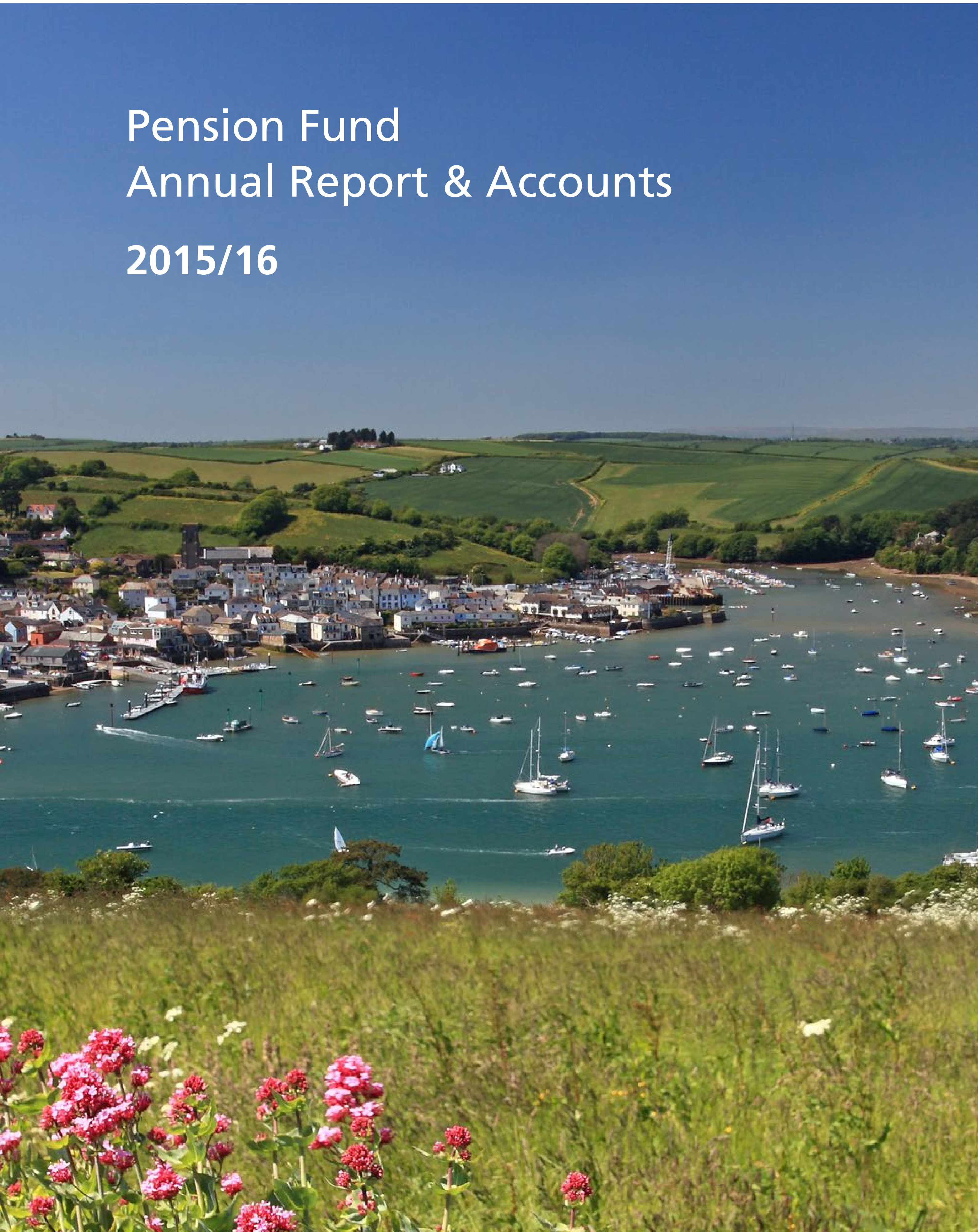
Devon County Council

Pension Fund
Annual Report & Accounts

2015/16



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Report of the County Treasurer

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%, which was below the Fund's bespoke benchmark target of +1.2%. The return was just below the average local authority pension fund return of +0.2%. In addition the Fund's maturing cashflow profile saw a deficit between the contributions received during the year 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, with the intention of achieving cost savings, maintaining or improving investment performance, and providing the capacity for funds to invest in infrastructure. The Devon Fund has been working with nine other LGPS funds to form the Brunel Pension Partnership. Considerable further work is required to establish the partnership and the Government's target date for implementation of the pooling arrangements is April 2018. Once the partnership becomes operational, the Devon Fund will continue to decide on the allocation between different asset classes to meet local investment objectives, but the Brunel Pension Partnership will be responsible for selection and monitoring of the external investment managers who will manage the investments.

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. A report on the work of the Pension Board during the year is included in this year's Annual Report.

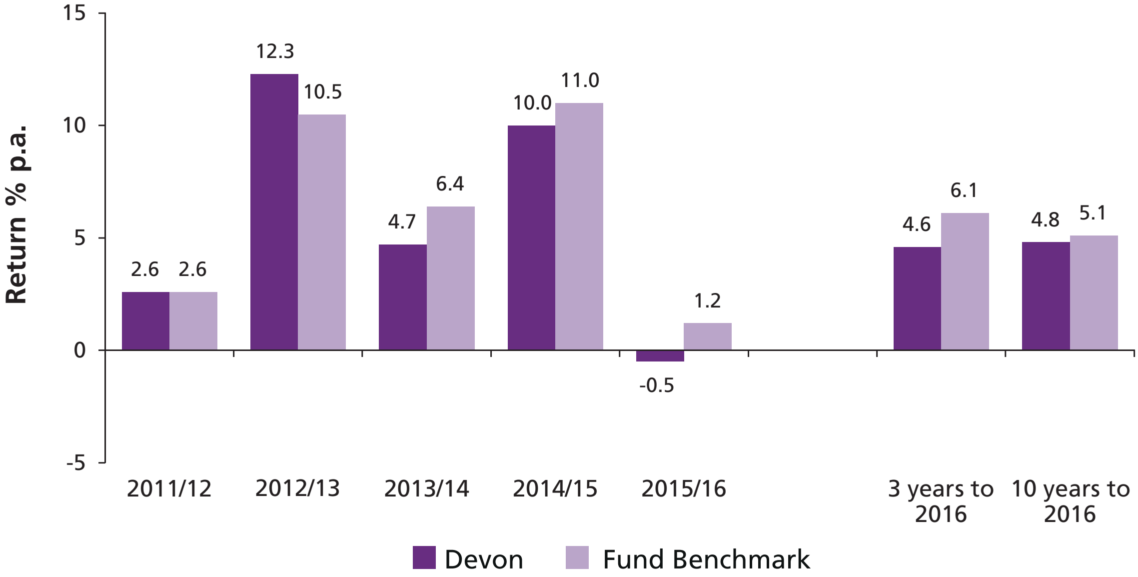
2015/16 was another challenging year for pension administration. Amendment to the LGPS regulations and implications of Fair Deal were expected but have been delayed. The team worked hard over the year to reduce backlogs of work and whilst this has an adverse knock on effect to the performance statistics, 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%. The largest contributing factor to the underperformance was the investment in diversified growth funds, which aim to achieve a positive return of cash plus 3.5% to 4% under all market conditions. This was not an achievable benchmark in the market conditions prevailing during the year and is best judged over the longer term. The fund's active equity and bond managers also underperformed.

Pension fund investment management has to consider the long term, and the Investment and Pension Fund Committee's principal aim for the Fund is therefore to maintain high performance over the longer term. The chart that follows presents the investment returns achieved by the Devon Fund compared to the Fund's benchmark over each of the last five years, plus the total annualised return over the last three years and the last ten years. Performance Figures for 2014/15 and 2015/16 are shown net of fees, the previous years' figures are gross.

Investment Performance



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. The outcome of the valuation will depend on the assumptions that are made by the Actuary and also the experience of the last three years. The negative return for 2015/16 means that investment returns over the three year period have been below the Actuary's expectation. However, low levels of inflation will have kept pension increases down, which will have helped the position. While it would be unwise to prejudge the outcome of the actuarial valuation, it might be prudent to anticipate a small increase in employer contribution rates over the three years from 2017/18.

The 2016 valuation is likely to be scrutinised to a greater degree than previous valuations as a result of increased focus on the affordability of the LGPS by the Government and media. Following the valuation conducted by the fund actuary a further exercise will be completed by the Government Actuaries Department (GAD). This will look to compare LGPS funds on a "like for like" basis in order to highlight funds that are poorly funded, and also feed into the cost control mechanisms set up to determine whether changes are required to either pension benefits or employee contribution rates to ensure the affordability of the scheme to the taxpayer.

Summary of Financial Statements

The financial statements and their purpose are summarised as follows:

- Fund Account – The Fund Account sets out the Pension Fund's income and expenditure for the year to 31 March 2016. The first section sets out the income received from contributions from employers and employees, and the expenditure on pension benefit payments. In the past income from contributions has exceeded the annual expenditure on benefit payments, resulting in a significant surplus to invest. This has not been the case over the last three years, and the shortfall is continuing to grow. The second section of the Fund Account shows the income received from the Fund's investments and the cost of managing those investments. The majority of investment income is retained by the external investment managers for re-investment, but income from property and infrastructure is returned as cash, and can be used to offset any shortfall between contributions and benefit payments. The growing gap between contributions and pension benefit payments means that a larger proportion of investment income will now need to be used to meet the shortfall, rather than being reinvested.

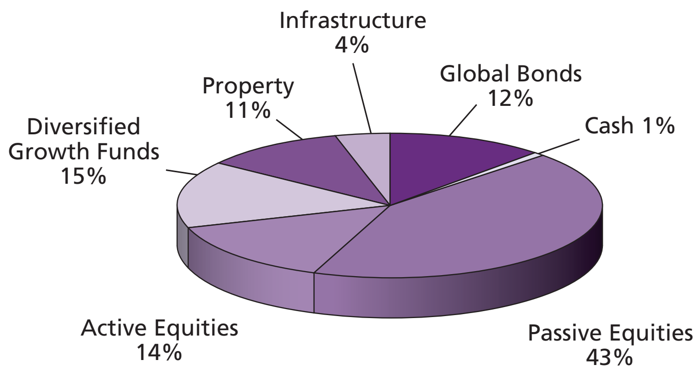
- Net Asset Statement – The Net Asset Statement sets out the net assets of the Fund, in line with the IFRS Based Code of Practice on Local Authority Accounting in the United Kingdom (the Code) and the latest Statement of Recommended Practice (SORP). Pooled and Managed Funds represent investments into pooled Equity, Property and Infrastructure Funds and they are incorporated into those categories in reviewing the Asset Allocation of the Fund in the following section of my report. As reported above, the capital value of the Fund's assets is now £3.336 billion.

Asset Allocation

The Investment and Pension Fund Committee is charged with the responsibility for governance and stewardship of the Fund and making decisions about strategic asset allocation policy.

The Committee's 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.

The Fund's actual asset allocation as at 31 March 2016 is shown in the following chart:



A comparison of the actual allocation with the Fund's target allocation is shown in the following table:

	Target allocation %	Fund asset allocation %	Variation from Target %
Global Bonds	14.0	12.0	
Cash	2.0	1.4	
Total Fixed Interest	**16.0**	**13.4**	**-2.6**
Passive Equities	40.0	42.7	
Active Equities	15.0	14.1	
Total Equities	**55.0**	**56.8**	**+1.8**
Diversified Growth Funds	**15.0**	**14.6**	**-0.4**
Property	10.0	11.0	
Infrastructure	4.0	4.2	
Total Property and Infrastructure	**14.0**	**15.2**	**+1.2**

The Committee decided to maintain the actual allocation to fixed interest below target for the duration of the financial year, rather than rebalancing.

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

Market Commentary from the Independent Investment Advisor

Economic background

During the year under review, concerns have mounted about the strength of the Chinese and US economies which have been the engines of global growth over the last few years. Slowdown in developed market growth has generally led to rising fears of deflation, and the US Federal Reserve has backed away from raising interest rates.

The Japanese economy faltered as the government's stimulus programmes failed to generate growth, and the Eurozone has had meagre growth also.

In the UK, economic progress is also slow, although consumer confidence is rising and the housing market is firm. However, after the period this report covers, and at the time of writing, the country has voted to leave the EU in the referendum and this will push the UK economy into a new period of uncertainty.

Global inflation is subdued. The oil price fell sharply to less than $30 a barrel, and although this is ultimately a positive for the global economy, it puts strains on oil-producing nations and reveals fault lines. As oil rebounds from the lows, inflation could become a concern once more.

Much of the year has been spent guessing when the Federal Reserve was going to raise US interest rates, and the move has been repeatedly deferred to much later in 2016. The US authorities are concerned the world economy is not sufficiently robust to withstand higher rates, given high levels of debt and faltering emerging economies. Now with the uncertainty created by the Brexit vote, rate rises may be even further away.

Market returns

Last year we reported a very strong year for asset returns and I commented that such strong returns should not be expected to continue. Therefore I am unsurprised this year to report that market returns were poor in 2015/16.

UK Gilts were up modestly by 3.2%, whereas Global Government Bonds (ex-UK) rose 9.8% in sterling terms. Sterling Corporate bonds were flat.

In equities, the FTSE All Share index in the UK was down 3.9%, and globally the FTSE World Index of developed markets was unchanged. Emerging markets fell over the period by 8.9%, an area that has been the worst sector for equity investors over the last few years.

Overall, after several years where returns have been positive, the investing environment has become much more selective, and it has been hard to find good returns. Property is one obvious exception, rising by 11.7%, sustained by what strength there has been in the UK economy, and constrained supply of property. Another area of positive returns has been technology-related shares, notably in the US where a small list of highly successful internet-based businesses have created a great deal of growth. Returns on private equity investing have been positive.

Economic and market outlook

As another year passes, it is now seven years since we emerged from the great financial crisis of 2008/2009. The path to recovery has been slow, and has been built on low interest rates and quantitative easing. Such have been the powers of deflation, that over $10 trillion of global government bonds now have negative yields. This is a hard concept to rationalise: investors paying governments to hold their money, and is hardly a sustainable state of affairs in the long term. Fundamentally there is still too much debt, and some inflation would be welcome. At some point, global macroeconomic policy may move on from the era of quantitative easing to another regime designed to move away from deflation.

It is too early to say at this point what the impact of the EU Referendum vote will be on economic activity, but it is likely to push the UK, and the world economy also, to a position of greater risk. Sterling currency depreciation will improve the UK's export performance, but Britain is not the exporting nation it once was, so this may not offset the decline, even temporarily, of inward investment until the political future clarifies.

This is likely to be a challenging period for future investment returns. Investors based in the UK, such as this pension fund, will see the Sterling value of their overseas equity assets rise as the Pound depreciates, and the UK market which is heavily weighted in multinational companies with overseas profits, is somewhat shielded. Fixed income assets on the other hand, perform well in such an environment. UK Property has already performed well, and so it is difficult to see the opportunities there, having now entered a period of uncertainty.

However, we have a very well diversified portfolio strategy, and seek to ride out periods of volatility. In the very long term, we seek to capture the excess returns that arise from investing in equities and real assets.

If shorter-term returns are low and volatility increases, then we will require our investment managers to be skilled in navigating such waters, with good tactical asset allocation and stock selection. We appoint them to manage for the long term but also seek opportunities that result from volatility.

Strategic asset allocation

The Pension Fund has a long term horizon and the investment priority remains long term returns rather than short term risk mitigation.

While the focus is on return generation, the Fund does seek to dampen volatility by having a more diversified strategy than other Local Authority pension funds. This does mean that it may lag the average LGPS fund in strong financial markets, but this should be made up when markets are weak. Most importantly, returns have over the last 3 and 5 years exceeded the actuary's required rate of investment return.

The current investment strategy has a core allocation to equities within a strategically diversified overall portfolio. The target allocation to equities at 55% is well below the average Local Authority pension fund, which has close to 65% in equities. The remaining 45% is split roughly equally between diversified growth funds, real assets (property and infrastructure) and bonds/cash.

At the beginning of the 2015/16 year, the fund started a new allocation to alternative equity indices, managed by UBS and the results of this new allocation are encouraging.

Steve Tyson

Devon Pension Board Annual Report

The Public Sector Pensions Act 2013 introduced new governance arrangements for the Local Government Pension Scheme (LGPS), including the requirement for Administering Authorities such as Devon County Council, to establish a Pension Board. The constitution for the Board was agreed by the Council in February 2015, members of the Board were formally appointed in May, and the first meeting was held in July.

The role of the Devon Pension Board is to provide scrutiny of the governance and administration of the pension fund, assisting the Administering Authority in securing:

- compliance with LGPS and any other relevant legislation;
- compliance with requirements imposed by the Pensions Regulator in relation to the LGPS;
- the effective and efficient governance and administration of the LGPS.

The Board will make recommendations to the Investment and Pension Fund Committee and to officers to improve governance standards.

The Board is composed of nine members, representing members of the fund and employers, as follows:

- Four employer representatives
- Four fund member representatives
- One non-voting independent member.

Some of the key areas of work undertaken by the Board during 2015/16 are detailed below:

- Review of the internal audit reports for 2014/15 and the Internal Audit Plan for 2015/16. Additional information was requested regarding the process used to appoint the Independent Advisor and plans to implement performance monitoring in this area.
- Consideration of the External Audit report on the Pension Fund Annual Report and Statement of Accounts 2014/15. The External Audit Findings Report had not identified any control weaknesses and an unqualified opinion had been provided.
- Following a review of the Pension Fund Risk Register, the Board recommended that risk owners need to be clearly identified for each risk recorded on the register. This was implemented in a revised Risk Register approved by the Investment and Pension Fund Committee in September.
- A full review of the Statutory Statements, with the aim of making suggestions for improvements where necessary. A revised version of the Fund's Communications Strategy was agreed by the Investment and Pension Fund Committee in November following prior consideration by the Pension Board.
- A review of compliance with the Pensions Regulator's Code of Practice 14 for the Governance and Administration of Public Sector Pension Schemes. The Board supported the efforts being made to ensure the timely distribution of Annual Benefit Statements to all active and deferred members each year and initiatives to reach those members whose email address had changed or was not known.
- A review of each set of minutes from the Investment & Pension Fund Committee meetings held during 2015/16 to ensure that decisions have been made in accordance with the terms of reference.
- A review of the performance statistics of Peninsula Pensions;
- Consideration of the Annual Training Plan and a review of the attendance of Committee and Board members at meetings and training events.

It is a legislative requirement that Pension Board members have the capacity to take on the role, and it is expected that members should receive relevant training. Training sessions are provided throughout the year. Details of the events held and attendance can be found on pages 12-13.

Members are also in the process of undertaking self-assessments covering the 6 areas of the CIPFA Code of Practice on Public Sector Pensions Finance Knowledge and Skills. The results of this exercise will influence future training sessions and ensure that Board members have sufficient knowledge and skills to carry out their role effectively.

More information on the work of the Devon Pension Board can be found on the Peninsula Pensions website, including links to minutes, agendas and reports from meetings of the Board and the contact details of Board members:

www.peninsulapensions.org.uk/pension-fund-investments/devon-county-council-investments/pension-board/

Knowledge and Skills

The Devon Pension Fund has had a longstanding commitment to training for Committee members to ensure that they have the skills and understanding required to carry out their stewardship role. This has included regular events to cover the latest developments in the LGPS, investment strategy and performance monitoring.

In February 2014 the Investment and Pension Fund Committee adopted the CIPFA Code of Practice on Public Sector Pensions Finance Knowledge and Skills, which requires the Annual Report to describe how the training needs of the Committee have been assessed, and what training has been provided in response.

In addition Section 248A of the Pensions Act 2004 imposes requirements on members of the Local Pension Board. Under the Act, every individual who is a member of a Local Pension Board must:

- Be conversant with the rules of the LGPS;
- Be conversant with any document recording policy about the administration of the Fund which is for the time being adopted in relation to the Fund;
- Have knowledge and understanding of the law relating to pensions;
- Have knowledge and understanding of such other matters as may be prescribed.

There are six areas of knowledge and skills that have been identified as the core requirements for those with decision making responsibility for LGPS funds. They are:

- Pensions legislative and governance context.
- Pensions accounting and auditing standards.
- Financial services procurement and relationship management.
- Investment performance and risk management.
- Financial markets and products knowledge.
- Actuarial methods, standards and practices.

The Fund has taken two approaches to assess the needs of committee members for further training. Work has been undertaken with the Devon County Council Member Development Officer to conduct development interviews with members of the Committee which have addressed the six areas outlined. In addition members of the Investment and Pension Fund Committee and the Devon Pension Board have been provided with a self-assessment training tool for section one of the CIPFA Knowledge and Skills Framework. This has been adapted from the previous model provided to the Investment and Pension Fund Committee, which became out-of-date due to changes in regulation. Self-assessment tools covering the outstanding modules will be provided throughout the remainder of 2016-17. The results of these assessments will be used to identify areas of knowledge that require additional training and future training sessions will be designed to incorporate these requirements.

Three training sessions were arranged during the 2015/16 financial year, including a training event held jointly with Cornwall Council in the autumn. The subjects covered at each of the training sessions are shown below:

Pension Board Induction Session, 15 June 2015

- Public Service Pensions Act 2013
- Governance Arrangements
- Investment Fundamentals
- Role of the Scheme Advisory Board
- Role and responsibilities of the Administering Authority
- The role of the actuary’s role in the LGPS

Joint Training Day with Cornwall Council, 16 October 2015

- Government Expectations re: Asset Pooling
- Practical Steps to Setting Up a Pooled Investment Vehicle
- Private Credit / Illiquid Debt Investment
- Pension Fund Jargon
- LGPS Legislation and Regulation Update
- Outlook for the global economy and LGPS investment returns

Performance and Liability Training Session, 21 November 2014

- Understanding long term performance
- Devon Fund performance
- 2016 Actuarial Valuation

Attendance of the training events is shown in the table below:

Name	15 June 2015	16 October 2015	20 November 2015
Investment and Pension Fund Committee			
Cllr Rufus Gilbert (Chairman)	✔	✔	✔
Cllr Ray Radford (Vice-Chairman)		✔	✔
Cllr Richard Edgell		✔	✔
Cllr Des Hannon	✔		
Cllr Roy Hill	✔	✔	
Cllr Richard Hosking		✔	
Cllr Peter Edwards	✔	✔	
Cllr Lorraine Parker Delaz Ajete		✔	
Cllr James O'Dwyer		✔	
Donna Healy	✔		✔
Cllr Mike Fox (substitute)	✔		
Cllr Michael Hicks (substitute)	✔		
Colin Lomax (Observer)	✔		✔
Roberto Franceschini (Observer)	✔	✔	✔
Jo Rimron (Observer)		✔	
Pension Board			
Alan Henshaw	✔		✔
Cllr Brian Greenslade		✔	✔
Andrew Bowman	✔	✔	
Cllr Jerry Brook			✔
Carl Hearn	✔	✔	✔
Heather Keightley	✔	✔	
Cheryl Lewis	✔	✔	✔
William Nicholls		✔	✔
Graham Smith	✔		

Risk Management

Effective risk management is an essential part of any governance framework as it identifies risks and the actions required to mitigate their potential impact. For the Devon Pension Fund, those risks will come from a range of sources including the funding position, investment performance, membership changes, benefits administration, costs, communications and financial systems. Good information is important to help ensure the complete and effective identification of significant risks and the ability to monitor those risks.

Risk disclosures are included in the Pension Fund Statement of Accounts. In addition the Fund maintains a risk register, which is monitored and reviewed on a regular basis. Risks are assessed in terms of the potential impact of the risk event should it occur, and in terms of the likelihood of it occurring. Each risk is initially scored assuming that no mitigating controls exist, and is then scored again on the basis of the mitigation in place. A summary of the Fund's most significant risks during the 2015/16 financial year is shown in the table below.

Description of Risk and Potential Impact	Mitigating Controls
Market crash leading to a failure to reduce the deficit, resulting in: • Financial loss. • Increased employer contribution costs.	• The fund is well diversified and consists of a wide range of asset classes which aims to mitigate the impact of poor performance from an individual market segment. • Investment performance reporting and monitoring arrangements exist which provide the committee and investment officers with the flexibility to rebalance the portfolio in a timely manner. • The long term nature of the liabilities provides some mitigation, in that markets tend to bounce back after crashes, such that the impact is significantly reduced.
The Pension Fund has insufficient assets to meet its long term liabilities. The Pension Fund's investment strategy and /or Fund Managers fail to produce the required returns, or organisational changes / manager departures at a Fund Manager damage performance, resulting in: • Financial loss. • Insufficient funds available to meet future obligations.	• Triennial actuarial valuations provide periodic indications of the growth in assets against liabilities. Employer contribution rates are set in response to this. • The 2013 actuarial valuation includes provision for the fund to achieve full funding over 25 years. • The investment strategy is reviewed annually by the Pension Fund Committee with advice from the External Investment Advisor to determine whether any action needs to be taken to amend the fund's asset allocation strategy. • The Fund's investments are diversified across a range of different types of assets to minimise the impact of losses in individual markets. • Fund assets are kept under regular review as part of the Fund's performance management framework. • Fund managers are thoroughly vetted prior to appointment and performance is reviewed regularly against the benchmark and performance objectives. Appropriate action may be taken if it is considered that an Investment Manager is underperforming.

Description of Risk and Potential Impact	Mitigating Controls
Pay and price inflation are higher than anticipated. • An increase in liabilities which exceeds the previous valuation estimate.	• The triennial actuarial valuation review focuses on the real returns on assets, net price and pay increases. • Employers pay for their own salary awards and are reminded of the geared effect on pension liabilities of any bias in pensionable pay rises towards longer serving employees. • The Fund has recently made new investments in infrastructure funds with inflation linked returns, to act as a hedge against inflation increases. • The Committee has received training on understanding liabilities and potential approaches to Liability Driven Investment.
The Committee Members and Investment Officers make inappropriate decisions as a result of insufficient knowledge of financial markets and inadequate investment and actuarial advice received, resulting in: • Poor Fund performance/financial loss. • Increased employer contribution costs.	• The Investment Strategy is set in accordance with LGPS investment regulations. • The Investment Strategy is reviewed, approved and documented by the Investment and Pension Fund Committee. • The Investment Strategy takes into account the Fund's liabilities. • DCC employ an external investment advisor who provides specialist guidance to the Investment and Pension Fund Committee regarding the investment strategy. • An Annual Training Plan was agreed for 2015/16. Training programmes are available for Committee Members and Investment Staff. • Members and Officers are encouraged to challenge advice and guidance received when necessary.
The average life expectancy of pensioners is greater than assumed in actuarial assumptions. • An increase in liabilities which exceeds the previous valuation estimate.	• Life expectancy assumptions are reviewed at each valuation. • Mortality assumptions include some allowance for future increases in life expectancy.
An employer ceases to exist with insufficient funding available to settle any outstanding debts, or refuses to pay the cessation value. • Departing employer not fully meeting its liabilities which leads to increased costs across the remaining scheme employers.	• Vetting of prospective employers before admission and ensuring that they fully understand their obligations. Applications for admission to the Fund are considered carefully and a bond or guarantee is put into place if required. • Outstanding liabilities will be assessed and recovered from any successor bodies or spread amongst remaining employers. • The actuarial valuation attempts to balance recovery period with risk of withdrawal. • If necessary, appropriate legal action will be taken. • An Employer Covenant Risk Assessment has been undertaken by the Fund Actuary, Barnett Waddingham.

Description of Risk and Potential Impact	Mitigating Controls
Concentration of knowledge in a small number of officers and risk of departure of key staff. • The risk of losing key staff could lead to a breakdown in internal processes and service delivery, causing financial loss and potential risk to reputation.	• The Deputy Investment Manager is able to cover in the absence of the Assistant County Treasurer. • Knowledge of all tasks shared by at least two team members and can in addition be covered by senior staff. • Training requirements are set out in job descriptions and reviewed annually with team members through the appraisal process. • A procedure manual is in place which sets out work instructions for the majority of crucial tasks undertaken.
Non-compliance with legislation and failure to correctly implement new legislation and regulations, resulting in: • Incorrect benefit payments being made. • Risk of financial loss and damage to reputation.	• LGA/External training. • Project work approach to implementation of legislative changes. • In house training for all staff.
Peninsula Pensions suffers a system failure. • Loss of sensitive data. • Reputation risk. • Financial loss arising from legal action.	• The system is backed-up daily. System is hosted by Heywoods. • A full disaster recovery plan is in place and tested annually.
Failure to issue Annual Benefit Statements to active and deferred members by 31st August. • Reputation risk and complaints. • Fines.	• Project management approach. • Regular contact with employers to get data. • Monthly interfacing to reduce workload at year end.

The current version of the full risk register can be found on the Peninsula Pensions website at: **ttps://www.peninsulapensions.org.uk/pension-fund-investments/devon-county-council-investments/devon-fund-key-documents/**

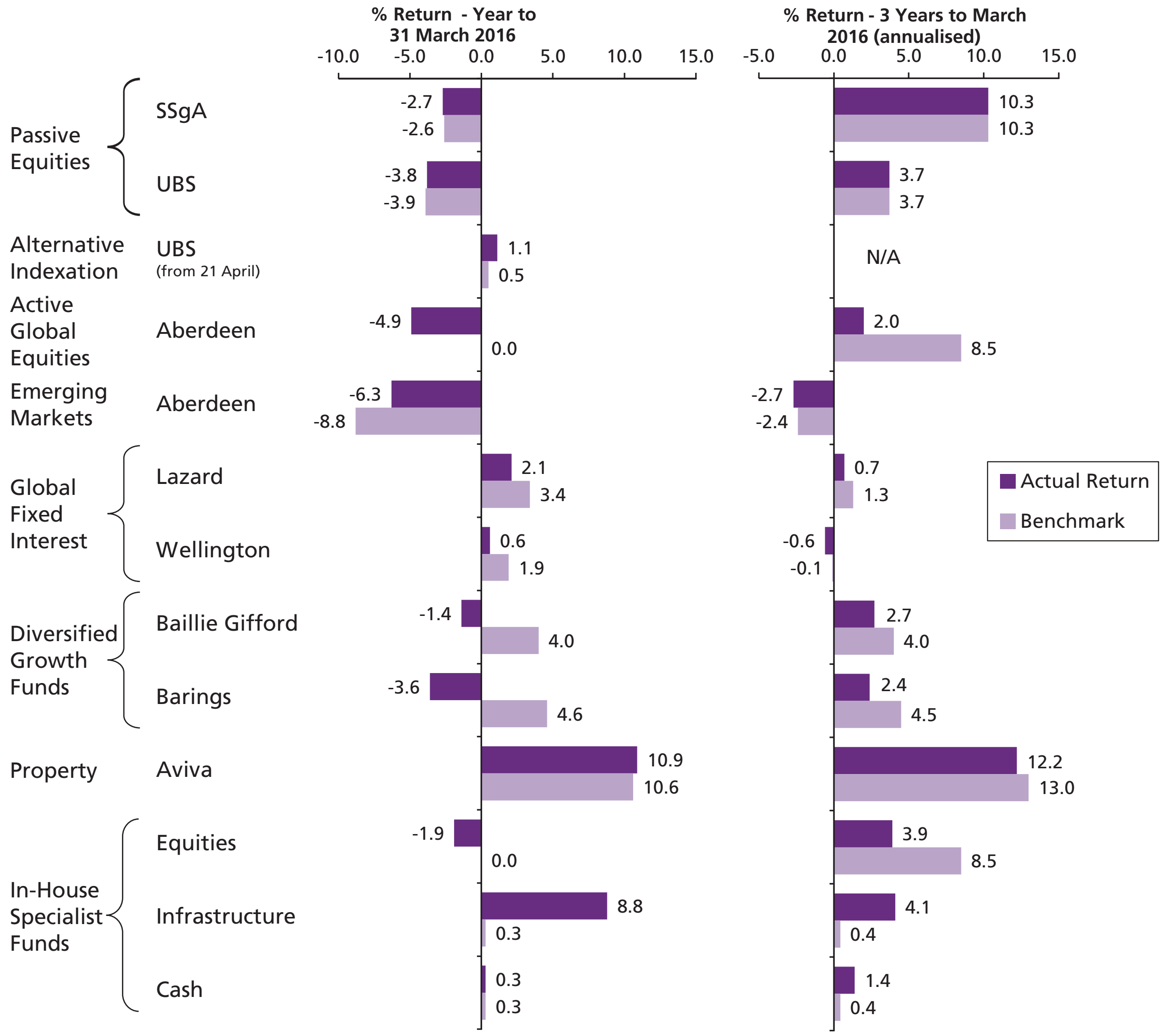
Management of Fund

There was one change to the Fund's main external managers during 2015-16. UBS were appointed to manage an alternative indexation mandate, tracking indices based on value, quality and low volatility factors, rather than market capitalisation. This was funded from a FTSE World tracker fund managed by State Street Global Advisors, where funds had been placed on a temporary basis following the termination of the mandate managed by Sarasin and Partners in September 2014. The following table lists the managers in place as at 31st March 2016 together with their mandates and the targets they have been set in relation to the benchmarks shown:

Manager	Mandate	Target	Benchmark
State Street Global Advisors Ltd	Passive Equities	Performance in line with benchmark	FTSE World - market specific indices
UBS Global Asset Management (UK) Ltd	Passive Equities	Performance in line with benchmark	FTSE All Share
UBS Global Asset Management (UK) Ltd	Alternative Indexation	Performance in line with benchmark	FTSE RAFI/MSCI Quality/ MSCI Minimum Volatility
Aberdeen Asset Managers Ltd	Global Equity	Outperform benchmark by 3% per annum over rolling 3 and 5 year periods	FTSE World Index
Aberdeen Asset Managers Ltd	Global Emerging	Outperform benchmark by 2-4% per annum over rolling 3 year periods	MSCI Emerging Markets Index
Lazard Asset Management LLC	Global Fixed Interest	Outperform benchmark by 1% per annum	Barclays Capital Global Aggregate Bond Index
Wellington Management International Ltd	Global Fixed Interest	Outperform benchmark by 1% per annum	Barclays Capital Bond Index/ Multi Sector Credit Bespoke
Baillie Gifford and Co	Diversified Growth	Outperform benchmark	Bank of England Base Rate plus 3.5%
Baring Asset Management Ltd	Diversified Growth	Outperform benchmark	3 Month LIBOR plus 4%
Aviva Investors	Property	Outperform benchmark	IPD UK PPF All Balanced Funds
DCC Investment Team	Specialist Equities	Outperform benchmark	FTSE World Index
DCC Investment Team	Infrastructure	Outperform benchmark	7 Day LIBID (Cash benchmark used as proxy)
DCC Investment Team	Cash	Outperform benchmark	7 Day LIBID

The Investment and Pension Fund Committee regularly reviews the performance of each of the investment managers during the year. The following graph highlights the performance of each manager during 2015/16, and for the three year period to 31st March 2016:

Manager Performance to 31 March 2016



Aberdeen's global equity mandate again performed well below benchmark during the year, with the Specialist Equity Funds also below benchmark. The two fixed interest managers also performed below benchmark. In a difficult year for markets both Diversified Growth Fund managers produced negative returns, bringing their three year returns below the cash plus benchmarks. Property was the best performing asset class, and Aviva's property portfolio performed above benchmark, although they remain below benchmark over the three year period. The In-House managed Specialist Funds have been separated out into equities, infrastructure and cash to give a more accurate representation of their performance.

