

Your Local Government Pension

Investment Performance

In 2014/15 the value of the Devon Pension fund increased by £234 million to £3.374 billion. This increase in the fund value was net of a £63 million transfer to the Greater Manchester Fund who took over responsibility for all pension liabilities in relation to the Probation service. This increase represents a positive return, net of fees, of +10%. This return was slightly below the Fund's internally set benchmark target of + 11%, largely due to the disappointing performance of the Fund's active equity managers. However, the Fund has achieved an annualised return of + 7.3% in the two years since the last actuarial valuation which is ahead of the Actuary's long term assumption of a + 6.1% return.

Fund Solvency

The Fund is required to have an actuarial valuation conducted every three years. The last triennial valuation, as at 31 March 2013, was carried out by the Fund Actuary, Barnett Waddingham, and determined that the Devon Pension Fund had a funding level of 83%. Investment returns over the two years since the last valuation have been above the Actuary's assumed returns. Other things being equal this will have helped to improve the funding level. The Actuary has estimated a funding level of 84% as at 31 March 2015. The next triennial valuation will take place based on the Fund's position as at 31 March 2016.

Asset Allocation

The Committee's strategic asset allocation to the major asset classes remained the same throughout the year, but 5% of the Fund was moved from an active equity mandate into a passive equity fund at the end of September, following the termination of Sarasin's contract. The target allocation to passive equities will now remain at 40% of the Fund, but a fifth of that allocation (8% of the total fund) will be allocated to alternative indices, rather than the traditional market capitalisation weighted indices.

Peninsula Pensions

2014 has been a challenging year for pension administration with the introduction of the new LGPS Career Average scheme. Development of administration systems had been slow due to the lateness of final regulations which has impacted on the service to scheme members. In addition to the new scheme, the shared service with Somerset became fully operational just prior to the start of the year and the administration team has worked

extremely hard to incorporate Somerset records into current systems and processes. The shared service will ultimately deliver efficiencies for both funds.

Pension Board

As a result of the Public Service Pensions Act 2013, the Fund reviewed its governance arrangements during the year. Along with all the other LGPS funds, the Devon Fund was required to put in place a Pension Board by 1 April 2015. Despite the final regulations only being published in January, the constitution and terms of reference for the Devon Pension Board were ratified by Council on 19th February, and fund member and employer representatives were then appointed to the Board in May. The Board's role will be to assist the Administering Authority and ensure compliance with regulation. The Investment and Pension Fund Committee will continue to be the Fund's decision making body.

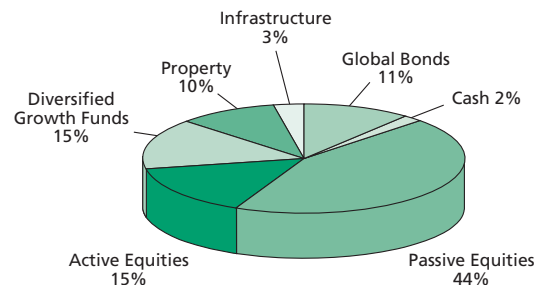
Conclusion

The investment return of 10% was more than sufficient to meet the target set by the funds actuary. It is slightly disappointing that the return did not quite meet the internal target set when market conditions were generally very favourable. However, the fund remains well placed to meet the challenges of more difficult market conditions. The Committee will continue to review the investment strategy and consider changes to the approach where appropriate.

The Devon Pension Fund remains committed to ensuring that it provides an excellent service to pension fund members and value for money for both pension fund members and local taxpayers.

Mary Davis
County Treasurer

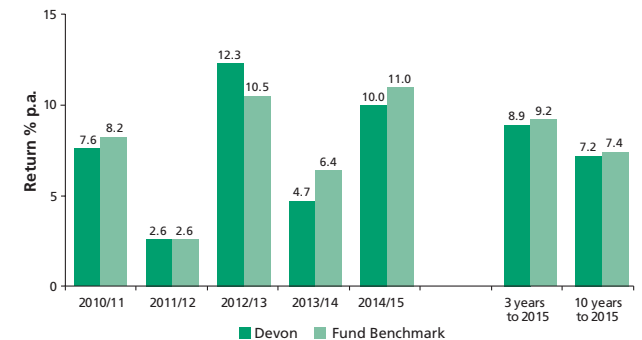
Asset Allocation at 31 March 2015



Current Investment Managers

Managers & Mandate	Market Value 31 March 2015 Investments £000	% of Total
State Street Global Advisors Passive Equities	841,488	25.1
UBS Global Asset Management Passive Equities	635,852	18.9
Aberdeen Asset Management Global Equities	183,017	5.4
Aberdeen Asset Management Emerging Market Equities	146,004	4.3
Lazard Asset Management Global Fixed Interest	203,446	6.0
Wellington Management Global Fixed Interest	192,308	5.7
Baillie Gifford & Co Diversified Growth Fund	250,031	7.4
Barings Asset Management Diversified Growth Fund	246,004	7.3
Aviva Investors Property	345,548	10.3
DCC Investment Team Specialist Equities, Infrastructure, Cash	318,654	9.6

