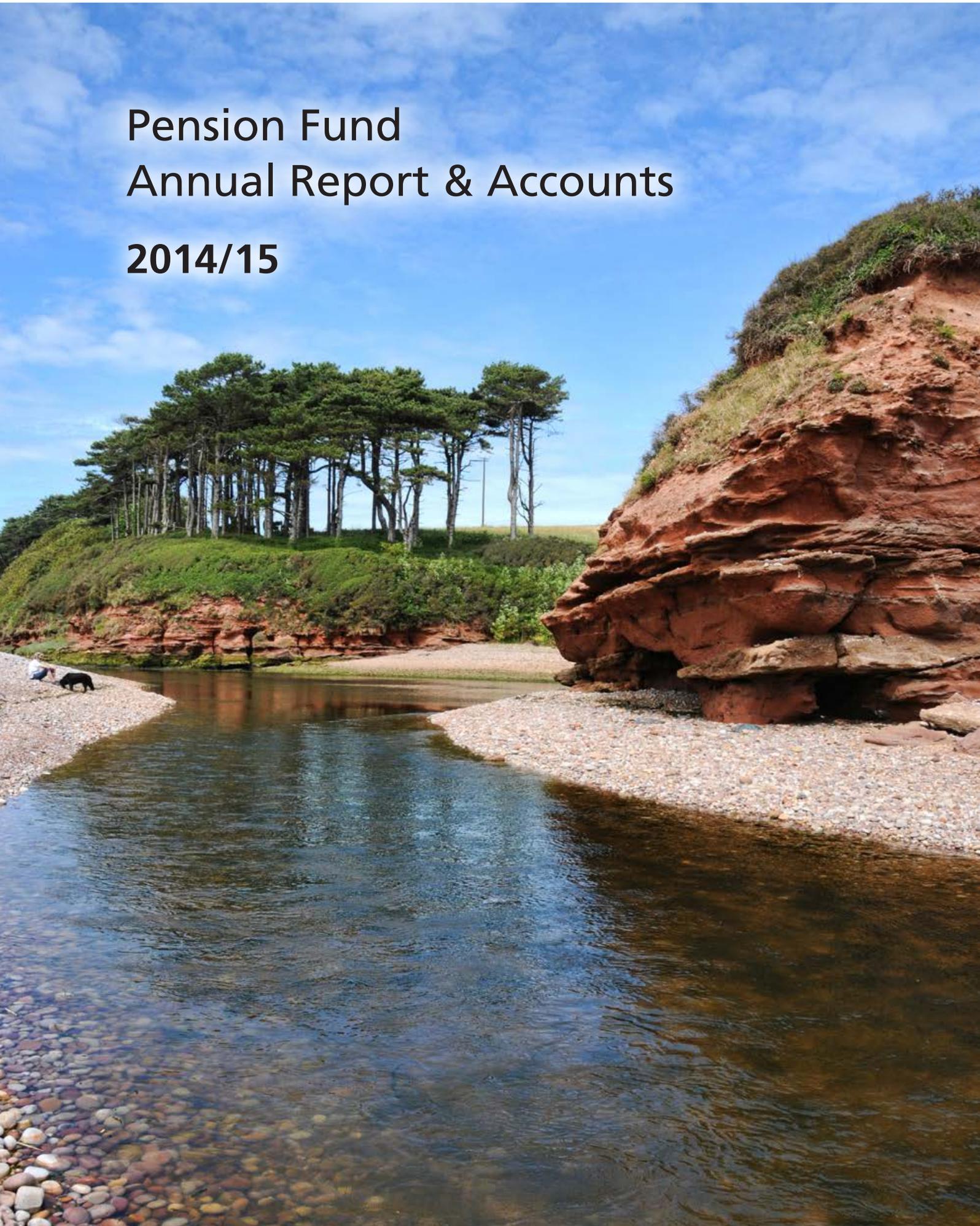


Pension Fund Annual Report & Accounts 2014/15



Contents

Report of the County Treasurer	4
Market Commentary from the Independent Investment Advisor	8
Knowledge and Skills	10
Risk Management	12
Management of Fund	15
Managers' Reports	17
Passive UK Equity and Emerging Markets State Street Global Advisors Ltd	17
Passive UK Equity UBS Asset Management Ltd	18
Global Equities Aberdeen Asset Management Ltd	19
Global Emerging Markets Aberdeen Asset Management Ltd	20
Global Fixed Interest Lazard Asset Management Ltd	21
Wellington Management International Ltd	22
Diversified Growth Fund Baillie Gifford and Co	24
Baring Asset Management Ltd	25
Property Aviva Investors	26
Specialist Funds Devon County Council In-House Team	27
Financial Statements	29
Statement of Responsibilities for the Statement of Accounts	31
Summary of Scheme and its Management	32
Financial Statements	35
Employing Bodies	73
Statement of the Fund Actuary	75
Audit Report	76
Additional Information	77
Investment Powers	78
Statutory Statements	79
The Fund's Largest Equity Shareholding	80
Scheme and Benefit Information	81
Devon Pension Services	82
Glossary	85
Appendix A: Statutory Statements	87

Report of the County Treasurer

In 2014/15 the value of the Devon Pension fund increased by £234 million to £3.374 billion. This increase in the fund value was net of a £63 million transfer to the Greater Manchester Fund who took over responsibility for all pension liabilities in relation to the Probation service. This increase represents a positive return, net of fees, of 10% and means that the Fund has achieved an annualised return of +7.3% in the two years since the last actuarial valuation which is ahead of the Actuary's long term assumption of a +6.1% return.

However, this return was slightly below Fund's own benchmark target of +11%, largely due to the disappointing performance of the Fund's active equity managers. In response to this, at the end of September 2014 the contract with Sarasin and Partners was ended. The Investment and Pension Fund Committee decided to allocate £260 million to an alternative indexation, or "smart beta" mandate. The Sarasin funds were placed into a FTSE World Tracker Fund while a procurement exercise took place, which resulted in UBS being appointed to manage the alternative indexation mandate, which was funded in April 2015, after the 2014/15 year end.

As a result of the Public Service Pensions Act 2013, the Fund reviewed its governance arrangements during the year. Along with all the other LGPS funds, the Devon Fund was required to put in place a Pension Board by 1 April 2015. Despite the final regulations only being published in January, the constitution and terms of reference for the Devon Pension Board were ratified by Council on 19th February, and fund member and employer representatives were then appointed to the Board in May. The Board's role will be to assist the Administering Authority and ensure compliance with regulation. The Investment and Pension Fund Committee will continue to be the Fund's decision making body. Next year's Annual Report will include a report on the work of the Pension Board during the year.

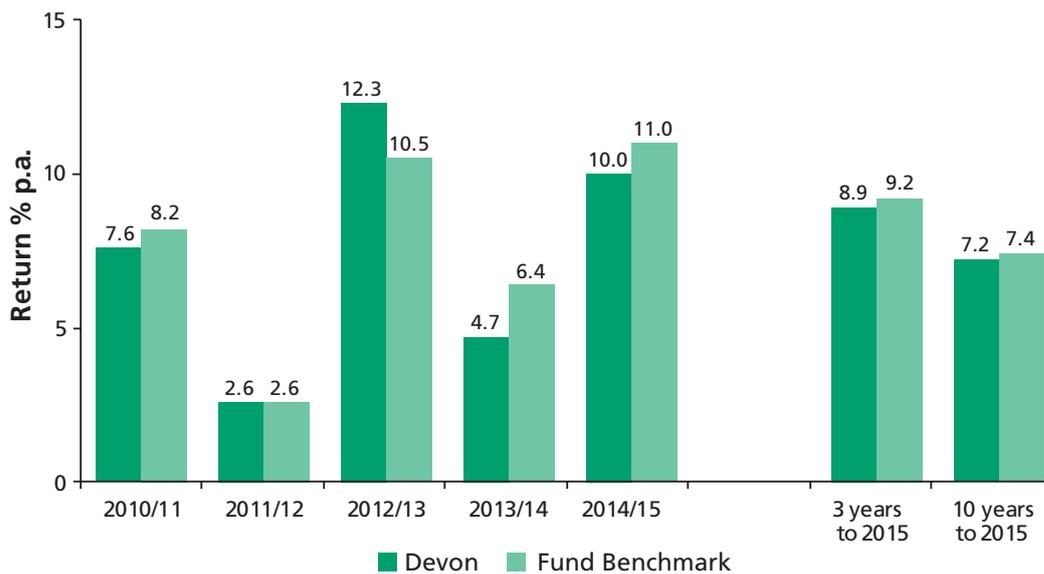
2014 has been a challenging year for pension administration with the introduction of the new LGPS Career Average scheme. Development of administration systems had been slow due to the lateness of final regulations which has impacted on the service to scheme members. In addition to the new scheme, the shared service with Somerset became fully operational just prior to the start of the year and the administration team has worked extremely hard to incorporate Somerset records into current systems and processes. The shared service will ultimately deliver efficiencies for both funds.

Investment Performance

As indicated above the asset value of the fund at the end of the 2014/15 financial year was £3.374 billion. This represents a positive return of +10% net of fees, slightly below the Fund's internally set benchmark target of 11%.

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 consistently high performance over the longer term. The chart below 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 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%.

Investment returns over the two years since the last valuation have been above the Actuary's assumed returns. Other things being equal this will have helped to improve the funding level. The Actuary has estimated a funding level of 84% as at 31 March 2015. The next triennial valuation will take place based on the Fund's position as at 31 March 2016.

Summary of Financial Statements

The financial statements and their purpose are summarised as follows:

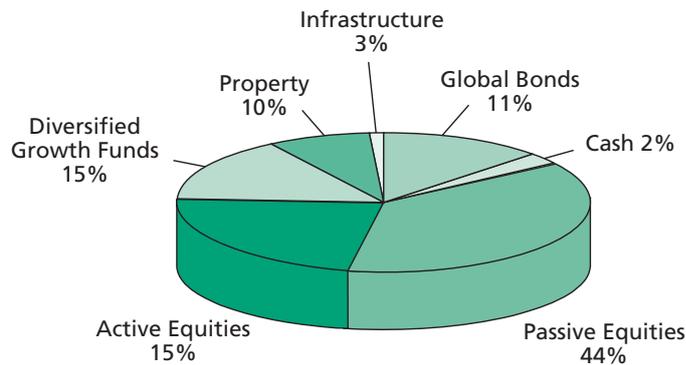
- Fund Account** – The Fund Account sets out the Pension Fund's income and expenditure for the year to 31 March 2015. The first section sets out the income received from contributions from employers and employees, and the expenditure on pension benefit payments. In the past income from contributions has exceeded the annual expenditure on benefit payments, resulting in a significant surplus to invest. This has not been the case over the last two years, and the deficit in 2014/15 was exacerbated by the requirement to transfer £63.1 million to the Greater Manchester Pension Fund who have taken on all liabilities in relation to the Probation Service. Aside from this one-off transaction the deficit would have been £7.4 million, compared to a £0.2m deficit in 2013/14. The growing gap will mean that in years to come investment income will need to be used to meet the shortfall. 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 Fund Account also shows that growth in the capital values of the Fund's investment assets has yielded £280.9million over the last year.
- 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 £3.374 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, but 5% of the Fund was moved from an active equity mandate into a passive equity fund at the end of September, following the termination of Sarasin's contract. The target allocation to passive equities will now remain at 40% of the Fund, but a fifth of that allocation (8% of the total fund) will be allocated to alternative indices, rather than the traditional market capitalisation weighted indices.

The Fund's actual asset allocation as at 31 March 2015 is shown below:



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

	Target allocation	Fund asset allocation at 31.03.15	Variation from Target
	%	%	%
Global Bonds	14.0	11.6	
Cash	2.0	2.0	
Total Fixed Interest	16.0	13.6	-2.4
Passive Equities	40.0	43.7	
Active Equities	15.0	15.2	
Total Equities	55.0	58.9	+3.9
Diversified Growth Funds	15.0	14.7	-0.3
Property	10.0	10.0	
Infrastructure	4.0	2.8	
Total Property and Infrastructure	14.0	12.8	-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. The Fund still has undrawn commitments to Infrastructure Funds which will bring the allocation to that asset class in line with the target.

Conclusion

The investment return of 10% was more than sufficient to meet the target set by the Fund actuary. It is slightly disappointing that the return did not quite meet the internal target set when market conditions were generally very favourable. However, the fund remains well placed to meet the challenges of more difficult market conditions. The Committee will continue to review the investment strategy and consider changes to the approach where appropriate.

As a result of the 2015 General Election the previous Government ran out of time to issue a response to their consultation on "Opportunities for Collaboration, Cost Savings and Efficiencies". However, we expect the new Government to continue to put the spotlight on the LGPS and set out their vision for the future of the scheme in the near future. The Devon Pension 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, the UK and US economics picked up strongly, and the Eurozone tentatively emerged from recession. Japan's economy showed modest improvement, but China on the other hand slowed down as it tried to engineer a soft landing.

In the UK specifically, GDP was revised upwards in 2014. Several years of low interest rates and falling unemployment is spurring consumer confidence. Real wage growth has not yet responded, but the late winter and spring of 2015 have seen the first signs of this. The housing market is buoyant, initially in London and the South East, but has now spread nationwide.

Global inflation has been very modest in recent years, and it has continued to decline with a sharp and unexpected fall in the oil price contributing significantly in the last year.

In line with these economic developments, the Federal Reserve and the Bank of England ended their formal programmes of bond buying, also known as "quantitative easing". In contrast, the Bank of Japan and European Central Bank both announced significant policy easing measures, including buying bonds, asset-backed securities and improved forward guidance, designed to stimulate bank lending and hold interest rates at low levels. These measures are having a positive effect.

One of the main points of uncertainty during the year has been the future of the Euro, specifically whether Greece will manage to avoid default and stay within the common currency. The election of the left-wing Syriza party to government has caused an extended period of confrontation with the Eurozone core of Germany and France. As of the time of writing, Greece is still part of the Euro, but its future is extremely uncertain.

In emerging economies, Chinese growth has slowed, and it is widely viewed that the government manipulates the GDP data in any case. Brazil and Russia have both been negatively affected by declining commodity prices, whereas India has shown strong growth under a new government.

Market returns

It has been a very strong year overall for asset returns, and this pace should not be expected to continue across the board.

UK Gilts were up strongly with the All Stock index up 13.9%, and with over 15 year Gilts up 26.9%. Global Government Bonds (ex-UK) were up 7.6% in sterling terms. The weakest area of the fixed income markets was high yield corporate bonds.

In equities, the FT All Share was up 6.6%, and actually this was one of the least strong markets globally, with the MSCI World index up 19.7% in sterling terms. The UK stock market has been held back by its sectorial composition – there is a high proportion of oils, banks, mining and pharmaceutical stocks in the UK that are global companies, and these have not been strong sectors. The strongest markets have been the USA and Japan, respectively returning 26.4% and 27.1% in sterling terms. These are extremely strong numbers and warrant some caution going forward. All equity markets have been sustained by the low yield available on "safe" government bonds and the search for dividend yield. In this sense, QE (quantitative easing) has been a great success. In Japan specifically, the third "arrow" of Prime Minister Abe's economics programme was unveiled, and there is a new mood of improving corporate return on equity and increased share ownership by major pension funds that we hope is sustainable.

The least strong equity region in sterling terms was Europe. This is because of slow economic growth and fears over the future of the Euro, which was weak. It is hard to be optimistic about the Euro.

UK Property returns were up 18.6% as measured by the IPD All Properties index, and have been sustained by the increasing strength of the UK economy.

Economic and market outlook

It is now over six years since we emerged from the great financial crisis of 2008/2009. The slow path to recovery has been built on very low interest rates and quantitative easing. These measures succeeded in averting what could have been a catastrophic failure of the financial system. The question now, is when, and if, full normality will return. Will interest rates revert to historic norms?

We are in an unprecedented period of financial repression, with not much sign yet of inflation other than in asset prices. Managing a smooth transition to higher interest rates by the central banks will be crucial, and the risk of a policy error – raising rates too early or too late – is a considerable challenge for the authorities. So we are entering a period of risk.

It is quite clear that the future rates of return on asset prices cannot match that of the last few years, thus we may be in for a period of much lower single digit returns on average over the next 5/10 years. Bonds for example, could show extended periods of low return. Equities are quite highly valued, but they may remain so, as there is a lack of alternatives.