Further detail on the performance of the individual managers can be found in their individual reports on pages 19-29. All of the managers have provided an investment commentary, which provides further detail on their performance over the past year, their engagement with the companies in which they invest, and their outlook going forward.

Managers' Reports

State Street Global Advisors Ltd

Mandate – Passive Global Equity & Emerging Markets

Performance Review – 12 months to 31st March 2016

The regional equity funds all tracked their respective benchmarks closely during the twelve months to 31st March 2016. The non-UK performance figures shown below represent the impact of the dynamic and static currency hedging overlays:

UK Equity	-3.76%
North America (Dynamic Currency Hedged)	2.42%
North America (50% Currency Hedged)	1.77%
Europe ex-UK (Dynamic Currency Hedged)	-9.20%
Europe ex-UK (50% Currency Hedged)	-8.21%
Japan (Dynamic Currency Hedged)	-2.74%
Japan (50% Currency Hedged)	-8.40%

During the 12 month period, the main drivers of currency outperformance were Sterling's weakness against the US Dollar and the Japanese Yen, whereas the main detractor from performance came from Sterling's weakness against the Euro.

The Dynamic Currency hedge sees Sterling as moving towards being undervalued from being around fair value against the majority of currencies within the portfolio. The strategy is largely positioned to take advantage of Sterling strength during a reversion to fair value. The one notable exception is versus the Japanese yen, where we see Sterling as overvalued and as such is positioned for Sterling to depreciate.

The equally weighted MSCI Emerging Markets portfolio returned a relative -0.20% versus its benchmark for the year ended 31st March 2016.

Stewardship

During 2015 we voted at 15,471 meetings across 81 countries. SSGA's asset stewardship program continues to be a strategic priority for us, as we seek to protect and promote the long-term economic value of client investments. Two years ago, we significantly overhauled our program and adopted a systematic, risk-based approach to overseeing environmental, social and governance (ESG) risks within our investment portfolios. Today our programme is integral to our investment process, aligned with our long-term investment time horizon and designed to provide active oversight of ESG risks. In 2015, through focused selection, we engaged with over 45% of our AUM in equities. In addition, over 60% of our company engagements were targeted based on screens, sector reviews, and ESG thematic risks identified in our stewardship priorities. We have also been successful in changing ESG practices at several companies through our engagement practices and voting principles. After a successful campaign regarding board refreshment and director tenure, in 2016, SSGA is taking up the issue of effective board leadership with its global portfolio companies.

Outlook

Looking to the rest of 2016, we continue to view equity markets through a cautious lens. In our tactical portfolios we remain underweight across most major segments of equity markets – domestic, international developed and emerging. The underweight reflects, in part, a perceived decline in the efficacy of monetary policy support in the eurozone and Japan, as well as the threat of potential spill over effects from political and macroeconomic risks across regions. Within growth-oriented assets, REITs continue to look attractive and we maintain an overweight allocation.

In fixed income, given the mostly favourable policy backdrop and near record-low default rates in high-yield bonds, we maintain a cautiously optimistic outlook with a small overweight to credit assets. Additional allocations include overweight positions in cash and gold.

UBS Asset Management (UK) Ltd

Mandates – Passive UK Equity and Global Equities Alternative Indexation

Performance Review

	Fund %	Benchmark %
UK Equities		
1 Year	-3.8%	-3.9%
3 Years (p.a.)	+3.7%	+3.7%
5 Years (p.a.)	+5.7%	+5.7%
Since Inception (01 Mar 2004)	+7.2%	+7.2%
Global Equities - Alternative Indexation		
3 Months	+5.0%	+4.8%
Since Inception (21 April 2015)	+1.1%	+0.5%

2015 proved to be a challenging year with several economic and financial market developments taking centre stage. This included concerns around Chinese economic growth, Greece-related political uncertainty and a sharp fall in oil and commodity prices. The year was also characterised by monetary policy divergence between some of the world's major central banks. Both the Bank of Japan (BoJ) and the European Central Bank (ECB) pursued further quantitative easing, while the major talking point throughout the period was whether or not the Federal Reserve (Fed) would raise interest rates for the first time in nearly a decade. They finally did in December 2015. This helped drive the US dollar higher against other major currencies.

Equity markets in aggregate managed to eke out positive returns in 2015. The US equity market lagged, however, experiencing the worst year since the financial crisis. The UK equity market also disappointed, due in large part to its high energy sector exposure, particularly in the latter half of the year. Meanwhile, Europe and Japan, serial laggards over the past few years, outperformed among developed markets. Emerging market equities continued their run of underperformance, suffering outright negative returns.

The referendum on the EU membership continued to dominate the political debate in the UK and market attention. With the polls still showing a neck and neck race, the risk of a potential exit from the EU has started to materialise in market data and business sentiment.

Stewardship

In the year to 31 March 2016, UBS Asset Management voted on a total of 90,098 separate resolutions at 9,078 company meetings. We declined to support management on 8,292 proposals, or approximately 9.2%. For the funds invested in by Devon County Council we voted on a total of 24,887 separate resolutions at 2,010 company meetings. We declined to support management on 1,404 proposals, or 5.5%.

Outlook

While overall sentiment has improved since the start of the year, markets continue to be sensitive to new economic data as global growth concerns remain in the forefront of investors' minds. We believe volatility is likely to remain high in 2016. While political risks have moderated following the debt negotiation agreements reached in Greece, it is likely to remain one of the biggest drivers of volatility as we approach the UK referendum in June and US presidential elections later this year. Fears about a slowing Chinese economy have faded on account of improving economic data. However, we believe that long-term challenges still remain a concern and need to be monitored closely.

Aberdeen Asset Management Ltd

Mandate – Global Equities

Performance Review

The uncertain global economic story and resulting actions from policymakers was a familiar theme driving equity markets over the year. The US was the only major market to record a positive return, in sterling terms, as the UK, Europe and Japan all fell by between 3% and 5%. The Asia Pacific region was weaker still, as all markets retreated; and in other areas, Latin America, led by Brazil, fell even further, as did South Africa. Investor concerns over the persistent lack of economic growth were compounded by worries over the impact for non-US economies, in particular developing markets, of US interest rates being raised, which did eventually happen. One other significant factor affecting confidence and forecasts was the level and direction of commodity prices, in particular oil. From mid-year it tracked steadily downwards, hitting a low of around $25 in early 2016, which coincided with a very negative mindset across equity markets.

This economic backdrop meant that certain sectors and industries remained under intense operational pressures and this was reflected in a range of returns. The best performance came from more defensive sectors such as Tobacco, Utilities and Telecoms. Energy, Materials and more cyclical sectors, as well as Financials, led by Banks, were the other side of the coin. In the fund, the best and worst performing stocks reflected these themes, as leading positive stories included Japan Tobacco, Philip Morris and BATs. Several US holdings were also prominent, including Pepsico, Visa and retailer TJX (owner of TJ Maxx). However, underperformance versus the index was a result of holdings in Industrials (Rolls Royce and Japanese robotics firm Fanuc); Standard Chartered, the UK-listed Asian bank; and Canadian fertilizer specialist Potash. South African mobile phone company MTN fell heavily, its significant business in Nigeria indirectly affected by lower oil revenues in that country. The deliberate absence of US tech names, from Google to Microsoft, Amazon and Facebook, also cost the fund relative performance.

Stewardship

As Aberdeen's Corporate Governance and Responsible Investing teams are now united under Stewardship, we continue to engage our holdings on their potential risks that cover financial as well as governance and ESG issues. In the period, we discussed risk platforms with Hong Kong insurance group, AIA, and how the group is strengthening its cyber security efforts and client engagements. We also spoke with Japanese real estate manager, Daito Trust, on its rising labour costs and aging workforce. With South African mobile telecoms group, MTN, we discussed at length the fines the group has received relating to its business practices in Nigeria and its efforts to mitigate reputational risks going forward. We also engaged Swedish industrial group, Atlas Copco, on how it identifies and prioritises material risks and uses stakeholder engagement to help determine its key concerns.

Outlook

We remain mindful of slowing global growth and uncertainty over policy-makers' next steps, particularly in the US where dollar strength weighs on corporate profitability. The risk of an acceleration in China's slowdown, or of a poor policy response to prevent it, also seems critical. In such an unstable environment, we advocate caution in setting expectations for corporate earnings, but are also ready poised to take advantage of opportunities that volatility creates. Our portfolio activity continues to reflect the strategy of diversification as we look for businesses that bring unique attributes to the portfolio. We have been working over the past year to reduce some of the cyclicality in the portfolio, for example by consolidating our energy and materials exposure. We continue to monitor the overall structure of the portfolio and our main focus in these periods of uncertainty remains quality.

Aberdeen Asset Management Ltd

Mandate – Global Emerging Markets

Performance Review

Equities across developing markets found it a very testing environment over the year, with the economic headwinds resulting from uncertainty from a host of macroeconomic themes, some global factors such as the impact from investors' expectations for US interest rates as well as regional challenges, such as lower economic growth forecasts for China as well as domestic issues. The highest profile of these impacted Brazil specifically, as fears over the deteriorating economy were compounded by scandal and growing risk of impeachment for President Dilma Rousseff. Russia and Turkey managed positive returns; other markets fell by 8% to 10%; China was down -16%, South Africa by -15%.

Performance for the Devon portfolio was ahead of the benchmark, but still down in absolute terms. The relative success came mainly from stock selection, but country allocation was also beneficial, being underweight to China and having higher allocations to Turkey and Mexico, two of the best performing markets. The allocation to India, via the Aberdeen fund, was also a positive contributor. At a stock level, selection in a variety of sectors helped returns. Gedeon Richter, a Hungarian generic drugs firm rose 50% while SABMiller, the South African brewer, merged with Anheuser Busch. Retailers Jeronimo Martins (Poland), FEMSA (Mexico) and Bim Birlesik (Turkey) all produced positive returns, while Asian businesses Samsung and Taiwan Semi also boosted performance. The story through Asia was not all favourable, with the main detractor being Standard Chartered, which halved amid weaker trading and management changes. Other weak shares reflecting poor sentiment included Hong Kong property business Hang Lung; Petrochina, the Chinese energy business; and Siam Commercial Bank from Thailand.

Stewardship

Aberdeen's Corporate Governance and Responsible Investing teams were united under a Stewardship banner over the past year. We continue to engage potential and current holdings on governance and ESG issues, stressing the need for companies to take a holistic approach to risk management and target setting. Over the period, we discussed supply chain oversight and risk identification with Brazil's Banco Bradesco. With oil and gas giant Petrochina, we spoke about potential regulatory changes and growth opportunities. Our discussions focused on combining ESG and financial risk assessment with Korea's Samsung. And with Turkish financial group, Turkiye Garanti Bank, we spoke about the group's adoption of international standards and successfully increasing its ESG transparency.

Outlook

Despite a rally in early 2016, there are persistent headwinds for developing markets, such as China's slowdown and the possibilities of renewed commodity weakness, while the trajectory of global growth remains ambiguous. Divergent monetary policy will also continue to be a source of uncertainty as more central bankers venture into the unfamiliar territory of negative interest rates. Political events, such the ongoing turmoil in Brazil, are also likely to dictate sentiment. However, as bottom-up investors, we believe fundamentals are still sound. Emerging countries are better positioned in terms of current account balances and have healthy levels of foreign reserves, while most are also less indebted than their developed counterparts. Governments are able to embark on reforms and spend more on infrastructure, helped by lower energy bills. On a corporate level, companies continue to focus on improving profitability and controlling costs. We remain confident in our holdings, which have been resilient despite the challenging operating environment.

Lazard Asset Management Ltd

Mandate – Global Fixed Interest

Performance Review

The 10-year US Treasury note ended 2015 at 2014-like levels, masking market volatility during the year. Notably, volatility rose in August, partly driven by Chinese GDP fears and a surprise renminbi revaluation. In December the US Federal Reserve raised rates and the US yield curve flattened as shorter-maturity yields rose slightly more than those with longer maturities. UK bonds consequently underperformed and core European bonds sold off as the European Central Bank's policy easing fell short of expectations.

The portfolio finished 2.1% higher (net of fees), however lagged the custom benchmark, which changed from an unhedged to a 50% GBP hedged version of the Barclays Global Aggregate TR Index (GBP) on 1 November 2015. The custom benchmark returned 3.42% for the period under review. Relative returns were helped by country allocations, including overweight exposures to Canada, Australia, New Zealand, Hungary, Norway, and Singapore. There were a mix of contributors and detractors within the portfolio's currency exposure as tactical underweight euro exposure added value earlier in 2015, while modest exposures to a variety of other currencies detracted from returns in spite of the portfolio's defensive hedges on a majority of higher-beta currency exposure for most of the year. A lack of exposure to Japanese bonds and an underweight in duration and yield curve positioning in the euro zone also detracted from relative returns.

Stewardship

We are committed to maintaining an investment approach that is consistent with high standards of environmental, social and corporate governance (ESG). For fixed income, ESG factors are evaluated at both the corporate and sovereign level.

For corporate debt, ESG criteria are analysed by Lazard's fixed income professionals as part of their corporate credit research process. Social performance was integral in the analysis of The Home Depot (Currency of risk: USD/credit rating A), which scored poorly as a result of a 2014 data breach. Despite the poor social score, strong environmental, governance, and other indicators supported a position in the company. For sovereign debt, Lazard conducts a macro evaluation of ESG-related factors such as a country's level of corruption, the effectiveness of government and political stability, and environmental performance, amongst other things, which factor into the determination of the repayment potential for sovereign debt issuers. Internal and external tools are utilized to help support our research and analysis. Lazard purchased two new regional quasi-government Green bonds issued from the Province of Ontario (Canadian issuer - Currency risk: CAD/credit rating A+) and Kommuninvest (Swedish issuer - Currency risk: USD/credit rating AAA). Green bonds fall under the parent category of ESG and are standard fixed income instruments that are used to fund eligible "green projects" including clean transportation, renewable energy, and other environmentally beneficial projects.

Outlook

Despite strong sentiment and market performance in March, the global outlook is still at a critical point. We expect more volatility within recent ranges for interest rates, currencies, and commodities. The uneasy equilibrium of recent years, between repeated disappointments in global growth, structural reforms, and substantial monetary policy stimulus, is still at risk. Global growth prospects are fragile, especially outside the United States, and central bank policy stimulus will probably be less plentiful and, where applied, perhaps less effective than in recent years. Investors are starting to realize that unconventional central bank policy responses may produce unconventional market consequences; and negative rates appear to be having little impact on inflation, growth, or investment. This environment has favoured higher quality "defensive" bond markets, especially for global investors who can take advantage of currency movements and rotate between countries and sectors. The yen, euro, and US dollar continue to function as "safe haven" currencies.

Wellington Management International Ltd

Mandate – Global Fixed Interest

Performance Review

The Global Aggregate (unhedged to GBP) portfolio posted a return of 8.02 %, outperforming its benchmark by 0.02% over the year to 31 March 2016. The newly funded Global Aggregate (hedged to GBP) portfolio posted a return of 2.93% (in GBP terms; net of operating expenses and gross of management fee), underperforming its benchmark by 0.16%. The multi-sector credit portfolio posted a return of -0.65% (in GBP terms; net of operating expenses and net of the investment management fee), underperforming the benchmark by 1.59%.

Global Aggregate Portfolio

Positive performance came from macro and quantitative strategies, with macro providing the largest positive contribution. Credit strategies were the biggest source of underperformance over the 12 month period.

Macro performance detracted at the beginning of the period, driven by our overweight duration positions in Australia and UK, as most global government bond yields increased in an apparent technical sell-off. Into the end of 2015, macro-driven duration and country strategies detracted while currency contributed. Through the start of 2016 our aggregate overweight positions in UK & US contributed as global yields fell sharply in response to dovish central bank policy and growth concerns. Yield curve strategies contributed as a dovish Fed caused the US curve to steepen.

Credit strategies detracted marginally over the year. At the beginning the year credit detracted, as an overweight to investment grade corporates & CMBS negatively contributed due to widening spreads. These were later offset as our underweight exposure to select industrial sectors (metals, mining & energy) and EM sectors contributed as weakness in oil & commodity prices continued. Towards the end of 2015, our overweight to investment grade corporates, primarily financials and consumer non-cyclicals, contributed as spreads tightened. However, this overweight detracted in the opening of 2016, as financials underperformed due to Brexit concerns and negative interest rates.

Multi Sector Credit Portfolio

Primary detractors

- Emerging markets sovereign external debt exposure detracted from relative performance, as sovereign spreads tightened. Local-currency debt underperformed as emerging market currencies depreciated against the US dollar and interest rates rose.
- Short duration positioning detracted from benchmark-relative results.
- Allocation to CMBS hurt relative performance.

Primary sources of outperformance

- Security selection within global high yield strongly benefitted relative performance, particularly an underweight to energy issuers.
- Exposure to CDX and total return swaps on ETFs strongly benefitted relative performance.
- Allocation to agency MBS held to diversify returns.
- Bank loan positioning had a favourable impact on relative results, in particular from positive security selection.

Stewardship

Within your portfolios, our portfolio managers, analysts and ESG analysts engaged with various corporate issuers on environmental, social, and governance topics. More specifically, we engaged with companies on the following topics: environmental management systems, carbon emissions, water scarcity, project financing and environmental assessments, sustainable palm oil, health and safety management, environmental expertise at the board level, employee compensation, board composition, executive compensation, combined Chair/CEO, cybersecurity, anti-corruption.

Global outlook

- The global cycle remains sluggish; commodity-linked economies are experiencing a mild bounce from low levels.
- Markets are questioning the efficacy of further central bank policy easing.
- Multiple sources of downward pressure on interest rates – sluggish growth and inflation, overly cautious central banks and rising political risk.
- A change in Fed expectations, stabilisation in commodity prices and reversal in extreme negative sentiment will support China and other EM-linked assets.
- If Chinese growth really does improve cyclically, it will give the Fed more cover to continue its gradual tightening baseline.
- US and European economic momentum positive; moderately pro-cyclical risk posture.
- Capacity constraints will pressure inflation higher; neutral to short US duration posture.
- Diverging global economic cycles and monetary policy paths will continue to be a source of market volatility.

Global aggregate portfolio strategy

- Underweight US duration, overweight USD.
- Favour overweight to Australian dollar, Norwegian krone and Mexican peso.

Multi Sector Credit Portfolio Strategy

- High yield is priced for a significant probability of recession and onerous defaults relative to our expectations; favour BB-rated issuers, which we believe have the most attractive valuations.
- Bank loans have strong risk-adjusted return potential; largest portfolio allocation is to loans.
- Relative appeal of loans is enhanced by their diversification benefits and floating-rate structure, particularly given low absolute yields prevailing across most fixed income sectors.
- Emerging markets face weaker commodity prices and slower domestic growth; moderate allocation to EM hard currency sovereign debt.
- Structured Finance - favourable commercial real estate fundamentals are balanced by weaker underwriting standards; own Commercial Mortgage Backed Securities.

Baillie Gifford and Co.

Mandate – Diversified Growth Fund

Performance Review

After a benign start to the year the environment became more challenging. Initially, accommodative monetary policy and a general improvement in the economic backdrop had a favourable impact on markets. As the period progressed concerns over the sustainability of growth in China, falling commodity prices and uncertainty around future US rate rises resulted in falls in equity and credit markets. Sentiment did improve but the end result was that the portfolio returned -1.4% net of fees for the year to March 2016. Its objective is to exceed the base rate (currently 0.5%) by at least 3.5% p.a. over rolling five year periods, at volatility levels half that of equity markets. Since inception in June 2012 it has returned 5.3% p.a. against a target of 4.0% p.a. and is within its volatility guidelines.

Over the year infrastructure, active currency positions and insurance linked securities all helped performance. These were more than offset however by weaker returns from more economically sensitive asset classes such as emerging markets bonds, high yield bonds and listed equities. Having relatively high weightings in cash and "near cash" assets helped, but we had limited exposure to "safe havens" such as gold and government bonds, both of which performed very well in nervous times.

Stewardship

We engaged with and voted shares in the underlying holdings in your fund during the year. These involved opposing the re-election of directors if we were concerned about their independence or ability; voting against remuneration where we felt that it was not in alignment with shareholders' interests and opposing amendments or increases to fees. Examples of companies held directly or indirectly in your portfolio where we engaged or voted include Elektra Private Equity (governance), Aggreko (environment, governance), Alphabet (tax) and Fondua Proprietatea (fees). We also continued engagement with Ryanair and Amazon on various issues covered in last year's report.

Outlook

Despite the uncertainty we remain cautiously optimistic. Optimistic because economic growth is continuing to improve, albeit slowly, in many parts of the world; cautious because many asset classes look to be fully priced even before uncertainty in the UK, US, Middle East, China and elsewhere is taken into account. Market volatility has enabled us to add to some assets at attractive valuations including in Japanese equities, some property and infrastructure funds and in inflation protected securities. We expect uncertainty to continue to provide opportunities but, given the starting point for valuations in many asset classes, returns may be lower in the future than they have been in the past.

Baring Asset Management Ltd

Mandate – Diversified Growth Fund

Performance Review

The Fund returned -3.6% during the twelve month period ending 31 March 2016. This was behind its performance comparator which returned 4.6% for the same period. Equity market weakness led to a decline in the Fund's value during the reporting period.

Over the twelve months under review, the main contributors to performance were property, government bonds and precious metals. Property is an asset class we have liked for some time.

We find the yields attractive and, also, like the diversification that property brings. Government bonds rallied during the reporting period and our holding of both long dated US treasuries and Australian bonds performed well. Precious metals were a new position where timely purchases in early 2016 led to gains for the portfolio, helping to offset volatility in other asset classes.

Overall, all equity markets impacted negatively on performance. The biggest detractor to performance was Japanese equities. The asset class has suffered from both poor economic data and the Bank of Japan's struggle to help the Yen depreciate. European equities also lost ground. We take comfort from the fact that the hard data of orders and output has held up, and in many places is expanding briskly. European equities are still a preferred allocation as the fundamentals remain very much supported by the data releases and the negative rates policy that was expanded by the European Central Bank in Q1.

Stewardship

We take our responsibility to engage with companies seriously, meeting with company management regularly. Our policy is to vote at all general meetings where practicable and we use ISS, a proxy voting service, to help advise on meeting resolutions. In the last year we voted on a total of 36 meetings, comprising of 221 separate resolutions for companies held in your portfolio. We voted against management 8 times and did not vote on 6 resolutions. Issues of particular concern to us included the appointment of directors, and executive remuneration. From time to time, especially when it comes to remuneration policies, we will follow ISS and vote against the company. However, in June 2015, ISS advised us to vote against the Tesco report and accounts. Barings did not agree with this decision as we believed that new management had done much to improve the company structure and strategy. In this case, we ignored the ISS advice and voted in favour of the AGM resolutions.

Outlook

Although markets have been volatile, we still believe that an economic recession is unlikely. In the absence of a major shock, the probabilities of sliding into negative growth are extremely low. In our opinion, a mild positive economic surprise is likely, particularly in the US. The US is seeing something of an economic up-turn in recent months. The drag from oil is behind us, and the economy continues to grow around the familiar themes of housing, the consumer and an expanding workforce.

In addition, global policy settings remain very pro-growth and pro-markets. The US are taking a dovish approach to rate increases and the European Central Bank extended its quantitative easing programme. There has been a huge credit stimulus underway in China and this is already driving activity levels higher in the region and emerging market equities will be a beneficiary as long as the credit expansion lasts. Additionally, the shopping list for any contrarian and value-based investor must include high yield credit. As the price of oil declined, high yield bonds were hit by the deteriorating creditworthiness of energy issuers and the asset class suffered substantial outflows. However, the most negative projections are now factored in and with currently attractive valuations, there is clear evidence that the asset class is set to rebound further.

Aviva Investors

Mandate – Property

Performance Review

Over the past twelve months the commercial property market in the UK has remained an attractive investment market for investors; due to the relatively high yield on offer, compared to other asset classes and an improving occupational market; which is being seen through increasing rental value growth and falling void rates in most markets.

The index returned 10.6% over the period, a marked reduction over the previous year, but still a high nominal return. The real estate mandate performed well over the year returning 10.9%, net of fees, benefitting from being fully invested and with a lower cash drag than in previous years.

During the year we re-positioned the portfolio in light of our views on the market and the economic backdrop. The key transactions were the total exits from the Hansteen Industrial Fund II and the Aviva Investors UK Recovery Fund II. These funds generated annualised returns of 16.3%pa and 12.6%pa over their respective hold periods. These proceeds were re-invested into areas of the market where we believe that there are good investment opportunities; specifically in the recovering South East office market, the UK Residential Private Rented Sector ('PRS') and some high quality high street shops in affluent towns and cities in the UK.

Investments that contributed positively to performance over the year included the UK student accommodation fund; that has benefitted from positive yield shift in the sector, as it has become a more mainstream investment market, whilst management have seen minimal void on the units. Returns of over 24% were generated at local level by the core Irish fund, which has seen strong rental value growth emerge in both the prime Dublin office and Dublin retail markets. The weakest performers included a core pan Asian fund, that is US$ denominated, with underlying investments in local currencies, which have moved against the US$; this should reverse out in the future and should then be beneficial to performance. A UK specialist retail warehouse fund has been impacted by some recent tenant distress and some asset sales that have not been achieving prevailing valuation. There are also some funds that are in the 'J' curve phase, i.e. funds that are currently being built out; these should be accretive over the next 12 months, as the asset purchases stabilise and purchase costs are ameliorated.

Stewardship

Aviva fully supports the UK Stewardship Code and complies with all its principles. Aviva has supported the development of good governance in the UK and beyond for many years and hope that the Stewardship Code achieves its purpose of enhancing the quality of engagement between institutional investors and companies to help improve long term returns to shareholders and the effective exercise of governance responsibilities. We also support and are a signatory to the UN Principles for Responsible Investment (UN PRI).

We believe that environmental, social, and corporate governance (ESG) issues can affect the performance of investment portfolios and so recognise that applying these principles may better align investors with broader objectives of society.

Outlook

The outlook for real estate returns appears relatively positive over the short and medium term, even though returns from UK commercial real estate are easing. Yield compression is fading, however current yield levels of UK property appear well supported on a relative basis, given near record-low sovereign bond yields. Underlying occupier market fundamentals have strengthened and further rental growth is expected in most parts of the market giving a better balance to overall total returns. Normalisation in bond yields and interest rates looks set to be a gradual multi-year process, coinciding with ongoing economic and financial sector recovery.

Devon County Council In-House Team

Mandate – Specialist Funds

The Specialist Funds mandate comprises investments into a number of more concentrated pooled funds, which as a consequence may carry higher risk. It also includes management of the Fund's unallocated cash balances.

Performance Review

- **Activism Funds** – The RWC UK Focus Fund and the European Focus Fund both delivered positive returns over the year of +1.6% and +8.7% respectively. The European Fund was well above benchmark, although the UK was below benchmark. The Relational US Activism Fund was liquidated during the year.
- **European Smaller Companies** – The Montanaro European Smaller Companies Fund delivered a return of +7.3% against a benchmark of +6.0% during a year in which small cap companies performed better than large cap.
- **Emerging Markets** – It was another difficult year with emerging markets, with the MSCI benchmark down 8.8%. The SSgA Passive Index Tracker did slightly better than this, with a return of -7.3%, but the FPP Emerging Markets Fund had a poor year with a return of -18.7%. The negative returns on emerging markets impacted significantly on the total return across the specialist equity funds, resulting in a total return of -1.9% against the FTSE World benchmark return of 0.0%.
- **Infrastructure** - The Fund's infrastructure investments yielded a return of +8.8% during the year. The First State European Diversified Infrastructure Fund delivered a total return of +20.8% helped by an increase in the value of the Euro against Sterling. The Hermes Infrastructure Fund also performed well with a return of +12.7%, while the UBS Infrastructure Fund returned -1.6% as a result of a couple of assets performing below expectation, and the write-down in value of the Njord Gas investment due to regulatory changes imposed by the Norwegian Government. Commitments to Aviva's Infrastructure and Ground Rents funds were drawn during the year.

Stewardship

It is expected that all the individual funds that specialist funds have been allocated to will engage with the companies that they are invested in. The Activism Funds in particular look to drive performance by active involvement in the companies in which they invest. In addition the Devon Pension Fund is a member of the Local Authority Pension Funds Forum (LAPFF) who conduct engagement on behalf of their membership comprising 70 pension funds. LAPFF has a strong record of engagement.

LAPFF's activity over the last year includes: co-filing strategic resilience resolutions for the AGMs of Anglo American, Rio Tinto and Glencore; calling on Nestlé to review human rights reporting in light of Modern Slavery Act requirements; writing to a number of companies – Johnson Matthey, EDF, and Proctor and Gamble – requesting information regarding their membership in industry organisations that have denied or failed to promote action on climate change.

Outlook

- The referendum on the UK's membership of the European Union has produced significant uncertainty about future UK economic growth, with a potential impact on future UK and European investment returns.
- The Fund has further expanded its infrastructure commitments, which should provide good returns, diversification of risk, and an effective inflation hedge going forward.

Financial Statements 2015/16

Statement of Responsibilities for the Statement of Accounts

The Authority's Responsibilities

The Authority is required to:

- make arrangements for the proper administration of its financial affairs and to secure that one of its Officers has the responsibility for the administration of those affairs. In this Authority, that Officer is the County Treasurer;
- manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets;
- approve the Statement of Accounts.

