

Your Local Government Pension Fund

Over the course of the 2017/18 year, the value of the Devon Pension Fund increased to above £4 billion for the first time. The value of the fund went up from £3.929 billion (as at 31 March 2017) to £4.086 billion as at 31 March 2018, an increase of around £160 million. The Devon Pension Fund's investment return for the year, net of fees, was +4.3%, marginally below the Fund's bespoke strategic benchmark target of +4.5%. However, initial figures for the LGPS Universe show the Devon Fund's return in the top third of LGPS funds over the year.

Work has continued towards the pooling of the Fund's investment assets with those of nine other LGPS funds through the Brunel Pension Partnership Ltd to reduce investment costs and improve risk management. Brunel received regulatory approval from the Financial Conduct Authority to manage investment assets in March, and the first investment assets are expected to transfer to Brunel in May/June 2018. The Devon Pension Fund will continue to be responsible for deciding the strategic allocation between different asset classes to meet local investment objectives.

Peninsula Pensions

Pension administration continues to be a challenging area, with high volumes of work required to be processed within strict timescales. The proposed changes to LGPS regulations concerning Freedom and Choice rules covering AVC benefits have been abandoned and a further consultation regarding Fair Deal will now take place during 2018. The overall performance of the team has continued to improve, both in response time and a reduction in the number of cases outstanding.

Investment Performance

As indicated above, the Fund achieved a positive investment return during 2017/18 of +4.3% net of fees, just below the Fund's internally set benchmark target of +4.5%. The decision to increase the level of currency hedging on the Fund's overseas passive equity investments had a positive impact on the Fund's returns and helped the Fund perform better than the average LGPS Fund over the year. The main reason for the Fund's below benchmark performance was the underperformance of the emerging market equities mandate. Property and active global equities outperformed their benchmarks with a particularly strong performance from the specialist equity funds.

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, determined that the Devon Pension Fund had a funding level of 84%. The

Fund Actuary has re-assessed the position as at 31 March 2018, using the approach of rolling forward the data from the 2016 valuation, and updating it for subsequent investment returns, pension and salary increases. The assets have increased at a faster rate than the liabilities and the Actuary has estimated an indicative funding level of 92% as at 31 March 2018.

Asset Allocation

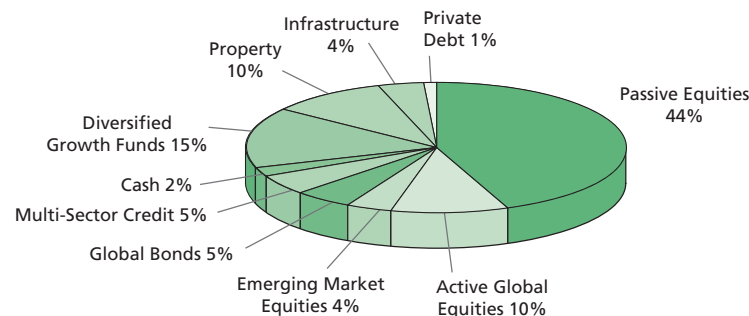
In February 2017 the Committee approved a new Investment Strategy Statement, following a review of the Fund's strategic asset allocation undertaken by Mercer investment consultants. The Investment Strategy Statement set out revised asset allocation targets for 2017/18. The target allocation to equities was increased to 58%, with the fixed interest allocation reducing to 13%. The Committee also agreed to investigate opportunities to collaborate with other Brunel LGPS funds to make a small allocation to private debt, with a view to achieving a medium-term allocation of 3% of the Fund. As a result, in June 2017, the Fund agreed new commitments to two private debt funds.

Conclusion

While the investment return of +4.3% in 2017/18 was significantly less than the +18% achieved in 2016/17, this was reflective of market conditions over the year. The combined return over the two years since the 2016 actuarial valuation remains well above the 5.5% per annum return assumed by the Fund Actuary at the 2016 Valuation, resulting in an improved funding level. The next two years will be a period of significant transition for the Devon Fund as we begin to transfer our assets across to the Brunel Pension Partnership. This will result in short term costs, but should provide opportunities for improved investment performance and reduced costs in future years.