Property returns may still be higher than other assets as the yield gap versus bonds makes property more attractive. However UK property will need to overcome the uncertainty surrounding a UK EU Referendum.

If returns are lower and volatility increases, then we will require our investment managers to be skilled in navigating such waters, with good asset allocation and stock selection.

Strategic asset allocation

The Pension Fund has a long term horizon and the investment priority remains long term investment 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. As noted elsewhere in the annual report, this does mean that it will probably lag the average LGPS fund as measured by SSGA/WM in strong financial markets, but this should be made up when markets are weak. More importantly, recent returns have exceeded the rate of return required by our actuarial assumptions.

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.

During the year there were some changes to underlying mandates: the Sarasin Global equity mandate was terminated for performance reasons, and replaced temporarily by passive assets and ultimately by a new global equity mandate allocated on a non-market capitalization weighted basis, managed by UBS.

Steve Tyson

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.

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 a self-assessment tool has been made available to members of the Committee, to enable them to measure their understanding and plan their development. The tool will also point the way to “bite-size” tutorials and other quality assured websites to help boost levels of knowledge. Future training will seek to address any gaps identified, in addition to looking more closely at areas of specific interest to the Fund.

Two training sessions were arranged during the 2014/15 financial year, including a training event held jointly with Cornwall Council in the autumn. A further training session, planned as a joint session for the Committee and the Pension Board, was delayed until June as a result of the Government’s late publication of the final regulations for the Pension Board.

The subjects covered at each of the training sessions are shown below:

Joint Training Day with Cornwall Council, 30 October 2014

- The World Economy
- The role of the Custodian
- Pension Boards and governance
- The role of the Pensions Regulator

Performance and Liability Training Session, 21 November 2014

- Understanding long term performance
- Devon Fund performance
- Understanding liabilities
- Liability Driven Investment (LDI)

In addition to the above the Chairman attended three “Fundamentals” training days organised by the Local Government Association.

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

Name	30 October 2014	21 November 2014
Cllr Rufus Gilbert (Chairman)	✓	✓
Cllr Ray Radford (Vice-Chairman)	✓	✓
Cllr Jerry Brook		
Cllr Gaston Dezart	✓	✓
Cllr Richard Edgell		
Cllr Brian Greenslade		✓
Cllr Des Hannon		
Cllr Roy Hill		✓
Cllr Richard Hosking *	✓	✓
Cllr Sara Randall Johnson		✓
Cllr Margaret Squires		✓
Cllr Claire Wright		
Cllr Peter Edwards		✓
Cllr Lorraine Parker Delaz Ajete		
Cllr David Stark		
Cllr John Thomas		
Cllr John Smith (substitute) *	✓	
Cllr John Mahony (substitute)	✓	
Cllr Mike Hicks (substitute)	✓	
Colin Lomax (Observer)	✓	✓
Roberto Franceschini (Observer)	✓	✓
Jo Rimron (Observer)	✓	✓

Those committee members asterisked in the table above were new appointments to the Committee for the 2014/15 financial year.

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 2014/15 financial year is shown in the table below.

Description of Risk and Potential Impact	Mitigating Controls
<p>Market crash leading to a failure to reduce the deficit, resulting in:</p> <ul style="list-style-type: none"> • Financial loss • Increased employer contribution costs 	<ul style="list-style-type: none"> • 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
<p>The Pension Fund has insufficient assets to meet its long term liabilities.</p> <p>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:</p> <ul style="list-style-type: none"> • Financial loss. • Insufficient funds available to meet future obligations 	<ul style="list-style-type: none"> • 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
<p>Pay and price inflation are higher than anticipated.</p> <ul style="list-style-type: none"> An increase in liabilities which exceeds the previous valuation estimate. 	<ul style="list-style-type: none"> 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. <p>Future Plans</p> <ul style="list-style-type: none"> Possible consideration of a Liability Driven Investment strategy (2015/16)
<p>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:</p> <ul style="list-style-type: none"> Poor Fund performance/financial loss. Increased employer contribution costs 	<ul style="list-style-type: none"> 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 2014/15. Training programmes are available for Committee Members and Investment Staff. Members and Officers are encouraged to challenge advice and guidance received when necessary
<p>The average life expectancy of pensioners is greater than assumed in actuarial assumptions.</p> <ul style="list-style-type: none"> An increase in liabilities which exceeds the previous valuation estimate. 	<ul style="list-style-type: none"> Life expectancy assumptions are reviewed at each valuation. Mortality assumptions include some allowance for future increases in life expectancy.

Description of Risk and Potential Impact	Mitigating Controls
<p>Appointment of Northern Trust as the Fund Custodian and the transition from JP Morgan:</p> <ul style="list-style-type: none"> • Failure to conduct a seamless transition could result in significant disruption to the settlement and accounting services and the Fund's ability to monitor and account for Fund Managers' transactions. 	<ul style="list-style-type: none"> • Clear project plan drawn up by Northern Trust in conjunction with DCC Investment Team. • Significant resource allocated to transition by Northern Trust, and senior member of DCC Investment Team allocated the task of ensuring effective task management. • Mid year transition date of 1st September allows time for accounting processes to be embedded to ensure that there is minimal risk to production of 2014/15 Statement of Accounts.
<p>An employer ceases to exist with insufficient funding available to settle any outstanding debts, or refuses to pay the cessation value.</p> <ul style="list-style-type: none"> • Departing employer not fully meeting its liabilities which leads to increased costs across the remaining scheme employers. 	<ul style="list-style-type: none"> • 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
<p>Non-compliance with legislation and failure to correctly implement new legislation and regulations, resulting in:</p> <ul style="list-style-type: none"> • Incorrect benefit payments being made. • Risk of financial loss and damage to reputation. 	<ul style="list-style-type: none"> • LGA/External training. • Project work approach to implementation of legislative changes. • In house training for all staff.
<p>Peninsula Pensions suffers a system failure.</p> <ul style="list-style-type: none"> • Loss of sensitive data. • Reputation risk. • Financial loss arising from legal action. 	<ul style="list-style-type: none"> • The system is backed-up daily. System is hosted by Heywoods. • A full disaster recovery plan is in place and tested annually.

The current version of the full risk register can be found on the Peninsula Pensions website at:

<https://www.peninsulapensions.org.uk/pension-fund-investments/devon-county-council-investments/devon-fund-key-documents>

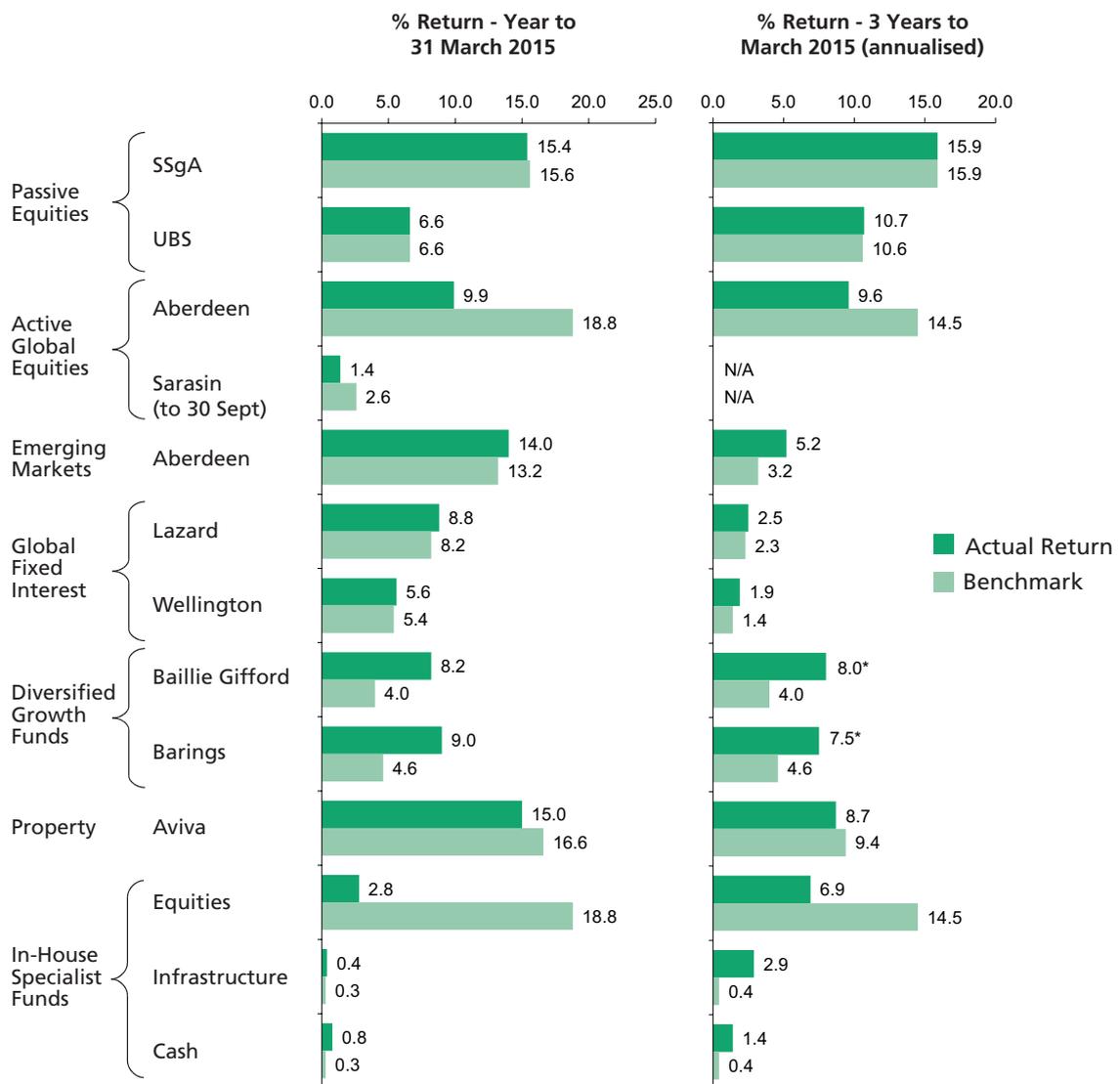
Management of Fund

There was one change to the Fund's main external managers during 2014-15. The mandate with Sarasin and Partners was terminated on 30th September 2014, and the funds were placed into a FTSE World tracker fund managed by State Street Global Advisors pending the outcome of a procurement exercise. The following table lists the managers in place as at 31st March 2015 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
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 Global Aggregate Bond Index/MSc 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 2014/15, and for the three year period to 31st March 2015:

Manager Performance to 31 March 2015



* Performance since inception, as managers have been in place for less than three years.

Aberdeen’s global equity mandate performed well below benchmark during the year, as did the Specialist Funds. The performance of Aviva’s property portfolio was also below benchmark. The remaining managers all performed in line with or ahead of benchmark. 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 17-27. 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

In the UK, the FTSE All-Share Index rose by 6.5% while the Europe ex-UK Index was up 7.5%. North America equities had a strong 12 months rising 25% mirrored by the Japanese equity market which was up almost 27%. Emerging markets recovered after a disappointing period gaining 16% to the end of March.

The regional equity funds all tracked their respective benchmarks closely during the twelve months to 31st March 2015. The non-UK performance figures shown below represent the impact of the dynamic and static currency hedging overlays:

UK Equity	+0.11%
North America (Dynamic Currency Hedged)	-1.51%
North America (50% Currency Hedged)	- 0.02%
Europe ex-UK (Dynamic Currency Hedged)	+1.73%
Europe ex-UK (50% Currency Hedged)	- 0.21%
Japan (Dynamic Currency Hedged)	- 1.23%
Japan (50% Currency Hedged)	-0.53%

During the 12 month period, the main driver of currency outperformance was Sterling's strength against the Euro, whereas detractors from performance came from two sources; Sterling's weakness against the US Dollar and Sterling's strength against the Japanese Yen.

The Dynamic Currency hedge sees Sterling as moving towards fair value from being overvalued 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 +0.43% versus its benchmark for the year ended 31st March 2015.

Stewardship

During 2014 we voted at 14,284 meetings across 68 countries. Through a new director voting policy, we played a leadership role in bringing attention to the need for refreshment of skills and expertise on boards of US companies. We have engaged with companies to strengthen the quality of boards through the identification of qualified and diverse director candidates. We signed up to the Japanese Stewardship Code and through State Street corporation, our parent company, we became signatories of the UN Global Compact. In 2015, we are undertaking an innovative project. Our governance team, in conjunction with our investment teams, is engaging with companies that have consistently underperformed their peers to discuss reasons for the below par performance.

Outlook

The US economy remains one of the strongest in the developed world, but the dollar uptrend remains vulnerable. With the Fed expected to lead the global rate hiking cycle, however, any pullback in the trend provides an opportunity to buy the currency in anticipation of both cyclical and structural changes globally. The UK is poised to slightly lag the Fed's hiking cycle and we remain cautious on Sterling as several key challenges lie on the horizon. The outlook for the euro remains bleak. With the Greek government struggling to negotiate the terms of structural reforms, a Greek exit from the Eurozone looks increasingly likely. Risk aversion ranging from tensions in the Middle East and political uncertainty in Europe could encourage a gentle appreciation of the yen.

UBS Asset Management (UK) Ltd

Mandates –Passive UK Equity

Performance Review

	Fund %	BMK %
1 Year	+6.6%	+6.6%
3 Years (p.a.)	+10.7%	+10.6%
5 Years (p.a.)	+8.4%	+8.3%
Since Inception (01 Mar 04)	+8.3%	+8.2%

The Purchasing Managers Index (PMI) posted another strong reading in March 2014 with mortgage approvals expanding robustly. The BoE broadened their forward guidance indicating that they would be looking at productivity and wage growth too. In Q2 2014, BoE Governor Carney took the markets by surprise, suggesting the first rate hike could happen earlier than the markets were pricing in. Q2 GDP data indicated a strong expansion of activity that appeared to have extended into Q3. The most significant event in the UK was the Scottish Referendum which resulted in a vote to remain part of the UK. This mellowed UK asset markets that had experienced jitters in the run up to the Referendum.

The UK closed 2014 with a loss of growth momentum, however, GDP growth recovered by March 2015 on the back of stronger exports and consumer spending. The tone of the economic data improved over the quarter driven mostly by a strengthening in the consumer sector. The brighter outlook was not confined to the consumer sector: the most recent business survey PMIs improved, reaching their highest readings since mid-2014.

The UK equity market finished the 12 month period in positive territory, however, it was a relative laggard in sterling terms when compared with markets elsewhere in the globe.

Stewardship

In the year to 31 March 2015, we voted on a total 75,554 separate resolutions at 7,414 company meetings. Of these 901 meetings were for UK listed companies. We declined to support management on 5,517 of the resolutions voted, or some 7.3%. Among the matters of concern to us were: terms and conditions of director contracts, requests by companies for authority to issue new shares and executive remuneration.

Outlook

While we believe we are in a positive environment for equities over the medium term, we anticipate that volatility over the next few months will remain at heightened levels due to Federal funds rate normalisation, Greek debt developments and the unwinding of consensus trades. Within equities, we maintain a preference for markets outside of North America. US margins have remained resilient but may face future pressure amid an environment of rising wages, a rising US dollar and funds rate normalisation. Certain markets outside of the US, such as Europe, the UK and Japan, look attractive. Market sentiment has turned more bullish, and we feel there is still room for this to continue, as economic data has been coming in stronger, albeit from anaemic levels

Aberdeen Asset Management Ltd

Mandate – Global Equities

Performance Review

Global equity markets continued their upwards trajectory, although the portfolio net of fees return of +9.9% lagged the wider market, the FTSE World index climbing 18.8%. The US, over 50% of the total index, was again the main powerhouse, up by 26% in sterling terms, boosted by the strength of the US dollar. By contrast, Europe and the UK returns were pedestrian; Asia saw mixed performance, although up by 12% overall. Latin America, led by Brazil, fell heavily, on concerns over economic policy of the re-elected Dilma Rousseff government. Relative performance suffered from the broad allocation away from the US, towards developing economies such as Brazil and the underweight to US dollar assets. At a sector level, the allocations towards Energy and Commodities were the primary negative impacts. Stock selection in Mining was another factor.