Responsibilities of the County Treasurer

The County Treasurer is responsible for the preparation of the Authority's Statement of Accounts in accordance with proper practices as set out in the CIPFA / LASAAC Code of Practice on Local Authority Accounting in the United Kingdom ('the Code of Practice').

In preparing this Statement of Accounts, the County Treasurer has:

- selected suitable accounting policies and then applied them consistently;
- made judgements and estimates that were reasonable and prudent;
- complied with the Code of Practice;

The County Treasurer has also:

- kept proper accounting records which were up to date;
- taken reasonable steps for the prevention and detection of fraud and other irregularities.

Certificate of the County Treasurer

I hereby certify that this Statement of Accounts for the year ended 31 March 2016 has been prepared in accordance with the Accounts and Audit Regulations 2015 and that it presents a true and fair view of the financial position of the Pension Fund as at 31 March 2016 and its income and expenditure for the year ended 31 March 2016.

Mary Davis
County Treasurer
24th August 2016

Approval of the Statement of Accounts

I confirm that these accounts were approved by the Audit Committee at its meeting on 7th September 2016.

R C Edgell
Chairman of the Audit Committee
7th September 2016

Summary of Scheme and its Management

The Local Government Pension Scheme (LGPS) is one of the oldest public sector schemes in operation, having been established as a national scheme in 1922. The LGPS is managed by administering authorities in accordance with regulations approved by Parliament. In the county area of Devon, Devon County Council is the administering authority of the Fund. Each administering authority is responsible for its own Fund, into which all contributions are paid. Rules by which the administering authorities must operate - the LGPS Regulations - are determined by the Government after consultation with representatives for both employees (trade unions) and employers (Local Government Association, Local Government Pensions Committee).

The scheme is governed by the Public Service Pensions Act 2013. The fund is administered in accordance with the following secondary legislation:

- The Local Government Pension Scheme Regulations 2013 (as amended)
- The Local Government Pension Scheme (Transitional Provisions, Savings and Amendment) Regulations 2014 (as amended)
- The Local Government Pension Scheme (Management and Investment of Funds) Regulations 2009.

Each LGPS administering authority pays its benefits from a dedicated pension fund. Both the scheme member and their employer pay into this fund in order to provide retirement benefits for the member once they reach retirement age (or earlier if the situation demands). Before this time arrives however, the contributions paid into the scheme are invested in a variety of suitable investments. By investing the contributions in this way the fund can build up enough assets to cover any payments it may be expected to make regarding its scheme members retirement benefits. Please visit the website **www.peninsulapensions.org.uk** for further information.

As at 31st March 2016, the net assets of the Devon Pension Fund were valued at £3,336 million. The fund currently has 37,679 actively contributing members, employed by 202 employers of various descriptions (Unitary, District, Town & Parish Councils, Education Establishments and Admitted Bodies).

Scheduled Body - An employer explicitly defined in the Regulations. As listed on page 74.	**Admitted Body - As listed on page 75.**
No employing body discretion on membership.	Employing body discretion on membership.
No employer discretion on who can join.	Employer discretion on who can join.
Restricted to geographical area of fund.	May operate outside geographical area of fund, and potentially participate in more than one fund (separate admission agreement required).
No parent guarantee or bond.	May require an indemnity or bond.

Pensions are paid to 29,135 pensioners (and/or dependants) every month. There are currently 39,252 members with rights to deferred benefits, frozen memberships pending refunds and those undecided pending resolution.

Further contributions are made by Fund employers, which are set based on triennial actuarial funding valuations. The last such valuation was at 31 March 2013. Employer contributions comprise a future service rate, which represents the employers' share of the cost of future benefits, and a deficit contribution, to meet any shortfall on past service liabilities. Currently, employer future service rates range from 7.8% to 29.1% of pensionable pay. The deficit contribution is expressed as a cash sum, and ranges from £0 to £12.1 million.

From 1 April 2014, the scheme became a career average scheme, whereby members accrue benefits based on their pensionable pay in that year at an accrual rate of 1/49th. Accrued pension is uprated annually in line with the Consumer Prices Index. There are a range of other benefits provided under the scheme including early retirement, disability pensions and death benefits.

	Service before 1 April 2008	Service 1 April 2008 to 31 March 2014	Service from 1 April 2014
Pension	Each year worked is worth 1/80 x final pensionable salary.	Each year worked is worth 1/60 x final pensionable salary.	Each year worked is worth 1/49 x pensionable salary in that year which will then be uprated for future inflation.
Lump sum	Each year worked is worth 3/80 x final pensionable salary. In addition, part of the annual pension can be exchanged for an additional oneoff tax-free cash payment. A lump sum of £12 is paid for each £1 of pension given up.	No automatic lump sum. Part of the annual pension can be exchanged for a one-off tax-free cash payment. A lump sum of £12 is paid for each £1 of pension given up.	No automatic lump sum. Part of the annual pension can be exchanged for a one-off tax-free cash payment. A lump sum of £12 is paid for each £1 of pension given up.

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 (Vice Chairman) Councillor Richard Edgell Councillor Des Hannon Councillor Roy Hill Councillor Richard Hosking	
Representing Devon Unitary & District Councils	Councillor Peter Edwards (Devon Districts Councils) Councillor Lorraine Parker Delaz Ajete (Plymouth) Councillor James O'Dwyer (Torbay)	
Representing Other Employers	Donna Healy (Dartmoor National Park Authority)	
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	
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	Barnett Waddingham LLP	

For More Information

Copies of the full Annual Report, Statutory Published Statements and abridged Members Leaflet can be found on-line at: **www.peninsulapensions.org.uk/lgps/pension-fund-investments/devon-county-council-investments/devon-fund-key-documents**

Requests for information about the accounts or investments should be made in writing to Mark Gayler, Assistant County Treasurer - Investments and Treasury Management, Devon County Council, Room G99, County Hall, Exeter, EX2 4QD

Financial Statements

Background

Employees of the Council are entitled to become members of three separate pension schemes:

- The Local Government Pension Scheme, administered by Devon County Council.
- The Teachers' Pension Scheme, administered by Capita Teachers' Pensions on behalf of the Department for Education (DFE).
- The NHS Pension Scheme, administered by the NHS Business Service Authority.

All three schemes provide defined benefits to members earned as employees. The arrangements for the teachers' and NHS schemes mean that liabilities for these benefits fall on the NHS and DFE respectively and do not form part of the Devon Pension Fund. The fund also extends to cover employees of unitary and district councils, civilian employees of the Devon and Cornwall Police Authority and Devon and Somerset Fire & Rescue Authority and employees of a number of other admitted member bodies.

The accounts of the Fund are set out in line with the IFRS Based Code of Practice on Local Authority Accounting in the United Kingdom (the Code).

The accounts reflect the assets that are available to the Fund, and the current liabilities. Future contributions are matched to future liabilities through an actuarial valuation.

All employers' contribution rates are decided by the Fund's Actuary every three years after an actuarial valuation of the fund. The statutory triennial actuarial valuation of the fund was undertaken in 2013 and was signed by the Actuary on 27 March 2014.

The Accounts are set out in the following order:

- **Fund Account** - discloses the income to and expenditure from the Fund relating to scheme members and to the investment and administration of the Fund. The account also reconciles the Fund's net assets at the start of the year to the net assets at the year end.
- **Net Asset Statement** - discloses the type and value of all net assets at the year end.
- **Notes to the Accounts** - provides supporting details and analysis of the figures in the Fund Account and Net Asset Statement.

Fund Account

2014/15 £'000		Notes	2015/16 £'000
	Dealings with members, employers and others directly involved in the fund		
	Contributions		
(115,057)	Employers	5	(117,079)
(35,845)	Members	5 & 7	(36,201)
	Transfers in from other pension funds:		
(1,994)	Group Transfers		0
(3,692)	Individual Transfers		(4,766)
(156,588)			(158,046)
	Benefits		
126,148	Pensions	6	132,435
28,757	Commutation and lump sum retirement benefits	6	30,035
3,431	Lump sum death benefits	6	3,777
	Payments to and on account of leavers	6	
191	Refunds to members leaving service		443
	Payments for members joining state scheme		
63,144	Group Transfers		960
5,407	Individual Transfers		6,026
227,078			173,676
70,490	**Net (Additions)/Withdrawals from Dealings with Fund members**		**15,630**
12,481	Management expenses	9	13,945
	Returns on investments		
	Investment Income:		
	Fixed Interest		
(321)	U.K. Public Sector Bonds		(282)
(5,967)	Overseas Government Bonds		(5,195)
0	Overseas Government Index Linked Bonds		(24)
(827)	UK Corporate Bonds		(568)
(4,328)	Overseas Corporate Bonds		(3,569)
	Equities (Quoted)		
(1,727)	U.K.		(1,055)
(8,442)	Overseas		(6,707)
(4,074)	Pooled Investments		(3,728)
(11,004)	Pooled Property Investments		(14,542)
(763)	Interest on Cash and Short Term Deposits		(1,072)
	Taxes on income:		
154	Withholding Tax - Fixed Interest securities		355
670	Withholding Tax - Equities		644
	Profit and losses on disposal of investments and changes in market value of investments:		
(66,845)	Realised (profit)/loss		(121,546)
(214,030)	Unrealised (profit)/loss		166,225
(317,504)	**Net Returns on Investments**		**8,936**
(234,533)	Net increase/(decrease) in the net assets available for benefits during the year		38,511
(3,139,893)	Opening Net Assets of the Fund at 1 April		(3,374,426)
(3,374,426)	**Net Assets of the Fund at 31 March**		**(3,335,915)**

Net Asset Statement

31 March 2015 £'000		Notes	31 March 2016 £'000
	INVESTMENTS AT MARKET VALUE	13 & 14	
	Investment Assets		
	Fixed Interest		
15,362	U.K. Public Sector Bonds		1,981
177,602	Overseas Government Bonds		129,023
0	Overseas Index Linked Bonds		2,029
16,644	UK Corporate Bonds		7,067
122,222	Overseas Corporate Bonds		66,531
	Equities (Quoted)		
33,346	U.K.		28,085
264,294	Overseas		253,669
2,340,286	Pooled Investments	16	2,438,204
334,997	Pooled Property Investments	16	358,863
	Derivative Assets	18	
69	Futures - Overseas Fixed Interest		0
1,265	UK Bond Forwards		0
1,000	Overseas Bond Forwards		0
4,244	Forward Currency Contracts		1,418
	Cash deposits		
5,257	Foreign Currency		2,156
30,258	Cash Equivalents		21,296
22,686	Cash & Bank Deposits		12,168
4,862	Investment income due		4,518
38,446	Amounts receivable for sales		880
	Investment Liabilities		
	Derivatives	19	
(56)	Futures - Overseas Fixed Interest		0
(632)	UK Bond Forwards		0
(1,162)	Overseas Bond Forwards		0
(2,844)	Forward Currency Contracts		(4,961)
(45,794)	Amounts payable for purchases		(475)
3,362,352	**Net investment assets**		3,322,452
	Non current Assets and Liabilities	21	
8,190	Non current Assets		7,288
(9,024)	Non current Liabilities		(7,520)
	Current Assets and Liabilities	20	
19,678	Current Assets		19,418
(6,770)	Current Liabilities		(5,723)
3,374,426	**Net assets of the fund available to fund benefits at 31 March**		**3,335,915**

Notes to the Net Asset Statement

The financial statements summarise the transactions and net assets of the Fund but they do not take account of liabilities to pay pensions and other benefits which fall due after the end of the Fund's accounting year. These obligations are summarised in Note 22 on page 58.

Notes to the Accounts

1. Accounting Policies

The Statement of Accounts summarises the fund's transactions for the 2015/16 financial year and its position at year-end as at 31 March 2016. The accounts have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2015/16 which is based upon International Financial Reporting Standards (IFRS), as amended for the UK public sector.

The accounts summarise the transactions of the fund and report on the net assets available to pay pension benefits. The accounts do not take account of obligations to pay pensions and benefits which fall due after the end of the financial year.

The Devon Pension Scheme is a defined benefit scheme which provides pensions for County, Unitary and District Council staff not in other schemes, together with staff at certain other admitted bodies.

Devon County Council is the designated Administering Authority. The Investment and Pension Fund Committee comprising of County Councillors together with representatives of the Unitary and District Councils and other employers (with observers representing the staff and retired members) control the investments with advice from specialists. Employing body details are shown on pages 74 and 75.

Fund account – revenue recognition

Contribution income

Normal contributions, both from the members and from the employer, are accounted for on an accruals basis at the percentage rate recommended by the fund actuary in the payroll period to which they relate.

Employer deficit funding contributions are accounted for on the due dates on which they are payable under the schedule of contributions set by the scheme actuary or on receipt if earlier than the due date.

Employers' augmentation contributions and pensions strain contributions are accounted for in the period in which the liability arises. Any amount due in year but unpaid will be classed as a current financial asset. Amounts not due until future years are classed as long-term financial assets.

Transfers to and from other schemes

Transfer values represent the amounts received and paid during the year for members who have either joined or left the fund during the financial year and are calculated in accordance with The Local Government Pension Scheme Regulations.

Individual transfers in/out are accounted for when received/paid, which is normally when the member liability is accepted or discharged.

Transfers in from members wishing to use the proceeds of their additional voluntary contributions to purchase scheme benefits are accounted for on a receipts basis and are included in Transfers In.

Bulk (group) transfers are accounted for on an accruals basis in accordance with the terms of the transfer agreement.

Investment income

- Interest income is recognised in the fund account as it accrues
- Dividend income is recognised on the date the shares are quoted ex-dividend.
- Distributions from pooled funds are recognised at the date of issue.

Any amount not received by the end of the reporting period is disclosed in the net assets statement as a current financial asset.

Changes in the net market value of investments (including investment properties) are recognised as income and comprise all realised and unrealised profits/losses during the year.

Fund account – expense items

Benefits payable

Pensions and lump-sum benefits payable include all amounts known to be due as at the end of the financial year. Any amounts due but unpaid are disclosed in the net assets statement as current liabilities.

Taxation

The fund is a registered public service scheme under section 1(1) of Schedule 36 of the Finance Act 2004 and as such is exempt from UK income tax on interest received and from capital gains tax on the proceeds of investments sold. Income from overseas investments suffers withholding tax in the country of origin, unless exemption is permitted. Irrecoverable tax is accounted for as a fund expense as it arises.

Management expenses

The Code does not require any breakdown of pension fund administrative expenses. However, in the interests of greater transparency, the Authority discloses its pension fund management expenses in accordance with the CIPFA guidance on Accounting for Local Government Pension Scheme Management Costs (Note 9).

Management Expenses recharged from Devon County Council to the Pension Fund are accounted for in accordance with Devon County Council's accounting policies. In particular the full cost of employees is charged to the accounts for the period within which the employees worked.

Administrative expenses; oversight and governance costs; and investment management expenses are accounted for an accruals basis.

Net assets statement

Financial assets

Financial assets are included in the net assets statement on a fair value basis as at the reporting date. A financial asset is recognised in the net assets statement on the date the Fund becomes party to the contractual acquisition of the asset. From this date any gains or losses arising from changes in the fair value of asset are recognised in the fund account.

The values of investments as shown in the net assets statement have been determined as follows:

- Market-quoted investments. The value of an investment for which there is a readily available market price is determined by the bid market price ruling on the final day of the accounting period.
- Fixed interest securities are recorded at net market value based on their current yields.
- Unquoted investments. The fair value of investments for which market quotations are not readily available is determined as follows:
  - Investments in unquoted property and infrastructure pooled funds are valued at the net asset value or a single price advised by the fund manager.
  - Investments in private equity funds and unquoted limited partnerships are valued based on the fund's share of the net assets in the private equity fund or limited partnership using the latest financial statements published by the respective fund managers in accordance with the guidelines set out by the British Venture Capital Association.
  - Limited partnerships. Fair value is based on the net asset value ascertained from periodic valuations provided by those controlling the partnership.
  - Pooled investment vehicles are valued at closing bid price if both bid and offer prices are published; or if single priced, at the closing single price. In the case of pooled investment vehicles that are accumulation funds, change in market value also includes income which is reinvested in the fund, net of applicable withholding tax.

Foreign currency transactions

Dividends, interest and purchases and sales of investments in foreign currencies have been accounted for at the spot market rates at the date of transaction. End-of-year spot market exchange rates are used to value cash balances held in foreign currency bank accounts, market values of overseas investments and purchases and sales outstanding at the end of the reporting period.

Derivatives

The fund uses derivative financial instruments to manage its exposure to specific risks arising from its investment activities. The fund does not hold derivatives for speculative purposes.

Derivative contract assets are fair valued at bid prices and liabilities are fair valued at offer prices. Changes in the fair value of derivative contracts are included in change in market value.

The value of futures contracts is determined using exchange prices at the reporting date. Amounts due from or owed to the broker are the amounts outstanding in respect of the initial margin and variation margin.

The future value of forward currency contracts is based on market forward exchange rates at the year-end date and determined as the gain or loss that would arise if the outstanding contract were matched at the year-end with an equal and opposite contract.

A bond forward is an agreement to trade a bill or bond at an agreed time and place in the future. The value of a bond forward is derived from the spot market of the underlying bond adjusted for the cost of carry and accrued interest.

Cash and cash equivalents

Cash comprises cash in hand and demand deposits and includes amounts held by the fund's external managers.

Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash and that are subject to minimal risk of changes in value.

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are investments that mature in 90 days or less from date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

Financial liabilities

The fund recognises financial liabilities at fair value as at the reporting date. A financial liability is recognised in the net assets statement on the date the fund becomes party to the liability. From this date any gains or losses arising from changes in the fair value of the liability are recognised by the fund.

Actuarial present value of promised retirement benefits

The actuarial present value of promised retirement benefits is assessed on a triennial basis by the scheme actuary in accordance with the requirements of IAS 19 and relevant actuarial standards.

As permitted under the Code, the fund has opted to disclose the actuarial present value of promised retirement benefits by way of a note to the net assets statement (Note 22).

Additional voluntary contributions

The Additional Voluntary Contributions Investments are not included in the Pension Fund Accounts in accordance with regulation 5(2)(c) of the Pension Scheme (Management and Investment of Funds) Regulations 2009, but are instead disclosed within the notes to the accounts (Note 8). The fund has two appointed AVC providers; Equitable Life and Prudential.

Contingent assets

Contingent assets are disclosed by way of note where inflow of a receipt or economic benefit is probable and whose existence or valuation will be confirmed only by the occurrence or non-occurrence of one or more future events not wholly within the control of the Pension Fund.

Events after the Reporting Date

Events after the reporting date have been considered up to the time the Pension Fund Accounts were authorised for issue on 24 August 2016.

Where an event after the reporting date occurs which provides evidence of conditions that existed at the reporting date the Statement of Accounts is adjusted. Where an event occurs after the reporting date which is indicative of conditions that have arisen after the reporting date, adjustments are not made.

Financial Instruments

The Financial Instruments of the Pension Fund are classified into the following categories:

- Financial assets and liabilities at fair value through profit or loss:
    - The Pension Fund classifies financial instruments that are 'held for trading' as at fair value through profit or loss when the financial instrument is:
        - Acquired or incurred principally for the purpose of selling or repurchasing it in the near term, or
        - Part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit taking, or
        - A derivative.
    - Financial assets and liabilities at fair value through profit or loss are initially recognised at fair value excluding transaction costs and carried at fair value without any deduction for transaction costs that would be incurred on sale or disposal.
- Loans and receivables:
    - Financial Instruments have been classified as loans and receivables when they have fixed or determinable payments and are not quoted in an active market.
    - Loans and receivables are initially recognised at Fair Value and carried at historic cost as they are all short term with the exception of capital payment due from the Devon & Cornwall Magistrates Courts Service (see note 21 - Non-Current Assets and Liabilities).
- Financial liabilities:
    - The liabilities of the Pension Fund consist of creditors and derivative liabilities. Derivative liabilities are classified as financial liabilities at fair value through profit or loss and carried at fair value.

Value Added Tax (VAT)

Income and expenditure excludes any amounts relating to VAT except to the extent that it is irrecoverable.

2. Critical judgements in applying Accounting Policies

In applying the accounting policies set out in Note 1 the Authority has had to make certain judgements about complex transactions or those involving uncertainty about future events.

The critical judgements made in the Statement of Accounts are:

- These accounts have been prepared on a going concern basis. The concept of a going concern assumes that the Pension Fund will continue in operational existence for the foreseeable future.

Note 25 Additional Financial Risk Management Disclosures details the Fund's investment strategy and approach to managing risk. None of the Authority's investments are impaired.

- The Fund's significant contracts have been reviewed and no embedded finance leases or service concessions found.

3. Assumptions made about the future and other major sources of estimation uncertainty

The Pension Fund Accounts contain estimated figures that are based on assumptions made by the Fund about the future or that are otherwise uncertain. Estimates are made taking into account historical experience, current trends and other relevant factors. However, because balances cannot be determined with certainty, actual results could be materially different from the assumptions and estimates.

Item	Uncertainties	Effect if actual results differ from assumptions
Market Value of investments	The Fund's investments are revalued on a monthly basis. Investments are valued using quoted prices in active markets or by reference to markets which are not considered to be active but are valued based on quoted market prices, dealer quotations or alternative pricing sources supported by observable inputs with the exception of the UBS International Infrastructure Fund LLP (£27.913m as at 31 March 2016), the Hermes GPE Infrastructure Fund LLP (£28.920m as at 31 March 2016) and the Aviva Investors REaLM Infrastructure Fund (£19.656m as at 31 March 2016). While market values are not estimates, the method of valuation does mean that future values may fluctuate (see note 4).	For every 1% increase in Market Value the value of the Fund will increase by £33.225m with a decrease having the opposite effect.
Pensions Liability	Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. Barnett Waddingham, a firm of consulting actuaries, is engaged to provide the authority with expert advice about the assumptions to be applied.	The effects on the actuarial present value of promised retirement benefits (the Funded Obligation) of changes in individual assumptions can be measured. For instance, a 0.1% increase in the discount rate assumption would result in a decrease in the Funded Obligation of £105.784m, a 0.1% increase in assumed earnings inflation would increase the value of liabilities by approximately £13.667m, and a one-year increase in assumed life expectancy would increase the liability by approximately £174.545m.

4. Estimates

The Devon Pension Fund is a limited partner in the UBS International Infrastructure Fund LLP, the Hermes GPE Infrastructure Fund LLP and the Aviva Investors REaLM Infrastructure Fund. UBS, Hermes and Aviva (the fund managers to the partnerships) provide the Pension Fund with quarterly financial statements indicating the value of these investments. These statements are audited annually. For all other investments market values are available from an active market and as such no assumptions have been made in their valuation.

Where actual costs were not known or could not be calculated, year-end debtors and creditors are based on the last received payment or invoice.

5. Contributions receivable

By authority

2014/15 £'000		2015/16 £'000
(141,493)	Scheduled bodies	(142,682)
(341)	Admitted bodies	(160)
(3,613)	Community admission body	(3,625)
(4,773)	Transferee admission body	(6,017)
(682)	Resolution body	(796)
(150,902)		**(153,280)**

By type

2014/15 £'000		2015/16 £'000
(35,845)	Employees' normal contributions	(36,201)
(84,651)	Employers' normal contributions	(85,500)
(30,406)	Employers' deficit recovery contributions	(31,579)
(150,902)		**(153,280)**

6. Benefits Payable

By authority

2014/15 £'000		2015/16 £'000
151,432	Scheduled bodies	158,210
762	Admitted bodies	280
3,528	Community admission body	4,476
2,174	Transferee admission body	2,812
440	Resolution body	469
158,336		**166,247**

7. Contribution Rates

Scheme members (employees) paid variable percentages of their total pensionable pay into the fund as set out below.

Whole Time Pay Rate 2014/15	Member contribution rate	Whole Time Pay Rate 2015/16	Member contribution rate
£0 to £13,500	5.5%	£0 to £13,600	5.5%
£13,501 to £21,000	5.8%	£13,601 to £21,200	5.8%
£21,001 to £34,000	6.5%	£21,201 to £34,400	6.5%
£34,001 to £43,000	6.8%	£34,401 to £43,500	6.8%
£43,001 to £60,000	8.5%	£43,501 to £60,700	8.5%
£60,001 to £85,000	9.9%	£60,701 to £86,000	9.9%
£85,001 to £100,000	10.5%	£86,001 to £101,200	10.5%
£100,001 to £150,000	11.4%	£101,201 to £151,800	11.4%
£150,001 or more	12.5%	£151,801 or more	12.5%

8. Additional Voluntary Contributions (AVC) Investments

The Fund has two AVC providers; Equitable Life and Prudential. The value of employees' AVC investments is shown below.

Value at 31 March 2015 £000	Contributions £000	Investment Return £000	Paid Out £000	Vlaue at 31 March 2016 £000
6,530	633	97	(1,016)	6,244

Value at 31 March 2014 £000	Contributions £000	Investment Return £000	Paid Out £000	Vlaue at 31 March 2015 £000
5,898	703	467	(538)	6,530

These amounts are not included in the Pension Fund Accounts in accordance with regulation 5(2)(c) of the Pension Scheme (Management and Investment of Funds) Regulations 2009.

9. Management Expenses

2014/15 £000		2015/16 £000
1,366	**Administrative costs**	1,523
1,366		**1,523**
	Investment management expenses	
10,162	Management fees (a)	7,685
0	Performance fees (a)	551
209	Custody fees	140
263	Transaction costs	3,508
(97)	Stock Lending Income & Commission Recapture	(94)
25	Other Investment management expenses	50
10,562		**11,840**
	Oversight and governance costs	
26	Audit Fees (c)	29
527	Other Oversight and governance costs	553
553		**582**
12,481		**13,945**

a. The majority of current managers' fees are on a fixed fee basis, calculated using the market value of the portfolio. The cost of external fund management varies with the value of investments under management. A small proportion of the current managers' fees is based on performance and will be paid where the manager outperforms an agreed target level of return.

   The fund's investment in pooled property funds is via a fund of funds arrangement managed by Aviva. In addition the diversified growth funds managed by Baillie Gifford and Barings will also invest in underlying funds. The Devon Pension Fund does not have day to day involvement over the investment decisions made by Aviva, Baillie Gifford or Barings, and therefore the investment costs incurred by the underlying funds are not included in the management costs disclosed.

b. In addition to these costs, indirect costs are incurred through the bid-offer spread on investments sales and purchases. These are reflected in the cost of investment acquisitions and in the proceeds from the sales of investments (see Note 15).

c. Audit fees include an amount of £28,603 (£28,603 as well as an audit fee rebate of £2,940 in 2014/15) in relation to Grant Thornton UK LLP, the auditors appointed by the Audit Commission for external audit services under the Code of Audit Practice.

10. Agency Services

The Pension Fund pays discretionary awards to the former employees of other bodies The amounts paid are not included within the Fund Account but are provided as a service and fully reclaimed from the employer bodies. The sums are disclosed in the following table.

31 March 2015		31 March 2016
£'000	**Body**	**£'000**
8,686	Payments on behalf of Devon County Council	8,516
1,090	Payments on behalf of Plymouth City Council	1,083
622	Payments on behalf of Torbay Council	617
383	Payments on behalf of Teignbridge District Council	382
341	Payments on behalf of University Of Plymouth	343
279	Payments on behalf of Exeter City Council	279
245	Payments on behalf of North Devon District Council	242
205	Payments on behalf of South Hams District Council	203
268	Payments on behalf of Dorset, Devon and Cornwall Rehabilitation Service	211
103	Payments on behalf of Torridge District Council	104
572	Payments of less than £100,000 on behalf of other bodies	568
12,794		**12,548**

11. Related Party Transactions

The Devon Pension Fund is administered by Devon County Council. During the reporting period, the council incurred costs of £1.971m (2014/15: £1.838m) in relation to the administration of the fund and was subsequently reimbursed by the fund for these expenses. Devon County Council and its employees contributed £44.979m to the fund in 2015/16 (2014/15: £45.835m). In 2015/16 £3.836m was owed to the fund (2014/15: £5.190m) and £2.073m was due from the fund (2014/15: £1.917m).

The Investment and Pensions Fund Committee is the decision making body for the fund and Devon County Council nominates 6 of the 10 voting committee members.

Each member of the pension fund committee is required to declare their interests at each meeting.

In accordance with IAS 24 'Related Party Disclosures' material transactions with related parties not disclosed elsewhere are detailed below:

No members of the Investment & Pension Fund Committee receive pension benefits from the Fund.

No senior officers responsible for the administration of the Fund have entered into any contract, other than their contract of employment with the Council, for the supply of goods or services to the Fund.

12. Key Management personnel

Paragraph 3.9.4.3 of the Code exempts local authorities from the key management personnel disclosure requirements of IAS 24, on the basis that the disclosure requirements for officer remuneration and members' allowances detailed in section 3.4 of the Code (which are derived from the requirements of Regulation 7(3) of the Accounts and Audit (England) Regulations 2015 and Regulation 7A of the Accounts and Audit (Wales) Regulations 2005) satisfy the key management personnel disclosure requirements of paragraph 16 of IAS 24. This applies in equal measure to the accounts of the Devon Pension Fund.

The disclosures required by Regulation 7(3) of the Accounts and Audit (England) Regulations can be found on page 74 of the main accounts of Devon County Council and are as follows:

Senior Officers Remuneration

The County Council is required to:

- Name all officers that earn over £150,000 per annum for all or part of a year.
- List all post holders who earn between £50,000 and £150,000 for all or part of a year and who also fit the following criteria:
    - They report directly to the Chief Executive, or;
    - They are part of the Councils Senior Management Team, or;
    - They hold posts required by statute (the Chief Finance Officer and the Monitoring Officer)

The remuneration paid to the Authority's senior employees is as follows:

	Note		Salary, Fees and Allowances £	Expenses Allowances £	Compensation for loss of office £	Pension contributions £	**Total £**
Chief Executive		2015/16	149,995			28,199	**178,194**
		2014/15	149,995			28,199	**178,194**
Strategic Director - Place		2015/16	129,995			24,439	**154,434**
		2014/15	129,995			24,439	**154,434**
Strategic Director - People		2015/16	129,995			24,439	**154,434**
		2014/15	129,995			24,439	**154,434**
County Solicitor		2015/16	105,000			19,740	**124,740**
		2014/15	105,000			19,740	**124,740**
County Treasurer		2015/16	105,000			19,740	**124,740**
		2014/15	105,000			19,740	**124,740**
Head of Business Strategy	1	2015/16	98,025			18,429	**116,454**
& Support		2014/15	75,375			14,171	**89,546**
Director of Public Health		2015/16	155,630	81		22,255	**177,966**
		2014/15	154,624	198		21,647	**176,469**

Notes:
1) Salary paid in 2015/16 includes arrears of pay of £11,325 for Salary due in 2014/15

13. Stock Lending

The Local Government Pension Scheme (Management & Investment of Funds) Regulations 2009 allow the Fund to lend stock provided that the total value of the securities to be transferred does not exceed 25% of the total fund value. JP Morgan Worldwide Securities Services acted as custodian for the Fund up to 31 August 2014, and the Northern Trust Company has acted as custodian for the Fund since 1 September 2014. Both were authorised to lend both UK and Overseas stocks. A summary of the stock on loan as at 31 March 2016 is shown below.

31 March 2015 £'000	**% of Fund %**		**31 March 2016 £'000**	**% of Fund %**
33,531	1.0	**Stock on Loan**	**25,399**	0.8
		Collateral		
1,367		Cash	10,621	
33,946		Securities	16,094	
35,313			**26,715**	

Northern Trust is authorised to invest and reinvest all or substantially all cash collateral. The cash collateral shown in the above table reflects its fair value as at the 31st March. It is not the policy of Northern Trust or the Devon Pension Fund to sell or repledge collateral held in the form of securities. Such securities are shown in the above table at fair value as at 31st March. In the event of default by the borrower Northern Trust will liquidate the non-cash collateral and will repurchase the original lent securities. If this is not possible (due to liquidity issues), Northern Trust will arrange an acceptable solution with the Devon Pension Fund.

