trevor Pennington Councillor Ray Radford Councillor Philip Sanders Councillor Richard Westlake MBE	
Representing Devon Unitary & District Councils	Councillor Peter Edwards (Devon Districts Councils) Councillor Ian Bowyer (Plymouth) Councillor David Stark (Plymouth) Councillor John Thomas (Torbay)	
Observers Representing the Contributors	Roberto Franceschini Lorraine Parker	
Representing the Beneficiaries	Colin Lomax	
Adviser	John Harrison	
Investment Managers	Devon County Council Investment Team Aberdeen Asset Managers Ltd Aviva Investors Global Services Ltd Lazard Asset Management LLC Sarasin and Partners LLP State Street Global Advisors Ltd UBS Global Asset Management (UK) Ltd Wellington Management International Ltd	
County Council Officers	Phil Norrey Mary Davis Barry White Chris Phillips Charlotte Thompson	Chief Executive County Treasurer Principal Finance Manager - Investments Assistant County Treasurer Head of Pension Services
Fund Actuary	Barnett Waddingham LLP	

Copies of the full Annual Report, Statutory Published Statements and abridged Members Leaflet can be found on-line at: **devonpensions.org/fund-and-investments-news**

Requests for information about the accounts or investments should be made in writing to Mark Gayler, Investment Manager - Investments, Devon County Council, Room G99, County Hall, Exeter, EX2 4QD

Financial Statements

Background

Employees of the Council are members of two separate pension schemes:

- The Local Government Pension Scheme, administered by Devon County Council.
- The Teachers' Pension Scheme, administered by Capita Teachers' Pensions on behalf of the Department for Education (DFE).

Both schemes provide defined benefits to members earned as employees. The arrangements for the teachers' scheme mean that liabilities for these benefits fall on the DFE and do not form part of the Devon Pension Fund. The fund also extends to cover employees of unitary and district councils, civilian employees of the Devon and Cornwall Police Authority and Devon and Somerset Fire & Rescue Authority and employees of a number of other admitted member bodies.

The accounts of the Fund are set out in line with the IFRS Based Code of Practice on Local Authority Accounting in the United Kingdom (the Code).

The accounts reflect the assets that are available to the Fund, and the current liabilities. Future contributions are matched to future liabilities through an actuarial valuation.

All employers' contribution rates are decided by the Fund's Actuary every three years after an actuarial valuation of the fund. The statutory triennial actuarial valuation of the fund was undertaken in 2010 and was signed by the Actuary on 30 March 2011.

The Accounts are set out in the following order:

- **Fund Account** - discloses the income to and expenditure from the Fund relating to scheme members and to the investment and administration of the Fund. The account also reconciles the Fund's net assets at the start of the year to the net assets at the year end.
- **Net Asset Statement** - discloses the type and value of all net assets at the year end.
- **Notes to the Accounts** - provides supporting details and analysis of the figures in the Fund Account and Net Asset Statement.

Statement of Accounts

Fund Account

2010/11 Restated £'000		Notes	2011/12 £'000
	Dealings with members, employers and others directly involved in the fund		
	Contributions		
112,099	Employers	9	116,380
38,230	Employees		36,277
	Transfers in from other schemes:		
0	Group Transfers		0
11,375	Individual Transfers		9,868
161,704			162,525
	Benefits		
(95,623)	Pensions		(104,282)
(25,906)	Commutation of pensions and lump sum retirement benefits		(35,991)
(3,407)	Death Benefits		(3,103)
(11)	Refunds		(6)
	Payments to and on account of leavers		
(15,194)	Group Transfers		0
(6,482)	Individual Transfers		(5,933)
(1,266)	Administration expenses	12	(1,282)
(147,889)			(150,597)
13,815	**Net additions from dealings with members**		**11,928**
	Returns on investments		
	Investment Income:		
	Fixed Interest		
1,667	U.K. Public Sector Bonds		1,791
408	U.K. Public Sector Index Linked Bonds		279
7,609	Overseas Government Bonds		9,123
16	Overseas Government Index Linked Bonds		1
476	UK Corporate Bonds		716
5,694	Overseas Corporate Bonds		5,936
	Equities (Listed)		0
5,267	U.K.		6,321
12,230	Overseas		11,941
6,444	Pooled Funds		9,961
0	Derivatives		0
693	Interest on Cash Deposits		529
1,231	Interest on Short term Deposits		1,675
4	Underwriting Commission		0
	Taxes on income		
8	Withholding Tax - Fixed Interest securities		3
(586)	Withholding Tax - Equities		(691)
(3,644)	Investment Management expenses	12	(3,600)
	Profit and losses on disposal of investments and changes in market value of investments:		
46,817	Realised profit/(loss)		36,648
105,437	Unrealised profit/(loss)		(15,729)
189,771	**Net Returns on Investments**		**64,904**
203,586	Net increase/(decrease) in the net assets available for benefits during the year		76,832
2,403,313	Opening Net Assets of the Fund at 1 April		2,606,899
2,606,899	**Net Assets of the Fund at 31 March**		**2,683,731**

Net Asset Statement

2010/11 Restated £'000		Notes	2011/12 £'000
	INVESTMENTS AT MARKET VALUE	15	
	Investment Assets		
	Fixed Interest		
46,317	U.K. Public Sector Bonds		52,207
20,980	U.K. Public Sector Index Linked Bonds		20,298
208,937	Overseas Government Bonds		257,337
570	Overseas Government Index Linked Bonds		0
12,081	UK Corporate Bonds		26,519
132,494	Overseas Corporate Bonds		130,658
	Equities (Listed)		
158,205	U.K.		168,353
483,057	Overseas		499,571
1,067,666	Managed Funds	17	1,079,085
277,757	Pooled Funds	17	288,880
	Derivative Assets	18	
23	Futures - UK Fixed Interest		0
101	Futures - Overseas Fixed Interest		156
3	UK Bond Forwards		2
30	Overseas Bond Forwards		29
0	Options		10
1,868	Forward Currency Contracts		2,258
10,746	Foreign Currency		9,318
117,925	Short Term Deposits		94,800
42,305	Cash Equivalents		29,915
32,150	Cash & Bank Deposits		22,313
	Investment Liabilities		
	Derivatives	18	
0	Futures - UK Fixed Interest		(22)
(141)	Futures - Overseas Fixed Interest		(75)
(22)	UK Bond Forwards		0
(20)	Overseas Bond Forwards		(33)
(3,901)	Forward Currency Contracts		(4,737)
2,609,131	**Total of investments held**		2,676,842
	Long Term Assets and Liabilities	19	
0	Long Term Assets		13,040
0	Long Term Liabilities		(13,536)
	Current Assets and Liabilities	19	
32,899	Current Assets		42,035
(35,131)	Current Liabilities		(34,650)
2,606,899	**Net Assets of the fund available to fund benefits at 31 March**		**2,683,731**

Notes to the Net Asset Statement

a. The financial statements above summarise the transactions and net assets of the Fund but they do not take account of liabilities to pay pensions and other benefits which fall due after the end of the Fund's accounting year.

b. The actuarial position of the scheme, which does take account of such obligations, is summarised in the Statement of the Actuary for the year ended 31 March 2012 on pages 57 and 58.

Notes to the Accounts

1. Accounting Concepts and Policies

The Devon Pension Scheme is a defined benefit scheme which provides pensions for County, Unitary and District Council staff not in other schemes, together with staff at certain other admitted bodies.

Devon County Council is the designated Administering Authority. The Investment and Pension Fund Committee comprising of County Councillors together with representatives of the Unitary and District Councils (with observers representing the staff and retired members) control the investments with advice from specialists. Employing body details are shown on page 56.

1.1 General Concepts

Introduction

The principles and practices of accounting require a Statement of Accounts to be prepared which give a true and fair view of the financial position and financial performance. These statements are prepared with due regard to the following:

- Quality of Information.
- Relevance – providing financial information that is useful for assessing the stewardship of public funds.
- Reliability – providing financial information that properly represents what it purports to represent, is neutral, free from material error, is complete within the bounds of materiality and which has been prudently prepared.
- Comparability – is consistent and can be compared with the previous year's activity.
- Understandability – allowing the reader to interpret the financial position of the Pension Fund.
- Materiality - an item of information is material to the Financial Statements if its misstatement or omission might reasonably be expected to influence assessment of Devon County Council's stewardship, economic decisions or comparison with other organisations, based on those financial statements.

Overriding Accounting Concepts

Accruals – Financial Statements are prepared on an accruals basis.

Going Concern – The accounts are prepared on the assumption that the Pension Fund will continue in operational existence into the foreseeable future i.e. there is no intention to significantly curtail the scale of the operation.

Legislative Requirements – It is a fundamental principle that where specific legislative requirements and accounting principles conflict, legislative requirements take precedence.

General Principles

The general principles in compiling these accounts are those recommended by CIPFA. The accounts of the Fund have been prepared in accordance with The IFRS Based Code of Practice on Local Authority Accounting in the United Kingdom (the Code) and the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2009.

The accounting convention adopted is fair value and investments are included in the accounts on a fair value basis.

1.2 Policies

Accruals of Income and Expenditure

Activity is accounted for in the year it takes place, not simply when cash payments are made or received. In particular:

- Contributions, benefits and investment income are included on an accruals basis.
- All settlements for buying and selling of investments are accrued on the day of trading.
- Transfer values received and paid out have been accounted for on a cash basis.
- Interest on deposits is accrued if not received by the end of the financial year.
- Administration and Investment Management Expenses recharged from Devon County Council to the Pension Fund are accounted for in accordance with Devon County Council's accounting policies. In particular the full cost of employees is charged to the accounts for the period within which the employees worked.
- Where income and expenditure has been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the Net Asset Statement.
- Some additional payments are made to beneficiaries on behalf of certain employers. These payments are subsequently reimbursed by those employers. The figures contained in the accounts are shown exclusive of both payments and reimbursements.

Cash and Cash Equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are investments that mature in 90 days or less from date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

Financial Instruments

The Financial Instruments of the Pension Fund are classified into the following categories:

Financial assets and liabilities at fair value through profit or loss:

- The Pension Fund classifies financial instruments that are 'held for trading' as at fair value through profit or loss when the financial instrument is:
  - Acquired or incurred principally for the purpose of selling or repurchasing it in the near term, or
  - Part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit taking, or
  - A derivative.
- Financial assets and liabilities at fair value through profit or loss are initially recognised at fair value excluding transaction costs and carried at fair value without any deduction for transaction costs that would be incurred on sale or disposal.

Loans and receivables:

- Financial Instruments have been classified as loans and receivables when they have fixed or determinable payments and are not quoted in an active market.
- Loans and receivables are initially recognised at Fair Value and carried at historic cost as they are all short term.

Financial liabilities:

- The liabilities of the Pension Fund consist of creditors and derivative liabilities. Derivative liabilities are classified as financial liabilities at fair value through profit or loss and carried at fair value.

Contingent Assets

Contingent assets are disclosed by way of note where inflow of a receipt or economic benefit is possible and whose existence will be confirmed only by the occurrence or non-occurrence of one or more future events not wholly within the control of the Pension Fund.

Value Added Tax (VAT)

Income and expenditure excludes any amounts relating to VAT except to the extent that it is irrecoverable.

Events after the Reporting Date

Events after the reporting date have been considered up to the time the Pension Fund Accounts were authorised for issue on 12th September 2012.

Where an event after the reporting date occurs which provides evidence of conditions that existed at the reporting date the Statement of Accounts is adjusted. Where an event occurs after the reporting date which is indicative of conditions that have arisen after the reporting date, adjustments are not made.

2. Valuation Basis

Cost of Investments

The cost shown in the Accounts excludes direct costs of purchasing investments.

