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To: The Chair and Members of the Investment and Pension Fund Committee

County Hall
Topsham Road
Exeter
Devon
EX2 4QD

Date: 7 September 2023

Contact: Fred Whitehouse, 01392 381362
Email: fred.whitehouse@devon.gov.uk

INVESTMENT AND PENSION FUND COMMITTEE

Friday, 15th September, 2023

A meeting of the Investment and Pension Fund Committee is to be held on the above date at 10.30 am at Daw Room, Committee Suite - County Hall to consider the following matters.

Donna Manson
Chief Executive

A G E N D A

6 Pension Fund Annual Report and Accounts 2022/23 (Pages 1 - 256)

Annual Report supplementary document, attached.

See main agenda pack for Report of the Director of Finance and Public Value (DF/23/80).

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Induction Loop available

Pension Fund
Annual Report & Accounts
2022/23

Devon County Council

Front cover photo: Start Bay, Devon. Getty Images.

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Foreword from the Chair of the Investment and Pension Fund Committee

This annual report sets out the activities of the pension fund for the year ending 31 March 2023. The performance of the Fund was significantly impacted by market reaction to rising inflation and global instability following Russia's decision to invade Ukraine, resulting in a negative investment return of -1.5%. However, as long-term investors, the Fund is able to manage the peaks and troughs of market volatility, and our ability to fund pensions remains strong.

The Committee oversees the management of the Fund, ensuring that it is managed in the best interests of pension fund members. This includes efficient management of benefits administration and meeting our fiduciary duty to achieve an investment return that will enable us to meet the Fund's liabilities over the longer term.

During the last year the Committee conducted a survey of pension fund members to seek their views on how we manage the Fund's investments. The clear priority of members was that we aim to maximise returns at an appropriate level of risk and the Committee is focused on this task. However, significant importance was also attached to how we manage the climate impact of our investments and act as responsible owners of the companies we are invested in. Our accreditation as signatories to the UK Stewardship Code is testament to our commitment to doing so.

I would like to thank my fellow committee and board members, our independent investment advisor, Anthony Fletcher, and our officers for their commitment and support over the last year.

James Morrish
Chair of the Investment and Pension Fund Committee

Investment and Pension Fund Committee Attendance 2022/23

Name	Representing	Date Appointed	Date Left	Meetings Attended
Cllr James Morrish (Chairman)	Devon CC	May 2021		3 (of 4)
Cllr Yvonne Atkinson	Devon CC	May 2017		4 (of 4)
Cllr Phil Bullivant	Devon CC	May 2021		4 (of 4)
Cllr Henry Gent	Devon CC	May 2021		3 (of 4)
Cllr George Gribble	Devon CC	May 2021		2 (of 4)
Cllr Marcus Hartnell	Devon CC	May 2021		4 (of 4)
Cllr Andy Lugger	Plymouth CC	May 2022		3 (of 4)
Cllr James O'Dwyer	Torbay Council	May 2015		4 (of 4)
Cllr Judy Pearce	Devon Districts	May 2019		2 (of 4)
Cllr Ray Bloxham	Fund Employers	Oct 2021		3 (of 4)
Roberto Franceschini	Fund Members[1]	May 1992		4 (of 4)
Lorraine Parker Delaz-Ajete	Fund Members[1]	May 2022		3 (of 4)
Stephanie Teague	Fund Members[1]	July 2019	July 2022	0 (of 1)
Michael Daniell	Fund Members[1]	July 2022		3 (of 3)

[1]Fund member representatives can observe and speak, and have one joint vote.

Report of the Director of Finance and Public Value

2022/23 has been a difficult year for investment markets. Geo-political concerns following Russia's invasion of Ukraine, along with rising inflation and interest rates, have weighed heavily over investment markets. Under the circumstances the investment return for the year of -1.5% could have been worse. The value of the Devon Pension Fund fell from £5.412 billion, as at 31 March 2022, to £5.313 billion as at 31 March 2023. The Fund's investment return was below the Fund's strategic benchmark (a weighted average of the underlying benchmarks) of +0.9% but compared well with the median LGPS universe average of -3.3%.

During the first quarter of the year, we implemented changes to our investment strategy, reducing our equity exposure and increasing our exposure to fixed interest and our commitment to private markets. This was done with the intention of reducing risk but maintaining the return potential of our investments. The majority of our investments continue to be managed by the Brunel Pension Partnership who undertake the selection and monitoring of the external investment managers who manage the portfolios that we choose to invest in. While we aim to maximise the investment return at an appropriate level of risk, we also work in partnership with Brunel to act as good stewards of the shares in which we invest and manage the climate impact of our investments. During the year we were re-accredited as signatories of the UK Stewardship Code for our work in this area.

The administration of pension benefits is undertaken for the Devon Fund by Peninsula Pensions, a shared pensions administration service between Devon and Somerset. Peninsula Pensions continues to deliver strong performance for both members and employers despite the challenges of an ongoing increase in demand, alongside staff recruitment. During 2022/23, the team has introduced further technological solutions relating to payment of member pensions, and data provision from employers; and has other new developments in progress relating to the members online portal. The team is well positioned to manage future challenges, specifically the McCloud remedy and introduction of the Pension Dashboard, whilst ensuring compliance with both current and future LGPS amendments in conjunction with any other relevant regulatory changes. The team has successfully adapted to hybrid working arrangements in line with business needs following COVID-19 and continues to encourage the more efficient use of electronic communication.

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 2023. The first section sets out the income received in contributions from employers and employees, and the expenditure on pension benefit payments. The second section of the Fund Account shows the income received from the Fund's investments and the cost of managing those investments. Investment income from property, infrastructure and private debt investments is returned as cash and can be used to offset any shortfall between contributions and benefit payments. The Fund's equity and bond investments are made via pooled funds which retain and reinvest the income from the individual securities. The Fund Account also shows that there has been a decrease in the capital values of the Fund's investment assets of £95 million 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 investments include pooled Equity, Fixed Interest, Property, Infrastructure and Private Debt Funds and they are incorporated into those categories in reviewing the Asset Allocation of the Fund in a later section of my report.

Investment Performance

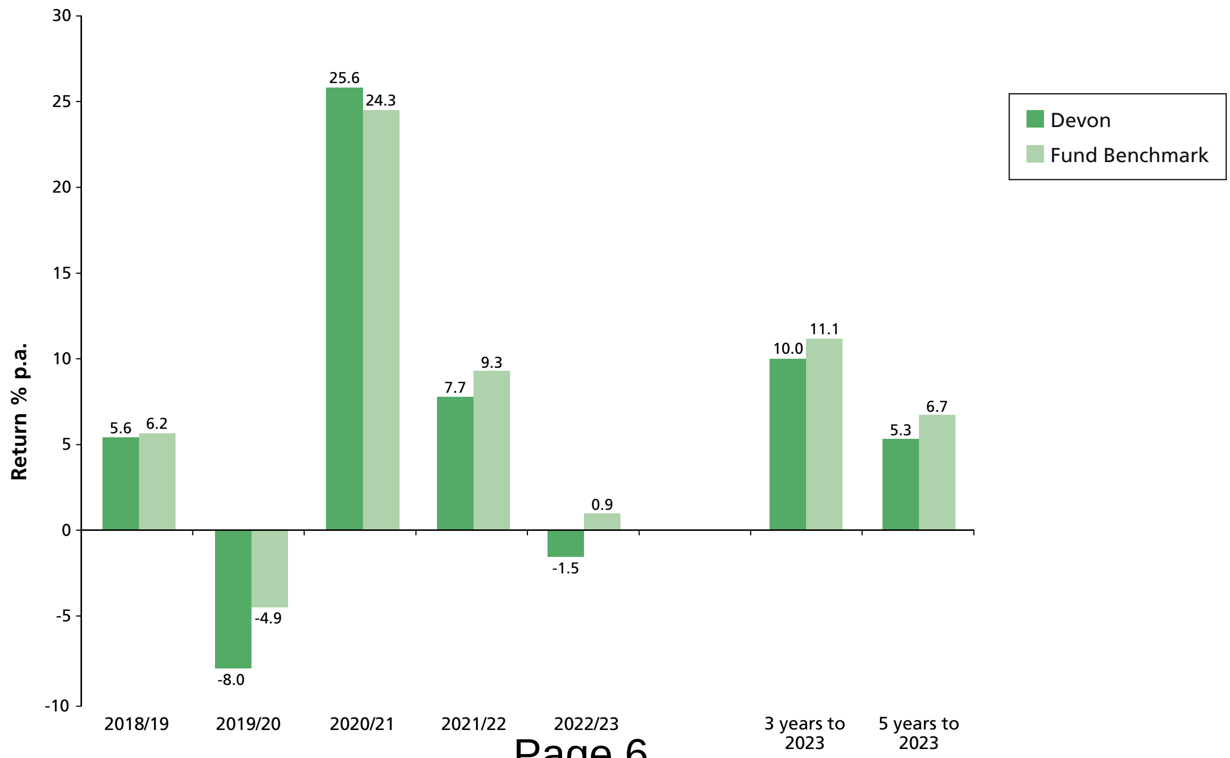
As indicated above, the asset value of the Fund at the end of the 2022/23 financial year was £5.313 billion. This represents an investment return of -1.5% net of fees, compared with the Fund's internally set strategic benchmark target of +0.9%.

The Fund's strategic benchmark is set as an average of the benchmarks for each of the investment portfolios, weighted according to the Fund's strategic asset allocation targets. The cash plus benchmark of the Brunel Diversifying Returns and Multi-Asset Credit portfolios means that they are expected to provide a positive return under all market conditions, which was unrealistic over the last year. This meant that the return of -1.5% was significantly below benchmark, but ahead of the LGPS average return.

Bond markets saw negative returns over the year as a result of increasing interest rates. Equity markets were negative over the earlier part of the year but rallied to some extent between September 2022 and March 2023. The relative performance of the active equity portfolios was mixed in a volatile year for the big tech companies who form a large part of the index, and due to the strong performance of oil companies in the early part of the year, to which the Brunel portfolios are underweight compared to the relevant indices. Concern about interest rates also impacted on the UK Property market which saw significant falls in value.

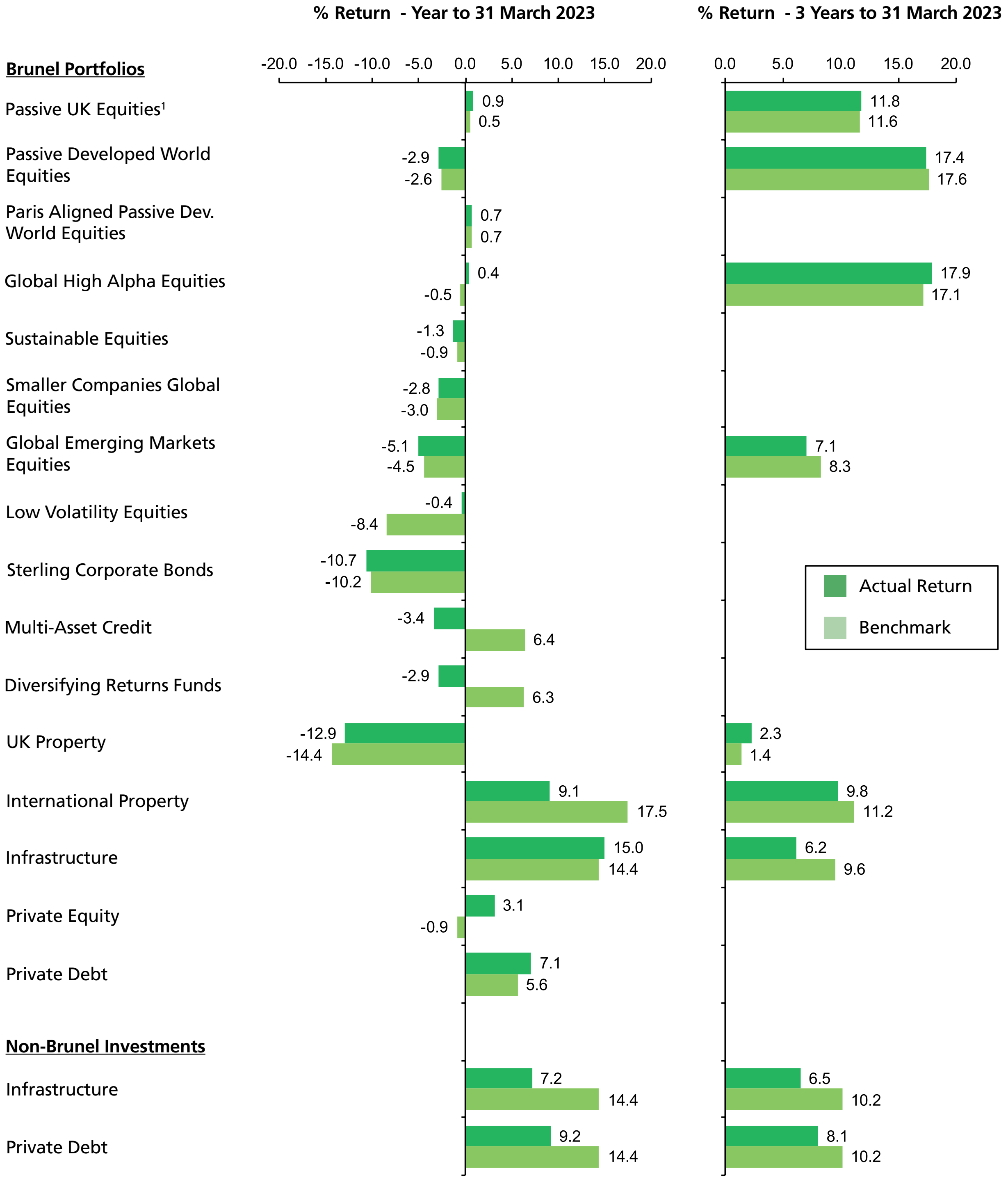
The following chart presents the investment returns achieved by the Devon Fund compared to the Fund's benchmark over each of the last five years, plus the total annualised return over the last three years and the last five years. Performance figures are shown net of fees.

Investment Performance Summary



Performance over the last year and three years broken down by portfolio is shown in the following chart. Three-year performance is only shown where the portfolio has been invested in for over three years:

Annual Performance 2022/23 by Portfolio



Notes:

[1] Incorporates UK FTSE All Share tracker fund to end of January 2022 and the UK Climate Transition Benchmark fund from 1 February 2022.

Fund Solvency

The Fund is required to have an actuarial valuation conducted every three years. The most recent triennial valuation, as at 31 March 2022, has been carried out by the Fund Actuary, Barnett Waddingham over the last year. The valuation determined that the Devon Pension Fund's funding level had improved from 91% to 98%, compared with the previous 2019 valuation.

The results of the 2022 actuarial valuation have been prepared in accordance with the current legislative arrangements for the Fund, taking into account revised financial assumptions and longevity projections, as set out in the Funding Strategy Statement. The Fund's assets were valued at £5,316 million against future pension liabilities assessed at £5,405 million, giving a deficit for this valuation of £89 million. The maximum deficit recovery period for any employer in the Fund has been set at 15 years, which is a reduction of 6 years from the previous valuation. The improvement in the funding level and reduction of the deficit recovery period showed good progress towards the long-term objective of 100% solvency.

However, the Fund Actuary has reassessed the position as at 31 March 2023, using the approach of rolling forward the data from the 2022 valuation, and updating it for subsequent investment returns, pension and salary increases. While it is not possible to assess the accuracy of the estimated liability as at 31 March 2023 without completing a full valuation, the results will be indicative of the underlying position. As a result of the negative investment return during 2022/23, compared with the Actuarial assumption of a 4.7% return, the Actuary has estimated that on a smoothed basis, considering market conditions as at 31 March 2023, the funding level will have deteriorated to around 93%.

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.

Following the review of investment strategy, carried out by Mercer during early 2022, some changes were made to the investment strategy with a view to reducing risk while maintaining a similar level of return. The allocation to equities was reduced from 58% to 50%. As part of the change, the previous allocation to low volatility equities was removed, on the basis that equity risk was better managed by reducing the total equity allocation rather than having a low volatility allocation. The passive allocation was reduced to 25%, half of the total equity allocation. The allocation to Sustainable Equities was increased to 10% in line with the Fund's climate change policies and to better manage ESG (Environmental, Social and Governance) risk.

The allocation to fixed interest was increased to 20%. This was achieved by an increase of 5% to multi-asset credit, which is the riskier end of the fixed interest market but will still provide some diversification from equities. The medium-term allocation to private markets was increased to 30%, but with an adjustment to the 2022/23 allocation. This reflects the reality that private market investments take some time to build up and a short-term allocation to diversified returns funds would be required to hold the funds to be drawn to fund private markets commitments.

The Fund's actual asset allocation as at 31 March 2023 is shown in the following chart:

Actual Asset Allocation as at 31 March 2023

Equities	**51.7%**
Passive	26.5%
High Alpha	5.6%
Small Cap	5.3%
Sustainable	9.8%
Emerging Market	4.5%
Fixed Interest	**19.8%**
Global Bonds	6.6%
Multi-Sector Credit	12.0%
Cash	1.2%
Alternatives/Other	**28.5%**
Diversifying Returns Funds	7.0%
Property	8.8%
Infrastructure	9.0%
Private Equity	0.8%
Private Debt	2.9%

A comparison of the actual allocation as at 31 March 2023 with the Fund's target allocation for 2022/23 is shown in the following table:

Actual Asset Allocation Compared to Target

	as at 31 March 2022		as at 31 March 2023		
	Target allocation %	Actual allocation %	Target allocation %	Actual allocation %	Variation from Target %
Sterling Corporate Bonds	7.0	6.1	7.0	6.6	
Multi-Sector Credit	7.0	7.3	7.0	12.0	
Cash	1.0	0.5	1.0	1.2	
Total Fixed Interest	**15.0**	**13.9**	**20.0**	**19.8**	**-0.2**
Passive Equities	31.0	31.6	25.0	26.5	
Active Global Equities	5.0	5.5	5.0	5.6	
Active Small Cap Equities	5.0	5.3	5.0	5.3	
Active Sustainable Equities	5.0	4.8	10.0	9.8	
Active Emerging Markets Equities	5.0	4.6	5.0	4.5	
Active Low Volatility Equities	7.0	7.2			
Total Equities	**58.0**	**59.0**	**50.0**	**51.7**	**+1.7**
Diversified Growth Funds	7.0	9.3	6.0	7.0	
Property	10.0	9.4	10.0	8.8	
Infrastructure	6.0	6.0	8.0	9.0	
Private Equity	1.0	0.5	3.0	0.8	
Private Debt	3.0	2.0	3.0	2.9	
Total Alternatives/Other	**27.0**	**27.2**	**30.0**	**28.5**	**-1.5**

Conclusion

It was pleasing to see the good progress the Fund had made in increasing its funding level from 91% to 98% at the 2022 Triennial Valuation, although this has fallen back to some extent as a result of the difficult market conditions over the past year. As a long-term investor, the Fund can take some bumps along the road, so long as the long-term returns remain strong.

The Fund will also continue to manage the ESG impacts of our investments in line with the expectations of fund members as demonstrated by the survey that we undertook during the year. Investing in companies with a sustainable business plan should be supportive of maximising long-term investment returns and managing risk.

Peninsula Pensions, the shared service that administers pension benefits for both the Devon and Somerset Pension Funds, continues to perform well. It is good to see regular compliments being received from pension fund members about the service they receive.

The Fund remains committed to ensuring that it provides an excellent service to pension fund members and value for money for both pension fund members and local taxpayers.

Angie Sinclair
Director of Finance and Public Value
29th June 2023

Market Commentary from the Independent Investment Advisor

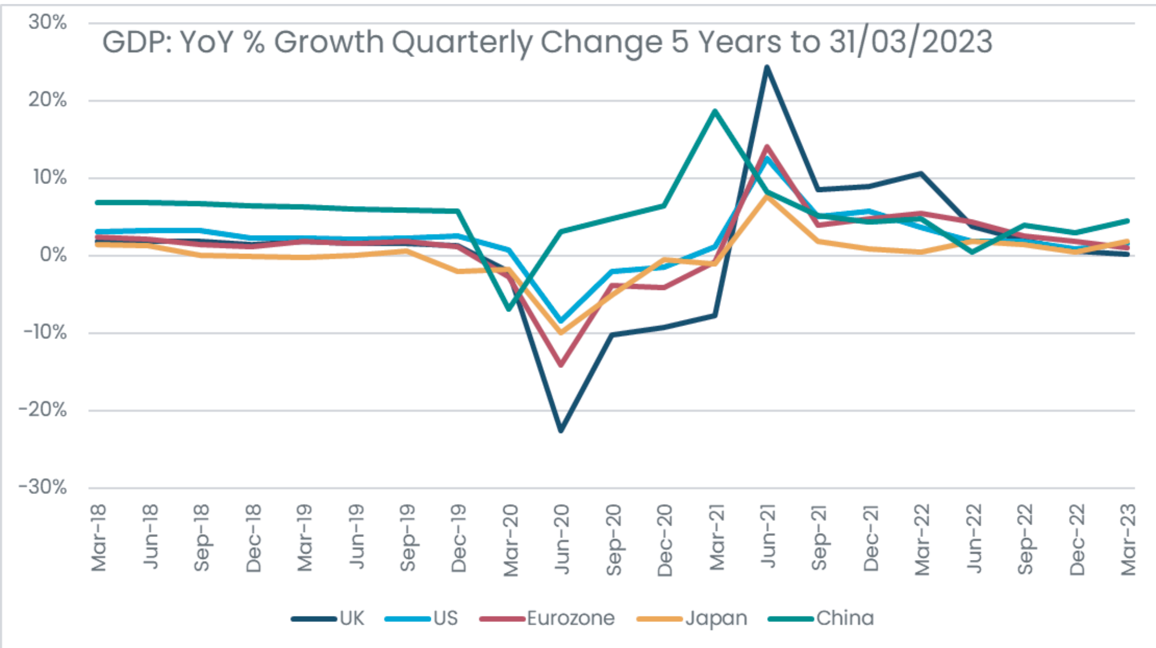
Economic Background

At the beginning of the financial year, the economic outlook appeared highly uncertain. Russia had invaded Ukraine in the last week of February 2022 and the widespread expectation was for a collapse of the Ukrainian government and the quick imposition of a puppet regime controlled by the Kremlin. While Russia made substantial territorial gains in the south-east joining the separate enclaves it captured in 2014, namely the Crimea and Donbas regions, it has failed in its primary objective. Over the year supported by the "west" Ukraine has been able to recapture some territory and while the attempted "harrowing" of the country by Russia has made life much worse for the civilian population it has proved unsuccessful and the war has become one of attrition.

The global economy was already slowing prior to the uncertainty caused by the Russian Invasion. As the impact of covid fiscal stimulus packages was already fading, the consumer on the other hand was still happy to spend and be active, releasing pent up demand for services and hospitality spending, funded by excess savings and higher incomes. As a result, economic growth while very weak and close to zero in many regions, turned out stronger than expected and a recession was avoided, see chart 1 below.

In December the Chinese government ended its Zero Covid policy and almost instantly rescinded all of its lockdown and travel restriction policies. This change is expected to boost consumer activity as people are allowed to return to normal activity and to bring to an end the last of the supply side issues affecting supply chains, manufacturing and the flow of trade in goods.

Chart 1: GDP growth, quarterly % change (Source: Bloomberg.)



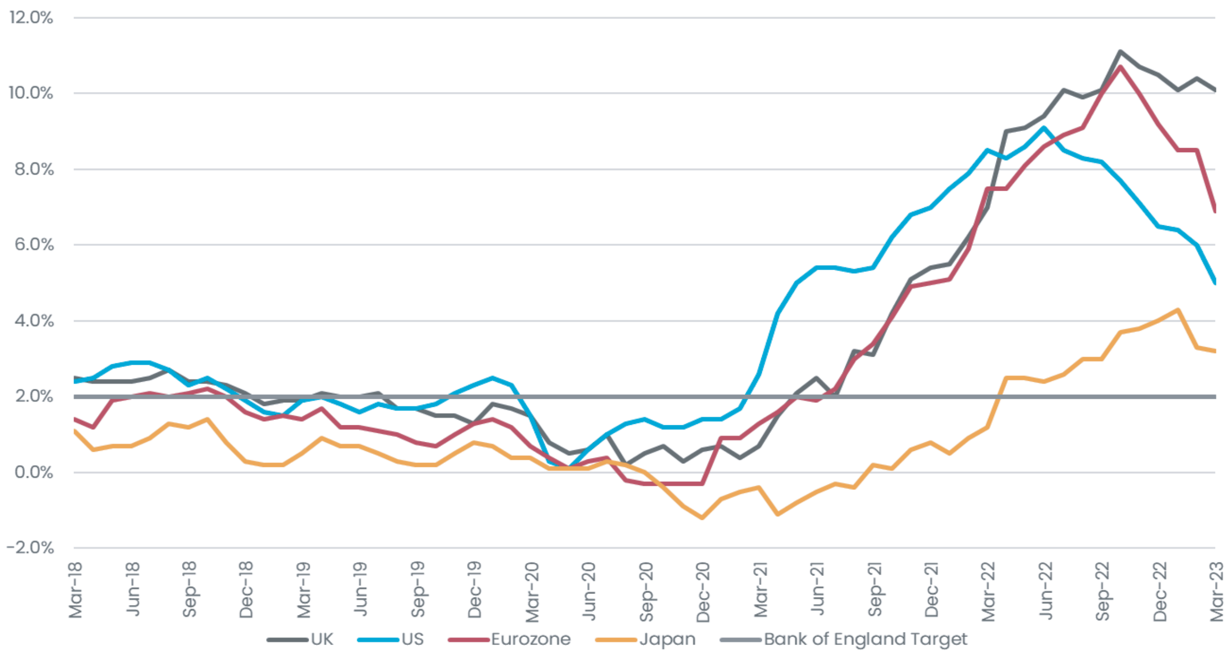
The dominant macro-economic factor of the financial year has turned out to be higher and more persistent inflation than expected. Inflation was already on the rise driven by manufacturing supply side issues, dislocations in global supply chains and strong demand for goods and rising energy prices, all of which were a legacy of the covid pandemic

The invasion of Ukraine made all this worse, especially in the UK and Europe. In the UK because of the structure of the energy market and the failure of recent governments to have an energy policy that was not solely dependent on the spot market price for gas. In Europe because of the dependence on Russian gas imported mainly through pipelines in Ukraine and because of manufacturing component supply chains in eastern Europe. Globally food price inflation was also impacted because of Ukraine's importance as a major global supplier of grains and oil seed.

Inflation did peak in October 2022, but at much higher levels than expected due to the invasion of Ukraine, see chart 2. By the end of the financial year headline inflation in most regions was falling as the impact of higher energy prices dropped out of the indices. The problem for central banks going forward, with a backdrop of tight labour markets and better than expected growth, is how much of last year's higher costs get passed through into the prices of core goods and services keeping inflation persistently higher.

Chart 2: Headline CPI inflation and the Central bank target rate

(Source: Bloomberg.)



Over the summer of 2022 the Conservative Party held an election for a new leader following the resignation of Boris Johnson as Prime Minister. In September 2022, the new Prime Minister Liz Truss and her Chancellor Kwasi Kwarteng announced a "fiscal event", which included major supply side changes and tax cuts aimed at re-invigorating the UK economy for a post-Brexit future. However, because these proposals had not been reviewed by the Office for Budget Responsibility and there were no clear plans for how the tax cuts would be funded, the UK government bond (Gilt) market went into free fall as investors tried to work out the implications for borrowing and the budget and fiscal deficits.

The crisis in the Gilt market led to reluctant short term support provided by the Bank of England to prevent a systemic failure. In the short term it has led to the replacement of Liz Truss and Kwasi Kwarteng by a new Prime minister Rishi Sunak and Chancellor Jeremy Hunt. I believe in the long term it has done significant damage to the closed defined benefit pensions funds of many corporates and individuals. It may have also increased the risk premium required by domestic and international investors when considering buying UK assets, and it may have unnecessarily increased government borrowing costs.

Central Banks

In the last year central banks have come under a lot of criticism for failing to anticipate how high inflation would get and for how long it would remain high. But this criticism is largely unfair. As I said last year most of the inflationary problems caused by covid were supply side, not demand side issues and therefore outside of their control. Equally, were they supposed to respond to a war in Europe by increasing rates to head off the risk of war induced higher energy and food price inflation, without understanding the implications for growth. Broadly speaking economies suffer the experienced inflation based on the structure of their economy. The problem central banks have had in the last year is do they crash the economy (cause a recession) to hopefully reduce inflation when many of the causes of inflation would not have been reduced by a recession.

What is clear is that inflation remains higher than expected and is now moving from the headline rate as energy prices fall and food price increases slow, to the core rate as demand for labour and services remain high. This means central banks may have to increase rates further and keep them higher for longer than previously expected. The extraordinary 15 year period since the global financial crisis, which was characterised by emergency low rates and no inflation has finally ended.

Market Returns

As can be seen in table 1 below, over the financial year in sterling terms Global equities achieved a negative return -0.9%, the UK equity market did better delivering +2.9%. The UK equity indices with their higher weight to energy stocks, outperformed the more interest rate sensitive US technology stocks which dominate the US and Global indices. Emerging Markets had another difficult year, returning around -3.9%, partly because of Russia being cut off from the world's financial markets following its invasion of Ukraine, but also because its high weight to China also dragged down performance over the year as the domestic economy struggled to deal with lasting effects of covid and regulatory changes.

UK government bond markets experienced an "annus horribilis", partly because these bond markets have the highest interest rate sensitivity, but also because of the "fiscal event" in September 2022. UK corporate bonds were not immune to these events but their performance along with that of overseas bonds shows that while all bond markets experienced negative returns due to rising inflation and interest rates, the UK Gilt market performance was exceptionally bad.

Table 1, below shows the total investment return in pound Sterling for the major asset classes, using FTSE indices except where noted; for the 3 and 12 months to the end of March 2023.

% Total Return Dividends Reinvested

	MARKET RETURNS	
	Period end 31st March 2023	
	3 months	12 months
All World	+4.4	-0.9
Regional indices		
UK All Share	+3.1	+2.9
North America	+4.7	-2.6
Europe ex UK	+8.6	+8.7
Japan	+3.3	+2.0
Emerging Equity Markets	+0.2	-3.9
UK Gilts - Conventional All Stocks	+2.5	-17.2
UK Gilts - Index Linked All Stocks	+4.3	-27.5
UK Corporate bonds*	+2.5	-11.4
Overseas Bonds**	+2.9	-5.5
UK Property quarterly^	-1.2	-12.6
Sterling 7 day LIBOR	0.9	2.2

FTSE Indices except where noted ^ MSCI indices * ICE £ Corporate Bond; **ICE global government ex UK £ hedged.

UK property markets also had a very difficult year, returning -12.6%, as they responded to higher inflation and interest rates. They too were impacted by the September "fiscal event" as it caused forced selling by some pension schemes seeking liquidity. Most private markets assets (not represented in the table above), including Infrastructure, private equity and private debt delivered steady positive returns.

As noted in the Director of Finance and Public Value the Devon Pension Fund achieved a return of -1.5% net of fees, compared to +0.9% for the strategic benchmark in the year to 31st March 2022. Over three years the Fund has achieved a net return of +10.0% per annum compared to the benchmark return of +11.1%. A more detailed analysis of the Fund's performance is contained in that report.

Economic and Market Outlook

The outlook for growth remains weak and inflation, while falling, is likely to remain higher than expected, which keeps the pressure on central banks to increase interest rates further and keep them higher for longer than previously expected. The recent failure of several US regional banks has led to tighter credit conditions and as a result the risk of recession has increased.

Generally, forecasters are suggesting better growth and even the IMF (23rd May) has revised its global growth forecasts higher, in particular revising their outlook for the UK from -0.3% to +0.4% in 2023. This is still not a great outcome. UK growth should be greater than 2% per year, but the magnitude of the change is worthy of note. In the IMF's previous report UK economic growth was ranked weakest in the G20, that ranking now belongs to Germany which is only expected to achieve 0% growth in 2023.

With growth slightly better than expected and full employment, central banks can feel free to increase interest rates to tackle inflation. The headline rate may be falling but the core rate remains stubbornly high and, in some cases, is likely to continue to rise as the last 12 months of "baked in" price increases start to show up in core goods and services.

The post lock down recovery in China has not been as strong as it was in the developed economies and has not yet led to significantly higher inflation, but domestic activity has increased significantly.

While the outlook for UK and European economic growth has improved from a low base it could still be characterised as stagnant rather than recessionary. Market volatility has picked up as investors try to figure out how much further central banks may need to increase rates to get inflation back under control, against a backdrop of tighter credit conditions in the US and the brinkmanship over the US Government's debt ceiling.

I believe inflation will be lower in twelve months' time than it is today but it will be higher than we have become used to over the last 15 years since the Global Financial Crisis. Which means that interest rates will also be higher than the emergency rates we have become used to. The period of emergency interest rates needed to recover from the Global Financial Crisis is over. In future Interest rates, bond yields and the returns from equity markets need to reflect that return to normality.

I re-state my comments from last year, while higher interest rates and inflation are bad news for longer duration bond markets, they are not necessarily a bad outcome for equity markets, but it can be bad news for interest rate sensitive growth stocks. I believe the valuations of "growth" companies may have further to fall relative to "quality and value". In general, I believe that in future returns are likely to lower and harder won. Market volatility could be greater than we have seen in the last 15 years.

Anthony Fletcher, Senior Adviser – MJ Hudson Allenbridge
Independent Investment Adviser to the Devon Pension Fund.

Devon Pension Board Annual Report

The Devon Pension Board was established in 2015, following the introduction of new governance arrangements by the Public Sector Pensions Act 2013. This act sets out the requirements for the establishment of a local pensions board with the responsibility for assisting the LGPS local scheme managers (Devon County Council) in relation to the following:

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

The Board makes recommendations to the County Council principally through its Investment and Pension Fund Committee and to Officers to improve governance standards. The Board may also, in exceptional circumstances and where relevant, also refer matters to the Scheme Advisory Board.

The Board is composed of four representatives of scheme members, four representatives of scheme employers and one non-voting independent member and meets four times a year.

Some of the key areas of work undertaken by the Board during 2022/23 are detailed below:

Review of the internal audit reports for 2022/23 and the Internal Audit Plan.
As requested by the Board previously, the Board was provided with an audit action log at each meeting to enable them to monitor the progress of recommendations arising from internal audits. The Board considered a report from officers regarding amending the planned audit programme to accommodate government/regulator delays.

Devon Pension Fund Risk Register.
During 2022/23, the Pension Board have reviewed the Risk Register at every meeting and made a number of suggestions which were adopted by the Investment and Pension Fund Committee. These included issues surrounding the McCloud judgement and implementation of back dating changes to 2014 and the administration risks of implementing an in house solution to work with employers. The risk register was subsequently updated to include the Board's recommendations.

Pension fund governance.
The Board considered reports covering contribution monitoring that is undertaken by officers throughout the year. The Board also reviewed the Fund's breaches report and was satisfied that the low level of breaches were all non-material.

Statutory Statements.
The Board conducted a review of the fund's Statutory Statements and made suggestions for improvements where necessary. The Funding Strategy required updating to reflect the 2022 valuation approach. The board also reviewed the Administering Authority discretions.

Minutes from Investment & Pension Fund Committee meetings.
The Board reviewed each set of minutes from the Investment & Pension Fund Committee meetings held during 2022/23 to ensure that decisions have been made in accordance with the terms of reference.

Administration Performance.
The Board regularly review the performance statistics of Peninsula Pensions against local performance targets and the Disclosure Regulations.

Training and Attendance.
The Board gave consideration to the Annual Training Plan and conducted a review of the attendance of Board members at meetings and training events. At the Board's request, the attendance log is now included as a standard agenda item at all meetings.

It is a legislative requirement that Pension Board members have the capacity to take on the role, and it is expected that members should receive relevant training. Pension Board members have completed The Pension Regulator's Public Sector Toolkit to ensure that they have sufficient knowledge and skills to carry out their role effectively.

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

https://www.devonpensionfund.org.uk/governance/pension-board/

Pension Board Meeting Attendance 2022/23

Name	Date Appointed	Date Left	Meetings Attended
Employer Representatives			
Cllr Colin Slade (Chairman)	Sept 2018		3 (of 4)
Cllr Sara Randall Johnson	May 2016		4 (of 4)
Carl Hearn	May 2015		4 (of 4)
Dominic Walshe	May 2022		3 (of 3)
Scheme Member Representatives			
Julie Bailey	May 2019		4 (of 4)
Andy Bowman	May 2015		4 (of 4)
Paul Phillips	Aug 2017		4 (of 4)
Colin Shipp (left 28.02.2023)	April 2016		4 (of 4)
Independent Non-Voting Member			
Rob Jeanes	Aug 2021		4 (of 4)

Investment Pooling – Brunel Pension Partnership

In 2015 the Department of Communities and Local Government (as it then was) issued LGPS: Investment Reform Criteria and Guidance which set out how the Government expected funds to establish asset pooling arrangements. The objective was to deliver:

- Benefits of scale.
- Strong governance and decision making.
- Reduced costs and excellent value for money, and
- An improved capacity and capability to invest in infrastructure.

This has led to the creation of eight asset pools which have significantly changed the previous approach to investing, although it should be stressed that the responsibility for determining asset allocations and the investment strategy remains with individual pension funds.