The dramatic fall in the oil price through late 2014 marked an exceptional period of turbulence. The portfolio has exposure to Energy, via a range of companies from integrated majors such as Royal Dutch Shell, to low cost shale gas operator EOG and several oil services businesses such as Schlumberger. We reviewed the broad exposure, reconfirming our support for many of the businesses, but removed Petrobras, Petrochina and ENI as part of that review. Across the commodity stocks, we remain happy with holdings in efficient international companies such as BHP Billiton and Brazilian iron ore producer Vale. Elsewhere in the portfolio, we have seen exceptional returns from Asian insurer AIA; Japanese robotics firm Fanuc; and US healthcare service provider CVS Health. Key activity saw QBE and Quest replaced by Visa, Experian, Cognizant and Rolls Royce.

Stewardship

Our programme of engaging with investee companies saw over 30 meetings with managements of companies in the portfolio with explicit governance and ESG agendas. These included discussions with BHP Billiton on greenhouse gas emissions, responsible business practices in Asian property development with City Developments, compliance and integrity with Asian insurer AIA. We also covered the implementation of a Corporate and Social Responsibility programme at Novartis, the Swiss drug firm, and the changes being implemented by HSBC in the wake of the money laundering penalties imposed by the US Department of Justice.

Outlook

Our caution towards the US equity in particular remains. Although we are not forecasting a negative economic backdrop, we are concerned that the impending move upwards in US rates, the lack of sales growth and the artificial boost to earnings numbers will leave the US market vulnerable to a setback from the more extreme valuations it has reached. As investors assess corporate and geopolitical risk we anticipate increased volatility. We believe that the medium term picture for other regions is reasonable, with scope for rates to fall, and consumers to see benefits from lower oil prices..

Aberdeen Asset Management Ltd

Mandate – Global Emerging Markets

Performance Review

Emerging markets advanced over the period, climbing by 13%, although the underlying story was extremely varied, with China up 40%, India climbing 35% but Brazil and Russia down 20% and 15% respectively. Inevitably, the economic status had some influence, but the powerful returns from China and India lent much to the market aspirations of market-friendly government economic policies.

Performance for the Devon portfolio was ahead of the benchmark, with the majority of this relative gain coming from stock specific exposure, although the higher allocation to India was also beneficial. This was offset by the negative from Brazil. The story at a sector level was mixed; the stock selection remained good, but sector selection was held back in Energy, Consumer Staples such as food retailing and IT sectors which rose powerfully and the portfolio was under-represented. Stock selection success was found in Financials, for example HK-based insurer AIA and Philippines property business Ayala Land. China Mobile pushed the Telecoms sector forward, which assisted the portfolio.

Areas where the portfolio struggled included Energy and Commodities stocks, for example Vale, Tenaris and BHP Billiton; Retailers Bim Birlesik from Turkey, Jeronimo Martins which operates in Poland; and other specific holdings such as Ultrapar, a Brazilian petrol retailer, Bank Pekao from Poland and Banorte, a Mexican bank.

Stewardship

Aberdeen has a team that specifically engages with company managements across our client portfolios with agendas beyond the normal financial discussions, to monitor the extent to which the companies focus on CSR and ESG. In the period, we discussed transparency of reporting and ESG information with Hang Lung Properties from Hong Kong, talked with Garanti Bank from Turkey on business risk as well as a similar theme on reputational risk with Public Bank from Malaysia. Swire Properties, part of the Swire Pacific group, updated us on their progress across ESG, covering operational and health and safety risks.

Outlook

We believe that the economic prospects for developing economies over the medium term are encouraging, although we are conscious of the impact of policy decisions by the US Fed and other developed economies could cause some additional volatility over the short term. The picture that we see from many Asian companies we invest in is brighter, not least the benefits of lower oil prices for a number of oil-importing economies, providing a positive impact for the corporates and consumers. Latin America, and Brazil in particular, should also rally, with scope for interest rates to fall, as we have already seen in parts of Asia

Lazard Asset Management Ltd

Mandate – Global Fixed Interest

Performance Review

The portfolio finished 8.8% higher and outperformed the benchmark by 0.6% over the period under review. The positive outperformance was a result of the portfolio's overweight country allocations to Canada, Australia, New Zealand, the Czech Republic, and Israel. Security selection in the United States was additive, specifically overweight positions in investment-grade corporate debt and high quality sovereign external debt. Our active currency management also helped, including a tactical overweight allocation to the Swiss franc, along with underweight exposures to the euro and yen. Less positive, was an underweight duration exposure in the United States and Europe (core and periphery) which 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 issues are evaluated by Lazard's fixed income investment professionals as part of their corporate credit research process, such as the position in Caterpillar Financial (credit rating A) the US-based company. For sovereign debt, Lazard makes 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, to determine the repayment potential of sovereign debt. Internal and external tools and resources are utilised to help support our research and analysis. An example would be Australia's New South Wales issue (credit rating: AAA).

Outlook

We believe that pricing in some bond markets reflects investor complacency that has been driven by fragile growth conditions, especially outside the United States, and energy and commodity price weakness. Lower energy prices are a form of broad stimulus, in our view: At current prices, the estimated "tax break" to US consumers is about US\$175 billion a year.

The Federal Reserve ("the Fed") noted that US growth had moderated (allowing for harsh winter weather), but Fed officials are seeking more labour market improvement and need to be convinced that inflation is on track for their medium-term target. We believe the Fed is inching closer to an official rate hike this year. Global monetary conditions are likely to stay ultra-loose as Japan, the euro zone, and China, among others, engage in monetary stimulus. Currency depreciation along with lower energy prices, less austerity, and expansionary monetary policies could lead to a positive growth surprise in 2015, a possibility we think is currently underappreciated.

Our bias for a stronger dollar should hold until the Fed tightens or until there is a sustained pattern of stable to higher oil and commodity prices, or both. Conversely, certain countries bear watch for potential rate hikes (Mexico, New Zealand, and the United Kingdom post-general election)..

Wellington Management International Ltd

Mandate – Global Fixed Interest

Performance Review

The Global Aggregate Portfolio posted a return of 8.74 % (in GBP terms; gross of the management fee), outperforming its benchmark by 0.54% over the year to 31 March 2015. The Multi Sector Credit portfolio posted a return of -0.30% (in GBP terms; net of operating expenses and gross of the investment management fee), underperforming the benchmark by 0.33% from the inception of the portfolio on 1 July 2014 to 31 March 2015. The combined return of +5.6% net of fees exceeded the combined benchmark by 0.2%.

Global Aggregate Portfolio

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

Macro outperformance at the beginning of the period was driven by our currency underweights to Australian dollar, South Korean won and New Zealand dollar on the view that weaker China growth would be negative to the Asia-Pacific region. Into the end of 2014, duration was the driver of returns as our overweight to short UK bonds helped due to the plunge in oil and concerns over global growth. Through the start of 2015 our underweight to European currencies was positive for the portfolio as USD appreciated. Our overweight to Germany, Australia and UK rates was also good for performance as the European Central Bank (ECB) started the quantitative easing programme (QE) and the softer data due to US weather pushed yields lower.

Credit strategies were positive across the year. Towards the end of 2014, our overweight to European names helped due to the expectation of ECB easing, and our underweight to emerging market corporates was also additive as we saw a bout of risk aversion due to the drop in oil prices.

Multi Sector Credit Portfolio

Primary detractors

- An allocation to EM local sovereign bonds hurt as commodity prices fell the dollar outperformed local currencies.
- An allocation to US government TIPS hurt performance as commodity prices declined and a dropping unemployment rate failed to produce wage pressures.
- A short duration bias hurt as interest rates dropped on less likelihood of the first Fed rate hike.

Primary sources of outperformance

- We added to performance through avoiding emerging market credits that suffered significant losses including Venezuela sovereign debt and Ukrainian government bonds.
- An allocation to non-agency mortgage backed securities.
- An overweight allocation to the bank loan sector.

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

- US economy is steadily improving led by reversal of Q1 temporary drags.
- Stabilisation in commodity prices should lead to a short-term inflection higher in inflation expectations.
- The euro area is experiencing a combination of better domestic demand and low inflation, implying continued QE from the ECB.
- The disinflationary pulse from lower oil prices and a Chinese slowdown has yet to fully play out.
- Divergence in growth and monetary policy across developed markets and emerging markets is expected to increase.

Global aggregate portfolio strategy

- Underweight aggregate portfolio duration.
- Favour overweight to US dollar vs euro, sterling and Australian dollar.

Multi Sector Credit Portfolio Strategy

- Largest portfolio allocation is to loans; favour loans over high yield, given more attractive valuations and better loss protection.
- Within High Yield favour BB-rated issuers, which have the most attractive valuations.
- Underweight allocation to EM hard currency sovereign debt, moderate allocation to EM local debt, short position in EM corporate debt.

Baillie Gifford and Co.

Mandate – Diversified Growth Fund

Performance Review

Investment markets delivered positive returns over the year which translated into an 8.2% return for the Fund. This was due to increased investor confidence, the improved economic backdrop and the continuation of loose monetary policy in many developed countries.

Although there were several geopolitical flashpoints around the world, notably in the Middle East and Ukraine, and these situations created uncertainty in terms of global security, they had a limited impact on investment markets. However, the sharp fall in the oil price in the second half of 2014 and extreme weakness in the Russian currency during December 2014 were of greater concern to investors and caused a rise in volatility.

The main contributors to performance included economic risk assets such as listed equities, emerging market bonds and property. Holdings in absolute return, structured finance and infrastructure funds were also helpful. No single asset class detracted from returns over the 12-month period under review.

Stewardship

We believe that well governed companies where shareholders' interests are aligned with those of management will provide better long term returns for our clients. With this in mind we engage with companies on a range of issues including strategy, executive pay, environmental and social concerns and business culture. This has included challenging companies such as Amazon on working conditions and tax and Ryanair on pay and employee rights. Investors and members of our Governance team have also visited Bangladesh and Burma to investigate garment manufacturers and Japan to discuss the impact of the new Governance Code there.

Outlook

The Fund is broadly diversified with substantial allocations to more defensive assets such as investment grade bonds, structured finance and cash. We believe this will deliver a worthwhile return in a range of different economic environments and help to mitigate market falls. Moves in allocation over the latter part of the period bolstered what was already a cautious slant to the portfolio.

Central banks are still working out how best to handle monetary policy without derailing the fragile recovery or lurching into deflation. Our overall expectation is that recovery will continue across the world, albeit at a gentle rate. However, given the significant price increases we have seen across many asset classes over recent years, returns may be lower in the future than they have been in the recent past. .

Baring Asset Management Ltd

Mandate – Diversified Growth Fund

Performance Review

In the last year, the portfolio delivered 9.0% compared to its objective, LIBOR+4%, which returned 4.6%. Overseas equities were the biggest contributor to performance. Economic growth in the US drove returns of 2.4% from US equities, while quantitative easing programmes in Japan and Europe helped equities in those regions to return 2.8% and 0.9%, respectively.

Investors continued to buy safe haven assets, leading our government bond holdings to rise in value and contribute 1.4% over the past year. The Fund also benefitted from its allocation to US high yield, a position we successfully exited before the market fell towards the end of 2014. We re-entered the market in early 2015 after the sell-off. Our property exposure was also a strong contributor given demand for yield from overseas investors.

In contrast, currency hedging detracted from performance, as the strong US dollar impacted the portfolio when we hedged overseas currency exposure back into sterling. It should be noted that the Fund has a limit which our GBP exposure must meet in accordance with our guidelines, so in preferring overseas assets we have had to reduce our overseas currency exposure through hedging.

Stewardship

We take our responsibility to engage with companies seriously, and our policy is to vote at all meetings where practicable. In the last year we voted on a total of 262 separate resolutions for companies held in your portfolio. We voted against management 15 times. Issues of particular concern to us included the appointment of directors, executive remuneration and requests to issue shares with pre-emptive rights. We also meet company management regularly, and will engage with them directly on issues when we feel this would be the best outcome for our clients. We did this early in the reporting period with Aer Lingus when we did not believe that executive remuneration was not aligned with shareholder interests.

Outlook

The Fund has been positioned for a continued recovery in the global economy and, overall, the Fund has generally had a preference for equity risk over interest rate risk. Our portfolio remains focused towards Europe and Japan, and importantly away from the US. Our analysis suggests that equities in Europe and Japan are set to continue to enjoy significant returns due to large scale central bank action and currency weakening, which will drive the corporate profits of exporters although we are wary of volatility in these markets and will use insurance for these markets. Given that US equities now face the combined risks of a strong US dollar and a looming interest rate rise from the Federal Reserve, we have reduced our holdings and positioned the remaining value in US small caps which offer more domestic exposure. Additionally, the Fund has invested in US inflation linked bonds, where our view is that deflation risks are very much overstated and the position also acts as a diversifier where the dollar is likely to protect in a number of scenarios which could affect global markets.

Aviva Investors

Mandate – Property

Performance Review

The high relative yield on commercial property remains attractive to investors in the UK and was probably one of the key contributors to the record level of transaction volumes seen in 2014. There has been a distinct recovery too in the occupational market, in line with an improving economic environment, with vacancy rates falling in all the key commercial property sectors, being retail, office and industrial. The next phase of the investment cycle appears in place, with rents increasing in many markets. Some new development has now commenced on the back of these improving rents and the fact that there has been minimal development since the recession, but we are not expecting an over-supply.

The benchmark returned 16.6% over the period, a distinct improvement on the previous year of 11.9%. The real estate mandate under-performed the benchmark by 1.6% net of fees over the period, due to cash drag, with monies having to be held pending draw-down, and the 'J' curve effect on a number of these investments.

During the year we re-positioned the portfolio in light of our views on the market and the economic backdrop. We reduced the exposure to funds holding investments with leases that are linked to inflation and also to UK supermarkets, which are being re-priced, due to concerns over the future strategies of the major UK supermarket operators. We continued to up-weight to targeted sectors where we see good growth potential, specifically the UK healthcare market, secondary regional industrial assets, South East offices and the UK Private Rented Sector ('PRS').

Investments that contributed positively to performance over the year were the UK industrial funds; that have been benefitting from positive yield shift, enhanced by prudent leverage. Returns of over 30% were generated at local level by the core Irish fund, which has seen strong rental value growth emerge in the prime Dublin office market. 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 will be beneficial to performance, a UK specialist retail warehouse fund, that has seen some tenant weakness and the funds that are in the 'J' curve phase, these should be accretive in the subsequent period.

Stewardship

In 2014 we voted on behalf of the Devon County Council Pension Fund on 38 resolutions across 15 meetings. Of these resolutions there were 35 votes for, 0 votes against and 0 abstentions. The vast majority of these meetings (90%) were non contentious in nature relating to the approval of annual accounts, fund auditors, non-executive directors/board members or the improvement of administrative issues. It is important to note that as a large investor we actively use our influence in the market and on various Investor Advisory Committees and Unit Advisory Committees to promote improvements to fund governance.

Outlook

With an improving occupier market, a real demand for UK property from overseas investors and greater availability and cheaper debt, the UK market is set fair for another good year in 2015/16. We expect total returns to likely be a little lower than the previous year, but should be comfortably into double digits. Some potential headwinds could impact the market however, specifically concerns about the UK's position within the European Union and an earlier than expected upward movement in base rates.

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 negative returns of -6.7% over the year. In part this reflects a difficult year for smaller companies, but also stock specific issues. The Relational US Activism Fund has generated a return of +16.4% over the year, 8.7% below their benchmark, but is ahead of benchmark over three years.
- **Emerging Markets** – Both the FPP Emerging Markets Fund and the SSgA Passive Index Tracker were significantly below benchmark over the year, with returns of +5.9% and +4.1% against the MSCI Emerging Markets Index return of +13.2%. The SSgA Fund has an equal weighting to the individual countries within the Emerging Market index, so will do well when the smaller countries do well, and less well when the larger countries deliver the strongest performance, as happened in 2014/15.
- **Infrastructure** - The UBS International Infrastructure Fund (IIF) delivered a +4.7% return over the twelve months. The return from the First State European Diversified Infrastructure Fund was -5.5%, as a result of currency movement. In Euro terms the fund achieved capital growth, but the fall in the value of the Euro eroded value in Sterling terms. Income of €1.5 million was received during the year. A new investment in the Hermes Infrastructure Fund was made 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 60 pension funds. LAPFF has a strong record of engagement.