14. Investment Management Arrangements

The Pension Fund is currently managed by 8 external managers (8 in 2014/15) and the in-house Investment Team in the following proportions:

31 March 2015 £'000	%	Manager	Mandate	31 March 2016 £'000	%
183,017	5.4	Aberdeen Asset Managers Ltd	Global Equity	174,215	5.2
146,004	4.3	Aberdeen Asset Managers Ltd	Global Emerging	136,970	4.1
841,488	25.1	State Street Global Advisors Ltd	Passive Equities	549,209	16.5
635,852	18.9	UBS Global Asset Management (UK) Ltd	Passive Equities	876,318	26.4
203,446	6.0	Lazard Asset Management LLC	Global Fixed Interest	208,203	6.3
192,308	5.7	Wellington Management International Ltd	Global Fixed Interest	194,035	5.8
250,031	7.4	Baillie Gifford & Co	Diversified Growth Fund	247,811	7.5
246,004	7.3	Baring Asset Management Ltd	Diversified Growth Fund	238,268	7.2
345,548	10.3	Aviva Investors Global Services Ltd	Property	366,555	11.0
318,654	9.6	DCC Investment Team	Specialist Funds	330,868	10.0
3,362,352	**100**			**3,322,452**	**100**

15. Investment Movements and Transactions

The change in market value of investments during the year comprises all increases and decreases in the market value of investments held at any time during the year, including profits and losses realised on sales of investments during the year.

	Value at 31 March 2015	Reclassification	Purchases at cost & Derivative Payments	Sale proceeds & Derivative Receipts	Change in Market Value	Value at 31 March 2016
	£000	£000	£000	£000	£000	£000
Investment Assets						
Fixed Interest						
U.K. Public Sector Bonds	15,362	0	10,094	(23,348)	(127)	1,981
Overseas Government Bonds	177,602	1,020	247,202	(297,361)	560	129,023
Overseas Government Index Linked Bonds	0	0	2,064	(110)	74	2,028
UK Corporate Bonds	16,644	0	421	(9,479)	(519)	7,067
Overseas Corporate Bonds	122,222	(1,020)	30,386	(83,706)	(1,351)	66,531
Equities (Listed)						
U.K.	33,346	0	4,309	(3,547)	(6,023)	28,085
Overseas	264,294	0	41,763	(35,198)	(17,190)	253,669
Pooled investments	2,340,286	0	477,746	(345,690)	(34,138)	2,438,204
Pooled property investments	334,997	0	30,983	(29,937)	22,820	358,863
Derivative contracts						
Futures	13	0	0	62	(75)	0
Forward currency contracts	1,400	0	45,746	(41,553)	(9,135)	(3,542)
Bond Forwards	471	0	14,376	(14,872)	25	0
Foreign Currency	5,257	0	4,984	(8,461)	376	2,156
Amount receivable for sales of investments	38,446	0	0	(37,215)	(351)	880
Amounts payable for purchases of investments	(45,794)	0	44,944	0	375	(475)
	3,304,546	**0**	**955,018**	**(930,415)**	**(44,679)**	**3,284,470**
Other Investment Balances						
Short Term Deposits	0					0
Cash Equivalents	30,258					21,296
Cash & Bank Deposits	22,686					12,168
Investment income due	4,862					4,518
Net investment assets	**3,362,352**					**3,322,452**

Investment Assets	Value at 31 March 2014 - Restated	Reclassification	Purchases at cost & Derivative Payments	Sale proceeds & Derivative Receipts	Change in Market Value	Value at 31 March 2015
Fixed Interest						
U.K. Public Sector Bonds	10,959	0	23,924	(20,996)	1,475	15,362
Overseas Government Bonds	205,791	0	618,049	(652,825)	6,587	177,602
Overseas Government Index Linked Bonds	0	0	25,652	(25,619)	(33)	0
UK Corporate Bonds	20,184	0	3,535	(7,230)	155	16,644
Overseas Corporate Bonds	142,478	0	55,222	(80,386)	4,908	122,222
Equities (Listed)						
U.K.	45,924	0	7,655	(16,357)	(3,876)	33,346
Overseas	379,345	0	53,902	(198,938)	29,985	264,294
Pooled investments	1,963,965	0	303,194	(130,053)	203,180	2,340,286
Pooled property investments	297,414	0	25,050	(25,384)	37,917	334,997
Derivative contracts						
Futures	(18)	0	2,254	(1,487)	(736)	13
Purchased/written options	0	0	7	(5)	(2)	0
Forward currency contracts	(701)	0	34,740	(34,680)	2,041	1,400
Bond Forwards	19	0	68,966	(68,216)	(298)	471
Foreign Currency	6,363	0	14,745	(15,469)	(382)	5,257
Amount receivable for sales of investments	3,771	0	0	34,307	368	38,446
Amounts payable for purchases of investments	(22,257)	0	(23,123)	0	(414)	(45,794)
	3,053,237	**0**	**1,213,772**	**(1,243,338)**	**280,875**	**3,304,546**
Other Investment Balances						
Short Term Deposits	5,750					0
Cash Equivalents	29,221					30,258
Cash & Bank Deposits	30,907					22,686
Investment income due	8,615					4,862
Net investment assets	**3,127,730**					**3,362,352**

16. Analysis of Pooled Funds

2014/15 £'000		2015/16 £'000
	UK	
541,307	Unit Trusts	583,657
294,271	Property Funds	308,845
635,852	Unitised Insurance Policies	611,454
148,896	Other Managed Funds (Equities)	149,143
	Overseas	
143,199	Unit Trusts	105,695
40,726	Property Funds	50,018
0	Unitised Insurance Policies	264,864
811,212	Other Managed Funds (Equities)	530,141
59,820	Other Managed Funds (Fixed Interest)	193,250
2,675,283	**Total Pooled Funds**	**2,797,067**

17. Analysis of Fund Assets

The following analysis is provided to comply with CIPFA guidance on preparing the annual report, to provide a consistent analysis across LGPS funds to assist in the production of the scheme annual report compiled by the LGPS scheme advisory board.

2015/16

	UK £'000	Non UK £'000	Global £'000	Total £'000
Equities	811,748	818,028	266,447	1,896,223
Bonds	9,048	197,583	193,250	399,881
Alternatives	381,775	50,018	67,934	499,727
Cash and cash equivalents	38,387	2,156	0	40,543
Other	0	0	486,078	486,078
Total	**1,240,958**	**1,067,785**	**1,013,709**	**3,322,452**

2014/15

	UK £'000	Non UK £'000	Global £'000	Total £'000
Equities	835,816	963,907	188,957	1,988,680
Bonds	32,006	299,824	59,820	391,650
Alternatives	320,022	40,726	69,524	430,272
Cash and cash equivalents	50,458	5,257	0	55,715
Other	0	0	496,035	496,035
Total	**1,238,302**	**1,309,714**	**814,336**	**3,362,352**

18. Analysis of Investment Income

The following analysis is provided to comply with CIPFA guidance on preparing the annual report, to provide a consistent analysis across LGPS funds to assist in the production of the scheme annual report compiled by the LGPS scheme advisory board.

2015/16

	UK £'000	Non UK £'000	Global £'000	Total £'000
Equities	1,055	6,384	0	7,439
Bonds	850	8,433	0	9,283
Alternatives	12,573	2,529	2,847	17,949
Cash and cash equivalents	1,072	0	0	1,072
Other	0	0	0	0
Total	**15,550**	**17,346**	**2,847**	**35,743**

2014/15

	UK £'000	Non UK £'000	Global £'000	Total £'000
Equities	1,727	8,370	36	10,133
Bonds	1,148	10,141	0	11,289
Alternatives	10,761	661	3,022	14,444
Cash and cash equivalents	763	0	0	763
Other	0	0	0	0
Total	**14,399**	**19,172**	**3,058**	**36,629**

19. Derivative Contracts

Derivative receipts and payments represent the realised gains and losses on futures contracts. The scheme's objective is to decrease the risk in the portfolio by entering into future positions to match current assets that are already held in the portfolio without disturbing the underlying assets.

There are no future contracts or bond forwards held as at 31 March 2016. This is a result of the decision to transfer the assets managed by Wellington Management from a segregated mandate to a pooled fund.

Futures

Position at 31 March 2015				Position at 31 March 2016	
Economic exposure £'000	Market value £'000		Expiration Period	Economic exposure £'000	Market value £'000
		INVESTMENT ASSETS			
		Futures			
0	0	UK Fixed Interest	< 1 Year	0	0
14,507	69	Overseas Fixed Interest	< 1 Year	0	0
14,507	69	**Total Assets**		0	0
		INVESTMENT LIABILITIES			
		Futures			
(604)	0	UK Fixed Interest	< 1 Year	0	0
(17,461)	(56)	Overseas Fixed Interest	< 1 Year	0	0
(18,065)	(56)	**Total Liabilities**		0	0
(3,558)	**13**	**Futures Total**		**0**	**0**

Notes:
Futures. A futures contract is a standardised contract between two parties to buy or sell a specified asset of standardised quantity and quality at a specified future date at a price agreed on a given day (the futures price). The contracts are traded on a futures exchange. The economic exposure values futures on a 'gross basis' showing the total exposure to the underlying asset class that the future affects as if the change in asset allocation in the underlying asset class has taken place.

Bond Forwards

Position at 31 March 2015 Market value £'000		Expiration Period	Position at 31 March 2016 Market value £'000
	INVESTMENT ASSETS		
	Bond Forwards		
1,265	UK Bond Forwards	< 1 Year	0
1,000	Overseas Bond Forwards	< 1 Year	0
2,265	**Total Assets**		0
	INVESTMENT LIABILITIES		
	Bond Forwards		
(632)	UK Bond Forwards	< 1 Year	0
(1,162)	Overseas Bond Forwards	< 1 Year	0
(1,794)	**Total Liabilities**		0
471	**Total Bond Forwards**		**0**

Notes:
Bond Forwards. A bond forward is an agreement whereby a counterparty agrees to trade a specified amount of a bond at a specified price on a future date.

Forward Currency Contracts

Settlements	Currency bought	Local value £'000	Currency sold	Local value £'000	Asset value £'000	Liability value £'000
Up to one month	IDR	210,164	GBP	(11)	0	0
Up to one month	GBP	3	PHP	(231)	0	0
Up to one month	USD	1,713	CLP	(1,239,977)	0	(98)
One to six months	MYR	5,345	USD	(1,293)	61	0
One to six months	AUD	1,204	GBP	(587)	56	0
One to six months	GBP	9,956	AUD	(20,418)	0	(950)
One to six months	GBP	8,281	NZD	(18,182)	0	(481)
One to six months	NZD	352	GBP	(160)	10	0
One to six months	EUR	9,626	GBP	(7,501)	140	0
One to six months	GBP	4,262	HUF	(1,704,985)	0	(37)
One to six months	CZK	5,854	GBP	(169)	3	0
One to six months	GBP	10,951	NOK	(135,317)	0	(427)
One to six months	SEK	17,074	GBP	(1,409)	58	0
One to six months	GBP	5,719	PLN	(32,293)	0	(313)
One to six months	GBP	8,449	CAD	(16,546)	0	(450)
One to six months	CAD	1,161	GBP	(586)	39	0
One to six months	GBP	8,738	MXN	(236,843)	0	(837)
One to six months	GBP	4,875	SGD	(9,822)	0	(198)
One to six months	GBP	58,812	USD	(83,989)	388	(4)
One to six months	JPY	2,506,749	GBP	(15,428)	108	0
One to six months	USD	3,200	JPY	(364,710)	0	(34)
One to six months	MXN	79,457	USD	(4,348)	188	0
One to six months	SEK	13,813	USD	(1,630)	53	0
One to six months	USD	4,280	EUR	(3,876)	0	(99)
One to six months	USD	6,801	GBP	(4,759)	0	(28)
One to six months	USD	3,090	CLP	(2,107,484)	0	(26)
One to six months	HUF	178,792	GBP	(447)	4	0
Up to one month	GBP	415	HUF	(165,927)	0	(4)
Up to one month	CLP	1,239,977	USD	(1,815)	26	0
One to six months	KRW	2,802,294	USD	(2,315)	101	0
One to six months	JPY	727,580	USD	(6,463)	13	0
One to six months	USD	8,385	PHP	(396,028)	0	(153)
One to six months	GBP	1,634	EUR	(2,106)	0	(37)
One to six months	USD	2,993	CAD	(3,998)	0	(68)
One to six months	USD	4,343	MXN	(78,224)	0	(141)
One to six months	USD	1,467	NOK	(12,569)	0	(36)
One to six months	EUR	4,180	USD	(4,740)	21	0
Up to one month	GBP	13,820	EUR	(18,105)	0	(540)
Up to one month	GBP	34,508	USD	(49,385)	150	0
Open forward currency contracts at 31 March 2016					**1,419**	**(4,961)**
Net forward currency contracts at 31 March 2016						**(3,542)**
Prior year comparative:						
Open forward currency contracts at 31 March 2015					**4,244**	**(2,844)**
Net forward currency contracts at 31 March 2015						**1,400**

Notes:
Forward Currency Contract. A forward contract (or simply a forward) is a non-standardized contract between two parties to buy or sell an asset at a specified future time at a price agreed today.

20. Current Assets and Liabilities

The Analysis of Current Assets and Liabilities does not include purchases and sales of investments not yet due for settlement or investment income due. They are included within net investment assets and liabilities. Current assets and liabilities are valued at the fair value approximation of historical cost. Current assets and liabilities are all short term and there is no active market in which they are traded.

a) Analysis by nature of asset or liability

31 March 2015 £000		31 March 2016 £000
	Current Assets	
	Debtors and Prepayments	
	Contributions Receivable	
10,234	Employers	10,136
3,008	Current portion of non current assets (Employers contributions)	3,008
2,828	Employees	2,857
0	Interest on Cash & Bank Deposits	55
3,608	Other debtors	3,362
19,678		**19,418**
	Current Liabilities	
	Creditors and Receipts in Advance	
(1,917)	Devon County Council	(2,073)
(4,853)	Other creditors	(3,650)
(6,770)		**(5,723)**

b) Analysis by type of debtor or creditor

31 March 2015 £000		31 March 2016 £000
	Current Debtors	
4,599	Central Government Bodies	4,915
12,912	Other Local Authorities	12,473
25	NHS Bodies	73
1	Public Corporations and Trading Funds	0
2,141	Bodies external to general Government	1,957
19,678		**19,418**
	Current Creditors	
(1,492)	Central Government Bodies	(1,561)
(2,029)	Other Local Authorities	(2,114)
0	NHS Bodies	(1)
(3,249)	Bodies external to general Government	(2,047)
(6,770)		**(5,723)**

21. Non-Current Assets and Liabilities

At 31 March 2005 all staff employed by the Devon & Cornwall Magistrates Courts Service who were members of the Devon (LGPS) Fund transferred to the Principal Civil Service Pension Scheme (PCSPS). No further contributions were received from that employer. All affected staff subsequently had 12 months to elect whether to leave their accrued pension entitlement with the Devon Fund (as a deferred benefit) or transfer their 'pension pot' to the PCSPS. Under the transfer protocol issued by the Department for Constitutional Affairs the total capital payment of £15.04 millions due to the Devon Pension Fund would be repaid in ten annual instalments of £1.504 millions. The first instalment was received during 2011/12. The 2015/16 instalment was received in April 2016 and is included within current assets (Other debtors). The next instalment is disclosed as part of current assets with the remaining 4 instalments disclosed as part of long term assets. The deferred income is disclosed as part of long term creditors.

a) Analysis by nature of asset or liability

31 March 2015 £000		31 March 2016 £000
	Non Current Assets	
	Debtors and Prepayments	
8,190	Contributions Receivable - Employers	7,288
8,190		**7,288**
	Non Current Liabilities	
	Creditors and Receipts in Advance	
(9,024)	Deferred Income	(7,520)
(9,024)		**(7,520)**

b) Analysis by type of debtor or creditor

31 March 2015 £000		31 March 2016 £000
	Non current Debtors	
7,520	Central Government Bodies	6,161
515	Other Local Authorities	1,032
155	Bodies external to general Government	95
8,190		**7,288**
	Non current Creditors	
(9,024)	Central Government Bodies	(7,520)
(9,024)		**(7,520)**

22. Funded Obligation

The actuarial present value of promised retirement benefits (the Funded Obligation) amounts to £5,744 millions as at 31 March 2016 (£5,965 millions as at 31 March 2015). The Funded Obligation consists of £5,513 millions (£5,220 millions as at 31 March 2015) in respect of Vested Obligation and £231 millions (£745 millions as at 31 March 2015), of Non-Vested Obligation.

These figures have been prepared by the Fund Actuary (Barnett Waddingham LLP) in accordance with their understanding of IAS 26. In calculating the disclosed numbers the Actuary has adopted methods and assumptions that are consistent with IAS 19.

Actuarial Methods and Assumptions

Valuation Approach

To assess the value of the Fund's liabilities at 31 March 2016, the actuary has rolled forward the value of Fund's liabilities calculated for the funding valuation as at 31 March 2013, using financial assumptions that comply with IAS19.

The full actuarial valuation involved projecting future cashflows to be paid from the Fund and placing a value on them. These cashflows include pensions currently being paid to members of the Fund as well as pensions (and lump sums) that may be payable in future to members of the Fund or their dependants. These pensions are linked to inflation and will normally be payable on retirement for the life of the member or a dependant following a member's death.

It is not possible to assess the accuracy of the estimated liability as at 31 March 2016 without completing a full valuation. However, we are satisfied that the approach of rolling forward the previous valuation data to 31 March 2016 should not introduce any material distortions in the results provided that the actual experience of the Fund has been broadly in line with the underlying assumptions, and that the structure of the liabilities is substantially the same as at the latest formal valuation. From the information we have received there appears to be no evidence that this approach is inappropriate.

Demographic/Statistical Assumptions

The Actuary has adopted a set of demographic assumptions that are consistent with those used for the funding valuation as at 31 March 2013. The post retirement mortality tables adopted are the S1PA tables with a multiplier of 100% for males and 90% for females. These base tables are then projected using the CMI 2012 Model, allowing for a long term rate of improvement of 1.5% per annum.

The assumed life expectations from age 65 are:

Life Expectancy from 65 (years)	31 March 2015	31 March 2016
Retiring Today		
Males	22.8	22.9
Females	26.1	26.2
Retiring in 20 years		
Males	25.1	25.2
Females	28.4	28.6

The Actuary has also made the following assumptions:

- Members will exchange half of their commutable pension for cash at retirement;
- Members will retire at one retirement age for all tranches of benefit, which will be the pension weighted average tranche retirement age
- 10% of active members will take up the option under the new LGPS to pay 50% of contributions for 50% of benefits.

Financial Assumptions

The financial assumptions used for the purposes of the calculations are as follows:

Assumptions as at	31 March 2016		31 March 2015		31 March 2014	
	% p.a	Real*	% p.a	Real*	% p.a	Real*
RPI Increases	3.3%	-	3.2%	0.0%	3.6%	0.0%
CPI Increases	2.4%	-0.9%	2.4%	-0.8%	2.8%	-0.8%
Salary Increases	4.2%	0.9%	4.2%	1.0%	4.6%	1.0%
Pension Increases	2.4%	-0.9%	2.4%	-0.8%	2.8%	-0.8%
Discount rate	3.7%	0.4%	3.3%	0.1%	4.5%	0.9%

*Relative to RPI

These assumptions are set with reference to market conditions at 31 March 2016.

The Actuary's estimate of the duration of the Fund's liabilities is 19 years. The duration is the average time to payment of the benefits, weighted by the value of each payment.

The discount rate is the annualised yield at the 19 year point on the Merrill Lynch AA rated corporate bond curve which has been chosen to meet the requirements of IAS19 and with consideration of the duration of the Fund's liabilities. This is consistent with the approach used at the last accounting date.

The Retail Prices Index (RPI) increase assumption is set based on the difference between conventional gilt yields and index-linked gilt yields at the accounting date using data published by the Bank of England (BoE), specifically the 19 year point on the BoE market implied inflation curve. The RPI assumption is therefore 3.3% p.a. This is consistent with the approach used at the last accounting date.

As future pension increases are expected to be based on the Consumer Prices Index (CPI) rather than RPI, the Actuary has made a further assumption about CPI which is that it will be 0.9% p.a. below RPI i.e. 2.4% p.a. This is a slightly higher differential than last year. The Actuary believes that this is a reasonable estimate for the future differences in the indices, based on the different calculation methods and recent independent forecasts.

Salaries are assumed to increase at 1.8% p.a. above CPI in addition to a promotional scale.

Settlements

As a result of members transferring to another Fund over the year, liabilities have been settled at a cost different to the accounting reserve. The capitalised gain of this settlement is £879,000.

23. Taxation

Value Added Tax The Fund is reimbursed by H.M.Revenue & Customs, and the accounts are shown exclusive of this tax.

Income Tax The Pension Fund is an exempt fund, and where permitted U.K tax on interest and dividends is recovered from H.M.Revenue & Customs. The Pension Fund cannot reclaim the 10% tax credit attached to U.K. company dividends which are included net of the tax credit.

Withholding Tax This is payable on income from overseas investments. This tax is recovered wherever local tax law permits.

24. Financial Instrument Disclosures

The Net Assets of the Fund disclosed in the Net Asset Statement are made up of the following categories of financial instruments:

Fair value through profit and loss	Loans and receivables	Financial liabilities at amortised cost		Fair value through profit and loss	Loans and receivables	Financial liabilities at amortised cost
	2014/15				2015/16	
£'000	£'000	£'000		£'000	£'000	£'000
			Financial assets			
331,830	0	0	Fixed Interest	206,631	0	0
297,640	0	0	Equities (Listed)	281,754	0	0
2,340,286	0	0	Pooled investments	2,438,204	0	0
334,997	0	0	Pooled property investments	358,863	0	0
6,578	0	0	Derivative contracts	1,418	0	0
0	58,201	0	Cash	0	35,620	0
43,308	0	0	Other investment balances	5,398	0	0
0	27,868	0	Debtors	0	26,706	0
3,354,639	**86,069**	**0**		**3,292,268**	**62,326**	**0**
			Financial Liabilities			
(4,694)	0	0	Derivative contracts	(4,961)	0	0
0	0	(45,794)	Other investment balances	0	0	(475)
0	0	(15,794)	Creditors	0	0	(13,243)
(4,694)	**0**	**(61,588)**		**(4,961)**	**0**	**(13,718)**
3,349,945	**86,069**	**(61,588)**		**3,287,307**	**62,326**	**(13,718)**

As all investments are disclosed at fair value, carrying value and fair value are therefore the same.

The gains and losses recognised in the Fund Account in relation to financial instruments are made up as follows:

31 March 2015		31 March 2016
£000		£000
	Financial assets	
324,830	Fair value through profit and loss	(10,142)
749	Loans and receivables	1,096
325,579		**(9,046)**
	Financial liabilities	
(7,660)	Fair value through profit and loss	(265)
(415)	Loans and receivables	375
(8,075)		**110**

The total changes in fair value represent unrealised profit or loss. The difference in unrealised profit / (loss) figures between 2014/15 and 2015/16 reflects the prevailing economic conditions during each of the two years and the impact on the specific assets held by the Fund.

25. Additional Financial Risk Management Disclosures

The activities of the Pension Fund are exposed to a variety of financial risks; market risk (price risk, currency risk and interest rate risk), credit risk and liquidity risk.

The Fund's investments are managed on behalf of scheme members by the Investment Managers. Each investment manager is required to invest the assets managed by them in accordance with the terms of a written investment mandate or duly authorised prospectus.

The Investment and Pension Fund Committee has determined that appointment of these managers is appropriate for the Fund and is in accordance with its investment strategy.

The Investment and Pension Fund Committee obtains regular reports from each investment manager on the nature of the investments made and associated risks.

The Fund is exposed to interest rate risk, currency risk and other price risk due to its underlying assets and liabilities. The analysis below is provided to meet the disclosure requirements of IFRS 7 Financial Instruments disclosures and should not be used for any other purpose. The analysis is not intended to constitute advice and is not guaranteed.

Market Risk

Market risk represents the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. The Fund is exposed, particularly through its equity portfolio, to market risk influencing investment valuations. In addition to the effects of movements in interest rates, the Fund is exposed to currency risk and other price risk. The objective of market risk management is to manage and control market risk exposure within acceptable parameters, while optimising the return on risk.

In general, excessive volatility in market risk is managed through the diversification of the portfolio in terms of exposure to different markets through different Investment Managers. Risk of exposure to specific markets is limited by applying strategic targets to asset allocation, which are monitored by the Investment and Pension Fund Committee.

Other Price Risk

Other price risk represents the risk that the value of a financial instrument will fluctuate as a result of changes in market prices (other than those arising from interest rate risk or foreign exchange risk), whether those changes are caused by factors specific to the individual instrument or its issuer or factors affecting all instruments in the market.

The Fund is exposed to price risk which arises from investments for which the prices in the future are uncertain. All securities investments present a risk of loss of capital, the maximum risk resulting from financial instruments is determined by the fair value of the financial instruments. The investment managers mitigate this risk through diversification in line with their own investment strategies.

Other Price Risk - Sensitivity Analysis

Following analysis of data from WM Performance Services, it has been determined that the following movements in market price risk were reasonably possible for the 2015/16 reporting period:

Asset Class	Percentage Change 2014/15	Percentage Change 2015/16
Equities	9.14%	9.50%
Bonds	6.93%	6.00%
Cash	0.01%	0.01%
Pooled Property Investments	3.00%	2.59%
Infrastructure	12.61%	8.85%
Pooled Multi Asset	3.95%	4.97%

A price change disclosed above is broadly consistent with a one-standard deviation movement in the value of the assets based on movements over the previous 3 years. This analysis assumes that all other variables, in particular foreign currency exchange rates, and interest rates remain constant.

An increase or decrease in the market price of the investments of the Fund by the percentages given at 31 March would have increased or decreased the net assets available to pay benefits by the amount shown below:

As at 31 March 2016

Asset Class	Value £'000	Percentage Change	Increase £'000	Decrease £'000
Equities	1,896,223	9.50%	180,141	(180,141)
Bonds	399,881	6.00%	23,993	(23,993)
Cash	37,000	0.01%	4	(4)
Pooled Property Investments	358,863	2.59%	9,295	(9,295)
Infrastructure	144,407	8.85%	12,780	(12,780)
Pooled Multi Asset	486,078	4.97%	24,158	(24,158)
Total	**3,322,452**		**250,371**	**(250,371)**

As at 31 March 2015

Asset Class	Value £'000	Percentage Change	Increase £'000	Decrease £'000
Equities	1,988,680	9.14%	181,765	181,765
Bonds	391,650	6.93%	27,141	27,141
Cash	57,599	0.01%	6	6
Pooled Property Investments	334,997	3.00%	10,050	10,050
Infrastructure	93,391	12.61%	11,777	11,777
Pooled Multi Asset	496,035	3.95%	19,593	19,593
Total	**3,362,352**		**250,332**	**250,332**

Interest Rate Risk

The Fund invests in financial assets for the primary purpose of obtaining a return on investments on behalf of scheme members. These investments are subject to interest rate risks, which represent the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

Interest rates are monitored during the year, both by the Fund's Investment Managers and by the Devon County Council Investments team. Short term deposits are made at fixed rates and monitored against a target rate for the year, with the aim of maximising interest within risk parameters set by the Investment and Pension Fund Committee.

The Fund's exposure to interest rate movements on those investments at 31 March 2015 and 2016 are provided below. These disclosures present interest rate risk based on underlying financial assets (at fair value).

	As at 31 March 2015 £'000	As at 31 March 2016 £'000
Cash and cash equivalents	52,944	33,464
Fixed Interest	391,650	399,881
Total	**444,594**	**433,345**

Interest Rate Risk - Sensitivity Analysis

Interest rates vary and can impact on the value of the net assets available to pay benefits to scheme members. This analysis assumes that all other variables, in particular foreign currency rates, remain constant.

The sensitivity of bond prices to interest rate changes depends upon both the maturity of the fixed interest security and the size and frequency of its coupon payments. Duration is used to measure interest rate risk and is the weighted average maturity of a bond, where the weights are the relative discounted cash flows in each period. Duration can then be adapted with reference to the yield of a bond to calculate modified duration, which is the percentage change in a bond's price for a 1% change in yields. Modified duration can be calculated for a portfolio of bonds, and modified duration figures have been provided by the Devon Pension Fund's two bond managers (Lazard and Wellington) for the portfolios that they manage. A weighted average has been used in the tables below.

An increase or decrease of 1% in interest rates at the reporting date would have increased or decreased the change for the year in net assets available to pay benefits by the amount shown below:

As at 31 March 2016	Carrying value at 31 March 2016	Modified Duration of Portfolio	Effect on Asset Values	
			+1%	-1%
	£'000	£'000	£'000	£'000
Cash and cash equivalents	33,464	-	-	-
Fixed Interest	399,881	3.86%	(15,435)	15,435
Total	**433,345**	**3.86%**	**(15,435)**	**15,435**

As at 31 March 2015	Carrying value at 31 March 2015	Modified Duration of Portfolio	Effect on Asset Values	
			+1%	-1%
	£'000	£'000	£'000	£'000
Cash and cash equivalents	52,944	-	-	-
Fixed Interest	331,830	4.69%	(15,563)	15,563
Total	**384,774**	**4.69%**	**(15,563)**	**15,563**

As at 31 March 2016	Amount receivable in year ending 31 March 2016	Effect on Income Values	
		+1%	-1%
	£'000	£'000	£'000
Cash and cash equivalents	1,072	11	(11)
Fixed Interest	9,638	-	-
Total	**10,710**	**11**	**(11)**

As at 31 March 2015	Amount receivable in year ending 31 March 2015	Effect on Income Values	
		+1%	-1%
	£'000	£'000	£'000
Cash and cash equivalents	726	7	(7)
Short term Deposits	37	0	(0)
Fixed Interest	11,443	-	-
Total	**12,206**	**7**	**(7)**

This analysis demonstrates that a 1% increase in interest rates will not affect the interest received on fixed interest assets but will reduce their fair value, and vice versa. Changes in interest rates do not impact on the value of cash/cash equivalent or short term deposit balances but they will affect the interest income received on those balances. Changes to both the fair value of assets and the income received from investments impact on the net assets available to pay benefits.

Currency Risk and Sensitivity Analysis

Currency risk represents the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Fund is exposed to currency risk on financial instruments that are denominated in a currency other than the functional currency (Pound Sterling) of the Fund. The Fund holds both monetary and non-monetary assets denominated in currencies other than Pounds Sterling.

The following table summarises:

a. The Fund's exposure at 31 March 2016 to currency exchange rate movements on its investments based on movements over the previous 3 years.

b. A sensitivity analysis based on historical data (provided by WM Performance Services) of the likely volatility associated with foreign currency rate movements (as measured by one standard deviation). A strengthening or weakening of the pound against the various currencies by one standard deviation (measured in percentages) at 31 March 2016 would have increased or decreased the change for the year in net assets available to pay benefits by the amount shown. These changes in the currencies are considered to be reasonable based on historical movements in exchange rates over the past three years.

This analysis assumes that all other variables, in particular interest rates, remain constant. The analysis is performed on the same basis for the year ended 31 March 2016.