As a result of the investment pooling agenda, the Devon Fund joined with nine other LGPS administering authorities to set up the Brunel Pension Partnership. Devon County Council approved the business case for Brunel in December 2016, based on estimated potential fee savings of £550 million over a 20 year period across the ten funds, of which Devon's share was £107 million. The project would see initial costs, but in Devon's case would break even by 2022.

The expected costs and savings for the Devon Pension Fund, as per the original business case approved in December 2016, and then submitted to Government, are set out in the following table.

Devon Pension Fund Expected Costs and Savings from Pooling
(As per Business Case Submissions)

	2016/17 to 2019/20	2020/21	2021/22	2022/23	2023/24	2024/25	2025/26 to 2035/36	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Set up costs	1,241							1,241
Ongoing Brunel Costs	1,436	844	872	901	930	961	12,913	18,857
Devon Fund Savings	(155)	(81)	(83)	(86)	(89)	(91)	(1,203)	(1,788)
Transition costs	6,512	21					-	6,533
Fee savings	(2,884)	(4,059)	(4,354)	(4,734)	(5,139)	(5,979)	(104,694)	(131,843)
Net costs / (realised savings)	**6,150**	**(3,275)**	**(3,565)**	**(3,919)**	**(4,298)**	**(5,109)**	**(92,984)**	**(107,000)**

Following approval of the business case, the Brunel Pension Partnership Ltd was established in July 2017, as a company wholly owned by the Administering Authorities (in equal shares) that participate in the pool. The company is authorised by the Financial Conduct Authority (FCA). It is responsible for implementing the detailed Strategic Asset Allocations of the participating funds by investing Funds' assets within defined outcome focused investment portfolios. In particular, it researches and selects the external managers or pooled funds needed to meet the investment objective of each portfolio.

The Devon Fund monitors the financial performance of the pool to ensure that Brunel is delivering on the key objectives of investment pooling. This includes reporting of the costs associated with the appointment and management of the pool company including set up costs, investment management expenses and the oversight and monitoring of Brunel by the client funds.

The Devon Fund transitioned its first assets to Brunel in July 2018, comprising the allocation to passive equities. As at 31 March 2023 95% of the Devon Fund's assets were being managed by Brunel. The remaining assets represent long term investments in private market assets that will wind down over time but will not be transitioned to Brunel. Therefore, the transition phase is complete and there were no further set up or transition costs in 2022/23. The total set up and transition costs incurred in the initial set up and transition to Brunel are set out in the following table.

Brunel Pool Set Up Costs

	Total Costs £'000
Set Up Costs	
Recruitment	18
Legal	133
Procurement	82
Share Purchase/subscription costs	840
	1,073
Transition Costs	
Transition fees	517
Taxation (seeding relief)	637
Other transition costs	5,311
	6,465

The fee savings achieved in 2022/23 are set out in the following table.

Investment Fee Savings from Pooling 2022/23

Portfolio	Value in Orginal Business case (31 March 2016) £'000	Value at 31 March 2023 £'000	Price variance £'000	Quantity variance £'000	Total saving / (cost) £'000
UK Passive Equities	730,447	373,175	80	107	187
Global Developed Passive Equities	430,180	559,146	272	(101)	171
Global Paris Aligned Passive Equities	-	480,348	115	(161)	(46)
Global High Alpha Equities	174,215	296,954	204	(440)	(236)
Emerging Market Equities	136,970	236,625	680	(686)	(6)
Global Smaller Companies Equities	167,771	280,945	1,781	(1,231)	550
Sustainable Equities	-	520,825	919	(2,406)	(1,487)
Active Low Volatility Equities	-	-	56	(154)	(98)
Multi-Asset Credit	106,300	634,549	1,137	(2,222)	(1,085)
Investment Grade Bonds	295,938	347,525	411	(54)	357
Diversifying Returns Funds	486,079	368,476	1,370	255	1,625
Property	366,555	467,941	1,449	(1,247)	202
Infrastructure	139,374	477,017	131	(2,676)	(2,545)
Private Equity	-	45,019	18	(1,220)	(1,202)
Private Debt	-	151,512	1,046	(3,687)	(2,641)
			9,669	(15,923)	(6,254)

This analysis shows the fee savings achieved for the assets that have transitioned to Brunel portfolios against the fees charged at the time the business case for pooling was prepared in 2016.

It therefore ignores fee reductions that were negotiated with incumbent managers between the formulation of the business case and the transition to Brunel. The price variance shows the difference between the fees paid in 2022/23 and those that would have been paid at the previous rates. The quantity variance shows the difference in fees payable as a result of asset growth since the original business case was formulated. The infrastructure and private debt allocations shown include both Brunel funds and previous investments that are still managed directly by the Devon Fund, in order to give a complete picture. Where portfolios were not held by Devon prior to pooling, the saving is based on average fee levels paid by those funds who did hold such portfolios pre-pooling.

A summary of the costs and savings to date compared to the original business case is provided in the following table.

Expected v. Actual Costs and Savings To Date

	2021/22		Cumulative to 31 March 2022		2022/23		Cumulative to 31 March 2023	
	Budget £'000	Actual £'000	Budget £'000	Actual £'000	Budget £'000	Actual £'000	Budget £'000	Actual £'000
Set up costs	-	-	1,241	1,073	-	-	1,241	1,073
Ongoing Brunel Costs	872	1,520	3,152	5,489	901	1,620	4,053	7,109
Devon Fund Savings	(83)	(83)	(319)	(313)	(86)	(86)	(405)	(399)
Transition costs	-	1,698	6,533	6,465	-	-	6,533	6,465
Fee savings	(4,354)	(7,699)	(11,297)	(13,084)	(4,734)	(9,669)	(16,031)	(22,753)
Net costs / (realised savings)	**(3,565)**	**(4,564)**	**(690)**	**(370)**	**(3,919)**	**(8,135)**	**(4,609)**	**(8,505)**

The above table includes custodian and performance measurement and reporting costs as ongoing Brunel costs, although they are separated out in note 8 of the Statement of Accounts. The Devon Fund Savings included in the original business case comprised custodian costs, based on the custodian costs in 2016/17, as it was envisaged these would be met via Brunel post pooling. The realised saving shown under Devon Fund Savings therefore comprise the custodian costs saved as a result of including them within the Brunel ongoing costs line, based on the original business case.

The Devon Fund reached the breakeven point during 2021/22 and achieved net savings of £8.1 million during 2022/23.

Variances from the original business case can be summarised as follows:

- Additional resources have been required by Brunel over and above those envisaged by the original business case, in order to deliver the service required by their clients. This includes significant resources dedicated to private markets and responsible investment. The increased costs also represent Brunel's transition from a local authority type set up to fulfil a role more akin to an asset manager. As a result, the ongoing overhead costs of the Brunel company are higher than originally estimated.
- Now that the transition phase is complete, the annual net savings being achieved are higher than forecast in the original business case. To some extent this can be explained by differences in the strategic asset allocation since 2016, and the growth in asset values, but it demonstrates the real cost savings achieved by pooling. This needs to be set alongside investment performance and delivery of service objectives to determine the overall value for money provided by Brunel.

Cost Transparency – Investment Management Costs

Direct investment management fees and transaction costs are included in note 8 of the Statement of Accounts. However, there has been an increasing focus on investment management costs, and a recognition that there are significant further costs that in the past have been hidden. The cost transparency agenda aims to ensure full disclosure of all costs involved in investment, as unless costs are identified they cannot be effectively managed. The effective management of investment costs should improve investment returns. The move toward investment fee transparency and consistency is seen by the LGPS Scheme Advisory Board as an important factor in the LGPS being perceived as a value led and innovative scheme.

The following tables summarise investment management costs for 2022/23, together with the comparator figures for 2021/22. It has been compiled from templates completed by each of the Fund's investment managers. The Direct Costs column reconciles to the costs disclosed in note 8 within the Statement of Accounts, while Indirect Costs are those costs that do not meet the criteria for inclusion in the accounts, but do represent significant underlying costs to the Fund's investments.

Summary of Total Investment Management Costs 2022/23

	Brunel Asset Pool				Non Asset Pool				Fund Total	
	Direct £'000	Indirect £'000	Total £'000	bps	Direct £'000	Indirect £'000	Total £'000	bps	£'000	bps
Management Fees										
Ad Valorem	16,181	242	16,423	32.7	3,697	40	3,737	130.8	20,160	38.0
Performance	-	-	-	-	1,725	-	1,725	60.4	1,725	3.3
Research	-	-	-	-	-	-	-	-	-	-
Other Charges	-	2,912	2,912	5.8	-	617	617	21.6	3,529	6.7
Asset Pool Shared Costs	1,511	-	1,511	3.0	-	-	-	-	1,511	2.9
Transaction costs										
Transaction taxes	-	605	605	1.2	-	-	-	-	605	1.1
Broker commission	438	499	937	1.9	84	-	84	2.9	1,021	1.9
Implicit costs	-	8,210	8,210	16.4	-	-	-	-	8,210	15.5
Entry/exit charges	-	351	351	0.7	-	-	-	-	351	0.7
Indirect transaction costs	-	1,848	1,848	3.7	-	-	-	-	1,848	3.5
Other transaction costs	-	810	810	1.6	1,457	-	1,457	51.0	2,267	4.3
Anti-dilution offset	-	(567)	(567)	(1.1)	-	-	-	-	(567)	(1.1)
Property Management Costs	-	5,442	5,442	10.9	-	7	7	0.2	5,449	10.3
Custody	30	275	305	0.6	-	12	12	0.4	317	0.6
Other Costs	-	-	-	-	27	36	63	2.2	63	0.1
	18,160	20,627	38,787	77.3	6,990	712	7,702	269.6	46,489	87.7

2021/22

	Brunel Asset Pool				Non Asset Pool				Fund Total	
	Direct £'000	Indirect £'000	Total £'000	bps	Direct £'000	Indirect £'000	Total £'000	bps	£'000	bps
Management Fees										
Ad Valorem	14,427	566	14,993	30.0	3,945	-	3,945	92.0	18,938	35.0
Performance	-	337	337	0.7	3,617	-	3,617	84.4	3,954	7.3
Research	-	-	-	-	-	-	-	-	-	-
Other Charges	-	2,638	2,638	5.3	-	102	102	2.4	2,740	5.1
Asset Pool Shared Costs	1,357	-	1,357	2.7	-	-	-	-	1,357	2.5
Transaction costs										
Transaction taxes	31	847	878	1.8	-	45	45	1.0	923	1.7
Broker commission	125	960	1,085	2.2	114	63	177	4.1	1,262	2.3
Implicit costs	-	7,739	7,739	15.5	-	211	211	4.9	7,950	14.7
Entry/exit charges	-	85	85	0.2	-	-	-	-	85	0.2
Indirect transaction costs	-	1,319	1,319	2.6	-	-	-	-	1,319	2.4
Other transaction costs	878	387	1,265	2.5	646	-	646	15.1	1,911	3.5
Anti-dilution offset	-	(656)	(656)	-1.3	-	-	-	-	(656)	-1.2
Property Management Costs	-	2,838	2,838	5.7	-	-	-	-	2,838	5.2
Custody	62	276	338	0.7	-	6	6	0.1	344	0.6
Other Costs	-	-	-	-	(21)	-	(21)	-0.5	(21)	-
	16,880	17,336	34,216	68.6	8,301	427	8,728	203.5	42,944	79.3

The following points are relevant in comparing the Brunel costs with the non-asset pool costs, and in comparing costs between 2021/22 and 2022/23:

- Around 95% of assets are now managed by the Brunel Pension Partnership. Those assets that remained outside the pool comprised private market funds which typically charge higher fees than managers of listed market assets. This explains the significantly higher ad-valorum fees charged on the non-pooled assets. The 2021/22 average cost for non-pooled assets was reduced to some extent by the inclusion of the Wellington and Lazard fixed interest mandates in the early part of the year, which charge lower fees than the private markets investments.
- Following the investment strategy review carried out in early 2022, there was a reduction in the passive equity allocation over the year from 31.6% of the total fund value as at 31 March 2022 to 26.5% as at 31 March 2023. As passive equities command a very low fee, compared to actively managed and private market funds, the reduction in the passive allocation resulted in an increase in the total level of fees.
- Performance fees were lower in 2022/23 than the previous year, as the private market investments where such fees are charged were unable to deliver the same level of performance in the prevailing market conditions.
- Property management fees on the pooled assets were higher, both in absolute terms, due to an increased number of property fund sales, but also in basis point terms, given that these costs tend to be fixed costs and did not therefore reduce as the property valuations reduced.
- As a result of the above issues, there was an overall increase in investment management costs from 79.3 basis points (0.793%) to 87.7 basis points (0.877%).

The different types of costs itemised in the above tables are defined below.

Ad Valorum Fees are the management fees charged by the external fund managers based on the value of funds under their management. These may be invoiced or encashed from units held in pooled funds. Those shown as indirect relate to underlying funds. For example, the fees charged by La Salle for managing the property mandate (before the transition to Brunel) will be direct costs, but they will invest in property funds which will also charge a fee. The two diversified growth funds will also invest in underlying funds which will have their own fees.

Performance Fees are fees based on the fund manager having achieved a level of performance that warrants additional fees. These will be based on the manager having achieved performance above a hurdle rate, either an absolute return or relative to a benchmark, and then being entitled to a share of the profit from the return achieved above the hurdle rate.

Other Charges – This heading comprises all payments made to parties providing services to the pooled fund other than the manager such as, but not limited to, the depositary, custodian, auditor, property related expenses, to the extent these are not included under transaction costs, and any other fees or levies deducted from the pooled fund.

Asset Pool Shared Costs comprise the charges levied by the Brunel Pension Partnership to meet the costs of running the company. This excludes legacy custodian costs, included under "Custody", and investment performance reporting costs which are within the costs attributed to oversight and governance costs in note 8 to the Statement of Accounts.

Transaction Taxes include stamp duty and any other financial transaction taxes.

Broker Commission comprises payments for execution of trades. Levies, such as exchange fees, settlement fees and clearing fees are included within broker commissions.

Implicit Costs represent the loss of value implied by the difference between the actual transaction price and the mid-market value of the asset. The precise methodologies for calculating implicit costs are still being deliberated by regulators. The costs included in the table are based on the recommendation that firms may calculate implicit costs by reference to appropriate measures of market spread and portfolio turnover.

Entry/Exit Charges may arise when a holding in a pooled fund is bought or sold. The amount reported will be the actual amount incurred for each transaction and will include any dilution levies made in addition to the price and any amounts representing the difference between the transaction price and the net asset value per unit calculated by reference to the mid-market portfolio valuation.

Indirect Transaction Costs are transaction costs incurred within pooled funds when they buy and sell their underlying investments.

Other Transaction Costs are items not included in any other category of transaction cost.

Anti-Dilution Offsets are the amounts collected in the period from dilution levies and dilution adjustments (in the case of swinging prices) or the equivalent amounts in relation to the issue and cancellation prices of dual priced funds. These are collected from investors making withdrawals or new investments in a pooled fund to compensate the existing investors in the fund for any impact of their trading on the fund.

Property Management Costs – these include costs such as leasing costs, maintenance and repair costs, utilities and service costs, that are incurred by the underlying property fund managers in the management of their direct real estate holdings.

Custody – the costs levied by the Fund's custodian.

Other Costs include other costs incurred directly by the Devon fund in the management of investments, net of income received from stock lending.

Knowledge and Skills

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

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

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

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

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

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

These have continued to be a major area of focus for training during the year. For the first time since the outbreak of the Covid pandemic it was again possible to hold in-person training events, and two training days were held during the year. Brunel also held a hybrid investor training day which Committee and Board members were able to attend either in person or virtually. In addition, some members were able to attend other seminars and events. This provided a broad cross section of opportunities for Committee and Board members to update their knowledge, with a particular focus on the following:

Devon Training Day – 27 May 2022

The Spring Devon Training Day provided the following sessions:

- LGPS Regulations Update
- Climate Scenario Analysis
- Actuarial Valuations
- Global Economy and Markets
- Climate Change Policy

Brunel Investment Seminar – 28 September 2022

The Investor Day provided by the Brunel Pension Partnership provided the following sessions:

- Macro Economic Outlook
- Emerging Markets
- Sustainable Investment for the Long Term
- Investment for Profit and Purpose
- Effective Stewardship
- Local Impact Investment

Devon Training Day – 3 November 2022

The Autumn Devon Training Day provided the following sessions:

- Actuarial Valuation Results
- LGPS Regulations Update
- Global Economy and Markets
- Administering Authority Discretions
- Local Impact Investment
- Long Term Investment Performance

Brunel Climate Change Webinar – 8 February 2023

The Brunel webinar provided the following session:

- Review of climate policy

The Pensions Regulator Trustee Toolkit

The Pensions Regulator Toolkit includes a series of on-line learning modules and resources which have been developed to help members meet the minimum level of knowledge and understanding introduced in the Pensions Act 2004. This is a requirement for Pension Board members, and new regulation anticipated to result from the Good Governance Project that has been undertaken by the LGPS Scheme Advisory Board is likely to also make it requirement for Investment and Pension Fund Committee members.

The training attended by Committee and Board members and those who have completed the self-assessment are shown in the following table.

Name	Devon Training Day 27 May	Brunel Investor Day 28 Sep	Devon Training Day 3 Nov	Brunel Climate Webinar 8 Feb	TPR Self Assessment Completed	Other Training/ Events Attended
Investment and Pension Fund Committee						
Cllr James Morrish	✔		✔			
Cllr Yvonne Atkinson	✔	✔	✔	✔		
Cllr Phil Bullivant	✔	✔	✔			PLSA Local Authority Pensions Conference
Cllr Henry Gent	✔	✔	✔	✔		
Cllr George Gribble	✔	✔		✔		
Cllr Marcus Hartnell	✔	✔	✔			

Name	Devon Training Day 27 May	Brunel Investor Day 28 Sep	Devon Training Day 3 Nov	Brunel Climate Webinar 8 Feb	TPR Self Assessment Completed	Other Training/ Events Attended
Investment and Pension Fund Committee						
Cllr Andy Lugger	✔					
Cllr James O'Dwyer		✔			✔	
Cllr Judy Pearce						
Cllr Ray Bloxham	✔	✔	✔	✔	✔	
Roberto Franceschini	✔	✔	✔	✔	✔	
Lorraine Parker Delaz-Ajete		✔		✔		
Michael Daniell	N/A		✔	✔	✔	
Devon Pension Board						
Cllr Colin Slade (Chairman)	✔		✔		✔	
Cllr Sara Randall Johnson	✔			✔	✔	
Carl Hearn	✔	✔	✔	✔	✔	
Dominic Walshe	✔	✔	✔		✔	
Julie Bailey		✔		✔	✔	
Andrew Bowman	✔		✔	✔	✔	CIFPA LGPS local pension board members annual event
Paul Phillips	✔				✔	
Colin Shipp		✔	✔		✔	
Rob Jeanes		✔	✔		✔	

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 2022/23 financial year is shown in the table below.

Description of Risk and Potential Impact	Mitigating Controls
Market crash leading to a failure to reduce the deficit, resulting in: • Financial loss. • Increased employer contribution costs.	• The fund is well diversified and consists of a wide range of asset classes which aims to mitigate the impact of poor performance from an individual market segment. • Investment performance reporting and monitoring arrangements exist which provide the committee and investment officers with the flexibility to rebalance the portfolio in a timely manner. • The long term nature of the liabilities provides some mitigation, in that markets tend to bounce back after crashes, such that the impact is significantly reduced.

Description of Risk and Potential Impact	Mitigating Controls
The Pension Fund has insufficient assets to meet its long term liabilities. The Pension Fund's investment strategy / strategic asset allocation fails to produce the required returns, resulting in: • Financial loss. • Insufficient funds available to meet future obligations.	• Triennial actuarial valuations provide periodic indications of the growth in assets against liabilities. Employer contribution rates are set in response to this. The 2022 actuarial valuation includes provision for the fund to achieve full funding over 15 years. • The investment strategy is reviewed annually by the Investment and Pension Fund Committee with advice from the Independent 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. • External review of the Fund's investment strategy is commissioned at minimum every three years. The last review was undertaken by Mercers who presented their review to the Investment and Pension Fund Committee in February 2022.
Pay and price inflation are higher than anticipated. • An increase in liabilities which exceeds the previous valuation estimate.	• The triennial actuarial valuation review focuses on the real returns on assets, net price and pay increases. • Employers pay for their own salary awards and are reminded of the geared effect on pension liabilities of any bias in pensionable pay rises towards longer serving employees. • The Fund is increasing its target allocation to investments in infrastructure funds with inflation linked returns, to act as a hedge against inflation increases. • Inflation risk was addressed in the strategic reviewed undertaken by Mercer which was presented to the Investment and Pension Fund committee in February 2022.

Description of Risk and Potential Impact	Mitigating Controls
The Committee Members and Investment Officers make inappropriate decisions as a result of insufficient knowledge of financial markets and inadequate investment and actuarial advice received, resulting in: • Poor Fund performance/financial loss. • Increased employer contribution costs.	• The Investment Strategy is set in accordance with LGPS investment regulations and takes into account the Fund's Liabilities. • The Investment Strategy is reviewed, approved and documented by the Investment and Pension Fund Committee. • 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 has been agreed for 2022/23.Training programmes are available for Committee Members and Investment Staff. This can be delivered virtually where required • Members and Officers are encouraged to challenge advice and guidance received when necessary.
Failure to address Climate Change, and the impact on investee companies of the consequences of climate change and the transition to a low carbon economy, resulting in: • Financial loss and/or failure to meet return expectations. • Increased employer contribution costs. • Reputational damage.	• 100% of Brunel's portfolios, across all asset classes, are carbon and climate aware. Consideration of climate change impacts is fully embedded into their manager selection process. • Brunel integrates climate change into their risk management process, using carbon footprinting, assessing fossil fuel exposure and challenging managers on physical risks, and seek to reduce unrewarded climate and carbon risk. • The Devon Fund will undertake an annual assessment of the carbon footprint of its investments. • The Fund has moved its UK and Smart Beta passive allocations to new UK Climate Transition and Global Paris Aligned funds to significantly reduce exposure to fossil fuel reserves.

<table>
<tr><th>Description of Risk
and Potential Impact</th><th>Mitigating Controls</th></tr>
<tr><td>The Fund fails to effectively manage risks associated with Environmental, Social and Governance (ESG) issues in relation to its investments, resulting in:
• Financial loss.
• Reputational damage.</td><td>The Fund's Investment Strategy Statement sets out its approach to ESG issues and stewardship and engagement, including:
• The Fund requires the Brunel Pension Partnership, and its other fund managers, to monitor and manage the risks associated with ESG issues, and will review with managers on a regular basis how they are managing those risks. Brunel has a leading reputation for responsible investment.
• The Fund will engage (through Brunel, its asset managers, the Local Authority Pension Fund Forum or other resources) with investee companies to ensure they can deliver sustainable financial returns over the long term.
• The Fund holds annual meetings for both employers and scheme members to provide the opportunity for discussion of investment strategy and consideration of non-financial factors.
• The Fund is accredited by the FRC as a signatory to the UK Stewardship Code.</td></tr>
<tr><td>The average life expectancy of pensioners is greater than assumed in actuarial assumptions.
• An increase in liabilities which exceeds the previous valuation estimate.</td><td>• Life expectancy assumptions are reviewed at each triennial valuation. For the 2022 Valuation this will include a review of the impact of COVID19 on mortality.
• Mortality assumptions include some allowance for future increases in life expectancy.</td></tr>
<tr><td>An employer ceases to exist with insufficient funding available to settle any outstanding debts, or refuses to pay the cessation value.
• Departing employer not fully meeting its liabilities which leads to increased costs across the remaining scheme employers.</td><td>• 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.
• Bond levels for each relevant employer and employer covenant risks are re-assessed following each triennial actuarial valuation.
• Following changes to regulations, new policies have been put into place with regard to Deferred Debt and Debt Spreading Agreements. These will assist in managing exiting employer deficits.</td></tr>
</table>

Description of Risk and Potential Impact	Mitigating Controls
Cyber Attack results in loss of access to key systems, and as a result: • The fund cannot continue to operate and deliver its propriety services following a disaster, IT incident or data loss scenario. • Loss/disclosure of Sensitive Data/ Information. • Financial costs from legal action.	• All staff have completed mandatory cyber security training. • Access and security controls are in place for the pensions administration system and the system is tested regularly by Heywoods and Peninsula Pensions. • Supplier Contract management - Business Continuity Plan in place as well as incident response plans, penetration testing which are all tested annually. • Brunel's cyber security arrangements have been audited by Deloitte which came back positive. • Logotech system is a hosted system which is backed up daily. System can be accessed via non DCC computers in the event of a disaster recovery situation.
Non-compliance with legislation and failure to correctly implement new legislation and regulations, resulting in: • Incorrect benefit payments being made. • Risk of financial loss and damage to reputation.	• LGA/External training. • Project work approach to implementation of legislative changes. • In house training for all staff. • A Training and Technical team is now in place, following the Pension Review.
Failure of employing authorities to provide timely and accurate member data resulting in: • Incorrect benefit calculations. • Financial Loss due to compensation to members. • Delays to payments. • Additional work to request and correct information.	• Pension Administration Strategy (PAS) in place since April 2015 and was revised in 2020. Employer duties are clearly identified in the PAS. Ability to fine employers is provided for in PAS and LGPS regulations. • Employing authorities are contacted for outstanding information when it is identified that information is missing or contains errors. • Guidance available on website. • Individual employer meetings include review of employer performance. • An Employer and Communications team is now in place. The team will consider employer performance and take action to address any issues, as required.
Annual Benefit statements are not sent to active and deferred members by 31st August, resulting in: • Fines from the regulator. • Damage to reputation. • Increased complaints from Members. • Increased demand on resources to rectify the situation. • Creation of a backlog of other tasks due to diverted resource.	• Project management approach. • Regular contact with employers to get data. • Monthly interfacing to reduce workload at year end. • Following the completion of the historic data sign off exercise, employers will move to monthly interfacing which will reduce the number of queries at year-end.

The current version of the full risk register can be found on the Devon Pension Fund website at: **https://www.devonpensionfund.org.uk/fund-policies/important-documents/**

The Devon Audit Partnership undertakes an annual review of the adequacy and effectiveness of the Pension Fund's internal control environment. A range of audits are carried out each year as agreed with the Investment and Pension Fund Committee, reviewing key risks identified by the risk register. The audits carried out in 2022/23, and the opinions provided, are summarised in the following table.

Internal Audit Coverage 2022/23

Areas Covered		PF or PP	Level of Assurance
1	Employer Covenant and Bond Requirements	DPF	Reasonable Assurance
2	Stewardship Code	DPF	Substantial Assurance
3	Brunel Performance Reporting	DPF	Reasonable Assurance
4	Actuarial Valuation 2022	PP/DPF	Substantial Assurance
5	Cyber Security	PP/DPF	Limited Assurance
6	Transfers Out – Fraud Risk	PP/DPF	Substantial Assurance
7	Escrow Bank Account	PP	Substantial Assurance
8	Employer Interface Data Quality	PP	n/a

Key – DPF = Devon Pension Fund PP = Peninsula Pensions

The Devon Audit Partnership's reviews this year and in prior years provide sufficient evidence that overall, the Devon Pension Fund and Peninsula Pensions have suitable governance arrangements in place to mitigate exposure to identified risks. Good working practices are in place to meet statutory requirements. The Investment and Pension Fund Committee are kept well informed, concerning the Fund's value and the allocation of assets, and are updated regarding the LGPS Governance scheme.

Some areas were identified where controls could be improved, in particular around cyber security where only limited assurance has been given. Actions were agreed with management. Regular reports are taken to the Devon Pension Board with an Audit Action Log created to track progress and completion of audit actions including a log of actions requested by the Board. Devon Audit Partnership also maintain records of progress against agreed actions.

The Fund also seeks assurance on those organisations with which it contracts, such as external investment managers and the Fund Custodian. Internal control reports, including the tests undertaken by external auditors with their opinions, are provided on an annual basis by each external investment manager and the custodian, and these are reviewed by fund officers. For 2022/23 all internal control reports reviewed were found to be provide satisfactory levels of assurance, with action plans in place to tackle any weaknesses identified.

Stewardship and Engagement

The Devon Pension Fund has long been supportive of the UK Stewardship Code, 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 Fund's approach to stewardship and engagement is set out in its Investment Strategy Statement (ISS).

In March 2023 the Fund was re-accredited by the Financial Reporting Council (FRC) as a signatory to the UK Stewardship Code 2020 (the Code). This follows an assessment of the Fund's stewardship and engagement policies and activity reported in the Pension Fund Annual Report for 2021/22. The Code was enhanced in 2020 and sets high stewardship standards for asset owners and asset managers, and for service providers that support them. The Code comprises a set of 'apply and explain' principles for asset managers and asset owners, and a separate set of principles for service providers. The Devon Pension Fund is pleased that its work on stewardship continues to be recognised and will work to further strengthen its approach in response to feedback received.

The Fund has a fiduciary duty to achieve an investment return at an acceptable level of risk, in order to meet its liabilities to pay pension benefits over the long term, and thereby serve the interests of its current and future beneficiaries. The Fund has liabilities that stretch many years ahead. A new member joining at the age of 20 may still be receiving a pension at the age of 100 in 80 years' time. Therefore, the Fund needs to invest for the longer term in companies that have a sustainable business model for the next 30-40 years. The Fund's fiduciary duty to manage its assets over the longer-term timeframe is served by the Fund acting as a responsible asset owner.

Companies that are well managed with a sustainable business model are more likely to achieve the investment returns that the Fund requires. The Fund will therefore seek to engage in collaboration with its asset managers and other partners to promote good management and sustainable business models, and to use its votes at company meetings accordingly.

The Devon Fund seeks to be a long-term responsible investor. It therefore takes seriously concerns around issues such as investment in fossil fuel companies and the associated risks to the Fund's investments. However, the policy is primarily one of effecting change by engagement, rather than by divestment. All of the Fund's listed assets are now invested via the Brunel Pension Partnership, who have appointed external investment managers to manage the assets. Active stock selection decisions are taken by the external investment managers, who are expected to consider Environmental, Social and Governance (ESG) risks in making their investment decisions and to engage with the companies in which they invest. For all the Fund's active equity portfolios, Brunel undertakes the voting activity, for the passive allocations voting is delegated to Legal and General Investment Management (LGIM). The Devon Fund expects Brunel and LGIM to engage with the companies they are invested in and to vote at AGMs.

The Fund is also a member of the Local Authority Pension Fund Forum (LAPFF) who undertake significant engagement with companies on behalf of member funds.

Governance and Resources

The Investment and Pension Fund Committee acts as the governing body for the Devon Fund and will oversee stewardship and engagement activity. The Committee meets quarterly and at each meeting receives a report on the engagement activity carried out on behalf of the Fund over the previous quarter. Over the 2022/23 year the Committee have regularly questioned the effectiveness of the engagement carried out on behalf of the Fund by the Brunel Pension Partnership (Brunel) and the Local Authority Pension Fund Forum (LAPFF). This includes, for example, seeking further information on the rationale for how Brunel and LGIM had voted on a range of issues and seeking to understand why Brunel and LGIM had voted against company management recommendations on a large number of resolutions and what this meant in terms of the direction of the company in relation to ESG issues.

The Devon Fund relies to a large extent on the stewardship and engagement activity undertaken by Brunel and LAPFF. Brunel will interact directly with companies and also use the services of Hermes EOS. LAPFF commission research and analysis from PIRC Ltd.

The Devon County Council Investment Team will engage regularly with Brunel, LAPFF, the Institutional Investors Group on Climate Change and other partners to ensure that the Fund's engagement and voting priorities, as set out in the Stewardship Policy within the Investment Strategy Statement, are being met. The Head of Investments and the Investment Manager will have specific responsibilities and targets set within annual appraisals to ensure that the Fund's stewardship responsibilities are met. They are supported by the Investment Team and the Communications and Projects Officer who provides additional support on stewardship reporting. The role of the Independent Investment Advisor to the Investment and Pension Fund Committee includes the objective of advising the Committee on responsible investment.

Assurance

The Fund continues to work on improving its stewardship activities and reporting. The feedback received from the FRC is invaluable in highlighting gaps in reporting and areas of improvement required. The Fund has used the feedback from the 2021 and 2022 submissions to prioritise areas for attention.

In addition, as outlined in the previous section of the Annual Report the Fund has a comprehensive annual programme of internal audit, carried out by the Devon Audit Partnership, which during 2022/23 included a focused audit on the Fund's stewardship activities. The audit considered the risk of non-compliance with the Stewardship Code resulting in the removal of the accreditation as a signatory to the UK Stewardship Code by the Financial Reporting Council and reputational damage to the Devon Pension Fund. The audit concluded that there was substantial assurance that the Fund was effectively managing its stewardship role and addressing previously identified gaps.

The audit report concluded that the Fund had addressed the majority of gaps identified by previous feedback, but that the auditors would not be in a position to pre-judge whether the quality or effectiveness of the information provided meets the expectations of the Code requirements. The report recommended that a couple of areas needed further attention in relation to the length of the investment time horizon considered appropriate to deliver to the needs of the Fund and key stakeholders and providing more examples of relevant industry initiatives in which the Fund has participated.

The Fund will continue to seek regular external feedback and assurance on the effectiveness of its stewardship activities and will look to address any gaps identified.

Consultation with Fund Members

During 2022, the Fund conducted a survey of fund members to gain a fuller understanding of views on the Fund's investment strategy, stewardship priorities and climate change policies. The survey was answered by 4,278 fund members. This represents around 3.2% of the total fund membership, which compares well with other LGPS funds that have undertaken a similar exercise.

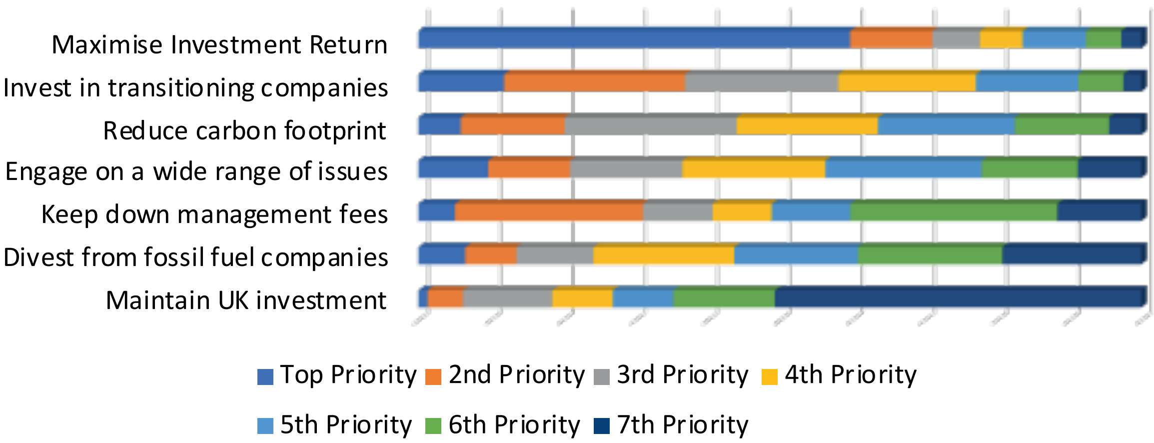
Respondents were asked to rate the importance of maximising investment returns, addressing environmental, social and governance issues, in particular those related to climate change, and managing costs. They were then asked to prioritise the issues raised.

The respondents supported the Fund maintaining its fiduciary duty to maximise investment at an appropriate level of risk. Over half of all respondents rated this as very important, and over 80% rated it as very important or of significant importance. The majority of respondents rated maximising investment at an appropriate level of risk as their number one priority. In some cases, this was supported by comments that this should be the only criteria for investment.

However, all the following questions, including those on taking climate change and other responsible investment criteria into account, were rated as fairly important or higher by the majority of respondents. Engaging with companies on a range of issues, investing in companies transitioning their business and reducing the Fund's carbon footprint were rated more important than divestment from fossil fuels, although that was still rated as fairly important or higher by the majority of respondents.

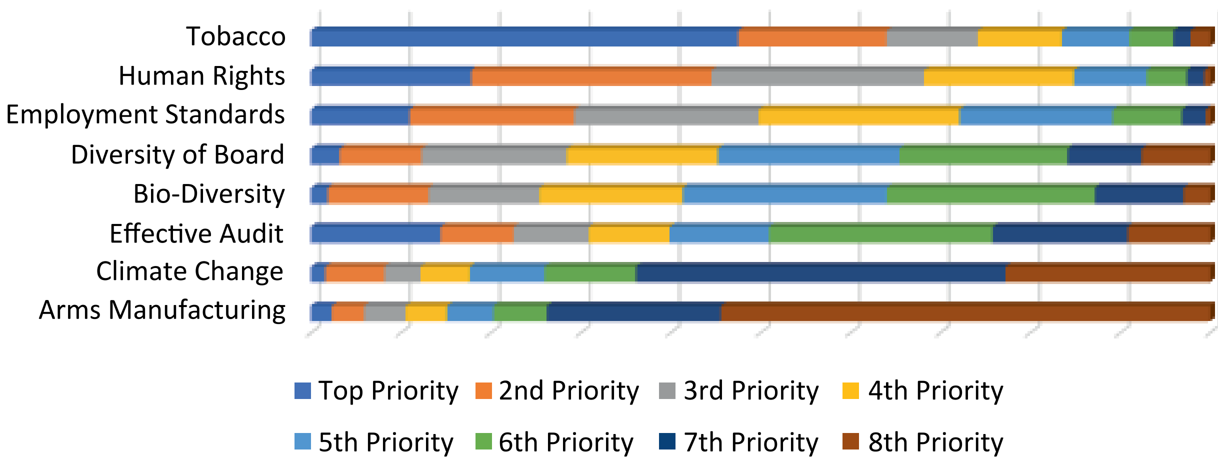
The results of the prioritisation exercise are shown in the chart below.