Investment Performance



Management Structure

Administering Authority
Devon County Council
County Hall
Exeter EX2 4QD

Your Pension Fund Representatives

Investment and Pension Fund Committee (at 31 March 2015)

Representing Devon County Council
Councillor Rufus Gilbert (Chairman)
Councillor Ray Radford
Councillor Jerry Brook
Councillor Gaston Dezart
Councillor Richard Edgell
Councillor Brian Greenslade
Councillor Des Hannon
Councillor Roy Hill
Councillor Richard Hosking
Councillor Sara Randall Johnson
Councillor Margaret Squires
Councillor Claire Wright

Representing Devon Unitary & District Councils
Councillor Peter Edwards (Devon District Councils)
Councillor Lorraine Parker Delaz Ajete (Plymouth)
Councillor David Stark (Plymouth)
Councillor John Thomas (Torbay)

Observers
Representing the Contributors
Representing the Beneficiaries
Roberto Franceschini
Jo Rimmon
Colin Lomax

Adviser
Steve Tyson (AllenbridgeEpic)

Investment Managers
Devon County Council Investment Team
Aberdeen Asset Managers Ltd
Aviva Investors Global Services Ltd
Baillie Gifford and Co.
Baring Asset Management Ltd
Lazard Asset Management LLC
State Street Global Advisors Ltd
UBS Global Asset Management (UK) Ltd
Wellington Management International Ltd

County Council Officers
Phil Norrey, Chief Executive
Mary Davis, County Treasurer
Chris Phillips, Deputy County Treasurer
Mark Gayler, Assistant County Treasurer
Charlotte Thompson, Head of Peninsula Pensions

Fund Actuary
Barnet Waddingham LLP

For More Information

Copies of the full Annual Report, Statutory Published Statements and abridged Members leaflet can be found on-line at the Devon County Council web site at: <http://www.peninsulapensions.org.uk/lgps/pension-fund-investments/devon-county-council-investments/devon-fund-key-documents/>

Enquiries about benefits should be made direct to your employer or to Charlotte Thompson, Pensions Manager, Peninsula Pensions, Great Moor House, Bittern Road, Sowton Industrial Estate, Exeter EX2 7NL

Pension Fund Accounts

Fund Account

	2014 £000	2015 £000
Contributions and benefits		
Contributions receivable:		
Employers	113,917	115,057
Employees	35,099	35,845
Transfers in from other schemes	7,446	5,686
	156,462	156,588
Benefits payable:		
Pensions	(120,983)	(126,148)
Lump Sums	(26,204)	(28,757)
Death Benefits	(3,248)	(3,431)
Refunds	(18)	(191)
Transfers out to other schemes	(6,233)	(68,551)
	(156,686)	(227,078)
Net additions from dealings with fund members	(224)	(70,490)
Management Expenses	(10,074)	(12,481)
Returns on investments		
Investment Income	39,625	36,629
Change in Market Value of Investments:		
Realised & Unrealised profit / (loss)	103,882	280,875
Net Returns on Investments	143,507	317,504
Net Increase (Decrease) in the Fund during the year	133,209	234,533
ADD		
Opening Net Assets of the Fund at 1 April	3,006,684	3,139,893
Net assets of the fund at 31 March	3,139,893	3,374,426
Net asset statement		
	2014 £000	2015 £000
Investments at market value		
Fixed Interest		
U.K. Public Sector Bonds	10,959	15,362
Overseas Government Bonds	205,791	177,602
Corporate Bonds - Global	162,662	138,866
Equities (Listed)		
U.K.	45,924	33,346
Overseas	379,345	264,294
Pooled Investments	1,963,965	2,340,286
Pooled Property Investments	297,414	334,997
Derivatives	(700)	1,884
Foreign Currency	6,363	5,257
Short Term Deposits	34,971	30,258
Cash & Bank Deposits	30,907	22,686
Investment Payables and Receivables	(9,871)	(2,486)
	3,127,730	3,362,352
Long term and current assets	27,809	27,868
Long term and current liabilities	(15,646)	(15,794)
Net asset of the fund at 31 March	3,139,893	3,374,426

Pension Fund Annual Report & Accounts 2014/15