As at 31 March 2016	Assets held at fair value	FX Contracts	Total	Percentage Change	Change for the year in net assets available to pay benefits	
					+ 1 Standard Deviation	- 1 Standard Deviation
	£'000	£'000	£'000		£'000	£'000
Australian Dollar	13,794	(892)	12,902	9.26%	1,195	(1,195)
Brazilian Real	8,115	0	8,115	13.89%	1,127	(1,127)
Canadian Dollar	21,204	(412)	20,792	7.89%	1,640	(1,640)
Swiss Franc	16,984	0	16,984	9.95%	1,689	(1,689)
Chilean Peso	2,183	26	2,209	9.22%	204	(204)
Czech Republic Koruna	162	3	165	7.96%	13	(13)
Danish Krona	463	0	463	6.83%	32	(32)
Euro	169,080	(417)	168,663	6.77%	11,422	(11,422)
Hong Kong Dollar	24,976	0	24,976	7.67%	1,916	(1,916)
Hungarian Forint	5,761	(37)	5,724	8.75%	501	(501)
Indonesian Rupiah	6,539	0	6,539	12.46%	814	(814)
Indian Rupee	2,036	0	2,036	10.28%	209	(209)
Israeli Shekel	157	0	157	6.58%	10	(10)
Japanese Yen	26,930	121	27,051	11.68%	3,159	(3,159)
South Korean Won	10,376	101	10,477	7.22%	756	(756)
Mexican Peso	15,242	(649)	14,593	8.25%	1,204	(1,204)
Malaysian Ringit	2,725	61	2,786	10.24%	285	(285)
Norwegian Krone	12,738	(427)	12,311	9.40%	1,158	(1,158)
New Zealand Dollar	9,308	(471)	8,837	11.02%	974	(974)
Philipines Peso	12,657	0	12,657	7.84%	992	(992)
Polish Zloty New	9,296	(313)	8,983	8.39%	754	(754)
Swedish Krone	2,939	111	3,050	7.65%	233	(233)
Singapore Dollars	7,502	(198)	7,304	6.17%	451	(451)
Thailand Baht	8,076	0	8,076	8.39%	678	(678)
New Turkish Lira	6,682	0	6,682	10.78%	720	(720)
New Taiwan Dollar	7,917	0	7,917	6.59%	522	(522)
US Dollars	381,416	(150)	381,266	7.78%	29,674	(29,674)
South African Rand	10,301	0	10,301	10.31%	1,062	(1,062)
	795,559	**(3,543)**	**792,016**		**63,394**	**(63,394)**

As at 31 March 2015	Assets held at fair value	FX Contracts	Total	Percentage Change	Change for the year in net assets available to pay benefits	
					+ 1 Standard Deviation	- 1 Standard Deviation
	£'000	£'000	£'000		£'000	£'000
Australian Dollar	14,270	(151)	14,119	8.87%	1,253	(1,253)
Brazilian Real	8,007	(4)	8,003	11.70%	936	(936)
Canadian Dollar	25,135	(90)	25,045	6.65%	1,666	(1,666)
Swiss Franc	22,130	638	22,768	9.34%	2,127	(2,127)
Chinese Yuan	6,091	0	6,091	7.73%	471	(471)
Colombian Peso	1,877	(1)	1,876	8.69%	163	(163)
Czech Republic Koruna	2,150	34	2,184	7.51%	164	(164)
Danish Krona	1,750	7	1,757	6.20%	109	(109)
Euro	142,598	80	142,678	6.15%	8,774	(8,774)
Hong Kong Dollar	26,965	0	26,965	7.74%	2,087	(2,087)
Hungarian Forint	1,677	0	1,677	10.02%	168	(168)
Indonesian Rupiah	4,465	0	4,465	11.65%	520	(520)
Israeli Shekel	157	(2)	155	7.10%	11	(11)
Japanese Yen	26,572	736	27,308	11.03%	3,011	(3,011)
South Korean Won	11,359	2	11,361	6.62%	752	(752)
Mexican Peso	12,727	(189)	12,538	9.42%	1,181	(1,181)
Malaysian Ringit	6,558	0	6,558	7.32%	480	(480)
Norwegian Krone	12,915	268	13,183	8.64%	1,139	(1,139)
New Zealand Dollar	12,016	(365)	11,651	9.20%	1,072	(1,072)
Peruvian Sol	4,171	(1)	4,170	6.98%	291	(291)
Philipines Peso	13,532	0	13,532	7.85%	1,062	(1,062)
Polish Zloty New	6,825	(47)	6,778	8.39%	569	(569)
Swedish Krone	11,801	(29)	11,772	7.31%	860	(860)
Singapore Dollars	5,964	(26)	5,938	5.89%	350	(350)
Thailand Baht	8,385	0	8,385	8.09%	678	(678)
New Turkish Lira	6,437	(115)	6,322	9.85%	623	(623)
New Taiwan Dollar	8,083	0	8,083	6.62%	535	(535)
US Dollars	369,525	655	370,180	7.78%	28,800	(28,800)
South African Rand	12,199	(1)	12,198	10.72%	1,308	(1,308)
	786,341	**1,399**	**787,740**		**61,160**	**(61,160)**

Credit Risk

Credit risk represents the risk that the counterparty to the financial instrument will fail to discharge an obligation and cause the Pension Fund to incur a financial loss. Market prices generally incorporate credit assessments into valuations and risk of loss is implicitly provided for in the carrying value of the financial assets and liabilities as they are marked to market.

	As at 31 March 2015 £'000	As at 31 March 2016 £'000
Fixed Interest	331,830	206,631
UK Equities - Quoted	33,346	28,085
Overseas Equities - Quoted	264,294	253,669
Pooled investments	2,340,286	2,438,204
Pooled property investments	334,997	358,863
Derivatives (net)	1,884	(3,543)
Foreign currency	5,257	2,156
Short term deposits	0	0
Cash and cash equivalents	52,944	33,464
Settlements and dividends receivable	43,308	5,398
Total of investments held	**3,408,146**	**3,322,927**

The net market value of financial assets represents the Fund's exposure to credit risk in relation to those assets. For derivative positions the credit risk is equal to the net market value of positive (asset) derivative positions.

The selection of high quality counterparties, brokers and financial institutions minimises credit risk that may occur through the failure to settle transactions in a timely manner. The Fund's exposure to concentrations of credit risk to individual counterparties comprises of assets that are invested by individual investment managers and in specific investment trusts. The contractual credit risk is represented by the net payment or receipt that remains outstanding, and the cost of replacing the derivative position in the event of a counterparty default.

Credit risk on exchange traded derivative contracts is minimal due to the various insurance policies held by the exchanges to cover defaulting counterparties.

Interest rate agreements and foreign exchange contracts are subject to credit risk in relation to the relevant counterparties, which are principally large banks. The maximum credit risk exposure on foreign currency contracts is the full amount of the foreign currency the Fund pays when settlement occurs, should the counterparty fail to pay the amount which it is committed to pay the Fund.

The Fund's exposure to credit risk at 31 March 2016 is the carrying amount of the financial assets.

The Pension Fund believes it has managed its exposure to credit risk, and has had no experience of default or uncollectable deposits over the past five financial years. The Fund's cash holding (short term deposits and cash equivalents) under its treasury management arrangements at 31 March 2016 was £21.296 millions (31 March 2015: £30.258 millions). This was held with the following institutions:

	Credit Rating at 31 March 2016			Balances as at 31 March 2015 £'000	Balances as at 31 March 2016 £'000
	Fitch	Moody's	Standard & Poor's		
Banks and Building Societies					
Barclays Bank	A	A2	A-	30,000	0
Handelsbanken	AA-	Aa2	AA-	258	21,296
				30,258	**21,296**

Liquidity Risk

Liquidity risk represents the risk that the Fund will not be able to meet its financial obligations as they fall due. In assessing each individual investment, a key consideration is to ensure that the liability of the Fund is limited to the amount of the investment in the asset.

The liquidity risks associated with the need to pay members' benefits are mitigated by maintaining a pool of cash. As this pool reduces other strategies will be developed to eliminate this risk. In the first instance, income from investments, now held and reinvested by fund managers, will be used to meet liquidity shortfall.

All the Fund's financial liabilities fall due within 12 months with the exception of the payments due from the Principal Civil Service Pension Scheme (PCSPS) (see note 21). Under the transfer protocol issued by the Department for Constitutional Affairs the capital payments due to the Pension Fund will be repaid in ten annual instalments of £1.504m. The first instalment was received during 2011/12. The 2015/16 instalment was received in April 2016 and is included within current assets. The next instalment is disclosed as part of current assets with the remaining 4 instalments disclosed as part of long term assets.

Fair Value Hierarchy

The valuation of financial instruments has been classified into three levels, according to the quality and reliability of information used to determine fair values.

Level 1
Financial instruments at Level 1 are those where the fair values are derived from unadjusted quoted prices in active markets for identical assets or liabilities. Products classified as level 1 comprise quoted equities, quoted fixed securities, quoted index linked securities and unit trusts.

Listed investments are shown at bid prices. The bid value of the investment is based on the bid market quotation of the relevant stock exchange.

Level 2
Financial instruments at Level 2 are those where quoted market prices are not available; for example, where an instrument is traded in a market that is not considered to be active, or where valuation techniques are used to determine fair value and where these techniques use inputs that are based significantly on observable market data.

Level 3
Financial instruments at Level 3 are those where at least one input that could have a significant effect on the instrument's valuation is not based on observable market data.

The UBS International Infrastructure Fund LLP, the Hermes GPE Infrastructure Fund LLP and the Aviva Investors REaLM Infrastructure Fund in 2015/16 and the UBS International Infrastructure Fund LLP and the Hermes GPE Infrastructure Fund LLP in 2014/15, have been classified as level 3 financial instruments.

The values of the investments in infrastructure funds are based on valuations provided by the fund managers. These valuations are prepared in accordance with the International Private Equity and Venture Capital Valuation Guidelines, which follow the valuation principles of IFRS and US GAAP. Valuations are usually undertaken annually at the end of December. Cash flow adjustments are used to roll forward the valuations to 31 March as appropriate.

The total amount of the change in fair value calculated based on these valuations that was recognised in the Fund Account is detailed below:

	2014/15	**2015/16**
	£'000	**£'000**
UBS International Infrastructure Fund LLP	1,296	(1,644)
Hermes GPE Infrastructure Fund LLP	579	2,932
Aviva Investors REaLM Infrastructure Fund	-	(320)
	1,875	**968**

The following table provides an analysis of the financial assets and liabilities of the pension fund grouped into Levels 1 to 3, based on the level at which the fair value is observable.

At 31 March 2016

	Quoted market price	Using observable inputs	With Significant unobservable inputs	
	Level 1	**Level 2**	**Level 3**	**Total**
	£'000	**£'000**	**£'000**	**£'000**
Investment Assets				
Fixed Interest				
U.K. Public Sector Bonds	1,981	-	-	1,981
Overseas Government Bonds	129,023	-	-	129,023
Overseas Government Index Linked Bonds	2,029	-	-	2,029
UK Corporate Bonds	7,067	-	-	7,067
Overseas Corporate Bonds	66,531	-	-	66,531
Equities (Listed)				
U.K.	28,085	-	-	28,085
Overseas	253,669	-	-	253,669
Pooled investments	689,352	1,672,363	76,489	2,438,204
Pooled property investments	-	358,863	-	358,863
Derivative Assets				
Futures - UK Fixed Interest	-	-	-	-
Futures - Overseas Fixed Interest	-	-	-	-
UK Bond Forwards	-	-	-	-
Overseas Bond Forwards	-	0	-	-
Options	-	-	-	-
Forward Currency Contracts	-	1,418	-	1,418
Cash Deposits				
Foreign Currency	-	2,156	-	2,156
Short Term Deposits	-	-	-	-
Cash Equivalents	-	21,296		21,296
Cash & Bank Deposits	12,168	-	-	12,168
Investment income due	4,518	-	-	4,518
Amounts receivable for sales	880	-	-	880
Investment Liabilities		-	-	-
Derivatives	-	-	-	-
Futures - UK Fixed Interest	-	-	-	-
Futures - Overseas Fixed Interest	-	0	-	-
UK Bond Forwards	-	0	-	-
Overseas Bond Forwards	-	0	-	-
Forward Currency Contracts	-	(4,961)	-	(4,961)
Amounts payable for purchases	(475)	-	-	(475)
Assets and Liabilities		-	-	-
Non current Assets	7,288	-	-	7,288
Non current Liabilities	(7,520)	-	-	(7,520)
Current Assets	19,418	-	-	19,418
Current Liabilities	(5,723)	-	-	(5,723)
Net Assets of the Fund at 31 March 2016	**1,208,291**	**2,051,135**	**76,489**	**3,335,915**

At 31 March 2015

	Quoted market price Level 1 £'000	Using observable inputs Level 2 £'000	With Significant unobservable inputs Level 3 £'000	Total £'000
Investment Assets				
Fixed Interest				
U.K. Public Sector Bonds	15,362	-	-	15,362
Overseas Government Index Linked Bonds	-	-	-	-
Overseas Government Bonds	177,602	-	-	177,602
UK Corporate Bonds	16,644	-	-	16,644
Overseas Corporate Bonds	122,222	-	-	122,222
Equities (Listed)	-			
U.K.	33,346	-	-	33,346
Overseas	264,294	-	-	264,294
Pooled investments	684,506	1,655,780	-	2,340,286
Pooled property investments	-	279,220	55,777	334,997
Derivative Assets				
Futures - UK Fixed Interest	-	-	-	-
Futures - Overseas Fixed Interest	-	69	-	69
UK Bond Forwards	-	1,265	-	1,265
Overseas Bond Forwards	-	1,000	-	1,000
Options	-	-	-	-
Forward Currency Contracts	-	4,244	-	4,244
Cash Deposits				
Foreign Currency	-	5,257	-	5,257
Short Term Deposits	-	-	-	-
Cash Equivalents	-	30,258	-	30,258
Cash & Bank Deposits	22,686	-	-	22,686
Investment income due	4,862	-	-	4,862
Amounts receivable for sales	38,446	-	-	38,446
Investment Liabilities				-
Derivatives				
Futures - UK Fixed Interest	-	-	-	-
Futures - Overseas Fixed Interest	-	(56)	-	(56)
UK Bond Forwards	-	(632)	-	(632)
Overseas Bond Forwards	-	(1,162)	-	(1,162)
Forward Currency Contracts	-	(2,844)	-	(2,844)
Amounts payable for purchases	(45,794)	-	-	(45,794)
Assets and Liabilities		-	-	-
Non current Assets	8,190	-	-	8,190
Non current Liabilities	(9,024)	-	-	(9,024)
Current Assets	19,678	-	-	19,678
Current Liabilities	(6,770)	-	-	(6,770)
Net Assets of the Fund at 31 March 2015	**1,346,250**	**1,972,399**	**55,777**	**3,374,426**

During the year ended 31 March 2016 there were no transfers between levels 1, 2 or 3 of the fair value hierarchy.

26. Funding Arrangements

In line with the Local Government Pension Scheme (Administration) Regulations 2013, the fund's actuary undertakes a funding valuation every three years for the purpose of setting employer contribution rates for the forthcoming triennial period. The last such valuation took place as at 31 March 2013. The next valuation will take place as at 31 March 2016.

The key elements of the funding policy are:

- to ensure the long-term solvency of the fund, ie that sufficient funds are available to meet all pension liabilities as they fall due for payment
- to ensure that employer contribution rates are as stable as possible
- to minimise the long-term cost of the scheme by recognising the link between assets and liabilities and adopting an investment strategy that balances risk and return
- to reflect the different characteristics of employing bodies in determining contribution rates where the administering authority considers it reasonable to do so
- to use reasonable measures to reduce the risk to other employers and ultimately to the council tax payer from an employer defaulting on its pension obligations.

The aim is to achieve 100% solvency over a period of 25 years and to provide stability in employer contribution rates by spreading any increases in rates over a short period of time, normally three years.

Solvency is achieved when the funds held, plus future expected investment returns and future contributions, are sufficient to meet expected future pension benefits payable.

At the 2013 actuarial valuation, the fund was assessed as 83% funded (81% at the March 2010 valuation). This corresponded to a deficit of £603 millions (2010 valuation: £530 millions) at that time.

The common contribution rate (ie the rate which all employers in the fund pay) over the three year period ending 31 March 2015 is 18.8% of payroll.

Individual employers' rates will vary from the common contribution rate depending on the demographic and actuarial factors particular to each employer. Full details of the contribution rates payable can be found in the 2013 actuarial valuation report (http://www.peninsulapensions.org.uk/wp-content/uploads/2013/10/Devon-Valuation-Report-31-March-2013.pdf) and the funding strategy statement (http://www.peninsulapensions.org.uk/wp-content/uploads/2013/08/devon-funding-strategy-statement.pdf).

The valuation of the fund has been undertaken using the projected unit method under which the salary increase for each member is assumed to increase until they leave active service by death, retirement or withdrawal from service. The principal assumptions were:

Financial assumptions

Assumptions	Rate
Investment return (discount rate)	6.1%
Price Inflation	3.5%
Salary increases	4.5%
Pension increases in line with CPI - Assumed to be 0.5% less than RPI	2.7%

Mortality assumptions

Mortality assumption at age 65	Male	Female
Current pensioners	22.7 years	26.0 years
Future pensioners (assumed current age 45)	24.9 years	28.3 years

Historic mortality assumptions

Life expectancy for the year ended 31 March 2013 are based on S1PA tables with a multiplier of 100% for males and 90% for females. The allowances for future life expectancy are based on the 2012 CMI Model with a long term rate of improvement of 1.5% per annum.

Commutation assumption

It is assumed that at retirement 50% of members will opt to increase their lump sum to the maximum allowed.

Statistical Summary

Financial Summary

	2011/12 £'000	2012/13 £'000	2013/14 £'000	2014/15 £'000	2015/16 £'000
Contributions and Benefits					
Contributions	(152,657)	(146,603)	(149,016)	(150,902)	(153,280)
Transfers in from other pension funds	(9,868)	(8,647)	(7,446)	(5,686)	(4,766)
	(162,525)	(155,250)	(156,462)	(156,588)	(158,046)
Benefits Paid	143,382	145,497	150,435	158,336	166,247
Payments to and on account of leavers	5,933	5,636	6,251	68,742	7,429
	149,315	151,133	156,686	227,078	173,676
Net (Additions) Withdrawals from Dealings with Fund members	**(13,210)**	**(4,117)**	**224**	**70,490**	**15,630**
Management Expenses	**4,878**	**8,579**	**10,074**	**12,481**	**13,945**
Returns on Investments					
Investment Income	(47,438)	(41,840)	(39,625)	(36,629)	(35,743)
Increase / (decrease) in Market Value of Investments during the Year	(21,062)	(285,575)	(103,882)	(280,875)	44,679
Net Returns on Investments	**(68,500)**	**(327,415)**	**(143,507)**	**(317,504)**	**8,936**
Net Assets of the Fund at 31 March	**(2,683,731)**	**(3,006,684)**	**(3,139,893)**	**(3,374,426)**	**(3,335,915)**

Members Summary

	2011/12 No.	2012/13 No.	2013/14 No.	2014/15 No.	2015/16 No.
Devon County Council					
Contributors	12,527	11,747	13,033	13,849	13,154
Pensioners and Dependants	11,408	11,824	12,175	12,649	12,720
Deferred Pensioners	10,480	11,113	11,576	15,648	16,171
Other Employers					
Contributors	22,760	23,653	24,196	25,620	24,525
Pensioners and Dependants	14,446	15,225	15,951	16,315	16,415
Deferred Pensioners	15,780	16,927	18,234	21,994	23,081

* Deferred pensioners include frozen memberships pending refunds and those undecided pending resolution.

Employing Bodies

	Active	Ceased	Total
Scheduled body	143	14	157
Admitted body	59	32	91
Total	**202**	**46**	**248**

There are currently 202 employers who have active members in the Fund.

Administering Authority

Devon County Council

Scheduled Bodies

Acorn Multi Academy Trust
Ashburton Town Council
Barnstaple Town Council
Barton Hill Academy
Bay Education Trust
Bicton College
Bideford College
Bideford Town Council
Bishopsteignton Parish Council
Bovey Tracey Town Council
Bradninch Town Council
Bradworthy Primary Academy
Braunton School And Community College
Brixham College
Brixham Town Council
Broadclyst Community Primary School
Buckland Monachorum Parish Council
Catered Limited
Chudleigh Town Council
Chulmleigh Community College
Churston Ferrers Grammar School Academy
City College Plymouth
Clyst Vale Community College
Coast Academies
Colyton Grammar School Academy
Combe Martin Parish Council
Coombe Dean School
Coombe Pafford School
Cranbrook Town Council
Crediton Town Council
Cullompton Town Council
Dartmoor National Park
Dartmouth Academy
Dartmouth Town Council
Dawlish Town Council
Devon & Cornwall Police & Crime Commissioner
Devon & Severn IFCA
Devon & Somerset Fire & Rescue
Devonport High School For Boys
Devonport High School For Girls
Drake Primary
East Devon District Council
Eggbuckland Community College
Elburton Primary Academy Trust
Exeter City Council
Exeter College
Exeter Mathematics School
Exmouth Community College
Exmouth Town Council
Fremington Parish Council
Gatehouse ACE Academy
Great Torrington Academy
Great Torrington Town Council
Hayes Road Academy
Hele's Trust
Holsworthy Academy
Honiton Community College
Honiton Town Council
Hooe Primary Academy Trust
Ilfracombe Arts College
Ilfracombe Town Council
Inspire Mat
Ivybridge Community College
Ivybridge Town Council
Kings Academy
Kingsbridge Academy
Kingsbridge Town Council
Kingsteignton Town Council
Kingswear Primary School
Learning Academy Partnership
Lipson Academy
Littletown Primary Academy And Nursery
Lynton & Lynmouth Town Council
Marine Academy Plymouth
Mayflower Academy
Mid Devon District Council
Newport Community School Primary Academy
Newton Abbot College
Newton Abbot Town Council
North Devon District Council
North Devon Joint Crematorium
Okehampton Town Council
Oreston Community Academy
Our School Federation
Petroc
Pilton Community College
Plymouth Cast
Plymouth City Bus
Plymouth City Council
Plymouth College Of Art & Design
Plymouth School Of Creative Arts
Plymouth Studio School
Plymouth University
Plymstock Academy
Primaries Academy Trust
Queen Elizabeth's Academy Trust
Ridgeway School
Riviera Primary Trust
Route 39 Academy
Seaton Town Council
Schools Company
Shiphay Learning Academy
Sidmouth Town Council
South Dartmoor Academy
South Devon College
South Devon UTC
South Hams District Council
South Molton Town Council
Sparkwell Primary Academy
St Boniface Rc Boys School
St Christophers Primary Mat
St Margaret'S Academy
Steiner Academy
Stockland Cofe Primary School
Stoke Damerel Academy
Stoke Fleming
Stokenham Parish Council
Stowford Primary School
Studio School - South Devon
Team Multi Academy Trust
Tedburn St Mary Parish Council
Tedd Wragg MAT
Teignbridge District Council
Teignmouth Community School
Teignmouth Town Council
Templer Academy
The All Saints Church Of England Academy
Tone Leisure
Tor Bridge High
Torbay Council
Torbay Economic Development Academy
Torquay Boys' Grammar School
Torquay Girls Grammar School
Torquay Museum Trust
Torre Primary School
Torridge District Council
Totnes Town Council
Uffculme Academy
Ugborough Parish Council
Virgin Care
West Devon Borough Council
Widewell Academy
Witheridge Parish Council

Admitted Bodies

4Children
Access Plymouth
Action For Children
Amey Lg Ltd
Aspens Services Ltd
Babcock
Barnardo's
Bournemouth Churches Housing Association
Churchill Services
Compass
Cormac Solutions Ltd
Dame Hannah Rogers School
DCC South West Heritage Trust
Delt Shared Services Ltd
Devon & Cornwall Housing
Devon Norse Catering
Devon Norse Cleaning
Devon Norse Facilities Management
English Riviera Tourism Company
Exeter Community Initiatives
Exeter CVS
Exeter Royal Academy For Deaf Education
Glen Cleaning (Cockington)
Healthwatch
Human Support Group Ltd
Initial Plymouth Catering Services
Innovate
Interserve Projects Ltd
ISS
Leisure East Devon
Livewell South West
Mama Bears Day Nursery
Millfields Community Economic Development Trust
Mitie Plc (Devon)
North Devon Homes
On Course South West (Was Pacls)
Peninsula Dental Social Enterprise
Plymouth Citizen'S Advice Bureau
Plymouth Community Healthcare
Plymouth Community Homes
Plymouth Learning Partnership
Quadron
Sanctuary Housing
Schools Company Holborn
SLM Community Leisure
Sodexo
Strata
South Brent Parish Council
Tarka Housing
Tavistock Town Council
Teign Housing
The Childrens Society
Tor2Ltd
Torbay Coast & Countryside Trust
Torbay Community Development Trust
University Commercial Services Plymouth Ltd
UTC Limited
Viridor
Wolseley Community Economic Development Trust

Statement of the Actuary for the year ended 31 March 2016

Introduction

The last full triennial valuation of the Devon County Council Pension Fund was carried out as at 31 March 2013 in accordance with the Funding Strategy Statement of the Fund. The results were published in the triennial valuation report dated March 2014.

2013 Valuation Results

The results for the Fund at 31 March 2013 were as follows:

- • the Fund had a funding level of 83% i.e. the assets were 83% of the value that they would have needed to be to pay for the benefits accrued to that date, based on the assumptions used. This corresponded to a deficit of £580m;
- • the common contribution rate was 18.8% of pensionable pay;

Contribution Rates

The employer contributions rates, in addition to those paid by the members of the Fund, are set to be sufficient to meet:

- The annual accrual of benefits allowing for future pay increases and increases to pensions in payment when these fall due;
- plus an amount to reflect each participating employer's notional share of the Fund's assets compared with 100% of their liabilities in the Fund, in respect of service to the valuation date

Details of each employer's contribution rate are contained in the Rates and Adjustment Certificate in the triennial valuation report.

Assumptions

The key assumptions used to value the benefits at 31 March 2013 are summarised below:

Assumption	31 March 2013
Discount rate	6.1% p.a.
Pension increases	2.7% p.a.
Salary increases	2.7% p.a. until 31 March 2015 and 4.5% p.a. thereafter
Mortality	S1PA tables with a multiplier of 100% for males and 90% for females, with projected improvements in line with the 2012 CMI model allowing for a long term rate of improvement of 1.5% p.a.
Retirement	Each member retires at a single age, weighted based on when each part of their pension is payable unreduced
Commutation	Members will convert 50% of the maximum possible amount of pension into cash

The 2016 triennial valuation is currently underway and the assumptions to be adopted as at 31 March 2016 will be decided upon as part of the valuation process.

Asset Value

The assumptions used to value the liabilities are smoothed based on market conditions around the valuation date, therefore the smoothed asset values are also measured in a consistent manner.

The smoothed market value of the Fund's assets as at 31 March 2013 for valuation purposes was £2,985m. At 31 March 2016, the smoothed assets had increased to an estimated £3,300m.

Updated position since the 2013 Valuation

Since March 2013, investment returns have been lower than assumed at the 2013 triennial valuation. The value placed on the liabilities will have increased slightly due to the accrual of new benefits and will have also changed due to changes in the underlying discount rate and other assumptions.

Overall, we expect that the funding level should be slightly improved when compared on a consistent basis to 31 March 2013 but the final position will depend on the assumptions adopted as part of the 2016 valuation process.

The next actuarial valuation is due as at 31 March 2016 and the resulting contribution rates required by the employers will take effect from 1 April 2017.

Graeme Muir FFA
Partner, Barnett Waddingham LLP
10 May 2016

Independent auditor's report to the members of Devon County Council on the consistency of the pension fund financial statements included in the pension fund annual report

The accompanying pension fund financial statements of Devon County Council (the "Authority") for the year ended 31 March 2016 which comprise the fund account, the net assets statement and the related notes are derived from the audited pension fund financial statements for the year ended 31 March 2016 included in the Authority's Statement of Accounts. We expressed an unmodified audit opinion on the pension fund financial statements in the Statement of Accounts in our report dated 21 September 2016. The pension fund annual report, and the pension fund financial statements, do not reflect the effects of events that occurred subsequent to the date of our report on the Statement of Accounts. Reading the pension fund financial statements is not a substitute for reading the audited Statement of Accounts of the Authority.

This report is made solely to the members of the Authority, as a body, in accordance with Part 5 paragraph 20(5) of the Local Audit and Accountability Act 2014 and as set out in paragraph 43 of the Statement of Responsibilities of Auditors and Audited Bodies published by Public Sector Audit Appointments Limited. Our work has been undertaken so that we might state to the members of the Authority those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Authority and the Authority's members as a body, for our audit work, for this report, or for the opinions we have formed.

County Treasurer responsibilities for the pension fund financial statements in the pension fund annual report

Under the Local Government Pension Scheme Regulations 2013 the County Treasurer is responsible for the preparation of the pension fund financial statements, which must include the fund account, the net asset statement and supporting notes and disclosures prepared in accordance with proper practices. Proper practices for the pension fund financial statements in both the Authority Statement of Accounts and the pension fund annual report are set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2015/16.

Auditor's responsibility

Our responsibility is to state to you whether the pension fund financial statements in the pension fund annual report are consistent with the pension fund financial statements in the Authority's Statement of Accounts in accordance with International Standard on Auditing 810, Engagements to Report on Summary Financial Statements.

In addition we read the other information contained in the pension fund annual report and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the pension fund financial statements. The other information consists of the Report of the County Treasurer, Market Commentary from the Independent Investment Advisor, Knowledge and Skills, Risk Management, Management of the Fund and Managers' reports.

Opinion

In our opinion, the pension fund financial statements are consistent with the pension fund financial statements included within the annual Statement of Accounts of Devon County Council for the year ended 31 March 2015 and comply with applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2014/15.

Elizabeth Cave for and on behalf of Grant Thornton UK LLP, Appointed Auditor
Hartwell House
55-61 Victoria Street
Bristol
BS1 6FT
21 September 2016

Additional Information

Investment Powers

The Local Government Pension Scheme (Management and Investment of Funds) Regulations 2009 require that any pension fund monies not for the time being needed to meet payments shall be invested. The Regulations define what is meant by investment, and place certain restrictions on Local Administering Authorities.

The limits on different types of investment are detailed below. These prescribed limits may be exceeded where the Administering Authority states explicitly in its Statement of Investment Principles that it has adopted the higher limit as set out in the regulations. Where higher limits may be adopted, they are shown in brackets.

- Not more than 10% (15%) of the fund may be invested in unlisted company securities. These are securities which are not listed on either a recognised U.K. stock exchange, or a foreign stock exchange of international standing.
- Not more than 25% (35%) of the fund can be invested in unit trusts, open ended investment companies or any single insurance contract managed by a single body.
- Not more than 2% (5%) of the fund can be invested in any single partnership.
- Not more than 5% (30%) of the fund can be invested in all partnerships.
- With the exception of Government fixed interest stocks, bank deposits and managed insurance funds, no more than 10% of the fund may be invested in a single holding.
- No more than 10% of the fund may be deposited with any one bank (other than the National Savings Bank).
- Loans from the fund to any one body including the Administering Authority, but not including the Government, may not in total exceed 10% of the value of the fund.
- The Fund can enter into stock lending arrangements provided that the total value of the securities to be transferred does not exceed 25% of the total fund value.

Where an external investment manager is appointed the County Council (through the Investment and Pension Fund Committee) must be satisfied that any monies under his management are not excessive having regard to proper advice, diversification of management and to the value of the Fund's assets.

The manager's appointment must be terminable by not more than 1 month's notice. They must comply with any instructions given to them by the Council and must report their actions at least once every three months. In making investments they must have regard to the need for diversification and to the suitability of these investments, and they must be prohibited from making investments that contravene the Regulations.

At least once every three months the Council must review the investments made by the manager, and from time to time consider the desirability of continuing or terminating the appointment.

Statutory Statements

As required by the Local Government Pension Scheme Regulations a number of Statutory Statements have been prepared and published by Devon County Council (as the Administering Authority). They are as follows:

Statement of Investment Principles

The Statement of Investment Principles sets out the basis on which the Devon Fund plans to invest the scheme assets. This includes the asset allocation policy, attitudes to risk, policies on engagement, social and ethical issues and states how the fund complies with the Myners Principles.

Funding Strategy Statement

The Funding Strategy Statement explains the funding objectives of the Fund. This includes how the costs of the benefits provided under the Local Government Pension Scheme ("LGPS") are met though the Fund, the objectives in setting employer contribution rates and the funding strategy that is adopted to meet those objectives.

Communications Strategy Statement

The Communications Strategy Statement sets out the Fund's policies on the provision of information and publicity about the Scheme to members, representatives of members and employing authorities. It sets out the format, frequency and method of distributing such information or publicity; other key organisations that we communicate with; our values in relation to communications; and the professional expertise available to the Fund.

Governance Policy and Compliance Statement

The Governance Policy sets out the governance arrangements for the Fund, including the make-up of the Investment and Pension Fund Committee, and an outline of the tasks delegated to the Committee and to the Fund's officers. The Compliance Statement sets out an analysis of the Fund's compliance with the latest guidance issued by the Secretary of State for Communities and Local Government.

Administration Strategy

Pension fund administering authorities have discretion as to whether or not they prepare a pensions administration strategy. The Devon Fund adopted an administration strategy in February 2015. The objective of the strategy is to define the roles and responsibilities of the Administering Authority and the employing authorities under the LGPS regulations. The strategy describes the service standards set for the administration of pensions in the Fund's dealings with members and employer bodies.