Market Value of Investments

The market values of investments referred to in this report are provided by JP Morgan Worldwide Securities Services. JP Morgan are the custodians of the Fund. Derivatives are valued on a fair value basis. Investments are also valued at their fair value and where there is an active market the bid price is usually the appropriate quoted market price. However, in some cases in relation to property assets, NAV (Net Asset Value) pricing will be used where it reflects the dealing of the fund better than a single bid or ask price. As all investments are disclosed at fair value, carrying value and fair value are the same.

Foreign Currency Transactions

The Pension Fund has significant investments overseas. The value of these investments in the Balance Sheet is converted into sterling at the exchange rate prevailing on 31 March 2012 as supplied by JP Morgan Worldwide Securities Services. Income receipts are normally converted into sterling at or about the date of each transaction, and are accounted for using the actual exchange rate received. Purchases and sales of overseas stocks are normally converted into sterling at the exchange rate applicable on the day of trading. Exchange rate gains or losses will be reported where the rate fluctuates between the day of trading and settlement.

Derivatives

Futures are disclosed in the accounts at fair value, which is the exchange price for closing out of the contract at the balance sheet date. This represents the unrealised profit or loss on the contract.

Forward foreign exchange contracts are disclosed in the accounts at fair value which is the gain or loss that would arise from closing out the contract at the balance sheet date by entering into an equal and opposite contract at that date.

A bond forward is an agreement to trade a bill or bond at an agreed time and place in the future. The value of a bond forward is derived from the spot market of the underlying bond adjusted for the cost of carry and accrued interest.

3. Reclassifications

During 2010/11 cash equivalents of £42.305m were included within short term deposits. From 2011/12 cash equivalents are disclosed separately. The 2010/11 short term deposit figures have been restated to exclude cash equivalents.

During 2010/11 an amount of £34.419m was disclosed as managed funds and not as pooled funds. The 2010/11 managed funds and pools funds have been restated to take account of this.

During 2010/11 interest on short term deposits of £1.231m were included within interest on cash deposits. The 2010/11 interest on cash deposits figures have been restated to exclude interest on short term deposits.

Net Asset Statement 31 March 2011	Balances as at 31 March 2011 £000	Restatement (included above) £000	Restated Balances at 31 March 2011 £000
Managed Funds	1,102,085	34,419	1,067,666
Pooled Funds	243,338	(34,419)	277,757
Short Term Deposits	160,230	42,305	117,925
Cash Equivalents	0	(42,305)	42,305

Fund Account 31 March 2011	Balances as at 31 March 2011 £000	Restatement (included above) £000	Restated Balances at 31 March 2011 £000
Interest on Cash Deposits	1,924	1,231	693
Interest on Short term Deposits	0	(1,231)	1,231

4. Critical judgements in applying Accounting Policies

In applying the accounting policies set out in Note 1 the authority has had to make certain judgements about complex transactions or those involving uncertainty about future events.

The critical judgements made in the Statement of Accounts are:

- These accounts have been prepared on a going concern basis. The concept of a going concern assumes that the Pension Fund will continue in operational existence for the foreseeable future.
- Note 23 Additional Financial Risk Management Disclosures details the Fund's investment strategy and approach to managing risk. None of the authority's investments are impaired.
- The Fund's significant contracts have been reviewed and no embedded finance leases or service concessions found.

5. Events after the Reporting Date

In April 2012 the multi-asset mandate managed by UBS Global Asset Management was terminated by the Investment & Pension Fund Committee. At 31 March 2012 the carrying value of the portfolio was £423.581m. JP Morgan Transition Management, acting on behalf of the Fund, liquidated the portfolio assets in the quarter ended June 2012, and the proceeds have been re-invested into two pooled Diversified Growth Funds managed by Barings Asset Management Ltd and Baillie Gifford & Co.

6. Assumptions made about the future and other major sources of estimation uncertainty

The Pension Fund Accounts contain estimated figures that are based on assumptions made by the Fund about the future or that are otherwise uncertain. Estimates are made taking into account historical experience, current trends and other relevant factors. However, because balances cannot be determined with certainty, actual results could be materially different from the assumptions and estimates.

Item	Uncertainties	Effect if actual results differ from assumptions
Market Value of investments	The Fund's investments are revalued on a monthly basis. Although market values are available from an active market, with the exception of the UBS International Infrastructure Fund LLP (See Note 6), and market values are not estimates, it does mean that future values may fluctuate.	For every 1% increase in Market Value the value of the Fund will increase by £26.837m with a decrease having the opposite effect.
Pensions Liability	Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. Barnett Waddingham, a firm of consulting actuaries, is engaged to provide the authority with expert advice about the assumptions to be applied.	The effects on the actuarial present value of promised retirement benefits (the Funded Obligation) of changes in individual assumptions can be measured. For instance, a 0.1% increase in the discount rate assumption would result in a decrease in the Funded Obligation of £109.099m. However, the assumptions interact in complex ways. During 2011/12, the Fund's actuaries advised that the Funded Obligation had increased by £573.428m due to updating of the assumptions. Note 17 contains further information on the funded obligation.

7. Estimates

The Devon Fund is a limited partner in the UBS International Infrastructure Fund LLP. UBS (the fund manager to the partnership) provides the Pension Fund with quarterly financial statements indicating the value of this investment. These statements are audited annually. For all other investments market values are available from an active market and as such no assumptions have been made in their valuation.

Where actual costs were not known or could not be calculated, year end debtors and creditors are based on the last received payment or invoice.

8. Contingent Asset

Consequent upon rulings given in the European Court of Justice, along with a number of other local authority pension funds, the Devon Fund is pursuing the recovery of tax paid on certain dividends. If successful this will be of material benefit to the Fund. The case is complex and the potential value to the pension fund is not quantifiable at this time.

9. Contributions

2010/11 £'000		2011/12 £'000
	Contributions Analysed by	
(49,959)	Administering authority	(45,623)
(92,372)	Scheduled bodies	(97,689)
(7,998)	Admitted bodies	(9,345)
(150,329)		**(152,657)**
	Benefits Analysed by	
47,049	Administering authority	53,378
74,060	Scheduled bodies	4,369
3,838	Admitted bodies	85,635
124,947		**143,382**

The Water Boards were part of the LGPS until privatisation in 1989. Active members transferred to the then National Rivers Authority though deferred members and pensioner liabilities remained in the fund. In 1996 the National Rivers Authority transferred to the Environment Agency Pension Scheme. Annual pensions increases for the Pensioner members of the historic Water Boards who remained in the Devon Fund were recharged to the Environment Agency annually. During 2011/12 the fund received a one off payment of £0.786m (included within scheduled bodies in the table above) from the Environment Agency to cover all future pension increases due which will replace the annual recharge exercise.

10. Contribution Rates

Scheme members (employees) paid variable percentages of their total pensionable pay into the fund as set out below.

Whole Time Pay Rate 2010/11	Whole Time Pay Rate 2011/12	Member contribution rate
Up to £12,600	Up to £12,900	5.5%
£12,601 to £14,700	£12,901 to £15,100	5.8%
£14,701 to £18,900	£15,101 to £19,400	5.9%
£18,901 to £31,500	£19,401 to £32,400	6.5%
£31,501 to £42,000	£32,401 to £43,300	6.8%
£42,001 to £78,700	£43,301 to £81,000	7.2%
More than £78,700	More than £81,000	7.5%

11. Additional Voluntary Contributions (AVC) Investments

The Fund has two AVC providers; Equitable Life and Prudential. The value of employees' AVC investments is shown below.

31/03/2011 £000	Contributions £000	Investment Return £000	Paid Out £000	31/03/2012 £000
5,216	632	280	(1,002)	5,126

These amounts are not included in the Pension Fund Accounts in accordance with regulation 5(2)(c) of the Pension Scheme (Management and Investment of Funds) Regulations 2009.

12. Administration Expenses and Related Party Transactions

In accordance with IAS 24 'Related Party Disclosures' material transactions with related parties not disclosed elsewhere are detailed below:

Under legislation, introduced in 2003/04, Councillors are entitled to join the Scheme. No members of the Investment & Pension Fund Committee receive pension benefits from the Fund.

No senior officers responsible for the administration of the Fund have entered into any contract, other than their contract of employment with the Council, for the supply of goods or services to the Fund.

The Devon Fund is a limited partner in the UBS International Infrastructure Fund LLP. The total investment commitment made was $50m at 31 March 2012 and $45.1m had been drawn down for investment. At 31 March 2012 the value of the Fund's investment was £30.0m. Barry White, Principal Finance Manager (Investments) is a member of the limited partnership Investor Advisory Committee (IAC). No fee is payable in respect of this position.

Devon County Council is the administering authority for the purpose of the Fund, and included within the investment management expenses are charges for investment management, accounting and administration expenses. These have been incurred for the internal cost of providing the services. The expenses are detailed below:

2010/11 £000		2011/12 £000
	Administration Expenses	
1,191	Pensions Administration (a)	1,225
55	Actuarial Services (b)	31
20	Audit Fees (c)	26
1,266		**1,282**
	Investment Management Expenses	
311	Investment Management & Accounting (a)	484
2,652	External Investment Management (d)	2,185
186	Custodian	148
(80)	Stock Lending Income	(206)
555	Transaction costs (e)	959
20	Audit Fees (c)	26
3,644		**3,596**
4,910		**4,878**

a. Included within the Investment Management expenses are charges amounting to £0.484m (£0.311m in 2010/11) for Investment Management and Accounting and in Administration expenses £1.225m (£1.191m in 2010/11) for Pensions Administration expenses. These have been incurred for the internal cost of providing these services.

b. The decrease in cost of Actuarial Services reflects the costs of the 2010 Triennial Valuation which was charged in 2010/11.

c. Audit fees include an amount of £21,000 (£33,000 in 2010/11) in relation to auditors appointed by the Audit Commission for external audit services under the Code of Audit Practice. This amount is allocated equally between administration and investment management expenses. The only other item included under audit fees relates to internal audit charges.

d. Managers fees are on a fixed fee basis, calculated using the market value of the portfolio with the exception of one Manager who is partly remunerated based on performance against an agreed benchmark. The cost of external fund management varies with the value of investments under management and the extent to which performance fees are earned. No performance fees were earned during 2011/12 or 2010/11.

e. Transaction costs in the year amounted to £0.959m and can be split into acquisition costs of £0.624m (£0.380m in 2010/11) and disposal costs of £0.335m (£0.175m in 2010/11).

13. Key Management personnel

Several employees of Devon County Council hold key positions in the financial management of the Devon Pension Fund. These employees and the increased value of their cash equivalent transfer values in 2011/12 are set below:

	£000
Phil Norrey, Chief Executive	104
Mary Davis, County Treasurer	69
Chris Phillips, Assistant County Treasurer	45
Charlotte Thompson, Head of Pension Services	18
Barry White, Principal Finance Manager - Investments	26
	262

14. Stock Lending

The Local Government Pension Scheme (Management & Investment of Funds) Regulations 2009 allow the Fund to lend stock provided that the total value of the securities to be transferred does not exceed 25% of the total fund value. JP Morgan Worldwide Securities Services act as custodian for the Fund, and have been authorised to lend both UK and Overseas stocks. A summary of the stock on loan as at 31 March 2012 is shown below.

31 March 2011 £'000	% of Fund %		31 March 2012 £'000	% of Fund %
37,772	1.4	**Value of Stock on Loan**	**81,690**	3.0
		Collateral		
5,352		Cash	3,231	
34,075		Securities	84,268	
39,427			**87,499**	

JP Morgan are authorised to invest and reinvest all or substantially all cash collateral. The cash collateral shown in the above table reflects its fair value as at the 31st March. It is not the policy of JP Morgan or the Devon Pension Fund to sell or repledge collateral held in the form of securities. Such securities are shown in the above table at fair value as at 31st March. In the event of default by the borrower JP Morgan will liquidate the non-cash collateral and will repurchase the original lent securities. If this is not possible (due to liquidation issues), JP Morgan will arrange an acceptable solution with the Devon Pension Fund.