LAPFF's activity over the last year includes: continuing to make representations on accounting, auditing and financial reporting issues, where the needs of shareholders are not being met; lobbying the G20 on global tax avoidance; lobbying to ensure a robust regulatory regime around fracking and shale gas operations is implemented. Companies engaged with included Barclays, Vodafone and Burberry (excessive executive remuneration); BP, Shell and Glencore (carbon management strategies and disclosure); National Express (Employee relations in the US); Novartis (board independence) and several Asian companies in relation to the Sustainable Palm Oil Manifesto.

Outlook

- Economic conditions in the UK and US continue to look more favourable, but the Eurozone is likely to be further impacted by the situation in Greece. Volatility is likely to remain high in equity markets, but the activist approach of the funds within the portfolio should provide a firm basis for them to perform well.
- The emerging market investments have been impacted by the global economic volatility, and may be adversely affected if the US increases interest rates. China has become a cause of concern, but in many cases fundamentals remain strong, and provide significant potential for increasing value over the longer term.
- The Fund has expanded its infrastructure commitments, which should provide good returns and an effective inflation hedge going forward.



Financial Statements 2014/15



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 2015 has been prepared in accordance with the Accounts and Audit Regulations 2011 and that it presents a true and fair view of the financial position of the Pension Fund as at 31 March 2015 and its income and expenditure for the year ended 31 March 2015.

Mary Davis

County Treasurer
25th June 2015

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 of 31st March 2015, the net assets of the Devon Pension Fund were valued at £3,374 million. The fund itself currently has 39,469 actively contributing members, employed by 193 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 151.	Admitted Body - As listed on page 151.
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 28,964 pensioners (and/or dependants) every month. There are currently 37,642 members with rights to deferred benefits, frozen memberships pending refunds and those undecided pending resolution.

The Local Government Pension Scheme regulations changed with effect from 1st April 2014, and from that date moved to a Career Average Revalued Earnings (CARE) scheme. Changes have been implemented to various factors including employee contribution rates (ranging from 5.5% to 12.5% of pensionable pay), accrual rates and normal pension age, with the aim of ensuring a more equitable cost base between employees, employers and council tax payers.

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 2015)

Representing Devon County Council Councillor Rufus Gilbert (Chairman)
Councillor Ray Radford
Councillor Jerry Brook
Councillor Gaston Dezart
Councillor Richard Edgell
Councillor Brian Greenslade
Councillor Des Hannon
Councillor Richard Hosking
Councillor Roy Hill
Councillor Sara Randall Johnson
Councillor Margaret Squires
Councillor Claire Wright

Representing Devon Unitary & District Councils Councillor Peter Edwards (Devon Districts Councils)
Councillor Lorraine Parker Delaz Ajete (Plymouth)
Councillor David Stark (Plymouth)
Councillor John Thomas (Torbay)

Observers
Representing the Contributors Roberto Franceschini
Jo Rimron

Representing the Beneficiaries Colin Lomax

Adviser Steve Tyson (AllenbridgeEpic)

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

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 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

2013/14 £'000	Notes	2014/15 £'000
Dealing with members, employers and others directly involved in the fund		
Contributions		
(113,917)	Employers 7	(115,057)
(35,099)	Members 7 & 9	(35,845)
Transfers in from other pension funds:		
0	Group Transfers	(1,994)
<u>(7,446)</u>	Individual Transfers	<u>(3,692)</u>
<u>(156,462)</u>		<u>(156,588)</u>
Benefits		
120,983	Pensions 8	126,148
26,204	Commutation and lump sum retirement benefits 8	28,757
3,248	Lump sum death benefits 8	3,431
Payments to and on account of leavers		
18	Refunds to members leaving service	191
Payments for members joining state scheme		
0	Group Transfers a	63,144
<u>6,233</u>	Individual Transfers	<u>5,407</u>
<u>156,686</u>		<u>227,078</u>
224	Net Withdrawals from dealings with fund members	70,490
<u>10,074</u>	Management expenses 11	<u>12,481</u>
Returns on investments		
Investment Income:		
Fixed Interest		
(364)	U.K. Public Sector Bonds	(321)
(7,229)	Overseas Government Bonds	(5,967)
(733)	UK Corporate Bonds	(827)
(5,802)	Overseas Corporate Bonds	(4,328)
Equities (Quoted)		
(2,637)	U.K.	(1,727)
(10,127)	Overseas	(8,442)
(2,033)	Pooled Investments	(4,074)
(10,815)	Pooled Property Investments	(11,004)
(618)	Interest on Cash and Short Term Deposits	(763)
Taxes on income:		
24	Withholding Tax - Fixed Interest securities	154
709	Withholding Tax - Equities	670
Profit and losses on disposal of investments and changes in market value of investments:		
(66,862)	Realised (profit)/loss	(66,845)
<u>(37,020)</u>	Unrealised (profit)/loss	<u>(214,030)</u>
(143,507)	Net Returns on Investments	(317,504)
Net (increase)/decrease in the net assets available for		
(133,209)	benefits during the year	(234,533)
<u>(3,006,684)</u>	Opening Net Assets of the Fund at 1 April	<u>(3,139,893)</u>
(3,139,893)	Net Assets of the Fund at 31 March	(3,374,426)

- a. The Group Transfer out of the Fund relates to the transfer of the Devon and Cornwall Probation Trust to the Greater Manchester Pension Fund on 1st June 2014.

Net Asset Statement

31 March 2014 Restated £'000	Notes	31 March 2015 £'000
INVESTMENTS AT MARKET VALUE		
	15 & 16	
Investment Assets		
Fixed Interest		
10,959	U.K. Public Sector Bonds	15,362
205,791	Overseas Government Bonds	177,602
20,184	UK Corporate Bonds	16,644
142,478	Overseas Corporate Bonds	122,222
Equities (Quoted)		
45,924	U.K.	33,346
379,345	Overseas	264,294
1,963,965	Pooled Investments	2,340,286
297,414	Pooled Property Investments	334,997
Derivative Assets		
60	Futures - Overseas Fixed Interest	69
0	UK Bond Forwards	1,265
24	Overseas Bond Forwards	1,000
1,356	Forward Currency Contracts	4,244
Cash deposits		
6,363	Foreign Currency	5,257
5,750	Short Term Deposits	0
29,221	Cash Equivalents	30,258
30,907	Cash & Bank Deposits	22,686
8,615	Investment income due	4,862
3,771	Amounts receivable for sales	38,446
Investment Liabilities		
Derivatives		
(78)	Futures - Overseas Fixed Interest	(56)
0	UK Bond Forwards	(632)
(5)	Overseas Bond Forwards	(1,162)
(2,057)	Forward Currency Contracts	(2,844)
(22,257)	Amounts payable for purchases	(45,794)
3,127,730	Net investment assets	3,362,352
Non current Assets and Liabilities		
9,590	Non current Assets	8,190
(10,528)	Non current Liabilities	(9,024)
Current Assets and Liabilities		
18,219	Current Assets	19,678
(5,118)	Current Liabilities	(6,770)
3,139,893	Net assets of the fund available to fund benefits at 31 March	3,374,426

Notes to the Net Asset Statement

- a. The financial statements above 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.
- a. The actuarial position of the scheme, which does take account of such obligations, is summarised in the Statement of the Actuary for the year ended 31 March 2015 on pages 46 and 47.

Notes to the Accounts

1. Accounting Policies

The Statement of Accounts summarises the fund's transactions for the 2014/15 financial year and its position at year-end as at 31 March 2015. The accounts have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2014/15 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 (with observers representing the staff and retired members) control the investments with advice from specialists. Employing body details are shown on pages 44 and 45.

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 Accounting for Local Government Pension Scheme Management Costs (Note 11).

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:
 - o Investments in unquoted property and infrastructure pooled funds are valued at the net asset value or a single price advised by the fund manager.
 - o 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.
 - o Limited partnerships. Fair value is based on the net asset value ascertained from periodic valuations provided by those controlling the partnership.
 - o 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 23).

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 not the accounts (Note 10). 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 25 June 2015.

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:
 - o 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.
 - o 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:
 - o Financial Instruments have been classified as loans and receivables when they have fixed or determinable payments and are not quoted in an active market.
 - o 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 22 - Non-Current Assets and Liabilities).
- Financial liabilities:
 - o 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 26 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. Restatement

During 2013/14 some pooled property investments were included within UK equities. The 2013/14 pooled property investments and UK equities have been restated to take account of this.

	2013/14 Transactions £'000	Restatement £'000	2013/14 Transactions Restated £'000
Purchases			
Pooled Property Investments*	80,988	22,340	103,328
UK Equities	31,964	(22,340)	9,624
Sales			
Pooled Property Investments*	(47,909)	(491)	(48,400)
UK Equities	(12,953)	491	(12,462)
Change in Market value			
Pooled Property Investments*	15,528	638	16,166
UK Equities	(1,635)	(638)	(2,273)
	Balances as at 31 March 2014 £'000	Restatement £'000	Balances as at 31 March 2014 Restated £'000
Balances as at 31 March			
Pooled Property Investments*	274,926	22,488	297,414
UK Equities	68,412	(22,488)	45,924

* Included within Pooled Funds in 2013/14

4. 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 (£30.025m as at 31 March 2015) and the Hermes GPE Infrastructure Fund LLP (£25.752m as at 31 March 2015). While market values are not estimates, the method of valuation does mean that future values may fluctuate (see note 6).	For every 1% increase in Market Value the value of the Fund will increase by £33.624 millions 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 £110.271 millions. In the year to 31 March 2015 the Funded Obligation increased by £819.251 millions due to updating of the financial assumptions.

5. Estimates

The Devon Fund is a limited partner in both the UBS International Infrastructure Fund LLP and the Hermes GPE Infrastructure Fund LLP. UBS and Hermes (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.

6. Contingent Asset

Consequent upon rulings given in the European Court of Justice, the Devon Fund, along with a number of other local authority pension funds, is pursuing the recovery of tax paid on certain dividends. If successful this will be of material benefit to the Fund. The case is complex and subject to a number of appeal processes yet to be concluded. The potential value to the pension fund is not quantifiable at this time.

7. Contributions receivable

2013/14 £'000		2014/15 £'000
(137,959)	Scheduled bodies	(141,493)
(466)	Admitted bodies	(341)
(5,394)	Community admission body	(3,613)
(4,526)	Transferee admission body	(4,773)
(671)	Resolution body	(682)
<u>(149,016)</u>		<u>(150,902)</u>

By type

2013/14 £'000		2014/15 £'000
(35,099)	Employees' normal contributions	(35,845)
(92,026)	Employers' normal contributions	(84,651)
(21,868)	Employers' deficit recovery contributions	(30,406)
(23)	Employers' augmentation contributions	0
<u>(149,016)</u>		<u>(150,902)</u>

8. Benefits Payable

2013/14 £'000		2014/15 £'000
145,152	Scheduled bodies	151,432
515	Admitted bodies	762
2,706	Community admission body	3,528
1,489	Transferee admission body	2,174
573	Resolution body	440
<u>150,435</u>		<u>158,336</u>

9. Contribution Rates

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

Whole Time Pay Rate 2013/14	Member contribution rate	Whole Time Pay Rate 2014/15	Member contribution rate
£0 to £13,700	5.5%	£0 to £13,500	5.5%
£13,701 to £16,100	5.8%	£13,501 to £21,000	5.8%
£16,101 to £20,800	5.9%	£21,001 to £34,000	6.5%
£20,801 to £34,700	6.5%	£34,001 to £43,000	6.8%
£34,701 to £46,500	6.8%	£43,001 to £60,000	8.5%
£46,501 to £87,100	7.2%	£60,001 to £85,000	9.9%
More than £87,100	7.5%	£85,001 to £100,000	10.5%
		£100,001 to £150,000	11.4%
		£150,001 or more	12.5%

10. Additional Voluntary Contributions (AVC) Investments

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

31/03/2014 Restated £000	Contributions £000	Investment Return £000	Paid Out £000	31/03/2015 £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.

11. Management Expenses

2013/14 £000		2014/15 £000
1,997	Administrative costs	1,366
1,997		1,366
	Investment management expenses	
7,066	Management fees (a)	10,162
174	Custody fees	209
412	Transaction costs (b)	263
(124)	Stock Lending Income & Commission Recapture	(97)
30	Other Investment management expenses	25
7,558		10,562
	Oversight and governance costs	
22	External Audit Fees (c)	26
497	Other Oversight and governance costs	527
519		553
10,074		12,481

- a. 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.
- b. Transaction costs in the year amounted to £0.263m (£0.412m in 2013/14) and can be split into acquisition costs of £0.058m (£0.210m in 2013/14) and disposal costs of £0.205m (£0.202m in 2013/14).
- c. Audit fees include an amount of £28,603 (£28,000 in 2013/14) in relation to Grant Thornton UK LLP, the auditors appointed by the Audit Commission for external audit services under the Code of Audit Practice as well as an audit fee rebate of £2,940 (£6,000 in 2013/14).

12. Related Party Transactions

The Devon Pension Fund is administered by Devon County Council. During the reporting period, the council incurred costs of £1.838m (2013/14: £2.395m) 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 £45.835m to the fund in 2014/15 (2013/14: £42.246m). In 2014/15 £5,190m was owed to the fund (2013/14: £3.670m) and £1.917m was due from the fund (2013/14: £2.766m).

The Investment and Pensions Fund Committee is the decision making body for the fund and Devon County Council nominates 12 of the 16 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.

13. 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(2)-(4) of the Accounts and Audit (England) Regulations 2011 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(2)-(4) of the Accounts and Audit (England) Regulations can be found on page 72 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	2014/15	149,995			28,199	178,194
	2013/14	149,995			27,449	177,444
Strategic Director - Place	2014/15	129,995			24,439	154,434
	2013/14	129,995			23,789	153,784
Strategic Director - People	2014/15	129,995			24,439	154,434
	2013/14	129,995			23,789	153,784
County Solicitor	2014/15	105,000			19,740	124,740
	2013/14	105,394			19,287	124,681
County Treasurer	2014/15	105,000			19,740	124,740
	2013/14	105,394			19,287	124,681
Head of Human Resources	1 2014/15	47,500		60,123	8,930	116,553
	2013/14	95,357			17,450	112,807
Head of Business Strategy & Support	2014/15	75,375			14,171	89,546
	2013/14	75,000			13,725	88,725
Director of Public Health	2014/15	154,624	198		21,647	176,469
	2013/14	155,506	189		21,771	177,466

Notes:

1) Head of Human Resources left Devon County Council on 30th September 2014.

14. 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 2015 is shown below.

31 March 2014 £'000	% of Fund %		31 March 2015 £'000	% of Fund %
32,951	1.1	Stock on Loan	33,531	1.0
		Collateral		
6,490		Cash	1,367	
28,772		Securities	33,946	
35,262			35,313	

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 liquidation issues), Northern Trust will arrange an acceptable solution with the Devon Pension Fund.