Copies of these statements as at 31 March 2016 are included in full in Appendix A at the back of the Annual Report.

The current versions of these statements, including any subsequent revisions are published on the Peninsula Pensions website at:
http://www.peninsulapensions.org.uk/lgps/pension-fund-investments/devon-county-council-investments/devon-fund-key-documents/

The Fund's Largest Equity Shareholdings

The top five UK and overseas equity holdings are from the Fund's segregated mandates which are now a small proportion of the total fund. The majority of the Fund's equity investments are via pooled funds where the Devon Fund does not directly own the shares in the individual companies.

United Kingdom Equities

Company	Sector	31-Mar-2016 £000	% of Total Investments
British American Tobacco	Personal & Household	5,873	0.18
Vodafone	Telecommunications	4,239	0.13
Standard Chartered	Banks	3,698	0.11
Royal Dutch Shell	Oil & Gas	3,239	0.10
SAB Miller	Personal & Household	2,754	0.08
		19,803	0.60
Balance of Segregated Funds invested in UK Equities		8,282	0.25
Plus investments in UK Pooled Equity Funds		783,663	23.49
		811,748	24.34

Overseas Equities

Company	Sector	Country		
Taiwan Semiconductor	Technology	Taiwan	11,764	0.35
Fomento Economico	Food & Beverages	Mexico	8,403	0.25
AIA Group	Financial Services	China	8,159	0.24
Samsung Electronics	Technology	South Korea	6,325	0.19
EOG Resources	Oil & Gas	United States	6,302	0.19
			40,953	1.22
Balance of Segregated Funds invested in Overseas Equities			212,716	6.38
Plus investments in Overseas Pooled Equity Funds			830,806	24.90
			1,084,475	32.50

The Fund's Largest Property Fund Holdings

Property Fund		
Blackrock UK Property Fund	37,792	1.13
Hermes Property Unit Trust	27,125	0.81
Industrial Property Investment Fund	25,012	0.75
Threadneedle Property Unit Trust	23,050	0.69
Unite UK Student Accommodation Fund	22,305	0.67
	135,284	4.06
Plus Other Pooled Property Fund Investments	223,579	6.70
	358,863	10.76

Specialist Mandate - Pooled Funds

Equity Funds		
RWC European Focus Fund	37,457	1.12
Montanaro European Smaller Companies Fund	35,308	1.06
RWC Specialist UK Focus Fund	29,681	0.89
State Street Emerging Markets Fund	26,700	0.80
F&C Stewardship Growth Fund	23,499	0.70
Fabian Pictet Global Emerging Markets Fund	13,542	0.41
Aberdeen Ethical World Unit Trust	1,584	0.05
	167,771	5.03
Infrastructure Funds		
First State European Diversified Infrastructure Fund	43,562	1.31
Hermes Infrastructure Fund	28,920	0.87
UBS International Infrastructure Fund	27,913	0.84
Aviva Investors ReALM Infrastructure Fund	19,656	0.59
Aviva Investors ReALM Ground Rents Fund	19,323	0.58
	139,374	4.19

Scheme and Benefit Information

Devon County Council administers the Pension Fund for its own employees and some 200 other organisations including Unitary, District, Town and Parish Councils, Education establishments and other admitted bodies. These also include a number of employers who have ceased actively participating in the fund though still have a number of pensioners.

The Local Government Pension Scheme (LGPS) is a statutory, funded, salary-related pension scheme with its benefits defined and set in law. The LGPS is contracted out of the State Second Pension Scheme (S2P) and must, in general, provide benefits at least as good as most members would have received had they remained in S2P.

Contributions

Employer contributions rates are variable and are determined by the fund Actuary. A full valuation is carried out every 3 years in order to establish the value of the assets and liabilities of the fund and determine individual employer contribution rates. The most recent valuation was as at 31 March 2013 with revised employer contributions payable from April 2014.

Employee contributions range from 5.5% to 12.5% depending on the level of their pensionable pay.

Benefits

The LGPS provides significant retirement and death benefits to its members which include the following:

- A guaranteed pension calculated as 1/49 x actual pensionable pay for each financial year after 1st April 2014
- A guaranteed pension calculated as 1/60 x final salary x service between 1st April 2008 – 31st March 2014
- A guaranteed pension calculated as 1/80 x final salary x pre April 2008 service
- A tax free lump sum upon retirement calculated using the formula 3/80 x final salary x pre April 2008 service. Options are available to increase the lump sum
- Ability to increase benefits by paying additional voluntary contributions
- An ill health pension payable from any age
- Immediate unreduced pension on redundancy after the age of 55
- Death in Service lump sum of 3 x salary
- Widow's/widower's/civil partner's/co habiting partner pension payable for life
- Children's pensions
- Benefits rise in line with inflation

Changes made affecting the LGPS during 2015/16

There were no changes to the scheme rules affecting member benefits during the year. Whilst the LGPS changed to the Career Average structure in 2014, all the other public sector schemes did not follow suit until April 2015. In addition, The Public Sector Pensions Act came into effect from April 2015 which tightens the goverance arrangements across all public sector pension schemes and has given powers of oversight to the Pensions Regulator.

The Local Government Pension Scheme (Amendment) (Governance) Regulations come into force implementing the new governance requirements.

Automatic Enrolment

From October 2012, the government introduced 'Automatic Enrolment' which requires employers to auto-enrol eligible employees into a pension scheme, although they have the right to opt out afterwards. HMRC provides each employer with their 'staging date' from when the changes will have to be in place. The largest employers received their staging dates first. In 2012/13 Devon County Council became the first of our employers to reach their staging date. These new duties on employers are to encourage more people to save for a longer retirement.

For more details of the benefits available from the scheme, an online version of the current 'Employee guide to the LGPS' can be found on our website at **www.peninsulapensions.org.uk**

All employers, member and interested parties are asked to look at the Pensions website, which will be kept up to date with current news on this and other aspects of the pension scheme. Member self-service is also offered through our website, where members can update their personal details and produce their own benefit estimates.

Peninsula Pensions

Peninsula Pensions was formed in September 2013 following the merger of pension administration services with Somerset County Council. It deals with all aspects of maintaining member records and calculating and paying benefits, including running the pensioner payroll for those who have already retired.

Administrative Performance Standards

Our aims

- To supply a high quality pensions administration service.
- To provide value for money.
- To meet the highest professional standards in our dealings with all our customers.

Our commitment to you

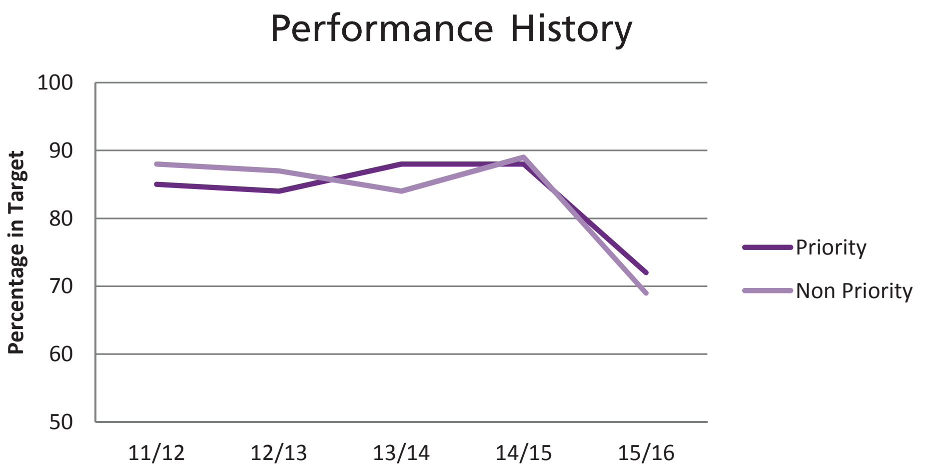
We are dedicated to placing customers at the heart of our organisation and welcome all contact and enquiries. We will always endeavour to be as good as our word. For instance if we agree to get back to you or reply by a certain date, we will do that. If this turns out not to be possible for any reason, we will contact you and explain why. We will at all times be fair and open, and always explain the reasons behind any decision.

Our staff will:

- Treat you as an individual and with dignity and respect
- Listen to what you say
- Be helpful and considerate
- Keep what you say to us as confidential
- Where appropriate, tell you exactly what you need to do and what information we need

These 'Performance Statistics' are part of our ongoing commitment to make our work and performance more open to public scrutiny. Our work has been 'tasked' for a number of years now (every piece of paper/ process we receive is registered on the members computer record), but it's only in recent years that we have begun to really co-ordinate a method of monitoring and analysing the data that the tasking system can provide.

The graph below shows two groups of tasks; priority tasks (retirements, death benefits, complaints etc.) and non-priority tasks (tasks which can maybe be delayed for a day or two; a new starter form or an address change for example). The results shown are the average successful completion percentage of all tasks within that category. Percentage in target was lower this year due to the reduction of backlogs.



The following bullet-points should offer some explanation as to the nature of the kind of work which make up our Priority and Non-Priority categories.

Priority

- Includes all tasks relating to a death in service, death of a pensioner and/or the death of a deferred member.
- Any task relating to the retirement of a police officer or fire fighter (ill-health, normal retirements etc).
- Actual retirements for LGPS staff (including police/fire civilian workers). Covers all available forms of retirement; ill-health, redundancy/efficiency, early retirement, age retirement etc.
- Any query not covered by the other categories that requires a response from ourselves. For example; a query on an Admitted Body Status, re-employed pensioner calculations, general telephone queries etc.

Non-Priority

- All tasks relating to the purchase and administration of Additional Pension or Additional Voluntary Contributions (AVC's).
- The process of making a scheme member a leaver before they reach retirement age (but only to include those members who opt-out of the scheme or leave the Devon Pension Fund employer for employment elsewhere; not other reasons for leaving covered in the other categories).
- The production of cash equivalent transfer values (CETV's) for divorce proceedings, pension sharing and earmarking orders.
- 'Passive' notifications such as address changes, hour changes, marital status changes etc. Basically anything which doesn't require a direct response.
- The process of refunding a scheme members pension contributions (only available to members with less than 2 years total service).
- LGPS Retirement Estimates.

- The processing of all new starter forms for new employees (or 'opting-in' forms for existing staff) wishing to join the pension scheme.
- The transfer-in of a scheme members pension rights, accrued with a previous employer/pension provider.
- The transfer-out of pension benefits held in the Devon Pension Fund to an external employer or pension provider (be it a new LGPS administering authority, personal pension plan or a private employer with its own pension arrangements).

Financial/Staffing Indicators

The most recent figures available are from the CIPFA benchmarking exercise for 2014/15 (the 2015/16 report results unavailable at time of writing). The cost per member was £13.40 and the cost per pensioner was £4.14. These member costs compare favourable to the national average of £19.17 per member and £8.16 per pensioner.

Audit

Peninsula Pensions is audited by Devon Audit Partnership and Grant Thornton to ensure the effective and efficient operation of the scheme.

Internal Dispute Resolution Procedure

The LGPS has a 2-stage dispute resolution procedure. For stage 1 appeals relating to a decision or action by the member's employer, the dispute is dealt with by the nominated person for that employer. All other disputes are dealt with by the Head of Pensions Administration. If the member is not happy with the decision made at Stage 1 then they can move to Stage 2 where the issue will be looked at afresh by a panel consisting of the County Treasurer and County Solicitor. If the member is not happy with the decision made by the Stage 2 panel they can take their case to the Pensions Ombudsman for a final decision.

During 2015/16 there were 11 Stage 1 appeals and 5 Stage 2 appeals, the vast majority relating to ill health retirements.

However as many Stage 1 appeals are dealt with by the member's employer we may not have been informed of all appeals.

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Glossary

Actuarial Terms

Actuary

An independent consultant who advises on the financial position of the fund. Every three years the actuary reviews the assets and liabilities of the fund and reports to the County Council on the financial position and the recommended employers' contribution rates. This is known as the Actuarial Valuation.

BoE spot inflation curve

A fixed-interest gilt and an otherwise identical index-linked gilt of the same time to maturity will have a different price or yield. This difference in yields indicates the market's expectation of future inflation, or spot inflation, for that particular term. The Bank of England produces an inflation curve which is essentially a best fit of the difference in fixed interest gilts and index linked gilts for terms to maturity of up to 25 years

Deferred Pension

The pension benefit payable from normal retirement age to a member of the fund who has ceased to contribute as a result of leaving employment or opting out of the pension scheme before state retirement age.

Merrill Lynch AA rated corporate bond curve

Corporate bonds are given a credit rating by a credit rating agency which indicates the creditworthiness of the company that has issued the bond. Merrill Lynch produces a yield curve which shows the relationship between the yields on bonds with AA credit ratings against the time to maturity of these bonds.

Non-Vested obligations

If active members remain active rather than become deferred then their liabilities will be higher due to assumed salary increases until retirement. These additional liabilities make up the non-vested obligation.

Promotional scale

This takes into consideration the possibility of promotion during the course of an employees working life.

Retirement age assumption

Active members will retire one year later than they are first able to do so without reduction – One year after minimum retirement age

Solvency Test

An actuarial calculation to determine whether the assets of an occupational pension scheme are sufficient to meet its benefit obligations.

S1PA tables

The S1PA tables are published by the Actuarial Profession's Continuous Mortality Investigation ("CMI"). These tables are based on studies of mortality for members of large self-administered pension schemes over the period 2000 to 2006.

Vested obligations

Vested obligations are liabilities in respect of deferred and pensioner members. It also includes part of the liability for active members. This part is calculated by assuming that active members become deferred immediately and as such does not take into account future salary increases..

Derivatives

Financial contracts whose value is tied to an underlying asset. Derivatives include futures, options and swaps.

Emerging Markets

Stock Markets in developing countries (as defined by the World Bank).

Equities

Ordinary shares in UK and overseas companies traded on a recognised stock exchange. Shareholders have an interest in the profits of the company and are normally entitled to vote at shareholders' meetings.

Fixed Interest Securities

Investments, mainly in government stocks, which guarantee a fixed rate of interest. The securities represent loans which are repayable at a stated future date but which can be traded on a recognised Stock Exchange in the meantime.

Index Future

An obligation to make or take delivery of a specified quantity of an underlying Stock/Index at a particular time in the future, at a price agreed when the contract is taken out.

Index (Stock Market)

The movements in a Stock Market are monitored continuously by means of an Index made up of the current prices of a representative sample of stocks.

Glossary (cont)

Indexation
Also known as Index Matching or Index Tracking. Indexation is a statistical technique used to construct a portfolio of shares that will consistently move in line with a particular Index.

Managed Fund
A multi-asset pooled fund under which an insurance company offers participation in one or more pooled funds.

Market Value
The price at which an investment can be sold at a given date.

Performance Services
WM Performance services are an independent company used to measure the investment performance of the Fund. They also measure 84 Local Authority sector funds calculating, every quarter, the average returns for the median of all the funds and constituent funds (the weighted average).

Pooled Funds
A fund managed by an external Fund Manager in which a number of investors buy units. The total fund is then invested in a particular market or region.

Portfolio
A collective term for all the investments held in a fund, market or sector.

Property Unit Trust
A pooled investment vehicle that enables investors to hold a stake in a diversified portfolio of properties.

Return
The total gain from holding an investment over a given period, including income and increase (decrease) in market value.

Transfers to/from Other Schemes
These are sums paid to or received from other pension schemes and relate to the current value of past contributions which transfer with a member when changing employment.

Unrealised Increase/(Decrease) in Market Value
The increase/ (decrease) in market value, since the previous year, of those investments still held at the year end.

Unit Trust
A Pooled Fund in which investors hold units, and where the fund offers new units and is prepared to redeem existing units from holders on a regular basis.

Appendix A: Statutory Statements

Devon County Council

Devon Pension Fund Statement of Investment Principles

Updated June 2015

Approved by the Investment and Pension Fund Committee

On 12th June 2015

Statement of Investment Principles

1. Introduction

Since July 2000, all pension funds have had to prepare and publish a Statement of Investment Principles (SIP). This document is designed to explain to fund members, employers and any other interested parties how the assets are managed and the factors that are taken into account in so doing. The Statement has been prepared in accordance with ***Regulation 12 of The Local Government Pension Scheme (Management and Investment of Funds) Regulations 2009 (SI 2009 No. 3093)***.

The Devon County Council Pension Fund has had an approved Statement of Investment Principles since February 2000. The latest version is made available on the Council's website.

The SIP has been prepared, in line with guidance received from the Secretary of State for Communities and Local Government, with reference to the Chartered Institute of Public Finance & Accountancy (CIPFA) Pensions Panel publication, ***'Principles for Investment Decision Making and Disclosure in the LGPS in the United Kingdom 2009 – A Guide to the Application of the 2008 Myners Principles to the Management of LGPS Funds'***. It is accepted that these six principles form the code of best practice for LGPS Funds; this SIP reports the extent of compliance with each of the six principles.

In July 2010 the Financial Reporting Council issued the UK Stewardship Code, which sets out seven principles around corporate governance, and the engagement of pension funds and their fund managers with the companies that they have invested in. The Devon Pension Fund supports the code, and policies in relation to the seven principles are set out within the SIP.

The SIP also has to indicate the extent to which social, environmental and ethical issues are taken into account in the management process. These requirements do not oblige the Fund to adopt particular management policies. They are simply intended to allow the reader to understand the extent to which they influence the Investment Principles and, where they are not taken into account, why they are considered inappropriate.

Pension funds are not all the same. There are perfectly valid reasons why their Investment Principles may be different. They have to reflect how well funded the pension fund is and its maturity (the balance between contributors and pensioners). They will, inevitably, also reflect the views of those responsible for its management, particularly their attitude to risk. The objective at the end of the day is to ensure that the fund can meet all its future pension liabilities, but there are different ways of achieving this.

This Statement must be revised from time to time by the Administering Authority in accordance with any material change in policy.

2. Decision Takers

Devon County Council - is the Administering Authority and is responsible for managing the Fund in accordance with the Regulations.

Investment & Pension Fund Committee - this County Council Committee, which includes Unitary and District Council representatives and those of the contributors and the pensioners (non-voting) carries out the role of the Administering Authority. It has full delegated authority to make decisions on Pension Fund matters. In particular it:

- decides the Investment Principles;

- determines the fund management structure;

- reviews investment performance;

- appoints and removes investment managers.

Pension Board – while not a decision making body, the Pension Board has been set up to assist the Administering Authority in securing compliance with legislation and regulation and the effective and efficient governance of the Fund. The Board can make recommendations to the Investment and Pension Fund Committee or report serious concerns directly to the Pensions Regulator.

Independent Investment Advisor - this person is an experienced investment professional who provides independent advice to the Committee on all aspects of its business.

Devon County Council County Treasurer - advises the Committee and ensures that it is informed of regulatory changes and new developments in the investment field and implements the Committee’s decisions.

Investment Managers - carry out the management brief approved by the Committee, within the agreed risk parameters, to achieve the agreed performance targets.

The Fund’s Actuary - calculates the solvency of the Fund and fixes the employers’ contribution rates at a level that will aim to achieve 100% funding in the long-term. As part of this exercise assumptions will be made about future investment returns.

Statement of Investment Principles

3. Risk and Reward

Successful investment involves taking considered risks, acknowledging that the returns achieved will to a large extent reflect the risks taken. There are short-term risks of loss arising from default by brokers, banks or custodians but the Fund is careful only to deal with reputable counter-parties to minimise any such risk.

Longer-term investment risk includes the **absolute risk** of reduction in the value of assets through negative returns (which cannot be totally avoided if all major markets fall). It also includes the risk of under-performing the Fund's performance benchmark (**relative risk**).

Different types of investment have different risk characteristics and have historically yielded different rewards (returns). Equities (company shares) have produced better long-term returns than fixed interest stocks but they are more volatile and have at times produced negative returns for long periods.

At Fund level, investment risk is managed through:

- Diversification of types of investment and investment managers.
- Explicit mandates governing the activity of investment managers.
- The appointment of an Independent Investment Advisor.

The external investment managers can control relative risk to a large extent by using statistical techniques to forecast how volatile their performance is likely to be compared to the benchmark. The Fund can monitor this risk and impose limits.

The ultimate risk is that the Fund's assets produce worse returns than assumed by the Actuary, who values the assets and liabilities every three years, and that as a result, the solvency of the Fund deteriorates. To guard against this the Investment Principles seek to control risk but not to eliminate it. It is quite possible to take too little risk and thereby to fail to achieve the required performance.

The investment managers need to be given appropriate levels of discretion to switch between investments to reduce the risk of under-performance.

Operational risk to the Fund is managed through:

- A strong employer covenant.
- The use of a Global Custodian for custody of assets.
- Having formal contractual arrangements with investment managers.
- Comprehensive risk disclosures within the Annual Statement of Accounts.
- Internal and external audit arrangements.

4. Investment Principles

1. Risk

   Whilst some monies may be invested in high risk investments from time to time, these will only represent a small part of the Fund. Total fund risk will be monitored and controlled (as far as possible) at a level that is considered appropriate for a pension fund.

2. Types of Investment

   The majority of the Fund's investments will be made in stocks that are quoted on recognised Stock Exchanges and are easily realisable. Where investments are made in other vehicles (e.g. unit trusts or other pooled funds) there must be an effective way of redeeming them. It is recognised, however, that certain stocks may sometimes become illiquid or unrealisable.

   Investments should normally be income producing although this income may be automatically reinvested. Non income producing assets, such as gold or works of art will not normally be purchased. The decision whether or not to hold an asset that is considered to be suitable will only be made on investment grounds.

3. The balance between different types of Investment

   The Fund will at all times hold a widely diversified portfolio of investments to reduce risk.

   Following a review in November 2011, and a further update in June 2013, the Fund has adopted the following strategic asset allocation as an overall benchmark:

   - Fixed Interest 16%
   - Equities 55%
   - Diversified Growth Funds 15%
   - Alternatives (Property and Infrastructure) 14%

   A core portion of the allocation to equities, 40% of the total Fund, will be managed externally on a passive basis. This portfolio will contain a large number of stocks spread over a wide cross section of markets. Within markets, the Fund's holdings will closely track the relevant market indices. 20% of the passive allocation (8% of the total Fund) will track alternative indices based on quality, value and low volatility criteria, rather than the market capitalisation of the shares, with the intention of generating outperformance in comparison with the market capitalisation indices.

   The remainder of the assets will be managed (both internally and externally) on a more active basis. The external managers will include both specialist managers, who concentrate on specific sectors of the market and diversified growth fund managers, who have considerable discretion over the choice of types of investment. (A list of current managers and the benchmarks to which they operate is set out in Appendix B).

The use of diversified growth funds, which will include both equities and fixed interest assets, within a wider range of assets, will provide a greater level of flexibility for the Fund in enabling a more active asset allocation to take advantage of market trends.

The target allocation for Property is 10% of the Fund.

Asset allocation varies over time through the impact of market movements and cash flows. The overall balance is monitored regularly, and if the allocations move more than 2.5% away from the target consideration is given to rebalancing the assets taking into account market conditions and other relevant factors.

The Local Government Pension Scheme (Management and Investment of Funds) Regulations 2009 impose limits on certain types of investments. The regulations prescribe lower limits which should not be exceeded, unless the Committee decides to adopt a higher limit as provided for by regulation 14 (3). With regard to the limit on investments in any single insurance contract, the Fund has adopted the higher limit of 35% on an open ended basis. This relates to the Life Funds managed by UBS within the passive portfolio, which exceed the lower limit of 25% following the award of a mandate to manage an alternative indexation portfolio within the Life Funds. The decision to invest in the alternative indexation mandate was taken on the basis that it is a separate investment from the longstanding passive mandate with different risk characteristics. Should the fund wish to take further advantage of the higher limits, the Administering Authority has to get specific approval from the Investment & Pension Fund Committee on each occasion, having met certain requirements.

4. The expected return on investments

It is not possible to control the absolute return on investments but over the long-term the Fund seeks to achieve a real return at least as good as that assumed by the Actuary from time to time in his Valuations. In the short term, returns are measured against a bespoke benchmark based on the Fund's strategic asset allocation. As the Fund is not prepared to accept a higher level of overall risk than the average pension fund, it cannot expect to achieve much higher returns. The strategy described above is expected to outperform the benchmark by 0.5% per annum on a consistent basis.

5. The realisation of investments

Only investments that can be realised are considered to be suitable for the Fund. Pension funds are long-term investors and it is not intended that the fund will be very active in the way it manages most of its investments, particularly in the passive portfolio. Historically employer and employee contributions have exceeded pensions in payment. Rising pensions in payment mean that this is no longer the case, but the Fund also receives significant investment income which can also be used to pay pensions as required. Consequently it is unlikely that the Fund will need to sell assets to pay pensions in the foreseeable future.

Any asset sales will therefore be based on investment considerations, such as perceived over-valuation or a desire to adjust investment risks.

6. Stock Lending

The Fund participates in stock lending of its segregated assets, as permitted under Regulation 3 (8) and 3 (9) of the LGPS (Management and Investment of Funds) Regulations 2009, and within the limits specified in these regulations.

Stock lending is carried out via the Fund Custodian, who provides security and protection to mitigate risk through an indemnity and the holding of collateral against the stocks lent.

7. Changes to Investment Principles

Although the Investment Principles are intended to remain in place over the long-term, there will be occasions when they need to be revised. The Investment and Pension Fund Committee will review them at regular intervals.

5. Corporate Governance – Effective Engagement

The Devon Pension Fund is fully supportive of the UK Stewardship Code, published in July 2010, and the Committee accepts the rights and responsibilities that attach to being a shareholder and will play an active role in overseeing the management of the companies in which it invests.

The following section sets out the Fund's policy in relation to the seven principles of the UK Stewardship Code:

1. Institutional investors should publicly disclose their policy on how they will discharge their stewardship responsibilities.

   The Devon Pension Fund aims to be a supportive, long term shareholder. The Committee will support the latest widely accepted standards of Best Practice in Corporate Governance and will expect the companies in which it invests to comply therewith. It will use its influence as a shareholder to persuade the Directors of any companies that do not already comply to adopt Best Practice.

   The Fund will expect its external investment managers to:

   (a) Seek to develop a long-term relationship and an understanding of mutual objectives and concerns with the companies in which we invest.

   (b) Meet regularly with those companies to discuss corporate strategy and objectives, and to make an assessment of management performance.

   (c) Have in place processes in place to ensure access to accurate information regarding companies in which we invest, including the approach to corporate governance adopted by the company.

   (d) Intervene when a company fails to meet expectations in terms of traditional governance inputs (such as board structures) but also the outputs of governance such as acquisitions and operational performance.

   The Fund's external investment managers will judge whether to support a company by subscribing to a rights issue, accepting a take-over bid or other similar events purely on investment grounds.

2. Institutional investors should have a robust policy on managing conflicts of interest in relation to stewardship and this policy should be publicly disclosed.

   External investment managers will be expected to act in the Fund's interests when considering matters such as engagement and voting. The Fund will expect its fund managers to:

   (a) Put in place and maintain a policy for managing conflicts of interest.

   (b) Ensure that any significant conflicts of interest are disclosed.

3. Institutional investors should monitor their investee companies.

   The Fund will expect its external investment managers to

   (a) Satisfy themselves, to the extent possible, that the investee company's board and committee structures are effective, and that independent directors provide adequate oversight, including by meeting the chairman and, where appropriate, other board members.

   (b) Maintain comprehensive records of governance engagements, votes cast and the reasons for voting against management or abstaining.

   (c) Attend General Meetings selectively when they consider it is of value to our investment to do so.

4. Institutional investors should establish clear guidelines on when and how they will escalate their activities as a method of protecting and enhancing shareholder value.

   The Fund will expect its external investment managers to escalate activities if a company fails to meet expectations. The most important issues for us are:

   - Strategy - including acquisitions and the deployment of capital
   - Operational performance
   - Quality of the Board
   - Succession planning
   - Health & Safety
   - Risk management
   - Remuneration
   - Corporate social responsibility

   The Fund will expect its external investment managers to engage with the board in order to better understand what is behind such concerns. Engagement should be regularly reviewed and its success assessed.

5. Institutional investors should be willing to act collectively with other investors where appropriate.

   As a general rule we believe the effectiveness of engagement is considerably increased when we find common ground with other shareholders. The Fund will therefore encourage its fund managers to work with collective bodies or collaborate with other shareholders if they believe this will increase the chance of success.

   The Fund is a member of the Local Authority Pension Fund Forum (LAPFF), an association of local authority pension funds who act collectively with a view to achieving the highest standard of corporate governance and corporate social responsibility amongst the companies in which they invest.

6. Institutional investors should have a clear policy on voting and disclosure of voting activity.

   The Council will instruct its external investment managers to vote at all meetings of UK companies where they have sufficient information to form a view on the issues involved. Voting will be extended to overseas companies when practicable.

   The Council will instruct its external investment managers to vote in favour of all resolutions put forward by the Directors of a company unless they are not in the shareholder's interests (e.g. Long Term Incentive Plans with targets that are not demanding enough or where excessive remuneration is proposed) or expose the company to undue risk or they condone bad practice (e.g. Director's service contracts in excess of one year) in which cases it will instruct them to vote against.

7. Institutional investors should report periodically on their stewardship and voting activities.

   The Investment and Pension Fund Committee will monitor the fund managers' engagement with the companies they have invested in, through the regular reporting arrangements in place. In addition the external investment managers will be requested to produce an annual summary of their engagement activity for inclusion within the Devon Pension Fund Annual Report.

6. Corporate Governance – Social, Environmental and Ethical Issues

The Committee has considered the extent to which it wishes to take into account social, environmental or ethical issues in the selection, retention and realisation of investments and has adopted the following principles:-

1. Future investments will not be banned nor existing investments sold solely on social, environmental or ethical grounds.
2. Other than the monies set aside for investment in Ethical Unit Trusts (up to 1% of the Fund), investment will not be made in companies solely because of their good record in social, environmental or ethical issues. Many of the Fund's investments would qualify as ethical, however, even though not chosen for that reason.
3. It is recognised, however, that the interests of investors on social etc. grounds may coincide with those solely on investment grounds in which case there will be no conflict of interest. Indeed, the Committee believes that in the long run, socially responsible and fiduciary investment will tend to come together since adverse performance on social, environmental or ethical issues will ultimately be reflected in share prices.
4. The Fund will encourage its Investment Managers to adopt a policy of engagement with companies to make its view known to their management and to seek to change their behaviour where necessary. This is more likely to be successful if the Fund continues to be a shareholder.
5. Although social, environmental and ethical issues rarely arise on the agendas of company Annual General Meetings, where an issue does arise the Council’s external investment managers will only vote if it is in the Fund’s interest on investment grounds. Some issues may be incorporated into generally accepted Corporate Governance Best Practice (e.g. the inclusion of an Environmental Statement in the Annual Report and Accounts). In this case the Council will instruct its external investment managers to vote against the adoption of the Annual Report, if no such statement is included.

7. Compliance with the Myners Principles

Regulations made by the Department for Communities and Local Government (DCLG) require the SIP to comment on the compliance with the Myners principles.

In 2007, the Government asked the National Association of Pension Funds (NAPF) to review the extent to which pension fund trustees are applying the Myners principles. The NAPF made a series of recommendations which included replacing the previous ten Principles with six high level Principles.

The Committee has considered the 6 Myners Principles (set out in Appendix A) and is of the view that the Fund currently complies with the spirit of these recommendations. Further details are given below on each of the 6 principles.

1. Effective Decision Making

   The County Council has a designated Committee whose terms of reference are to discharge the duties of the Council as the Administering Authority. There is a training programme for Committee members. They also have external and internal advisers and are supported by an experienced in-house team to oversee the day to day running of the Fund. Representatives of the Fund's contributors and pensioners, although not voting members, advise the Committee on the views of their members. The Administering Authority is supported by a Pension Board, whose role is to assist them in securing compliance with legislation and regulation and the effective and efficient governance of the Fund.

2. Clear Objectives

   This document sets out clear objectives in relation to the split of assets between Equities and Bonds, investment in Diversified Growth Funds, and other assets such as Property.

   The Committee is aware of the Fund’s current deficit and its investment policy is designed to gradually improve solvency whilst keeping employers’ contribution rates as constant as possible. A key objective of the Fund’s strategy is to manage the fund to ensure a healthy cash-flow for the foreseeable future.