15. Investment Management Arrangements

The Pension Fund is currently managed by seven external managers (nine mandates) and the in-house Investment Team in the following proportions:

31 March 2011				31 March 2012	
£'000	**%**	**Manager**	**Mandate**	**£'000**	**%**
411,828	15.8	UBS Global Asset Management (UK) Ltd	Multi Asset	423,581	15.8
129,983	5.0	Aberdeen Asset Managers Ltd	Global Equity	138,224	5.2
130,452	5.0	Sarasin and Partners LLP	Global Equity	126,025	4.7
151,914	5.8	Aberdeen Asset Managers Ltd	Global Emerging	158,286	5.9
491,805	18.8	State Street Global Advisors Ltd	Passive Equities	493,931	18.4
458,975	17.6	UBS Global Asset Management (UK) Ltd	Passive Equities	469,259	17.5
176,603	6.8	Lazard Asset Management LLC	Global Fixed Interest	188,182	7.0
171,023	6.6	Wellington Management International Ltd	Global Fixed Interest	183,546	6.8
0	0.0	Aviva Investors Global Services Ltd	Property	164,415	6.1
484,316	18.6	DCC Investment Team	Specialist Funds	338,282	12.6
2,606,899	**100**			**2,683,731**	**100**

During 2011/12 Aviva Investors were appointed to manage a property mandate, and the Fund's existing property holdings, previously overseen by the In-house Investment Team, were transferred across to Aviva. Aviva's mandate commenced on 1 February 2012.

16. Investment Movements and Transactions

	Value at 31 March 2011	Purchases at cost & Derivative Payments	Sale proceeds & Derivative Receipts	Change in Market Value	Value at 31 March 2012
	£000	£000	£000	£000	£000
Investment Assets					
Fixed Interest					
U.K. Public Sector Bonds	46,317	87,159	(86,209)	4,940	52,207
U.K. Public Sector Index Linked Bonds	20,980	10,531	(14,855)	3,642	20,298
Overseas Government Bonds	208,937	572,337	(529,603)	5,666	257,337
Overseas Government Index Linked Bonds	570	1,133	(1,704)	1	0
UK Corporate Bonds	12,081	16,511	(2,100)	27	26,519
Overseas Corporate Bonds	132,494	72,639	(77,066)	2,591	130,658
Equities (Listed)					
U.K.	158,205	60,162	(47,332)	(2,682)	168,353
Overseas	483,057	291,726	(278,181)	2,969	499,571
Managed Funds	1,067,666	23,104	(16,447)	4,762	1,079,085
Pooled Funds	277,757	9,233	3,730	(1,840)	288,880
Derivatives	(2,059)	45,980	(46,871)	538	(2,412)
Foreign Currency	10,746	34	(7,753)	6,291	9,318
Short Term Deposits	117,925	0	(23,125)	0	94,800
Cash Equivalents	42,305	0	(12,390)	0	29,915
Cash & Bank Deposits	32,150	0	(9,837)	0	22,313
Total Of Investments Held	**2,609,131**	**1,190,549**	**(1,149,743)**	**26,905**	**2,676,842**
Long Term Assets	0	13,040	0	0	13,040
Long Term Liabilities	0	0	(13,536)	0	(13,536)
Current Assets	32,899	15,497	0	(6,361)	42,035
Current Liabilities	(35,131)	106	0	375	(34,650)
Net Assets of the Fund at 31 March	**2,606,899**	**1,219,192**	**(1,163,279)**	**20,919**	**2,683,731**

	Value at 31 March 2010 Restated	Purchases at cost & Derivative Payments Restated	Sale proceeds & Derivative Receipts Restated	Change in Market Value	Value at 31 March 2011 Restated
	£000	£000	£000	£000	£000
Investment Assets					
Fixed Interest					
U.K. Public Sector Bonds	36,009	167,118	(157,540)	730	46,317
U.K. Public Sector Index Linked Bonds	32,129	6,357	(19,057)	1,551	20,980
Overseas Government Bonds	194,986	579,435	(561,215)	(4,269)	208,937
Overseas Government Index Linked Bonds	561	16,804	(16,804)	9	570
UK Corporate Bonds	6,784	8,837	(3,289)	(251)	12,081
Overseas Corporate Bonds	121,638	83,875	(70,651)	(2,368)	132,494
Equities (Listed)					
U.K.	157,526	38,334	(43,267)	5,612	158,205
Overseas	436,894	145,223	(131,501)	32,441	483,057
Managed Funds	986,177	381,370	(384,107)	84,226	1,067,666
Pooled Funds	250,637	1,180	(700)	26,640	277,757
Derivatives	(717)	50,829	(54,298)	2,127	(2,059)
Foreign Currency	9,970	4,278	(2,462)	(1,040)	10,746
Short Term Deposits	82,375	35,550	0	0	117,925
Cash Equivalents	45,000	0	(2,695)	0	42,305
Cash & Bank Deposits	34,946	0	(2,273)	(523)	32,150
Total Of Investments Held	**2,394,915**	**1,519,190**	**(1,449,859)**	**144,885**	**2,609,131**
Current Assets	25,437	0	(1,902)	9,364	32,899
Current Liabilities	(17,039)	(16,097)	0	(1,995)	(35,131)
Net Assets of the Fund at 31 March	**2,403,313**	**1,503,093**	**(1,451,761)**	**152,254**	**2,606,899**

The change in market value of investments during the year comprises all increases and decreases in the market value of investments held at any time during the year, including profits and losses realised on sales of investments during the year.

Additional information about derivatives is contained in the derivatives disclosure note 18

17. Analysis of Managed and Pooled Funds

	UBS	SSGA	Other Managers	Total 31 March 2012
	£'000	£'000	£'000	£'000
UK Property			31,283	31,283
UK Other	469,259	113,555	36,531	619,345
North America		216,132		216,132
Europe		135,369		135,369
Japan		28,874		28,874
Global			48,082	48,082
	469,259	**493,930**	**115,896**	**1,079,085**
31 March 2011 Restated	458,974	491,804	116,888	1,067,666

17 (b) Pooled Funds (Unit Trusts)

	UBS	SSGA	Other Managers	Total 31 March 2012
	£'000	£'000	£'000	£'000
UK Quoted Property			119,185	119,185
UK Unquoted			57,984	57,984
Overseas Unquoted			111,711	111,711
	0	**0**	**288,880**	**288,880**
31 March 2010 Restated			277,757	277,757

18. Derivative Contracts

Derivative receipts and payments represent the realised gains and losses on futures contracts. The scheme's objective is to decrease the risk in the portfolio by entering into future positions to match current assets that are already held in the portfolio without disturbing the underlying assets.

Position at 31 March 2011 Economic exposure £'000	Position at 31 March 2011 Market value £'000		Expiration Period	Notes	Position at 31 March 2012 Economic exposure £'000	Position at 31 March 2012 Market value £'000
		INVESTMENT ASSETS				
		Futures		a		
0	23	UK Fixed Interest	< 1 Year		0	0
12,055	101	Overseas Fixed Interest	< 1 Year		27,417	156
12,055	124				27,417	156
		Bond Forwards		b		
4,120	3	UK Bond Forwards	< 1 Year		0	2
9,262	30	Overseas Bond Forwards	< 1 Year		2,657	29
13,382	33				2,657	31
		Options		c		
0	0	Overseas Exchange Traded Options	< 1 Year		10	10
205,641	1,868	**Forward foreign exchange contracts**		d	275,529	2,258
231,078	**2,025**	**Total Derivative Assets**			**305,613**	**2,455**
		INVESTMENT LIABILITIES				
		Futures		a		
(2,929)	0	UK Fixed Interest	< 1 Year		(4,580)	(22)
(25,724)	(141)	Overseas Fixed Interest	< 1 Year		(31,292)	(75)
(28,653)	(141)				(35,872)	(97)
		Bond Forwards		b		
(1,290)	(22)	UK Bond Forwards	< 1 Year		(2,117)	0
(13,394)	(20)	Overseas Bond Forwards	< 1 Year		(2,575)	(33)
(14,684)	(42)				(4,692)	(33)
0	(3,901)	**Forward foreign exchange contracts**		d	(275,529)	(4,737)
(43,337)	**(4,084)**	**Total Derivative Liabilities**			**(316,093)**	**(4,867)**

The economic exposure values futures on a 'gross basis' showing the total exposure to the underlying asset class that the future affects as if the change in asset allocation in the underlying asset class has taken place.

Notes:

a. **Futures**. A futures contract is a standardized contract between two parties to buy or sell a specified asset of standardized quantity and quality at a specified future date at a price agreed today (the futures price). The contracts are traded on a futures exchange.

b. **Bond Forwards**. A bond forward is an agreement whereby a counterparty agrees to trade a specified amount of a bond at a specified price on a future date.

c. **Options**. An option is an agreement whereby a counterparty has the right, but not the obligation, to trade an underlying asset at a specified price on a future date.

d. **Forward Currency Contract**. A forward contract or simply a forward is a non-standardized contract between two parties to buy or sell an asset at a specified future time at a price agreed today.

19. Debtors/Creditors

Debtors and Creditors include purchases and sales of investments not yet due for settlement. These large amounts due to or from the Pension Fund are paid within a few days of the year-end and have been included on a gross basis. Current assets and liabilities are valued at the fair value approximation of historic cost. Current assets and liabilities are all short term and there is no active market in which they are traded.

At 31 March 2005 all staff employed by the Devon & Cornwall Magistrates Courts Service who were members of the Devon (LGPS) Fund transferred to the Principal Civil Service Pension Scheme (PCSPS). No further contributions were received from that employer. All affected staff subsequently had 12 months to elect whether to leave their accrued pension entitlement with the Devon Fund (as a deferred benefit) or transfer that 'pension pot' to the PCSPS. The detailed results of these elections have still to be finalised and agreed between the Devon Fund Actuary and the Government Actuary's Department (Actuary to the PCSPS). Under the transfer protocol issued by the Department for Constitutional Affairs the total capital payment of £15.09m due to the Devon Pension Fund would be repaid in ten annual instalments of £1.509m. The first instalment was received during 2011/12. The next instalment is disclosed as part of current assets with the remaining 8 instalments disclosed as part of long term assets. The deferred income is disclosed as part of long term creditors.

a) Analysis by nature of asset or liability

31 March 2011 £000		31 March 2012 £000
	Long Term Assets	
	Debtors and Prepayments	
0	Contributions Receivable - Employers	13,040
0		**13,040**
	Long Term Liabilities	
	Creditors and Receipts in Advance	
0	Deferred Income	(13,536)
0		**(13,536)**
	Current Assets	
	Debtors and Prepayments	
	Contributions Receivable	
8,618	Employers	8,698
	Current portion of Long Term assets	
0	(Employers contributions)	1,504
2,944	Employees	2,869
457	Interest on Cash & Bank Deposits	711
8,179	Dividends receivable	9,679
11,163	Settlements receivable	15,822
1,538	Other debtors	2,752
32,899		**42,035**
	Current Liabilities	
	Creditors and Receipts in Advance	
(1,652)	Devon County Council	(1,853)
(30,673)	Settlements payable	(29,032)
(2,806)	Other creditors	(3,765)
(35,131)		**(34,650)**

b) Analysis by type of debtor or creditor

31 March 2011 £000		31 March 2012 £000
	Long Term Debtors	
0	Central Government Bodies	12,127
0	Other Local Authorities	871
0	NHS Bodies	0
0	Public Corporations and Trading Funds	0
0	Bodies external to general Government	42
0		**13,040**
	Long Term Creditors	
0	Central Government Bodies	(13,536)
0	Other Local Authorities	0
0	NHS Bodies	0
0	Public Corporations and Trading Funds	0
0	Bodies external to general Government	0
0		**(13,536)**
	Current Debtors	
1,509	Central Government Bodies	3,115
10,747	Other Local Authorities	11,298
64	NHS Bodies	59
99	Public Corporations and Trading Funds	2
20,480	Bodies external to general Government	27,561
32,899		**42,035**
	Current Creditors	
(1,123)	Central Government Bodies	(1,175)
(1,695)	Other Local Authorities	(1,928)
0	NHS Bodies	(1)
0	Public Corporations and Trading Funds	0
(32,313)	Bodies external to general Government	(31,546)
(35,131)		**(34,650)**

20. Funded Obligation

The actuarial present value of promised retirement benefits (the Funded Obligation) amounts to £4,481m as at 31 March 2012 (£3,699m as at 31 March 2011). The Funded Obligation consists of £3,663m (£3,093m as at 31 March 2011) in respect of Vested Obligation and £0.818m (£0.606m as at 31 March 2011), of Non-Vested Obligation. These figures have been prepared by the Fund Actuary (Barnett Waddingham LLP) in accordance with IAS 26. In calculating the disclosed numbers the Actuary has adopted methods and assumptions that are consistent with IAS 19.