15. Investment Management Arrangements

The Pension Fund is currently managed by 8 external managers (9 in 2013/14) and the in-house Investment Team in the following proportions:

31 March 2014			31 March 2015		
£'000	%	Manager	Mandate	£'000	%
165,797	5.3	Aberdeen Asset Managers Ltd	Global Equity	183,017	5.4
159,985	5.1	Sarasin and Partners LLP	Global Equity		0.0
127,937	4.1	Aberdeen Asset Managers Ltd	Global Emerging	146,004	4.3
639,329	20.4	State Street Global Advisors Ltd	Passive Equities	841,488	25.1
596,307	19.1	UBS Global Asset Management (UK) Ltd	Passive Equities	635,852	18.9
186,586	6.0	Lazard Asset Management LLC	Global Fixed Interest	203,446	6.0
181,989	5.8	Wellington Management International Ltd	Global Fixed Interest	192,308	5.7
229,950	7.4	Baillie Gifford & Co	Diversified Growth Fund	250,031	7.4
224,679	7.2	Baring Asset Management Ltd	Diversified Growth Fund	246,004	7.3
319,951	10.2	Aviva Investors Global Services Ltd	Property	345,548	10.3
295,220	9.4	DCC Investment Team	Specialist Funds	318,654	9.6
3,127,730	100			3,362,352	100

16. 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 2014 Restated	Purchases at cost & Derivative Payments	Sale proceeds & Derivative Receipts	Change in Market Value	Value at 31 March 2015
	£000	£000	£000	£000	£000
Fixed Interest					
U.K. Public Sector Bonds	10,959	23,924	(20,996)	1,475	15,362
Overseas Government Bonds	205,791	618,049	(652,825)	6,587	177,602
Overseas Government Index Linked Bonds	0	25,652	(25,619)	(33)	0
UK Corporate Bonds	20,184	3,535	(7,230)	155	16,644
Overseas Corporate Bonds	142,478	55,222	(80,386)	4,908	122,222
Equities (Listed)					0
U.K.	45,924	7,655	(16,357)	(3,876)	33,346
Overseas	379,345	53,902	(198,938)	29,985	264,294
Pooled investments	1,963,965	303,194	(130,053)	203,180	2,340,286
Pooled property investments	297,414	25,050	(25,384)	37,917	334,997
Derivative contracts					0
Futures	(18)	2,254	(1,487)	(736)	13
Purchased/written options	0	7	(5)	(2)	0
Forward currency contracts	(701)	34,740	(34,680)	2,041	1,400
Bond Forwards	19	68,966	(68,216)	(298)	471
Foreign Currency	6,363	14,745	(15,469)	(382)	5,257
Amount receivable for sales of investments	3,771	0	34,307	368	38,446
Amounts payable for purchases of investments	(22,257)	(23,123)	0	(414)	(45,794)
	3,053,237	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

	Value at 31 March 2013	Reclassification	Purchases at cost & Derivative Payments Restated	Sale proceeds & Derivative Receipts Restated	Change in Market Value Restated	Value at 31 March 2014 Restated
	£000	£000	£000	£000	£000	£000
Investment Assets						
Fixed Interest						
U.K. Public Sector Bonds	9,031	0	64,694	(62,065)	(701)	10,959
Overseas Government Bonds	217,110	5,096	622,489	(614,853)	(24,051)	205,791
Overseas Government Index Linked Bonds	0	0	2,318	(2,318)	0	0
UK Corporate Bonds	17,167	0	15,010	(11,970)	(23)	20,184
Overseas Corporate Bonds	152,580	(5,096)	72,204	(61,041)	(16,169)	142,478
Equities (Listed)						
U.K.	64,409	(13,374)	9,624	(12,462)	(2,273)	45,924
Overseas	420,704	0	98,105	(122,104)	(17,360)	379,345
Pooled investments	1,811,340	0	102,412	(98,816)	149,029	1,963,965
Pooled property investments	212,946	13,374	103,328	(48,400)	16,166	297,414
Derivative contracts						
Futures	(283)	0	7,328	(6,669)	(394)	(18)
Purchased/written options	13	0	14	(1)	(26)	0
Forward currency contracts	(470)	0	50,522	(50,351)	(402)	(701)
Bond Forwards	(9)	0	1,076	(816)	(232)	19
Foreign Currency	17,249	0	1,971	(11,237)	(1,620)	6,363
Amount receivable for sales of investments	2,191	0	0	(397)	1,977	3,771
Amounts payable for purchases of investments	(14,151)	0	(8,067)	0	(39)	(22,257)
	2,909,827	0	1,143,028	(1,103,500)	103,882	3,053,237
Other investment balances						
Short Term Deposits	24,750					5,750
Cash Equivalents	31,500					29,221
Cash & Bank Deposits	21,682					30,907
Investment income due	8,529					8,615
Net investment assets	2,996,288					3,127,730

17. Analysis of Pooled Funds

2013/14 £'000		2014/15 £'000
	UK	
475,545	Unit Trusts	541,307
273,864	Property Funds	294,271
596,307	Unitised Insurance Policies	635,852
162,449	Other Managed Funds (Equities)	148,896
	Overseas	
150,110	Unit Trusts	143,199
23,550	Property Funds	40,726
579,554	Other Managed Funds (Equities)	811,212
0	Other Managed Funds (Fixed Interest)	59,820
2,261,379	Total Pooled Funds	2,675,283

18. 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.

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
Property (direct holdings)	0	0	0	0
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

2013/14

	UK £'000	Non UK £'000	Global £'000	Total £'000
Equities	823,934	1,050,435	1,663	1,876,032
Bonds	31,143	348,269	0	379,412
Property (direct holdings)	0	0	0	0
Alternatives	261,516	35,898	57,873	355,287
Cash and cash equivalents	56,007	6,363	0	62,370
Other	0	0	454,629	454,629
Total	1,172,600	1,440,965	514,165	3,127,730

19. 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.

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
Property (direct holdings)	0	0	0	0
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

2013/14

	UK	Non UK	Global	Total
	£'000	£'000	£'000	£'000
Equities	1,910	9,694	35	11,639
Bonds	1,097	13,007	0	14,104
Property (direct holdings)	0	0	0	0
Alternatives	10,704	838	1,722	13,264
Cash and cash equivalents	618	0	0	618
Other	0	0	0	0
Total	14,329	23,539	1,757	39,625

20. 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.

Futures

Position at 31 March 2014			Position at 31 March 2015		
Economic exposure £'000	Market value £'000		Expiration Period	Economic exposure £'000	Market value £'000
INVESTMENT ASSETS					
Futures					
3,067	1	UK Fixed Interest	< 1 Year	0	0
31,617	59	Overseas Fixed Interest	< 1 Year	14,507	69
<u>34,684</u>	<u>60</u>	Total Assets		<u>14,507</u>	<u>69</u>
INVESTMENT LIABILITIES					
Futures					
0	0	UK Fixed Interest	< 1 Year	(604)	0
(65,481)	(78)	Overseas Fixed Interest	< 1 Year	(17,461)	(56)
<u>(65,481)</u>	<u>(78)</u>	Total Liabilities		<u>(18,065)</u>	<u>(56)</u>
(30,797)	(18)	Futures Total		(3,558)	13

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 2014			Position at 31 March 2015
Market value £'000		Expiration Period	Market value £'000
INVESTMENT ASSETS			
Bond Forwards			
0	UK Bond Forwards	< 1 Year	1,265
24	Overseas Bond Forwards	< 1 Year	1,000
24	Total Assets		2,265
INVESTMENT LIABILITIES			
Bond Forwards			
0	UK Bond Forwards	< 1 Year	(632)
(5)	Overseas Bond Forwards	< 1 Year	(1,162)
(5)	Total Liabilities		(1,794)
19	Total Bond Forwards		471

Notes:

- a. 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	AUD	2,058	USD	(1,595)	1	(18)
Up to one month	BRL	875	USD	(280)	0	(5)
Up to one month	CAD	1,025	USD	(818)	0	(6)
Up to one month	CHF	902	USD	(935)	0	(4)
Up to one month	CLP	83,500	USD	(134)	0	0
Up to one month	CNY	276	USD	(44)	0	0
Up to one month	COP	126,600	USD	(50)	0	(1)
Up to one month	EUR	1,504	USD	(1,625)	0	(6)
Up to one month	GBP	10,121	EUR	(13,182)	581	0
Up to one month	GBP	31,587	USD	(47,817)	0	(628)
Up to one month	HUF	2,700	USD	(10)	0	0
Up to one month	ILS	815	USD	(208)	0	(2)
Up to one month	INR	36,025	USD	(574)	0	0
Up to one month	JPY	1,685,903	USD	(14,107)	0	(29)
Up to one month	KRW	734,000	USD	(663)	0	(1)
Up to one month	MXN	4,697	USD	(312)	0	(3)
Up to one month	MYR	680	USD	(183)	0	0
Up to one month	NOK	1,764	USD	(224)	0	(4)
Up to one month	NZD	706	USD	(536)	0	(5)
Up to one month	PEN	350	USD	(114)	0	(1)
Up to one month	PLN	2,728	USD	(725)	0	(4)
Up to one month	RUB	18,050	USD	(308)	0	(1)
Up to one month	SEK	17,000	USD	(2,002)	0	(20)
Up to one month	SGD	197	USD	(144)	0	0
Up to one month	THB	1,490	USD	(46)	0	0
Up to one month	TRY	4,519	USD	(1,904)	0	(115)
Up to one month	TWD	1,555	USD	(50)	0	0
Up to one month	USD	3,445	AUD	(4,394)	64	(1)
Up to one month	USD	282	BRL	(875)	7	(1)
Up to one month	USD	2,753	CHF	(2,636)	25	0
Up to one month	USD	14	CLP	(8,617)	0	0
Up to one month	USD	296	CNY	(1,844)	0	(2)
Up to one month	USD	99	COP	(253,300)	1	0
Up to one month	USD	118	DKK	(805)	2	0
Up to one month	USD	13,437	EUR	(12,239)	194	0
Up to one month	USD	9,610	GBP	(6,459)	17	(1)
Up to one month	USD	49	HUF	(13,600)	0	0
Up to one month	USD	69	ILS	(270)	1	0
Up to one month	USD	73	INR	(4,640)	0	0
Up to one month	USD	767	JPY	(91,356)	3	0
Up to one month	USD	2,049	KRW	(2,259,905)	8	0
Up to one month	USD	294	MXN	(4,421)	3	0
Up to one month	USD	109	MYR	(400)	1	0
Up to one month	USD	100	NZD	(133)	0	0
Up to one month	USD	3,616	PEN	(11,089)	38	(2)
Up to one month	USD	459	PLN	(1,726)	3	0
Up to one month	USD	290	SEK	(2,462)	3	0
Up to one month	USD	361	SGD	(494)	1	0

Up to one month	USD	272	THB	(8,870)	0	0
Up to one month	USD	1,423	TRY	(3,779)	1	(19)
Up to one month	ZAR	919	USD	(77)	0	(1)
One to six months	AUD	2,163	USD	(1,679)	0	(21)
One to six months	CAD	1,777	GBP	(919)	26	0
One to six months	CHF	7,034	EUR	(5,869)	642	0
One to six months	DKK	29,283	EUR	(3,939)	0	(10)
One to six months	EUR	39,301	GBP	(28,974)	0	(513)
One to six months	EUR	10,515	USD	(11,273)	18	0
One to six months	GBP	8,904	AUD	(17,563)	0	(113)
One to six months	GBP	9,993	CAD	(19,001)	0	(111)
One to six months	GBP	1,464	CZK	(54,394)	34	0
One to six months	GBP	717	DKK	(7,212)	17	0
One to six months	GBP	8,885	MXN	(206,209)	0	(206)
One to six months	GBP	9,017	NOK	(104,938)	255	0
One to six months	GBP	9,244	NZD	(19,094)	0	(359)
One to six months	GBP	3,537	PLN	(20,173)	0	(43)
One to six months	GBP	802	SEK	(10,378)	0	(9)
One to six months	GBP	3,814	SGD	(7,825)	0	(25)
One to six months	GBP	13,063	USD	(19,798)	26	(304)
One to six months	JPY	4,587,202	GBP	(25,037)	755	0
One to six months	JPY	489,465	USD	(4,069)	10	0
One to six months	KRW	2,140,504	USD	(1,925)	3	0
One to six months	MXN	41,041	GBP	(1,748)	62	0
One to six months	MXN	52,125	USD	(3,473)	0	(42)
One to six months	NOK	12,580	SEK	(13,199)	17	0
One to six months	USD	131	BRL	(420)	0	0
One to six months	USD	7,830	CHF	(7,034)	383	0
One to six months	USD	3,065	CNH	(19,476)	0	(41)
One to six months	USD	3,063	COP	(7,456,443)	154	0
One to six months	USD	10,046	EUR	(9,407)	43	(86)
One to six months	USD	38,055	GBP	(24,931)	733	(20)
One to six months	USD	2,998	JPY	(362,783)	0	(20)
One to six months	USD	5,019	MYR	(18,367)	61	0
One to six months	USD	5,870	NOK	(47,260)	45	(36)
One to six months	USD	10,862	PHP	(487,031)	6	(5)

Open forward currency contracts at 31 March 2015

4,244 **(2,844)**

Net forward currency contracts at 31 March 2015

1,400

Notes:

- a. 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.

21. 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 2014 £000		31 March 2015 £000
	Current Assets	
	Debtors and Prepayments	
	Contributions Receivable	
10,072	Employers	10,234
	Current portion of non current assets	
3,008	(Employers contributions)	3,008
2,819	Employees	2,828
102	Interest on Cash & Bank Deposits	0
2,218	Other debtors	3,608
<u>18,219</u>		<u>19,678</u>
	Current Liabilities	
	Creditors and Receipts in Advance	
(2,766)	Devon County Council	(1,917)
(2,352)	Other creditors	(4,853)
<u>(5,118)</u>		<u>(6,770)</u>

b) Analysis by type of debtor or creditor

31 March 2014 £000		31 March 2015 £000
	Current Debtors	
4,721	Central Government Bodies	4,599
11,495	Other Local Authorities	12,912
46	NHS Bodies	25
2	Public Corporations and Trading Funds	1
1,955	Bodies external to general Government	2,141
<u>18,219</u>		<u>19,678</u>
	Current Creditors	
(1)	Central Government Bodies	(1,492)
(3,064)	Other Local Authorities	(2,029)
0	NHS Bodies	0
0	Public Corporations and Trading Funds	0
(2,053)	Bodies external to general Government	(3,249)
<u>(5,118)</u>		<u>(6,770)</u>

22. 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 £15.09 millions due to the Devon Pension Fund would be repaid in ten annual instalments of £1.509 millions. The first instalment was received during 2011/12. The 2014/15 instalment was received in April 2014 and is included within current assets (Other debtors). The next instalment is disclosed as part of current assets with the remaining 5 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 2014 £000		31 March 2015 £000
	Non Current Assets	
	Debtors and Prepayments	
9,590	Contributions Receivable - Employers	8,190
<u>9,590</u>		<u>8,190</u>
	Non Current Liabilities	
	Creditors and Receipts in Advance	
(10,528)	Deferred Income	(9,024)
<u>(10,528)</u>		<u>(9,024)</u>

b) Analysis by type of debtor or creditor

31 March 2014 £000		31 March 2015 £000
	Non current Debtors	
9,025	Central Government Bodies	7,520
497	Other Local Authorities	515
0	NHS Bodies	0
0	Public Corporations and Trading Funds	0
68	Bodies external to general Government	155
<u>9,590</u>		<u>8,190</u>
	Non current Creditors	
(10,528)	Central Government Bodies	(9,024)
0	Other Local Authorities	0
0	NHS Bodies	0
0	Public Corporations and Trading Funds	0
0	Bodies external to general Government	0
<u>(10,528)</u>		<u>(9,024)</u>

23. Funded Obligation

The actuarial present value of promised retirement benefits (the Funded Obligation) amounts to £5,965 millions as at 31 March 2015 (£5,004 millions as at 31 March 2014). The Funded Obligation consists of £5,220 millions (£4,375 millions as at 31 March 2014) in respect of Vested Obligation and £745 millions (£629 millions as at 31 March 2014), of Non-Vested Obligation. These figures have been prepared by the Fund Actuary (Barnett Waddingham LLP) in accordance with IAS 26. In calculating the disclosed numbers the Actuary has adopted methods and assumptions that are consistent with IAS 19.

The figures presented are prepared only for the purposes of IAS 19. In particular, they are not relevant for calculations undertaken for funding purposes or for other statutory purposes under UK pensions legislation.

Actuarial Methods and Assumptions

Valuation Approach

To assess the value of the Employers' liabilities at 31 March 2015, the Actuary has rolled forward the value of the Employers' 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 2015 without completing a full valuation. However, the Actuary is satisfied that the approach of rolling forward the previous valuation data to 31 March 2015 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 the Actuary has 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 2014	31 March 2015
Retiring Today		
Males	22.7	22.8
Females	26.0	26.1
Retiring in 20 years		
Males	24.9	25.1
Females	28.3	28.4

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 2015		31 March 2014		31 March 2013	
	% p.a	Real*	% p.a	Real*	% p.a	Real*
RPI Increases	3.2%	0.0%	3.6%	0.0%	3.4%	0.0%
CPI Increases	2.4%	-0.8%	2.7%	-0.9%	2.6%	-0.8%
Salary Increases	4.2%	1.0%	4.6%	1.0%	4.8%	1.4%
Pension Increases	2.4%	-0.8%	2.8%	-0.8%	2.6%	-0.8%
Discount rate	3.3%	0.1%	4.5%	0.9%	4.5%	1.1%

*Relative to RPI

These assumptions are set with reference to market conditions at 31 March 2015.

