

## Your Local Government Pension Fund

2015/16 was a difficult year for investment markets. The Devon Pension Fund's investment return for the year, net of fees, was -0.5%. In addition the Fund's maturing cashflow profile saw a deficit between the contributions received and the benefit payments and management costs paid out of £29.5 million. All of these factors have reduced the value of the Fund from £3.374 billion (as at 31 March 2015) to £3.336 billion as at 31 March 2016, a reduction of just over 1%.

The Government announced in July 2015 that it intended to work with Local Government Pension Scheme (LGPS) funds to ensure they pool their investment assets. The Devon Fund has been working with nine other LGPS funds to form the Brunel Pension Partnership, with a target date for implementation of April 2018. Once the partnership becomes operational, the Devon Fund will continue to decide on the allocation between asset classes, but the Brunel Pension Partnership will be responsible for selection and monitoring of the external investment managers who will manage the investments.

### Pension Board

As a result of the Public Service Pensions Act 2013, the Devon Fund put in place a Pension Board, which met twice during the year. The Board comprises fund member and employer representatives and an independent member, and its role is to assist the Administering Authority and ensure compliance with regulation. The Investment and Pension Fund Committee continues to be the Fund's decision making body.

### Peninsula Pensions

2015/16 was another challenging year for pension administration. Amendment to the LGPS regulations and implications of Fair Deal were expected but have been delayed. The team worked hard over the year to reduce backlogs of work and whilst this has an adverse knock on effect to the performance statistics, we expect overall performance to improve as we build upon the foundations of the shared service that have been put in place over the last two years.

### Investment Performance

As indicated above the asset value of the fund at the end of the 2015/16 financial year was £3.336 billion. This represents a negative investment return of -0.5% net of fees, below the Fund's internally set benchmark target of +1.2% and below the average LGPS fund return of +0.2%. The largest contributing factor to the underperformance was the investment in diversified growth funds, which failed to achieve a positive return of cash plus 3.5% to 4% under the market conditions prevailing during the year.

The fund's active equity and bond managers also underperformed.

### 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%. Work on the next scheduled valuation, as at 31 March 2016, is now underway. There will be a report on the final results in next year's annual report.

### Asset Allocation

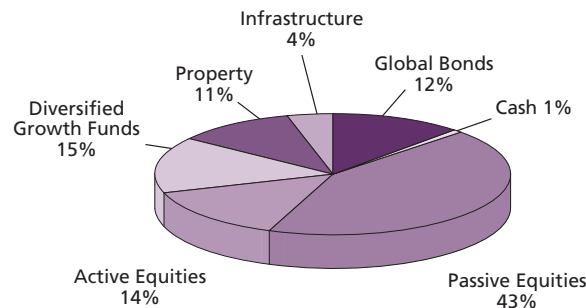
The strategic asset allocation to the major asset classes remained the same throughout the year. In April a fifth of the target allocation to passive equities was invested in a mandate allocated to alternative indices, rather than the traditional market capitalisation weighted indices.

### Conclusion

Market conditions have meant that the value of the fund has fallen slightly over the year and as a result the three year investment return is below the Actuary's expectations at the last Actuarial Review. This will make the 2016 Valuation more challenging. However, the Fund will continue to focus on meeting its liabilities over the longer term, and the Committee will keep the investment strategy under review and consider changes to the approach where appropriate. The Devon Pension Fund will continue to work with neighbouring funds to create the Brunel Pension Partnership. This will result in short term costs, but should ensure greater efficiency and reduced costs in future years. The 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