The figures presented are prepared only for the purposes of IAS 19. In particular, they are not relevant for calculations undertaken for funding purposes or for other statutory purposes under UK pensions legislation.

Actuarial Methods and Assumptions

Roll-Forward Approach

To assess the value of the Fund's liabilities as at 31 March 2012, Barnett Waddingham have rolled forward the value of the Fund's liabilities calculated for the Triennial valuation as 31 March 2010 allowing for the different financial assumptions required under IAS 19.

The full actuarial valuation involved projecting future cashflows to be paid from the Fund and placing a value on them. These cashflows include pensions currently being paid to members of the Scheme as well as pensions (and lump sums) that may be payable in future to members of the Fund or their dependants. These pensions are linked to inflation and will normally be payable on retirement for the life of the member or a dependant following a member's death.

It is not possible to assess the accuracy of the estimated liability as at 31 March 2012 without completing a full valuation. However the actuary is satisfied that the approach of rolling forward the previous valuation results to 31 March 2012 should not introduce any material distortions in the results as long as the actual experience of the Employer and the Fund has been broadly in line with the underlying assumptions, and that the structure of the liabilities is substantially the same as at the latest formal valuation. From the information Barnett Waddingham has received there appears no evidence that this approach is inappropriate.

Demographic/Statistical Assumptions

Barnett Waddingham has adopted a set of demographic assumptions that are consistent with those used for the formal funding valuation as at 31 March 2010. The post retirement mortality tables are 85% S1PA Heavy tables allowing for medium cohort projection, with a minimum 1% improvement for future life expectancies.

The assumed life expectations from age 65 are:

Life Expectancy from 65 (years)	March 31, 2011	March 31, 2012
Retiring Today		
Males	20.3	20.5
Females	24.4	24.5
Retiring in 20 years		
Males	22.4	22.5
Females	26.3	26.4

The following assumptions have also been made:

- Members will exchange half of their commutable pension for cash at retirement.
- Active members will retire one year later than they are first able to do so without reduction.

Financial Assumptions

The financial assumptions used for the purposes of the calculations are as follows.

Assumptions as at	31 March 2012		31 March 2011		31 March 2010	
	% p.a	Real	% p.a	Real	% p.a	Real
RPI Increases	3.3%	-	3.5%	-	3.9%	-
CPI Increases	2.5%	-0.8%	2.7%	-0.8%	n/a	
Salary Increases	4.7%	1.4%	5.0%	1.5%	5.4%	1.5%
Pension Increases	2.5%	-0.8%	2.7%	-0.8%	3.9%	0.0%
Discount rate	4.6%	1.3%	5.5%	1.9%	5.5%	1.5%

These assumptions are set with reference to market conditions at 31 March 2012. The discount rate is the yield on the iBoxx AA rated over 15 year corporate bond index as at this date which has been chosen to meet the requirements of IAS19. The RPI increase assumption is set based on the difference between conventional gilt yields and index-linked gilt yields at the accounting date using data published by the Bank of England. This measure has historically overestimated future increases in the RPI and so Barnett Waddingham has made a deduction of 0.25% to get to the RPI assumption of 3.3%. As future pension increases are expected to be based on CPI rather than RPI, Barnett Waddingham have made a further assumption about CPI which is that it will be 0.8% below RPI i.e. 2.5%.

Salary increases are then assumed to be 1.4% above RPI in addition to a promotional scale. This is a slightly lower long-term assumption than last year to reflect the continuing climate of low salary increases.

The financial and demographic assumptions underlying the present value have been updated from those adopted at 31 March 2011; the change in assumptions delivers a loss of £573.428m on the liabilities. The most significant change is to the discount rate from 5.5% at 31 March 2011 to 4.6% at 31 March 2012.

21. Taxation

Value Added Tax The Fund is reimbursed by H.M.Revenue & Customs, and the accounts are shown exclusive of this tax.

Income Tax The Pension Fund is an exempt fund, and where permitted U.K tax on interest and dividends is recovered from H.M.Revenue & Customs. The Pension Fund cannot reclaim the 10% tax credit attached to U.K. company dividends which are included net of the tax credit.

Withholding Tax This is payable on income from overseas investments. This tax is recovered wherever local tax law permits.

22. Financial Instrument Disclosures

The Net Assets of the Fund disclosed in the Net Asset Statement are made up of the following categories of financial instruments:

	Long-Term		Current	
	31/03/2011	31/03/2012	31/03/2011	31/03/2012
	£000	£000	£000	£000
Financial Assets				
Loans and receivables	0	13,040	150,824	136,835
Financial Assets at fair value through profit or loss	0	0	2,410,087	2,525,362
Cash and cash equivalents	0	0	85,202	61,546
Total Financial Assets	**0**	**13,040**	**2,646,113**	**2,723,743**

	Long-Term		Current	
	31/03/2011	31/03/2012	31/03/2011	31/03/2012
	£000	£000	£000	£000
Financial Liabilities				
Payables	0	13,536	35,131	34,650
Financial Liabilities at fair value through profit or loss	0	0	4,083	4,866
Total Financial Liabilities	**0**	**13,536**	**39,214**	**39,516**

As all investments are disclosed at fair value, carrying value and fair value are therefore the same.

During 2010/11financial assets of £1.264m were classified as available-for-sale. Following additional guidance this has been reclassified as financial assets at fair value through profit or loss.

The gains and losses recognised in the Fund Account in relation to financial instruments are made up as follow:

2011/12	Financial Assets			Financial Liabilities		
	Loans and receivables	Financial Assets at fair value through profit or loss	Cash and cash equivalents	Financial Liabilities at fair value through profit or loss	Payables	Total
	£000	£000	£000	£000	£000	£000
Interest expense	0	0	0	0	0	0
Losses on derecognition	(11,735)	(41,845)	(838)	(9,420)	0	(63,838)
Reductions in Fair Value	(65)	(131,211)	(116)	(4,299)	0	(135,691)
Impairment Losses	0	0	0	0	0	0
Fee Expense	0	0	0	0	0	0
Interest payable and similar charges	**(11,800)**	**(173,056)**	**(954)**	**(13,719)**	**0**	**(199,529)**
Interest Income	1,675	17,849	529	0	0	20,053
Interest income accrued on Impaired financial assets	0	0	0	0	0	0
Dividend Income	0	27,532	0	0	0	27,532
Gains on derecognition	5,426	87,829	7,231	0	0	100,486
Increases in Fair Value	15	119,246	13	313	375	119,962
Fee Income	0	0	0	0	0	0
Interest and investment income	**7,116**	**252,456**	**7,773**	**313**	**375**	**268,033**
Gains on revaluation	0	0	0	0	0	0
Losses on revaluation	0	0	0	0	0	0
Surplus arising on revaluation of financial assets	**0**	**0**	**0**	**0**	**0**	**0**
Net gain/(loss) for the year	**(4,684)**	**79,400**	**6,819**	**(13,406)**	**375**	**68,504**

2010/11	Financial Assets			Financial Liabilities		
	Loans and receivables	Financial Assets at fair value through profit or loss	Cash and cash equivalents	Financial Liabilities at fair value through profit or loss	Payables	Total
	£000	£000	£000	£000	£000	£000
Interest expense	0	0	0	0	0	0
Losses on derecognition	(3,911)	(37,658)	(1,198)	(11,153)	0	(53,920)
Reductions in Fair Value	(2)	(75,634)	(118)	(2,920)	(142)	(78,816)
Impairment Losses	0	0	0	0	0	0
Fee Expense	0	0	0	0	0	0
Interest payable and similar charges	**(3,913)**	**(113,292)**	**(1,316)**	**(14,073)**	**(142)**	**(132,736)**
Interest Income	1,231	15,878	693	0	0	17,802
Interest income accrued on Impaired financial assets	0	0	0	0	0	0
Dividend Income	0	23,356	0	0	0	23,356
Gains on derecognition	5,085	95,475	177	0	0	100,737
Increases in Fair Value	119	177,078	99	1,059	76	178,431
Fee Income	0	0	0	0	0	0
Interest and investment income	**6,435**	**311,787**	**969**	**1,059**	**76**	**320,326**
Gains on revaluation	0	0	0	0	0	0
Losses on revaluation	0	0	0	0	0	0
Surplus arising on revaluation of financial assets	**0**	**0**	**0**	**0**	**0**	**0**
Net gain/(loss) for the year	**2,522**	**198,495**	**(347)**	**(13,014)**	**(66)**	**187,590**

During 2010/11 a net gain of £112.540m was classified as available-for-sale. Following additional guidance this has been reclassified as financial assets at fair value through profit or loss.

The total changes in fair value represent unrealised profit or loss. The difference in unrealised profit / (loss) figures between 2010/11 and 2011/12 reflects the prevailing economic conditions during each of the two years and the impact on the specific assets held by the Fund.

23. Additional Financial Risk Management Disclosures

The activities of the Pension Fund are exposed to a variety of financial risks; market risk (price risk, currency risk and interest rate risk), credit risk and liquidity risk.

The Fund's investments are managed on behalf of scheme members by the Investment Managers. Each investment manager is required to invest the assets managed by them in accordance with the terms of a written investment mandate or duly authorised prospectus.

The Investment and Pension Fund Committee has determined that appointment of these managers is appropriate for the Fund and is in accordance with its investment strategy.

The Investment and Pension Fund Committee obtains regular reports from each investment manager on the nature of the investments made and associated risks.

The Fund is exposed to interest rate risk, currency risk and other price risk due to its underlying assets and liabilities. The analysis below is provided to meet the disclosure requirements of IFRS 7 Financial Instruments disclosures and should not be used for any other purpose. The analysis is not intended to constitute advice and is not guaranteed.

Market Risk

Market risk represents the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. The Fund is exposed, particularly through its equity portfolio, to market risk influencing investment valuations. In addition to the effects of movements in interest rates, the Fund is exposed to currency risk and other price risk. The objective of market risk management is to manage and control market risk exposure within acceptable parameters, while optimising the return on risk.

In general, excessive volatility in market risk is managed through the diversification of the portfolio in terms of exposure to different markets through different Investment Managers. Risk of exposure to specific markets is limited by applying strategic targets to asset allocation, which are monitored by the Investment and Pension Fund Committee.

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 instruments in the market.

The Fund is exposed to price risk which arises from investments for which the prices in the future are uncertain. All securities investments present a risk of loss of capital, the maximum risk resulting from financial instruments is determined by the fair value of the financial instruments. The investment managers mitigate this risk through diversification in line with their own investment strategies.