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 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, specifically the 19 year point on the BoE spot inflation curve. 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 3.2% 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 0.8% p.a. below RPI i.e. 2.4% p.a. The Actuary believes that this is a reasonable estimate for the future differences in the indices, based on the different calculation methods.

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

Past Service Costs/Gains

As a result of members of Devon and Cornwall Probation Service transferring to the Greater Manchester Pension Fund, the liabilities in respect of these members have been settled at a cost different to the accounting reserve. The capitalised gain of this settlement is £41,223,000.

Expected Return on Assets

The return on the Fund (on a bid value to bid value basis) for the year to 31 March 2015 is estimated to be 11%. The actual return on Fund assets over the year may be different.

24. 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.

25. 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
£'000	£'000	£'000		£'000	£'000	£'000
			Financial assets			
379,412			Fixed Interest	331,830		
425,269			Equities (Listed)	297,640		
1,963,965			Pooled investments	2,340,286		
297,414			Pooled property investments	334,997		
			Private equity/infrastructure			
1,440			Derivative contracts	6,578		
	72,241		Cash		58,201	
12,386			Other investment balances	43,308		
	27,809		Debtors		27,868	
3,079,886	100,050	0		3,354,639	86,069	0
			Financial Liabilities			
(2,140)			Derivative contracts	(4,694)		
		(22,257)	Other investment balances			(45,794)
		(15,646)	Creditors			(15,794)
(2,140)	0	(37,903)		(4,694)	0	(61,588)
3,077,746	100,050	(37,903)		3,349,945	86,069	(61,588)

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 follow:

31 March 2014		31 March 2015
£000		£000
	Financial assets	
174,107	Fair value through profit and loss	324,830
977	Loans and receivables	749
<u>175,084</u>		<u>325,579</u>
	Financial liabilities	
(31,538)	Fair value through profit and loss	(7,660)
(39)	Loans and receivables	(415)
<u>(31,577)</u>		<u>(8,075)</u>

The total changes in fair value represent unrealised profit or loss. The difference in unrealised profit / (loss) figures between 2013/14 and 2014/15 reflects the prevailing economic conditions during each of the two years and the impact on the specific assets held by the Fund.

26. 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 2014/15 reporting period:

Asset Class	Percentage Change 2013/14	Percentage Change 2014/15
Equities	11.77%	9.14%
Bonds	6.26%	6.93%
Cash	0.02%	0.01%
Pooled Property Investments	2.61%	3.00%
Infrastructure	13.20%	12.61%
Pooled Multi Asset	4.45%	3.95%

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:

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)

As at 31 March 2014

Asset Class	Value £'000	Percentage Change	Increase £'000	Decrease £'000
Equities	1,876,031	11.77%	220,809	(220,809)
Bonds	379,413	6.26%	23,751	(23,751)
Cash	61,670	0.02%	12	(12)
Pooled Property Investments	297,414	2.61%	7,763	(7,763)
Infrastructure	58,573	13.20%	7,732	(7,732)
Pooled Multi Asset	454,629	4.45%	20,231	(20,231)
Total	3,127,730		280,298	(280,298)

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 2014 and 2015 are provided below. These disclosures present interest rate risk based on underlying financial assets (at fair value).

	As at 31 March 2014	As at 31 March 2015
	£'000	£'000
Cash and cash equivalents	60,128	52,944
Short term Deposits	5,750	-
Fixed Interest	379,412	331,830
Total	445,290	384,774

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.

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 2015	Carrying value at 31 March 2015	Effect on Asset Values	
		+1%	-1%
	£'000	£'000	£'000
Cash and cash equivalents	52,944	-	-
Short term Deposits	-	-	-
Fixed Interest	331,830	3,318	(3,318)
Total	384,774	3,318	(3,318)

As at 31 March 2014	Carrying value at 31 March 2014	Effect on Asset Values	
		+1%	-1%
	£'000	£'000	£'000
Cash and cash equivalents	60,128	-	-
Short term Deposits	5,750	-	-
Fixed Interest	379,412	3,794	(3,794)
Total	445,290	3,794	(3,794)

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	-	-
Fixed Interest	11,443	-	-
Total	12,206	7	(7)

As at 31 March 2014	Amount receivable in year ending 31 March 2014	Effect on Income Values	
		+1%	-1%
	£'000	£'000	£'000
Cash and cash equivalents	522	5	(5)
Short term Deposits	96	1	(1)
Fixed Interest	14,128	-	-
Total	14,746	6	(6)

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:

- The Fund's exposure at 31 March 2015 to currency exchange rate movements on its investments based on movements over the previous 3 years.
- 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 2015 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 2015.

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
AUD*	Australian Dollar	14,270	(151)	14,119	8.87%	1,253	(1,253)
BRL	Brazilian Real	8,007	(4)	8,003	11.70%	936	(936)
CAD*	Canadian Dollar	25,135	(90)	25,045	6.65%	1,666	(1,666)
CHF	Swiss Franc	22,130	638	22,768	9.34%	2,127	(2,127)
CNH/CNY	Chinese Yuan	6,091	0	6,091	7.73%	471	(471)
COP	Colombian Peso	1,877	(1)	1,876	8.69%	163	(163)
CZK	Czech Republic Koruna	2,150	34	2,184	7.51%	164	(164)
DKK	Danish Krona	1,750	7	1,757	6.20%	109	(109)
EUR*	Euro	142,598	80	142,678	6.15%	8,774	(8,774)
HKD	Hong Kong Dollar	26,965	0	26,965	7.74%	2,087	(2,087)
HUF	Hungarian Forint	1,677	0	1,677	10.02%	168	(168)
IDR	Indonesian Rupiah	4,465	0	4,465	11.65%	520	(520)
ILS	Israeli Shekel	157	(2)	155	7.10%	11	(11)
JPY*	Japanese Yen	26,572	736	27,308	11.03%	3,011	(3,011)
KRW	South Korean Won	11,359	2	11,361	6.62%	752	(752)
MXN	Mexican Peso	12,727	(189)	12,538	9.42%	1,181	(1,181)
MYR	Malaysian Ringit	6,558	0	6,558	7.32%	480	(480)
NOK	Norwegian Krone	12,915	268	13,183	8.64%	1,139	(1,139)
NZD	New Zealand Dollar	12,016	(365)	11,651	9.20%	1,072	(1,072)
PEN	Peruvian Sol	4,171	(1)	4,170	6.98%	291	(291)
PHP	Philippines Peso	13,532	0	13,532	7.85%	1,062	(1,062)
PLN	Polish Zloty New	6,825	(47)	6,778	8.39%	569	(569)
SEK	Swedish Krone	11,801	(29)	11,772	7.31%	860	(860)
SGD	Singapore Dollars	5,964	(26)	5,938	5.89%	350	(350)
THB	Thailand Baht	8,385	0	8,385	8.09%	678	(678)
TRY	New Turkish Lira	6,437	(115)	6,322	9.85%	623	(623)
TWD	New Taiwan Dollar	8,083	0	8,083	6.62%	535	(535)
USD*	US Dollars	369,525	655	370,180	7.78%	28,800	(28,800)
ZAR	South African Rand	12,199	(1)	12,198	10.72%	1,308	(1,308)
Total		786,341	1,399	787,740		61,160	(61,160)

		Assets held at	FX			Change for the year in net assets available to pay benefits	
As at 31 March 2014		fair value	Contracts	Total	Percentage Change	+ 1 Standard Deviation	- 1 Standard Deviation
		£'000	£'000	£'000		£'000	£'000
AUD*	Australian Dollar	16,990	17	17,007	9.80%	1,667	(1,667)
BRL	Brazilian Real	8,812	20	8,832	12.69%	1,121	(1,121)
CAD*	Canadian Dollar	21,795	22	21,817	6.04%	1,318	(1,318)
CHF	Swiss Franc	25,117	15	25,132	7.42%	1,865	(1,865)
CLP	Chilean Peso	0	30	30	10.00%	3	(3)
CNH/CNY	Chinese Yuan	5,268	(7)	5,261	7.98%	420	(420)
COP	Colombian Peso	1,203	2	1,205	8.55%	103	(103)
CZK	Czech Republic Koruna	2,046	0	2,046	8.75%	179	(179)
DKK	Danish Krona	5,718	0	5,718	6.26%	358	(358)
EUR*	Euro	196,761	99	196,860	6.31%	12,422	(12,422)
HKD	Hong Kong Dollar	25,823	0	25,823	7.98%	2,061	(2,061)
HUF	Hungarian Forint	1,867	0	1,867	12.59%	235	(235)
IDR	Indonesian Rupiah	3,525	0	3,525	11.04%	389	(389)
INR	Indian Rupee	0	1	1	0.00%	0	0
ILS	Israeli Shekel	3,927	(1)	3,926	6.93%	272	(272)
JPY*	Japanese Yen	36,358	(330)	36,028	11.54%	4,158	(4,158)
KRW	South Korean Won	11,790	0	11,790	6.56%	773	(773)
MXN	Mexican Peso	14,270	24	14,294	10.03%	1,434	(1,434)
MYR	Malaysian Ringit	2,950	1	2,951	7.01%	207	(207)
NOK	Norwegian Krone	12,946	1	12,947	8.79%	1,138	(1,138)
NZD	New Zealand Dollar	11,115	1	11,116	10.01%	1,113	(1,113)
PEN	Peruvian Sol	1,436	0	1,436	7.24%	104	(104)
PHP	Philippines Peso	6,298	0	6,298	6.70%	422	(422)
PLN	Polish Zloty New	9,594	0	9,594	10.58%	1,015	(1,015)
RUB	Russian Rouble	0	0	0	0.00%	0	0
SEK	Swedish Krone	11,618	2	11,620	7.03%	817	(817)
SGD	Singapore Dollars	2,857	0	2,857	5.71%	163	(163)
THB	Thailand Baht	6,822	0	6,822	7.40%	505	(505)
TRY	New Turkish Lira	5,842	16	5,858	9.63%	564	(564)
TWD	New Taiwan Dollar	6,205	0	6,205	5.62%	349	(349)
USD*	US Dollars	461,189	(310)	460,879	8.07%	37,193	(37,193)
ZAR	South African Rand	12,117	5	12,122	11.31%	1,371	(1,371)
Total		932,259	(392)	931,867		73,739	(73,739)

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.

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.

	As at 31 March 2014 £'000	As at 31 March 2015 £'000
Fixed Interest	379,412	331,830
UK Equities - Quoted	45,924	33,346
Overseas Equities - Quoted	379,345	264,294
Pooled investments	1,963,965	2,340,286
Pooled property investments	297,414	334,997
Derivatives (net)	(700)	1,884
Foreign currency	6,363	5,257
Short term deposits	5,750	0
Cash and cash equivalents	60,128	52,944
Settlements and dividends receivable	12,386	43,308
Total of investments held	<u>3,149,987</u>	<u>3,408,146</u>

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 2015 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 2015 was £30.258 millions (31 March 2014: £34.971 millions). This was held with the following institutions:

	Credit Rating at 31 March 2015			Balances	Balances
	Fitch	Moody's	Standard & Poor's	as at 31 March 2014	as at 31 March 2015
				£'000	£'000
Banks and Building Societies					
Barclays Bank	A	A2	A	29,221	30,000
Lloyds TSB	A	A1	A	5,750	0
Handelsbanken	AA-	A1	A+	0	258
				<u>34,971</u>	<u>30,258</u>

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 22). 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 £1.509m. The first instalment was received during 2011/12. The 2014/15 instalment was received in April 2015 and is included within current assets. The next instalment is disclosed as part of current assets with the remaining 5 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 and the Hermes GPE Infrastructure Fund LLP in 2014/15 and the UBS International Infrastructure Fund LLP in 2013/14, have been classified as level 3 financial instruments.

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.

	Quoted market price	Using observable inputs	With Significant unobservable inputs	Total
	Level 1 £'000	Level 2 £'000	Level 3 £'000	£'000
Investment Assets				
Fixed Interest				
U.K. Public Sector Bonds	15,362	-	-	15,362
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 2015 there were no transfers between levels 1, 2 or 3 of the fair value hierarchy.

At 31 March 2014

	Quoted market price - Restated	Using observable inputs - Restated	With Significant unobservable inputs	Total
	Level 1 £'000	Level 2 £'000	Level 3 £'000	£'000
Investment Assets				
Fixed Interest				
U.K. Public Sector Bonds	10,959	-	-	10,959
Overseas Government Bonds	205,791	-	-	205,791
UK Corporate Bonds	20,184	-	-	20,184
Overseas Corporate Bonds	142,478	-	-	142,478
Equities (Listed)				
U.K.	45,924	-	-	45,924
Overseas	379,345	-	-	379,345
Pooled investments	625,655	1,338,310	-	1,963,965
Pooled property investments	-	263,386	34,028	297,414
Derivative Assets				
Futures - UK Fixed Interest	-	-	-	-
Futures - Overseas Fixed Interest	-	60	-	60
UK Bond Forwards	-	-	-	-
Overseas Bond Forwards	-	24	-	24
Options	-	-	-	-
Forward Currency Contracts	-	1,356	-	1,356
Cash Deposits				
Foreign Currency	-	6,363	-	6,363
Short Term Deposits	-	5,750	-	5,750
Cash Equivalents	-	29,221	-	29,221
Cash & Bank Deposits	30,907	-	-	30,907
Investment income due	8,615	-	-	8,615
Amounts receivable for sales	3,771	-	-	3,771
Investment Liabilities				
Derivatives				
Futures - UK Fixed Interest	-	-	-	-
Futures - Overseas Fixed Interest	-	(78)	-	(78)
UK Bond Forwards	-	-	-	-
Overseas Bond Forwards	-	(5)	-	(5)
Forward Currency Contracts	-	(2,057)	-	(2,057)
Amounts payable for purchases	(22,257)	-	-	(22,257)
Assets and Liabilities				
Non current Assets	9,590	-	-	9,590
Non current Liabilities	(10,528)	-	-	(10,528)
Current Assets	18,219	-	-	18,219
Current Liabilities	(5,118)	-	-	(5,118)
Net Assets of the Fund at 31 March 2014	1,463,535	1,642,330	34,028	3,139,893

27. 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

	2010/11	2011/12	2012/13	2013/14	2014/15
	£'000	£'000	£'000	£'000	£'000
Contributions and Benefits					
Contributions	(150,329)	(152,657)	(146,603)	(149,016)	(150,902)
Transfers in from other pension funds	(11,375)	(9,868)	(8,647)	(7,446)	(5,686)
	(161,704)	(162,525)	(155,250)	(156,462)	(156,588)
Benefits Paid	124,947	143,382	145,497	150,435	158,336
Payments to and on account of leavers	21,676	5,933	5,636	6,251	68,742
	146,623	149,315	151,133	156,686	227,078
Net (Additions) Withdrawals from Dealings with Fund members	(15,081)	(13,210)	(4,117)	224	70,490
Management Expenses	4,910	4,878	8,579	10,074	12,481
Returns on Investments					
Investment Income	(41,161)	(47,438)	(41,840)	(39,625)	(36,629)
(Increase)/decrease in Market Value of Investments during the Year	(152,254)	(21,062)	(285,575)	(103,882)	(280,875)
Net Returns on Investments	(193,415)	(68,500)	(327,415)	(143,507)	(317,504)
Net Assets of the Fund at 31 March	(2,606,899)	(2,683,731)	(3,006,684)	(3,139,893)	(3,374,426)

Members Summary

	2010/11	2011/12	2012/13	2013/14	2014/15
	No.	No.	No.	No.	No.
Devon County Council					
Contributors	14,157	12,527	11,747	13,033	13,849
Pensioners and Dependants	10,937	11,408	11,824	12,175	12,649
Deferred Pensioners*	13,262	12,001	12,622	14,163	15,648
	38,356	35,936	36,193	39,371	42,146
Other Employers					
Contributors	23,160	22,760	23,653	24,196	25,620
Pensioners and Dependants	13,609	14,446	15,225	15,951	16,315
Deferred Pensioners*	13,544	17,247	18,392	20,200	21,994
	50,313	54,453	57,270	60,347	63,929

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

Employing Bodies

	Active £'000	Ceased £'000	Total £'000
Scheduled body	141	12	153
Admitted body	52	23	75
Total	193	35	228

There are currently 193 employers who have active members in the Fund.