3. Risk and Liabilities

   The Committee has considered the mix of assets that it should adopt and the level of risk (volatility of returns) it is prepared to accept. This document sets out current policy, which is designed to improve the Fund’s solvency while only accepting moderate risk.

   The Committee will regularly review the benefits of using the full range of asset classes.

4. Performance Assessment

   In the award of mandates to individual investment managers the Investment and Pension Fund Committee has set benchmarks for each asset class, as set out in Appendix B. The total fund is measured against a bespoke benchmark based on the Fund's strategic asset allocation.

The Fund engages an investment analytics company to provide an independent measurement of investment returns. These are used for comparison purposes against specific and peer group benchmarks.

The Investment and Pension Fund Committee receive quarterly performance reports and are therefore able to consider the performance of all asset classes and managers on a regular basis. These considerations form the basis of decision making.

5. Responsible Ownership

   Section 6 of this document, on Corporate Governance – Effective Engagement, sets out the Fund's commitment to responsible ownership. The management agreements with the Fund's investment managers include provision for them to engage with companies in compliance with the terms of the Combined Code and the Council's voting policy as set out in this document. As already noted above the Fund is also a member of the Local Authority Pension Fund Forum (LAPFF).The Fund also has investments in specialist pooled funds that are specifically designed to be activist. This document sets out the Council's policy on voting.

6. Transparency and Reporting

   This Statement of Investment Principles is available to any interested party on request. The latest version is available on the Council's website.

   In accordance with LGPS (Administration) Regulations 2008, the Devon Pension Fund has published a Communications Policy Statement, which can be viewed at: https://www.peninsulapensions.org.uk/wp-content/uploads/2013/08/Devon-Pension-Fund-Communications-Policy.pdf, which describes the Fund's policy on:

   - Providing information to members, employers and representatives,
   - The format, frequency and method of distributing such information,
   - The promotion of the Fund to prospective members and their employing bodies.

   The Fund will continue to develop its website, which it considers to be its primary communications channel.

Appendix A: The 2008 Myners Principles

Principle 1: Effective decision-making

• Administering authorities should ensure that decisions are taken by persons or organisations with the skills, knowledge, advice and resources necessary to take them effectively and monitor their implementation.

• Those persons or organisations should have sufficient expertise to be able to evaluate and challenge the advice they receive, and manage conflicts of interest.

Principle 2: Clear objectives

• Overall investment objectives should be set for the fund that take account of the scheme's liabilities, the potential impact on local council tax payers, the strength of the covenant of the participating employers, and the attitude to risk of both the administering authority and the scheme employers, and these should be clearly communicated to advisers and investment managers.

Principle 3: Risk and liabilities

• In setting and reviewing their investment strategy, administering authorities should take account of the form and structure of liabilities.

• These include the implications for council tax payers, the strength of the covenant of participating employers, the risk of their default and longevity risk.

Principle 4: Performance assessment

• Administering authorities should arrange for the formal measurement of the performance of the investments, investment managers and advisers.

• Administering authorities should also periodically make a formal policy assessment of their own effectiveness as a decision-making body and report on this to scheme members.

Principle 5: Responsible ownership

• Administering authorities should adopt, or ensure their investment managers adopt, the Institutional Shareholders' Committee (ISC) Statement of Principles on the responsibilities of shareholders and agents.

• A statement of the authority's policy on responsible ownership should be included in the Statement of Investment Principles.

• Administering authorities should report periodically to members on the discharge of such responsibilities.

Principle 6: Transparency and reporting

• Administering authorities should act in a transparent manner, communicating with stakeholders on issues relating to their management of investment, its governance and risks, including performance against stated objectives.

• Administering authorities should provide regular communication to members in the form they consider most appropriate.

Appendix B: Current Managers and Mandates

Manager	Mandate	Target
Aberdeen Asset Managers Ltd	Global Equity	Outperform FTSE World Index by 3% per annum over rolling 3 and 5 year periods
Aberdeen Asset Managers Ltd	Global Emerging	Outperform MSCI Emerging Markets Index by 2-4% per annum over rolling 3 year periods
State Street Global Advisors Ltd	Passive Equities	Performance in line with FTSE World market specific indices
UBS Global Asset Management (UK) Ltd	Passive Equities	Performance in line with FTSE All Share Index
UBS Global Asset Management (UK) Ltd	Passive Equities (Alternative Indexation)	Performance in line with FTSE RAFI / MSCI World Quality / MSCI World Minimum Volatility Indices
Lazard Asset Management LLC	Global Fixed Interest	Outperform Barclays Capital Global Aggregate Bond Index by 1% per annum
Wellington Management International Ltd	Global Fixed Interest	Outperform Barclays Capital Global Aggregate Bond Index by 1% per annum
Baillie Gifford and Co.	Diversified Growth Fund	Outperform Bank of England Base Rate by 3.5% per annum net of fees
Barings Asset Management Ltd	Diversified Growth Fund	Outperform LIBOR by 4% per annum
Aviva Investors Global Services Ltd	Property	Outperform the IPD UK PPF All Balanced Funds Index
DCC Investment Team	Specialist Funds	Outperform the median return of the local authority peer group

Devon Pension Fund
Funding Strategy Statement

1 Introduction

1.1 This is the Funding Strategy Statement for the Devon County Council Pension Fund. It has been prepared in accordance with Regulation 58 of the Local Government Pension Scheme Regulations 2013 ("the Regulations") and describes Devon County Council's strategy, in its capacity as Administering Authority, for the funding of the Devon County Council Pension Fund ("the Fund").

1.2 In accordance with Regulation 58(3), all employers participating within the Devon County Council Pension Fund have been consulted on the contents of this Statement and their views have been taken into account in formulating the Statement. However, the Statement describes a single strategy for the Fund as a whole.

1.3 The Fund Actuary, Barnett Waddingham LLP, has also been consulted on the contents of this Statement.

2 Purpose of the Funding Strategy Statement

2.1 The purpose of this Funding Strategy Statement is to explain the funding objectives of the Fund and in particular:

- How the costs of the benefits provided under the Local Government Pension Scheme (the "Scheme") are met though the Fund
- The objectives in setting employer contribution rates; and
- The funding strategy that is adopted to meet these objectives.

3 Purpose of the Fund

3.1 The purpose of the Fund is to:

- Pay pensions, lump sums and other benefits provided under the Regulations;
- Meet the costs associated in administering the Fund; and
- Receive contributions, transfer values and investment income.

4 Funding Objectives

4.1 Contributions are paid to the Fund by Scheme members and the employing bodies to provide for the benefits which will become payable to Scheme members when they fall due.

4.2 The funding objectives are to:

- Set levels of employer contribution that will build up a fund of assets that will be sufficient to meet all future benefit payments from the Fund.
- Build up the required assets in such a way that employer contribution rates are kept as low and stable as possible.

5 Key Parties

5.1 The key parties involved in the funding process and their responsibilities are as follows:

The Administering Authority

5.2 The Administering Authority for the Pension Fund is Devon County Council. The main responsibilities of the Administering Authority are to:

- Collect employee and employer contributions;
- Invest the Fund's assets;
- Pay the benefits due to Scheme members;

- Manage the actuarial valuation process in conjunction with the Fund Actuary;
- Prepare and maintain this Funding Strategy Statement (FSS) and also the Statement of Investment Principles (SIP) after consultation with other interested parties; and
- Monitor all aspects of the Fund's performance.

Scheme Employers

5.3 In addition to the Administering Authority, a number of other Scheme Employers, including Admission Bodies, participate in the Fund.

5.4 The responsibilities of each Scheme Employer that participates in the Fund, including the Administering Authority, are to:

- Collect employee contributions and pay these together with their own employer contributions as certified by the Fund Actuary to the Administering Authority within the statutory timescales;
- Notify the Administering Authority of any new Scheme members and any other membership changes promptly;
- Exercise any discretions permitted under the Regulations; and
- Meet the costs of any augmentations or other additional costs in accordance with agreed policies and procedures.

Fund Actuary

5.5 The Fund Actuary for the Pension Fund is Barnett Waddingham LLP. The main responsibilities of the Fund Actuary are to:

- Advise interested parties on funding strategy and completion of actuarial valuations in accordance with the FSS and the Regulations; and
- Advise on other actuarial matters affecting the financial position of the Fund.

6 Funding Strategy

6.1 The factors affecting the Fund's finances are constantly changing, so it is necessary for its financial position and the contributions payable to be reviewed from time to time by means of an actuarial valuation to check that the funding objectives are being met.

6.2 The actuarial valuation involves a projection of future cash flows to and from the Fund. The main purpose of the valuation is to determine the level of employers' contributions that should be paid to ensure that the existing assets and future contributions will be sufficient to meet all future benefit payments from the Fund.

7 Funding Method

7.1 The key objective in determining employer's contribution rates is to establish a funding target and then set levels of employer contribution to meet that target over an agreed period.

7.2 The funding target is to have sufficient assets in the Fund to meet the accrued liabilities for each employer in the Fund. The funding target may, however, depend on certain employer circumstances and in particular, whether an employer is an "open" employer – one which allows new recruits access to the Fund, or a "closed" employer which no longer permits new staff access to the Fund. The expected period of participation by an employer in the Fund may also affect the chosen funding target.

7.3 For open employers, the actuarial funding method that is adopted is known as the Projected Unit Funding Method which considers separately the benefits in respect of service completed before the valuation date ("past service") and benefits in respect of service expected to be completed after the valuation respect of service completed before the valuation date ("past service") and benefits in respect of service expected to be completed after the valuation date ("future service"). This approach focuses on:

- The past service funding level of the Fund. This is the ratio of accumulated assets to liabilities in respect of past service. It makes allowance for future increases to members' pay for pensions in payment. A funding level in excess of 100 per cent indicates a surplus of assets over liabilities; while a funding level of less than 100 per cent indicates a deficit; and
- The future service funding rate which is. The level of contributions required from the individual employers which, in combination with employee contributions is expected to support the cost of benefits accruing in future.

7.4 The key feature of this method is that, in assessing the future service cost, the contribution rate represents the cost of one year's benefit accrual.

7.5 For closed employers, the funding method adopted is known as the Attained Age Method. The key difference between this method and the Projected Unit Method is that the Attained Age Method assesses the average cost of the benefits that will accrue over the remaining expected working lifetime of active members.

8 Valuation Assumptions and Funding Model

8.1 In completing the actuarial valuation it is necessary to formulate assumptions about the factors affecting the Fund's future finances such as inflation, pay increases, investment returns, rates of mortality, early retirement and staff turnover etc.

8.2 The assumptions adopted at the valuation can therefore be considered as:

- The statistical assumptions which are essentially estimates of the likelihood of benefits and contributions being paid, and
- The financial assumptions which will determine the estimates of the amount of benefits and contributions payable and their current or present value.

Future Price Inflation

8.3 The base assumption in any valuation is the future level of price inflation over a period commensurate with the duration of the liabilities. This is derived by considering the average difference in yields over the appropriate period from conventional and index linked gilts during the six months straddling the valuation date to provide an estimate of future price inflation as measured by the Retail Price Index (or "RPI").

Future Pay Inflation

8.4 As some of the benefits are linked to pay levels at retirement, it is necessary to make an assumption as to future levels of pay inflation. Historically, there has been a close link between price and pay inflation with pay increases exceeding price inflation in the longer term.

Future Pension Increases

8.5 Pension increases are linked to changes in the level of the Consumer Price Index (or "CPI"). Inflation as measured by the CPI has historically been less then RPI due mainly to different calculation methods. An adjustment is therefore made to the RPI assumption to derive the CPI assumption.

Future Investment Returns/Discount Rate

8.6 To determine the value of accrued liabilities and derive future contribution requirements it is necessary to discount future payments to and from the Fund to present day values.

8.7 The discount rate that is adopted will depend on the funding target adopted for each employer.

8.8 For open employers, the discount rate that is applied to all projected liabilities reflects a prudent estimate of the rate of investment return that is expected to be earned from the underlying investment strategy by considering average market yields in the six months straddling the valuation date. The discount rate so determined may be referred to as the "ongoing" discount rate.

8.9 For closed employers, an adjustment may be made to the discount rate in relation to the remaining liabilities, once all active members are assumed to have retired if at that time (the projected “termination date”), the employer becomes an exiting employer under Regulation 64.

8.10 The Fund Actuary will incorporate such an adjustment after consultation with the Administering Authority.

8.11 The adjustment to the discount rate for closed employers is to set a higher funding target at the projected termination date, so that there are sufficient assets to fund the remaining liabilities on a “minimum risk” rather than on an ongoing basis. The aim is to minimise the risk of deficits arising after the termination date.

Asset Valuation

8.12 For the purposes of the valuation, the asset value used is the market value of the accumulated Fund at the valuation date adjusted to reflect average market conditions during the six months straddling the valuation date.

Statistical Assumptions

8.13 The statistical assumptions incorporated into the valuation, such as future mortality rates, are based on national statistics. These are adjusted as appropriate to reflect the individual circumstances of the Fund and/or individual employers.

8.14 Further details of all of the assumptions adopted are included in the latest actuarial valuation report.

9 Deficit Recovery / Surplus Amortisation Periods

9.1 Whilst one of the funding objectives is to build up sufficient assets to meet the cost of benefits as they accrue, it is recognised that at any particular point in time, the value of the accumulated assets will be different to the value of accrued liabilities, depending on how the actual experience of the Fund differs to the actuarial assumptions. Accordingly the Fund will normally either be in surplus or in deficit.

9.2 Where the actuarial valuation discloses a significant surplus or deficit then the levels of required employers' contributions will include an adjustment to either amortise the surplus or fund the deficit over a period of years.

9.3 The period that is adopted for any particular employer will depend on:

- The significance of the surplus or deficit relative to that employer's liabilities;
- The covenant of the individual employer and any limited period of participation in the Fund; and
- The implications in terms of stability of future levels of employers' contribution.

10 Pooling of Individual Employers

10.1 The policy of the Fund is that each individual employer should be responsible for the costs of providing pensions for its own employees who participate in the Fund. Accordingly, contribution rates are set for individual employers to reflect their own particular circumstances.

10.2 However, certain groups of individual employers are pooled for the purposes of determining contribution rates to recognise common characteristics or where the number of Scheme members is small.

10.3 The main purpose of pooling is to produce more stable employer contribution levels in the longer term whilst, recognising that ultimately there will be some level of cross-subsidy of pension cost amongst pooled employers.

11 Stepping

11.1 Additionally, the Administering Authority will consider at each valuation whether the new contribution rate required from an employer by the funding model should be payable immediately or can be reached by a series of steps over a number of years.

11.2 The present policy of the Administering Authority is that no more than three equal annual steps will be permitted in the normal course of events. An increase to this may be permitted in extreme cases, but the total will not exceed a maximum of six annual steps

12 Cessation Valuations

12.1 On the cessation of an employer's participation in the Scheme, the Fund Actuary will be asked to make a termination assessment. Any deficit in the Fund in respect of the employer will be due to the Fund as a termination contribution, unless it is agreed by the Administering Authority and the other parties involved that the assets and liabilities relating to the employer will transfer within the Fund to another participating employer.

12.2 In assessing the financial position on termination, the Fund Actuary may adopt a discount rate based on gilt yields and adopt different assumptions to those used at the previous valuation in order to protect the other employers in the Fund from having to fund any future deficits which may arise from the liabilities that will remain in the Fund.

13 Links with the Statement of Investment Principles (SIP)

13.1 The main link between the Funding Strategy Statement and the SIP relates to the discount rate that underlies the funding strategy as set out in the FSS, and the expected rates of investment return which is expected to be achieved by the underlying investment strategy as set out in the SIP.

14 Risks and Counter Measures

14.1 Whilst the funding strategy attempts to satisfy the funding objectives of ensuring sufficient assets to meet pension liabilities and stable levels of employer contributions, it is recognised that there are risks that may impact on the funding strategy and hence the ability of the strategy to meet the funding objectives.

14.2 The major risks to the funding strategy are financial, although there are other external factors including demographic risks, regulatory risks and governance risks.

15 Financial Risks

15.1 The main financial risk is that the actual investment strategy fails to produce the expected rate of investment return (in real terms) that underlies the funding strategy. This could be due to a number of factors, including market returns being less than expected and/or the fund managers who are employed to implement the chosen investment strategy failing to achieve their performance targets.

15.2 The valuation results are most sensitive to the real discount rate. Broadly speaking an increase/decrease of 0.5 per cent per annum in the real discount rate will decrease/increase the valuation of the liabilities by 10 per cent, and decrease/increase the required employer contribution by around 2.5 per cent of payroll.

15.3 However, the Pension Fund Committee regularly monitors the investment returns achieved by the fund managers and receives advice from the independent advisers and officers on investment strategy.

15.4 The Committee may also seek advice from the Fund Actuary on valuation related matters.

15.5 In addition, the Fund Actuary provides funding updates between valuations to check whether the funding strategy continues to meet the funding objectives.

16 Demographic Risks

16.1 Allowance is made in the funding strategy via the actuarial assumptions for a continuing improvement in life expectancy. However, the main demographic risk to the funding strategy is that it might underestimate the continuing improvement in longevity. For example, an increase of one year to life expectancy of all members in the Fund will reduce the funding level by between approximately 1%.

16.2 The actual mortality of pensioners in the Fund is monitored by the Fund Actuary at each actuarial valuation and assumptions are kept under review.

16.3 The liabilities of the Fund can also increase by more than has been planned as a result of early retirements.

16.4 However, the Administering Authority monitors the incidence of early retirements; and procedures are in place, that require individual employers to pay additional amounts into the Fund to meet any additional costs arising from early retirements.

17 Regulatory Risks

17.1 The benefits provided by the Scheme and employee contribution levels are set out in Regulations determined by central Government. The tax status of the invested assets is also determined by the Government.

17.2 The funding strategy is therefore exposed to the risks of changes in the Regulations governing the Scheme and changes to the tax regime which may affect the cost to individual employers participating in the Scheme.

17.3 However, the Administering Authority participates in any consultation process of any proposed changes in Regulations and seeks advice from the Fund Actuary on the financial implications of any proposed changes.

18 Governance

18.1 Many different employers participate in the Fund. Accordingly, it is recognised that a number of employer-specific events could impact on the funding strategy including:

- Structural changes in an individual employer's membership;
- An individual employer deciding to close the Scheme to new employees; and
- An employer ceasing to exist without having fully funded their pension liabilities.

18.2 However, the Administering Authority monitors the position of employers participating in the Fund, particularly those which may be susceptible to the events outlined, and takes advice from the Fund Actuary when required.

18.3 In addition, the Administering Authority keeps in close touch with all individual employers participating in the Fund to ensure that, as Administering Authority, it has the most up to date information available on individual employer situations. It also keeps individual employers briefed on funding and related issues.

19 Monitoring and Review

19.1 This FSS is reviewed formally, in consultation with the key parties, at least every three years to tie in with the triennial actuarial valuation process.

19.2 The Administering Authority also monitors the financial position of the Fund between actuarial valuations and may review the FSS more frequently if necessary.

Devon Pension Fund

Communications Policy

This policy outlines in a single document the Fund's internal and external communications framework. It sets out our principles for managing communications, including a summary of key strands of communications, and the responsibilities of our staff in relation to communications.

1. Why we communicate

We have a large and broad range of member organisations for whom we need to offer specialist advice so that they fully understand their obligations as employers in the Devon Pension Fund.

Our scheme members, whether current employees and actively contributing toward pension benefits, former employees with deferred pension rights, or retired and in receipt of a pension number in their tens of thousands. All are entitled to expert support and information.

2. Our methods of communication

We have a range of communication channels and when deciding which to use we take into consideration the message, our customer and the cost to the Fund. Each time, the aim is to use the most appropriate and efficient means for reaching the member or audience.

2.1 Internet

Peninsula Pensions is a shared admin service run by Devon County Council on behalf of the Devon and Somerset Pension Funds.

The service web site is an extensive information resource with dedicated sections for anyone who may be thinking of joining, is already a member, or may be a previous member or a pensioner member https://www.peninsulapensions.org.uk/ Using the navigable menu the reader can access electronic copies of scheme literature and advice such as on methods of increasing future retirement benefits through options like Additional Voluntary Contributions (AVCs) and Additional Pension Contributions (APCs) - although members should note that we are unable to counsel on whether any scheme suits an individual's personal circumstances and strongly advise that anyone considering an AVC arrangement or any such product takes independent advice before making a final decision.

There is also a section for employers where they can obtain the latest news and advice, or search the Employers Guide and source forms.

2.2 Telephone, email and fax

We publish a full list of team contact details via our website, organised into areas of expertise so that employers and members can speak with or email direct to the most appropriate person for their enquiry. Telephone lines are operable during normal office hours.

All official correspondence displays telephone, email and fax details. The Fund Administrators make full use of email for correspondence where suitable.

2.3 Newsletters

Employer organisations of the Devon Pension Fund receive a quarterly newsletter via the Peninsula Pensions shared service in the form of an electronic magazine informing them of the latest news and developments affecting the LGPS. This is intended to be helpful and informative.

We encourage employers to circulate the newsletter within their organisation and make available direct emailing to those members of staff who would like it. Special bulletins of this newsletter are also sent from time to time when the occasion or need arises.

Similarly, Peninsula Pensions publishes the newsletter Pensions Post, through which we keep our Fund members up to date with pensions legislation and changes, and is available through member self service for those who have registered.

2.4 Member Self-Service

Members can now access their own pension records online, via the Altair Member Self Service portal incorporated into our website. Using simple and easy to navigate screens accessed through a fully auditable security system a member or pensioner is able to:

- update personal details
- view payslips, P60s and annual benefits statements
- model their own benefit calculations
- view newsletters
- request benefit statements
- notify the pensions department of any amendments required
- print nomination and other forms for completion

2.5 Scheme Literature

A range of scheme literature is produced by the Fund and made available to employer organisations and employees through our website.

The Fund has produced an Employer Guide. This is a key product for employers as it is a comprehensive reference source which helps them to understand and fulfill their responsibilities. An electronic version is maintained on Devon Pension Fund’s website within the dedicated employer section. Copies of leaflets and forms are also available to employers from the website or on request.

2.6 Training & Liaison

We offer specialist training and advice to all Fund employers and this covers the full range of administrative activities and tasks. We will also deliver training that is tailored to the specific needs of an employer in-situ.

The Fund also holds an annual meeting at a technical level for all employers. This meeting, known as the Pension Liaison Officers Group (PLOG) provides an outstanding opportunity for all parties to exchange views and news as well as addressing technical issues. Additional PLOGs will be organised periodically if needs arise.

Dedicated liaison officers provide communications and support to employers on various aspects of pension management and administration.

2.7 Annual Employers Meeting

Employer organisations have the opportunity to meet senior Investment and Pension Fund managers once a year at the Annual Employers Meeting. Pitched at a high level target audience of decision makers, the meeting provides formal and informal opportunities to exchange information and ask questions about fund performance, actuarial issues, changes to workplace pension's law, and developments in the reform of public pensions and LGPS specifically.

2.8 Annual Consultative Meeting

An Annual Consultative Meeting (ACM) with members is held early in the calendar year. This is organised with the trade unions (Unison and GMB). The Chair of the Committee, the County Treasurer, the Assistant County Treasurer – Investments and Treasury Management, and the Head of Peninsula Pensions attend the ACM to make presentations and answer any questions.

2.9 Benefit Statements, Pay Advices, and P60s

Every year, we issue an annual benefit statement to all current contributing members. This shows the current and prospective value of the member's benefits.

Deferred members will also receive a statement where a current address is held for them or through Member Self Service.

We send pay advices to pensioners in April and May each year. These show the effect of the annual pension increase and will include a P60 tax document summarising pay and the tax deducted from it for the previous year.

A payslip is also issued to pensioners if there has been a change of more than £1 to their net monthly income.

2.10 Annual Report

The Pension Fund's current Annual Report and Accounts is made available at the Peninsula Pensions website https://www.peninsulapensions.org.uk/pension-fund-investments/devon-county-council-investments/devon-fund-key-documents/ Hardcopy of the full report can be provided upon request. Employee members are informed of the web link via pay slips and all retired members receive a leaflet by post or through Member Self Service.

Archived annual reports and accounts can also be accessed via the website, as can a range of Fund publications including among others our Statement of Investment Principles, Funding Strategy Statement, and the most recent Actuarial Valuation Report.

3. Fund governance

3.1 The Investment and Pension Fund Committee

The Investment and Pension Fund Committee fulfils the duties of the Devon County Council as the Administering Authority of the Pension Fund.

The committee is made up of representatives from Devon County Council, Unitary and District Councils, Police, Fire Services and Probation, Academic Bodies, Trade Union, and retired Members.

Its main powers and duties are based on the provisions of the Local Government Pension Fund (Management and Investment of Funds) Regulations 2009, as amended, and are designed to ensure that the Fund is properly and effectively managed. Its purpose is to make sure the Council performs its duties as Administering Authority of the Devon Pension Fund, reviewing and approving the Fund's annual statement of accounts, and making sure that appropriate accounting policies are followed. It also brings to the attention of the Council any concerns arising from financial statements or any audit.

Investment and Pension Fund Committee Meetings are held at least quarterly and are open to the public as observers, other than where information is exempt from public disclosure under the Local Government Act 1972. Committee agendas, reports and minutes are made available via the Devon County Council web site at http://www.devon.gov.uk/index/councildemocracy/decision_making/cma/index/councildemocracy/decision_making/cma/index_inv.htm

3.2 The Devon Pension Board

The Public Services Pension Act 2013 has required all Funds to establish a local Pension Board to assist with governance and compliance from 1st April 2015. Devon Pension board meetings are formal recorded occasions, where the status of the scheme and associated issues are reviewed and recommendations made concerning the standards of scheme governance and administration.

The Board is due to meet at least twice a year, with one meeting in the Spring and one in the Autumn. More information on the Pension Board along with terms of reference and meeting minutes can be found on the Peninsula Pensions website at https://www.peninsulapensions.org.uk/pension-fund-investments/devon-county-council-investments/pension-board/

4. Our communication standards

We aspire to supply a high quality pension administration service providing value for money and to meet the highest possible standards in our dealings with all our customers.

These aims are set out in our Customer Charter which has been drawn up specifically with employee members in mind, whether active, deferred or of pensioner status. It describes how individuals who contact us will be treated by our Pensions Services staff. It sets out core standards of service which are measurable and encourages members to provide us with feedback on how we are doing as well as what to do if unhappy with the service they have received. https://www.peninsulapensions.org.uk/lgps-member/documents-and-forms/915-2/

5. Professional know how

The Devon Pension Fund employs the service of a range of actuarial and investment specialists in order for it to achieve its purpose and fulfil its pensions promise.

5.1 Actuarial Services

Actuaries perform a three-yearly Actuarial Valuation of the Devon Pension Fund as required by LGPS Regulations. Assets and liabilities are measured and valued and employer contribution rates are calculated that will achieve the long term Fund Strategy.

The Fund maintains communications with the Actuary and Employers throughout this exercise. All employers get the opportunity to meet the Actuary when preliminary results are known.

The Actuary also provides us with information and advice on range of issues affecting the Fund, especially when an employer organisation is seeking to join or, more rarely, exit the Fund.

Actuarial Services to the Fund are currently provided by https://www.barnett-waddingham.co.uk/

5.2 Investment Fund Managers / Independent Advisers

Investment performance is consistently monitored and evaluated against portfolio objectives and benchmarks. This is undertaken by the County Treasurer's Investment Team which has regular performance review meetings with the professional external Fund Managers who are appointed to invest the monies belonging to the Fund.

The County Treasurer reports to the Investment and Pension Fund Committee on investment performance and each active external Fund Manager will attend a briefing meeting with the Committee on an annual basis.

Investment constraints are set by the Committee whose professional knowledge is supplemented by the advice of the County Treasurer's Investment Team and an experienced independent investment adviser.

5.3 Legal Advice

Legal advice is normally provided by the County Solicitor but may involve the appointment of specialist legal advisers for particular aspects of fund management.

6. Other organisations we connect with

6.1 Department for Communities and Local Government (DCLG)

DCLG (https://www.gov.uk/) is responsible for government policy on some public sector pensions including the LGPS. The Devon Pension Fund responds to consultation proposals for scheme changes

6.2 LGPS Scheme Advisory Board

The Local Government Pension Scheme Advisory Board (http://www.lgpsboard.org/) is a body set up under Section 7 of the Public Service Pensions Act 2013. The purpose of the Board is to encourage best practice, increase transparency and coordinate technical and standards issues.

It will consider items passed to it from the Department of Communities and Local Government ("DCLG"), the Board's sub-committees and other stakeholders as well as items formulated within the Board. Recommendations may be passed to the DCLG or other bodies. It is also likely that it will have a liaison role with the Pensions Regulator. Guidance and standards may be formulated for local scheme managers and pension boards.

The Devon Fund will need to respond to initiatives undertaken by the Scheme Advisory Board, providing information where required, and feeding into the Board's working groups.

6.3 Local Government Association (LGA)

The LGA (http://www.local.gov.uk/workforce) represents the interests of 375 local authorities in England and Wales to central government and other bodies; specifically in this instance with regard to local government pensions' policy. The Workforce Team provide technical advice, a suite of guides, booklets and publications and a full programme of pensions training. The Fund obtains clarification and advice from LGE specialists from time to time.

6.4 The Pensions Regulator

The Public Service Pensions Act 2013 gave additional responsibility to the Pensions Regulator (http://www.thepensionsregulator.gov.uk/) to oversee the LGPS. The Regulator has issued a code of practice for LGPS funds to follow. The Devon Fund is required to report any significant breaches of the code of practice or regulatory requirements to the Pensions Regulator.

6.5 The Pension and Lifetime Savings Association (PLSA)

NAPF (http://www.plsa.co.uk/) speaks collectively for workplace pension schemes with the aim of influencing the direction of retirement provision. It has deep working relationships in Westminster and Whitehall. The Devon Pension Fund is a member of this organisation and this helps us to be part of the national pension debate both in our own right and as a group with other local authority pension funds.

6.6 The Local Authority Pension Fund Forum (LAPFF)

LAPFF (http://www.lapfforum.org/) seeks to optimise the influence of local authority pension funds as shareholders to advance high standards of Corporate Governance and Corporate Social Responsibility. The Forum has a number of business meetings and an annual conference or AGM each year which is usually attended by the Assistant County Treasurer – Investments and Treasury Management.

6.7 The Society of County Treasurers (SCT)

This is a forum of all Shire and Unitary Council Treasurers meeting regularly for the sharing of information and best practice on all financial matters including pension fund management (http://www.sctnet.org.uk/)

6.8 South West Investment Managers (SWIM)

A group of administering authority investment managers that meets on a six-monthly basis to discuss investment issues and procurement methods. Communication with the SWIM group is crucial to the sharing of best practice and seeking opportunities for collaboration to reduce costs and improve performance.

6.9 The South West Area Pension Officers Group (SWAPOG)

This liaison network is set up to promote consistent and uniform interpretation of LGPS rules and regulations among administering authorities in the region.

6.10 Press and Media

The Fund will actively engage with the press and other media organisations in order to ensure clarity, facts and fair representation. Enquiries from these bodies are handled by Devon County Council's Press and PR Officer.