Other Price Risk - Sensitivity Analysis

Following analysis of data from WM Performance Services, it has been determined that the following movements in market price risk were reasonably possible for the 2011/12 reporting period:

Manager	Percentage Change 2010/11	Percentage Change 2011/12
UBS Global Asset Management (UK) Ltd - Multi Asset	16.39%	11.78%
Aberdeen Asset Managers Ltd - Global Equity	14.35%	13.39%
Sarasin and Partners LLP - Global Equity	15.30%	14.54%
Aberdeen Asset Managers Ltd - Global Emerging	18.09%	17.71%
State Street Global Advisors Ltd - Passive Equities	20.36%	15.09%
UBS Global Asset Management (UK) Ltd - Passive Equities	19.72%	15.42%
Lazard Asset Management LLC - Global Fixed Interest	7.71%	6.70%
Wellington Management International Ltd - Global Fixed Interest	8.15%	7.32%
Aviva Investors Global Services Ltd - Property	-	5.14%
DCC Investment Team - Specialist Funds	7.68%	5.25%

A price change disclosed above is broadly consistent with a one-standard deviation movement in the value of the assets based on movements over the previous 3 years. This analysis assumes that all other variables, in particular foreign currency exchange rates, and interest rates remain constant.

An increase or decrease in the market price of the investments of the Fund by the percentages given at 31 March would have increased or decreased the net assets available to pay benefits by the amount shown below:

As at 31 March 2012

Manager	Value £'000	Percentage Change	Increase £'000	Decrease £'000
UBS Global Asset Management (UK) Ltd - Multi Asset	423,581	11.78%	49,881	(49,881)
Aberdeen Asset Managers Ltd - Global Equity	138,224	13.39%	18,504	(18,504)
Sarasin and Partners LLP - Global Equity	126,025	14.54%	18,328	(18,328)
Aberdeen Asset Managers Ltd - Global Emerging	158,286	17.71%	28,036	(28,036)
State Street Global Advisors Ltd - Passive Equities	493,931	15.09%	74,514	(74,514)
UBS Global Asset Management (UK) Ltd - Passive Equities	469,259	15.42%	72,341	(72,341)
Lazard Asset Management LLC - Global Fixed Interest	188,182	6.70%	12,612	(12,612)
Wellington Management International Ltd - Global Fixed Interest	183,546	7.32%	13,441	(13,441)
Aviva Investors Global Services Ltd - Property	164,415	5.14%	8,451	(8,451)
DCC Investment Team - Specialist Funds	338,282	5.25%	17,756	(17,756)
Total	**2,683,731**		**313,864**	**(313,864)**

As at 31 March 2011

Manager	Value £'000	Percentage Change	Increase £'000	Decrease £'000
UBS Global Asset Management (UK) Ltd - Multi Asset	411,828	16.39%	67,499	(67,499)
Aberdeen Asset Managers Ltd - Global Equity	129,983	14.35%	18,653	(18,653)
Sarasin and Partners LLP - Global Equity	130,452	15.30%	19,959	(19,959)
Aberdeen Asset Managers Ltd - Global Emerging	151,914	18.09%	27,481	(27,481)
State Street Global Advisors Ltd - Passive Equities	491,805	20.36%	100,131	(100,131)
UBS Global Asset Management (UK) Ltd - Passive Equities	458,975	19.72%	90,510	(90,510)
Lazard Asset Management LLC - Global Fixed Interest	176,603	7.71%	13,616	(13,616)
Wellington Management International Ltd - Global Fixed Interest	171,023	8.15%	13,938	(13,938)
DCC Investment Team - Specialist Funds	484,316	7.68%	37,195	(37,195)
Total	**2,606,899**		**388,982**	**(388,982)**

Interest Rate Risk

The Fund invests in financial assets for the primary purpose of obtaining a return on investments on behalf of scheme members. These investments are subject to interest rate risks, which represent the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

Interest rates are monitored during the year, both by the Fund's Investment Managers and by the Devon County Council Investments team. Short term deposits are made at fixed rates and monitored against a target rate for the year, with the aim of maximising interest within risk parameters set by the Investment and Pension Fund Committee.

The Fund's exposure to interest rate movements on those investments at 31 March 2011 and 2012 are provided below. These disclosures present interest rate risk based on underlying financial assets (at fair value).

	As at 31 March 2011 £'000	As at 31 March 2012 £'000
Cash and cash equivalents	74,455	52,228
Fixed Interest	421,379	487,019
Short term Deposits	117,925	94,800
Total	**613,759**	**634,047**

Interest Rate Risk - Sensitivity Analysis

Interest rates vary and can impact the value of the net assets available to pay benefits to scheme members. This analysis assumes that all other variables, in particular foreign currency rates, remain constant. The analysis is performed on the same basis for the year ended 31 March 2011.

An increase or decrease of 1% in interest rates at the reporting date would have increased or decreased the change for the year in net assets available to pay benefits by the amount shown below:

As at 31 March 2012	Value	Change for the year in net assets available to pay benefits	
		+1%	-1%
	£'000	£'000	£'000
Cash and cash equivalents	52,228	522	(522)
Fixed Interest	487,019	4,870	(4,870)
Short term Deposits	94,800	948	(948)
Total	**634,047**	**6,340**	**(6,340)**

As at 31 March 2011	Value	Change for the year in net assets available to pay benefits	
		+1%	-1%
	£'000	£'000	£'000
Cash and cash equivalents	74,455	745	(745)
Fixed Interest	421,379	4,214	(4,214)
Short term Deposits	117,925	1,179	(1,179)
Total	**613,759**	**6,138**	**(6,138)**

Currency Risk and Sensitivity Analysis

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 a currency other than the functional currency (Pound Sterling) of the Fund. The Fund holds both monetary and non-monetary assets denominated in currencies other than Pounds Sterling.

The following table summarises:

a. The Fund's exposure at 31 March 2012 to currency exchange rate movements on its investments based on movements over the previous 3 years.

b. A sensitivity analysis based on historical data (provided by WM Performance Services) of the likely volatility associated with foreign currency rate movements (as measured by one standard deviation). A strengthening or weakening of the pound against the various currencies by one standard deviation (measured in percentages) at 31 March 2012 would have increased or decreased the change for the year in net assets available to pay benefits by the amount shown. These changes in the currencies are considered to be reasonable based on historical movements in exchange rates over the past three years.

This analysis assumes that all other variables, in particular interest rates, remain constant. The analysis is performed on the same basis for the year ended 31 March 2011.

As at 31 March 2012	Assets held at fair value	FX Contracts	Total	Percentage Change	Change for the year in net assets available to pay benefits	
					+ 1 Standard Deviation	- 1 Standard Deviation
	£'000	£'000	£'000		£'000	£'000
Australian Dollar	21,648	(45)	21,603	10.49%	2,267	(2,267)
Brazilian Real	14,389	5	14,394	12.83%	1,847	(1,847)
Canadian Dollar	30,560	-	30,560	9.63%	2,942	(2,942)
Swiss Franc	27,760	7	27,767	10.25%	2,846	(2,846)
Chilean Peso	2,668	5	2,673	11.18%	299	(299)
Chinese Yuan	1,356	(14)	1,342	9.60%	129	(129)
Colombian Peso	5,620	(36)	5,584	11.77%	657	(657)
Danish Krona	5,443	(79)	5,364	8.31%	446	(446)
Euro	180,832	8	180,840	8.36%	15,119	(15,119)
Hong Kong Dollar	34,152	(43)	34,109	9.60%	3,273	(3,273)
Hungarian Forint	2,763	-	2,763	14.21%	393	(393)
Indonesian Rupiah	8,182	1	8,183	8.99%	736	(736)
Indian Rupee	0	3	3	9.31%	0	(0)
Japanese Yen	74,553	(2,799)	71,754	13.29%	9,539	(9,539)
South Korean Won	17,395	4	17,399	10.27%	1,787	(1,787)
Mexican Peso	9,319	(106)	9,213	8.89%	819	(819)
Malaysian Ringit	5,092	1	5,093	8.26%	421	(421)
Norwegian Krone	14,715	14	14,729	10.52%	1,549	(1,549)
New Zealand Dollar	7,671	0	7,671	10.79%	828	(828)
Peruvian Sol	1,837	1	1,838	9.88%	182	(182)
Philipines Peso	5,405	-	5,405	8.48%	457	(457)
Polish Zloty New	12,102	7	12,109	13.38%	1,620	(1,620)
Swedish Krone	14,109	9	14,118	10.22%	1,443	(1,443)
Singapore Dollars	2,756	(4)	2,752	7.49%	206	(206)
Thailand Baht	9,117	-	9,117	8.90%	812	(812)
New Turkish Lira	7,161	1	7,162	9.74%	697	(697)
New Taiwan Dollar	7,457	0	7,457	8.97%	669	(669)
US Dollars	493,443	(298)	493,145	9.75%	48,094	(48,094)
South African Rand	14,422	-	14,422	13.59%	1,960	(1,960)
	1,031,927	**(3,358)**	**1,028,569**		**102,037**	**(102,037)**

As at 31 March 2011	Assets held at fair value	FX Contracts	Total	Percentage Change	Change for the year in net assets available to pay benefits + 1 Standard Deviation	- 1 Standard Deviation
	£'000	£'000	£'000		£'000	£'000
Australian Dollar	26,383	228	26,611	16.25%	4,324	(4,324)
Brazilian Real	15,147	-	15,147	17.79%	2,695	(2,695)
Canadian Dollar	12,854	15	12,869	13.03%	1,677	(1,677)
Swiss Franc	26,407	44	26,451	13.74%	3,634	(3,634)
Chilean Peso	2,561	-	2,561	15.82%	405	(405)
Colombian Peso	3,580	-	3,580	17.53%	628	(628)
Danish Krona	7,771	7	7,778	10.89%	847	(847)
Euro	187,813	191	188,004	10.89%	20,474	(20,474)
Hong Kong Dollar	30,084	(14)	30,070	13.29%	3,996	(3,996)
Hungarian Forint	3,374	6	3,380	16.55%	559	(559)
Indonesian Rupiah	8,090	-	8,090	14.42%	1,167	(1,167)
Indian Rupee	2,989	-	2,989	12.91%	386	(386)
Japanese Yen	71,754	(1,186)	70,568	19.44%	13,718	(13,718)
South Korean Won	16,762	3	16,765	20.46%	3,430	(3,430)
Mexican Peso	11,580	19	11,599	16.37%	1,899	(1,899)
Malaysian Ringit	5,127	1	5,128	12.99%	666	(666)
Norwegian Krone	11,246	24	11,270	13.59%	1,532	(1,532)
New Zealand Dollars	5,519	114	5,633	14.88%	838	(838)
Philipines Peso	4,073	-	4,073	13.00%	529	(529)
Polish Zloty New	10,298	25	10,323	15.98%	1,650	(1,650)
Swedish Krone	12,087	13	12,100	13.98%	1,692	(1,692)
Singapore Dollars	6,353	10	6,363	11.33%	721	(721)
Thailand Baht	8,440	-	8,440	12.76%	1,077	(1,077)
New Turkish Lira	10,062	-	10,062	15.05%	1,514	(1,514)
New Taiwan Dollar	6,718	1	6,719	12.67%	851	(851)
US Dollars	423,351	(521)	422,830	13.34%	56,406	(56,406)
South African Rand	14,836	-	14,836	17.61%	2,613	(2,613)
	945,259	**(1,020)**	**944,239**		**129,928**	**(129,928)**

Credit Risk

Credit risk represents the risk that the counterparty to the financial instrument will fail to discharge an obligation and cause the Pension Fund to incur a financial loss. Market prices generally incorporate credit assessments into valuations and risk of loss is implicitly provided for in the carrying value of the financial assets and liabilities as they are marked to market.

The net market value of financial assets represents the Fund's exposure to credit risk in relation to those assets. For derivative positions the credit risk is equal to the net market value of positive (asset) derivative positions.

The selection of high quality counterparties, brokers and financial institutions minimises credit risk that may occur though the failure to settle transactions in a timely manner. The Fund's exposure to concentrations of credit risk to individual counterparties comprises of assets that are invested by individual investment managers and in specific investment trusts. The 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.