Administering Authority

Devon County Council

Scheduled Bodies

All Saints Babbacombe
Exeter City Council
Plymouth College of Art
All Saints Cofe Academy
Exeter College
Plymouth School of Creative Arts
Ashburton Town Council
Exeter Mathematics School
Plymouth University
Barnstaple Town Council
Exmouth CC
Plymouth UTC Ltd
Barton Hill Academy
Exmouth Town Council
Plymstock School
Bickleigh Academy
First Federation
Primaries Academies Trust
Bicton College
Fremington Parish Council
Prospects Academies Trust
Bideford Town Council
Great Torrington Academy
Queen Elizabeth Academy Trust
Bishopsteignton Parish Council
Great Torrington Town Council
Ridgeway School
Bovey Tracey Town Council
Hayes School
Shiphay Learning Academy
Bradworthy Primary Academy
Hele's Academy
Sidmouth Town Council
Braunton Parish Council
Holsworthy Community College
South Brent Parish Council
Braunton School
Home Care Support
South Dartmoor Academy
Brixham Academy
Honiton CC Academy
South Devon College
Brixham Town Council
Honiton Town Council
South Hams District Council

Broadclyst Primary Academy
Hooe Primary Academy Trust
South Molton Town Council
Buckland Monachorum Parish Council
Ilfracombe Town Council
Sparkwell Primary Academy
Central Employees
Ilsham primary School
St Margarets Academy
Chudleigh Town Council
Isca College of Media Arts
St.Boniface R.C. Boys College
Chumleigh Academy Trust
Ivybridge Academy Trust
St Christopher's Secondary
Churston Academy
Ivybridge Town Council
St George's Cofe Primary Academy
City College Plymouth
Kings Ash Primary School
St Marychurch
Clyst Vale Academy
Kingsbridge Academy
St Michaels Cofe Primary School
Cockington Primary
Kingsbridge Town Council
Steiner Academy Exeter
Colyton Grammar School Academy
Kingsteignton Town Council
Stockland Academy
Combe Martin Parish Council
Lipson Academy
Stoke Damerel Academy
Combe Pafford Academy
Littleton Academy
Stowford School
Coombe Dean School
Lynton & Lynmouth Town Council
Tavistock Town Council
Crediton Town Council
Marine Academy Plymouth
Tedburn St Mary Parish Council
Cullompton Town Council
Mayflower Academy
Teignbridge District Council
Curledge Street Academy
Mid Devon District Council
Teignmouth 3-11 & 11-19
Dartmoor National Park

Newport Academy
Templar Academy Schools Trust
Dartmouth Academy
Newton Abbot Academy Trust
The King's School
Dartmouth Town Council
Newton Abbot Town Council
Torbay Council
Dawlish Town Council
North Devon Council
Torbay Economic Development Company
Devon & Cornwall Police
North Devon Crematorium Committee
Tor Bridge Academy Trust
Devon & Cornwall Probation Trust
Office of the Police & Crime Commissioner
Torquay Boys Trust
Devon & Severn IFCA
Okehampton Town Council
Torquay Girls Academy
Devon & Somerset Fire and Rescue Service
Old Priory Junior Academy
Torre Academy
Devon Studio School
Oreston Community Academy
Torrige District Council
Devonport Boys Academy
Paignton College & Sports Academy
Totnes Town Council
Devonport High School for Girls
PETROC
Uffculme Academy Trust
East Devon District Council
Pilton Academy
Ugborough Parish Council
Eden Park Academy
Pilton Bluecoat Primary School
West Devon Borough Council
Eggbuckland Community College
Academy Trust
Plymouth CAST
Widewell Primary Academy
Elburton Primary Academy
Plymouth City Council
Woodbury Parish Council
Ellacombe School
Plymouth Citybus

Admitted Bodies

Access Plymouth
 Action for Children
 Amey Services Ltd
 Aspens Services Ltd
 Babcock
 Barnardo's
 Bournemouth Churches Housing Association
 Call 24 Hour Ltd
 Carillion JM Ltd
 Churchill Services
 Churchill Services - Ellen Tinkham School
 Cormac Solutions Ltd
 Dame Hannah Rogers School
 Devon Norse Catering
 Devon Norse Cleaning
 Devon Norse FM
 English Riviera Tourism Company

Exeter Community Initiatives
 Exeter Council for Voluntary Services
 Exeter Royal Academy for Deaf Education
 Healthwatch
 Initial Catering Services Plymouth
 Initial Catering Services Torbay
 Innovate Ltd
 Interserve Project Services Ltd
 Leisure East Devon Ltd
 Mama Bear's Day Nursery Ltd
 Millfields Trust
 North Devon Homes Ltd
 Open College Network South West Region
 Peninsula Dental Social Enterprise Plus
 Plymouth Citizen's Advice Bureau
 Plymouth Community Homes
 Quadron Services Ltd

SLM Ltd
 Tarka Housing Ltd
 Teign Housing
 The Children's Society
 The Human Support Group
 Tone Leisure (South Hams Ltd)
 Tor 2 Ltd Asset Management
 Tor 2 Ltd Streetscene
 Tor 2 Ltd Waste & Recycling
 Tor Homes
 Torbay Coast & Countryside Trust
 Torquay Museum Trust
 UCSPL
 Valuation Tribunal Service
 Virgin Care Ltd
 West Devon Homes Ltd
 Wolseley Development Trust

Statement of the Actuary for the year ended 31 March 2015

Introduction

The last full triennial valuation of the Devon County Council Pension Fund was carried 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 2013 valuation certified a common contribution rate of 18.8% of pensionable pay to be paid by each employing body participating in the Devon County Council Pension Fund. In addition to this, each employing body has to pay an individual adjustment to reflect its own particular circumstances and funding position within the Fund. Details of each employer's contribution rate are contained in the Rates and Adjustment Certificate in the triennial valuation report.

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

Asset Value and Funding Level

The smoothed market value of the Fund's assets as at 31 March 2013 for valuation purposes was £2,985m which represented 83% of the Fund's accrued liabilities at that date, allowing for future increases in pay and pensions in payment.

At 31 March 2015, the smoothed assets had increased to an estimated £3,364m and the corresponding deficit was £651m. Therefore the estimated updated funding position at 31 March 2015 was 84% which is a slight improvement on the position at 31 March 2013.

Assumptions

Assumption	31 March 2013	31 March 2015
Discount rate	6.1% p.a.	5.5% p.a man
Pension increases	2.7% p.a.	2.5% p.a.
Salary increases	2.7% p.a.	4.3% p.a.
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	Members will convert 50% of the maximum possible amount of pension into cash	

Updated position since the 2013 Valuation

Since March 2013, investment returns have been higher than assumed at the 2013 triennial valuation. The liabilities will have increased slightly due to the accrual of new benefits and due to the decrease in the real discount rate underlying the valuation funding model. Overall, we expect that the funding level should be slightly improved compare to the results at 31 March 2013.

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. We will continue to monitor the financial position of the Fund on a regular basis.

Melanie Stephenson FIA

Actuary, Barnett Waddingham LLP
20 May 2015



Independent auditor's statement to the members of Devon County Council on the pension fund financial statements

xx.

Respective responsibilities of the County Treasurer and the auditor

xx.

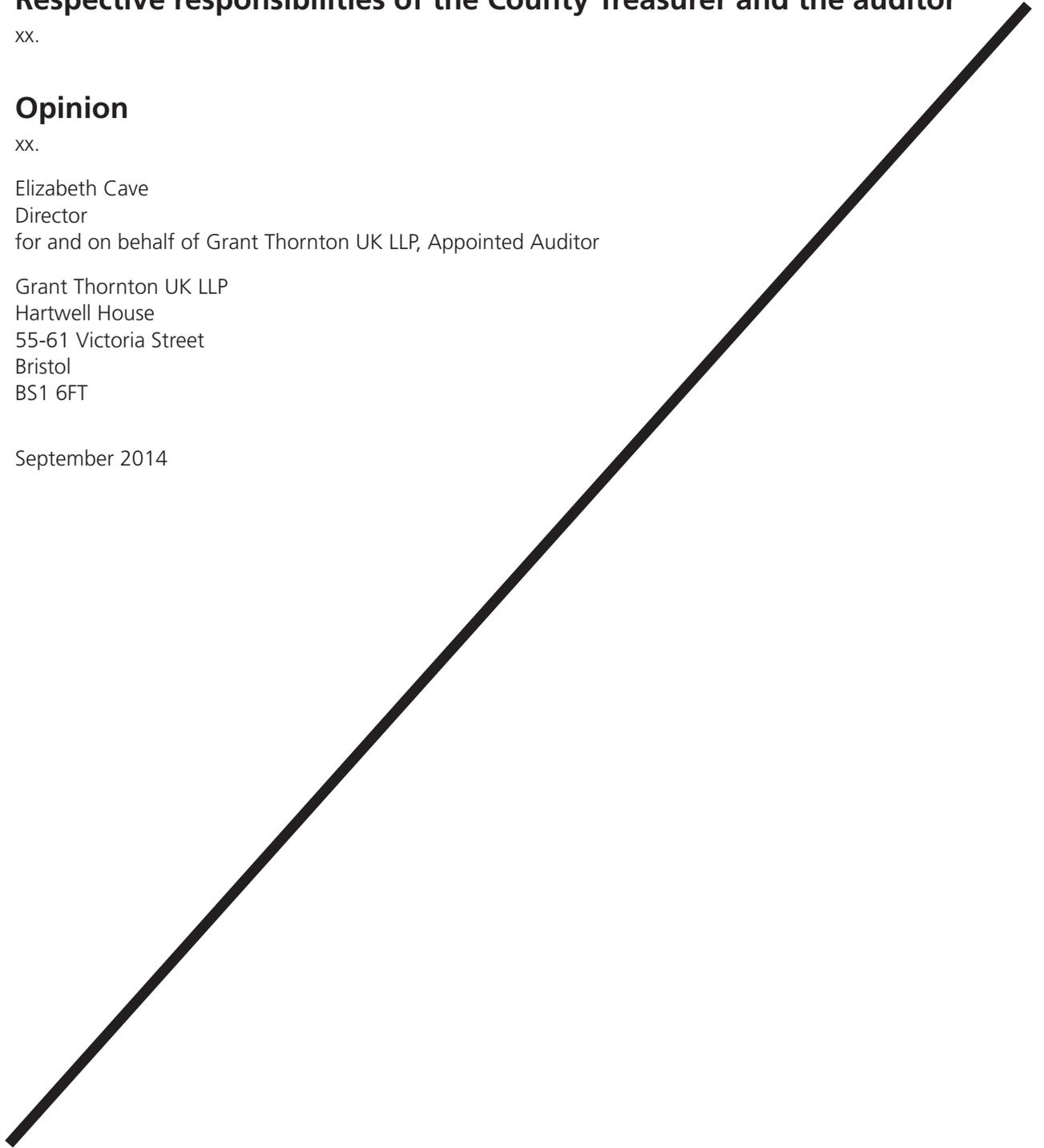
Opinion

xx.

Elizabeth Cave
Director
for and on behalf of Grant Thornton UK LLP, Appointed Auditor

Grant Thornton UK LLP
Hartwell House
55-61 Victoria Street
Bristol
BS1 6FT

September 2014



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 through 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 2015 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

United Kingdom Equities

Company	Sector	31-Mar-2015 £000	% of Total Investments
Standard Chartered	Banks	6,399	0.19
BHP Billiton	Basic Resources	5,152	0.15
British American Tobacco	Personal & Household	5,009	0.15
Royal Dutch Shell	Oil & Gas	4,237	0.13
HSBC	Banks	3,194	0.09
		<hr/>	
		23,991	0.71
Balance of Segregated Funds invested in UK Equities		9,355	0.28
Plus investments in UK Pooled Equity Funds		802,470	23.87
		<hr/>	
		835,816	24.86

Overseas Equities

Company	Sector	Country	31-Mar-2015 £000	% of Total Investments
Taiwan Semiconductor	Technology	Taiwan	11,936	0.35
AIA Group	Financial Services	China	8,786	0.26
Banco Bradesco	Banks	Brazil	8,486	0.25
Fomento Economico	Food & Beverages	Mexico	8,466	0.25
Tenaris	Basic Resources	Italy	7,794	0.23
			<hr/>	
			45,468	1.34
Balance of Segregated Funds invested in Overseas Equities			218,826	6.51
Plus investments in Overseas Pooled Equity Funds			888,570	26.43
			<hr/>	
			1,152,864	32.94

The Funds Largest Property Fund Holdings

Property Fund

Blackrock UK Property Fund	32,484	0.97
Hermes Property Unit Trust	24,941	0.74
Industrial Property Investment Fund	22,032	0.66
Threadneedle Property Unit Trust	21,815	0.65
Rockspring Hanover Property Unit Trust	21,313	0.63
	<hr/>	
	122,585	3.65
Plus Other Pooled Property Fund Investments	212,412	6.32
	<hr/>	
	334,997	9.96

Specialist Mandate - Pooled Funds

Equity Funds

State Street Emerging Markets Fund	40,672	1.21
RWC European Focus Fund	34,464	1.02
Montanaro European Smaller Companies Fund	32,921	0.98
Fabian Pictet Global Emerging Markets Fund	27,022	0.80
F&C Stewardship Growth Fund	23,515	0.70
RWC Specialist UK Focus Fund	19,520	0.58
Relational Investors US Activism Fund	11,016	0.33
Aberdeen Ethical World Unit Trust	1,798	0.05
	<hr/>	
	190,928	5.67

Infrastructure Funds

First State European Diversified Infrastructure Fund	37,614	1.12
UBS International Infrastructure Fund	30,025	0.89
Hermes Infrastructure Fund	25,752	0.77
	<hr/>	
	93,391	2.78

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.

Benefits

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

- A guaranteed pension calculated as $1/49 \times$ actual pensionable pay for each financial year after 1st April 2014
- A guaranteed pension calculated as $1/60 \times$ final salary \times service between 1st April 2008 – 31st March 2014
- A guaranteed pension calculated as $1/80 \times$ final salary \times pre April 2008 service
- A tax free lump sum upon retirement calculated using the formula $3/80 \times$ final salary \times 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 \times 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 benefits during 2014/15

LGPS 2014

The Local Government Pension Regulations 2013 were laid in Parliament in September 2013 with the new scheme commencing on 1 April 2014 for all future LGPS membership.

Existing pensioner and deferred members did not see any change to their benefits.

Employees with membership in the earlier final salary scheme retain the link to final salary for all membership built up before 1st April 2014 and the Normal Pension Age as under the current rules for membership up to that date.

Previously agreed protection will continue, including the provisions for those members who were protected against the removal of the Rule of 85 in 2006. There are additional protection for members within 10 years of age 65 as at 1st April 2012. Some of the main provisions of LGPS 2014 are as follows:

- Career Average Revalued Earnings (CARE) Scheme revalued in line with CPI
- The Accrual rate is 1/49th
- Retirement age linked to State Pension Age
- A 50/50 option where members can elect to pay half the contributions for half the pension.
- Benefits for service prior to 1st April 2014 are protected and keep the final salary link.

