

Your Local Government Pension Fund

Over the course of the 2018/19 year, the value of the Devon Pension Fund increased from £4.086 billion (as at 31 March 2018) to £4.302 billion as at 31 March 2019, an increase of around £216 million. The Devon Pension Fund's investment return for the year, net of fees, was +5.6%. This was in line with actuarial assumptions but slightly below the Fund's own strategic target of +6.2%. In the last three years the fund has achieved an annualised return of +9.1% which was ahead of the Fund's benchmark and also ahead of the Actuary's assumed investment return of +5.5%.

Over the last three years, the Devon Pension Fund has been working with nine other LGPS funds to set up the Brunel Pension Partnership Ltd in order to pool investment assets to reduce investment costs and improve risk management. The Fund's passive equity assets transitioned across to Brunel in July, and the Fund has also invested in Brunel's Low Volatility Equities portfolio and Infrastructure Portfolio. 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

The pensions administration team continues to face increasing workloads and demands caused by an increase in membership and in the number of new employers joining the fund, requests for information and changes to regulations. During 2018/19, a restructure of Peninsula Pensions was undertaken to address these issues and to ensure that the administration function is best placed to continue to deliver the objectives of the Fund. Processes have been reviewed and improvements have been introduced which aim to drive out inefficiencies, increase capacity and improve the outcomes for our customers.

Investment Performance

As indicated above, the Fund achieved a positive investment return of +5.6% net of fees, slightly below the Fund's internally set benchmark target of +6.2%. The year saw significant volatility, with the Fund experiencing a negative return of -6.7% in the quarter to December, which was then recovered in the quarter to March which saw a positive return of +7.1%. The main reason for the Fund's below benchmark performance was the underperformance of the diversified growth funds, which both failed to achieve their cash plus benchmarks. Active global equities also underperformed, while property, infrastructure and private debt all out performed their benchmarks.

Asset Allocation

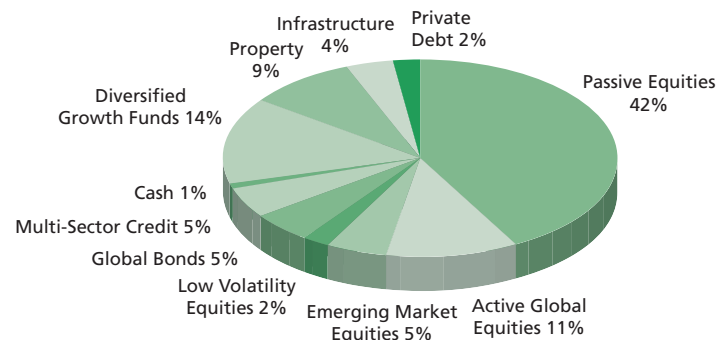
The Investment and Pension Fund Committee agreed some small changes to asset allocation targets during 2018/19, in line with its medium term strategy. Commitments had been made to two private debt funds during the previous year, and to reflect the gradual draw down of those commitments a 2% target was set for 2018/19. An initial investment of £100 million into Brunel's low volatility equities portfolio was agreed in November, which was implemented in March 2019. In February 2019 the Committee agreed to increase its commitment to Brunel's Infrastructure portfolio to a total of £175 million in addition to the infrastructure assets already held.

Conclusion

It is pleasing that the Fund has achieved a total return of 9.1% per year over the three years since the last Actuarial Valuation, which should stand us in good stead for the 2019 Valuation. However, we will need to ensure that the Valuation takes a prudent view of future returns, given the uncertain economic outlook, fuelled by issues such as the trading relationship between the US and China, the inflated level of asset prices and Brexit. A review of our investment strategy undertaken by Mercer concluded that we should continue with our current direction of travel, by for example continuing to commit further funds to private markets.