Credit risk on exchange traded derivative contracts is minimal due to the various insurance policies held by the exchanges to cover defaulting counterparties.

Interest rate agreements and foreign exchange contracts are subject to credit risk in relation to the relevant counterparties, which are principally large banks. The maximum credit risk exposure on foreign currency contracts is the full amount of the foreign currency the Fund pays when settlement occurs, should the counterparty fail to pay the amount which it is committed to pay the Fund.

The Fund's exposure to credit risk at 31 March 2012 is the carrying amount of the financial assets.

	As at 31 March 2011 £'000	As at 31 March 2012 £'000
Fixed Interest	421,379	487,019
UK Equities - Quoted	158,205	168,353
Overseas Equities - Quoted	483,057	499,571
Pooled Investment Vehicles (Managed and Pooled Funds)	1,345,423	1,367,965
Derivatives (net)	(2,059)	(2,412)
Foreign currency	10,746	9,318
Short term deposits	117,925	94,800
Cash and cash equivalents	74,455	52,228
Settlements and dividends receivable	19,341	25,501
Total of investments held	**2,628,472**	**2,702,343**

The Pension Fund believes it has managed its exposure to credit risk, and has had no experience of default or uncollectable deposits over the past five financial years. The Fund's cash holding (short term deposits and cash equivalents) under its treasury management arrangements at 31 March 2012 was £124.715 m (31 March 2011: £160.230 million). This was held with the following institutions

	Credit Rating			Balances as at 31 March 2012 £'000	Balances as at 31 March 2011 £'000
	Fitch	Moody's	Standard & Poor's		
Banks and Building Societies					
Barclays Bank	A	Aa3	A+	15,000	0
Lloyds TSB	A	A1	A	25,000	25,000
Royal Bank of Scotland	A	A2	A	24,940	25,000
Santander UK	A+	A1	A+	25,000	40,000
Leeds Building Society	A	A3		10,000	20,000
Nationwide Building Society	A+	A2	A+	19,800	18,925
Local Authorities					
Calderdale Metropolitan Borough Council		Not Applicable		1,500	0
Ashford Borough Council		Not Applicable		0	3,300
Birmingham City Council		Not Applicable		0	1,350
Lancashire County Council		Not Applicable		0	6,000
Midlothian Council		Not Applicable		0	5,000
Plymouth City Council		Not Applicable		0	625
Redditch Borough Council		Not Applicable		0	2,000
Sheffied City Council		Not Applicable		0	6,000
Solihull Metropolitan Borough Council		Not Applicable		0	5,000
Central Government					
Debt Management Office		Not Applicable		3,475	2,030
				124,715	**160,230**

Liquidity Risk

Liquidity risk represents the risk that the Fund will not be able to meet its financial obligations as they fall due. In assessing each individual investment, a key consideration is to ensure that the liability of the Fund is limited to the amount of the investment in the asset.

The liquidity risks associated with the need to pay members' benefits are mitigated by maintaining a constant pool of cash.

All the Fund’s financial liabilities fall due within 12 months with the exception of the payments due from the Principal Civil Service Pension Scheme (PCSPS) (see note 19). Under the transfer protocol issued by the Department for Constitutional Affairs the capital payments due to the Pension Fund will be repaid in ten annual instalments of £1.509m. The first instalment was received during 2011/12. The next instalment is disclosed under current assets with the remaining 8 instalments disclosed under long term assets.

Fair Value Hierarchy

IFRS 7 requires the Fund to classify fair value measurements using a fair value hierarchy that reflects the subjectivity of the inputs used in making the measurements. The fair value hierarchy has the following levels:

- quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1)
- inputs other than quoted prices included within level 1 that are observable for the asset or liability (level 2)
- inputs for the asset or liability that are not based on observable market data (that is, unobservable) (level 3)

The level in the fair value hierarchy within which the fair value measurement is categorised is determined on the basis of the lowest level input that is significant to the fair value measurement. For this purpose, the significance of an input is assessed against the fair value measurement in its entirety. If a fair value measurement uses observable inputs that require significant adjustment based on unobservable inputs, that measurement is a level 3 measurement. Assessing the significance of a particular input to the fair value measurement in its entirety requires judgement, considering factors specific to the asset or liability.

The determination of what constitutes 'observable' requires significant judgement. Observable data is considered to be that market data that is readily available, regularly distributed or updated, reliable and verifiable, not proprietary, and provided by independent sources that are actively involved in the relevant market.

The following sets out the Fund's financial assets and liabilities (by class) measured at fair value according to the fair value hierarchy.

At 31 March 2012

	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total
Fixed Interest				-
U.K. Public Sector Bonds	52,207	-	-	52,207
U.K. Public Sector Index Linked Bonds	20,298	-	-	20,298
Overseas Government Bonds	257,337	-	-	257,337
Overseas Government Index Linked Bonds	-	-	-	-
UK Corporate Bonds	26,519	-	-	26,519
Overseas Corporate Bonds	130,658	-	-	130,658
Equities (Listed)				
U.K.	168,353	-	-	168,353
Overseas	499,571	-	-	499,571
Managed Funds	-	1,079,085	-	1,079,085
Pooled Funds	139,673	119,184	30,023	288,880
Derivative Assets				
Futures - UK Fixed Interest	-	-	-	-
Futures - Overseas Fixed Interest	-	156	-	156
UK Bond Forwards	-	2	-	2
Overseas Bond Forwards	-	29	-	29
Options		10		10
Forward Currency Contracts	-	2,258	-	2,258
Foreign Currency	-	9,318	-	9,318
Short Term Deposits	-	94,800	-	94,800
Cash Equivalents	-	29,915		29,915
Cash & Bank Deposits	22,313	-	-	22,313
Investment Liabilities				-
Derivatives				
Futures - UK Fixed Interest	-	(22)	-	(22)
Futures - Overseas Fixed Interest	-	(75)	-	(75)
UK Bond Forwards	-	-	-	-
Overseas Bond Forwards	-	(33)	-	(33)
Options	-	-	-	-
Forward Currency Contracts	-	(4,737)	-	(4,737)
Non current Assets	13,040	-	-	13,040
Non current Liabilities	(13,536)	-	-	(13,536)
Current Assets	42,035	-	-	42,035
Current Liabilities	(34,650)	-	-	(34,650)
Net Assets of the Fund at 31 March 2012	**1,323,818**	**1,329,890**	**30,023**	**2,683,731**

At 31 March 2011 Restated

	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total
Fixed Interest				-
U.K. Public Sector Bonds	46,317	-	-	46,317
U.K. Public Sector Index Linked Bonds	20,980	-	-	20,980
Overseas Government Bonds	208,937	-	-	208,937
Overseas Government Index Linked Bonds	570	-	-	570
UK Corporate Bonds	12,081	-	-	12,081
Overseas Corporate Bonds	132,494	-	-	132,494
Equities (Listed)				
U.K.	158,205	-	-	158,205
Overseas	483,057	-	-	483,057
Managed Funds	-	1,067,666	-	1,067,666
Pooled Funds	180,140	76,398	21,219	277,757
Derivative Assets				
Futures - UK Fixed Interest	-	23	-	23
Futures - Overseas Fixed Interest	-	101	-	101
UK Bond Forwards	-	3	-	3
Overseas Bond Forwards	-	30	-	30
Forward Currency Contracts	-	1,868	-	1,868
Foreign Currency	-	10,746	-	10,746
Short Term Deposits	-	117,925	-	117,925
Cash Equivalents	-	42,305	-	42,305
Cash & Bank Deposits	32,150	-	-	32,150
Investment Liabilities				-
Derivatives				
Futures - UK Fixed Interest	-	-	-	-
Futures - Overseas Fixed Interest	-	(141)	-	(141)
UK Bond Forwards	-	(22)	-	(22)
Overseas Bond Forwards	-	(20)	-	(20)
Forward Currency Contracts	-	(3,901)	-	(3,901)
Current Assets	32,899	-	-	32,899
Current Liabilities	(35,131)	-	-	(35,131)
Net Assets of the Fund at 31 March 2011	**1,272,699**	**1,312,981**	**21,219**	**2,606,899**

Please see note 3 for details on 2011/12 reclassification.

Investments whose values are based on quoted market prices in active markets, are therefore classified within level 1.

Financial instruments that trade in markets that are not considered to be active but are valued based on quoted market prices, dealer quotations or alternative pricing sources supported by observable inputs are classified within level 2. As level 2 investments include positions that are not traded in active markets and / or are subject to transfer restrictions, valuation may be adjusted to reflect illiquidity and / or non - transferability, which are generally based on available market information.

Investments classified within level 3 have significant unobservable inputs, as they are infrequently traded. As observable prices are not available for these securities, the responsible entity has used valuation techniques to derive fair value.

During the year ended 31 March 2012 there were no transfers between levels 1, 2 or 3 of the fair value hierarchy.

Statistical Summary

Financial Summary

	2007/08 £'000	2008/09 £'000	2009/10 £'000	2010/11 £'000	2011/12 £'000
Contributions and Benefits					
Contributions received	136,009	143,845	154,021	149,450	151,053
Employers Additional Capital contributions	928	410	353	879	1,604
Transfers from Other Schemes	20,037	12,523	20,110	11,375	9,868
	156,974	156,778	174,484	161,704	162,525
Benefits Paid	(99,802)	(107,117)	(119,844)	(124,947)	(143,382)
Transfers to Other Schemes	(7,061)	(6,847)	(23,534)	(21,676)	(5,933)
Administration Expenses	(1,346)	(1,342)	(1,325)	(1,266)	(1,282)
	(108,209)	(115,306)	(144,703)	(147,889)	(150,597)
Net Additions (Withdrawals) from Dealings with Fund members	**48,765**	**41,472**	**29,781**	**13,815**	**11,928**
Returns on Investments					
Investment Income	39,921	39,176	31,813	41,161	47,438
Investment Management Expenses	(1,530)	(781)	(5,262)	(3,644)	(3,596)
Increase / (decrease) in Market Value of Investments during the Year	(118,790)	(453,072)	564,399	152,254	21,062
Net Returns on Investments	**(80,399)**	**(414,677)**	**590,950**	**189,771**	**64,904**
Net Assets of the Fund at 31 March	**2,155,787**	**1,782,582**	**2,403,313**	**2,606,899**	**2,683,731**

Membership Summary

	2007/08 No.	2008/09 No.	2009/10 No.	2010/11 No.	2011/12 No.
Devon County Council					
Contributors	12,859	13,104	13,077	14,157	12,527
Pensioners and Dependents	9,681	9,643	10,133	10,937	11,408
Deferred Pensioners	8,950	10,051	10,450	11,635	10,480
Other Employers					
Contributors	23,487	25,200	25,588	23,160	22,760
Pensioners and Dependents	11,525	12,528	13,259	13,609	14,446
Deferred Pensioners	10,343	10,191	11,547	11,775	15,780

Employing Bodies

There are currently 143 employers who have active members in the Fund.