Mary Davis
County Treasurer

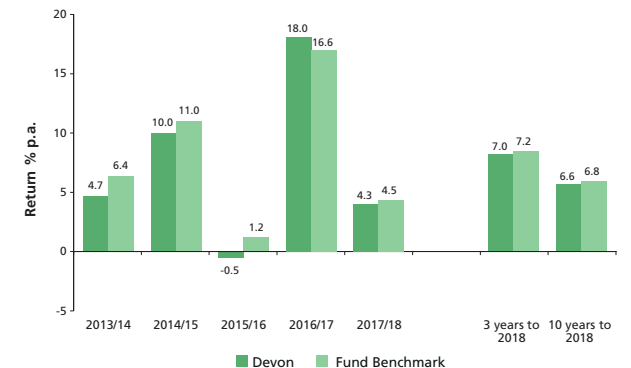
Asset Allocation at 31 March 2018



Current Investment Managers

Managers & Mandate	Market Value 31 March 2018 £000	% of Total Investments
State Street Global Advisors Passive Equities	673,379	16.5
UBS Global Asset Management Passive Equities	1,106,821	27.2
Aberdeen Asset Management Global Equity	228,607	5.6
Aberdeen Asset Management Emerging Market Equities	185,688	4.6
Lazard Asset Management Global Fixed Interest	220,072	5.4
Wellington Management Global Fixed Interest	221,425	5.4
Baillie Gifford & Co Diversified Growth Fund	311,512	7.6
Barings Asset Management Diversified Growth Fund	297,240	7.3
Aviva Investors Property	389,164	9.6
DCC Investment Team Specialist Equities, Infrastructure, Cash	438,574	10.8

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 2018)

Representing Devon County Council
Councillor Rufus Gilbert (Chairman)
Councillor Christine Channon
Councillor Yvonne Atkinson
Councillor Alan Connett
Councillor Richard Edgell
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 2018)

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
Paul Phillips
Colin Shipp

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
Martin Oram, 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 Daniel Harris, Pensions Manager, Peninsula Pensions, Great Moor House, Bittern Road, Sowton Industrial Estate, Exeter EX2 7NL.

Pension Fund Accounts

Fund Account

	2017 £000	2018 £000
Contributions and benefits		
Contributions receivable:		
Employers	123,164	131,149
Employees	36,709	37,659
Transfers in from other schemes	8,205	6,481
	168,078	175,289
Benefits payable:		
Pensions	(136,549)	(142,191)
Lump Sums	(27,716)	(28,224)
Death Benefits	(3,751)	(3,357)
Refunds	(719)	(445)
Transfers out to other schemes	(5,684)	(5,410)
	(174,419)	(179,627)
Net additions from dealings with fund members	(6,341)	(4,338)
Management Expenses	(12,286)	(18,084)
Returns on investments		
Investment Income	39,852	44,578
Change in Market Value of Investments:		
Realised & Unrealised profit / (loss)	571,754	135,382
Net Returns on Investments	611,606	179,960
Net Increase (Decrease) in the Fund during the year	592,979	157,538
ADD		
Opening Net Assets of the Fund at 1 April	3,335,915	3,928,894
Net assets of the fund at 31 March	3,928,894	4,086,432
Net asset statement		
	2017 £000	2018 £000
Investments at market value		
Long Term Investments (Brunel)	0	840
Fixed Interest		
U.K. Public Sector Bonds	1,572	2,362
Overseas Government Bonds	141,928	154,228
Corporate Bonds - Global	73,392	54,771
Equities (Listed)		
U.K.	38,140	39,970
Overseas	321,015	326,205
Pooled Investments	2,945,420	3,027,451
Pooled Property Investments	306,140	375,292
Derivatives	213	(2,170)
Foreign Currency	2,812	11,990
Short Term Deposits and Cash Equivalents	50,116	49,819
Cash & Bank Deposits	31,776	25,527
Investment Payables and Receivables	5,256	6,197
	3,917,780	4,072,482
Long term and current assets	24,138	25,577
Long term and current liabilities	(13,024)	(11,627)
Net asset of the fund at 31 March	3,928,894	4,086,432

Pension Fund Annual Report & Accounts 2017/18