Pension Fund Member Investment Priorities



Respondents were also asked to consider the issues on which the Fund should be engaging with investee companies, and to rate them in priority order. The results of this question are summarised in the chart below:

What Issues Should the Devon Pension Fund be Engaging On?



Climate change was rated as the top engagement priority by 47% of respondents, making it the highest priority subject overall, followed by human rights and employment standards. There were a large number of comments opposing investment in tobacco and arms manufacturing, although some comments on arms manufacture took the opposite view that the industry needs to be supported to ensure our country has adequate defence capabilities at a time of global instability.

Respondents were also given the option to raise other concerns not included in the list above.

Other concerns mentioned by a significant number of people included:

- Investment in Russia
- Animal Welfare
- Modern Slavery / Child Labour
- Gender equality
- Investment in China
- Taxation (companies paying tax appropriately)
- Political donations / impartiality

The results of the survey were reported to the Investment and Pension Fund Committee and have been reflected in the Fund's engagement priorities which have been communicated to the Brunel Pension Partnership and other engagement partners. The Committee also agreed that the Fund should produce a quarterly newsletter for fund members to ensure that members are kept more fully informed about how the Fund's investments are managed and progress on climate change and stewardship policies.

The results of the survey were reported back to fund members via the member newsletter, and also reported to the Annual Consultative Meeting at the beginning of March 2023. The annual consultative meeting is held every February/March for members of the pension fund and includes presentations on stewardship activity and how the Fund is addressing climate change, as well as updates on investment and administration performance. This allows fund members to ask questions and challenge how the fund is managing these issues.

The meeting in March 2023 was held as a hybrid meeting, with some fund members attending in person and over 70 fund members attending virtually, enabling them to view the presentations and pose questions to fund officers. The meeting included a presentation from Faith Ward, Brunel's Chief Responsible Investment Officer on Brunel's climate change policy, reflecting the priority given to the issue both by fund members, on the basis of both the stewardship survey and levels of correspondence and questions at previous years' meetings.

A similar meeting was held for fund employers and information is also available on the Fund website: **www.devonpensionfund.org.uk**

Conflicts of Interest

Devon County Council has a robust Code of Conduct and Conflicts of Interest policy, which all members of the Investment and Pension Fund Committee (whether Devon County Councillors or not) are required to adhere to. The policies can be found at:
http://democracy.devon.gov.uk/ieListDocuments.aspx?CId=416&MId=2487&Ver=4&info=1

Investment and Pension Fund Committee members are required to make declarations of interest prior to committee meetings in line with the Council's code of conduct and interest rules. This would ensure that if committee members had any personal interests in any company that the Fund invests in that may have an impact on stewardship activity then those interests would be declared and managed.

The members of the Investment and Pension Fund Committee, in their wider role as councillors, will be involved with their councils' provision of services to the local community which may cross over with the Fund's investments, such as council policies to provide more local affordable housing or provision of local green infrastructure. The Devon Fund currently has no specifically local investments. However, In March 2023 the Committee resolved that officers should work with Brunel with a view to investing in a local impact portfolio related to Devon and the wider South West. Where the Fund does invest in affordable housing, for example the PGIM Affordable Housing Fund, and renewable energy infrastructure funds, the selection of individual investment assets is undertaken by the fund managers and the Committee has no influence over the selection of those individual assets for investment. The same approach will apply to the planned local investment portfolio to ensure that conflicts of interest are avoided and managed.

As a result of these measures there were no conflicts of interest that arose during the 2022/23 financial year.

Asset Classes

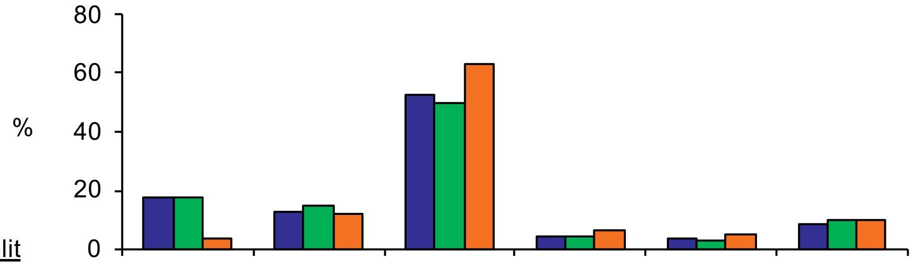
The Fund's investments are split between a number of asset classes. Broadly speaking as at 31 March 2023 52% was invested in equities, 20% in fixed interest, 7% in diversifying returns funds and 21% in private markets (property, infrastructure, private equity and private debt). More details can be found in the Report of the Director of Finance and Public Value on page 5. Stewardship and engagement activity varies between the difference asset classes and is outlined below.

Equity Investments

The Devon Pension Fund's equity investments are managed by external investment managers appointed and monitored by the Brunel Pension Partnership. Brunel's engagement activities are included in the Brunel Fund Manager Report section of the Annual Report.

The Fund's equity investments are spread across the globe. A geographical analysis of the Fund's equity assets is provided in the graph below:

Geographical Analysis of the Devon Pension Fund's Equity Investments



	UK	Europe Ex UK	North America	Japan	Asia/Pacific (ex Japan)	Emerging Markets
Percentage Split						
March 2022 (%)	18.0	13.0	52.7	4.3	3.4	8.7
March 2023 (%)	17.7	15.1	50.0	4.2	2.7	10.3
FTSE All World	4.0	12.3	62.7	6.2	4.8	10.0
£m Invested						
March 2022 (m)	574.4	414.2	1,681.6	135.7	109.0	277.7
March 2023 (m)	487.6	414.8	1,374.5	115.8	73.5	281.8

The regulatory environment varies across different parts of the world, and to be successful active owners in these markets, investors must assess stewardship in the local context and take the time to understand the local business environment, culture, and evolving regulations. These differences serve to guide variances in stewardship and engagement activities. Emerging market companies, in particular, can be a significant challenge.

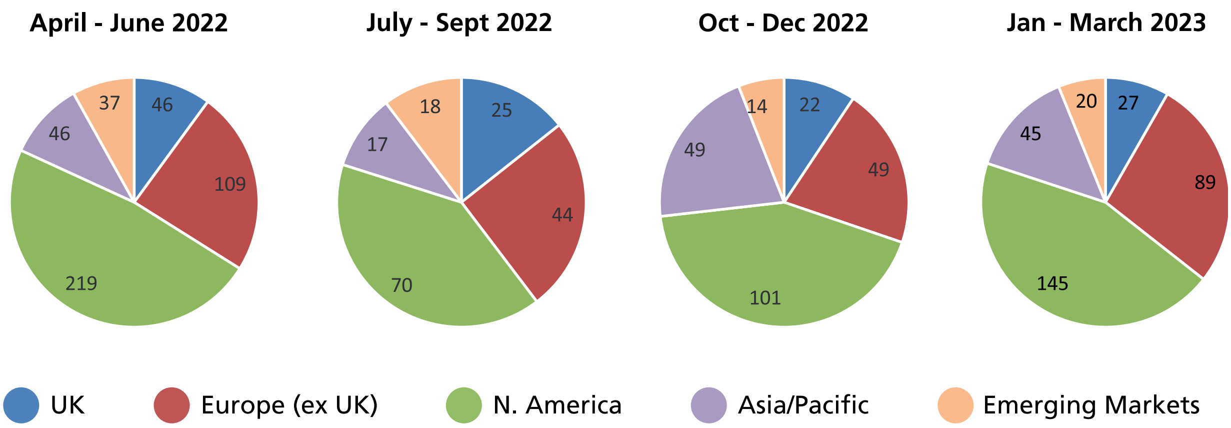
Areas of particular concern to the Devon Fund, which will influence voting and engagement activity include:

- Climate Change and Sustainability.
- Human rights and natural capital.
- Conduct, culture, composition and effectiveness of company boards (i.e. governance).
- Remuneration policies that align with shareholder interests.
- Effective audit.
- Protection of shareholder and bondholder rights.

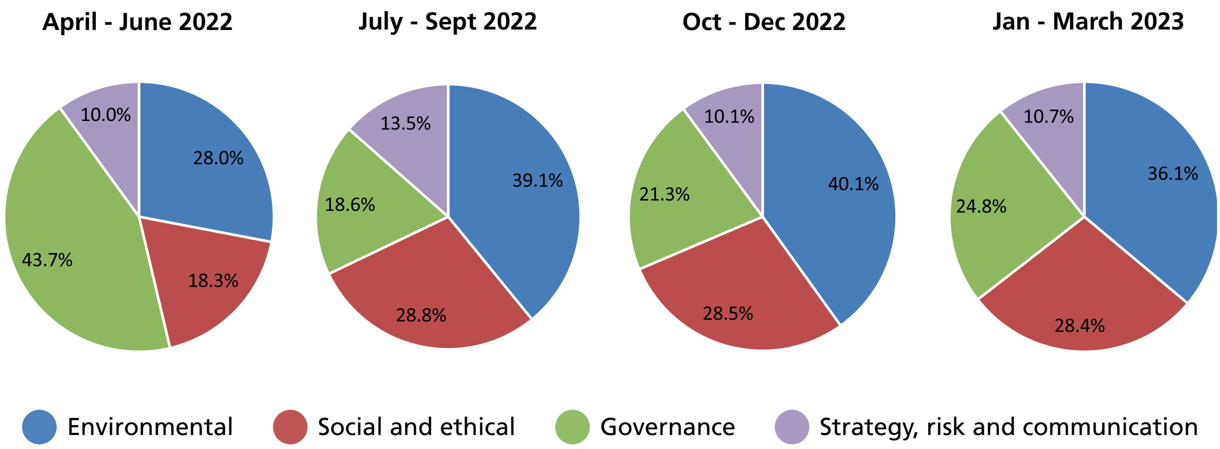
The Devon Fund's expectation is that engagement should be undertaken by Brunel on behalf of the Devon Fund and Brunel's other clients, and that their engagement should address the Fund's priority areas of concern. The Head of Investments and the Investment Manager participate regularly in Brunel's Responsible Investment Sub-Group where engagement themes are discussed and where Brunel's clients can hold them to account. Quarterly reports are made to the Investment and Pension Fund Committee, as set out above, and the Committee are satisfied that the engagement carried out by Brunel meets their requirements.

Through their appointed service provider, Federated Hermes EOS, Brunel engages with investee companies across all of their portfolios, including emerging markets. A breakdown of the number of companies engaged with in each region during each quarter, and the type of issues engaged on is shown in the following charts:

Number of Companies Engaged With, By Region



Breakdown of Issues Engaged On



More detail of Brunel's engagement activity can be found in their manager report on page 63, and on their website at: **https://www.brunelpensionpartnership.org/stewardship/**.

In addition, the Devon Fund is a member of the Local Authority Pension Fund Forum (LAPFF), which conducts extensive engagement on behalf of member funds. This includes speaking at company AGMs, organising one to one meetings with company executives, and seeking responses to correspondence. Some examples of the engagement that has taken place over the year are given below:

Examples of LAPFF Engagement Activity

Vale - LAPFF Chair, Cllr Doug McMurdo spent three weeks in Brazil investigating the situation of communities affected by tailings dams in Conceição do Mato Dentro, Mariana, and Brumadinho. This trip was part of LAPFF's broader work on mining and human rights. After meeting with affected community members, Cllr McMurdo spent two days with the Chair of Vale, José Penido, and senior executives from the company. Mr Penido accompanied Cllr McMurdo to the Paracatu and Bento Rodrigues resettlements in Mariana, sites hit hard by the Samarco tailings dam collapse in 2015. At the end of the trip, Cllr McMurdo met with a number of Brazilian investors led by ESG-focused asset manager, JGP Asset Management, with whom LAPFF has been partnering on this project for a couple of years. Collectively, the investor group worked with senior executives of Vale to set in motion a process to increase the pace and quality of reparations following the tailings dam collapses.
Nestle - LAPFF took part in a collaborative call with Nestle to discuss the company's approach to plastic packaging. The company spoke to initiatives around moving towards a circular economy, noting several located in developing countries aimed at recycling as much plastic as was produced in those regions, even if the plastic did not come from the company's own production. Nestle representatives talked about the move towards making more single use plastics, such as sachets, more recyclable in the future, and the potential for more sustainable alternatives. However, it was not made clear what such alternatives would be.
Volvo - The acceleration in moving to electric vehicles is being seen globally, as auto manufacturers seek to meet net zero targets and reduce the carbon footprint in the life cycle of their vehicles. LAPFF met with Volvo to discuss its approach to climate change and a net zero transition. The company provided a promising dialogue, giving an in-depth overview of its approach. LAPFF continues to impress upon vehicle manufacturers the benefits of transparent reporting and enhanced due diligence, whilst seeking to better understand how companies are managing a just transition.
McDonalds - LAPFF met with McDonald's as part of a coalition of investors to discuss the company's approach to managing environmental risks across its agricultural supply chain. The 2020 water risk assessment used the WRI Aqueduct Water Risk tool to identify high risk areas, but the company has, to date, failed to release the results. LAPFF requested that the company disclose the findings to facilitate a better understanding of the material risks. McDonald's has been identified by the Valuing Water Finance Initiative as a company with significant exposure to water-related risks and therefore included the company in the VWFI benchmark. This benchmark will be used by LAPFF to measure company performance and the extent to which disclosure on the issue improves.

Standard Chartered - In April, LAPFF had a useful meeting with the Standard Chartered Chair, José Viñals, to determine how the company was progressing its work with clients on carbon emission reductions and aligning them with its approach to the energy transition. On the debate of absolute versus intensity targets, Standard Chartered considered that having absolute emissions targets may restrict helping clients reduce emissions in the long run. A voting alert was issued to members on the 'pathway to net zero by 2050' resolution. LAPFF advised members not to support due to the lack of targets in place to demonstrate the transition is fully aligned with a 1.5°C scenario.
Rolls Royce - A meeting with Rolls Royce Chair, Anita Frew, was held to follow up on LAPFF's collaborative correspondence to FTSE All Share chairs requesting they set out the company's carbon transition strategy to investors and put an appropriate resolution to shareholders at the AGM. Discussions on the company's carbon impact and transition plan made evident the emphasis placed on the development of new businesses and products. The LAPFF Chair again pressed for the board to put the transition plan to the AGM for shareholder approval. This may be considered too soon for the 2023 AGM but has not been ruled out for future AGMs.
Anglo American - Alongside LAPFF's engagement with Anglo American on mining and human rights, LAPFF engages the company on its approach to carbon emissions. This includes participating in (Climate Action) CA100+ engagements. These engagements focus on CA100+ expectations, including targets, capital expenditure and lobbying. As the engagement is part of a long-standing series of meetings, the discussion focused on the detail of how the company was seeking to reduce emissions. It was useful to hear how they were working with their customers to seek to reduce Scope 3 emissions and how they were approaching reducing their own emissions through renewables. Anglo American has started to hold ESG updates twice a year for investors. LAPFF was interested and pleased to see that there was a heavy emphasis on water issues by the company, especially since water was a major concern raised by affected communities in LAPFF's research for its mining and human rights report. LAPFF also appreciated Anglo American's active engagement with the mining and human rights report and the concerns it raised about the company.
Mizuho - Following a collaborative meeting in July that confirmed medium-term targets had been established for carbon intensity of the electric power sector, more information was sought on the transitional pathway and strategy Mizuho has developed to achieve these targets. Achieved: Further detail was provided on targets, based on the lower end of the International Energy Agency (IEA) Net Zero Emissions by 2050 Scenario, and the upper end of the IEA's Sustainable Development Scenario. LAPFF continues to engage collaboratively with a range of Asia-based utilities and financial companies, including ongoing dialogue with Mizuho.
Tesco - Following the military coup in Myanmar in February 2021, it has been widely reported that there has been a drop in human rights and labour standards throughout the country, with union leaders targeted, internet connections cut, wages withheld, and a lack of freedom of assembly for workers. Tesco announced a responsible exit from the country, concluding in May 2022. LAPFF sought a meeting with the company to discuss this responsible exit and gain insight into the company's global supply chain due diligence. When LAPFF met with Tesco, a range of factors for the company's withdrawal from Myanmar were discussed. The Ethical Trade Initiative's recommendations for responsible business in the garment sector arose as a point of reference. There was also a useful discussion about whether companies are able to maintain leverage over factories and the human rights situation on the ground with the Junta in power.

National Grid - LAPFF has had several meetings with National Grid, to assess progress in the company's climate transition plan. Significant progress had been made, notably in disclosing a science-based medium-term Scope 3 emissions target, as well as a long-term Scope 3 target for 2050. The company has made a 'strategic pivot' to electricity in the UK, selling its majority stake in the gas transmission business and its Rhode Island Business. However, the divergence between the US and UK businesses was apparent. In the north-eastern US states where National Grid operates it appears that the company wishes to keep the benefit of existing gas infrastructure, rather than moving to 100% electrification. LAPFF's engagement continues to identify and unlock potential policy barriers for National Grid's decarbonisation strategy and seeking to partner with the company in calling for the necessary policies that can unlock the barriers to fast and decisive climate action.

Voting Activity

Voting on the Fund's equity shares is delegated to the Brunel Pension Partnership, and for the Fund's passive investments to Legal and General Investment Management (LGIM). The Devon Fund requires that Brunel will always seek to exercise its rights as shareholders through voting on all resolutions at company general meetings.

Brunel actively vote the shares held within their funds on behalf of their client funds, including Devon. For the passive equity allocation Legal and General Investment Management (LGIM) manage the investments and voting on the shares is delegated to them. On significant issues, Brunel may request that their shares are split out and a different vote made. The votes cast by the Fund's investment managers during the year in respect of the Devon Fund's investments are set out in the table below. The passive portfolios managed by LGIM are shown separately from Brunel's voting on active portfolios.

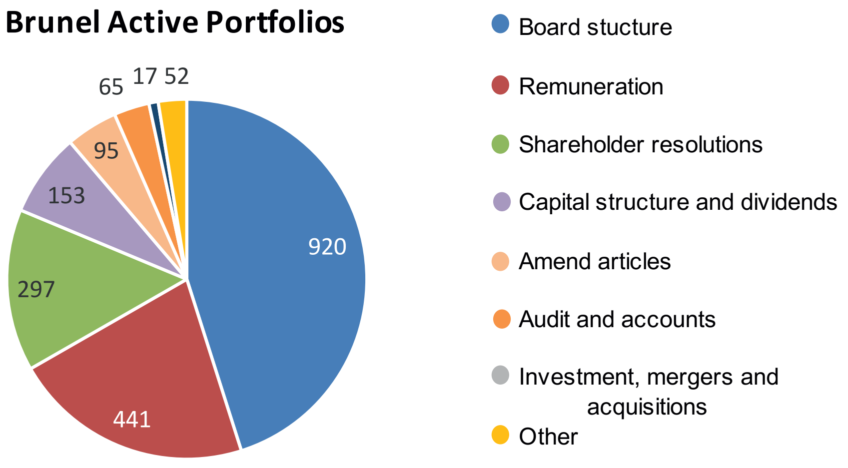
Votes Cast at Company Meetings 2022/23

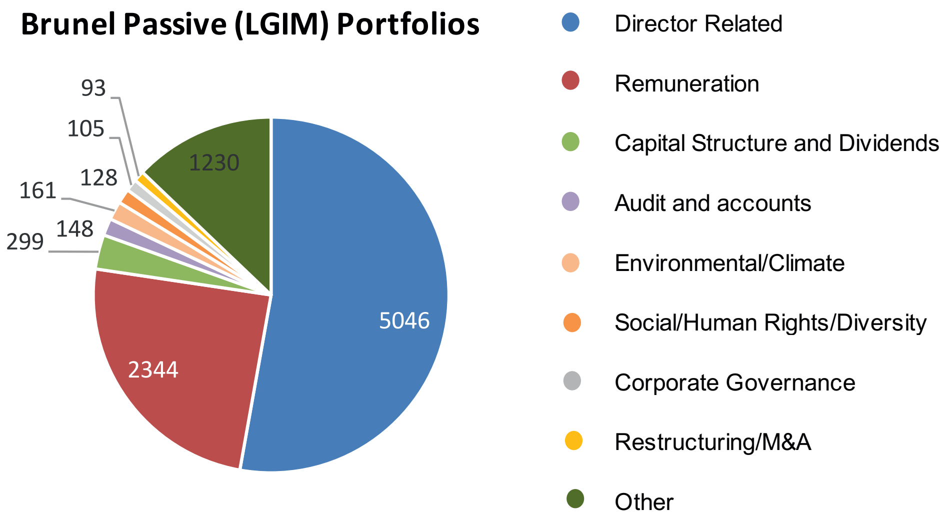
Manager	Number of Meetings	Number of Resolutions	Votes against Management Recommendation
Brunel Passive Portfolios (LGIM)	3,383	45,974	9,554
Brunel active Portfolios	949	11,097	2,040

The passive portfolios will include all the companies in the relevant indexes, so there will be more meetings and more resolutions to vote on than for the actively managed portfolios. The votes against management recommendations will reflect matters where there is concern that the company is not addressing the issue concerned and managing it effectively. The Devon Fund would expect that these votes against management should be primarily on the priority areas set out in the Fund's Investment Strategy Statement.

An analysis of the issues where votes have been cast against management recommendations is set out below.

Votes cast against management recommendation by issue 2022/23





While voting is delegated to Brunel and LGIM, the Devon Fund will take a particular interest in how votes are cast where significant issues arise on the agendas of company meetings. These issues will be identified through correspondence received from pension fund members, councillors or other interested parties within the local community. They will also be identified from voting alerts issued by LAPFF, with recommendations on how to vote.

The Devon Fund will then pass on recommendations to Brunel, and ask them to report back on how they and LGIM have voted. The votes cast are then reported back to the Investment and Pension Fund Committee on a quarterly basis, and the Committee can then hold Brunel accountable for the votes that have been cast.

The voting alerts issued during 2022/23 and the votes cast on the issues concerned are summarised in the following table. The table separates out Brunel's votes through their active portfolios and the votes cast by LGIM on the passive portfolios. The table also shows the outcome of the votes concerned and the rationale for how Brunel/LGIM have cast their votes.

LAPFF Voting Alerts 2022/23

Rio Tinto - 08-Apr-22	Active Portfolios held in: None			
Target Resolutions	**LAPFF Recommendation**	**LGIM (Passive) Vote**	**Brunel (Active) Vote**	**Vote Outcome**
1. Annual Report	Oppose	For	N/A	Approved (99.7% for)
2. Remuneration Report Implementation	Oppose	For	N/A	Approved (96.0% for)
3. Remuneration Report	Abstain	For	N/A	Approved (96.1% for)
7. Re-elect Megan Clark AC	Oppose	Oppose	N/A	Approved (91.7% for)
17. Climate Action Plan	Oppose	Oppose	N/A	Approved (84.3% for)
Rationale for vote: Re-elect Megan Clark: LGIM voted against because of a lack of progress on gender diversity on the board. LGIM expects boards to have at least one-third female representation on the board. Climate Action Plan: While recognising the progress the company has made in strengthening its operational emissions reduction targets by 2030, concerns remained with the absence of quantifiable targets for such a material component of the company's overall emissions profile, as well as the lack of commitment to an annual vote which would allow shareholders to monitor progress in a timely manner.				

Glencore - 22-Apr-22	Active Portfolios held in: Global High Alpha			
Target Resolutions	**LAPFF Recommendation**	**LGIM (Passive) Vote**	**Brunel (Active) Vote**	**Vote Outcome**
1. Approve the Annual Report and Accounts	Oppose	For	For	Approved (99.3% for)
13. Approve 2021 Climate Progress Report	Oppose	Oppose	Oppose	Approved (72.7% for)
Rationale for vote: Annual Report: Brunel and LGIM recognised that progress had been made by the company on the issues raised by LAPFF around improving its ethics and compliance programme. Climate change: A vote against was applied as companies are expected to introduce credible transition plans, consistent with the Paris goals of limiting the global average temperature increase to 1.5°C. While the company has made progress in strengthening its medium-term emissions reduction targets to 50% by 2035, Brunel and LGIM remained concerned over the company's activities around thermal coal and lobbying, which we deem inconsistent with the required ambition to stay within the 1.5°C trajectory.				

Vale - 29-April-2022	Active Portfolios held in: Emerging Markets			
Target Resolutions	**LAPFF Recommendation**	**LGIM (Passive) Vote**	**Brunel (Active) Vote**	**Vote Outcome**
4G. Election of Marcelo Gasparino da Silva	Oppose	For	For	Approved (99.0% for)
4H. Election of Mauro Gentile Rodrigues Cunha	Oppose	For	For	Approved (98.6% for)
8. Payment of Annual Compensation	Oppose	For	For	Approved (99.5% for)
Rationale for vote: The LAPFF recommendations were largely related to how the company was handling reparations to the communities affected by the collapse of tailings dams. The two directors subject to LAPFF's recommendations were only appointed in 2021, and it was felt by Brunel and LGIM that it was too early to hold them to account for failings that were largely before their appointment.				

Standard Chartered - 1-May-2022	Active Portfolios held in: Emerging Markets			
Target Resolutions	**LAPFF Recommendation**	**LGIM (Passive) Vote**	**Brunel (Active) Vote**	**Vote Outcome**
31. Endorse the pathway to net zero by 2050	Oppose	Oppose	Oppose	Approved (83.0% for)
Rationale for vote: While the company's strengthened sector policies and the disclosure of some interim targets for its financed emissions is noted, these targets only cover the activity of lending related to three sectors, and Brunel and LGIM were therefore concerned about the ability to achieve 1.5C temperature alignment on the proposed pathway. A vote Against was therefore applied as companies are expected to introduce credible transition plans, consistent with the Paris goals of limiting the global average temperature increase to 1.5°C. This includes the disclosure of scope 1, 2 and material scope 3 GHG emissions and short-, medium- and long-term GHG emissions reduction targets consistent with the 1.5°C goal.				

Barclays - 4-May-2022	Active Portfolios held in: None			
Target Resolutions	**LAPFF Recommendation**	**LGIM (Passive) Vote**	**Brunel (Active) Vote**	**Vote Outcome**
26. Climate Strategy, Targets and Progress	Oppose	Oppose	N/A	Approved (80.8% for)
Rationale for vote: While LGIM positively noted the Company's use of absolute emissions targets for its exposure in the Energy sector, as well as the inclusion of capital markets financed emissions within its methodology, they had concerns that the ranges used for interim emissions reduction targets and the exclusion of US clients from the 2030 thermal coal exit falls short of the actions needed for long-term 1.5C temperature alignment. A vote Against was therefore applied as LGIM expects companies to introduce credible transition plans, consistent with the Paris goals of limiting the global average temperature increase to 1.5°C.				

BP Plc - 12-May-22	Active Portfolios held in: None			
Target Resolutions	**LAPFF Recommendation**	**LGIM (Passive) Vote**	**Brunel (Active) Vote**	**Vote Outcome**
3. 'Net Zero – from ambition to action' report	Oppose	For	N/A	Approved (88.5% for)
24. Climate targets aligned with Paris Agreement	For	Oppose	N/A	Not approved (85.1% against)
Rationale for vote: LGIM applied a vote for the company resolution and against the shareholder resolution, although this was not without reservations. Their view was that the company has taken significant steps to progress towards a net zero pathway, as demonstrated by its most recent strategic update where key outstanding elements were strengthened. Nevertheless, LGIM remain committed to continuing constructive engagements with the company on its net zero strategy and implementation, with particular focus on its downstream ambition and approach to exploration.				

Shell - 24-May-22	Active Portfolios held in: None			
Target Resolutions	**LAPFF Recommendation**	**LGIM (Passive) Vote**	**Brunel (Active) Vote**	**Vote Outcome**
20. Advisory on Progress on Energy Transition	Oppose	Oppose	N/A	Approved (79.9% for)
21. Climate targets aligned with Paris Agreement	For	Oppose	N/A	Not approved (79.7% against)
Rationale for vote: LGIM voted against resolution 21 in light of the company's progress in its energy transition strategy, primarily around disclosure and the strengthening of its interim emissions reduction targets. However, it also voted against resolution 20, as they remain concerned about the disclosed plans for oil and gas production, and that the report would benefit from further disclosure of targets associated with the upstream and downstream businesses. LGIM will continue building on the constructive engagements held with the company in pursuing its alignment with the 1.5C trajectory.				

Meta Platforms - 25-May-22	Active Portfolios held in: None			
Target Resolutions	**LAPFF Recommendation**	**LGIM (Passive) Vote**	**Brunel (Active) Vote**	**Vote Outcome**
4. Dual class capital structure	For	For	N/A	Not approved (71.9% against)
5. Independent chair	For	For	N/A	Not approved (83.3% against)
6. Concealment clauses	For	For	N/A	Not approved (81.5% against)
7. Report on external costs of misinformation	For	Oppose	N/A	Not approved (97.3% against)
8. Report on community standards enforcement	For	For	N/A	Not approved (80.8% against)
9. Report and advisory vote on the metaverse	For	Oppose	N/A	Not approved (97.0% against)
10. Human rights impact assessment	For	For	N/A	Not approved (76.6% against)
11. Child sexual exploitation online	For	For	N/A	Not approved (82.7% against)
13. Report on lobbying	For	For	N/A	Not approved (79.5% against)
14. Assessment of audit & risk oversight committee	For	For	N/A	Not approved (85.5% against)

Rationale for vote: A range of shareholder resolutions were proposed to improve governance across the company in relation to a variety of issues. LGIM supported the requirements for improved governance arrangements including in relation to the capital structure, having an independent chair and increasing transparency for shareholders. They supported the resolution on child sexual exploitation because of the heightened risks that end to end encryption brings. LGIM voted against the request for a report on external costs of misinformation and for a report and advisory vote on the metaverse, because the scope of the proposed reports was too broad and too vague in its description.

Amazon Inc - 25-May-22	Active Portfolios held in: None			
Target Resolutions	**LAPFF Recommendation**	**LGIM (Passive) Vote**	**Brunel (Active) Vote**	**Vote Outcome**
6. Human rights due diligence on use of products	For	For	N/A	Not approved (59.8% against)
7. Alternative director candidate policy	For	For	N/A	Not approved (77.8% against)
8. Report on packaging materials	For	For	N/A	Not approved (51.1% against)
9. Report on worker health and safety differences	For	For	N/A	Not approved (86.8% against)
10. More reporting on certain contract clauses	For	For	N/A	Not approved (75.1% against)
12. Alternative tax reporting	For	For	N/A	Not approved (82.5% against)
13. Reporting on freedom of association	For	For	N/A	Not approved (61.1% against)
14. Additional reporting on lobbying	For	For	N/A	Not approved (52.7% against)
16. Report on warehouse working conditions	For	For	N/A	Not approved (56.0% against)
17. Additional reporting on gender/racial pay	For	For	N/A	Not approved (71.2% against)
19. Report on use of certain technologies	For	For	N/A	Not approved (59.3% against)

Rationale for vote: LGIM supported all the shareholder resolutions that were subject to LAPFF recommendations.
* Human rights: A vote in favour was applied as LGIM supports such risk assessments as they consider human rights issues to be a material risk to companies. Resolutions on freedom of association, use of contract clauses and use of certain technologies were supported re human rights considerations.
* Environment: Climate Change and Biodiversity - A vote in favour was applied as LGIM believes that improving the recyclability of products will have a positive impact on climate change and biodiversity.
* Health & Safety: A vote for this proposal was warranted. Shareholders would benefit from increased disclosure through third-party auditing on warehouse working conditions.
* Tax reporting - A vote in favour was applied as LGIM supports tax disclosure in line with the GRI standard as it provides full transparency country by country.

Sumitomo Mitsui Financial Group - 25-May-22	Active Portfolios held in: None			
Target Resolutions	**LAPFF Recommendation**	**LGIM (Passive) Vote**	**Brunel (Active) Vote**	**Vote Outcome**
4. Setting greenhouse gas reduction targets	For	For	N/A	Not approved
5. Financing consistent with the IEA's Net Zero	For	For	N/A	Not approved

Rationale for vote: A vote in support of these proposals was warranted as LGIM expects company boards to devise a strategy and 1.5C-aligned pathway in line with the company's commitments and recent global energy scenarios. This includes but is not limited to, stopping investments towards the exploration of new greenfield sites for new oil and gas supply.

Alphabet Inc - 01-June-22	Active Portfolios held in: Low Vol High Alpha/Global Sustainable			
Target Resolutions	**LAPFF Recommendation**	**LGIM (Passive) Vote**	**Brunel (Active) Vote**	**Vote Outcome**
5. Lobbying Report	For	For	For	Not approved (81.0% against)
6. Climate Lobbying Report	For	For	For	Not approved (81.0% against)
7. Report on Physical Risks of Climate Change	For	For	For	Not approved (81.8% against)
8. Report on Water Management Risks	For	For	For	Not approved (77.4% against)
9. Racial Equity Audit	For	For	For	Not approved (77.6% against)
10. Report on Concealment Clauses	For	For	For	Not approved (88.0% against)
11. Equal Shareholder Voting	For	For	For	Not approved (66.8% against)
13. Human Rights Assessment of Data Centre	For	For	For	Not approved (82.9% against)
14. Report on Data Collection, Privacy, and Security	For	For	For	Not approved (82.8% against)
15. Algorithm Disclosures	For	For	For	Not approved (80.4% against)
16. Misinformation and Disinformation	For	For	For	Not approved (76.9% against)
17. Report on External Costs of Disinformation	For	Oppose	Oppose	Not approved (96.5% against)
18. Report on Board Diversity	For	For	For	Not approved (94.7% against)
19. Establish an Environmental Sustainability Board	For	For	Oppose	Not approved (95.2% against)
20. Non-Employee Representative Director	For	Oppose	Oppose	Not approved (97.5% against)
21. Report on Policies on Militarized Policing	For	For	For	Not approved (90.8% against)

Rationale for vote: The majority of shareholder proposals were supported by Brunel and LGIM:
* Climate Change: votes in favour were applied as companies are expected to be taking sufficient action on the key issue of climate change.
* Water risks: shareholders would benefit from increased disclosure regarding how the company is managing climate-related water risks.
* Human rights: LGIM and Brunel support such risk assessments as they consider human rights issues to be a material risk to companies.
* External costs of disinformation: votes against were applied as the company provides shareholders with disclosure on its efforts to address disinformation on its ad platforms.
* Policy on Non-Employee Representative Director: votes against this proposal were warranted, as the company seems to listen to employee feedback and has practices for employees to voice opinions.

Caterpillar - 8-June-2022	Active Portfolios held in: None			
Target Resolutions	**LAPFF Recommendation**	**LGIM (Passive) Vote**	**Brunel (Active) Vote**	**Vote Outcome**
4. Report on climate policy	For	For	N/A	Approved (96.5% for)

Rationale for vote: It should be noted that this was a shareholder resolution, but company management recommended voting for the resolution, which is to be welcomed. A vote in favour was applied as LGIM expects companies to be taking sufficient action on the key issue of climate change.

Monster Beverage Corp - 14-June-2022	Active Portfolios held in: None			
Target Resolutions	**LAPFF Recommendation**	**LGIM (Passive) Vote**	**Brunel (Active) Vote**	**Vote Outcome**
4. A report on plans to reduce GHG emissions	For	For	N/A	Not approved (55.8% against)
Rationale for vote: A vote in support was applied as LGIM supports and encourages companies to take action on climate change.				

Electric Power Development - 25-June-2022	Active Portfolios held in: None			
Target Resolutions	**LAPFF Recommendation**	**LGIM (Passive) Vote**	**Brunel (Active) Vote**	**Vote Outcome**
8. Amendments to the Articles of Incorporation	For	For	N/A	Not approved (74.1% against)
Rationale for vote: A vote in favour was applied as LGIM expects companies to be taking sufficient action on the key issue of climate change.				

Dollar Tree - 30-June-2022	Active Portfolios held in: None			
Target Resolutions	**LAPFF Recommendation**	**LGIM (Passive) Vote**	**Brunel (Active) Vote**	**Vote Outcome**
5. Require a report on climate transition planning	For	For	N/A	Approved (92.4% for)
Rationale for vote: A vote in favour was applied as LGIM expects companies to be taking sufficient action on the key issue of climate change. Although the company is now taking steps to improve its impact on climate change, their policies currently lag many of their peers.				

National Grid PLC - 11 July 2022	Active Portfolios held in: Sustainable Equities			
Target Resolutions	**LAPFF Recommendation**	**LGIM (Passive) Vote**	**Brunel (Active) Vote**	**Vote Outcome**
19. To Approve the Climate Transition Plan	Against	For	For	Approved (98. 4% for)
Rationale for vote: LGIM voted in favour of the National Grid Climate Transition Plan. They commended the company's efforts in committing to net-zero emissions across all scopes, setting an SBTi approved target and furthermore committing to the Business Ambition for 1.5C Campaign. They did however qualify their supporting vote with concerns around short-term targets and a lack of clarity as to whether electricity generation will be carbon-free from 2035 in advanced economies and 2040 globally, as indicated within the IEAs net-zero by 2050 scenario. They expect to see further clarity from the company on whether they will meet this milestone. Brunel supported the plan. Whilst they had questions around the company's Scope 3 target for gas, it was positive to hear the company's commitment around aligning to a specific gas-sector pathway, should one be developed. Follow-up meetings are planned to continue discussions.				