Mary Davis
County Treasurer

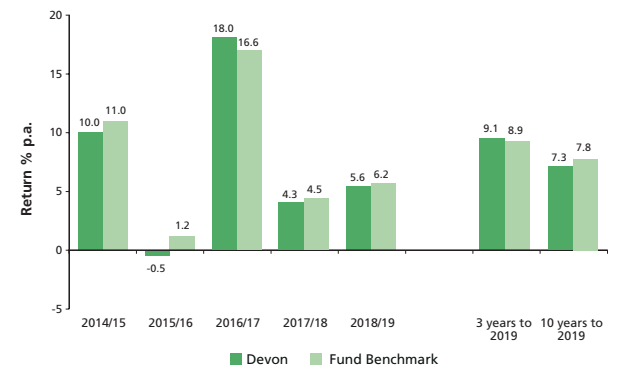
Asset Allocation at 31 March 2019



Current Investment Managers

Managers & Mandates	Market Value 31 March 2019 £000	% of Total Investments
Brunel Pension Partnership		
Passive Equities	1,815,034	42.3
Low Volatility Equities	101,727	2.4
Infrastructure	5,883	0.1
Aberdeen Asset Management		
Global Equity	249,758	5.8
Aberdeen Asset Management		
Emerging Market Equities	190,600	4.4
Lazard Asset Management		
Global Fixed Interest	231,282	5.4
Wellington Management		
Global Fixed Interest	226,437	5.3
Baillie Gifford & Co		
Diversified Growth Fund	308,767	7.2
Barings Asset Management		
Diversified Growth Fund	298,164	7.0
La Salle Investment Management		
Property	403,626	9.4
DCC Investment Team		
Specialist Equities, Infrastructure, Cash	460,878	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 2019)

Representing Devon County Council	Councillor Ray Bloxham (Chairman) Councillor Yvonne Atkinson Councillor Alan Connett Councillor Richard Edgell Councillor Richard Hosking Councillor Andrew Saywell
Representing Devon	Councillor Peter Edwards (Devon District Councils)
Unitary & District	Councillor Lorraine Parker Delaz Ajete (Plymouth)
Councils & Other Employers	Councillor James O'Dwyer (Torbay) Donna Healy (Other Employers)

Observers

Representing the Contributors	Roberto Franceschini Jo Rimron
Representing the Beneficiaries	Colin Lomax

Adviser

Anthony Fletcher (MJ Hudson Allenbridge)

Devon Pension Board (at 31 March 2019)

Representing Fund Employers	Councillor Colin Slade (DCC) Councillor Sara Randall Johnson (DCC) Carl Hearn (Tavistock Town Council) Graham Smith (Devon & Cornwall Police)
-----------------------------	--

Representing Fund Members

Andrew Bowman
Paul Phillips
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
Martin Oram, Assistant County Treasurer
Daniel Harris, 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

	2018 £000	2019 £000
Contributions and benefits		
Contributions receivable :		
Employers	131,149	137,431
Employees	37,659	38,765
Transfers in from other schemes	6,481	6,134
	<u>175,289</u>	<u>182,330</u>
Benefits payable :		
Pensions	(142,191)	(149,688)
Lump Sums	(28,224)	(26,759)
Death Benefits	(3,357)	(4,191)
Refunds	(445)	(735)
Transfers out to other schemes	(5,410)	(9,012)
	<u>(179,627)</u>	<u>(190,385)</u>
Net additions from dealings with fund members	(4,338)	(8,055)
Management Expenses	(18,084)	(17,999)
Returns on investment		
Investment Income	44,578	49,937
Change in Market Value of Investments: Realised & Unrealised profit / (loss)	135,382	191,967
Net Returns on Investments	179,960	241,904
Net Increase (Decrease) in the Fund during the year	157,538	215,850
ADD		
Opening Net Assets of the Fund at 1 April	3,928,894	4,086,432
Net assets of the fund at 31 march	4,086,432	4,302,282
Net asset statement		
	2018 £000	2019 £000
Investments at market value		
Long Term Investments (Brunel)	840	395
Fixed Interest		
U.K. Public Sector Bonds	2,362	11,770
Overseas Government Bonds	154,228	135,440
Corporate Bonds - Global	54,771	75,489
Equities (Listed)		
U.K.	9,970	39,901
Overseas	326,205	348,734
Pooled Investments	3,027,451	3,224,966
Pooled Property Investments	375,292	378,934
Derivatives	(2,170)	5,146
Foreign Currency	11,990	5,447
Short Term Deposits and Cash Equivalents	49,819	22,581
Cash & Bank Deposits	25,527	37,875
Investment Payables and Receivables	6,197	5,478
	<u>4,072,482</u>	<u>4,292,156</u>
Long term and current assets	25,577	20,792
Long term and current liabilities	(11,627)	(10,666)
Net assets of the fund at 31 march	4,086,432	4,302,282

Pension Fund Annual Report & Accounts 2018/19