Administering Authority

Devon County Council

Scheduled Bodies

All Saints Academy
Ashburton Town Council
Barnstaple Town Council
Bickleigh on Exe Primary School
Bicton College
Bideford Town Council
Bovey Tracey Town Council
Bradworthy Academy
Brixham Academy
Brixham Town Council
Broadclyst Academy
Buckland Monachorum Parish Council
Chudleigh Town Council
Chumleigh Academy Trust
Churston Academy
City College Plymouth
Clyst Vale Academy
Colyton Academy
Combe Martin Parish Council
Coombe Dean Academy
Crediton Town Council
Cullompton Town Council
Dartmoor National Park Authority
Dartmouth Academy
Dartmouth Town Council
Dawlish Town Council
Devon & Cornwall Police
Devon & Cornwall Probation Trust
Devon & Severn Inshore Fisheries & Conservation Authorities
Devon & Somerset Fire and Rescue Service
Devonport Boys Academy
Devonport High School for Girls
East Devon District Council
Eden Park Academy
Elburton Primary School
Exeter City Council
Exeter College
Exmouth Academy
Exmouth Town Council
Great Torrington Academy
Great Torrington Town Council
Hayes School
Hele's Academy
Honiton Academy
Ilfracombe Town Council
Ilsam primary School
Inverteign Primary School
Ivybridge Academy
Ivybridge Town Council
Kingsbridge Academy
Kingsteignton Town Council
Lipson Community Academy Trust
Littletown Academy
Lynton & Lynmouth Town Council
Marine Academy Plymouth
Mid Devon District Council
Kingsbridge Town Council
Mount Street Primary School
Newport Community School Primary Academy
Newton Abbot College Academy Trust
Newton Abbot Town Council
North Devon Council
Okehampton Town Council
Oreston Community Academy
PETROC
King's Academy
Pilton Academy
Plymouth City Council
Plymouth Citybus
Plymouth College of Art
Plymstock School
Primaries Acadamies Trust (First Federation)
Queen Elizabeth Academy Trust
Ridgeway Academy
Shiphay Learning Academy
Sidmouth Town Council
South Brent Parish Council
South Dartmoor Community College
South Devon College
South Hams District Council
South Molton Town Council
St James School
St Margarets Academy
St.Boniface R.C. Boys College
Stockland Primary Academy
Stoke Damerel Academy
Stowford Primary Academy
Tavistock Town Council
Tedburn St Mary Parish Council
Teignbridge District Council
Teignmouth Learning Trust
Templar Academy School
Torbay Council
Torbay Economic Development Company
TorBridge Academy
Torquay Boys Academy
Torquay Girls Academy
Torridge District Council
Totnes Town Council
Uffculme Academy
Ugborough Parish Council
University of Plymouth
West Devon Borough Council
Widewell Primary School
Woodbury Parish Council

Admitted Bodies

Access Plymouth
Amey Services
Barnardo's
Call 24 Hour
Carillion JM Ltd
Dame Hannah Rogers School
English Riviera Tourism Company
Exeter Royal Academy for Deaf Education
Initial Catering Services
Innovate
Interserve Project Services Ltd
Keyham Community Partnership
Leisure East Devon
Making Space
Mama Bear's Day Nursery Ltd
Millfield Community Economic Development Trust
Norse Catering
Norse Cleaning
North Devon Homes
North Devon Joint Crematorium Committee
Open College Network South West Region
Pluss
Plymouth Citizen's Advice Bureau
Plymouth Community Homes
Riviera Housing Trust
Tarka Housing
Teign Housing
Tone Leisure
Tor 2 Ltd Asset Management
Tor 2 Ltd Streetscene
Tor 2 Ltd Waste & Recycling
Tor Homes
Torbay Coast & Countryside Trust
Torquay Museum Trust
Valuation Tribunal Service
West Devon Homes
Wolseley Community Economic Development Trust

Statement of the Actuary for the year ended 31 March 2012

Introduction

The last full triennial valuation of the Devon County Council Pension fund was carried as at 31 March 2010 in accordance with the Funding Strategy Statement of the fund. The results were published in the report dated March 2011.

2010 Valuation Results

The results of the valuation were as follows

- The Devon County Council Pension fund had a funding level of 81%, i.e. the assets amounted to 81% of the assessed value of the liabilities as at 31 March 2010. This corresponded to a deficit of £530m at that time.
- The overall contribution rate was set at 18.3% of payroll assuming the funding level was to be restored over a 30 year period.
- The common contribution rate was set at 14.3% of payroll and individual employers paid additional contributions reflecting their own experience in the fund.
- The funding level of the fund is broadly similar to the position at the 2007 triennial valuation.

Valuation method

The contribution rates were calculated using the Projected Unit Method or the Attained Age Method. Employers remaining open to new entrants being valued on the Projected Unit Method, whereas the employers who did not allow new entrants to join were valued using the Attained Age method.

Contribution Rates

The contributions rates, in addition to those paid by the members of the Fund, are set to be sufficient to meet

- The additional annual accrual of benefits allowing for future pay increases and increases to pension in payment when these fall due; plus
- An amount to reflect each participating employer's funding deficit.

Key Financial Assumptions

The liabilities were valued allowing for expected future investment returns and increases to benefits as determined by market levels at the valuation date as follows;

• Rate of return on investments	6.8% per annum
• Rate of increases in pay	5.0% per annum
• Rate of Increases to pensions in payment	3.0% per annum

Asset valuation

Assets were valued at smoothed market value, centred at the date of valuation.

Update to 31 March 2012

Since March 2010 investment returns have been slightly lower than assumed at the 2010 valuation and the liabilities will have increased due to a reduction in the real discount rate underlying the valuation funding model. Overall we expect the financial position of the fund will be slightly worse that of the 2010 valuation.

The next actuarial valuation is due as at 31 March 2013 and the resulting contribution rates required by the employers will take effect from 1 April 2014. We will continue to monitor the financial position of the Fund.

Graeme Muir FFA	**Mark Norquay FFA**
Partner	**Actuary**
9 May 2012	**9 May 2012**

Independent auditor's report to the members of Devon County Council pension fund

Opinion on the pension fund financial statements

I have audited the pension fund financial statements for the year ended 31 March 2012 under the Audit Commission Act 1998. The pension fund financial statements comprise the Fund Account, the Net Assets Statement and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2011/12.

This report is made solely to the members of Devon County Council in accordance with Part II of the Audit Commission Act 1998 and for no other purpose, as set out in paragraph 48 of the Statement of Responsibilities of Auditors and of Audited Bodies published by the Audit Commission in March 2010.

Respective responsibilities of the County Treasurer and auditor

As explained more fully in the Statement of the County Treasurer's Responsibilities, the County Treasurer is responsible for the preparation of the pension fund's financial statements and for being satisfied that they give a true and fair view. My responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require me to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the fund's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the County Treasurer; and the overall presentation of the financial statements. In addition, I read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements. If I become aware of any apparent material misstatements or inconsistencies I consider the implications for my report.

Opinion on financial statements

In my opinion the pension fund's financial statements:

- give a true and fair view of the financial transactions of the pension fund during the year ended 31 March 2012 and the amount and disposition of the fund's assets and liabilities as at 31 March 2012, and
- have been prepared properly in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2011/12.

Opinion on other matters

In my opinion, the information given in the annual report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which I report by exception

I report to you if, in my opinion the governance compliance statement does not reflect compliance with the Local Government Pension Scheme (Administration) Regulations 2008 and related guidance. I have nothing to report in this respect.

Alun Williams

District Auditor
3-4 Blenheim Court
Lustleigh Close
Matford Business Park
Exeter EX2 8PW

25 September 2012

Additional Information

Investment Powers

The Local Government Pension Scheme (Management and Investment of Funds) Regulations 2009 require that any pension fund monies not for the time being needed to meet payments shall be invested. The Regulations define what is meant by investment, and place certain restrictions on Local Authorities.

- Not more than 15% of the fund may be invested in unlisted company securities. These are securities which are not listed on either a recognised U.K. stock exchange, or a foreign stock exchange of international standing.
- Not more than 35% of the fund can be invested in unit trusts managed by a single body.
- Not more than 5% of the fund can be invested in any single partnership.
- Not more than 15% of the fund can be invested in all partnerships.
- With the exception of Government fixed interest stocks, bank deposits and managed insurance funds, no more than 10% of the fund may be invested in a single holding.
- No more than 10% of the fund may be deposited with any one bank (other than the National Savings Bank).
- Loans from the fund to any one body including the Administering Authority, but not including the Government, may not in total exceed 10% of the value of the fund.
- The Fund can enter into stock lending arrangements provided that the total value of the securities to be transferred does not exceed 25% of the total fund value.
- Where an external investment manager is appointed the County Council (through the Investment and Pension Fund Committee) must be satisfied that any monies under his management are not excessive having regard to proper advice, diversification of management and to the value of the Fund's assets. The manager's appointment must be terminable by not more than 1 month's notice. They must comply with any instructions given to them by the Council and must report their actions at least once every three months. In making investments they must have regard to the need for diversification and to the suitability of these investments, and they must be prohibited from making investments that contravene the Regulations.
- At least once every three months the Council must review the investments made by the manager, and from time to time consider the desirability of continuing or terminating the appointment.

Statutory Statements

As required by the Local Government Pension Scheme Regulations a number of Statutory Statements have been prepared and published by Devon County Council (as the Administering Authority). They are as follows:

Statement of Investment Principles

A revised Statement of Investment Principles (S.I.P) was approved by the Investment & Pension Fund Committee and published in November 2011. The current S.I.P is available on the County Council's website at **devonpensions.org/wp-content/uploads/Statement-of-Investment-Principles-2012-v2.pdf**

Funding Strategy Statement

The current Funding Strategy Statement was approved by the Investment & Pension Fund Committee and published in September 2011. This statement describes the County Council's strategy for the funding of the Pension Fund (and was prepared having regard to the guidance published by CIPFA in March 2004). Full details are published on the County Council's website at
devonpensions.org/wp-content/uploads/2011/07/devon-funding-strategy-statement.pdf

Communications Strategy Statement

A Communications Strategy Statement was approved by the Investment & Pension Fund Committee and published in February 2006. This statement describes the Fund's strategy for communicating with its various stakeholders. Full details are published on the County Council's website at

devonpensions.org/wp-content/uploads/2011/07/communications-policy-statement.pdf *

Governance Policy Statement

A Governance Policy Statement was approved by the Investment & Pension Fund Committee and published in February 2006. This statement sets out the Administering Authority's policy on Fund governance including the representation and participation of key stakeholders on the Investment & Pension Fund Committee. Full details are published on the County Council's website at

devonpensions.org/wp-content/uploads/2011/07/governance-policy-statement.pdf *

Governance Compliance Statement

During 2007/08 the Committee reviewed its Governance Policy Statement in order to comply with Regulation 73A of the LGPS Regulations 2009 and has published a compliance statement which can be viewed on the County Council's website at

devonpensions.org/wp-content/uploads/2011/07/governance-compliance-statement-260308.pdf *

* Further revisions to these statements are planned within the next 6 months

The Fund's Largest Equity Shareholdings

United Kingdom Equities

Company	Sector	31-Mar-2012 £000	% of Total Investments
Royal Dutch Shell	Oil & Gas	14,006	0.52
Vodafone	Telecommunications	13,619	0.51
HSBC	Banks	12,287	0.46
Standard Chartered	Banks	10,340	0.39
BP	Oil & Gas	8,866	0.33
Centrica	Utilities	7,807	0.29
British American Tobacco	Personal & Household	7,583	0.28
Imperial Tobacco	Personal & Household	7,297	0.27
Glaxosmithkline	Healthcare	7,090	0.26
Xstrata	Basic Resources	6,063	0.23
		94,958	3.54
Plus other investments including UK Managed Funds		750,724	27.97
		845,682	31.51

Overseas Equities

Company	Sector	Country		
Samsung Electronics	Technology	Korea	13,548	0.50
Taiwan Semiconductor	Technology	Taiwan	11,153	0.42
Banco Bradesco	Banks	Brazil	8,644	0.32
China Mobile	Telecommunications	China	7,805	0.29
Fomento Economico	Food & Beverages	Mexico	7,438	0.28
Vale	Basic Resources	Brazil	7,426	0.28
Petroleo Brasileiro	Oil & Gas	Brazil	7,164	0.27
Microsoft	Technology	United States	7,077	0.26
Oracle	Technology	United States	7,062	0.26
Tenaris	Basic Resources	Italy	6,572	0.24
			83,889	3.12
Plus other investments including Overseas Managed Funds			955,848	35.62
			1,039,737	38.74

Specialist Mandate - Pooled Funds

State Street Emerging Markets Fund	40,089	1.49
UBS International Infrastructure Fund	30,023	1.12
Fabian Pictet Global Emerging Markets Fund	28,061	1.05
Hermes European Focus Fund	27,009	1.01
Montanaro European Smaller Companies Fund	25,109	0.94
Hermes Specialist UK Focus Fund	15,584	0.58
F&C Stewardship Fund	15,391	0.57
Relational Investors US Activism Fund	13,539	0.50
Aberdeen Ethical World Unit Trust	1,509	0.06
	196,315	7.31

Scheme and Benefit Information

Devon County Council administers the Pension Fund for its own employees and some 150 other organisations including Unitary, District, Town and Parish Councils, Education establishments and other admitted bodies. These also include a number of employers who have ceased actively participating in the fund though still have a number of pensioners.