SSE PLC - 21 July 2022	Active Portfolios held in: Low Volatility Global Equity			
Target Resolutions	**LAPFF Recommendation**	**LGIM (Passive) Vote**	**Brunel (Active) Vote**	**Vote Outcome**
21. Net Zero Transition Report	For	For	For	Approved (98.9% for)
Rationale for vote: Resolution supported by both LGIM and Brunel because the company has set SBTi (Science Based Targets initiative) approved 1.5 degree aligned targets and committed to net- zero across all scopes of emissions.				

KLA Corporation - 2 November 2022	Active Portfolios held in: None			
Target Resolutions	**LAPFF Recommendation**	**LGIM (Passive) Vote**	**Brunel (Active) Vote**	**Vote Outcome**
4. Stockholder proposal for a report on net zero targets and climate transition planning	For	For	N/A	Not approved (74% against)
Rationale for vote: Both LGIM and LAPFF have engaged with the Company regarding its climate risk management and recognise the efforts of the Company to reduce its emissions targets. However, LGIM, as recommended by LAPFF, applied a vote in favour of the shareholder resolution as the Company has not disclosed a formal climate risk strategy or carbon-emissions reduction targets that are aligned to a 1.5°C trajectory, including covering Scopes 1, 2 and 3.				

BHP Group Ltd - 10 November 2022	Active Portfolios held in: None			
Target Resolutions	**LAPFF Recommendation**	**LGIM (Passive) Vote**	**Brunel (Active) Vote**	**Vote Outcome**
1. Approve the financial statements and reports	Abstain	N/A	N/A	Resolution was not tabled and brought to shareholders to vote
8. Re-elect Ken MacKenzie	Oppose	For	N/A	Approved (94.9% for)
12. Approval of equity grants to the CEO	Oppose	For	N/A	Approved (97.9% for)
13. Amendment to the Constitution	For	For	N/A	Not approved (90.3% against)
14. Policy advocacy	For	For	N/A	Not Valid (However, 86.8% votes against)
15. Climate accounting and audit	For	For	N/A	Not Valid (However, 80.8% votes against)
Rationale for vote: LAPFF remain very focused on the company taking very seriously its responsibilities to the local community in Brazil following the collapse of the Samarco dam in 2015 and recommended a vote against Ken Mackenzie on that basis. Mr Mackenzie was not in position at BHP until 2017, and LGIM have chosen not to vote against his re-appointment. LGIM are looking for further quantitative disclosure in the company's financial statements around the impact of climate change scenarios on BHP's material commodity portfolio, and an increase in shareholders rights. They therefore supported resolutions 13, 14 and 15. Agreement to resolution 13 was required in order for resolutions 14 and 15 to be valid items, so the vote against resolution 13 made the following items invalid.				

Starbucks - 23 March 2023	Active Portfolios held in: None			
Target Resolutions	**LAPFF Recommendation**	**LGIM (Passive) Vote**	**Brunel (Active) Vote**	**Vote Outcome**
5. Report and Plant Based Milk Pricing	For	Oppose	N/A	Not Approved (94.7% votes Against)
6. Succession Planning Policy Amendment	For	Oppose	N/A	Not Approved (79.0% votes Against)
8. Assessing Workers' Rights Commitments	For	For	N/A	Approved (52.0% votes For)
9. Creation of Board Committee on Corporate Sustainability	Oppose	Oppose	N/A	Not Approved (97.3% votes Against)
Rationale for vote: Milk pricing: A vote against was applied because it is in shareholder's interests that the company passes on the additional costs of providing non-dairy milk alternatives that are currently more expensive to purchase. Succession planning: A vote against was applied because following the submission of the shareholder resolution, the board took on board most of the concerns raised and strengthened its succession planning procedures. Workers' Rights: A vote in favour was applied. This was despite an engagement with the company where the company provided sufficient information to suggest they respect employee's rights to freedom of association and collective bargaining. The reason for supporting the resolution is because LGIM believed Starbucks would benefit from having an independent assessment being carried out which would either clear them of any wrongdoing or help them to improve on their current practices. Sustainability committee: A vote against was applied because the work of the corporate sustainability is being carried out by the company's Nominations and Governance Committee where discussions are tabled at each meeting. LGIM do not see the need for an additional committee if the company has decided that this is a better use of director's time to combine the work of these committees into the same meeting.				

Fixed Interest and Diversifying Returns Funds

In addition to the allocation to listed equities, the Devon Pension Fund also has investments in fixed income assets, diversifying returns funds and private markets.

Fixed interest instruments are debt instruments and therefore do not usually confer voting rights. However, in relation to corporate bonds, the Devon Fund believes that well-governed companies are more likely to make their loan repayments and improve their creditworthiness, enabling better access to funds to support the creation of long-term value for shareholders, other stakeholders, society, and the environment.

The Devon Fund is invested in Brunel's multi-asset credit and Sterling corporate bonds portfolios. When Brunel undertook the manager selection process for those portfolios, they worked with their client funds to specify the requirements, including how they would incorporate stewardship responsibilities. While much of Brunel's stewardship focus has been on equities, Devon Fund officers have raised the need to undertake and report more action on bond portfolios at meetings of the Brunel Responsible Investment Sub-group. The Devon Fund expects Brunel to integrate Environmental, Social and Governance (ESG) considerations into ongoing manager monitoring, taking on board that much of the activity will be undertaken by the appointed managers, to ensure that ESG is imbedded into the investment process at an issuer, sector, and geographic level.

Royal London Asset Management (RLAM), Brunel's appointed manager for sterling corporate bonds, has an approach to ESG in credit built on the belief that credit markets do not accurately price idiosyncratic risk. They use ESG analysis and engagement in the same way as any other form of credit research – to uncover information that credit rating agencies and other market participants might be missing, helping them to make better investment decisions for their clients and deliver excess returns.

For example, RLAM has been lending to the Housing Association sector for decades, with a focus on the positive societal benefit. As long-term stewards of their clients' investments, they work with the housing associations to ascertain a wider understanding of how the social impact is being delivered. Housing 21, a national provider of social housing for the elderly, presented a carbon intensity for 2022 that was considerably higher than the wider sector. RLAM engaged with management who outlined the very high proportion of properties that are already rated with an Energy Performance Certificate (EPC) of C or above with an expectation of full transition of its entire portfolio to an EPC C or above well in advance of the government's 2030 target. As well as providing comfort about the sustainability of assets backing the bonds, this also implies one of the lowest costs of transition in the sector, further underpinning long-term cash generation for debt service, which should deliver strong bond performance.

Another example of RLAM's rounded and integrated ESG analysis is Bazalgette Finance, the bond issuing entity for the Thames Tideway Tunnel, the 'super sewer' currently being built under the river Thames. With the company in its construction phase, current emissions are significant, especially when compared to operational utilities, such as gas network businesses. But looking beyond the short term, the Bazalgette funding will provide material environmental and social benefits once the asset is operational, while gas utilities are potentially facing long-term asset stranding risks. As significant bond investors in this project, it was incumbent on RLAM to ask how the company was managing its prevailing environmental impact. During 2022, RLAM's credit and Responsible Investment teams met with management to further understand and challenge the company's environmental mitigation strategy. Although emissions for the delivery of this specific project are largely 'locked-in' at the design phase of the project, they asked Bazalgette to review ways in which it could have been made more carbon-efficient and how it would support material specification standards evolving within a net zero context.

Diversified returns funds incorporate a wide range of investment strategies and multi asset funds providing diversification. Investors own units in these funds rather than owning the underlying holdings directly. A large part of the portfolio is implemented using derivatives for which ESG data is sparse. However, ensuring managers consider ESG risks was an important part of Brunel's procurement process and Brunel maintains a regular dialogue with managers to ensure they are taking a proactive approach to mitigating ESG risks, and reports back on this to client funds including Devon.

For example, JP Morgan apply a revenue threshold to direct equity holdings to exclude companies with material exposure to tobacco, controversial weapons and thermal coal. ESG scoring is also applied to companies in the investment universe and the lowest scoring decile excluded from investment in the long side of the equity book. JP Morgan uses data from external providers to calculate ESG scores but are developing their own ESG scoring model, leveraging artificial intelligence. UBS appraise ESG risks as part of their currency valuation framework. For example, a country's social policies will impact productivity and growth. Such policies are factored into growth forecasts that are an input to a currency's value. Analysis of a country's judicial, financial and political institutions helps UBS to appraise whether sufficient governance risk premia is reflected in a currency's value.

Private Markets

Stewardship is an intrinsic part of private markets investing due to the degree of influence and control, lack of short-term results pressure on capital markets, and long-term nature of the investments that are made. The Devon Pension Fund expects that managers of the funds that we are invested in should have firm ESG and climate change policies in place, and these should be considered across the value chain, from investment due diligence to ongoing managing, monitoring, and ultimately disposal of the assets. This applies to both the funds invested in prior to the inception of Brunel, and the funds that Brunel have selected on our behalf.

The stewardship of private market funds is monitored and highlights from 2022/23 include:

- The **Igneo European Diversified Infrastructure Fund** (EDIF) has developed Five Minimum Standards for ESG performance that apply to each of the companies in their portfolio. They cover health and safety, reducing CO2 emissions and improving other environmental metrics, increasing equality and representation, good governance, and encouraging apprenticeship and continuous development. All carbon emissions metrics for EDIF I saw a decrease in 2022, primarily due to the divestment of Anglian Water Group. Absolute scope 1 and 2 greenhouse gas emissions decreased, as did their emissions intensity metrics: the Carbon Footprint (emissions per million Euros of Net Asset Value) and the Weighted Average Carbon Intensity (emissions per million Euros of revenue). The fund-level Accident Frequency Rate (AFR per 100,000 hours worked) increased in 2022. This was mainly due to AFR increases at ForSea and Coriance. Igneo continue to engage on health and safety at board level in all portfolio companies and follow up on all lost-time injuries that occur to ensure that they are properly investigated and that lessons learned are shared across the company. They aim to see next year's AFR return to lower levels.
- The **Arcmont Senior Loan Fund I** has a responsible investment focus based on Arcmont's membership of the United Nations supported Principles for Responsible Investment ("PRI"). Over the year, Arcmont's responsible investment approach has continued to be enhanced and developed to reflect best practice, culminating in a robust ESG-integrated investment process, with two key objectives: (i) to identify ESG investment risks and opportunities to enhance investment decision making; and (ii) to incentivise portfolio companies to improve their ESG performance. All portfolio companies are RAG (Red, Amber, Green) rated, and of 11 portfolio companies, only one is red rated and two are amber rated. Arcmont will follow up on those companies, for example following up with one of the amber rated portfolio companies on their energy usage with a view to increasing the proportion of green energy used and ensuring that the company offered a competitive employee benefits package to attract the right calibre of staff to manage the business effectively.
- The **Hermes Infrastructure Fund** considers sustainability risks, opportunities and impacts at each step of the infrastructure investment lifecycle. The nature of infrastructure often means that large workforces are operating in industrial settings. As such, human capital and rights considerations are also at the forefront of ESG considerations. During 2022, one of Hermes portfolio companies, Associated British Ports, launched their Ready for Tomorrow sustainability strategy identifying five focus areas for action: Net Zero, air quality, biodiversity, waste and water management. Each focus area has a programme of action plans - including action ideas from ABP's employees. At Viridor, Hermes have focused on engaging at Board level and directly with the company and other shareholders on monitoring Viridor's ESG strategy, including the approval of a new diversity, equality and inclusion policy.
- The **Brunel Pension Partnership**'s private debt portfolio has been an on-going area of stewardship and one of which we have been pleasantly surprised at the pace of progress. Brunel has been able to make investments with General Partners (GPs) who have extensive mapping efforts underway (even if using a majority of proxy data at this stage) and engage them to set ambitious targets around factors such as: (i) efforts to increase the share of portfolio level emissions sourced from actual companies; (ii) establishing a medium term target to move portfolios towards net zero; and (iii) the onboarding of external consultants and data providers to aid in (i) and (ii). A particular success story has been their collaboration with a prominent European GP to help steer the formation of their climate policy and their onboarding of what Brunel regards as leading data providers and initiatives.

Climate Change and Carbon Footprint

Climate change continues to be a significant concern nationally and internationally. The Devon Pension Fund has committed to achieve net zero investment portfolios by 2050 or sooner.

In order to achieve this goal, the Fund has set an initial target of a minimum 7% per annum reduction in the Weighted Average Carbon Intensity (WACI) of the Fund's investments, from a baseline of the calculation of the WACI as at 31 March 2019. This recognises the need for significant progress in the earlier part of the period to 2050, with the intention of achieving a 50-75% reduction by 2030. These targets will also be applied to the Fund's exposure to fossil fuel reserves as a proxy for downstream scope 3 emissions which are not captured within the WACI calculation.

We look to implement our climate-related commitments with the aim of achieving real economy emissions reductions through collaborating in collective policy advocacy and through our stewardship and engagement policies. The Devon Pension Fund believes climate change poses significant risks to global financial stability and could thereby create climate-related financial risks to the Fund's investments, unless action is taken to mitigate these risks.

The Devon Fund is a member of the Institutional Investors Group on Climate Change (IIGCC). The Devon Investment and Pension Fund Committee recognises the concerns around the potential impact of climate change on the future sustainability of the companies in which the Fund invests and has therefore joined an investor led approach to tackling the issue, rather than taking a political approach in response to various lobbyists. The IIGCC enjoys a strong international reputation for providing robust, insightful thought leadership across the climate agenda informed by leading members of the investment community committed to action on climate change. It also provides regular investor-led research and events to hear expert guidance on approaches to the management of climate risks and opportunities and the latest developments in climate policy.

The Devon Fund is committed to working with the Brunel Pension Partnership to decarbonise our investments in listed portfolios. Decarbonisation is achieved by being selective in the allocation of capital, particularly to carbon intense companies. This process is informed by using a variety of tools in combination with industry and corporate engagement. For example, engagement with electric utility companies about their future strategy on energy sources informs the investment decisions relating to those companies and the relative attractiveness of the sector over time.

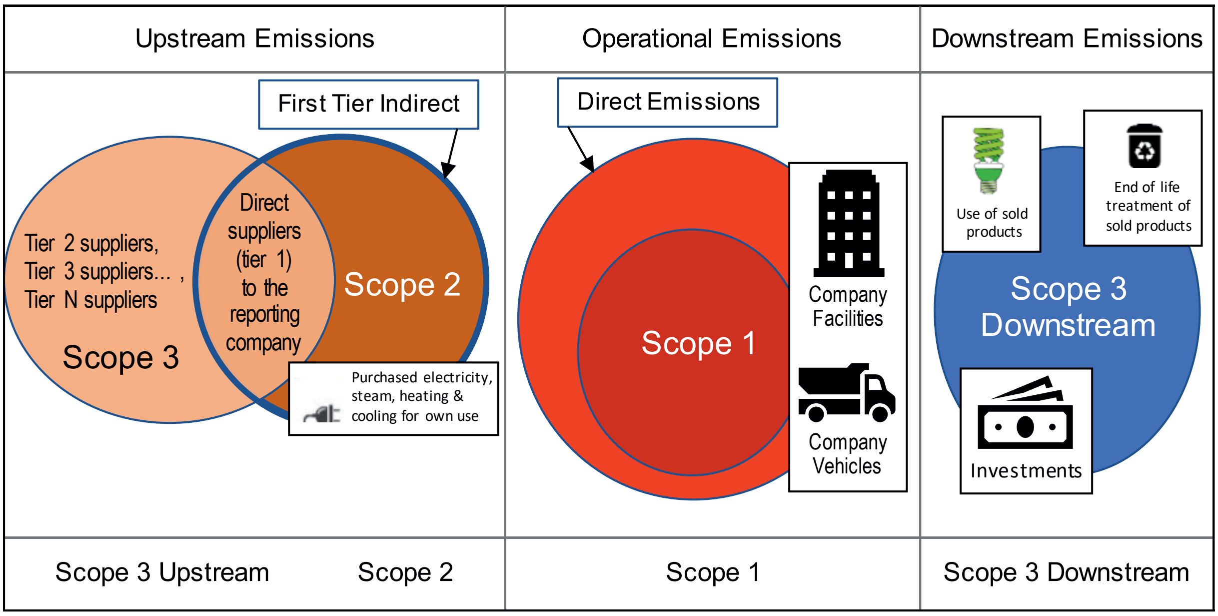
Carbon Footprint

A key part of the approach is to regularly measure the carbon footprint of the Fund's equity investments. This will be monitored by the Investment and Pension Fund Committee, with a view to seeing a reduction of at least 7% per year in the Weighted Average Carbon Intensity (WACI) of the Fund's investments.

Calculating the impact of a company's emissions involves looking not only at the operations of the company itself, but also looking at the impact of the products that it sells and the impact of its supply chain. Emissions are therefore split into scope 1, scope 2 and scope 3 emissions:

- Scope 1 – The direct emissions of the company's own operations.
- Scope 2 –The emissions related to the purchase of electricity, steam, heating and cooling for the company's use.
- Scope 3 Upstream – The emissions of the company's supply chain.
- Scope 3 Downstream – The emissions associated with the companies' products as they are consumed by customers.

These are illustrated in the following diagram:



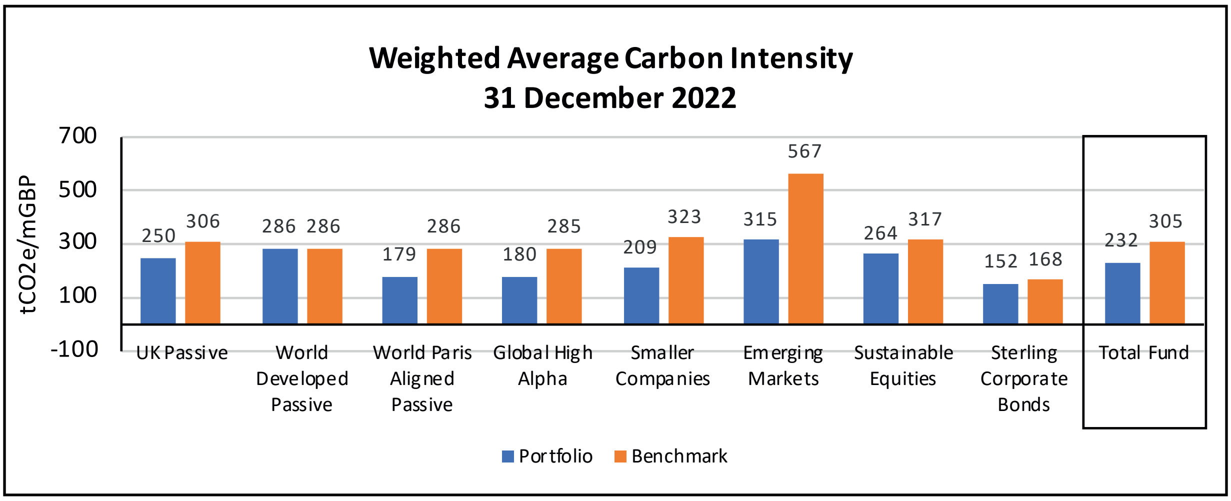
In analysing a portfolio of investment companies, there is the danger of double counting, where the scope 1 direct emissions of one company are the scope 3 downstream emissions of another company in the portfolio. However, from an investment risk perspective it is useful to know both the attribution of carbon risk (what is in the company's direct control) and also the aggregate risk, from carbon risk within the supply chain. The Brunel/Trucost analysis of the Devon Pension Fund's equity investments therefore takes into account Scope 1 direct emissions, Scope 2 (e.g. purchased power) and the first tier Scope 3 (immediate supply chain) emissions of investee companies, as shown in the diagram above. Downstream Scope 3 emissions based on product in use (or disposal) are not widely calculated by companies or reported. However, downstream Scope 3 are critical when looking at the impact/ investment risk of car manufacturers and fossil fuel companies.

The analysis undertaken quantifies greenhouse gas emissions (GHG) embedded within a portfolio, presenting these as tonnes of carbon dioxide equivalents (tCO2e). Comparing the total GHG emissions of each holding relative to either revenues generated, or capital invested, gives a measure of carbon exposure that enables comparison between companies, irrespective of size or geography. The weighted average carbon intensity (WACI) of each portfolio is measured by summing the product of each holding's weight in the portfolio with the company level carbon/ environmental revenue intensity.

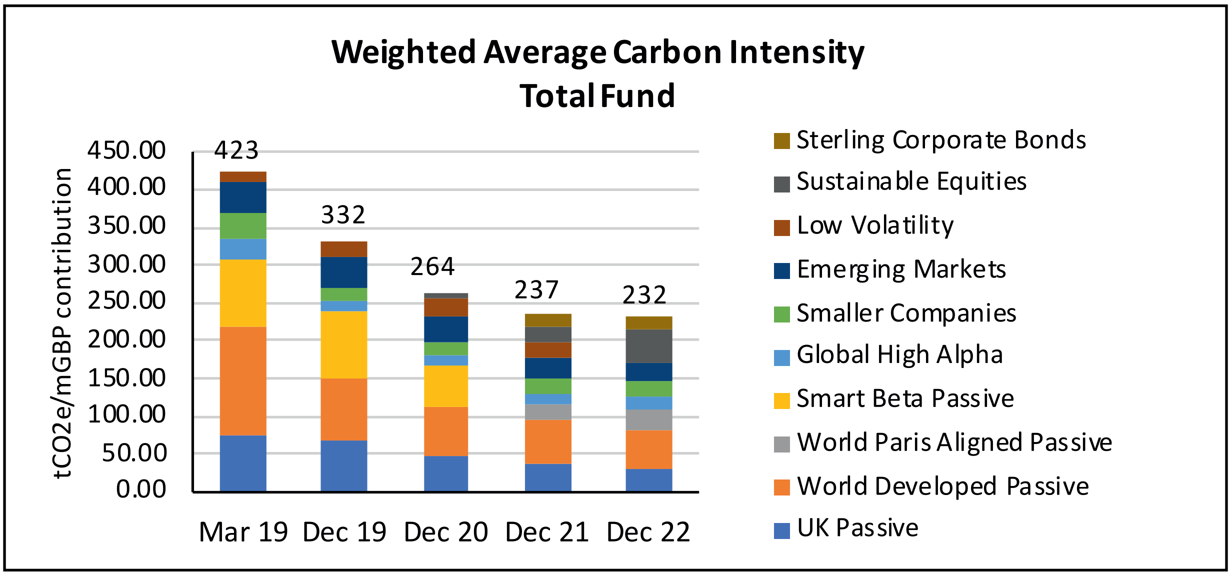
The disclosure of emissions varies across portfolio companies. The carbon intensity results will comprise a total of:

- Full Disclosure - exact figures have been extracted from annual reports, financial account disclosures, other regulatory disclosures, environmental/corporate social responsibility reports, or from personal communication with a company.
- Partial Disclosure - Trucost has needed to derive, adjust, or scale any of the data acquired from the sources described above.
- Modelled - Trucost has calculated estimates using its proprietary environmentally enhanced input-output model, due to the unavailability or unreliability of up-to-date disclosures.

The WACI for each portfolio and for the Fund's total equity and sterling corporate bond holdings as at 31 December 2022 is shown in the graph below. The total Fund WACI has fallen marginally from 237 tCO2e/mGBP in December 2021 to 232 tCO2e/mGBP in December 2022, a reduction of 2.1%. The WACI in December 2021 was below the benchmark and in December 2022 is further below the benchmark of 305 tCO2e/mGBP.



This is the fifth annual assessment of the Fund's carbon footprint. Progress since March 2019 is shown in the following chart, with the proportionate contribution from each equity portfolio also highlighted.



It is disappointing that there has only been a small reduction in the Fund's during the year, but this should be set in the context that 2022 saw negative returns across markets particularly in growth stocks, meaning that many companies with lower carbon footprints lost value, while value stocks, including oil companies, performed much better in financial terms and therefore formed a larger part of the market. The WACI of the benchmarks that our funds are compared to went up from 284 tCO2e/mGBP to 305 tCO2e/mGBP over the year, so the small decrease in the Fund's WACI is a reasonable outcome in the circumstances.

The reduction of 45% in the Fund's WACI since March 2019 still represents good progress towards the medium-term target of a 50-75% reduction by 2030.

Other points to note include:

- The UK Passive allocation transferred to the new UK Climate Transition Fund at the end of February 2022. The UK Climate Transition Fund has a lower WACI than the core UK passive index.
- The Emerging Markets portfolio has the highest WACI. Emerging economies may find it more difficult to transition their economies, and the Fund also has the objective of securing a just transition that does not penalise those countries with a poorer standard of living.
- The Sustainable Equities portfolio has a relatively high WACI compared to some of the active portfolios. This demonstrates that the numbers only tell half the story. The Sustainable Equities portfolio is focused on solutions, so may include companies who have higher emissions from processes that support the transition, for example the manufacture of wind turbines.

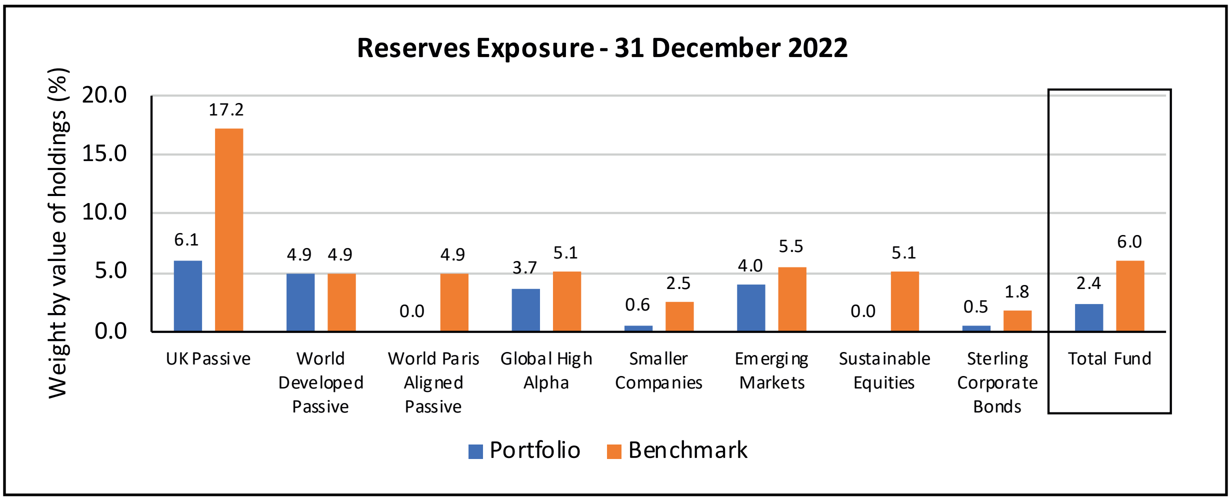
The Fund will continue to work with Brunel to seek further reductions in its carbon footprint. The Fund's carbon footprint will be measured as at 31 December each year in order to review progress.

Reserves Exposure

One of the issues with the WACI measurement is that it does not capture the downstream tier 3 emissions. Downstream Scope 3 emissions based on product in use (or disposal) are not widely calculated by companies or reported. However, downstream Scope 3 are critical when looking at the impact / investment risk of car manufacturers and fossil fuel companies.

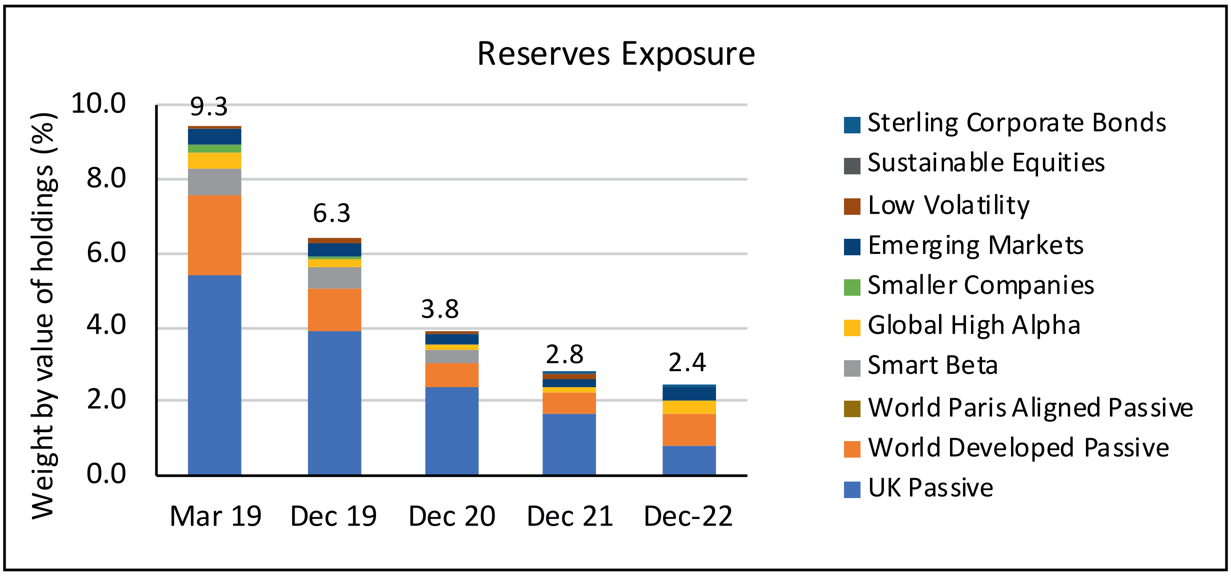
This is linked with the risk involved in stranded assets, where companies may have large reserves of fossil fuels that will not be usable if we are to achieve carbon reduction targets across the economy and so become "stranded". Exposure to reserves data is therefore a useful proxy for downstream emissions.

The reserves exposure for each portfolio and for the Fund's total equity holdings as at 31 December 2022 is shown in the graph below. The figures shown are on a value of holdings basis, which means the value of any company with fossil fuel reserves is included in full in the analysis, regardless of what proportion of their business relates to extraction. Between December 2021 and December 2022, the reserves exposure fell from 2.8% to 2.4%. This equates to just under 1.5% of total assets.



The decision to move the UK Passive allocation to the UK Climate Transition Benchmark fund has reduced the reserves exposure of that allocation from 13% in December 2021 to 6% in December 2022, while the benchmark of FTSE All-share companies has increased from 13% to 17%. The UK Passive allocation no longer includes Shell, Anglo American or Glencore, but does still hold BP.

The reduction in reserves exposure since March 2019 is shown in the following graph:



The UK Passive allocation previously accounted for around 60% of the reserves exposure, but now only accounts for a third. However, the global developed passive now accounts for a larger proportion as the exposure of the benchmark has increased from 2.9% to 5%, for the same reasons as set out above in relation to the WACI benchmark. The passive portfolios continue to have the most significant exposure.

Climate Scenario Analysis

The Task Force on Climate-Related Financial Disclosures (TCFD) was created in 2015 by the international Financial Stability Board (FSB) to develop consistent climate-related financial risk disclosures for use by companies, banks, and investors in providing information to stakeholders.

The UK Government has already enacted legislation to implement mandatory TCFD-aligned disclosures across the private sector, but the requirements do not currently apply to LGPS funds. During 2022, the Department of Levelling Up, Housing and Communities (DLUHC) issued a consultation on how climate reporting requirements will be built into the LGPS regulations. The Devon Fund welcomed the consultation. We are still awaiting the publication of draft regulations following on from the consultation.

TCFD looks at four areas: - governance, strategy, risk management, and metrics and targets. These areas are addressed by the above sections and also other areas of the Annual Report, but we await further guidance from Government.

As detailed elsewhere in the Annual Report, Mercer investment consultants undertook a review of the Fund's investment strategy during January/February 2022. As part of their review, they conducted a climate scenario analysis, looking at how different climate scenarios will impact on the Fund's portfolio compared to an alternative sustainable portfolio climate scenario analysis will form an important part of TCFD reporting under the "strategy" pillar.

The results of Mercer's climate scenario analysis are set out below:

Climate Change Impact on Return (% per year)

Scenario	Year	Current Portfolio (March 2022)	Alternative Sustainable Portfolio	Revised Strategy Post 2022 Review
2°C	2030	0.06%	0.83%	0.43%
	2050	-0.12%	0.34%	0.10%
	2100	-0.12%	0.08%	-0.03%
3°C	2030	0.00%	0.07%	0.02%
	2050	-0.09%	0.04%	-0.05%
	2100	-0.13%	-0.06%	-0.12%
4°C	2030	-0.09%	-0.08%	-0.09%
	2050	-0.17%	-0.14%	-0.17%
	2100	-0.22%	-0.18%	-0.23%

The low carbon transition premium is found under the 2°C scenario to 2030, 2050 and 2100 for the Alternative Sustainable Portfolio. The revised strategy adopted post the 2022 review will also provide a positive impact on returns to 2030 and 2050. Under a 4°C scenario physical risks dominate, with negative outcomes for all portfolios.

While the scenario analysis compares the different strategies in terms of how the different portfolios would be impacted by climate change under different scenarios, it should be noted that there are also other non-climate risks which will impact on the strategies being compared which are not part of the analysis. The Alternative Sustainable Portfolio is an illustrative portfolio with allocations that would bring significant concentration risk. The agreed changes to the Fund's investment strategy following the 2022 review increased the allocation to Sustainable Equities from 5% to 10% of the Fund, and also provided for a more rounded and diversified strategy than that represented by the Alternative Sustainable Portfolio.

The scenario also assesses the current and post review strategies based on asset allocation, but using typical equity and fixed interest portfolios represented by benchmark allocations. The Brunel actively managed portfolios are all likely to be more climate aware than benchmark portfolios, so should yield better results than those outlined above.

Fund Management

Following the completion of the transition stage of investment pooling, the Brunel Pension Partnership now manage around 95% of the Fund's assets. The remaining assets comprise longstanding infrastructure and private debt fund investments which the Fund will retain until such time as those funds reach their natural endings. During 2022/23, the Devon Fund exited the Low Volatility Equities portfolio following the review of investment strategy in January/February 2022.

The following table lists the mandates in place as at 31st March 2023 together with the targets they have been set in relation to the benchmarks shown:

Brunel Pension Partnership Managed Portfolios

Mandate	Target	Benchmark
Passive UK Climate Transition Equities	Performance in line with benchmark	FTSE All-Share ex Investment Trusts CTB
Passive Developed World Equities	Performance in line with benchmark	FTSE World Developed Total Return (TR) Index
Passive Developed World Paris Aligned Equities	Performance in line with benchmark	FTSE Developed World Paris Aligned Benchmark
Global High Alpha Equities	Outperform benchmark by 2-3% per annum over a rolling 3-5 year period	MSCI World TR Index
Sustainable Equities	Outperform the benchmark by 2% per annum over a rolling 3-5 year period	MSCI All Countries World Index (ACWI) TR
Global Smaller Company Equities	Outperform the benchmark by 2% per annum over a rolling 3-5 year period	MSCI World Small Cap TR Index
Emerging Market Equities	Outperform benchmark by 2-3% per annum over a rolling 3-5 year period	MSCI Emerging Markets TR Index
Sterling Corporate Bonds	Outperform benchmark by 1% per annum over rolling 3 to 5 year periods	iBoxx Sterling Non-Gilts
Multi-Asset Credit	Outperform the benchmark over a rolling 3-5 year period	GBP SONIA + 4%
Diversified Returns	Outperform benchmark over a rolling 5-7 year period	GBP SONIA + 3%
UK Property	Outperform benchmark by 0.5% per annum over a rolling 5-7 year period	MSCI / AREF UK Quarterly Property Fund Index
International Property	Outperform benchmark by 0.5% per annum over a rolling 5-7 year period	MSCI Global Quarterly Property Fund Index
Infrastructure	Outperform benchmark	Consumer Prices Index (CPI) plus 4%
Private Debt	Outperform benchmark	GBP SONIA + 4%
Private Equity	Outperform benchmark by 3% per annum over a rolling 3-5 year period	MSCI All Countries World Index (ACWI) TR

Devon County Council Managed Portfolios

Mandate	Target	Benchmark
Infrastructure	Outperform benchmark	Consumer Prices Index (CPI) plus 4%
Private Debt	Outperform benchmark	Consumer Prices Index (CPI) plus 4%
Cash	Outperform benchmark	GBP SONIA

The Investment and Pension Fund Committee regularly reviews investment performance during the year. A detailed analysis of investment returns over the last year, 3 years and 5 years, broken down by asset class, is provided in the following tables.