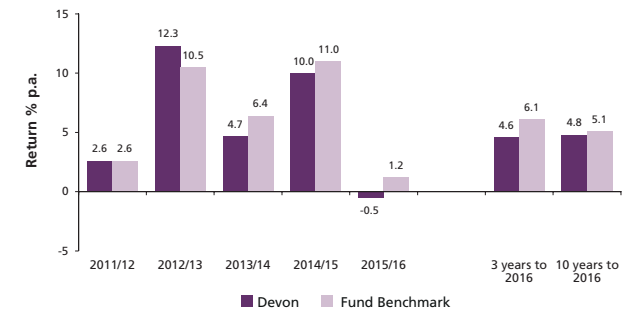
## Asset Allocation at 31 March 2015



## Current Investment Managers

Managers & Mandate	Market Value 31 March 2015 £000	% of Total Investments
State Street Global Advisors Passive Equities	549,209	16.5
UBS Global Asset Management Passive Equities	876,318	26.4
Aberdeen Asset Management Global Equities	174,215	5.2
Aberdeen Asset Management Emerging Market Equities	136,970	4.1
Lazard Asset Management Global Fixed Interest	208,203	6.3
Wellington Management Global Fixed Interest	194,035	5.8
Baillie Gifford & Co Diversified Growth Fund	247,811	7.5
Barings Asset Management Diversified Growth Fund	238,268	7.2
Aviva Investors Property	366,555	11.0
DCC Investment Team Specialist Equities, Infrastructure, Cash	330,868	10.0

## 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 2016)

Representing Devon County Council  
Councillor Rufus Gilbert (Chairman)  
Councillor Ray Radford  
Councillor Richard Edgell  
Councillor Des Hannon  
Councillor Roy Hill  
Councillor Richard Hosking

Representing Devon Unitary & District Councils & Other Employers  
Councillor Peter Edwards (Devon District Councils)  
Councillor Lorraine Parker Delaz Ajete (Plymouth)  
Councillor James O'Dwyer (Torbay)  
Donna Healy (Other Employers)

### Observers

Representing the Contributors  
Roberto Franceschini  
Jo Rimron

Representing the Beneficiaries  
Colin Lomax

Adviser  
Steve Tyson (AllenbridgeEpic)

### Devon Pension Board (at 31 March 2016)

Representing Fund Employers  
Councillor Jerry Brook (Devon County Council)  
Councillor Brian Greenslade (Devon County Council)  
Carl Hearn (Tavistock Town Council)  
Graham Smith (Devon and Cornwall Police)

Representing Fund Members  
Andrew Bowman  
Heather Keightley  
Cheryl Lewis  
One Vacancy

Independent Member  
William Nicholls

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

	2015 £000	2016 £000
<b>Contributions and benefits</b>		
Contributions receivable:		
Employers	115,057	117,079
Employees	35,845	36,201
Transfers in from other schemes	5,686	4,766
	<b>156,588</b>	<b>158,046</b>
Benefits payable:		
Pensions	(126,148)	(132,435)
Lump Sums	(28,757)	(30,035)
Death Benefits	(3,431)	(3,777)
Refunds	(191)	(443)
Transfers out to other schemes	(68,551)	(6,986)
	<b>(227,078)</b>	<b>(173,676)</b>
<b>Net additions from dealings with fund members</b>	<b>(70,490)</b>	<b>(15,630)</b>
Management Expenses	(12,481)	(13,945)
<b>Returns on investments</b>		
Investment Income	36,629	35,743
Change in Market Value of Investments:		
Realised & Unrealised profit / (loss)	280,875	(44,679)
<b>Net Returns on Investments</b>	<b>317,504</b>	<b>(8,936)</b>
<b>Net Increase (Decrease) in the Fund during the year</b>	<b>234,533</b>	<b>(38,511)</b>
<b>ADD</b>		
Opening Net Assets of the Fund at 1 April	3,139,893	3,374,426
<b>Net assets of the fund at 31 March</b>	<b>3,374,426</b>	<b>3,335,915</b>
<b>Net asset statement</b>		
	2015 £000	2016 £000
<b>Investments at market value</b>		
Fixed Interest		
U.K. Public Sector Bonds	15,362	1,981
Overseas Government Bonds	177,602	131,052
Corporate Bonds - Global	138,866	73,598
Equities (Listed)		
U.K.	33,346	28,085
Overseas	264,294	253,669
Pooled Investments	2,340,286	2,438,204
Pooled Property Investments	334,997	358,863
Derivatives	1,884	(3,543)
Foreign Currency	5,257	2,156
Cash Equivalents	30,258	21,296
Cash & Bank Deposits	22,686	12,168
Investment Payables and Receivables	(2,486)	4,923
	<b>3,362,352</b>	<b>3,322,452</b>
<b>Long term and current assets</b>	<b>27,868</b>	<b>26,706</b>
<b>Long term and current liabilities</b>	<b>(15,794)</b>	<b>(13,243)</b>
<b>Net asset of the fund at 31 March</b>	<b>3,374,426</b>	<b>3,335,915</b>

# Pension Fund Annual Report & Accounts 2015/16

