

Your Local Government Pension Fund

2016/17 was a good year for the Devon Pension Fund. The value of the fund increased from £3.336 billion (as at 31 March 2016) to £3.929 billion as at 31 March 2017, an increase of just under £600 million. The Devon Pension Fund's investment return for the year, net of fees, was +18.0%, ahead of the Fund's bespoke benchmark target of +16.6%. This was a significantly better performance than in the previous year as investment markets delivered positive returns and the fall in the value of Sterling significantly increased the value of the Fund's overseas assets.

In December, the Investment and Pension Fund Committee approved the business case to set up the Brunel Pension Partnership Ltd. The Devon Pension Fund has been working with nine other LGPS funds to form the partnership to meet the Government's agenda that funds should pool investment assets. Significant progress has been made during the year, and the project is on target for the Brunel Pension Partnership to achieve regulatory approval by the Financial Conduct Authority and to begin managing assets from April 2018.

Peninsula Pensions

Pension administration continues to be a challenging area with high volumes of work to be processed as overall membership numbers continue to grow. The overall performance of the team did show a slight improvement on 2015/16 although a large backlog in amalgamation cases remains due to delays in regulations.

Investment Performance

As indicated above the investment return for the year was +18.0% net of fees, above the Fund's internally set benchmark target of +16.6%. The most significant event of the year was the referendum on the UK's membership of the European Union and the decision to leave. Following the referendum result there was a significant fall in the value of Sterling. This has had a positive effect of increasing the value of the Fund's overseas assets in Sterling terms and pushing up the value of UK shares where companies benefit from overseas earnings.

Fund Solvency

The Fund is required to have an actuarial valuation conducted every three years. The most recent triennial valuation, as at 31 March 2016, has been carried out by the Fund Actuary, Barnett Waddingham. The 2016 Valuation demonstrates that the Fund is making progress towards the long term objective of 100% solvency, with the funding level increasing from 83% to 84%, and the deficit recovery period reducing from 25 to 22 years. The reduction in the average recovery

period will help to reduce the cost of pensions in the longer term.

Asset Allocation

The Committee's strategic asset allocation to the major asset classes remained unchanged throughout the year. However, the allocation to fixed interest remained below target through the year. Equities remained above the target allocation during the year, despite reallocating £50m to the diversified growth funds to bring them back up to target.

In the latter half of the year a review of the Fund's strategic asset allocation was undertaken by Mercer investment consultants, and results of the review were considered by the Committee in February 2017. As a result the target allocation to equities will be increased to 58% for 2017/18, with the fixed interest allocation reducing to 13%. Looking ahead, the Committee also agreed to collaborate with other Brunel LGPS funds to make a small allocation to private debt.

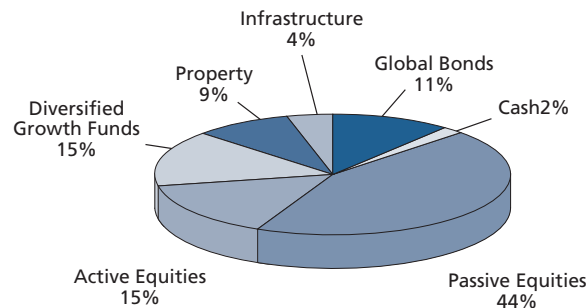
Conclusion

The investment return of 18% over the year was a good return for the Fund, reflecting the positive market conditions that existed during the year. The Actuarial Review shows that the Fund is continuing to make progress towards achieving a 100% funding level in the longer term. The strategic review has seen some small changes in the asset allocation for 2017/18, and has also provided a direction of travel to reducing risk while maintaining investment returns as the Fund begins to pool its assets through the Brunel Pension Partnership over the next few 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

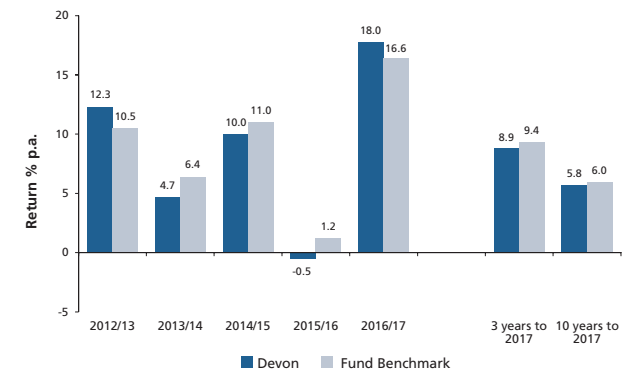
Asset Allocation at 31 March 2017



Current Investment Managers

Managers & Mandate	Market Value 31 March 2017 £000	% of Total Investments
State Street Global Advisors Passive Equities	625,987	16.0
UBS Global Asset Management Passive Equities	1,087,130	27.7
Aberdeen Asset Management Active Global Equities	225,362	5.8
Aberdeen Asset Management Emerging Market Equities	181,795	4.6
Lazard Asset Management Global Fixed Interest	222,975	5.7
Wellington Management Global Fixed Interest	212,820	5.4
Baillie Gifford & Co Diversified Growth Fund	295,710	7.5
Barings Asset Management Diversified Growth Fund	285,493	7.3
Aviva Investors Property	363,040	9.3
DCC Investment Team Specialist Equities, Infrastructure, Cash	417,468	10.7

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 2017)

Representing Devon County Council
Councillor Rufus Gilbert (Chairman)
Councillor Christine Channon
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 2017)

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

Representing Fund Members
Andrew Bowman
Heather Keightley
Colin Shipp
One Vacancy

Independent Member
William Nicholls

County Council Officers
Phil Norrey, Chief Executive
Mary Davis, County Treasurer
Angie Sinclair, 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

	2016 £000	2017 £000
Contributions and benefits		
Contributions receivable:		
Employers	117,079	123,164
Employees	36,201	36,709
Transfers in from other schemes	4,766	8,205
	158,046	168,078
Benefits payable:		
Pensions	(132,435)	(136,549)
Lump Sums	(30,035)	(27,716)
Death Benefits	(3,777)	(3,751)
Refunds	(443)	(719)
Transfers out to other schemes	(6,986)	(5,684)
	(173,676)	(174,419)
Net additions from dealings with fund members	(15,630)	(6,341)
Management Expenses	(13,945)	(12,286)
Returns on investments		
Investment Income	35,743	39,852
Change in Market Value of Investments:		
Realised & Unrealised profit / (loss)	(44,679)	571,754
Net Returns on Investments	(8,936)	611,606
Net Increase (Decrease) in the Fund during the year	(38,511)	592,979
ADD		
Opening Net Assets of the Fund at 1 April	3,374,426	3,335,915
Net assets of the fund at 31 March	3,335,915	3,928,894
Net asset statement		
	2016 £000	2017 £000
Investments at market value		
Fixed Interest		
U.K. Public Sector Bonds	1,981	1,572
Overseas Government Bonds	131,052	141,928
Corporate Bonds - Global	73,598	73,392
Equities (Listed)		
U.K.	28,085	38,140
Overseas	253,669	321,015
Pooled Investments	2,438,204	2,945,420
Pooled Property Investments	358,863	306,140
Derivatives	(3,543)	213
Foreign Currency	2,156	2,812
Short Term Deposits and Cash Equivalents	21,296	50,116
Cash & Bank Deposits	12,168	31,776
Investment Payables and Receivables	4,923	5,256
	3,322,452	3,917,780
Long term and current assets	26,706	24,138
Long term and current liabilities	(13,243)	(13,024)
Net asset of the fund at 31 March	3,335,915	3,928,894

Pension Fund Annual Report & Accounts 2016/17