Performance to 31 March 2022

One Year Performance	Opening Value	Opening Value	Closing Value	Closing Value	Return	Benchmark
	£'000	%	£'000	%	%	%
Brunel Asset Pool Managed Investments						
Passive Equities	1,709,091	31.6	1,412,644	26.5	-0.8	-0.6
Active Global High Alpha Equities	295,699	5.5	296,954	5.6	+0.4	-0.5
Active Global Small Cap Equities	289,118	5.4	280,945	5.3	-2.8	-3.0
Active Emerging Market Equities	249,457	4.6	236,625	4.5	-5.1	-4.5
Active Sustainable Equities	258,166	4.8	520,825	9.8	-1.3	-0.9
Active Low Volatility Equities[1]	391,135	7.2	0	0.0	-0.4	-8.4
Sterling Corporate Bonds	330,866	6.1	347,525	6.6	-9.7	-9.8
Multi-Asset Credit	392,082	7.3	634,549	12.0	-2.7	+5.4
UK Property	436,458	8.1	361,326	6.8	-12.9	-14.4
International Property	71,769	1.3	106,615	2.0	+9.1	+17.5
Infrastructure	186,296	3.4	342,171	6.5	+15.0	+14.4
Private Equity	25,448	0.5	45,019	0.8	+3.1	-0.9
Private Debt	17,434	0.3	62,257	1.2	+7.1	+5.6
Diversifying Returns Fund	502,440	9.3	368,476	7.0	-2.9	+6.3
Non-Asset Pool Managed Investments						
Infrastructure	138,838	2.6	134,846	2.5	+7.2	+14.4
Private Debt	91,022	1.7	89,255	1.7	+9.2	+14.4
Cash	16,541	0.3	61,570	1.2	+0.7	+2.2
TOTAL	**5,401,860**	**100.0**	**5,301,602**	**100.0**	**-1.5**	**+0.9**

Three Year Performance[2]	Value 1 April 2020	Value 1 April 2020	Closing Value	Closing Value	Return	Benchmark
	£'000	%	£'000	%	%	%
Brunel Asset Pool Managed Investments						
Passive Equities	1,505,380	37.6	1,412,644	26.5	+14.8	+15.0
Active Global High Alpha Equities	241,385	6.0	296,954	5.6	+17.9	+17.1
Active Global Small Cap Equities	0	0.0	280,945	5.3	-	-
Active Emerging Market Equities	179,009	4.4	236,625	4.5	+7.1	+8.3
Active Sustainable Equities	0	0.0	520,825	9.8	-	-
Active Low Volatility Equities	186,409	4.7	0	0.0	-	-
UK Property	328,388	8.2	361,326	6.8	+2.3	+1.4
International Property	51,321	1.3	106,615	2.0	+9.8	+11.2
Infrastructure	25,117	0.6	342,171	6.5	+6.2	+9.6
Private Equity	0	0.0	45,019	0.8	-	-
Private Debt	0	0	62,257	1.2	-	-
Non-Asset Pool Managed Investments						
Active Global Equities	143,940	3.6	0	0.0	-	-
Infrastructure	146,207	3.7	134,846	2.5	+6.5	+10.2
Private Debt	107,367	2.7	89,255	1.7	+8.1	+10.2
Cash	34,847	0.9	61,570	1.2	+0.4	+0.8
Combined Returns						
Investment Grade Bonds	279,109	7.0	347,525	6.6	-5.7	-6.2
Multi-Asset Credit	246,737	6.2	634,549	12.0	+6.3	+9.9
Diversified Growth Funds	526,061	13.1	368,476	7.0	+6.2	+4.9
TOTAL	**4,001,277**	**100.0**	**5,301,602**	**100.0**	**+10.0**	**+11.1**

Five Year Performance[3]	Value 1 April 2018	Value 1 April 2018	Closing Value	Closing Value	Return	Benchmark
	£'000	%	£'000	%	%	%
Passive Equities	1,780,200	43.7	1,412,644	26.5	+7.5	+7.6
Active Global Equities	430,953	10.6	296,954	5.6	+8.2	+10.9
Active Global Small Cap Equities	0	0.0	280,945	5.3	-	-
Active Emerging Market Equities	185,688	4.6	236,625	4.5	+1.3	+2.0
Active Sustainable Equities	0	0.0	520,825	9.8	-	-
Investment Grade Bonds	220,072	5.4	347,525	6.6	-1.2	-1.4
Multi Asset Credit	221,425	5.4	634,549	12.0	-	-
Property	389,164	9.6	467,941	8.8	+4.0	+3.7
Infrastructure	147,504	3.6	477,017	9.0	+7.1	+8.4
Private Equity	0	0.0	45,019	0.8	-	-
Private Debt	27,138	0.7	151,512	2.9	-	-
Diversified Growth Funds	608,752	14.9	368,476	7.0	+1.5	+4.8
Cash	61,586	1.5	61,570	1.2	+0.9	+0.7
TOTAL	**4,072,482**	**100.0**	**5,301,602**	**100.0**	**+5.3**	**+6.7**

Notes

1. Performance up to final redemption in June 2022.
2. For investment grade bonds, multi-asset credit and diversified growth funds the Brunel portfolio has been in place for less than three years and the returns shown combine Brunel's performance with the previous external managers.
3. Five year performance combines the return of Brunel with the previous external managers in all cases, as none of the assets have been managed by Brunel for a full five years.

Equity markets fell over the first six months of the year (April to September), and while they recovered to some extent over the following six months, market returns were still marginally negative over the year to 31 March 2023.

As would be expected, **Passive Equities** have performed in line with benchmark. However, the currency hedging strategy has detracted from performance over the last year compared with an unhedged position, as the US Dollar strengthened over the year against the Pound. Over the three-year period the hedging strategy has added value.

Performance of the active equity portfolios against benchmark was mixed. **The Global High Alpha** portfolio delivering a modest positive return against a negative benchmark, and the **Smaller Companies** portfolio also performed marginally ahead of benchmark, albeit the absolute return was negative. The **Sustainable** and **Emerging Markets** portfolios both performed below benchmark. All the active portfolios were behind benchmark in the earlier part of the year, as the Brunel portfolios tend to have a bias towards "growth" companies and those with sustainable revenues during a period when "value" companies such as energy/oil companies performed more strongly, due to the impact of the war in Ukraine on oil prices. This reversed to some extent in the latter part of the year, but the **Sustainable** equity portfolio in particular failed to catch up.

Sterling Corporate Bonds and **Multi-Asset Credit** both delivered negative returns during the year as they were impacted by the significant rise in interest rates. The **Sterling Corporate Bonds** portfolio was broadly in line with benchmark, but the **Multi-Asset Credit** portfolio has a cash plus benchmark which will always be positive, and therefore not a realistic target in a period of negative market conditions. The same is true for the Brunel **Diversifying Returns Fund** which had a negative return. The portfolio succeeded in protecting the fund from the negative market conditions of the earlier part of the year, but was unable to keep up when markets recovered over the latter part of the year.

The **UK Property** market has seen significant falls in asset values over the last six months. As a result, the Brunel portfolio suffered a large negative return, but fell marginally less than the index. The **International Property** portfolio performed better in absolute terms with a positive return, but was below the benchmark return.

Infrastructure returns have been mixed, with the Brunel portfolio performing better than the legacy assets managed by the In-House Devon County Council Investments Team. The benchmark seeks a return above inflation which has increased significantly, making it difficult for the fund returns to keep pace. Valuations are lagged in many cases, so where revenues are linked to inflation the returns may take a few months to catch up.

Further detail on the performance of the individual portfolios can be found in the following reports pages. The Brunel Pension Partnership have provided an investment commentary on each of their portfolios, 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. A commentary is also provided on the performance of the remaining assets held outside the pool.

Manager's Report - Brunel Pension Partnership

Passive Equity Portfolios

Performance Review

For the 12-month period ending 31st March 2023, all Brunel passive portfolios have met performance expectations.

The **Passive Developed Equities** portfolio returned -0.6% (unhedged), while the hedged portfolio returned -6.2%, resulting in a total return for the Devon Fund of -2.9%. The **Passive UK Equities** portfolio returned +0.9% over the period. Both performed in line with their market capitalisation weighted benchmarks.

The **Passive Global Paris Aligned Benchmark Equities** portfolio returned +0.7% over the 12-month period.

Global High Alpha Equity Portfolio

Performance Review

The Fund returned 0.4% over the year, outperforming the benchmark (MSCI World Index) by 0.9%. This was driven by positive stock selection which more than offset the negative impact from sector allocation. Negative sector allocation resulted from the Fund's underweight to the Energy sector which was the best performing sector and an overweight to the Consumer Discretionary sector which also underperformed. Stock section was strongest in the Consumer Discretionary and Information Technology sector which more than offset weaker selection in the Communications Services and Health Care sectors.

During the year a small change was made to the underlying manager target allocations which reduced the size of the active tilt towards Growth and away from Value within the portfolio, whilst maintaining the majority of risk and positioning characteristics.

Since inception on 5th December 2019, the Fund has returned 12.7% per annum, outperforming the benchmark by 2.2% per annum.

Outlook

We anticipate the global equity market environment will be uncertain over the coming period as companies and economies grapple with geo-political uncertainty, and evolving expectations for inflation, interest rates and economic growth.

Emerging Market Equity Portfolio

Performance Review

The Emerging Markets Equity portfolio made a negative return over the trailing 12 month period. Total return in GBP was -5.1% on a net of fees basis, which lagged the benchmark – MSCI Emerging Markets – by 0.65%. Performance by the managers was mixed.

There were a number of highly significant events that resulted in increased volatility across emerging markets. Most notably China's zero COVID 19 policy, persistent inflation, monetary tightening, the Chinese real estate crisis, recession fears and rising geopolitical tensions. This ultimately resulted in dispersion at a country, sector and style levels.

Country allocation overall had a positive impact on relative performance. The fund has an underweight position in the middle eastern region, which posted double digit losses over the past year. This added a significant amount to relative performance.

Most sectors struggled over the past year. Consumer staples was the only area with noteworthy returns at +6.3%. The biggest laggard was Real Estate, which fell by -10.8% over the past year; this was driven almost entirely by the Chinese Real Estate turmoil. The Fund benefitted from being overweight in Consumer Staples which was offset by underweights to Energy and Communications, which both outperformed the benchmark. The overall sector impact on relative performance was neutral.

Outlook

The Fund maintains its positioning across the three sub-managers. Sector positioning remains unchanged, with a bias towards consumer-orientated companies. The Fund does not make any significant active allocation bets at a country level, the most significant is a 3.6% underweight vs benchmark in Saudi Arabia. Style wise, the Fund remains style neutral with a modest positive tilt towards companies with high quality earnings and strong balance sheets.

Sustainable Equities Portfolio

Performance Review

During the year, the Fund was relatively stable, returning -1.3% on a net basis, in line with the -0.9% return of MSCI All Country World Index.

During the first 6 months we saw interest rate expectations play a large role in market sentiment. The Fund underperformed as interest rates continued to rise and Oil & Gas companies reported record profits, not a favourable environment for a Sustainable Equity Fund.

Over Q3, we saw the MSCI ACWI rally, peaking in mid August. The Fund outperformed over this period, which can be attributed to being overweight in the more growth orientated parts of the market. However in mid August inflation numbers spurred a market downturn on the anticipation of further increasing interest rates.

Q4 was similar with a market rally through October-November followed by an air of pessimism returning to the market in December as investors weighed up the market outlook for 2023 and the market declined.

Over Q1 2023 there was a notable disparity in returns between the Growth style of investing and the Value style with Growth outperforming consistently throughout the quarter.

During what has been a volatile year in terms of interest rate expectations the Fund finished in line with the benchmark.

Outlook

Over the next 6 month period we do not anticipate any cashflows or any significant changes to the construction of the portfolio. We expect the Fund to continue to embed sustainability throughout its process and continue to offer superior ESG risk management. The Fund will continue to invest in sustainable companies that offer future solutions to sustainability.

Global Smaller Companies Equity Portfolio

Performance Review

Over the year to 31 March 2023 markets were in a heightened state of volatility, significantly influenced by a multitude of macroeconomics factors. Whilst some pandemic related inflation drives have receded, war in Ukraine and consumer demand have continued to drive inflation. Whilst inflation has influenced some company fundamentals, the changing expectations around the path of interest rates have proved consistently market moving, prompting significant style and factor rotations.

Energy has been the significant performer over the entire period, and Value has been a style beneficiary relative to Growth. That said, within these broader themes there have been significant bouts of volatility. In Q2 and Q3 2022, other Value segments of the market held firm such as Consumer Staples, Financials and Utilities, though the Energy sector demonstrated the strongest performance, whilst Health Care, Technology and Real Estate lagged. As the period progressed into Q4 2022 and Q1 2023, Health Care and Real Estate continued to lag, but the gains made by Energy, Utilities and Financial sectors fell back whilst Consumer Discretionary, Technology and Material sectors began to perform more positively.

Over the year the portfolio returned -2.8%, outperforming the MSCI Small Cap indiex by 0.18%. Stock selection within Technology, Communication Services and Industrials were positive contributors over the 12 months to 31 March 2023. That said, the underweight allocation to Energy and Consumer Staples and an overweight allocation to Health Care detracted from relative performance.

In terms of individual managers, Kempen Capital Management outperformed the index by 7.6%, Montanaro outperformed the index by 0.7%, and American Century underperformed the index by 4.7%. Kempen's Quality driven Value philosophy offered tailwinds over the period, whilst Montanaro's Quality Growth process rebounded significantly in Q4 2022 and Q1 2023, enabling them to stay level with the benchmark. American Century faced style headwinds over the period and negative stock selection, particularly in the Health Care sector, which led to underperformance.

Outlook

During the first quart of 2023, there were some signs that inflation has begun to slow as the significant rate hikes over the past year took hold. The casualties of higher interest rates (including Silicon Valley Bank) have begun to shift investors focus towards Quality as the prospect of a harsher recession gains traction. Furthermore, whether developed market inflation will fall straight back to pre-pandemic levels or remain at a higher base level is a key cause for divergent conditions, and this is a point of optimism given the current economic environment. It is likely that Kempen's Value style would suffer headwinds in a falling interest rate environment though the same phenomena would prove tailwinds to Montanaro. This style positioning has been an important factor in determining the portfolio's performance over the recent period, however , this is not an intended bias for long term performance outcomes as stock selection should be the key driver of returns in the portfolio over the long term. Whilst we are comfortable that the portfolio should perform in an array of different environments, it is worth noting that geopolitical tensions around Ukraine and Taiwan, deglobalisation, energy security and climate change for significant uncertainty going forward.

Diversifying Returns Fund

Performance Review

The Fund returned -2.8 over the year. Since inception date on 27 July 2020 it has returned 1.9% on an annualised basis.

JP Morgan delivered the strongest performance of the sub-managers over the period, with Equity Value and Quality performing well. The Fixed Income Value signal also performed well but Fixed income Carry and Equity Trend made negative contributions to returns as Treasury yields moved out and equity markets fell.

The Lombard Odier fund provided a negative return for the year. As a long only manager, it was a challenging period with most asset classes delivering negative returns. Sovereign bonds made the largest negative contribution to returns though the managers reduction in exposure mitigated the extent of loses in other asset classes.

The UBS fund also delivered a negative return, the largest detractors being long positions in the Norwegian Kroner and Japanese Yen and a short position in the US Dollar. Positive contributions came from long positions in the Brazilian Real and Chilean Peso.

In May 2022, a position in William Blair was sold down as a result of the manager closing the fund. Fulcrum Diversified Core Absolute Return Fund was added to the portfolio. Fulcrum has made a negative contribution to returns since being added to the fund. Its strategic long allocation to equities made a positive contribution to returns but this was offset by short positioning in fixed income markets, equities and volatility strategies.

Outlook

There is continued uncertainty over the future path of interest rates. After a period of rising rates, some cracks have appeared in the banking sector, highlighted by the failure of a small number of US regional banks and underscored by the UBS takeover of Credit Suisse. Some market participants believe this is a tipping point that will precede interest rate cuts which would be beneficial to risk assets.

However, others point out that elevated levels of core inflation, robust labour markets and communication from the Federal Reserve reduce the likelihood of interest rates cuts.

The Fund retains a balance of managers that invest in long only assets that would be expected to perform if interest rates fall and alternative strategies that have the potential to perform when returns from risk assets are poor.

Infrastructure Portfolio

2022/23 saw significant macroeconomic pressures: a global energy security crisis, soaring inflation and rising interest rates, combining to create a perfect storm for recession. The macroeconomic woes highlight the importance of investing in a resilient portfolio of high-quality assets. In light of events in Ukraine, governments introduced significant regulation including REPower EU and the Inflation Reduction Act, both of which reflect the desire to boost investment beyond renewable generation and across the value chain.

Devon's infrastructure investment with Brunel is split between cycle 1 which was committed in 2018, cycle 2, split between a renewable and a generalist portfolio, committed in April 2020, and cycle 3, committed in April 2022.

Cycle 1 – The portfolio is close to 93% committed and 77% invested. Brunel is pleased with the deployment of Cycle 1 and the overall development of the Portfolio. Focus is gradually shifting from deployment to portfolio performance and monitoring.

Cycle 2 Generalist - The final tactical deal in the General Infrastructure Portfolio was made during Q4 2022. A €30m Euro commitment to a Spanish rural Fibre-to-the-Home platform alongside Vauban Infrastructure Partners. As a result, the portfolio G is now fully committed to 6 primary funds and 7 tactical investments. At the end of March 2023, the portfolio is c.65- 70% invested. The portfolio is diversified and invested in quality opportunities that we believe will provide strong performance, both in terms of returns and societal and environmental sustainability.

Cycle 2 Renewables - Despite windfall taxes and in some cases lower than seasonal resource, elevated power prices continued to boost the performance of some renewable energy generators (despite production shortfalls). Even with the early signs of positive performance, pressure on development and financing costs globally increases the difficulty of sourcing attractive opportunities. Brunel remain confident that the strong pipeline will ensure deployment of this mandate in line with Scope and Specification. As at the end of March 2023 and not including the recently approved deals, Cycle 2 R is circa 45% invested and 71% committed across 5 primary funds and 7 tacticals. One more primary fund and two extra tacticals will be required to complete Cycle 2 Renewables' portfolio construction.

Cycle 3 - Since the portfolio's inception, deal flow activity has been strong, and Brunel has been selective. As at the end of March 2023, Cycle 3 is circa 27% committed to three Primary investments including Vauban Core Infrastructure IV, Sandbrook Climate Infrastructure Fund and Meadowlark Lands Fund. In addition, as of March 2023, Tactical investments include Project Appellation, a US forestry investment focused on income from carbon credits; Project Ardor, an investment in an operating Indian renewables portfolio and IPP; Suez, the international water and waste company; and Havfram, an offshore wind installation vessel company.

Private Debt Portfolio

The Brunel private debt portfolios remain attractive for General Partners (GPs) to deploy capital as the floating rate nature of portfolios allow Limited Partners (LPs) to capture additional returns from rising rates. Loan margins and upfront fees have remained elevated.

Given the rising interest costs for companies borrowing and a lack of alternative funding sources, the levels of debt being offered by managers is generally falling on new deals, as strict underwriting standards from lenders lead to a reduced loan size (higher costs of servicing). This is positive for lenders. GPs are stressing a preference for firms with a strong ability to pass through costs and company selection is paramount.

The Devon Fund is invested in cycles 2 and 3. Cycle 2 is now fully committed and approaching 50% called; a good pace of deployment. All managers have now called investor capital. Cycle 3 has two underlying commitments; one has shown strong deployment to date (being already close to ~50% called) whilst the other has yet to call capital.

Portfolio performance is positive to date, but we would note that performance measures are not yet meaningful, given both portfolios are in their early stages.

Private Equity

Given the episodic nature of Merger and Acquisition markets, deal activity slowed during the year, reflecting macro-economic headwinds.

Major themes from 2022/23 include:

(i) persistent (albeit slowing) inflation;

(ii) hawkish central bank policy;

(iii) the numerator/denominator effects; and

(iv) a slow-down in both sponsor M&A activity and the funding of such via the public debt markets.

With respect to the Brunel private equity portfolios, this has created attractive opportunities for secondaries' managers to capture LP stakes in pre-existing portfolios at attractive discounts to NAV. GPs are funding deals via a greater share of equity (versus more scarce debt), leading to a focus on active management to drive company growth, rather than financial engineering/leverage.

For existing holdings, managers remain sensitive to cost management with inflationary pressures for both staffing costs and input prices (with managers generally preferring asset-light businesses with less exposure to the latter). Revenue growth at underlying companies is continuing to grow in most cases, but EBITDA margins (a measure of operating profit) are being stressed by rising costs.

Portfolio deployment for cycle 2 now stands at around a third of total commitments. Most funds in the portfolio have now called capital. For cycle 3, the portfolio has made two underlying investments, funded by a credit facility, but no capital has yet been drawn. Performance is relatively flat since inception. Given the relative nascency of the portfolio, return measures are not yet meaningful.

UK Property Portfolio

Performance

Property valuations responded to the Bank of England's rate hikes with significant falls in net asset values, as the asset class adjusted to future borrowing costs and its relative yield positioning. The outward yield shift was more pronounced in certain sectors, particularly in Industrial, where, following very strong returns over recent years, assets were priced at historically low yields.

As a result of these negative impacts, the portfolio suffered a negative return of -12.9% over the year, although this was better than the benchmark return of -14.4%.

Devon's UK portfolio is invested in all Brunel's approved UK model funds, but still retains seven legacy holdings, which are either awaiting payment from redemption requests or fund wind-downs. Brunel has continued its strategy of limiting exposure to Office and Retail, whilst maintaining overweight exposures to the Industrial and Alternative sectors. These latter sectors continue to benefit from imbalances in demand and supply, which are supporting rental growth.

The particularly overweight exposure to LGIM's Industrial Property Investment Fund (IPIF) has been addressed, via a redemption request submitted to the manager in June 2022, which is awaiting payment. Over the last quarter, the industrial-focused funds, which suffered in 2022, became the main drivers of performance, with LGIM's Industrial Property Investment Fund (IPIF) generating the strongest contribution to portfolio returns.

Devon's commitments to M&G UK Residential Property Fund and PGIM UK Affordable Housing Fund are yet to be fully drawn down, but the commitment to UBS Life Science Property Unit Trust last summer is already 80% invested.

Outlook

Property transaction levels remain muted at around £2bn per month, half the level of the historic 5-year average, failing to provide pricing evidence for some market sectors. The pricing and outlook for offices, particularly for secondary regional offices, remains a concern, as employer occupiers are starting to make lease renewal decisions based on slowing economic activity, potential/actual staff layoffs and post-Covid flexible working habits.

In contrast, confidence in the outlook for the industrial sector has been boosted by Blackstone's recent offer for Industrial REIT, where Blackstone launched a cash offer for the REIT's shares at a level 42% higher than the existing share price (a 3.7% premium to its NAV). Current rental growth for Industrials is still over 9%, though tenants' ability to pay these higher rents in any future UK recession is yet to be tested.

International Property Portfolio

Performance

Devon's International Property portfolio has produced strong returns over 1 and 3 years, outperforming Brunel's benchmark and objective target. Drawdowns of nearly £30m over the year have built a defensive exposure for Devon in the US, which now represents 44% of the total portfolio.

The new holdings have diluted Devon's exposure to the Irish property market and, post commitments, established strategic overweight positionings in the Industrial and Residential (multi-family) sectors.

Both the US core funds, PRISA and Lion Properties Fund, have been hit by rising yields, with office remaining the sector with most valuation risk. Property fundamentals remain healthy in other US sectors, with low vacancy rates and resilient long-term demand drivers.

The delay in the deployment of the AXA Residential Europe fund, Barings European Core fund and Prologis European Logistics Fund commitments has been positive to overall performance, as economic headwinds have lowered European property fund valuations since Devon's initial commitments were made in Q3 2022. Since the end of Q1 2023, both the AXA Residential European and Prologis European Logistics funds have been fully drawn down. Ardstone Residential Fund has only four sites remaining and successful sales led to exceptional performance returns in 2022/3 as the fund moves towards final winddown.

Outlook

Property fundamentals remain healthy in many sectors (apart from office), mitigating some of the value declines. The industrial sector remains favourable, with further rental growth expected and vacancy rates still near record lows, reflecting a positive supply/demand dynamic.

Nonetheless, yields will continue to expand with any further increases in interest rates, leading to additional value declines in that scenario. Attractive trades in retail, hospitality and some niche areas like senior housing are likely, where capital has been less abundant post-Covid.

Stewardship and Responsible Investment

(across all portfolios)

As an LGPS pool our priority is always to manage our fiduciary duties to our clients, the nine Local Authorities and the Environment Agency. By their very nature our clients are directly impacted by the manifestations of climate change and other social challenges, whether having to provide flood defences, temporary housing for those displaced or the provision of public services to meet the needs of their populations. By embodying responsible approaches to environmental and social investing, we support our clients with their duty to provide not only for their members' retirement, but for the world they will retire into.

This year has provided a further opportunity to evaluate our progress and consider how our investment principles affect change, with the completion and publication of our Climate Stocktake. This root and branch review assessed and shared our progress, accountability, and position, as well as providing refinement and focus for our future policies

In setting our RI priorities and stewardship objectives, we start with our investment principles. We engage extensively with our partner clients (who are also our shareholders) as well as our stakeholders. When Brunel says that it puts clients at the centre of what the organisation does, it does not do so glibly. Brunel is owned and operated solely for the benefit of those who formed it: the nine Local Authorities and the Environmental Agency.

Resourcing corporate engagement

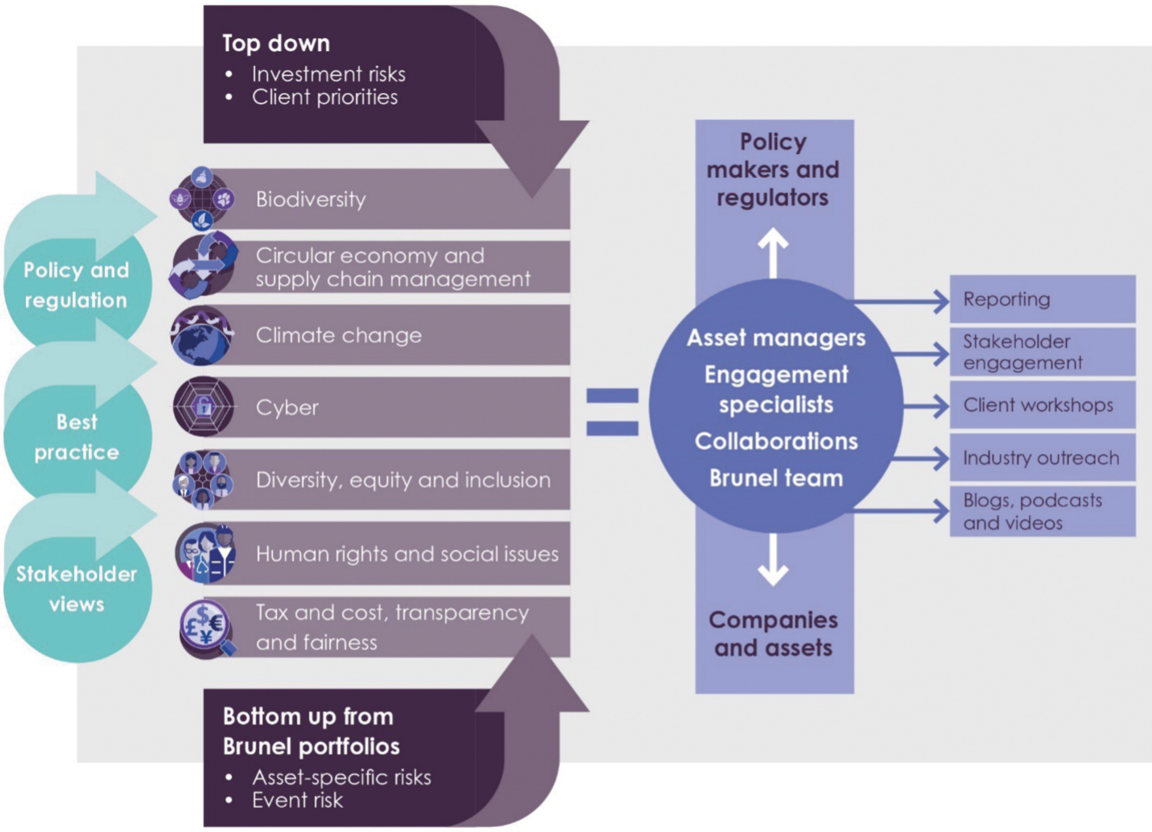
Our approach is to leverage an outsourced model to maximise impact. Our first line of asset-level engagement and stewardship is via our appointed asset managers. Our inclusion of asset manager case studies as well as those documenting our selection processes aim to provide evidence of this in practice. Our second line is a specialist engagement provider, who provides additional engagement resource and executes our voting intentions across our non-pooled listed active fund assets. Finally, our third line is the internal team, working directly, but often collaboratively, Brunel will undertake direct engagement with businesses.

Brunel RI and Stewardship Priorities

In setting our RI priorities and stewardship priorities we start with our investment principles. We also engage extensively with our clients (who are also our shareholders) as well as their stakeholders.

As illustrated in the following diagram, other inputs into setting Brunel's RI priorities include an evaluation of regulations, best practice and asset specific risk (or idiosyncratic risk). Assets or sector specific risk is considered through the lens of 'double materiality', a concept that acknowledges financial as well as environmental, social, and governance (ESG) risks (and opportunity) of business. This concept encompasses that not only can these risks and opportunities impact the value of an asset but that the company and its operations may also present a risk to the broader economy and society.

The diagram illustrates Brunel's seven RI priorities, each of which comes with a set of stewardship objectives, and where appropriate, specific targets. The priorities drive an extensive and demanding programme of work.



Achievements

Our 2023 Responsible Investment and Stewardship report demonstrates progress across our seven RI priorities, evaluated and refined in collaboration with our clients. Key achievements include:

- 35% reduction in carbon intensity from 2019 baseline.
- 54% of engagement milestones progressed in the year.
- 899 companies engaged with by Hermes EOS on Brunel's behalf.
- 19,000 workers benefitted from pay uplifts following real living wage engagement.
- 82% of Climate Action 100+ focus companies in Brunel portfolios have committed to net zero.

Case Studies

The following case studies highlight Brunel's engagement:

Regenerative Farming - Kelloggs and Saputo - EOS Hermes, our voting and engagement provider, discussed regenerative agriculture with Kellogg's and challenged it to strengthen its commitment by setting a target on the amount of land or proportion of ingredients sourced using regenerative agriculture techniques. With Saputo, EOS discussed the importance of increasing the focus on sustainability within the supply chain. EOS encouraged the company to set expectations and support suppliers on carbon, deforestation, pesticide use and other aspects of sustainable agriculture. Engagement on regenerative agriculture is ongoing.

Real Living Wage - Sainsburys - Brunel is a member of The Good Work Coalition, a collaborative engagement initiative led by ShareAction, engaging collectively to drive up UK standards in the workplace. Since 2020 the coalition has been sending letters and meeting with companies to discuss the real living wage. The main focus has been supermarkets but has also included other sectors. Nearly 10,000 employers are accredited with the living wage foundation, nearly half of whom have signed up since March 2020.

Despite improvements in other sectors, no companies within the supermarket sector are accredited, and ongoing engagement was not resulting in progress. The coalition discussed escalation options and decided to proceed with filing a shareholder resolution seeking for Sainsbury's to accredit as a living wage employer by July 2023. Following the filing of the living wage shareholder resolution at Sainsburys, Brunel has been involved in ongoing engagement meetings with the supermarket. This led to Sainsbury's announcing an additional pay rise for their London staff in April, resulting in all directly employed staff earning the real living wage. An estimated 19,000 workers benefited as a result.

While the resolution did not receive enough support at the AGM to pass and Sainsbury's did not decide to accredit to the real living wage foundation, we did secure pay rises for thousands of workers and it did bring the issue to the forefront and drove discussion in the industry.

Deforestation – Development Bank of Singapore (DBS) - Deforestation was an increased area of focus for EOS in engagements and voting for 2022. EOS began engaging on palm oil financing with Singapore's largest bank DBS in January 2019. The bank was urged to demonstrate that its palm oil lending criteria was able to meet the latest Roundtable on Sustainable Palm Oil (RSPO) standard for all borrowers.

Following extensive engagement, the bank has now pledged not to knowingly finance companies that are involved in the conversion of high carbon stock forests, planting on peat, or planting without securing both the legal right and community support to use all the land involved. DBS has adopted a zero-tolerance approach to forest burning.

We will monitor DBS's progress in implementing the sustainable palm oil policy for all its lending relationships and clear communications of its progress.

Freedom of Association - Amazon - Over the last year, our passive listed equities manager LGIM has engaged with Amazon five times, independently and collaboratively, to discuss the company's approach to, and policies on, human rights. The shareholder resolution that was supported at the company's AGM in 2021 asked for a civil rights, equity, diversity and inclusion audit report, and gained 45% support from shareholders.

In January 2022, engagement was furthered with a signed collaborative letter, stating that the company immediately adopt a global policy of neutrality and commit to negotiate with unions in good faith. In response, the company argued that it currently adheres to all ILO standards on freedom of association.

Engagement continues with the company to make some specific requests and to understand its latest progress on key social topics.

Climate Change – LyondellBasell - EOS has been engaging with LyonellBasell on Climate change and the circular economy. Following this engagement, LyondellBasell prioritised actions in its 2020 sustainability report to help eliminate plastic waste from the environment including waterways and oceans and to advance a circular economy. The company has a goal to produce and market two million metric tons of recycled and renewable-based polymers annually by 2030.

To deliver on this ambition, it recently announced a new organisational structure including a Circular and Low-Carbon Solutions business segment and is strategically investing along the value chain. Whilst a quantifiable water goal was not set by the company, water management efforts are well covered in the sustainability report. Overall, this progress is positive to see, engagement continues.

Further Information

A full analysis of Brunel's responsible investment and stewardship outcomes can be found at **https://www.brunelpensionpartnership.org/responsible-investment/responsible-investment-and-stewardship-outcomes-report/**

Devon County Council In-house Team

Infrastructure

The infrastructure portfolio held outside the pool comprises five funds. Fund performance is summarised in the following table:

Fund	Value 31-Mar-23	One Year Return	One Year Benchmark	3 Year Return	3 Year Benchmark
	£'000	%	%	%	%
Archmore Infrastructure Fund (UBS)	13,135	+6.9		-11.7	
Aviva Ground Rents Fund	16,617	-5.9		-1.1	
Aviva Infrastructure Income Fund	36,669	+4.2		+6.4	
Hermes Infrastructure Fund I	46,812	+10.5		+6.1	
Igneo European Infra Fund I	21,613	+13.8		+22.7	
TOTAL	**134,846**	**+7.2**	**+14.4**	**+6.5**	**+10.2**

Returns have been mixed, and the performance of each individual fund is detailed below.

- **Archmore Infrastructure Fund** – The fund has performed poorly for several years, following the sale of the two most profitable assets. The last year has seen more solid performance, but a significant part of the positive return has been due to the strengthening of the US Dollar which has increased the valuation of the US assets in GBP terms, rather than the performance of the underlying companies. Southern Water remains a concern, with the likelihood that the valuation will be further impaired by the underlying debts of the company.
- **Aviva Ground Rents Fund** - The fund is low yielding, but provides a regular secure level of income. Returns are linked to inflation, so the fund should provide increasing returns as inflation rises. However, the capital valuation has fallen over the year, partly as a result of the Building Safety Act 2022 ("the Act") which has introduced new obligations relating to fire and building safety remedial costs, which Aviva are working actively to progress. The market has also repriced to some degree because of the wider economic performance of the UK and global economy.
- **Aviva Infrastructure Income Fund** – The Devon Fund's remaining commitment to the fund was drawn during March, so that we are now fully invested. Returns have been impacted by the Government's Electrical Generation Levy ('EGL') which will reduce the potential future income from the biomass, energy-from-waste and utility-scale wind investments. Nevertheless, the Fund contributed an improved income yield from the previous year and should benefit from inflation linked revenue streams.
- **Hermes Infrastructure Fund** – The fund has delivered a solid 10.5% return over the year, with most assets performing well. Viridor has been the best performing asset with a higher valuation reflecting the company's performance, combined with favourable macroeconomic conditions. During the year Hermes undertook significant activity to restructure the fund to combine the "core" and "value-added" sleeves into one fund to provide a consistent exposure to fund assets for all investors.
- **Igneo European Diversified Infrastructure Fund I** – The Igneo fund has been consistently the best performing fund in the Devon infrastructure portfolio. In January 2023, the Fund completed the divestment of its 100% stake in Scandinavian ferry operator ForSea, at a 32% premium to the end of September holding value. The Devon fund received back a €10.4 million return of capital.

Following the disposal of ForSea, three assets remain – Finerge (wind power in Portugal and Spain, Coriance (District heating networks, France and Belgium) and Parkia (Car parks, Spain), which are all performing well. The Fund is scheduled to close with the sale of its remaining assets by 2024.

Private Debt

The private debt portfolio held outside the pool comprises two funds. Fund performance is summarised in the following table:

Fund	Value 31-Mar-22	One Year Return	One Year Benchmark	3 Year Return	3 Year Benchmark
	£'000	%	%	%	%
Arcmont Senior Loan Fund I	36,180	+1.2		+5.7	
Golub Capital International Fund 11	53,075	+14.6		+8.9	
TOTAL	**89,255**	**+9.2**	**+14.4**	**+8.1**	**+10.2**

The performance of each individual fund is detailed below:

- **Arcmont Senior Loan Fund I** – The fund is now in its harvesting stage, and will gradually return capital over the next two years. The fund has now exited 17 investments, with the loans repaid. A further 11 loans remain within the portfolio. Arcmont have continued to work with their portfolio companies to assess prevailing market risk factors such as the Russia-Ukraine crisis, supply chain disruption and inflationary pressures. Of the 11 remaining investments, 2 are assessed as being moderately impacted by the above issues, with there being low or no effect on the other 9. Arcmont still anticipate all loans being repaid in full. The return for the year takes into account costs that should have been charged within the previous year, so does not give a true impression of the underlying performance.

- **Golub Capital International Fund 11** – Golub have performed well during the year, having been well positioned for higher interest rates with a nearly 100% floating rate loan investment portfolio. Credit performance remains strong with stable internal performance ratings, a low default rate and low net realized losses.