For more details please see the LGPS members' website www.LGPS2014.org

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:

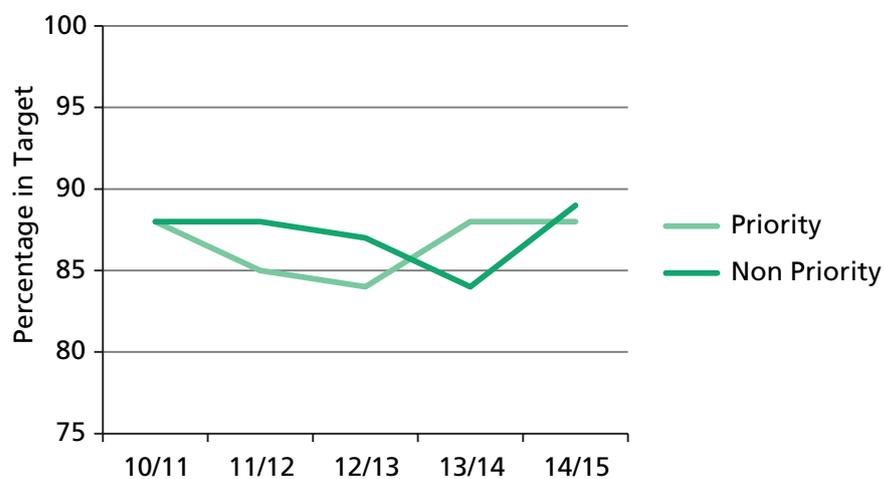
- Treat you as an individual and with dignity and respect
- Listen to what you say
- Be helpful and considerate
- Keep what you say to us as confidential

- 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.

Performance history



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 2013/14 (the 2014/15 report results unavailable at time of writing). The cost per member was £19 and the cost per pensioner was £5. These member costs were higher than usual due to the one-off cost of updating the pension database, Altair.

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 2014/15 there were 7 Stage 1 appeals and 6 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

Peninsula Pensions
Great Moor House
Bittern Road
Sowton Industrial Estate
Exeter EX2 7NL

Email: pensions@devon.gov.uk
www.peninsulapensions.org.uk

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 Pension Fund Statement of Investment Principles

Updated September 2013

Approved by the Investment and Pension Fund Committee

On 13th September 2013

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.

Statement of Investment Principles

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.

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.

Statement of Investment Principles

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, around one third 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 which are broadly in line with the peer group benchmark. Within markets, the Fund's holdings will closely track the relevant market 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

Statement of Investment Principles

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.

Government regulations impose limits on certain types of investments, including a limit on contributions to any single partnership of 2% of the value of the Fund. In November 2003 a higher tier of limits of the value of the Fund was introduced. In order to be able to take advantage of these increased 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 peer group benchmark. 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. In the coming years rising pensions in payment mean this will no longer be 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.

Statement of Investment Principles

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.

Statement of Investment Principles

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.

Statement of Investment Principles

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.

Statement of Investment Principles

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.

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 the Local Authority peer group weighted average.

Statement of Investment Principles

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:
http://www.devon.gov.uk/communications_policy_statement.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.

Statement of Investment Principles

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.

Statement of Investment Principles

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
Sarasin and Partners LLP	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
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 through 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 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 than 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.

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

Why we communicate

At present, there are 150 organisations with employees past and present who belong to the Devon Pension Fund. This includes Devon County Council itself, district and parish councils, non-uniform police and fire authority employees, university and college non-teaching staff, local education authority and foundation grant schools staff, along with a growing number of academies, some charity based organisations and a significant number of private companies who deliver outsourced local authority services.

So you can see there is a large and broad range of member organisations for whom we need to offer specialist advice to ensure they understand the LGPS (Local Government Pension Scheme) regulations and the implications and obligations for them as employers in the Devon Pension Fund.

The employees of these organisations who are active and contributing members of the Fund need to be provided with detailed information about the scheme and to be able to understand what pensions and benefits they may be entitled to in the future when they retire from their employer's organisation and become pensioner members of the Fund or similarly if they leave their place of employment for another and their accrued pension benefits are either deferred until retirement or given a transfer value to their new employer's scheme.

Active, pensioner, and deferred members of the Devon Pension Fund number in their tens of thousands. All are entitled to expert support and information.

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 effective means for reaching the member or audience.

Internet

The Devon Pension Fund's website www.devonpensions.org 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.

The website holds electronic copies of scheme literature and policies and reports are available to download.

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

The website continues to develop and is formatted so that it is accessible by the visually impaired. Advice is included on increasing text size and for changing the colour of the background and the body of text.

The 'Already a Member' section includes an online pensions calculator whereby members can obtain an approximate indication of their pension benefits. There is also a linked article that provides information on methods of increasing future retirement benefits through options such as Additional Voluntary Contributions (AVCs) and Additional Regular Contributions (ARCs). This can be found at www.devonpensions.org/already-a-member/topping-up-benefits. Members should note that we are unable to give advice as to whether any scheme suits an individual's personal circumstances and we strongly recommend that anyone considering an AVC arrangement or any such product takes independent advice before making a final decision.

The website is hosted independently from its parent Devon County Council site whilst retaining the authority's distinctive branding style and professional logo. Links to Devon County Council are clearly signposted.

Telephone, email and fax

We publish a full list of team contact details via our website and this is 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.

Newsletters

Employer organisations of the Devon Pension Fund receive a quarterly newsletter 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 also encourage employers to disseminate readership within their organisation and direct emailing is available to those members of staff who would like it. We also welcome feedback on the newsletter along with any ideas for improvement or any regular items readers would like us to include in the future.

Special bulletins of this newsletter are also sent from time to time when the occasion or need arises.

A newsletter for all categories of membership will be introduced very soon.

Member Self-Service

Plans are underway for the acquisition of a new pensions administration software system, and one benefit of this will be to provide members and pensioners with an easy to use Web portal to access and update their own information. Using simple and easy to navigate screens accessed through a fully auditable security system a member or pensioner will be able to:

- update personal details
- view payslips and P60s

- model their own benefit calculations
- request benefit statements
- notify the pensions department of any amendments required
- print nomination and other forms for completion

The new system will be tailored to fit in with our Devon Pensions branding and incorporated into our existing website.

Scheme Literature

A range of scheme literature is produced by the Fund and made available to employer organisations through our website. Employer organisations are encouraged to provide all new employees with a starter pack on appointment containing promotional literature and an option form to join the scheme along with other significant forms and documents.

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 from ourselves

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 pensions management and administration.

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 pensions law, and developments in public pensions reform and LGPS specifically.

Following the introduction of the Academies Act 2010 a significant number of schools and colleges within the Devon County Council Pension Fund have adopted Academy status. We have responded to this programme of conversion by introducing a focused half-day Forum for Principals and Business Managers. The event will be offered annually for as long as there is a customer call for it.

Annual Consultative Meeting

An Annual Consultative Meeting (ACM) with members is held early in the calendar year. This is organised by 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 Pension Services attend the ACM to make presentations and answer any questions.

Benefit Statements, Pay Advices, and P60s

Every year, we send 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.

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 sent to pensioners if there has been a change of more than £1 to their net monthly income.

Fund Management and Investment Publications

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

The main powers and duties of this Committee 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.

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 website www.devon.gov.uk/index/councildemocracy/decision_making/cma/index_inv.htm

The Pension Fund's current Annual Report and Accounts is made available at the Devon Pension Fund's website www.devonpensions.org. Employee members are informed of the web link via their payslips and all retired members receive a leaflet by post.

All scheduled employer bodies are mailed a full hardcopy. 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 the most recent Actuarial Valuation Report.

Our values

We aspire to supply a high quality pensions 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.

The Charter is published on our website at www.devonpensions.org/more-information/customer-charter/ and 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.

Professional expertise

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.

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 provided by Barnett Waddingham LLP.

Investment Fund Managers and Independent Advisers

Investment performance is consistently monitored and evaluated against portfolio objectives and benchmarks. This is undertaken by the County Treasurer's Investment Team who have 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 attends 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.

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

Some other organisations we communicate regularly with

Department for Communities and Local Government (CLG)

DCLG is responsible for government policy on public sector pensions including the LGPS. The Devon Pension Fund responds to consultation proposals for scheme change and also provides information required under disclosure regulations.

Local Government Employers (LGE)

The LGE represents the interests of 375 local authorities in England and Wales as employers to central government and other bodies; specifically in this instance with regard to local government pensions' policy. They 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.

The National Association of Pension Funds (NAPF)

NAPF 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 and is also raising its lobbying profile in Brussels. The Devon Pension Fund is a member of this organisation and this helps us to be part of the national pensions debate both in our own right and as a group with other local authority pension funds.

The Local Authority Pension Fund Forum (LAPFF)

The Devon Fund has for many years been actively interested in promoting good corporate governance. Corporate governance can be defined narrowly as the relationship of a company with its shareholders, or more broadly as its relationship to society on matters such as environmental issues.

LAPFF seeks to optimise Local Authority pension funds influence as shareholders to advance Corporate Social Responsibility (CSR) and high standards of Corporate Governance. The Devon Pension Fund has been a member since 2005.

The Forum has 4 or 5 business meetings and an annual conference or AGM each year which is usually attended by the Assistant County Treasurer – Investments and Treasury Management.

The Society of County Treasurers

This is a forum of all Shire and Unitary Councils meeting regularly for the sharing of information and best practice on all financial matters including pension fund management.

South West Investment Managers (SWIM)

This is a group of administering authority investment managers who meet on a six-monthly basis to discuss investment issues.

The South West Area Pension Officers Group

This is a liaison network set up to share information and promote consistent and uniform

interpretation of LGPS rules and regulations among administering authorities in the region.

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

Stakeholder Audience	Expectation	Product	Frequency
Scheme Members	<p>Information and news about the scheme; Pension Calculator; Contact details</p> <p>Scheme information and promotional materials for prospective members</p> <p>Knowledge of Fund Finances, investment performance, and investment principles</p> <p>Knowledge of benefits (Active and Deferred Members)</p> <p>Ways to improve future pensions benefits</p> <p>Knowledge of the effects of the annual pension increase and tax deducted (Pensioner Members)</p> <p>Representation on the Investment & Pension Fund Committee</p> <p>Access to Investment & Pension Fund Committee papers and minutes</p>	<p>Internet Website</p> <p>Welcome Pack</p> <p>Annual Report & Accounts (Summarising leaflet)</p> <p>Annual Consultative Meeting (ACM)</p> <p>Benefits Statements</p> <p>AVC and ARC product information</p> <p>Pay advices</p> <p>Trade Union Reps with observer status</p> <p>Administering Authority Archive</p>	<p>Constantly available online</p> <p>Distributed through Employers</p> <p>Annual to home address and constantly available online</p> <p>Annual</p> <p>Annual to home address or via employer, and upon leaving employment</p> <p>Constantly available online</p> <p>April & May incl. P60 for previous year</p> <p>At least 4/5 occasions per year</p> <p>Constantly available online</p>
Employers	<p>Scheme literature, guides and forms; Fund Policies and Reports</p> <p>Information about changes in legislation and revisions to scheme requirements. Latest news and investment performance updates.</p> <p>Knowledge of Fund Finances</p> <p>Knowledge of the Fund's progress, the pensions landscape, developments, news, and information exchange.</p> <p>Understanding of actuarial matters including funding levels and employer contribution rates.</p> <p>Technical knowledge and understanding of administrative activities and tasks</p> <p>Scheme information and promotional materials for prospective members</p> <p>Enrolment of Employees - advice for employers on complying with auto-enrolment reforms under workplace pension legislation.</p> <p>Representation on the Investment & Pension Fund Committee</p> <p>Access to Investment & Pension Fund Committee papers and minutes</p>	<p>Internet Website</p> <p>E-Zine newsletter</p> <p>Annual Report & Accounts (Full Report)</p> <p>Employers Meeting / Forum</p> <p>'Meet the Actuary' Employers Meeting</p> <p>Liaison and support</p> <p>Specialist Training</p> <p>Pension Liaison Officer Group (PLOG)</p> <p>Welcome Pack</p> <p>Information, template letters, forms and flowcharts</p> <p>Project guidance</p> <p>Partial representation</p> <p>Administering Authority Archive</p>	<p>Constantly available online</p> <p>Quarterly plus special bulletins</p> <p>Annual to business address</p> <p>Annual plus special events according to need</p> <p>Three-yearly upon the Actuarial Valuation of the Devon Fund</p> <p>Ongoing</p> <p>On demand</p> <p>Annual and as needs arise</p> <p>Constantly available online</p> <p>Online</p> <p>Dedicated specialist support</p> <p>At least 4/5 occasions per year</p> <p>Constantly available online</p>

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:

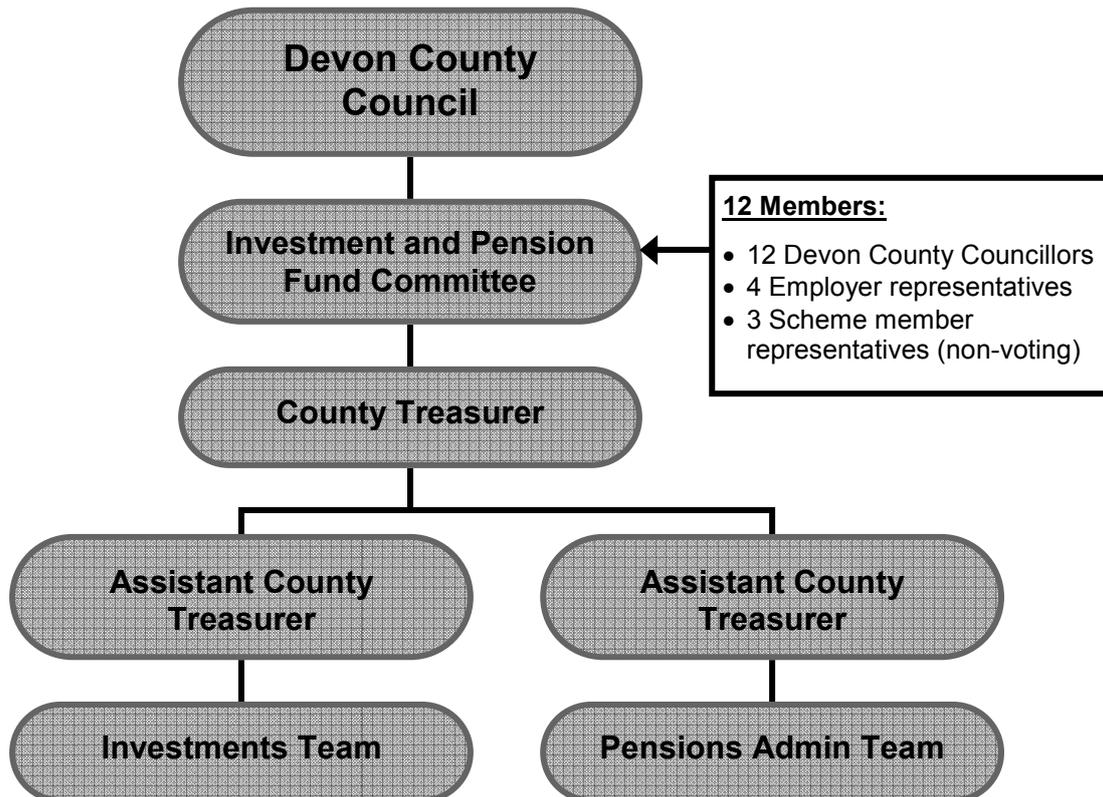
- (a) keep the statement under review;
- (b) make such revisions as are appropriate following a material change in respect of any of the matters mentioned in (a) to (c) above; and
- (c) if revisions are made:
 - (i) publish the statement as revised, and
 - (ii) send a copy of it to the Secretary of State.

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

Item 7

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	12	Administering Authority representatives
Unitary Councils	3	Two from Plymouth City Council and one from Torbay Council
District Councils	1	Nominated by Devon LGA
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 John Harrison)
- 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.

Item 7

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.

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.

Item 7

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.			✓
<p>Explanation of level of compliance</p> <p>(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.</p> <p>(a)(ii) Representatives of scheme members are members of the Investment and Pension Fund Committee, but without voting rights.</p> <p>(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.</p>			
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.			✓

Item 7

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**



April 2015

Contents

1. Introduction	page 3
2. The Regulations	page 3
3. The Administration Strategy	page 5
4. Liaison and Communication	page 5
5. Levels of Performance – Employers	page 7
6. Level of Performance – Peninsula Pensions	page 8
7. Financial Information	page 10
Annexe	page 12

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.
 - **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.
 - **Electronic communication** – unless agreed separately all employers will be required to provide data through the Employer Self Service Portal and/or Interfaces.
 - **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.
 - **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 19 th 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



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.

Published by Devon County Council
County Hall, Topsham Road, Exeter EX2 4QJ
www.devon.gov.uk

One tonne of recycled paper saves – 17 trees, 32,000 litres of water, enough electricity to heat an average house for 6 months and 27kg of air pollutants

October 2015