Appendix A

Devon County Council Pension Fund: Meeting Stakeholder Information Needs

Scheme Members:

Expectation	Product	Frequency
Information and news about the scheme; contact details	Internet Website	Constantly available online
	Pensions Post Newsletter	Available through member self service
Scheme information for prospective and new members	Promo Leaflet and Pension Pack	Leaflet distributed through Employers. Pension Pack issued to new members upon joining
Knowledge of Fund Finances, investment performance, and investment principles	Annual Report & Accounts (Summarising leaflet)	Online & uploaded to Member Self Service. Employee members are advised of web link via pay slips. Posted each year to home address of retired members
	Annual Consultative Meeting (ACM)	Annual
Knowledge of benefits (Active and Deferred Members)	Benefits Statements	Annual to home address or via employer, and upon leaving employment
Ways to improve future pensions benefits	AVC and APC product information	Constantly available online
Knowledge of the effects of the annual pension increase and tax deducted (Pensioner Members)	Pensioner Newsletter	Annual
	Pay advices	April & May incl. P60 for previous year
Representation on the Investment & Pension Fund Committee	Trade Union Reps with observer status	At least 4/5 occasions per year
Access to Investment & Pension Fund Committee papers and minutes	Administering Authority archive	Constantly available online
Representation on the Pension Board	Proportionate representation	At least twice per year

Employers:

Expectation	Product	Frequency
Scheme literature, guides and forms; Fund Policies and Reports	Internet Website	Constantly available online
Information about changes in legislation and revisions to scheme requirements. Latest news and investment performance updates.	E-Zine newsletter	Quarterly plus special bulletins
Knowledge of Fund Finances	Annual Report & Accounts (Full Report)	Annual and archived reports via the website
Knowledge of the Fund's progress, the pension landscape, developments, news, and information exchange.	Employers Meeting / Forum	Annual plus special events according to need
Understanding of actuarial matters including funding levels and employer contribution rates.	'Meet the Actuary' Employers Meeting	Three-yearly upon the Actuarial Valuation of the Devon Fund
	Liaison and support	Ongoing
Technical knowledge and understanding of administrative activities and tasks	Specialist Training	On demand
	Pension Liaison Officer Group (PLOG)	Annual and as needs arise
Scheme information and promotional materials for prospective members	Welcome Pack	Constantly available online
Enrolment of Employees - advice for employers on complying with auto- enrolment reforms under workplace pension legislation.	Information, template letters, forms and flowcharts	Online
	Project guidance	Dedicated specialist support
Representation on the Investment & Pension Fund Committee	Proportionate representation	At least 4/5 occasions per year
Access to Investment & Pension Fund Committee papers and minutes	Administering Authority Archive	Constantly available online
Representation on the Pension Board	Proportionate representation	At least twice per year

Devon Pension Fund

Governance Policy and Compliance Statement

Introduction

This policy and compliance statement outlines the governance arrangements for the Devon Pension Fund, maintained by Devon County Council, as required by regulation 31 of the Local Government Pension Scheme (Administration) Regulations 2008 (as amended).

Under that provision all LGPS Funds in England and Wales are required to produce a Governance Compliance Statement, revise it following any material change in their delegation arrangements and publish it. The statement is required to set out:

(a) whether the administering authority delegates their function or part of their function in relation to maintaining a pension fund to a committee, a subcommittee or an officer of the authority;

(b) if they do so:

  (i) the terms, structure and operational procedures of the delegation;

  (ii) the frequency of any committee or sub-committee meetings;

  (iii) whether such a committee or sub-committee includes representatives of employing authorities (including authorities which are not Scheme employers) or members, and if so, whether those representatives have voting rights.

(c) the extent to which a delegation, or the absence of a delegation, complies with guidance given by the Secretary of State and, to the extent that it does not so comply, the reasons for not complying.

Each administering authority is required to:

(a) keep the statement under review;

(b) make such revisions as are appropriate following a material change in respect of any of the matters mentioned in (a) to (c) above; and

(c) if revisions are made:

  (i) publish the statement as revised, and

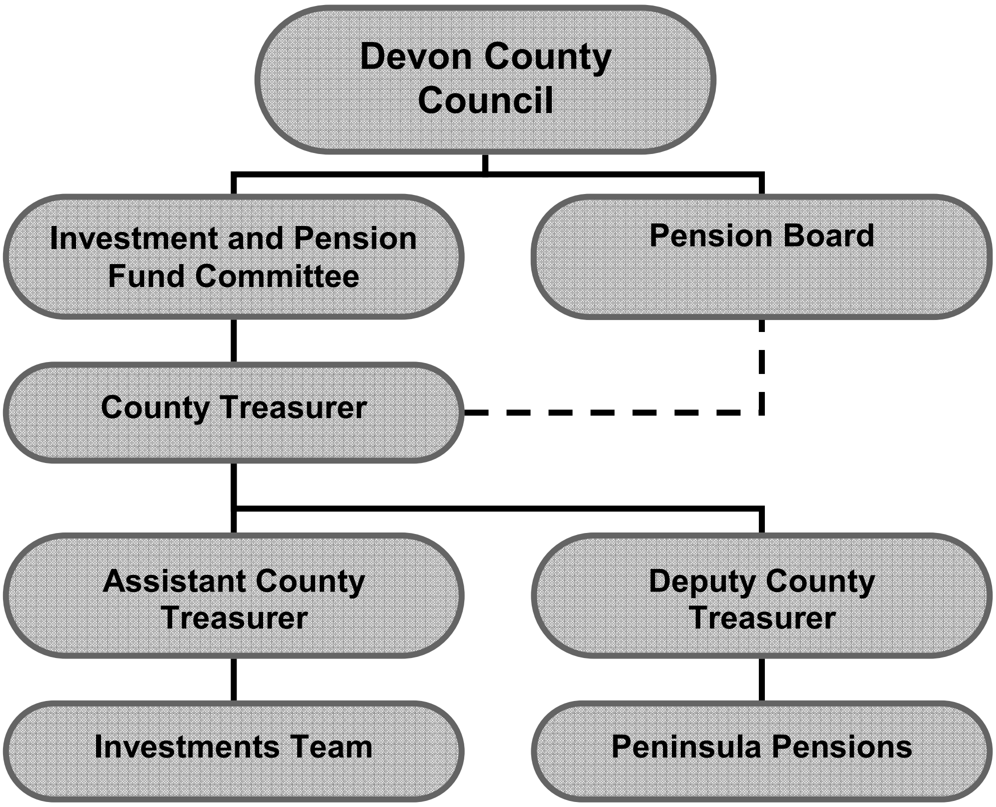
  (ii) send a copy of it to the Secretary of State.

In reviewing and making revisions to the statement, the authority must consult such persons as it considers appropriate.

The Governance Policy has been updated to reflect the governance changes required by the Public Sector Pensions Act 2013 and the Local Government Pension Scheme (Amendment) (Governance) Regulations 2015.

Governance Structure

This Devon Pension Fund governance structure is illustrated below. The structure relates to administering authority responsibilities only. Devon County Council is also an employer within the Devon Pension Fund. A separate governance structure and scheme of delegation is in place in relation to Devon County Council’s employer responsibilities.



The Investment and Pension Fund Committee

The Investment and Pension Fund Committee is composed as follows:

Representing	No	Comments
Devon County Council	6	Administering Authority representatives
Unitary Councils	2	One from each of Plymouth City Council and Torbay Council
District Councils	1	Nominated by Devon LGA
Other Employers	1	Nominated by Employers Forum
The Contributors	2	Nominated by UNISON / GMB unions (Non-voting)
The Beneficiaries	1	Nominated by UNISON / GMB unions (Non-voting)

All members and representatives, with the exception of the representatives nominated by the trade unions, have equal voting rights. The Committee has also agreed that the Unitary and District authorities should be able to nominate substitute councillors to attend committee meetings should the nominated councillors be unable to do so.

The Investment and Pension Fund Committee is supported in the execution of its responsibilities by the following:

- The County Treasurer and staff from the Authority's Investments and Pensions Administration teams.
- An Independent Investment Advisor (currently Steve Tyson of AllenbridgeEpic)
- An Actuary (Currently Graeme Muir of Barnett Waddingham)

The Committee meets quarterly, and also has regular training sessions that all representatives and substitute members are invited to attend, in order to ensure that they are equipped as well as possible to fulfil their obligations.

Role of the Investment and Pension Fund Committee

The Investment and Pension Fund Committee oversees the operation of the Devon Pension Fund on behalf of Devon County Council. The County Council's Constitution sets out the delegated role of the Investment and Pension Fund Committee as follows:

To discharge the duties of the Council as Administering Authority of the Pension Fund and to review and approve the annual statement of accounts of the Devon Pension Fund, to consider whether appropriate accounting policies have been followed and whether there are concerns arising from the financial statements or from any audit that need to be brought to the attention of the Council. To review and approve the annual statement of the Pension Fund accounts.

Devon County Council Constitution Part 3 Responsibility for Functions paragraph 9.1

In fulfilling that role the Committee undertakes the following tasks:

- Monitoring the administration of the Pension Scheme, including the benefit regulations and payment of pensions and their day to day administration, ensuring that it delivers best value and complies with best practice guidance where considered appropriate.
- Exercise of Pension Fund discretions on behalf of the Administering Authority.
- Determination of Pension Fund policy in regard to employer admission arrangements.
- Determination of the Pension Fund's Funding Strategy and approval of its Funding Strategy Statement.
- Receiving periodic actuarial valuation reports from the Actuary.
- Coordination of Administering Authority responses to consultations by Central Government, professional and other bodies.
- Approval and review of the content of the Statement of Investment Principles.
- Approval and review of the asset allocation benchmark for the Fund.
- Appointment and review of Investment Managers, Custodian and Advisors.
- Monitoring the quality and performance of each Investment Manager in conjunction with investment advisors and the Section 151 Officer.
- Setting and reviewing the investment parameters within which the Investment Managers can operate.
- Monitoring compliance of the investment arrangements with the Statement of Investment Principles.
- Assessment of the risks assumed by the Fund at a global level as well as on a manager by manager basis.
- Approval of the Annual Report.

The Pension Board

The Pension Board is composed of nine members as follows:

Representing	No	Comments
Fund Members	4	Appointed by the Administering Authority from applicants responding to an advertisement.
Fund Employers	4	Two appointed by Devon County Council, plus two elected by employers at an Annual Employers' Meeting.
Independent Member	1	Appointed by the Administering Authority from applicants responding to an advertisement. (Non-voting)

All members and representatives, with the exception of the Independent Member will have equal voting rights. The Board will appoint a Chairman and Vice Chairman from among its members. Members of the Investment and Pension Fund Committee are excluded from membership of the Pension Board.

The members of the Pension Board serve for a four year term, subject to the following:

- The representatives of the administering authority shall be appointed annually by the Devon County Council Annual Council Meeting, but with a view to maintaining stability of membership.
- Two member representatives and one employer representative shall serve for an initial six year term, after which a four year term will be served, to promote continuity of experience by reducing the risk of all members being replaced by new members at the same time.
- The independent member shall also serve for an initial six year term, after which a four year term will be served.
- The membership of any member who fails to attend for two consecutive meetings or two consecutive training events shall be reviewed by the Board and shall be terminated in the absence of mitigating factors.
- Arrangements shall be made for the replacement of members who resign or whose membership ceases due to non-attendance in line with the procedures for their original appointment.

The Pension Board requires the support of the Fund's key advisors to support it in the execution of its responsibilities. These will include the County Treasurer and staff from the Authority's Investments and Pensions Administration teams. It will also include staff from the Devon Audit Partnership. The Board will also be able to seek advice from other advisors, such as the Fund Actuary, and the Fund's external auditors.

The Board will meet twice a year, once in the Spring and once in the Autumn. In addition training sessions will be held, which may be joint sessions with the Investment and Pension Fund Committee.

Role of the Pension Board

The role of the local Pension Board as defined by sections 5 (1) and (2) of the Public Service Pensions Act 2013, is to –

- Assist the Administering Authority as Scheme Manager; –
    - to secure compliance with the LGPS regulations and any other legislation relating to the governance and administration of the LGPS;
    - to secure compliance with requirements imposed in relation to the LGPS by the Pensions Regulator;
    - in such other matters as the LGPS regulations may specify.
- Secure the effective and efficient governance and administration of the LGPS for the Pension Fund.
- Provide the Scheme Manager with such information as it requires to ensure that any member of the Pension Board or person to be appointed to the Pension Board does not have a conflict of interest.

The Pension Board will also help ensure that the Devon Pension Fund is managed and administered effectively and efficiently and ensure that it complies with the code of practice on the governance and administration of public service pension schemes issued by the Pension Regulator.

In fulfilling that role the Board undertakes the following tasks:

- Monitor compliance of the Pension Fund with legislation, guidance issued by the Pensions Regulator, and with the policies set out in the Fund's statutory statements.
- Review and scrutinise the performance of the Pension Fund in relation to its governance and administration, policy objectives and performance targets.
- Approval of the Annual Internal Audit Plan for the Devon Pension Fund and for Peninsula Pensions.
- Consideration of the Internal Audit Annual Report and regular update reports for the Devon Pension Fund and Peninsula Pensions.
- Consideration of the External Audit report on the Pension Fund Annual Report and Statement of Accounts.
- Review of the Pension Fund Risk Register.
- Monitoring of the Fund's Internal Dispute Resolution Procedures.

Role of the County Treasurer

The County Treasurer is Devon County Council's Section 151 (Local Government Act 1972) Officer and the Proper Officer under s115 of the Local Government Act 1972 responsible for the proper administration of the Council's financial affairs, including the Devon Pension Fund.

The following responsibilities are delegated to the County Treasurer:

- The management, monitoring and reporting to the Investment and Pension Fund Committee of the activities and the performance of the:
  a. Investment Managers;
  b. Investment Consultants and Advisors;
  c. Fund Custodian.
- The management of the Fund's cash assets directly held by the Administering Authority.
- The authorisation of cash or asset movements between the Administering Authority, the Fund Custodian and the investment managers.
- Accounting for all investment transactions in compliance with standard accountancy and audit practice.
- Taking action to rebalance the Fund by moving funds between current managers, where actual asset allocation varies by more than 2.5% from the target allocation.
- Allocating surplus cash of up to £50m to the Fund's investment managers, in consultation with the Chairman and Vice-Chairman, when deemed that such an allocation could be made to the benefit of the Fund.
- The payment of fees to the investment managers and the custodian in accordance with their contractual agreements.
- The Committee has delegated the use of voting rights on the Fund's shareholdings to the investment managers. In exceptional circumstances the County Treasurer may, in consultation with the Chairman and Vice-Chairman, direct the investment managers to vote in a specific way.
- The admission of organisations into the Pension Scheme - in accordance with approved policy.
- Under exceptional circumstances, taking urgent decisions regarding management of funds in the event that existing fund managers are unable to fulfil their responsibilities.
- In consultation with specialist advisors determining, on a risk by risk basis, whether to pursue litigation cases to attempt to recover sums due in relation to taxation issues or class actions.
- Exercising the discretionary powers allowed under the LGPS regulations.

Governance Compliance Statement

The following table sets out the Devon Pension Fund's level of compliance with the latest guidance issued by the Secretary of State for Communities and Local Government.

As a statutory public service scheme, the LGPS has a different legal status compared with Trust based schemes in the private sector. Governance matters in the LGPS therefore need to be considered on their own merits and with a proper regard to the legal status of the scheme. This includes how and where it fits in with the local democratic process through local government law and locally elected councillors who have the final responsibility for its stewardship and management.

Principle	Not Compliant	Partially Compliant	Fully Compliant
A. Structure			
(a) The management of the administration of benefits and strategic management of fund assets clearly rests with the main committee established by the appointing council.			✓
(b) That representatives of participating LGPS employers, admitted bodies and scheme members (including pensioner and deferred members) are members of either the main or secondary committee established to underpin the work of the main committee.			✓
(c) That where a secondary committee or panel has been established, the structure ensures effective communication across both levels.			N/A
(d) That where a secondary committee or panel has been established, at least one seat on the main committee is allocated for a member from the secondary committee or panel.			N/A
Explanation of level of compliance (c) and (d) No secondary committee has been established.			
B. Representation			
(a) That all key stakeholders are afforded the opportunity to be represented within the main or secondary committee structure. These include:			
(i) employing authorities (including non-scheme employers, eg, admitted bodies)		✓	

Principle	Not Compliant	Partially Compliant	Fully Compliant
(ii) scheme members (including deferred and pensioner scheme members);		✓	
(iii) where appropriate, independent professional observers; and	✓		
(iv) expert advisors (on an adhoc basis).			✓
(b) That where lay members sit on a main or secondary committee, they are treated equally in terms of access to papers and meetings, training and are given full opportunity to contribute to the decision making process, with or without voting rights.			✓

Explanation of level of compliance

(a)(i) Devon's two unitary authorities and district councils are represented on the Investment and Pension Fund Committee. Currently there is no place for a representative of the admitted bodies. The Fund has a significant number of disparate admitted bodies, and it is considered impractical for each body or group of similar bodies to be separately represented on the Committee.

(a)(ii) Representatives of scheme members are members of the Investment and Pension Fund Committee, but without voting rights.

(a)(iii) The Devon Pension Fund considers that the roles envisaged by CLG for an independent professional observer are already adequately catered for within the Fund's current governance arrangements through the participation of the Fund's Independent Advisor.

Principle	Not Compliant	Partially Compliant	Fully Compliant
C. Selection and Role of Lay Members			
(a) That committee or panel members are made fully aware of the status, role and function they are required to perform on either a main or secondary committee.			✓
(b) That at the start of any meeting, committee members are invited to declare any financial or pecuniary interest related to specific matters on the agenda.			✓

Principle	Not Compliant	Partially Compliant	Fully Compliant
D. Voting			
(a) The policy of individual administering authorities on voting rights is clear and transparent, including the justification for not extending voting rights to each body or group represented on main LGPS committees.			✓
E. Training / Facility Time / Expenses			
(a) That in relation to the way in which statutory and related decisions are taken by the administering authority, there is a clear policy on training, facility time and reimbursement of expenses in respect of members involved in the decision making process.			✓
(b) That where such a policy exists, it applies equally to all members of committees, subcommittees, advisory panels or any other form of secondary forum.			✓
(c) That the administering authority considers the adoption of annual training plans for committee members and maintains a log of all such training undertaken.		✓	
Explanation of level of compliance (c) Regular training is provided for members. Consideration is to be given to the introduction of annual training plans for members and the maintenance of a log of all such training undertaken.			
F. Meetings - Frequency			
(a) That an administering authority's main committee or committees meet at least quarterly.			✓
(b) That an administering authority's secondary committee or panel meet at least twice a year and is synchronised with the dates when the main committee sits.			N/A
(c) That an administering authority who does not include lay members in their formal governance arrangements, must provide a forum outside of those arrangements by which the interests of key stakeholders can be represented.			✓

Principle	Not Compliant	Partially Compliant	Fully Compliant
Explanation of level of compliance (b) No secondary committee has been established.			
G. Access			
(a) That subject to any rules in the council's constitution, all members of main and secondary committees or panels have equal access to committee papers, documents and advice that falls to be considered at meetings of the main committee.			✓
H. Scope			
(a) That administering authorities have taken steps to bring wider scheme issues within the scope of their governance arrangements.			✓
I. Publicity			
(a) That administering authorities have published details of their governance arrangements in such a way that stakeholders with an interest in the way in which the scheme is governed, can express an interest in wanting to be part of those arrangements.			✓

LOCAL GOVERNMENT PENSION SCHEME

Devon Pension Fund Administration Strategy

peninsula pensions

April 2015

Contents

Pension Administration Strategy 2014

1. Introduction

Peninsula Pensions is a shared pension administration service, run by Devon County Council, providing the Local Government Pension Scheme (LGPS) administration for both Devon and Somerset administering authorities.

The shared service started on 1 September 2013 with both teams coming together in one office in February 2014.

The Devon and Somerset Pension Funds and their Committees remain independent from each other with each Administering Authority retaining Investment responsibility Both the Devon and Somerset Pension Fund Committees, have agreed to the implementation of a Pension Administration Strategy (PAS). Although there will be one strategy per fund, the contents will be the same for both, to ensure an equal, efficient and quality service for all stakeholders.

The Pensions Administration Strategy supports the pension fund on behalf of its employing authorities and the administering authority. The objective of the strategy is to define the roles and responsibilities of the Administering Authority and the employing authorities under the LGPS regulations.

In no circumstances does this strategy override any provision or requirement of the regulations set out below nor is it intended to replace the more extensive commentary provided by the Employers' Guide and website for day-to-day operations.

The Fund will review and revise this policy statement if policies which relate to strategy matters change. Employers will be consulted and informed of the changes and a revised statement will be supplied to the Secretary of State.

2. The Regulations

In accordance with Regulation 59 of the Local Government Pension Scheme (Administration) Regulations 2013:

1) An administering authority may prepare a written statement of the authority's policies in relation to such of the matters mentioned in paragraph (2) as it considers appropriate ("its pension administration strategy") and, where it does so, paragraphs (3) to (7) apply.

2) The matters are—

(a) procedures for liaison and communication with Scheme employers in relation to which it is the administering authority ("its Scheme employers");

(b) the establishment of levels of performance which the administering authority and its Scheme employers are expected to achieve in carrying out their Scheme functions by—

(i) the setting of performance targets,

(ii) the making of agreements about levels of performance and associated matters, or

(iii) such other means as the administering authority considers appropriate;

c) procedures which aim to secure that the administering authority and its Scheme employers comply with statutory requirements in respect of those functions and with any agreement about levels of performance;

d) procedures for improving the communication by the administering authority and its Scheme employers to each other of information relating to those functions;

e) the circumstances in which the administering authority may consider giving written notice to any of its Scheme employers under regulation 70 (additional costs arising from Scheme employer's level of performance) on account of that employer's unsatisfactory performance in carrying out its Scheme functions when measured against levels of performance established under sub-paragraph (b);

f) the publication by the administering authority of annual reports dealing with—

(i) the extent to which that authority and its Scheme employers have achieved the levels of performance established under sub-paragraph (b), and

(ii) such other matters arising from its pension administration strategy as it considers appropriate; and

(g) such other matters as appear to the administering authority after consulting its Scheme employers and such other persons as it considers appropriate, to be suitable for inclusion in that strategy.

3. An administering authority must—

(a) keep its pension administration strategy under review; and

(b) make such revisions as are appropriate following a material change in its policies in relation to any of the matters contained in the strategy.

(4) In preparing or reviewing and making revisions to its pension administration strategy, an administering authority must consult its Scheme employers and such other persons as it considers appropriate.

(5) An administering authority must publish—

(a) its pension administration strategy; and

(b) where revisions are made to it, the strategy as revised.

(6) Where an administering authority publishes its pension administration strategy, or that strategy as revised, it must send a copy of it to each of its Scheme employers and to the Secretary of State as soon as is reasonably practicable.

(7) An administering authority and its Scheme employers must have regard to the pension administration strategy when carrying out their functions under these Regulations.

(8) In this regulation references to the functions of an administering authority include, where applicable, its functions as a Scheme employer.

3. The Administration Strategy

This strategy formulates the administrative arrangements between the pension fund and the participating employing authorities. It recognises that both fund employers and Peninsula Pensions have a shared role in delivering an efficient and effective pension fund to its scheme members and this can only be achieved by co-operation.

With the introduction of this framework, the aim is to enhance the flow of data by having clear channels of communication in place, so that each authority is fully aware of its role and responsibilities within this process, as outlined by the LGPS provisions.

An annual report will be issued by Peninsula Pensions to illustrate the extent to which the standard of performance established under this strategy has been achieved and such other matters arising from the strategy as appropriate.

4. Liaison and Communication

The delivery of a high quality, cost-effective administration service is not the responsibility of just the administering authority, but depends on the administering authority working with a number of individuals in different organisations to make sure that members and other interested parties receive the appropriate level of service and ensure that statutory requirements are met.

Peninsula Pensions will have an Employer Liaison Officer who will be the main contact for any administration query relating to the correct interpretation of the LGPS regulations, employer responsibilities and help when completing interfaces and forms.

Each employing authority will designate named individual(s) to act as a **Pensions Liaison Officer** the primary contact with regard to any aspect of administering the LGPS. The Pension Liaison Officer(s) will be given a user name and password to access the employer section of the Peninsula Pensions website

Peninsula Pensions will employ a multi-channel approach in liaising and communicating with employing authorities to ensure that all requirements are consistently met.

The various channels of communication employed by the fund include:

1. **Peninsula Pensions website** – the main communication tool for both employers and scheme members.
    - o **Employers** – Dedicated and secure employer section where employers can access procedure guides, information on courses run by the fund, access back copies of the Pensions Line, access Employer Self Service and Interface information.
    - o **Electronic communication** – unless agreed separately all employers will be required to provide data through the Employer Self Service Portal and/or Interfaces.
    - o **Scheme members** – access to up-to-date information about all aspects of the LGPS. Member Self service area where member's can update personal details, review annual benefit statements and newsletters and do their own pensions estimates.
    - o **Contact Details** – All Peninsula Pension Staff roles and contact information together with both Funds Investment Team contact details

2. **Scheme members** who have chosen to opt out of the Member Self Service will continue to receive postal communication. They will still be able to access up-to-date information about all aspects of the LGPS via our website.

3. **Periodic newsletters** issued to scheme members and all employing authorities and placed on Peninsula Pensions website.

4. **Induction and pre-retirement workshops** undertaken upon request to develop both employer and scheme member understanding, minimum number of attendees 10 required

5. **Pension surgeries** held for scheme members upon employer request to resolve any individual or collective issues that members may have.

6. **Quarterly E-zine** sent directly to employer representatives to provide notification of any scheme / administrative updates and developments.

7. **Employer seminars and training groups** held when required to review scheme developments, or to resolve any training needs that employers may have.

8. **Annual Consultative Meeting** held to review the investment and administrative issues that the pension fund has experienced during the preceding 12 months, and also to look forward at the challenges that lie ahead for the next 12 months.

9. **Employer representatives** distribute information supplied by the pension fund to scheme members within their organisation, such as scheme guides and factsheets.

Note: Peninsula Pensions are not responsible for verifying the accuracy of any information provided by the employer for the purpose of calculating benefits under the provisions of the Local Government Pension Scheme and the Discretionary Payments Regulations. That responsibility rests with the employer.

Payroll providers – where an employer delegates responsibility to a payroll provider, for the provision of information direct to Peninsula Pensions, a delegation form needs to be completed confirming which areas you are allowing them to act on your behalf for. If the information received from the payroll provider results in wrong information/benefit being paid the responsibilities under the Local Government Pension Regulations rest with the Employer.

5. Standards of Performance - Employers
Expectation is to complete 90% of cases within the timescale quoted.

Employer Responsibility	**Timescale to inform Peninsula Pensions using Employer Self Service or other agreed methods**
To ensure that all employees subject to automatic admission are brought into the scheme from the date of appointment. Determine their pensionable pay and contribution rate.	1 month
Update Peninsula Pensions with changes to scheme members details such as change of hours or name.	1 month
Deduct scheme member contributions including APCs and pay over to the fund.	As stipulated by your pension fund
To deduct from a members pay and pay over any Additional Voluntary Contributions (AVCs) to the in-house AVC provider	Before the 19th of the following month after deducted from pay
On cessation of membership determine reason for leaving, final pay for calculating pre 2014 benefits and CARE pay for post 2014 benefits as appropriate.	**Retirees preferably at least 1 month before date of leaving.**. All within 5 working days of final payday. **Leavers under age 55** within 1 month from final payday.
Where a member dies in service determine final pay for calculating pre 2014 benefits and CARE pay for post 2014 benefits as appropriate.	Preferably within 2 weeks of date of death. All within 5 working days of final payday.
Provide monthly CARE data within required format	Within 2 weeks of pay run
Provide end-of-year data within required format	30 April each year
Publishing a policy relating to the key employing authority discretions required by the LGPS regulations	Within 1 month of publication
Under Data Protection Act 1998 an employer will protect information relating to a member contained in any item issued by Peninsula Pensions from improper disclosure. They will only use information supplied or made available by Peninsula Pensions for the LGPS.	Ongoing requirement

There will be a regular exercise to review the membership to the employers' website and employing authority contacts in general; Pension Liaison Officers will be expected to assist the Employer Liaison Officer in this exercise by confirming details Peninsula Pensions hold are correct .	Annually

6. **Level of Performance – Peninsula Pensions**
Expectation is to complete 90% of cases within timescale quoted based on all relevant information being received from the scheme employer.

Peninsula Pensions Responsibility	**Timescale**
To provide guidance on Employer Self Service and interfaces for recording any key information, such as starters, changes and leavers or, if agreed with the employer, to provide a document for the provision of information.	Ongoing support
Provide the Employer Liaison Officer and/or representatives with information and assistance on the LGPS, its administration and technical requirements.	Ongoing support
To accurately record and update member records on pension administration systems.	10 working days
To produce **a statutory notification and** forward to member's home address, together with information relating to the LGPS including how to request a transfer, inform us of previous service, and complete an expression of wish form.	1 month of notification
To process employer year-end contribution returns and provide consolidated and grouped error reports for action by employers.	3 months
To produce annual benefit statements for all active members as at the preceding 31 March and notify electronically or by post to member's home address.	Sent out/available on MSS by 31 August
To produce annual benefit statements for all preserved members, as at the preceding 31 March, and notify electronically or by post to member's home address.	Sent out/available on MSS by 30 June
To provide information and quotations to scheme member with regard to additional voluntary contribution (AVC) options.	Within 10 working days

To provide information and quotations to a scheme member on the option of making Additional Pension Contributions (APCs).	Within 10 working days
To produce retirement estimates for employers, once in receipt of all of the necessary information.	Within 10 working days
To accurately record and update member records on pension administration systems for those members leaving the scheme, without entitlement to immediate payment of benefits. Provide them with the options available and deferred benefit entitlement.	Within 1 month
To accurately calculate and inform the member of the options available to them upon retirement.	10 working days from receiving all information from employer
Upon receipt of members completed retirement forms finalise pension records, and authorise payment of lump sum and set up of payroll record.	Within 5 working days
Under the Data Protection Act 1998 Peninsula Pensions will protect information relating to a member contained on any item issued by them or received by them from improper disclosure.	Ongoing requirement, online security within databases regularly reviewed.
Each Administering Authority is responsible for exercising the discretionary powers given to it by the regulations. The Administering Authority is also responsible for publishing its policy to its members in respect of the key discretions as required by the regulations.	Peninsula Pensions will maintain links to these discretions on their website.
Notification of Pension Fund Triennial Valuation results including contributions rates	Assuming information provided by Actuaries provisional results December following valuation, with final results the following March

7. Financial Information

Contributions (but not Additional Voluntary Contributions) should be paid monthly to the pension fund by BACS unless we have agreed payment by cheque.

The employer must submit an advice with their payment stating the month and the amount of the payment split between pre-2014 membership, post-2014 50/50 membership, and post-2014 100/100 membership for both employee and employer contributions.

Employer contribution rates are not fixed. Employers are required to pay whatever is necessary to ensure that the portion of the fund relating to their organisation is sufficient to meet its liabilities as determined and certified by the fund actuary.

Administration fees and other charges
Interest on late payments

- In accordance with the LGPS regulations, interest will be charged on any amount overdue from an employing authority by more than one month.
- Interest will be calculated at 1% above base rate on a day-to-day basis from the due date to the date of payment and compounded with three-monthly rests.

The employer is reported to The Pensions Regulator where contributions are received late in accordance with the regulators code of practice.

Any over-payment resulting from inaccurate information supplied by the employer shall be recovered from the employer.

In the event of the pension fund being levied by The Pensions Regulator, the charge will be passed on to the relevant employer where that employer's action or inaction (such as the failure to notify a retirement within the time limits described above, for example) cause the levy.

Where additional costs have been incurred by the pension fund because of the employing authority's level of performance in carrying out its functions under the LGPS, the additional costs will be recovered from that employing authority.

The pension fund will give written notice to the employing authority stating:

- the reasons for the additional cost incurred
- that the employing authority should pay the additional costs incurred by that authority’s level of performance
- the basis on which the specified amount is calculated, and
- the relevant provisions of the Pension Administration Strategy under which the additional costs have arisen.

Any disagreement regarding the amount of additional cost being recovered will be decided by the Secretary of State who will have regard to:

- the provisions of the pension administration strategy that are relevant to the case, and
- the extent to which the pension fund and the employing authority have complied with those provisions in carrying out their functions under these regulations.

The pension fund has an actuarial valuation undertaken every three years by the fund's actuary. The actuary balances the fund's assets and liabilities in respect of each employer, and assesses the appropriate contribution rate for each employer to be applied for the subsequent three year period.

The costs associated with the administration of the scheme are charged directly to the pension fund, and the actuary takes these costs into account in assessing the employers' contribution rates.

Note: If an employer wishes to commission the fund actuary to undertake any additional work, the cost will be charged to the employer.

New admission agreements – the setting up of admission agreements requires input from the scheme administrator, their legal representative and the actuary. There will be a charge to the employer who commissions the outsourcing.

Devon Pension & Investment Committee
Devon County Council
Date 27/02/2015

If you need more information or a different format phone 0843 155 1015, email customer@devon.gov.uk
text 80011 (start your message with the word Devon) or write to
Devon County Council, County Hall, Topsham Road, Exeter EX2 4QD

recycle

If you don't want to keep it, help the environment by giving it to a friend to read or put it in your recycle bin.

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August 2016

Devon County Council