Outlook

One of the benefits of private markets investments is that returns are much more closely linked to the profitability of the businesses invested. While equity shares will rise and fall in value according to investor sentiment, private market returns should be much less volatile. The infrastructure and private debt investments should therefore continue to provide a steady level of return which will be beneficial at a time of significant stress in investment markets.

The infrastructure investments benefit to some extent from inflation-linked revenues, which should provide some protection for the Fund at a time of rising prices. Equally the private debt investments should benefit from variable interest rate loans within their portfolios. Several of these funds will be coming to the end of their lives in the next five years, and in the current economic and market environment the managers will need to work hard to extract maximum value from the remaining assets as the funds close.

Pension Fund Budget

Details of income and expenditure compared with the budget forecasts for the year are shown in the table below.

Devon County Council Pension Fund Budget / Forecast 2022/23

Pension Fund Budget Forecast and Actuals 2021/22	Actual 2020/21 £'000	Original Forecast 2021/22 £'000	Actual 2021/22 £'000	Variance from Original Forecast £'000
Contributions				
Employers	(128,172)	(132,000)	(141,245)	(9,245)
Members	(45,260)	(45,000)	(49,905)	(4,905)
Transfers in from other pension funds:	(13,324)	(14,000)	(13,253)	747
	(186,756)	(191,000)	(204,403)	(13,403)
Benefits				
Pensions	168,391	175,000	176,799	1,799
Commutation and lump sum retirement benefits	29,018	28,000	27,720	(280)
Lump sum death benefits	3,623	4,000	3,826	(174)
Payments to and on account of leavers	596	600	981	381
Individual Transfers	26,037	10,000	9,140	(860)
	227,665	217,600	218,466	866
Net Withdrawals from dealings with fund members	**40,909**	**26,600**	**14,063**	**(12,537)**
Investment Income				
Received as Cash	(31,129)	(32,000)	(39,113)	(7,113)
Reinvested by Fund Manager	(2,518)	0	0	0
	(33,647)	**(32,000)**	**(39,113)**	**(7,113)**
Administrative costs				
Peninsula Pensions	2,429	2,500	2,602	102
	2,429	**2,500**	**2,602**	**102**
Investment management expenses				
External investment management fees - invoiced	1,684	1,500	1,511	11
External investment management fees - not invoiced	21,662	23,500	21,602	(1,898)
Custody fees	62	60	30	(30)
Transaction costs	1,794	1,500	1,980	480
Stock lending income & commission recapture	(2)	0	0	0
Class Action Proceeds	(43)	0	0	0
Other investment management expenses	24	30	27	(3)
	25,181	**26,590**	**25,150**	**(1,440)**
Oversight and governance costs				
Investment & Pension Fund Committee Support	81	90	92	2
Pension Board	40	44	41	(3)
Investment Oversight and Accounting	413	400	388	(12)
Brunel Pension Partnership	25	30	20	(10)
Legal Support	24	26	37	11
Actuarial Services	29	100	107	7
Investment Performance Measurement	109	100	72	(28)
Subscriptions	54	50	58	8
Internal Audit fees	37	35	21	(14)
External Audit fees	31	35	47	12
	843	**910**	**883**	**(27)**
Total Management Expenses	**28,453**	**30,000**	**28,635**	**(1,365)**

Key variances against the original forecast are summarised below:

- Following the backdated implementation of the local government pay award, employer and employee contributions were higher than originally forecast. The pension benefits paid were broadly in line with forecast.
- Investment income from property, infrastructure and private debt is received in cash and can be used to aid cashflow. Income for the year was higher than the original forecast. This reflects the growing allocation to private markets, resulting in a higher level of distributions.
- Peninsula Pensions' expenditure was higher than forecast. This can be ascribed to a reduction in vacancies and a more fully resourced team.
- The invoiced investment management fees line represents the costs of Brunel. All other fees are taken directly from the funds and are charged based on a percentage of the value of the assets under management. Fees for the year were lower than anticipated as a result of negative investment returns and therefore lower asset values. Performance fees were also lower as the private market funds that charge such fees faced more challenging market conditions during 2022 than the previous year.
- Transaction costs for the year to date were higher than anticipated partly because of the costs of redeeming and re-investing the Low Volatility allocation. The increasing allocation to private markets also contributed to the higher transaction costs.
- Oversight and Governance costs were broadly in line with the budget forecast, with small variances on the individual headings.

Contributions by Employer 2022/23

The contributions paid into the Fund, split by employer, are shown in the following table.

Employer	Employers Contributions £'000	Employees Contributions £'000	Employer	Employers Contributions £'000	Employees Contributions £'000
Administering Authority and Scheduled Bodies					
Devon County Council	35,941	13,650	Connect Academy Trust	971	280
Plymouth City Council	13,331	5,306	Dartington CofE Primary	84	24
Torbay Council	6,124	2,411	Dartmoor National Park	545	191
East Devon District Council	2,608	1,028	Dartmouth Academy	100	32
Exeter City Council	3,953	1,464	Dawlish College	17	6
Mid Devon District Council	2,094	804	Devonport Boys Academy	219	66
North Devon District Council	2,451	690	Devonport Girls Academy	135	41
South Hams District Council	1,824	691	Discovery Multi Academy Trust	252	70
Teignbridge District Council	3,178	868	East Allington Primary School	22	7
Torridge District Council	1,855	460	Eggbuckland Primary School	305	88
West Devon Borough Council	752	222	Ermington Primary (WCST)	25	6
Devon & Cornwall Police Authority	11,413	4,523	Exeter College	1,170	484
Devon & Somerset Fire Authority	2,497	897	Exeter Mathematics School	57	17
Police and Crime Commissioner	224	119	Exmouth Academy	531	158
University Of Plymouth	6,341	2,826	First Federation	880	258
ACE (Devon)	327	100	Fremington Primary School	88	24
ACE Schools	599	187	Furzeham Primary School	28	8
Acorn Federation	182	50	Glendinning Academy	85	28
All Saints (Axminster)	20	5	Great Torrington Academy	201	62
All Saints Academy	159	46	Greenshaw Learning Trust	20	10
All Saints, Babbacombe	39	11	Hayes Primary School	118	33
Alphington Primary	95	27	Honiton Academy	182	55
Alphington Primary Pre-school	37	13	Horizon Multi Academy Trust	666	192
Alumnis Multi Academy Trust	264	74	Ide Primary	33	9
Ashburton Primary (WCST)	45	13	Ilsington Primary School	18	5
Atrium Studio School (WCST)	7	2	Isca - Part Of Ted Wragg Trust	1,378	472
Austin Farm School	46	15	Ivybridge Academy	2,038	640
Avanti Hall School	83	36	King Edward VI Community College	100	29
Axe Valley	128	36	Kings Academy	222	75
Barton Primary	112	37	Kingsbridge Academy	176	50
Bay Education Trust	795	235	Kingswear Primary School	9	3
Beaford Community Primary	22	6	Lady Modifords Primary School	12	3
Beer Primary School	21	6	Learning Academy Multi Academy Trust	901	258
Berry Pomeroy CofE Primary	10	3	Learning Academy Partnership	462	137
Bicton College Of Agriculture	102	35	Lew Tenchard	35	9
Bideford College	310	87	Lipson Academy	276	80
Blackawton Primary School	5	13	Lifton Community Primary Academy	35	10
Bowhill Primary	125	34	Littletown Primary Academy	105	29
Bradworthy Primary Academy	56	16	Manor Primary (WCST)	93	26
Braunton Academy	180	57	Marine Academy, Plymouth	371	104
Brixham Academy	204	58	Meavy Primary School	12	3
Brixham CofE Primary	55	14	Montpelier School	126	36
Broadclyst Academy	404	130	Morchard Bishop Primary School	40	10
Buckfastleigh Primary School (WCST)	40	11	Moretonhampstead Primary School	40	12
Catch 22 MAT	103	30	Newport Academy	766	236
Chulmleigh Academy	253	73	Newton Abbot College	42	14
Churston Academy	195	59	North Molton Primary School	29	8
City College Plymouth	1,129	355	Old Priory Junior School	33	9
Clyst Vale Academy	182	59	Orchard Manor Academy	419	101
Coast Academies	61	17	Petroc	1,411	408
Colyton Academy	182	57	Plymouth Academy Trust	324	92
Colyton Primary School	37	10	Plymouth Cast	555	168
Combe Pafford Academy	236	70	Plymouth CAST (Plymouth)	504	136

Employer	Employers Contributions £'000	Employees Contributions £'000	Employer	Employers Contributions £'000	Employees Contributions £'000
Plymouth CAST (Torbay)	143	37	St Michael's Primary School	71	19
Plymouth Citybus	54	5	St Peters C of E Primary Plymouth	42	11
Plymouth College Of Art & Design	799	255	St Peters Junior School	33	9
Plymouth High School for Girls	96	36	St Rumon's Infant School	23	6
Plympton St Mary Infants	22	5	St Sidwell's CoE Primary	23	6
Police and Crime Commissioner	5	-	St Thomas Primary	29	8
Primary Academies Trust	1,279	373	Starcross Primary	9	3
QE Academy Trust	324	86	Stockland Primary Academy	9	3
Reach South Central	1,037	321	Stoke Damerel Academy	360	107
Ridgeway Academy	142	38	Stoke Fleming Primary School	31	10
Riviera Primary Trust	325	90	Team Multi Academy Trust	201	58
Roundswell Primary School	49	16	Teignmouth Learning Trust	828	253
Route 39	84	26	Templer Academy	634	227
Shiphay Academy	94	30	The Dartmoor Trust	1,319	397
Sidmouth College	3	-	The Exwick Ark	3	1
South Dartmoor Community College	200	63	The Inspire MAT	185	55
South Devon College	1,366	430	The Link Academy MAT	318	102
South Devon College UTC	30	8	Thinking Schools Trust (Central Staff)	160	56
Sparkwell Primary Academy	22	6	Tidcombe Primary School	35	9
St Budeaux Primary School	4	-	Torbridge Academy	292	85
St Christophers Primary MAT	221	80	Torquay Boys Academy	454	135
St Christophers Secondary MAT	232	68	Torquay Girls Academy	199	68
St Edwards C of E Primary	32	9	Torre Primary School	77	21
St Georges Primary School	19	5	Uffculme Academy	357	107
St James Academy Trust	49	16	Ugborough Primary (WCST)	21	6
St Leonards CofE Primary	107	28	United School Trust Kingsteignton School	56	16
St Lukes College (Ted Wragg Tr)	169	49	Upton St James C of E Primary	23	6
St Margaret's Academy	126	36	Wave MAT	161	55
St Marychurch Primary	72	19	Whitchurch Primary School	7	-
St Matthews's C of E Primary	80	22	Widecombe Primary	11	3
			TOTAL	**131,858**	**47,357**
Resolution Bodies					
Ashburton Town Council	1	-	Fremington Parish Council	22	7
Axminister Town Council	29	9	Frithelstock Parish Council	2	-
Axmouth Parish Council	1	-	Great Torrington Town Council	19	5
Aylesbeare Parish Council	1	-	Holcombe Burnell Parish Council	1	-
Barnstaple Town Council	81	25	Honiton Town Council	23	7
Bideford Town Council	47	14	Ilfracombe Town Council	6	2
Bishops Clyst Parish Council	3	1	Ivybridge Town Council	74	22
Bishops Tawton Parish Council	1	-	Kingsbridge Town Council	13	4
Bishopsteignton Parish Council	5	1	Kingsteignton Parish Council	33	10
Bovey Tracey Town Council	18	6	Kingswear Parish Council	1	-
Bradninch Town Council	-	-	Lynton & Lynmouth Town Council	43	12
Braunton Pc	29	8	Moretonhampstead Parish Council	3	1
Brixham Town Council	33	10	Newton Abbot Town Council	103	35
Broadclyst Parish Council	35	9	Okehampton Town Council	30	9
Buckland Monachorum Pc	3	1	Seaton Town Council	32	11
Budleigh Salterton Town Council	10	3	Sidmouth Town Council	21	6
Chudleigh Town Council	13	4	South Molton Town Council	10	3
Clyst Honiton Parish Council	3	1	Staverton Parish Council	2	-
Combe Martin Parish Council	16	5	Stokenham Parish Council	4	1
Cranbrook Town Council	34	10	Tavistock Town Council	123	40
Crediton Town Council	24	6	Tedburn St Mary Parish Council	2	1
Cullompton Town Council	28	8	Teignmouth Town Council	32	10
Dartington Parish Council	3	1	Totnes Town Council	57	17
Dartmouth Town Council	70	21	Ugborough Parish Council	1	-
Dawlish Town Council	33	11	Uplyme Parish Council	4	1
Exmouth Town Council	65	20	Witheridge Parish Council	2	1
			TOTAL	**1,249**	**379**

Employer	Contributions Employers £'000	Contributions Employees £'000	Employer	Contributions Employers £'000	Contributions Employees £'000
Admission Bodies					
Access Plymouth	22	3	Fresha (Furzeham School)	4	1
Action For Children	8	4	Fresha (St Christopher's MAT)	5	1
Action For Children (West Exeter)	2	1	Fusion Lifestyle	16	6
Aspens (Barton Hill)	15	4	Healthwatch	19	5
Aspens (Queen Elizabeth)	13	6	Initial Plymouth Catering	3	1
Aspens (TGGS)	(14)	-	Innovate (Colyton Grammar Academy Trust)	27	6
Babcock	193	59	Interserve Education	16	4
Barnardos - 4Children(C4)	1	1	LED Leisure Management Ltd	75	20
Barnardos - Dell Children's Centre	87	-	LEX Leisure	(1)	-
Barnardos - Plymouth/Whitleigh	3	1	Libraries Unlimited	208	102
BIFFA Waste Services Ltd	26	9	Liverty Ltd	73	-
Bournemouth Churches HA	5	2	Mama Bears Day Nursery	5	2
Burton Art Gallery	11	3	Millfields Trust	15	3
CaterEd	415	145	Mitie PLC (Devon)	7	3
Caterlink Ltd.	3	-	NHS Care	16	4
Chartwells (OLCS)	4	1	NHS Pensions	3	-
Chartwells (N Tawton)	12	-	Norse Catering	81	21
Churchill Services	1	-	Norse Cleaning	54	13
Churchills - SW Ambulance	3	1	North Devon Crematorium Cttee	50	13
Churchills (Edward VI School)	1	-	North Devon Homes	93	10
Churchills (Honiton CC)	4	1	Pinnacle	14	3
Churchills (Oreston WCST)	1	-	Plymouth Active Life	132	35
Churchills (Plymstock School WCST)	11	4	Plymouth Association of Primary Heads	222	79
Churchills (SDCC WCST)	15	4	Plymouth Citizens Advice Bureau	47	2
Churchills - St Peters Plymouth	7	2	Plymouth Community Healthcare	961	379
Churchills (P H S G)	5	1	Plymouth Community Homes	1,150	363
Dame Hannah Rogers School	65	10	Plymouth Dental Social Enterprise	9	4
DCC Cleaning	1	-	Quadron	12	3
DCC South West Heritage Trust	42	13	Red One Ltd	2	1
DELT - Plymouth City	58	20	Sanctuary Housing	(16)	-
DELT - Transforming Futures	51	15	Scott Medical College	39	12
DELT Part Print Services	14	1	Servicemaster Clean Control	4	1
DELT Shared Services Ltd	239	97	SLM Community Leisure	3	-
Devon and Severn IFCA	106	35	South West Highways	66	38
Devon Norse FM	36	10	Specialist Fleet Services Ltd (NDDC)	10	3
Devon Schools Leadership Services	12	3	St Johns Primary School - Compass	1	-
Devon Wildlife Trust	8	2	Strata	404	161
DVLA	5	-	Streets Coachways	(4)	-
DYS Space Ltd	110	46	Swsico Ltd.	715	171
Edgehill College	1	-	Tarka Housing Limited	72	10
Exeter Royal Acad.for Deaf Ed	121	25	Teign Housing	1,177	-
Expedite Ltd	6	1	Three Rivers Development Ltd	22	8
FCC Environment	138	36	Torbay Coast & Countryside Trust	12	2
FishKids	3	1	Torbay Community Development Trust	20	2
Fishkids (Blackpool Primary)	3	1	Torbay Economic Development Co	283	73
Fresh Ltd	6	1	Torbay Education Ltd	19	7
Fresha - Haywoods School	2	-	Torbay Youth Trust	26	9
Fresha (Bradley Barton)	4	1	University Comms Services Limited	28	8
Fresha (connect Federation)	(2)	-	Wolseley Development Trust	56	10
			TOTAL	**8,138**	**2,169**

Summary	Contributions Employer £'000	Contributions Employees £'000
Administering Authority	35,941	13,650
Scheduled Bodies	95,917	33,707
Resolution Bodies	1,249	379
Admission Bodies	8,138	2,169
TOTAL	**141,245**	**49,905**

Peninsula Pensions Administration Report

Scheme Administration

Peninsula Pensions was formed in 2013 as a shared pension administration service, with Devon County Council acting as lead authority, for the provision of the Local Government Pension Scheme (LGPS) administration for the Devon County Council and Somerset Council administering authorities.

Peninsula Pensions also administers the Police Pension Schemes for Avon and Somerset Police and the Firefighters Pension Schemes for Gloucestershire Fire and Rescue Services.

Key functions provided by the service include:

- Guidance and information to individual members in respect of pension issues that will fundamentally affect their living standards, involve complex regulations and will often be in emotional circumstances e.g., death of a partner
- Calculation of individual pension benefits
- Payment of pensions
- Guidance and information as to how pension legislation affects employers and their employees
- Adherence to HMRC and other regulatory bodies requirements including completion of all statutory returns.

Value for Money

Peninsula Pensions is committed to delivering a high quality, effective and efficient pensions administration service. We aim to ensure that all of our customers' needs, and requirements are met, while delivering value for money for all of our members and employers.

Our Vision

Our vision is to be a provider of efficient and cost-effective pensions administration, utilising technology to deliver service improvement, developing training modules to ensure that staff are trained and developed, similarly providing effective training and communication for members and employers alike.

We also aim to ensure that information is readily available to members and employers by developing the existing self-service and website functionality.

Our Objectives

We aim to achieve our mission through experienced, well trained pensions administrators driven to deliver a reliable and professional service, whilst demonstrating excellent customer care.

We will maintain training modules to enable continuous improvement and development of staff across the service at all levels.

We will continue to make best use of technology to enable an efficient and cost-effective service, providing direct access online to as much information as possible through our Member and Employer self-service facilities via our online portal/website.

We will use technology to improve member and employer communications and learning and will continue to develop training modules to enable more flexible communication to a wider audience.

We also strive for continuous improvement in service delivery and high levels of member and employer satisfaction.

Summary of Activity

The team maintained a high level of performance throughout 2022/23 and has continued with the ways of working introduced as a result of the COVID19 pandemic with new hybrid working arrangements put into place October 2022.

The team is headed up by Rachel Lamb, Head of Peninsula Pensions, and is split across three specialist functions, as set out on the following pages:

Member Services

This function is headed up by Natalie Taylor, Member Services - Strategic Lead, and covers all areas of member services for LGPS, Police and Fire schemes.

The member services teams provide a full pension administration service for scheme members, including:

- Processing LGPS retirement calculations and estimates, including retirements on the grounds of ill-health, redundancy, efficiency, early and age retirements.
- Processing LGPS benefit calculations in respect of deaths-in-service, deaths of pensioners and the deaths of deferred members
- Setting up new fund members
- Processing leaver notifications
- Calculation of cash equivalent transfer values (CETVs) for divorce proceedings, pension sharing and earmarking orders
- Processing the transfer-in of pension rights accrued with a previous employer or pension provider
- Processing the transfer-out of pension benefits to an external employer or pension provider
- Processing payment of refunds of member contributions
- Administration of Additional Pension or Additional Voluntary Contributions
- Processing notifications such as changes of address, hours, and marital status.

Employer Liaison and Communication

This function is headed up by Shirley Cuthbert, Employer and Communications – Strategic Lead, and is responsible for all client management aspects of the fund’s employers.

Some of the key areas covered by the team are:

- Client management
- Employer engagement, training, and support
- Monitoring and review of employer performance data
- Administering the process for admitted bodies and new employers
- Improving and developing communications with employers and members
- Increasing the use of self-service portals and the website
- Responsibility for incoming and outcoming post and subsequent distribution (First Response Team)
- Responding to all enquiries from LGPS fund members via a variety of communication methods
- Responsibility for producing and monitoring the Pension Admin Budget and closure of its accounts, debt recovery, payment of invoices, allocation of bank payments, financial coding structure, reconciliation of pensioner payroll and other financial requirements (Finance Team).

Technical and Compliance

This function is headed up by Alexander Thompson, Technical and Compliance – Strategic Lead, and is responsible for ensuring that Peninsula Pensions operates in full compliance with legislation and regulations, and that our internal processes are efficient, effective, and secure.

Some of the key areas covered by the team are:

- Pensioner Payroll – responsibility for the complete monthly and annual payroll cycles across schemes, ensuring all pensioners are paid accurately, at the right time with the correct tax codes applied. Additional responsibilities cover annual P60s and pension increases; HMRC statutory reporting; and Real Time information (RTI) shared with HMRC
- Systems Development – responsibility for managing the pension database and Member Self-Service area for Peninsula Pensions. This includes implementation and testing of new system developments; generating reports as required by employers, pension fund accounts, and actuaries; loading various electronic data interfaces from all employers; and production of bulk documentation for members ie annual benefit statements
- Technical and Training, which includes:
  - procedure notes and training
  - training and accreditation programme for staff
  - quality assurance scheme for accredited staff
  - technical queries
  - administering the Annual Allowance exercise and other projects including McCloud Remedy.

Key activities

Some of the key activities undertaken by the team during 2022/23 are set out below:

Data improvement/management plan

We are currently reviewing our plan to ensure actions are in place relating to ongoing data quality improvements and data readiness for the Pension Dashboard. As part of the plan to date, the following activities have been undertaken:

Employer Historic membership data review*

Peninsula Pensions have continued to work with scheme employers to complete a historic membership data review and sign off for all scheme membership data. Data was provided to scheme employers for review and sign off before employers moved to monthly data submissions. The benefits of this exercise will be seen via a reduction in the number of queries in respect of historic data with scheme employers, which will lead to efficiencies in the processing of scheme member benefit calculations. The completion of this exercise will also help to facilitate an easier implementation of the McCloud remedy and Pensions Dashboard (see below).

Member Tracing

Peninsula Pensions have engaged with an external company to assist with tracing members, particularly deferred members, that have changed address and unfortunately not informed the team.

The Pension Regulator annual data score return

The Pensions Regulator data score shows the percentage of members in the scheme that we hold full data for as outlined below. Separate scores are provided for common data and scheme-specific data.

For the year 22/23 Peninsula Pensions achieved the following for the Devon LGPS:

Common data score: 95.8%
Scheme-specific data score: 97.07%

Common data includes sex, date of birth, pensionable service dates and expected retirement.

Scheme specific data includes the scheme type, structure and design, member status and events that have taken place during membership.

Note: These scores above confirm a presence of data on specific data views only, the accuracy of which is verified under other methods, for example as above*/ data checker tools (part of triennial valuations/internal quality assurance).

Member Self-Service (MSS) online portal

Peninsula Pensions has continued to promote the benefits of Member Self-Service (MSS) over the year, following the positive results experienced during the pandemic.

MSS allows members to view all of their pension information online, calculate estimates of their benefits, update personal information and to send and receive documentation to and from Peninsula Pensions and has proved to be a much more effective, secure, and efficient method of communication than traditional postal services.

Peninsula Pensions have volunteered to become 'early adopters' with the new MSS updated 'Transformational Member Experience' online portal in 23/24.

As at 31st March 2023 over 80% of scheme members have access to MSS, with less than 20% electing to opt out of the service.

If you have not yet registered for MSS and are interested in finding out the benefits of doing so, please visit our website https://www.peninsulapensions.org.uk/ for more information and details on how to register.

Online refunds (Member Self Service)

A further development within the Member Self Service facility is to allow members to generate their own refund of pension contributions online. This allow the member to sign relevant forms online and claim their refund accordingly, prior to Peninsula Pensions authorising the final payment. This is a more efficient processing of members benefits and saves time for both the member and the team within a secure environment.

Employer monthly interface tool

Peninsula Pensions successfully introduced a new employer monthly interface tool in February 2023, providing for further checks on data accuracy, efficiency, and automation of data between employers and the team. This saves time for the team with the automation, and by receiving data on a monthly basis, increases the accuracy and timeliness of information received from employers as part of the Data management/improvement plan.

Immediate Payments - ALTAIR pensioner payroll module

This development was introduced in January 2023 and provides for a clear separation of duties between the team calculating members pension benefits, and the team making the subsequent payments. The development has negated the need for a third-party payment system, hence reducing risks with both input and financial coding, and increasing accuracy and timeliness of payments for members.

McCloud and Sargeant Judgements – implementation due October 2023

In 2018 the Court of Appeal ruled that protections introduced for older members of the Judges' and Firefighters' Pension schemes, as part of public sector pension reforms in 2014 and 2015, unlawfully discriminated against younger members. The remedy to address this discrimination will be applied to all public sector pension schemes, including the LGPS. Anyone affected by the discrimination will be offered an appropriate remedy to ensure that they are placed in an equivalent position to protected members.

Peninsula Pensions have a Project Team in place and have been making preparations in advance of the implementation date with regards to ensuring understanding of requirements, data readiness and resource levels needed.

The Government has confirmed that members who qualify for this protection do not need to make a claim for the changes to apply to them. Peninsula Pensions will contact any members that will be affected by the remedy in due course. More information about judgment and the impact of the remedy can be found here:
https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/1146603/LGPS_McCloud_factsheet.pdf

Pension Dashboard

The team have been engaging with software providers, and webinars to ensure both readiness of data and ISP (Integrated Service Provider) to comply with the implementation date. The team have been focusing on ensuring that member data along with deferred and amalgamation cases are in a better position in preparation for the introduction of the Pension Dashboard.

Key Performance Data

Administration Performance

Peninsula Pensions monitors performance against the Occupational and Personal Pension Schemes (Disclosure of Information) Regulations 2013, which set out the minimum requirements regarding the disclosure of pension information.

Peninsula Pensions' internal service standard target is currently being reviewed along with the Pension Administration Strategy.

Performance targets are monitored on a monthly basis via a task management system and reporting tool within the pension database.

Total performance against the Occupational and Personal Pension Schemes (Disclosure of Information) Regulations 2013 for 2022/23 was 89%, an improvement on the 2021/22 year, despite increased demand, and difficulty with recruitment to team vacancies.

The lower-than-expected performance is in part due to delays in responses to member information requested from employers. The team has continued to work with employers to implement improvements in this area.

The tables below provide a detailed breakdown of administration performance relating to the Devon Pension Fund only against the internal targets and Disclosure Regulations for the financial year ending 31st March 2023.

Performance Summary

	Total Cases	Performance (Disclosure Regs)
High Priority Procedures	14832	93%
Medium Priority Procedures	22393	87%
Low Priority Procedures	6753	87%
TOTAL	**43978**	**89%**

High Priority Procedures

	Total Cases	Performance (Disclosure Regs)
Changes	2197	99%
Complaints (Member)	139	100%
Complaints (Employer)	8	100%
Deaths	1401	78%
Deferred (over 55)	1380	85%
Payroll	2903	97%
Refunds	2071	100%
Retirements (Active)	1913	90%
Retirements (Deferred)	2820	91%
TOTAL	**14832**	**93%**

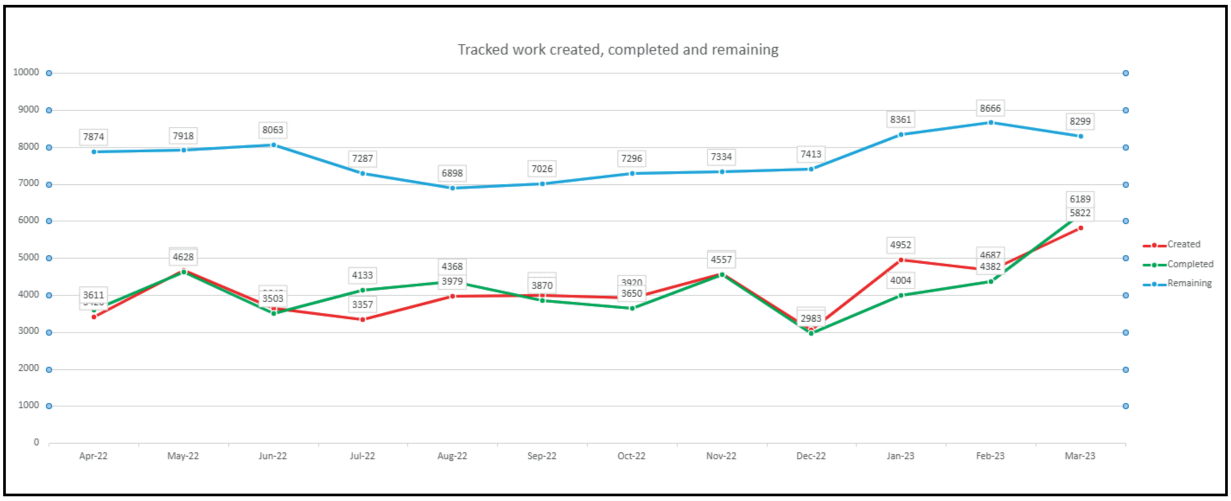
Medium Priority Procedures

	Total Cases	Performance (Disclosure Regs)
Amalgamation of Records	3551	62%
Deferred Benefit Calculations	6282	65%
Divorce Calculations	294	89%
Employer Queries	2217	74%
Estimates (Bulk)	0	-
Estimates (Employer)	121	100%
Estimates (Member)	264	94%
General	3673	99%
HMRC	111	99%
Member Self-Service	5880	100%
TOTAL	**22393**	**87%**

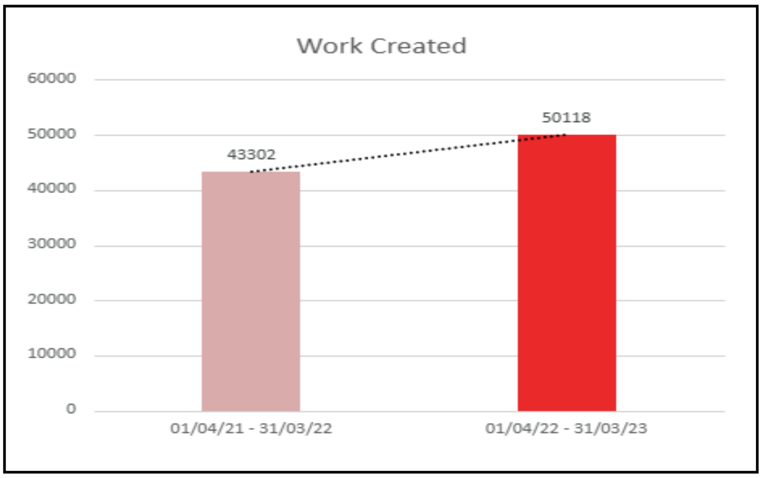
Low Priority Procedures

	Total Cases	Performance (Disclosure Regs)
Estimates (Other)	313	75%
GMP Queries	49	100%
Interfund Transfers In	471	80%
Interfund Transfers Out	363	73%
Pension Top Ups	662	98%
Frozen Refunds	3983	85%
New Starters	4	100%
Pension Transfers In	433	94%
Pension Transfers Out	475	76%
TOTAL	**6753**	**87%**

The graph below shows the overall performance of Peninsula Pensions (Devon Pension Fund only) for the year ending 31st March 2023.



The graph below shows the work received (created) over the 22/23 year compared to the 21/22 year:



Analysis of pension overpayments over the year

The table below shows an analysis of the pension benefits overpaid compared to the total retirement pensions paid for the year. Pension overpayments mainly relate to overpayment of pensioners between the date of their death and notification. A total of 849 overpayments were written off in 2022/23 – 844 of which were below £150.00.

	Overpayments raised	Recoveries/ Paid invoices	Annual Payroll	% of payroll
	£000s	£000s	£000s	
2022/2023	132	46	165,436	0.08%
2021/2022	122	65	159,859	0.08%
2020/2021	124	42	155,849	0.08%
2019/2020	120	51	150,788	0.08%

National Fraud Initiative

Peninsula Pensions also participates in the National Fraud Initiative (NFI) which is a biennial data matching exercise conducted by the Cabinet Office. It contributes to the security and transparency of public sector finances by assisting in the prevention and detection of fraud.

Pension data was submitted through the web portal in 2022 and data match reports included the following:

- Active pensioners with Department for Work and Pensions (DWP) deceased records, to identify cases where we might be continuing to pay someone who has died;
- Pensioners with payroll records for public sector bodies to identify cases where pensions need to be considered for abatement

During the 2022 exercise, match reports were reviewed, and additional information sought as necessary. The NFI did not identify and evidence any additional 'matched' pensioners who had died, where the pension administrators had not already been informed of their death or notified through monthly mortality reports. There were therefore no overpayments / recoveries /suspected fraud cases identified that need to be reported on.

Financial Indicators

For the financial year 2022/23, the costs of providing a pension administration service equated to £19.00 per fund member (compared with £18.31 for 2021/22).

Our pension payroll costs per pensioner for the same period equated to £5.38 per pensioner (compared with £5.81 for 2021/22).

Staffing indicators

As at 31st March 2023, Peninsula Pensions employed 71.50 full-time equivalent members of staff (including staff providing administration services to non-LGPS clients under external service level agreements). For the LGPS only, this equates to approximately 3162 fund members for every full-time equivalent member of staff (compared with 3,383 for 2021/22).

Other Information

An analysis of the Devon Pension Fund's membership data as at 31st March 2023 is set out in the table below:

Status of Fund Membership	Number of Members
Active	41021
Deferred	44806
Pensioner/Dependant	39497
Undecided leavers (status 2 and 9)	12766
Total	**138090**

A further analysis of new pensioners for the Devon Pension Fund during 2022/23 is set out in the table below:

Pensioner Category	Number of New Pensioners
Ill Health	81
Early Retirement (including Flexible, Redundancy)	1200
Normal (Normal and Late)	439
Total	**1720**

A summary of the number of employers in the fund analysed by scheduled bodies and admitted bodies which are active (with active members) and ceased (no active members but with some outstanding liabilities) is shown in the table below:

	Active	Ceased	Total
Scheduled body	146	5	151
Admitted body	66	11	77
Total	**212**	**16**	**228**

There are currently 212 employers who have active members in the Fund – please note, with multi academy trusts (MATs) and admitted bodies, in practice, the administration team have dealings with a much larger number of employers ie with MATs, data is received for each individual academy within that MAT; and with admitted bodies, data is received for each individual admission agreement linked to that admitted body.

Compliments and Complaints

The table below shows a summary of the number of compliments, complaints, and formal complaints under the provision of the IDRP (Internal Dispute Resolution Procedure) received during 2022/23.

Compliments	74
Formal complaints (IDRP Stage 1)[1]	6
Formal complaints (IDRP Stage 2)[2]	3
Other complaints[3]	138

[1] Two of the IDRP Stage 1 complaints were against decisions made by the administering authority. Both complaints were not upheld. All other IDRP Stage 1 complaints were against decisions made by scheme employers.

[2] Any complaint that cannot be resolved under Stage 1 of the IDRP may be escalated to Stage 2. All of the three Stage 2 complaints were against decisions made by scheme employers in respect of ill health retirement. None of the IDRP Stage 2 complaints were against decisions made by the administering authority.

[3] All other complaints were successfully resolved in-house and did not escalate to a formal complaint under provision of the IDRP.

Audit

Peninsula Pensions is audited by Devon Audit Partnership (Internal Audit) and Grant Thornton (External Audit) to ensure the effective and efficient operation of the scheme. Audit findings are reported regularly to the Investment and Pension Fund Committee and the Devon Pension Board.

Two of the reports relating to Audits during the 22/23 resulted in no recommendations – these reports related to 'Transfers out of pension benefits', and 'LGPS refunds 5-year rule'. This gave the team the top level of reassurance around internal processes on both of these areas.

Member self-service can be accessed via the following link:

https://members.peninsulapensions.org.uk/

Contact:

For more information regarding our service, please use MSS or visit the 'contact us' section of our website:
https://www.peninsulapensions.org.uk/contact-us/

Alternatively you can write to us at:
Peninsula Pensions
Great Moor House
Bittern Road
Sowton Industrial Estate
Exeter EX2 7NL

Or telephone: **01392 383200**

FINANCIAL STATEMENTS 2022/23

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 Director of Finance and Public Value.
- Manage its affairs to secure economic, efficient, and effective use of resources and safeguard its assets.
- Approve the Statement of Accounts.

Responsibilities of the Director of Finance and Public Value

The Director of Finance and Public Value is responsible for the preparation of the Authority's Statement of Accounts in accordance with proper practices as set out in the CIPFA Code of Practice on Local Authority Accounting in the United Kingdom ('the Code of Practice').

In preparing this Statement of Accounts, the Director of Finance and Public Value 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 Director of Finance and Public Value 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 Director of Finance and Public Value

I hereby certify that this Statement of Accounts for the year ended 31st March 2023 has been prepared in accordance with the Accounts and Audit Regulations 2015 and that it presents a true and fair view of the financial position of the Pension Fund as at 31st March 2023 and its income and expenditure for the year ended 31st March 2023.