The Local Government Pension Scheme (LGPS) is a statutory, funded final salary pension scheme with its benefits defined and set in law. The LGPS is contracted out of the State Second Pension Scheme (S2P) and must, in general, provide benefits at least as good as most members would have received had they remained in S2P.

Contributions

Employer contributions rates are variable and are determined by the fund Actuary. A full valuation is carried out every 3 years in order to establish the value of the assets and liabilities of the fund and determine individual employer contribution rates. The valuation for the 3 years ending 31 March 2010 was implemented with effect from 1 April 2011. The next valuation will take place using data up to 31 March 2013 with revised employer contributions payable from April 2014.

Employee's contributions ranged from 5.5% to 7.5% depending on the level of their pensionable pay.

Benefits

The LGPS provides significant retirement and death benefits to its members which include the following:

- A guaranteed pension calculated as 1/60 x final salary x post April 2008 service
- A guaranteed pension calculated as 1/80 x final salary x pre April 2008 service
- A Tax free lump sum upon retirement calculated using the formula 3/80 x final salary x pre April 2008 service. Options are available to increase the lump sum
- Ability to increase benefits by paying additional voluntary contributions
- An Ill health pension payable from any age
- Immediate unreduced pension on redundancy after the age of 55
- Death in Service lump sum of 3 x salary
- Widow's/widower's/civil partner's/co habiting partner pension payable for life
- Children's pension
- Benefits rise in line with inflation

Changes made affecting benefits during 2011/12

- April 2011 the annual allowance reduced from £255,000 to £50,000. The new annual allowance covers any pension saving an individual makes in tax-registered pension arrangements – not just the LGPS. Individuals will only be subject to an annual allowance tax charge if the value of thier pension savings in a tax year increase by more than £50,000. However, there is a three year carry forward rule that allows for the carry forward of any unused annual allowance from the last three tax years.

- August 2011 GAD guidance issued which allows members who wish to flexibly retire to be able to take:
  a. all or none of their pre April 2008 rights; and
  b. all, some or none of their post March 2008 rights.
- January 2012 Government Actuaries Department (GAD) issued revised factors for Cash Equivalent transfer calculations.

For more details of the benefits available from the scheme, an online version of the current 'Employee guide to the LGPS' can be found on our website at www.devonpensions.org

All employers, member and interested parties are asked to look at the Pensions website, which will be kept up to date with current news on this and other aspects of the pension scheme.

LGPS 2014 Project

The new LGPS will start on 1st April 2014. Only membership after that point will be in the new scheme, under the new LGPS 2014 rules.

Existing pensioner and deferred members will not see any change to their benefits.

Employees with membership in the current final salary scheme will retain the link to final salary for all membership built up before 1st April 2014 and the Normal Pension Age as under the current rules for membership up to that date.

Previously agreed protection will continue, including the provisions for those

members who were protected against the removal of the Rule of 85 in 2006. There will also be additional protection for members within 10 years of age 65 as at 1st April 2012.GPS 201LGPS 2014Basis of Pension

BSome of the main provisions of the proposed LGPS 2014 are as follows:-

- A Career Average Revalued Earnings (CARE) Scheme revalued in line with CPI
- The Accrual rate would be 1/49th
- Retirement age linked to State Pension Age
- A 50/50 option where members can elect to pay half the contributions for half the pension.
- Benefits for service prior to 1st April 2014 are protected and keep the final salary link.

For more details please see the link below
www.lgps.org.uk/lge/core/page.do?pageId=15431012

Devon Pension Service

Administrative Performance Standards

Our aims

- To supply a high quality pensions administration service.
- To provide value for money.
- To meet the highest professional standards in our dealings with all our customers.

Our commitment to you

We are dedicated to placing customers at the heart of our organisation and welcome all contact and enquiries. We will always endeavour to be as good as our word. For instance if we agree to get back to you or reply by a certain date, we will do that. If this turns out not to be possible for any reason, we will contact you and explain why. We will at all times be fair and open, and always explain the reasons behind any decision.

Our staff will:

- Treat you as an individual and with dignity and respect
- Listen to what you say
- Be helpful and considerate
- Keep what you say to us as confidential
- Where appropriate, tell you exactly what you need to do and what information we need

These 'Performance Statistics' are part of our ongoing commitment to make our work and performance more open to public scrutiny. Our work has been 'tasked' for a number of years now (every piece of paper/process we receive is registered on the members computer record), but it's only in recent years that we have begun to really co-ordinate a method of monitoring and analysing the data that the tasking system can provide. We will publish the quarterly results on this website in order that you can see for yourselves just how well we perform.

The graph below shows two groups of tasks identified by ourselves; priority tasks (retirements, death benefits, complaints etc) and non-priority tasks (tasks which can maybe be delayed for a day or two; a new starter form or an address change for example). The results shown are the average successful completion percentage of all tasks within that category.

Annual Performance Statistics 2011/12

The following bullet-points should offer some explanation as to the nature of the kind of work which makes up our Priority and Non-Priority categories.

Priority

- Includes all tasks relating to a death in service, death of a pensioner and/or the death of a deferred member.
- Any task relating to the retirement of a police officer or fire fighter (ill-health, normal retirements etc).
- Actual retirements for LGPS staff (including police/fire civilian workers). Covers all available forms of retirement; ill-health, redundancy/efficiency, early retirement, age retirement etc.
- Any query not covered by the other categories that requires a response from ourselves. For example; a query on an Admitted Body Status, re-employed pensioner calculations, general telephone queries etc.

Non-Priority

- All tasks relating to the purchase and administration of Added Years or Additional Voluntary Contributions (AVC's).
- The process of making a scheme member a leaver before they reach retirement age (but only to include those members who opt-out of the scheme or leave the Devon Pension Fund employer for employment elsewhere; not other reasons for leaving covered in the other categories).
- The production of cash equivalent transfer values (CETV's) for divorce proceeding's, pension sharing and earmarking orders.
- 'Passive' notifications such as address changes, hour changes, marital status changes etc. Basically anything which doesn't require a direct response.
  Police/Fire Retirement Estimates.
- The process of refunding a scheme members pension contributions (only available to members with less than 3 month's total service).
  LGPS Retirement Estimates.
- The processing of all new starter forms for new employees (or 'opting-in' forms for existing staff) wishing to join the pension scheme.
- The transfer-in of a scheme members pension rights, accrued with a previous employer/pension provider, to benefits being accrued on their current LGPS employment.
- The transfer-out of pension benefits held in the Devon Pension Fund to an external employer or pension provider (be it a new LGPS administering authority, personal pension plan or a private employer with its own pension arrangements).

Devon Pension Services
Estuary House
Peninsula Park
Rydon Lane
Exeter EX2 7XB

Email: pensions@devon.gov.uk
www.devonpensions.org

Glossary

Actuarial Terms

85% S1PA Heavy tables

The S1PA Heavy series are published by the CMI (Continuous Mortality Investigation) – these are the most up to date mortality tables available and are officially adopted by the Actuarial Profession.

Actuary

An independent consultant who advises on the financial position of the fund. Every three years the actuary reviews the assets and liabilities of the fund and reports to the County Council on the financial position and the recommended employers' contribution rates. This is known as the Actuarial Valuation.

iBoxx AA

The discount rate used is the yield on the iBoxx AA rated over 15 year corporate bond index which has been chosen to meet the prescriptive requirements of IAS19.

Medium cohort projection

The medium cohort projection is related to the observed phenomenon that people born in the U.K. between 1925 and 1945 (centred on the generation born in 1931) have experienced more rapid improvement in mortality than generations born either side of this period. The mortality assumptions adopted incorporate the improved experience of this cohort relative to people outside this group.

Non-Vested obligations

If active members remain active rather than become deferred then their liabilities will be higher due to assumed salary increases until retirement. These additional liabilities make up the non-vested obligation.

Promotional scale

This takes into consideration the possibility of promotion during the course of an employees working life.

Retirement age assumption

Active members will retire one year later than they are first able to do so without reduction – One year after minimum retirement age

Solvency Test

An actuarial calculation to determine whether the assets of an occupational pension scheme are sufficient to meet its benefit obligations.

Vested obligations

Vested obligations are liabilities in respect of deferred and pensioner members. It also includes part of the liability for active members. This part is calculated by assuming active members become deferred immediately and as such does not take into account future salary increases.

Deferred Pension

The pension benefit payable from normal retirement age to a member of the fund who has ceased to contribute as a result of leaving employment or opting out of the pension scheme before state retirement age.

Emerging Markets

Stock Markets in developing countries (as defined by the World Bank).

Equities

Ordinary shares in UK and overseas companies traded on a recognised stock exchange. Shareholders have an interest in the profits of the company and are normally entitled to vote at shareholders' meetings.

Derivatives

Financial contracts whose value is tied to an underlying asset. Derivatives include futures, options and swaps.

Fixed Interest Securities

Investments in mainly government stocks, which guarantee a fixed rate of interest. The securities represent loans which are repayable at a stated future date but which can be traded on a recognised Stock Exchange in the meantime.

Index Future

An obligation to make or take delivery of a specified quantity of an underlying Stock/Index at a particular time in the future, at a price agreed when the contract is taken out.

Index (Stock Market)

The movements in a Stock Market are monitored continuously by means of an Index made up of the current prices of a representative sample of stocks.

Indexation

Also known as Index Matching or Index Tracking. Indexation is a statistical technique used to construct a portfolio of shares that will consistently move in line with a particular Index.

Managed Fund

A multi-asset pooled fund under which an insurance company offers participation in one or more pooled funds.

Market Value

The price at which an investment can be sold at a given date.

Performance Services

WM Performance services are an independent company used to measure the investment performance of the Fund. They also measure 84 Local Authority sector funds calculating every quarter the average returns for the median of all the funds and an constituent funds (the weighted average).

Pooled Funds

A fund managed by an external Fund Manager in which a number of investors buy units. The total fund is then invested in a particular market or region.

Portfolio

A collective term for all the investments held in a fund, market or sector.

Property Unit Trust

A pooled investment vehicle that enables investors to hold a stake in a diversified portfolio of properties.

Return

The total gain from holding an investment over a given period, including income and increase (decrease) in market value.

Transfers to/from Other Schemes

These are sums paid to, or received from other pension schemes and relate to the current value of past contributions which transfer with a member when changing employment.

Unrealised Increase / (Decrease) in Market Value

The increase/ (decrease) in market value, since the previous year, of those investments still held at the year end.

Unit Trust

A Pooled Fund in which investors hold units, and where the fund offers new units and is prepared to redeem existing units from holders on a regular basis.

If you need more information or a different format phone 0845 155 1015, email customer@devon.gov.uk text 80011 (start your message with the word Devon), textphone 0845 155 1020 or write to Devon County Council, County Hall, Topsham Road, Exeter EX2 4QD

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Published by Devon County Council
County Hall, Topsham Road, Exeter EX2 4QJ
www.devon.gov.uk

One tonne of recycled paper saves – 17 trees, 32,000 litres of water, enough electricity to heat an average house for 6 months and 27kg of air pollutants

November 2011

Devon County Council