Angie Sinclair
Director of Finance and Public Value
29th June 2023

Approval of the Statement of Accounts

I confirm that these accounts were approved by the Audit Committee at its meeting on XXth Xxxx 2023.

Chairman of the Audit Committee
XXth Xxxxxx 2023

Financial Statements

Background

The Devon Pension Fund provides defined pension benefits to members earned as employees. As well as the County Council, the Fund also extends to cover employees of unitary, district and parish councils, civilian employees of the Devon and Cornwall Police Authority and Devon and Somerset Fire and Rescue Authority, and employees of academy schools and a number of other admitted member bodies.

The accounts of the Fund are set out in line with the IFRS Based CIPFA 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 2019 and was signed by the Actuary on 31 March 2020.

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 - for the year ended 31 March 2023

2021/22 £'000		2022/23 £'000	Notes
	Dealings with members, employers and others directly involved in the fund		
(173,432)	Contributions	(191,150)	7
(13,324)	Transfers in from other pension funds	(13,253)	8
(186,756)		(204,403)	
201,032	Benefits	208,345	9
26,633	Payments to and on account of leavers	10,121	10
227,665		218,466	
40,909	**Net (additions)/withdrawals from dealings with members**	**14,063**	
28,453	Management expenses	28,635	11
69,362	**Net (additions)/withdrawals including fund management expenses**	**42,698**	
	Returns on investments		
(33,609)	Investment Income	(39,553)	13
(37)	Taxes on income	438	
(380,768)	Profit and losses on disposal of investments and changes in market value of investments	95,569	
(414,415)	**Net Returns on Investments**	**56,454**	
(345,052)	Net (increase)/decrease in the net assets available for benefits during the year	99,152	
(5,066,930)	Opening Net Assets of the Scheme	(5,411,983)	
(5,411,982)	**Closing Net Assets of the Scheme**	**(5,312,831)**	

Net Asset Statement - for the year ended 31 March 2023

2021/22 £'000		2022/23 £'000	Notes
838	Long Term Investments	707	14
5,414,325	Investment Assets	5,301,537	14
(13,303)	Investment Liabilities	-	14
5,401,860	**Total net investments**	5,302,244	
	Current Assets and Liabilities		
18,350	Current Assets	17,501	24
(8,228)	Current Liabilities	(6,914)	24
5,411,982	**Net assets of the fund available to fund benefits at the end of the reporting period**	**5,312,831**	

Notes to the Net Asset Statement

The financial statements summarise the transactions and net assets of the Fund, but they do not take account of liabilities to pay pensions and other benefits which fall due after the end of the Fund's accounting year. These obligations are summarised in Note 23.

Notes to the Accounts

1. Summary of the 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 2016.

Each LGPS administering authority pays its benefits from a dedicated pension fund. Both the scheme member and their employer pay into this fund 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 **http://www.devonpensionfund.org.uk/** for further information.

As at 31st March 2023, the net assets of the Devon Pension Fund were valued at £5.313 million. The fund currently has 39,460 actively contributing members, employed by 212 employers of various descriptions (Unitary, District, Town & Parish Councils, Education Establishments and Admitted Bodies). Different rules apply in relation to membership of the fund for the different categories of employer, as set out in the following table:

Scheduled Body An employer explicitly defined in the Regulations	**Admitted Body** As listed
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 indeminity or bond

Statistical Summary

Financial Summary

	2018/19 £'000	2019/20 £'000	2020/21 £'000	2021/22 £'000	2022/23 £'000
Contributions and Benefits					
Contributions	(176,196)	(248,155)	(214,261)	(173,432)	(191,150)
Transfers in from other pension funds	(6,134)	(17,279)	(12,970)	(13,324)	(13,253)
	(182,330)	(265,434)	(227,231)	(186,756)	(204,403)
Benefits Paid	180,638	188,470	192,439	201,032	208,345
Payments to and on account of leavers	9,747	12,756	8,437	26,633	10,121
	190,385	201,225	200,876	227,665	218,466
Net (Additions) Withdrawals from Dealings with Fund members	**8,055**	**(64,208)**	**(26,355)**	**40,909**	**14,063**
Management Expenses	**17,999**	**19,732**	**20,791**	**28,453**	**28,635**
Returns on Investments					
Investment Income	(49,937)	(59,351)	(35,020)	(33,646)	(39,115)
(Increase) /decrease in Market Value of Investments during the Year	(191,967)	394,994	(1,015,231)	(380,768)	95,569
Net Returns on Investments	**(241,904)**	**335,643**	**(1,050,251)**	**(414,414)**	**56,453**
Net Assets of the Fund at 31 March	**(4,302,282)**	**(4,011,115)**	**(5,066,930)**	**(5,411,982)**	**(5,312,831)**

Members Summary

	2018/19 No.	2019/20 No.	2020/21 No.	2021/22 No.	2022/23 No.
Devon County Council					
Contributors	11,166	10,547	11,390	11,574	11,574
Pensioners and Dependants	14,548	14,894	15,148	16,113	16,113
Deferred Pensioners	20,240	19,235	19,520	20,348	20,348
Other Employers					
Contributors	27,458	28,624	28,072	27,886	27,886
Pensioners and Dependants	22,118	21,056	21,847	22,519	22,519
Deferred Pensioners	32,616	32,490	34,004	36,050	36,050

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

Pensions are paid to 38,632 pensioners (and/or dependants) every month. There are currently 56,398 members with rights to deferred benefits, frozen memberships pending refunds and those undecided pending resolution.

Further contributions are made by Fund employers, which are set based on triennial actuarial funding valuations. The contributions for 2022/23 were set by the valuation as at 31 March 2019. Employer contributions comprise a primary rate, which represents the employers' share of the cost of future benefits, and a secondary rate to meet any shortfall on past service liabilities. Currently, employer future service rates range from 0.0% to 37.1% of pensionable pay.

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 up rated 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. Benefits payable are summarised in the following table:

	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 **career average** salary.
Lump sum	Each year worked is worth 3/80 x final pensionable salary. In addition, 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.	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.

Employing Bodies

	Active	Ceased	Total
Scheduled body	146	5	151
Admitted body	66	11	77
Total	**212**	**16**	**228**

There are currently 212 employers who have active members in the Fund.

Administering Authority

Devon County Council

Scheduled Bodies

Academy For Character And Excellence
Ace MAT
Ace Schools MAT (Plymouth)
Acorn Multi Academy Trust
Alumnis MAT
An Daras Multi Academy Trust
Ashburton Town Council
Avanti Hall School
Axminster Town Council
Axmouth Parish Council
Aylesbeare Parish Council
Barnstaple Town Council
Barton Hill Academy
Bay Education Trust
Bicton College (Cornwall College)
Bideford Town Council
Bishops Clyst Parish Council
Bishops Tawton Parish Council
Bishopsteignton Parish Council
Bovey Tracey Town Council
Bradninch Town Council
Bradworthy Primary Academy
Braunton Academy
Braunton Parish Council
Brixham Academy
Brixham Town Council
Broadclyst Parish Council
Buckland Monachorum Parish Council
Budleigh Salterton Town Council
Catch 22 Multi Academy Trust
Chudleigh Town Council
Chulmleigh Academy Trust
Churston Academy
City College Plymouth
Clyst Honiton Parish Council
Clyst Vale Community College Academy
Colyton Grammar School Academy
Combe Martin Parish Council
Connect Academy Trust
Coombe Pafford Academy
Cornerstone Academy Trust
Cranbrook Town Council
Crediton Town Council
Cullompton Town Council
Dartington Parish Council
Dartmoor MAT
Dartmoor National Park
Dartmouth Town Council
Dawlish Town Council
Devon & Cornwall Police & Crime Commissioner
Devon & Somerset Fire & Rescue Service
Devon County Council
Devonport High School For Boys Academy
Devonport High School For Girls Academy Trust
Discovery Multi Academy Trust
East Devon District Council
Education South West
Exeter City Council
Exeter College
Exeter Learning Academy Trust
Exeter Mathematics School
Exmouth Community College
Exmouth Town Council
Exwick Ark
First Federation
First Federation Trust
Fremington Parish Council
Frithelstock Parish Council
Great Torrington Academy
Great Torrington Town Council
Greenshaw Learning Trust
Hayes Road Academy
Holcombe Burnell Parish Council
Honiton Community College
Honiton Town Council
Horizon MAT
Ilfracombe Town Council
Ivybridge Town Council
Kings Academy
Kingsbridge Town Council
Kingsteignton Town Council
Launceston MAT
Learning Academies MAT
Learning Academy Partnership (South West)
Link Academy Trust
Lipson Academy
Littletown Primary Academy
Lynton & Lynmouth Town Council
Mid Devon District Council
Moretonhampstead Parish Council
Newton Abbot Town Council
North Devon District Council
Okehampton Town Council
Orchard Manor Academy
Osprey Learning Trust
Petroc
Plymouth Cast
Plymouth City Bus
Plymouth City Council
Plymouth College Of Art & Design
Plymouth University
Plympton Academy
Reach South Academy Trust
Riviera Education Trust
Seaton Town Council
Sidmouth Town Council
South Devon College
South Hams District Council
South Molton Town Council
Sparkwell Primary Academy
St Chistophers Primary MAT
St Christophers MAT
St Christophers Secondary MAT
St Margaret'S Academy
Staverton Parish Council
Stockland Academy
Stokenham Parish Council
Tarka Learning Academy Partnership MAT
Tarka Learning Partnership
Tavistock Town Council
Team MAT
Team Multi Academy Trust
Ted Wragg
Ted Wragg MAT
Tedburn St Mary Parish Council
Teignbridge District Council
Teignmouth Town Council
The Inspire MAT
Thinking Schools Academy Trust
Tor Bridge High Academy
Torbay Council
Torquay Boys' Grammar School Multi Academy Trust
Torquay Girls Academy
Torre Church Of England Academy
Torridge District Council
Totnes Town Council
TSAT
Uffculme Academy Trust
Ugborough Parish Council
United Schools Trust
Uplyme Parish Council
Ventrus MAT
Wave MAT
West Devon Borough Council
Westcountry Schools Trust
Witheridge Parish Council

Admitted Bodies

3 Rivers Development Ltd
Access Plymouth
Action For Children
Aspens Services Ltd
Babcock
Barnados
Betterclean
Biffa Waste Services Ltd
Bournemouth Churches Housing Association
Burton Art Gallery
Catered Limited
Chartwells (OLCS)
Churchills Services
Compass Group UK
Dame Hannah Rogers School
DCC South West Heritage Trust
DELT
Devon & Severn IFCA
Devon Norse Catering
Devon Norse Cleaning
Devon Norse FM
Devon Schools Leadership Services
Devon Wildlife Trust
Direct Clean Services (Exmouth CC)
DYS Space Ltd
Expedite Ltd
Fishkids
Fresha
Fusion Leisure
Healthwatch
Innovate
Interserve Catering Services Plymouth
Interserve Projects Ltd
Led Leisure Management Ltd
Libraries Unlimited
Livewell South West
Mama Bears Day Nursery
Millfields Trust
Mitie Plc (Devon)
NHS Care
NHS Devon LCB
North Devon Homes
North Devon Joint Crematorium
Peninsula Dental Social Enterprise
Pinnacle
Plymouth Active Life
Plymouth Citizen'S Advice Bureau
Plymouth Community Homes
Plymouth Learning Partnership (PLP)
Quadron Services Ltd
Red One Ltd
Servicemaster Clean Contr Serv
Sodexo
South West Highways
Specialist Fleet Services Ltd (NDDC)
Strata
Swisco Ltd - Tor 2 Combined All 3
The Deaf Academy
Torbay Coast & Countryside Trust
Torbay Community Development Trust
Torbay Economic Development Academy
Torbay Education Ltd
Torbay Youth Trust
University Commercial Services
Westward Housing Group
Wolseley Community Economic Development Trust

Management Structure

Administering Authority	Devon County Council County Hall Exeter EX2 4QD

Investment and Pension Fund Committee (at 31 March 2023)

Representing Devon County Council	Councillor James Morrish	(Chairman)
	Councillor Yvonne Atkinson	
	Councillor Phil Bullivant	
	Councillor George Gribble	
	Councillor Henry Gent	
	Councillor Marcus Hartnell	
Representing Devon Unitary & District Councils	Councillor Judy Pearce	(Devon Districts Councils)
	Councillor Andy Lugger	(Plymouth)
	Councillor James O'Dwyer	(Torbay)
Representing Other Employers	Councillor Ray Bloxham	(Cranbrook Town Council)
Representing the Contributors	Michael Daniell*	(UNISON)
	Lorraine Parker Delaz-Ajete **	(GMB)
Representing the Beneficiaries	Roberto Franceschini*	(UNISON)

*The Fund Member representatives have one joint vote between them.

Adviser	Anthony Fletcher	(MJ Hudson Allenbridge)

Devon Pension Board (at 31 March 2023)

Representing Fund Employers	Councillor Colin Slade	(Devon County Council) (Chairman)
	Councillor Sara Randall Johnson	(Devon County Council)
	Carl Hearn	(Tavistock Town Council)
	Dominic Walshe	(PAPH Plymouth Learning Partnership)
Representing Fund Members	Julie Bailey	
	Andrew Bowman	
	Paul Phillips	
	Colin Shipp	
Independent Member	Robert Jeanes	
County Council Officers	Donna Manson	Chief Executive
	Angie Sinclair	Director of Finance and Public Value
	Mark Gayler	Head of Investments
	Martin Oram	Head of Financial Systems & Processes
	Rachel Lamb	Head of Peninsula Pensions
Asset Pool	Brunel Pension Partnership 101 Victoria Street Bristol. BS1 6PU	
Fund Actuary	Barnett Waddingham LLP 163 West George Street Glasgow. G2 2JJ	
Fund Custodian	State Street Bank and Trust Company Quartermile 3 10 Nightingale Way Edinburgh. EH3 9EG	
Bankers to the Fund	Barclays Bank plc 3 Bedford St Exeter. EX1 1LX	
AVC Providers	Prudential Assurance Company Ltd Lancing BN15 8GB	
External Auditors	Grant Thornton UK LLP 2 Glass Wharf Bristol. BS2 0EL	

For More Information

Copies of the full Annual Report, Statutory Published Statements and summary annual report can be found on-line at the Devon County Council web site at:

https://www.devonpensionfund.org.uk/fund-policies/important-documents/

Requests for information about the accounts or investments should be made in writing to
Mark Gayler, Head of Investments,
Devon County Council, County Hall, Exeter EX2 4QD.

2. Basis of Preparation

Background

The Devon Pension Fund provides defined pension benefits to members earned as employees. As well as the County Council, the Fund also extends to cover employees of unitary, district and parish councils, civilian employees of the Devon and Cornwall Police Authority and Devon and Somerset Fire and Rescue Authority, and employees of academy schools and other admitted member bodies.

The accounts of the Fund are set out in line with the IFRS Based CIPFA 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. Contribution rates for 2022/23 were set by the statutory triennial actuarial valuation of the Fund undertaken in 2019, signed by the Actuary on 31 March 2020.

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.

The accounts have been prepared on a going concern basis.

3. Accounting Policies

The Statement of Accounts summarises the fund's transactions for the 2022/23 financial year and its position at year-end as at 31st March 2023. The accounts have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2022/23 (the Code), which is based upon International Financial Reporting Standards (IFRS), as amended for the UK public sector.

The Code requires disclosure of any accounting standards issued but not yet adopted. CIPFA had deferred the implementation of IFRS 16 (Leases) until 2022/23 but it has further deferred the implementation of IFRS 16 so that it will apply from 1 April 2024 (and therefore in the 2024/25 Code). However, both the 2022/23 and the 2023/24 Codes will allow for adoption should an authority consider that it is able to do so as of 1 April 2022 or 2023. Implementation of IFRS 16 is not expected to have a material impact on the Pension Fund because it does not hold any assets as a lessee.

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, other employers and three fund member representatives (one voting and two observers), control the investments with advice from specialists. Employing body details are shown in Note 1.

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 prescribed by the LGPS regulations for members and at the percentage rate recommended by the fund actuary for employers in the payroll period to which they relate.

Employer deficit funding contributions are accounted for on the basis advised by the fund actuary in the rates and adjustment certificate issued to the relevant employing body.

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 accrual's 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 fund discloses its pension fund management expenses in accordance with the CIPFA guidance on Accounting for Local Government Pension Scheme Management expenses (2016). These are shown under Notes 11 and 12.

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 charged directly to the fund.

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 International Private Equity and Venture Capital Valuation Guidelines 2018 and the IPEV Board's Special Valuation Guidance (March 2020).
  - 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 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.

Cash and cash equivalents

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

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.

Hedge Accounts

Where the fund has assets denominated in currencies other than sterling, the value of those assets will be affected by movements in the exchange rate. The fund may use forward currency contracts to hedge exchange rate risks in relation to specific assets held by the fund. The fair value of the forward currency contracts will be calculated as set out under derivatives.

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 24).

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 29th June 2023.

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

Financial Instruments

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

Financial assets and liabilities at fair value through profit or loss:

- The Pension Fund classifies financial instruments that are 'held for trading' as at fair value through profit or loss when the financial instrument is:
  - o Acquired or incurred principally for the purpose of selling or repurchasing it in the near term, or
  - o 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
  - o A derivative.

- Financial assets and liabilities at fair value through profit or loss are initially recognised at fair value excluding transaction costs and carried at fair value without any deduction for transaction costs that would be incurred on sale or disposal.

Financial Assets measured at Amortised Cost:

- These assets are all short term.

Financial liabilities:

- The liabilities of the Pension Fund consist of creditors and derivative liabilities. Derivative liabilities are classified as financial liabilities at fair value through profit or loss and carried at fair value.

Taxation

Value Added Tax (VAT)

Income and expenditure exclude any amounts relating to VAT except to the extent that it is irrecoverable. The Fund is reimbursed by HM 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 HM 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.

4. Critical judgements in applying Accounting Policies

In applying the accounting policies set out in Note 3 it has not been necessary to make any critical judgements about complex transactions or those involving uncertainty about future events.

5. 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 considering 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. While market values are not estimates, the method of valuation does mean that future values may fluctuate.	For every 1% increase in Market Value the value of the Fund will increase by £53 million with a decrease having the opposite effect.
Unlisted assets, specifically level 3 private infrastructure and debt funds (valued at £673.2m)	Valuations could be affected by material events occurring between the date of the financial statements provided and the pension fund's own reporting date, by changes to expected cashflows and interest rates that are inputs to the valuation models, such as the discounted cash flow models used in the valuation of unlisted investments.	If valuations of the underlying property and infrastructure and private debt assets turn out to be lower than expected, then the value of the Fund's investments will have been overstated. A 5% fall in the valuations included in the accounts for these portfolios would result in a reduction of £33.7m in total Fund assets.
Unlisted assets, specifically level 3 private infrastructure and debt funds (valued at £673.2m)	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 £89.3 million. • a 0.1% increase in assumed earnings inflation would increase the value of liabilities by approximately £7.1 million. • a one-year increase in assumed life expectancy would increase the liability by approximately £215 million.

The Devon Pension Fund is a limited partner in a number of partnerships. Within the partnership the fund managers provide the Pension Fund with quarterly financial statements indicating the value of these investments. These statements are audited annually. The subjectivity of the inputs used in assessing fair value is explained in Note 20. 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. Events After the Reporting Date

There have been no events since 31 March 2023, and up to the date when these accounts were authorised on 29th June 2023 that require any adjustment.

7. Contributions receivable

By category

2021/22 £'000		2022/23 £'000
(45,260)	Employees' normal contributions	(49,905)
	Employers' contributions:	
(120,663)	Employers' normal contributions	(131,956)
(7,509)	Employers' deficit recovery contributions	(9,289)
(128,172)	Total employers' contributions	(141,245)
(173,432)	**Total contributions receivable**	**(191,150)**

2021/22 £'000		2022/23 £'000
(44,138)	Administering Authority	(49,591)
(118,091)	Scheduled bodies	(129,624)
(2,452)	Admitted bodies	(2,564)
(2,717)	Community admission body	(3,757)
(4,625)	Transferee admission body	(3,986)
(1,409)	Resolution body	(1,628)
(173,432)		**(191,150)**

8. Transfers In From Other Pension Funds

2021/22 £'000		2022/23 £'000
(606)	Group transfers	-
(12,718)	Individual transfers	(13,253)
(13,324)		**(13,253)**

9. Benefits Payable

By category

2021/22 £'000		2022/23 £'000
168,391	Pensions	176,799
29,018	Commutation and lump sum retirement benefits	27,720
3,623	Lump sum death benefits	3,826
201,032		**208,345**

By type of employer

2021/22 £'000		2022/23 £'000
70,268	Administering Authority	72,666
118,792	Scheduled bodies	123,177
1,637	Admitted bodies	1,511
4,920	Community admission body	5,514
4,840	Transferee admission body	4,654
575	Resolution body	823
201,032		**208,345**

10. Payments To And On Account of Leavers

2021/22 £'000		2022/23 £'000
601	Refunds to members leaving service	1,003
(5)	Payments for members joining state scheme	(21)
16,347	Group transfers	-
9,690	Individual transfers	9,139
26,633		**10,121**

11. Management Expenses

2021/22 £'000		2022/23 £'000
2,429	**Administrative costs**	2,602
2,429		**2,602**
	Investment management expenses	
19,729	Management fees (a)	21,388
3,617	Performance fees (a)	1,725
62	Custody fees	30
1,794	Transaction costs (b)	1,980
(2)	Stock Lending Income & Commission Recapture	-
(19)	Other Investment management expenses	27
25,181		**25,150**
	Oversight and governance costs	
31	Audit Fees (c)	47
812	Other Oversight and governance costs	836
843		883
28,453		**28,635**

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

b) In addition to these costs, indirect costs are incurred through the bid-offer spread on investments sales and purchases. These are reflected in the cost of investment acquisitions and in the proceeds from the sales of investments (see Note 16).

c) The proposed total audit fee due to Grant Thornton for 2022/23 is £36,000, but this will be confirmed in the Annual Audit Plan presented to the Audit Committee on 25th September 2023. Audits costs recognised in 2022/23 include adjusted scale fees £24,000, PSAA approved 2020/21 variation £13,000 and minor charges totalling £10,000.

In addition, external auditors of the other local authorities who are admitted bodies of the pension scheme have requested letters of assurance from the Pension Fund auditors. The fee for this audit work will be £26,400 for 2022/23 to reflect additional work resulting from the Triennial valuation exercise. These fees are recharged by the Pension Fund to those admitted local authority members.

12. Investment Management Fees

2022/23

	Total £'000	Management fees £'000	Performance related fees £'000	Transaction Costs £'000
Bonds	-	-	-	-
Equities	-	-	-	-
Pooled Investments *	21,488	17,783	1,725	1,980
Pooled Property Investments	3,605	3,605	-	-
Cash and FX Contracts	-	-	-	-
	25,093	**21,388**	**1,725**	**1,980**
Custody Fees	30			
Stock Lending Income and Commission Recapture	-			
Class Action Proceeds	-			
Other Investment Management Expenses	27			
	25,150			

* Included £1.511 million charged to the Fund by the Brunel Pension Partnership.

2021/22

	Total £'000	Management fees £'000	Performance related fees £'000	Transaction Costs £'000
Bonds	88	88	-	-
Equities	59	-	-	59
Pooled Investments *	21,574	16,717	3,617	1,240
Pooled Property Investments	3,408	2,924	-	484
Cash and FX Contracts	11	-	-	11
	25,140	**19,729**	**3,617**	**1,794**
Custody Fees	62			
Stock Lending Income and Commission Recapture	(2)			
Class Action Proceeds	(43)			
Other Investment Management Expenses	24			
	25,181			

* Included £1.192 million charged to the Fund by the Brunel Pension Partnership.

13. Investment Income

2021/22 £'000		2022/23 £'000
	Income from Bonds	
	U.K. Public Sector Bonds	
(47)	Overseas Government Bonds	-
(784)	Overseas Government Index Linked Bonds	(280)
(570)	UK Corporate Bonds	38
(1,116)	Overseas Corporate Bonds	112
	Income from Equities (Listed)	
-	U.K.	-
(44)	Overseas	(122)
(15,974)	Pooled Investments - Other	(22,457)
(14,989)	Pooled Property Investments	(15,739)
(86)	Interest on Cash and Short Term Deposits	(1,105)
(33,610)	**Total before taxes**	**(39,553)**

14. Investments

2021/22 £'000		2022/23 £'000
	Pooled Funds	
722,948	Fixed Interest Funds	982,074
3,199,500	Global Equity	2,757,217
324,789	Infrastructure Funds	476,663
108,455	Private Debt Funds	151,511
25,448	Private Equity Funds	45,019
502,440	Diversified Growth Funds	368,476
4,883,580		**4,780,960**
	Other Investments	
453,953	Pooled Property Investments	455,507
	Derivatives:	
-	- Forward Foreign Exchange	2,063
453,953		**457,570**
	Cash Deposits:	
13,908	Foreign Currency	1,478
8,457	Short Term Deposits	57,337
53,680	Cash & Bank Deposits	3,550
679	Investment Income Due	642
68	Amounts Receivable For Sales	-
76,792		**63,007**
5,414,325	**Total Investment Assets**	**5,301,537**
	Long-term Investments	
838	Shares in Brunel Pool	**707**
	Investment Liabilities	
	Derivatives:	
(2,303)	- Forward Foreign Exchange	-
(11,000)	Amounts Receivable For Sales	-
(13,303)	**Total Investment Liabilities**	**-**
5,401,860	**Total Investments**	**5,302,244**

15. Investment Management Arrangements

The Pension Fund is currently managed by the Brunel Pension Partnership Ltd. and four other external managers and the in-house Investment Team in the following proportions:

31 March 2022 £'000	%	Manager	Mandate	31 March 2023 £'000	%
		Investments managed by the Brunel Pension Partnership Asset Pool:			
1,709,091	31.6	Brunel Pension Partnership Ltd	Passive Equities	1,412,644	26.5
295,699	5.5	Brunel Pension Partnership Ltd	Global High Alpha Equities	296,954	5.6
289,118	5.4	Brunel Pension Partnership Ltd	Global Small Cap Equities	280,945	5.3
249,457	4.6	Brunel Pension Partnership Ltd	Emerging Market Equities	236,625	4.5
258,166	4.8	Brunel Pension Partnership Ltd	Sustainable Equities	520,825	9.8
391,135	7.2	Brunel Pension Partnership Ltd	Low Volatility Equities	-	0.0
330,866	6.1	Brunel Pension Partnership Ltd	Sterling Corporate Bonds	347,525	6.6
392,082	7.3	Brunel Pension Partnership Ltd	Multi-Asset Credit	634,549	12.0
502,440	9.3	Brunel Pension Partnership Ltd	Diversifying Returns Fund	368,476	7.0
508,227	9.4	Brunel Pension Partnership Ltd	Property	467,941	8.8
186,296	3.4	Brunel Pension Partnership Ltd	Infrastructure	342,171	6.5
25,448	0.5	Brunel Pension Partnership Ltd	Private Equity	45,019	0.8
17,434	0.3	Brunel Pension Partnership Ltd	Private Debt	62,257	1.2
5,155,459	**95.4**			**5,015,931**	**94.6**
		Investments managed outside the Brunel Pension Partnership Asset Pool:			
138,838	2.6	DCC Investment Team	Infrastructure	134,846	2.5
91,022	1.7	DCC Investment Team	Private Debt	89,255	1.7
16,541	0.3	DCC Investment Team	Cash	62,212	1.2
246,401	**4.6**			**286,313**	**5.4**
5,401,860	**100**			**5,302,244**	**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 2022 £'000	Purchases at cost & Derivative Payments £'000	Sale proceeds & Derivative Receipts £'000	Change in Market Value £'000	Value at 31 March 2023 £'000
Investment Assets					
Bonds					
U.K. Public Sector Bonds	-	-	-	-	-
Overseas Government Bonds	-	-	-	-	-
UK Corporate Bonds	-	-	56	(56)	-
Overseas Corporate Bonds	-	-	-	-	-
Equities (Listed)					
U.K.	-	-	-	-	-
Overseas	-	-	-	-	-
Pooled Investments	4,883,580	1,228,661	(1,293,761)	(37,520)	4,780,960
Pooled Property Investments	453,953	90,632	(27,309)	(61,769)	455,507
Derivative Contracts					-
Futures	-	-	-	-	-
Forward Currency Contracts	(2,303)	8,661	(7,874)	3,579	2,063
Foreign Currency	13,908	82,128	(94,852)	294	1,478
Amount Receivable for Sale of Investments	68	-	(68)	-	-
Amounts Payable for Purchase of Investments	(11,000)	-	11,000	-	-
	5,338,206	**1,410,082**	**(1,412,808)**	**(95,472)**	**5,240,008**
Short Term Deposits	8,457				57,337
Cash & Bank Deposits	53,680				3,550
Long Term Investments	838			(131)	707
Investment Income Due	679				642
Net Assets of the Fund at 31 March	**5,401,860**			**(95,603)**	**5,302,244**

	Value at 31 March 2021	Purchases at cost & Derivative Payments	Sale proceeds & Derivative Receipts	Change in Market Value	Value at 31 March 2022
	£'000	£'000	£'000	£'000	£'000
Investment Assets					
Bonds					
U.K. Public Sector Bonds	11,144	61,114	(72,300)	42	-
Overseas Government Bonds	160,893	181,010	(341,279)	(624)	-
UK Corporate Bonds	4,048	189,494	(195,126)	1,584	-
Equities (Listed)					
U.K.	-	4,922	(4,852)	(70)	-
Overseas	-	90,388	(89,109)	(1,279)	-
Pooled Investments	4,296,164	3,229,175	(2,958,829)	317,070	4,883,580
Pooled Property Investments	404,962	42,486	(59,020)	65,525	453,953
Derivative Contracts					
Futures	-	1,609	(412)	(1,197)	-
Forward Currency Contracts	4,960	17,036	(21,829)	(2,470)	(2,303)
Foreign Currency	11,509	117,296	(114,362)	(535)	13,908
Amount Receivable for Sale of Investments	-	68	-	-	68
Amounts Payable for Purchase of Investments	(2,714)	-	(8,286)	-	(11,000)
	5,006,105	**4,255,788**	**(4,304,387)**	**380,700**	**5,338,206**
Short Term Deposits	19,011				8,457
Cash & Bank Deposits	27,220				53,680
Long Term Investments	768			70	838
Investment income due	3,191				679
Net Assets of the Fund at 31 March	**5,056,295**			**380,770**	**5,401,860**

17. Fund Investments over 5% of total fund value

	Value at 31 March 2023 £'000	% of Total Fund Value %
Brunel Active Global Sustainable Equity Fund	520,825	9.8%
LGIM Paris-Aligned Developed Equity Index Fund	480,348	9.1%
LGIM World Developed Equity Index (Currency Hedged) Fund	420,694	7.9%
Neuberger Berman Multi-Asset Credit Fund	377,870	7.1%
LGIM UK Climate Transition Equity Index Fund	373,175	7.0%
Brunel Diversifying Returns Fund	368,476	7.0%
Royal London Mutual Assurance Sterling Corporate Bond Fund	347,525	6.6%
Brunel Active Global High Alpha Equity Fund	296,954	5.6%
Brunel Active Global Smaller Companies Equity Fund	280,945	5.3%

	Value at 31 March 2022 £'000	% of Total Fund Value %
Brunel Diversifying Returns Fund	502,440	9.3%
LGIM Paris-Aligned Developed Equity Index Fund	477,241	8.8%
LGIM UK Climate Transition Equity Index Fund	459,026	8.5%
Brunel Active Global Low Volatility Equity Fund	391,135	7.2%
LGIM World Developed Equity Index Fund	391,037	7.2%
LGIM World Developed Equity Index (Currency Hedged) Fund	381,788	7.1%
Royal London Mutual Assurance Sterling Corporate Bond Fund	330,866	6.1%
Brunel Active Global High Alpha Equity Fund	295,699	5.5%
Brunel Active Global Smaller Companies Equity Fund	289,118	5.3%

18. 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 future positions to match current assets that are already held in the portfolio without disturbing the underlying assets.

19. Fair Value – Basis of Valuation

The basis of the valuation of each class of investment asset is set out below. There has been no change in the valuation techniques used during the year. All assets have been valued using fair value techniques which represent the highest and best price available at the reporting date.

Description of Asset	Fair Value Hierarchy	Basis of Valuation	Observable and unobservable inputs	Key sensitivities affecting the valuations provided
Market quoted investments	Level 1	Published bid market price ruling on the final day of the accounting period	Not required	Not required
Quoted bonds	Level 1	Fixed interest securities are valued at a market value based on current yields	Not required	Not required
Pooled investments – Quoted UK and overseas unit trusts	Level 1	Published bid market price ruling on the final day of the accounting period	Not required	Not required
Pooled investments - UK and overseas property funds, unitised insurance policies and other managed funds	Level 2	• Closing bid price where bid and offer prices are published • Closing single price where single price published	NAV-based pricing set on a forward pricing basis	Not required
Forward Currency Contracts	Level 2	Market forward exchange rates at the year-end	Exchange rate risk	Not required
UK and Overseas Unit Trusts (Venture Capital and Partnerships)	Level 3	Based on cash flow analysis and comparable transaction multiples in accordance with the International Private Equity and Venture Capital Valuation Guidelines	• Market conditions • Company business plans • Financial projections • Economic outlook • Performance of the investments • Business analysis	Valuations could be affected by material events occurring between the date of the financial statements provided and the pension fund's own reporting date, by changes to expected cashflows and interest rates that are inputs to the valuation models, such as the discounted cash flow models used in the valuation of unlisted investments.

Sensitivity of assets valued at level 3

Having analysed historical data and current market trends, and consulted with independent investment advisors, the fund has determined that the valuation methods described above are likely to be accurate to within the following ranges, and has set out below the consequent potential impact on the closing value of investments held at 31st March.

As at 31 March 2023

	Assessed valuation range (+/-) %	Value at 31 March 2023 £'000	Value on increase £'000	Value on decrease £'000
Investment Assets				
Pooled Property Investments	3.52%	12,831	13,283	12,379
Pooled Investments				
Unlisted Infrastructure	4.29%	476,662	497,088	456,236
Private Equity	4.29%	45,018	46,947	43,089
Private Debt	4.29%	151,515	158,008	145,022
Long Term Investments	14.65%	707	811	603
		686,733	**716,137**	**657,329**

All movements in the assessed valuation range of the above investments derive from changes in the underlying profitability of component companies, the range in the potential movement quoted is caused by how this profitability is measured since different methods (listed in Note 22) produce different price results.

As at 31 March 2022

	Assessed valuation range (+/-) %	Value at 31 March 2022 £'000	Value on increase £'000	Value on decrease £'000
Investment Assets				
Pooled Property Investments	3.52%	3,871	4,007	3,735
Pooled Investments				
Unlisted Infrastructure	4.29%	324,788	338,706	310,870
Private Equity	4.29%	42,882	44,720	41,044
Private Debt	4.29%	91,023	94,923	87,123
Long Term Investments	14.65%	838	961	715
		463,402	**483,317**	**443,487**

Fair Value Hierarchy

Asset and liability valuations have been classified into three levels, according to the quality and reliability of information used to determine fair values. Transfers between levels are recognised in the year in which they occur.

Level 1

Assets and liabilities 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 interest securities, quoted index linked securities and unit trusts.

Level 2

Assets and liabilities 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.

Level 3

Assets and liabilities 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 unlisted infrastructure, private equity and private debt funds listed in the table below have been classified as level 3 financial instruments.

The values of the investments in infrastructure funds are based on valuations provided by the fund managers. These valuations are prepared in accordance with the International Private Equity and Venture Capital Valuation Guidelines, which follow the valuation principles of IFRS and US GAAP.

The total gain/(loss) in fair value is calculated based on valuations that are recognised in the Fund Account are detailed below:

	2021/22 £'000	2022/23 £'000
Pooled Property Investments		
PGIM UK Affordable Housing Fund	133	260
Unlisted Infrastructure		
Archmore (UBS) International Infrastructure Fund LLP	(2,825)	75
Aviva Ground Rents Fund	38	(1,518)
Aviva Infrastructure Income Fund	958	(465)
Capital Dynamics Clean Energy Fund VII A	2,413	(1,288)
Capital Dynamics Clean Energy Fund VIII	210	1,599
First Sentier Infrastructure Fund	6,224	3,775
Hermes GPE Infrastructure Fund LLP	3,852	3,482
NTR Renewable Energy Fund II	191	1,204
Stepstone Brunel I Infrastructure Fund	1,341	11,100
Stepstone Brunel II Generalist Infra Fund	(72)	10,886
Stepstone Brunel II Renewables Infra Fund	645	9,494
Vauban Core Infrastructure Fund II	482	991
Private Equity		
Crown Global Secondaries V PE Fund	1,285	1,095
Alpinvest Co-Investment Fund VIII	398	(226)
Montana Capital-Partners Fund	612	415
New Mountain Fund 06	496	463
Insight Partners Fund XII	189	(811)
Insight Partners Fund X	1,424	(1,656)
Genstar X Opportunities Fund	50	18
Genstar X Fund	89	96
Inflexion Buyout Fund VI	-	320
PAI Partners Fund VIII	-	(180)
J Star Fund No.5	-	(6)
Atomico Venture Fund 06	-	(99)
Summa Equity Fund III	(34)	(325)
Private Debt		
Arcmont Senior Loan fund I	1,872	(815)
Golub Capital Partners International Fund 11	5,736	3,233
Aksia Brunel Private Debt Fund	245	(1,415)
Blackrock European Mid Market Fund III	-	427
Long Term Investments		
Brunel Pension Partnership	70	(131)
	26,022	**39,998**

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

At 31 March 2023

	Quoted market price Level 1 £'000	Using observable inputs Level 2 £'000	With Significant unobservable inputs Level 3 £'000	Total £'000
Long Term Investments	-	-	707	707
Investment Assets				
Pooled investments	-	4,107,766	673,194	4,780,960
Pooled property investments	-	442,675	12,832	455,507
Derivative Assets				
Forward Currency Contracts	-	2,063	-	2,063
Cash Deposits				
Foreign Currency	1,478	-	-	1,478
Short Term Deposits	57,337	-	-	57,337
Cash & Bank Deposits	3,550	-	-	3,550
Investment income due	-	-	-	-
Investment Liabilities				
Derivatives	-	-	-	
Forward Currency Contracts	-	-	-	-
Amounts payable for purchases	-	-	-	-
Assets and Liabilities				
Current Assets	-	18,143	-	18,143
Current Liabilities	-	(6,914)	-	(6,914)
Net Assets of the Fund at 31 March 2023	**62,365**	**4,563,733**	**686,733**	**5,312,831**

At 31 March 2022

	Quoted market price - Restated Level 1 £'000	Using observable inputs - Restated Level 2 £'000	With Significant unobservable inputs Level 3 £'000	Total £'000
Long Term Investments	-	-	838	838
Investment Assets				
Pooled investments	-	4,424,887	458,693	4,883,580
Pooled property investments	-	450,082	3,871	453,953
Derivative Assets				
Forward Currency Contracts	-	-	-	-
Cash Deposits				
Foreign Currency	13,908	-	-	13,908
Short Term Deposits	8,457	-	-	8,457
Cash & Bank Deposits	53,680	-	-	53,680
Investment income due	679	-	-	679
Investment Liabilities				
Derivatives				
Forward Currency Contracts	-	(2,303)	-	(2,303)
Amounts payable for purchases	(11,000)	-	-	(11,000)
Assets and Liabilities				
Current Assets	-	18,350	-	18,350
Current Liabilities	-	(8,228)	-	(8,228)
Net Assets of the Fund at 31 March 2022	**65,792**	**4,882,788**	**463,402**	**5,411,982**

Reconciliation of Fair Value Measurements within Level 3

Value at 31 March 2023	**Value at 31 March 2022**	**Transfers into Level 3**	**Purchases during the year and derivative payments**	**Sales during the year and derivative receipts**	**Unrealised gains / (losses)**	**Realised gains / (losses)**	**Value at 31 March 2023**
	£'000	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**
Investment Assets							
Pooled Property Investments	3,871	-	9,326	(626)	224	36	12,831
Pooled Investments							
Unlisted Infrastructure	324,788	-	145,056	(32,517)	33,522	5,813	476,662
Private Equity	42,882	-	3,673	(641)	(941)	45	45,018
Private Debt	91,023	-	67,843	(8,781)	1,430	-	151,515
Long Term Investments	838	-	-	-	(131)	-	707
	463,402	**-**	**225,898**	**(42,565)**	**34,104**	**5,894**	**686,733**

Value at 31 March 2022	**Value at 31 March 2021**	**Transfers into Level 3**	**Purchases during the year and derivative payments**	**Sales during the year and derivative receipts**	**Unrealised gains / (losses)**	**Realised gains / (losses)**	**Value at 31 March 2022**
	£'000	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**
Investment Assets							
Pooled Property Investments	50	-	3,709	(21)	133	-	3,871
Pooled Investments							
Unlisted Infrastructure	194,950	-	135,411	(19,030)	3,266	10,191	324,788
Private Debt	1,332	-	37,590	(794)	3,961	793	42,882
Private Debt	107,613	-	5,353	(29,551)	3,741	3,867	91,023
Long Term Investments	768	-	-	-	70	-	838
	304,713	**-**	**182,063**	**(49,396)**	**11,171**	**14,851**	**463,402**

Unrealised and realised gains and losses are recognised in the profit and losses on disposal and changes in the market value of investments line of the fund account.

20. 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	Assets at amortised cost	Liabilities at amortised cost		Fair value through profit and loss	Assets at amortised cost	Liabilities at amortised cost
2021/22	2021/22	2021/22		2022/23	2022/23	2022/23
£'000	£'000	£'000		£'000	£'000	£'000
			Financial assets			
-	-	-	Bonds	-	-	-
4,883,580	-	-	Pooled investments	4,780,960	-	-
453,953	-	-	Pooled property investments	455,507	-	-
-	-	-	Derivative contracts	2,063	-	-
-	76,045	-	Cash	-	62,365	-
838	-	-	Long Term investments	707	-	-
747	-	-	Other investment balances	642	-	-
-	18,350	-	Debtors	-	17,501	-
5,339,118	**94,395**	**-**		**5,239,879**	**79,866**	**-**
			Financial Liabilities			
(2,303)	-	-	Derivative contracts	-	-	-
-	-	(11,000)	Other investment balances	-	-	-
-	-	(8,228)	Creditors	-	-	(6,913)
(2,303)	**-**	**(19,228)**		**-**	**-**	**(6,913)**
5,336,815	**94,395**	**(19,228)**		**5,239,879**	**79,866**	**(6,913)**

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

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

31 March 2022 £'000		31 March 2023 £'000
	Financial assets	
422,855	Fair value through profit and loss	(59,421)
(449)	Amortised Cost	759
422,406		**(58,662)**
	Financial liabilities	
2,233	Fair value through profit and loss	2,303
-	Amortised Cost	-
2,233		**2,303**

The total changes in fair value represent unrealised profit or loss. The difference in unrealised profit/(loss) figures between 2021/22 and 2022/23 reflects the prevailing economic conditions during each of the two years and the impact on the specific assets held by the Fund.

21. 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. As a result of the investment pooling agenda, the majority of the fund's assets are now pooled with those of other LGPS Funds and managed by the Brunel Pension Partnership. Each investment manager, including Brunel, 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 9 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 types of investment assets 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 because 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 by PIRC (Pensions and Investment Research Consultants Ltd.), it has been determined that the following movements in market price risk were reasonably possible for the reporting period:

Asset Class	Percentage Change 2021/22	Percentage Change 2022/23
Equities	14.65%	12.92%
Bonds	6.14%	6.79%
Cash	1.07%	1.58%
Property	3.52%	5.38%
Infrastructure	4.29%	4.23%
Pooled Multi Asset	9.56%	5.38%

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 31st March would have increased or decreased the net assets available to pay benefits by the amount shown below:

As at 31 March 2023

Asset Class	Value £'000	Percentage Change	Increase £'000	Decrease £'000
Equities	2,757,924	12.92%	356,283	(356,283)
Bonds	982,074	6.79%	66,699	(66,699)
Cash	65,070	1.58%	1,021	(1,021)
Property	455,507	5.38%	24,520	(24,520)
Infrastructure & Private Debt	673,193	4.23%	28,453	(28,453)
Pooled Multi Asset	368,476	5.38%	19,828	(19,828)
Total	**5,302,244**		**496,804**	**(496,804)**

As at 31 March 2022

Asset Class	Value £'000	Percentage Change	Increase £'000	Decrease £'000
Equities	3,200,338	14.65%	468,898	(468,898)
Bonds	722,948	6.14%	44,382	(44,382)
Cash	63,489	1.07%	681	(681)
Property	453,953	3.52%	15,992	(15,992)
Infrastructure	458,692	4.29%	19,656	(19,656)
Pooled Multi Asset	502,440	9.56%	48,020	(48,020)
Total	**5,401,860**		**597,629**	**(597,629)**

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 31st March 2022 and 2023 are provided below. These disclosures present interest rate risk based on underlying financial assets (at fair value).

	As at 31 March 2022 £'000	As at 31 March 2023 £'000
Cash and cash equivalents	53,680	4,386
Short term Deposits	8,457	57,337
Fixed Interest	722,948	982,074
Total	**785,085**	**1,043,797**

Interest Rate Risk - Sensitivity Analysis

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

The sensitivity of bond prices to interest rate changes depends upon both the maturity of the fixed interest security and the size and frequency of its coupon payments. Duration is used to measure interest rate risk and is the weighted average maturity of a bond, where the weights are the relative discounted cash flows in each period. Duration can then be adapted with reference to the yield of a bond to calculate modified duration, which is the percentage change in a bond's price for a 1% change in yields. Modified duration can be calculated for a portfolio of bonds, and modified duration figures have been provided by the Brunel Pension Partnership in relation to the Sterling Corporate Bonds and Multi-Asset Credit portfolios. A weighted average has been used in the tables following.

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 2023	Carrying value at 31 March 2023	Modified Duration of Portfolio	Effect on Asset Values +1%	Effect on Asset Values -1%
	£'000	£'000	£'000	£'000
Cash and cash equivalents	4,386	-	-	-
Short term Deposits	57,337	-	-	-
Fixed Interest	982,074	3.57%	(35,019)	(35,019)
Total	**1,043,797**	**3.57%**	**(35,019)**	**(35,019)**

As at 31 March 2022	Carrying value at 31 March 2022	Modified Duration of Portfolio	Effect on Asset Values - Restated +1%	Effect on Asset Values - Restated -1%
	£'000	£'000	£'000	£'000
Cash and cash equivalents	53,680	-	-	-
Short term Deposits	8,457	-	-	-
Fixed Interest	722,948	4.53%	(32,750)	32,750
Total	**785,085**	**4.53%**	**(32,750)**	**32,750**

As at 31 March 2023	Amount receivable in year ending 31 March 2023	Effect on Income Values +1%	Effect on Income Values -1%
	£'000	£'000	£'000
Cash and cash equivalents	1,105	11	(11)
Short term Deposits	-	-	-
Fixed Interest	130	-	-
Total	**1,235**	**11**	**(11)**

As at 31 March 2022	Amount receivable in year ending 31 March 2022	Effect on Income Values +1%	Effect on Income Values -1%
	£'000	£'000	£'000
Cash and cash equivalents	86	1	(1)
Short term Deposits	0	-	-
Fixed Interest	2,516	-	-
Total	**2,602**	**1**	**(1)**

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 31st March 2023 to currency exchange rate movements on its investments based on movements over the previous 3 years.
- A sensitivity analysis based on historical data (published by Rates FX, with some additional data from PIRC) 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 2023 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 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 31st March 2022.

As at 31 March 2023	Assets held at fair value	FX Contracts	Total	Percentage Change	Change for the year in net assets available to pay benefits	
					+ 1 Standard Deviation	- 1 Standard Deviation
	£'000	£'000	£'000		£'000	£'000
Australian Dollar	46,838	672	47,510	7.66%	3,639	(3,639)
Brazilian Real	33,002	-	33,002	15.21%	5,020	(5,020)
Canadian Dollar	6,298	-	6,298	6.77%	426	(426)
Chilean Peso	6,968	-	6,968	15.77%	1,099	(1,099)
Chinese Yuan	(2,388)	-	(2,388)	8.93%	(213)	213
Colombian Peso	23,782	-	23,782	11.72%	2,786	(2,786)
Danish Krona	37,258	-	37,258	6.44%	2,399	(2,399)
Euro	296,504	314	296,818	6.32%	18,759	(18,759)
Hong Kong Dollar	73,894	-	73,894	8.55%	6,318	(6,318)
Hungarian Forint	2,676	-	2,676	12.65%	339	(339)
Indian Rupee	17,830	-	17,830	7.72%	1,376	(1,376)
Indonesian Rupiah	15,026	-	15,026	8.22%	1,235	(1,235)
Israeli Shekel	(296)	-	(296)	8.86%	(26)	26
Japanese Yen	157,574	-	157,574	9.05%	14,260	(14,260)
Kenyan Shilling	608	-	608	6.46%	39	(39)
Malaysian Ringgit	750	-	750	7.84%	59	(59)
Mexican Peso	13,118	-	13,118	11.29%	1,481	(1,481)
New Taiwan Dollar	30,590	-	30,590	7.78%	2,380	(2,380)
New Turkish Lira	624	-	624	26.27%	164	(164)
New Zealand Dollar	(27,721)	-	(27,721)	7.11%	(1,971)	1,971
Nigerian Naira	1,193	-	1,193	6.46%	77	(77)
Norwegian Krone	40,103	-	40,103	9.50%	3,810	(3,810)
Philippines Peso	2,028	-	2,028	6.74%	137	(137)
Polish Zloty New	(1,919)	-	(1,919)	8.84%	(170)	170
Qatari Rial	271	-	271	9.09%	25	(25)
Romanian Leu	445	-	445	6.46%	29	(29)
Saudi Arabia Riyal	870	-	870	6.46%	56	(56)
Singapore Dollars	5,000	-	5,000	6.31%	316	(316)
South African Rand	11,599	-	11,599	12.72%	1,475	(1,475)
South Korean Won	15,902	-	15,902	7.46%	1,186	(1,186)
Swedish Krona	18,493	-	18,493	7.46%	1,380	(1,380)
Swiss Franc	48,959	-	48,959	7.19%	3,520	(3,520)
Thailand Baht	4,616	-	4,616	7.65%	353	(353)
UAE Dirham	1,906	-	1,906	6.46%	123	(123)
US Dollars	1,282,322	1,076	1,283,398	8.63%	110,757	(110,757)
Vietnamese Dong	730	-	730	6.46%	47	(47)
	2,165,453	**2,062**	**2,167,515**		**182,690**	**(182,690)**

As at 31 March 2022	Assets held at fair value	FX Contracts	Total	Percentage Change	Change for the year in net assets available to pay benefits + 1 Standard Deviation	- 1 Standard Deviation
	£'000	£'000	£'000		£'000	£'000
Australian Dollar	66,173	(900)	65,273	7.78%	5,078	(5,078)
Brazilian Real	43,957	-	43,957	14.48%	6,365	(6,365)
Canadian Dollar	40,289	-	40,289	6.54%	2,635	(2,635)
Chilean Peso	26,299	-	26,299	14.71%	3,869	(3,869)
Chinese Yuan	10,308	-	10,308	8.19%	844	(844)
Colombian Peso	46,580	-	46,580	12.93%	6,023	(6,023)
Czech Republic Koruna	(5,262)	-	(5,262)	7.59%	(399)	399
Danish Krona	20,908	-	20,908	6.94%	1,451	(1,451)
Euro	337,901	(327)	337,574	6.67%	22,516	(22,516)
Hong Kong Dollar	70,719	-	70,719	7.65%	5,410	(5,410)
Hungarian Forint	1,054	-	1,054	10.05%	106	(106)
Indian Rupee	10,709	-	10,709	7.47%	800	(800)
Indonesian Rupiah	11,154	-	11,154	7.92%	883	(883)
Israeli Shekel	(9,377)	-	(9,377)	9.00%	(844)	844
Japanese Yen	219,609	-	219,609	8.25%	18,118	(18,118)
Kenyan Shilling	966	-	966	5.75%	56	(56)
Malaysian Ringgit	17,117	-	17,117	7.04%	1,205	(1,205)
Mexican Peso	24,667	-	24,667	12.07%	2,977	(2,977)
New Taiwan Dollar	21,896	-	21,896	7.43%	1,627	(1,627)
New Turkish Lira	1,433	-	1,433	26.30%	377	(377)
New Zealand Dollar	(50,324)	-	(50,324)	6.90%	(3,472)	3,472
Nigerian Naira	1,290	-	1,290	5.75%	74	(74)
Norwegian Krone	65,393	-	65,393	9.81%	6,415	(6,415)
Philippines Peso	(13,499)	-	(13,499)	7.82%	(1,055)	1,055
Polish Zloty New	835	-	835	8.24%	69	(69)
Qatari Rial	2	-	2	8.11%	-	-
Romanian Leu	492	-	492	5.75%	28	(28)
Saudi Arabia Riyal	2,270	-	2,270	5.75%	131	(131)
Singapore Dollars	18,380	-	18,380	5.95%	1,094	(1,094)
South Korean Won	35,223	-	35,223	7.04%	2,480	(2,480)
Swedish Krona	32,571	-	32,571	7.61%	2,479	(2,479)
Swiss Franc	8,580	-	8,580	7.17%	615	(615)
Thailand Baht	(1,569)	-	(1,569)	7.53%	(118)	118
UAE Dirham	731	-	731	5.75%	42	(42)
US Dollars	1,465,859	(1,076)	1,464,783	7.69%	112,642	(112,642)
Vietnamese Dong	708	-	708	5.75%	41	(41)
	2,524,042	**(2,303)**	**2,521,739**		**200,562**	**(200,562)**

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 2022	As at 31 March 2023
	£'000	£'000
Fixed Interest	-	
Pooled investments	4,883,580	4,780,960
Pooled property investments	453,953	455,507
Derivatives (net)	(2,303)	2,063
Foreign currency	13,908	1,478
Short term deposits	8,457	57,337
Cash and cash equivalents	53,680	3,550
Settlements and dividends receivable	747	642
Long Term Investment	768	707
Total of investments held	**5,412,790**	**5,302,244**

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 31st March 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 31st March 2023 was £57.337 million (31st March 2022 £8.457 million). This was held with the following institutions:

Credit Rating at 31 March 2023

	Fitch	Moody's	Standard & Poor's	Balances as at 31 March 2022 £'000	Balances as at 31 March 2023 £'000
Banks and Building Societies					
Australia and New Zealand Bank	A+	Aa3	AA-	-	10,000
Handelsbanken	AA	Aa2	AA-	8,457	-
Money Market Funds					
Blackrock MMF	AAA	Aaa	AAA	-	30,000
Aberdeen Standard MMF	AAA	Aaa	AAA	-	12,337
Local Authorities					
Torfaen County Borough Council	-	-	-	-	5,000
				8,457	**57,337**

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.

22. 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 2022. The next valuation will take place as at 31 March 2025.

The key elements of the funding policy are:

- Establish a clear and transparent fund-specific strategy that will identify how employers' pension liabilities are best met going forward.
- Support the desirability of maintaining as nearly constant a primary contribution rate as possible, as defined in Regulation 62(5) of the Regulations.
- Ensure that the regulatory requirements to set contributions to meet the future liability to provide scheme member benefits in a way that ensures the solvency and long-term cost efficiency of the fund are met, and
- Take a prudent longer-term view of funding those liabilities.

The secondary contributions agreed with the administering authority have been set at this valuation to restore the Fund to a funding position of 100% by no later than 2038. 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 2022 actuarial valuation, the fund was assessed as 98.4% funded (91% at the March 2019 valuation). This corresponded to a deficit of £88.6 million (2019 valuation £399 million) at that time.

The primary rate (previously known as the future service rate) over the three-year period ending 31 March 2025 is 19.2% of payroll. The secondary rate (the deficit recovery rate) totals £22.052 million in 2022/23 across all the Fund's employers, equivalent to an average of 9.3% of payroll.

Individual employers' rates will vary from the primary and secondary rates above depending on the demographic and actuarial factors particular to each employer. Full details of the contribution rates payable can be found in the 2019 actuarial valuation report on www.peninsulapensions.org.uk and the funding strategy statement can also be found there.

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. Allowances have been made for the McCloud/Sargeant case and GMP within the assumptions used for the triennial valuation of the fund. The principal assumptions for the Fund were:

Financial Assumptions

	2022 valuation	2019 valuation
Investment return (discount rate)	4.7%	5.1%
Salary Increases	3.9%	3.6%
Pension increases in line with CPI	2.9%	3.6%

Mortality assumptions

Life expectancy from 65 years	31/03/2023	31/03/2022
Retiring today		
Males	21.8	21.7
Females	22.9	22.9
Retiring in 20 years		
Males	23.1	23.0
Females	24.4	24.3

Historic mortality assumptions

Life expectancy for the year ended 31 March 2023 are based on S3PA tables with a multiplier of 100% for males and 120% for females. The allowances for future life expectancy are based on the 2021 CMI Model allowing for a long-term rate of improvement of 1.25% per annum, smoothing parameter of 7.0 and an initial addition to improvements of 0.0 % per annum.

Contribution Rates

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

Band	Actual pensionable pay for an employment 2021/22	Member contribution rate for that employment	Actual pensionable pay for an employment 2022/23	Member contribution rate for that employment
1	£0 to £14,600	5.50%	£0 to £15,000	5.50%
2	£14,601 to £22,900	5.80%	£15,001 to £23,600	5.80%
3	£22,901 to £37,200	6.50%	£23,601 to £38,300	6.50%
4	£37,201 to £47,100	6.80%	£38,301 to £48,500	6.80%
5	£47,101 to £65,900	8.50%	£48,501 to £67,900	8.50%
6	£65,901 to £93,400	9.90%	£67,901 to £96,200	9.90%
7	£93,401 to £110,000	10.50%	£96,201 to £113,400	10.50%
8	£110,001 to £165,000	11.40%	£113,401 to £170,100	11.40%
9	£165,001 or more	12.50%	More than £170,101	12.50%

23. Funded Obligation

The actuarial present value of promised retirement benefits (the Funded Obligation) amounts to £5,631 million as at 31 March 2023 (£8,178 million as at 31 March 2022). The Funded Obligation consists of £5,563 million (£8,054 million as at 31 March 2022) in respect of Vested Obligation and £68 million (£124 million as at 31 March 2022), of Non-Vested Obligation. The Pension Fund holds assets, as disclosed in the Net Asset Statement, which offset these projected total liabilities.

2021/2022 £'000		2022/23 £'000
(8,178,400)	Present value of the defined benefit obligation	(5,631,456)
5,411,982	Fair value of Fund assets (bid value)	5,301,491
(2,766,418)	**Net liability**	**(329,965)**

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

Actuarial Methods and Assumptions

Valuation Approach

To assess the value of the Fund's liabilities at 31 March 2023, the actuary has rolled forward the value of Fund's liabilities calculated for the latest full funding valuation as at 31 March 2019, using financial assumptions compliant 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 value of liabilities as at 31 March 2023 without completing a full valuation. However, we are satisfied that the approach of rolling forward the previous valuation data to 31 March 2023 should not introduce any material distortions in the results provided that the actual experience of the employer and 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.

Experience items allowed for since the previous accounting date

Experience items arise due to differences between the assumptions made as part of the roll forward approach and actual experience. This includes (but is not limited to) assumptions made in respect of salary increases, pension increases, mortality, and member transfers.

We have allowed for actual pension increases up to and including the 2023 Pension Increase Order. This is reflected in the Experience loss/(gain) on defined benefit obligation figure in the results. We have also allowed for actual CPI inflation experienced from September 2022 to March 2023.

As a result of allowing for actual experience, an experience item is observed in the reconciliation to 31 March 2023 to be a loss £656.885 million (31 March 2022 a gain of £470.048 million).

Demographic/Statistical Assumptions

The Actuary has adopted a set of demographic assumptions that are consistent with those used for the most recent Fund valuation, which was carried out as at 31 March 2022.

The post-retirement mortality tables adopted are the S3PA tables with a multiplier of 100% for males and 120% for females. These base tables are then projected using the CMI_2021 model, allowing for a long-term rate of improvement of 1.25% p.a., smoothing parameter of 7.0, an initial addition parameter of 0.0% p.a. and a 2020 weighting of 5%.

There was no further impact on the Funds liabilities in 2022/23 resulting from changed demographic assumptions.

The Actuary has also assumed that:

- Members will exchange pension to get 50% of the maximum available cash on retirement. For every £1 of pension that members commute, they will receive a cash payment of £12 as set out in the Regulations.
- Members will retire at one retirement age for all tranches of benefit, which will be the pension weighted average tranche retirement age, and
- The proportion of the membership that had taken up the 50:50 option at the previous valuation date will remain the same.

Financial Assumptions

The key financial assumptions required for determining the defined benefit obligation for accounting are the discount rate (linked to high quality corporate bond yields) and the rate of future inflation. The derivation financial assumptions and possible outcomes are set with reference to market conditions at 31st March 2023.

Assumptions as at	Discount rate	Pension Increases	Salary Increases
	% p.a	% p.a	% p.a
31 March 2023	4.80	2.90	3.90
31 March 2022	2.60	3.25	4.25
31 March 2021	2.00	2.85	3.85

From an accounting perspective, current methodologies for deriving assumptions are regarded by our Actuary as appropriate given current market uncertainties and are based on the actual return earned by the fund assets over the accounting period without any estimation required.

24. 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.

2021/21 £'000		2022/23 £'000
	Current Assets	
	Debtors and Prepayments	
	Contributions Receivable	
12,258	Employers	10,874
-	Current portion of non current assets (Employers contributions)	-
4,113	Employees	4,093
1,979	Other debtors	2,534
18,350		**17,501**
	Current Liabilities	
	Creditors and Receipts in Advance	
(3,329)	Devon County Council	(3,226)
(4,899)	Other creditors	(3,688)
(8,228)		**(6,914)**

25. Agency Services

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

31 March 2021 £'000	Payments on behalf of:	31 March 2022 £'000
7,172	Devon County Council	7,047
953	Plymouth City Council	867
534	Torbay Council	546
378	Teignbridge District Council	372
316	University Of Plymouth	329
237	Exeter City Council	235
222	North Devon District Council	221
185	South Hams District Council	188
178	Dorset, Devon and Cornwall Rehabilitation Service	155
81	Torridge District Council	81
410	Payments of less than £100,000 on behalf of other bodies	414
10,666		**10,455**

26. Related Party Transactions

Devon County Council

The Devon Pension Fund is administered by Devon County Council. During the reporting period, the council incurred costs of £3.441 million (2021/22 £3.197 million) 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 £49.546 million to the fund in 2022/23 (2021/22 £44.035 million). In 2022/23 £4.156 million was owed to the fund (2021/22 £5.594 million) and £3.210 million was due from the fund (2021/22 £2.974 million).

Governance

The Investment and Pension Fund Committee is the decision-making body for the fund and Devon County Council nominates 6 of the 11 voting committee members.

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

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

- One voting member of the Investment & Pension Fund Committee receives pension benefits from the Fund.
- No senior officers responsible for the administration of the Fund have entered any contract, other than their contract of employment with the Council, for the supply of goods or services to the Fund.

Brunel Pension Partnership Ltd

The Pension Fund has transactions with the following organisation:

Brunel Pension Partnership Ltd (Company number 10429110)

Brunel Pensions Partnership Ltd (BPP Ltd) was formed on the 14th October 2016 and oversees the investment of pension fund assets for Avon, Buckinghamshire. Cornwall, Devon, Dorset, Environment Agency, Gloucestershire, Oxfordshire, Somerset, and Wiltshire Funds.

Each of the 10 administering authorities, including Devon County Council own 10% of BPP Ltd. Pension Fund transactions with BPP Ltd are as follows:

	2020/21 £'000	2021/22 £'000
Income	-	-
Expenditure	1,357	1,511
Debtors	-	-
Creditors	-	-

27. Key Management personnel

The Key Management Personnel of the Fund are those persons with the authority and responsibility for planning, directing, and controlling the activities of the Fund, including the oversight of these activities.

The Key Management Personnel of the Fund are the Director of Finance and Public Value, the Deputy Director of Finance and Public Value, the Head of Investments, the Head of Financial Systems and Processes and members of the Investment and Investment Pension Fund Committee.

Key Management Personnel total remuneration payable is set out below:

2021/222 £'000		2022/23 £'000
211	Salary, Fees and Allowances	224
-	Expenses Allowances	7
43	Pension contributions	44
254		**275**

28. Contingent liabilities and contractual commitments

Contractual commitments

As at 31 March 2023 the Fund had outstanding capital commitments of £745 million (31 March 2022 - £524 million). These commitments relate to outstanding call payments due on unquoted limited partnership funds held in the infrastructure, private debt and private equity fund elements of the investment portfolio. The amounts "called" by these funds are irregular in terms of both size and timing from the date of the original commitment due to the nature of the investments.

31 March 2022 Total Commitment £'000	31 March 2022 Remaining Commitment £'000		31 March 2023 Total Commitment £'000	31 March 2023 Remaining Commitment £'000
		Infrastructure		
180,228	11,218	Pre-Brunel Investments	184,373	2,599
484,197	298,684	Brunel Infrastructure Portfolio	584,540	264,540
		Private Debt		
146,963	28,484	Pre-Brunel Investments	150,658	24,981
100,000	82,587	Brunel Private Debt Portfolio	280,000	217,580
		Private Equity		
125,000	103,077	Brunel Private Equity Portfolio	278,370	235,800
1,036,388	**524,050**		**1,477,941**	**745,500**

Contingent liability

A guarantee has been provided to the Brunel Pensions Partnership to meet an obligation for the pension reimbursement asset. Should Brunel Pensions Partnership fail to meet its obligation it will be assigned to the shareholders. As Devon Pension Fund is a shareholder, it will guarantee to pay 1/10th of the obligation. The risk of the guarantee being called upon is assessed as low. Consequently, there is no liability recognised in the Pension Fund's net asset statement.

Statement of the Actuary for the year ended 31 March 2023

Introduction

The last full triennial valuation of the Devon Pension Fund (the Fund) was carried out as at 31 March 2022 as required under Regulation 62 of the Local Government Pension Scheme Regulations 2013 (the Regulations) and in accordance with the Funding Strategy Statement of the Fund. The results were published in the triennial valuation report dated 31 March 2023.

Asset value and funding level

The results for the Fund at 31 March 2022 were as follows:

- The smoothed value of the Fund's assets as at 31 March 2022 used for valuation purposes was £5,346 million.
- The Fund had a funding level of 98% i.e. the assets were 98% of the value that they would have needed to be to pay for the benefits accrued to that date, based on the assumptions used. This corresponded to a deficit of £88.6m.

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.

The primary rate of contribution on a whole Fund level was 19.2% of payroll p.a. The primary rate as defined by Regulation 62(5) is the employer's share of the cost of benefits accruing in each of the three years beginning 1 April 2023.

In addition, each employer pays a secondary contribution as required under Regulation 62(7) that when combined with the primary rate results in the minimum total contributions. This secondary rate is based on their particular circumstances and so individual adjustments are made for each employer.

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

Assumptions

The key assumptions used to value the liabilities at 31 March 2022 are summarised below:

Assumption	Assumptions used for the 2022 valuation
Financial assumptions	
Market date	31 March 2022
CPI Inflation	2.9% p.a.
Long-term salary increases	3.9% p.a.
Discount rate	4.7% p.a.
Pension increases on GMP	Funds will pay limited increases for members that have reached SPA by 6 April 2016, with the Government providing the remainder of the inflationary increases. For members that reach SPA after this date, we have assumed that Funds are required to pay the entire inflationary increases.
Demographic assumptions	
Post-retirement mortality	Male / Female
Member base tables	SP3A
Member mortality multiplier	100% / 120%
Dependant base tables	S3DA
Dependant mortality multiplier	100% / 105%
Projection model	CMI 2021
Long-term rate of improvement	1.25% p.a.
Smoothing parameter	7
Initial addition to improvements	0.0% p.a

The mortality assumptions translate to life expectancies as follows:

Assumed life expectancies at age 65:	
Average life expectancy for current pensioners - men currently age 65	21.7 years
Average life expectancy for current pensioners - women currently age 65	22.9 years
Average life expectancy for future pensioners - men currently age 45	23.0 years
Average life expectancy for future pensioners - women currently age 45	24.3 years

Further details of the assumptions can be found in the relevant actuarial valuation report.

Updated position since the 2022 Valuation

Assets

Returns over the year to 31 March 2023 have been lower than expected, particularly in the first quarter. As at 31 March 2023, the Fund assets were less than they were projected to be at the previous valuation.

Liabilities

The key assumption which has the greatest impact on the valuation of liabilities is the real discount rate (the discount rate relative to CPI inflation) – the higher the real discount rate the lower the value of liabilities. As at 31 March 2023, the real discount rate is estimated to be higher than at the 2022 valuation due to a reduction in the long term rate of inflation from 31 March 2023 onwards.

In addition, benefits were increased by 10.1% in line with the 2023 LGPS pension increase which is higher than the pension increase assumed at the previous valuation. However, this was anticipated at the 2022 valuation and built into the long-term inflation assumption. The projection for the future rate of long-term inflation from 31 March 2023 has reduced since the previous valuation in line with expectations.

The higher pension increase has been broadly offset by the higher real discount rate, however, the value of liabilities will have increased due to the accrual of new benefits and interest on the liabilities.

Overall position

On balance, we estimate that the funding position has reduced slightly when compared on a consistent basis to 31 March 2022.

However, the increase in the real discount rate since 31 March 2022 is likely to place a lower value on the cost of future accrual which results in a lower primary contribution rate. The impact on secondary contributions will vary by employer.

The next formal valuation will be carried out as at 31 March 2025 with new contribution rates set from 1 April 2026.

Graeme Muir FFA
Partner, Barnett Waddingham LLP
8th June 2023

Audit Opinion to be inserted

ADDITIONAL INFORMATION

Investment Powers

The Devon Pension Fund's investment powers are regulated by the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016. The regulations do not prescribe specific limits on different types of investment, but require LGPS administering authorities to consult on and publish an Investment Strategy Statement, which must be in accordance with guidance from the Secretary of State.

The Investment Strategy Statement must set out the maximum percentage of the total value of all investments of fund money that it will invest in particular investments or classes of investment. The statement must demonstrate that investments will be suitably diversified and should outline the administering authority's maximum allocations for different asset classes, as well as their approach to risk and responsible investing.

The Investment Strategy Statement must include:

a. A requirement to invest money in a wide variety of investments. A properly diversified portfolio of assets should include a range of asset classes to help reduce overall portfolio risk. If a single investment class is not performing well, performance should be balanced by other investments which are doing better at that time. A diversified portfolio also helps to reduce volatility.

b. The authority's assessment of the suitability of particular investments and types of investments. The concept of suitability is a critical test for whether or not a particular investment should be made. Although individual investment classes will have varying degrees of suitability in the context of an authority's funding and investment strategies, the overall aim of the fund must be to consider suitability against the need to meet pension obligations as they fall due.

c. The authority's approach to risk, including the ways in which risks are to be measured and managed. The appetite of individual administering authorities for taking risk when making investment decisions can only be a matter for local consideration and determination, subject to the aim and purpose of a pension fund to maximise the returns from investment returns within reasonable risk parameters.

d. The authority's approach to pooling investments, including the use of collective investment vehicles and shared services. All authorities must commit to a suitable pool to achieve benefits of scale. Administering authorities must confirm their chosen investment pool meets the investment reform criteria published in November 2015, or to the extent that it does not, that Government is content for it to continue.

e. The authority's policy on how social, environmental or corporate governance considerations are taken into account in the selection, non-selection, retention and realisation of investments. Schemes should consider any factors that are financially material to the performance of their investments, including social, environmental and corporate governance factors, and over the long term, dependent on the time horizon over which their liabilities arise.

f. The authority's policy on the exercise of rights (including voting rights) attaching to investments. Administering authorities are encouraged to consider the best way to engage with companies to promote their long-term success, either directly, in partnership with other investors or through their investment managers, and explain their policy on stewardship with reference to the Stewardship Code. Administering authorities should become Signatories to the Code and state how they implement the seven principles and guidance of the Code, which apply on a "comply or explain" basis.

The Devon Fund's Investment Strategy Statement is in included in Appendix A at the back of the Annual Report.

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:

Investment Strategy Statement

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

Funding Strategy Statement

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

Communications Strategy Statement

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

Governance Policy and Compliance Statement

The Governance Policy sets out the governance arrangements for the Fund, including the make-up of the Investment and Pension Fund Committee and the Pension Board, and an outline of the tasks delegated to the Committee, the Board 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 first 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 2021 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 Devon Pension Fund website at:
https://www.devonpensionfund.org.uk/fund-policies/important-documents/

The Fund's Largest Holdings as at 31 March 2023

All of the Devon Fund's equity and bond investments are now held via pooled funds where the Devon Fund does not directly own the shares in the individual companies. However, exposure to individual companies can be assessed on a look-through basis based on the holdings of the pooled funds invested in. The following tables shows the top twenty equity holdings and top ten bond holdings on that basis.

The Fund's Largest Equity Holdings as at 31 March 2023

Company	Sector	Country	Passive Holding £000	Active Holding £000	Total Holding £000	% of Total Investments %
Microsoft	Technology	United States	47,860	29,268	77,128	1.45
Apple	Technology	United States	51,664	2,118	53,782	1.01
Alphabet	Technology	United States	35,357	12,239	47,596	0.90
Amazon	Consumer Services	United States	30,549	13,194	43,743	0.82
Tesla Motors	Consumer, Cyclical	United States	32,284	0	32,284	0.61
Taiwan Semiconductor	Technology	Taiwan	0	31,659	31,659	0.60
Mastercard	Financial	United States	6,540	20,665	27,205	0.51
Nvidia	Technology	United States	10,164	13,154	23,318	0.44
National Grid	Utilities	United Kingdom	19,568	3,246	22,814	0.43
Unilever	Consumer Goods	Netherlands	20,125	1,871	21,996	0.41
RELX Group	Consumer, Cyclical	United States	21,368	0	21,368	0.40
United Health Group	Healthcare	United States	8,751	12,530	21,281	0.40
BP	Energy	United Kingdom	20,906	0	20,906	0.39
Astrazeneca	Consumer, Non-cyclical	United Kingdom	20,850	0	20,850	0.39
Diageo	Consumer, Cyclical	United Kingdom	20,483	0	20,483	0.39
Glaxosmithkline	Healthcare	United Kingdom	20,212	0	20,212	0.38
ASML	Technology	Netherlands	4,306	13,101	17,407	0.33
AIA Group	Financials	Hong Kong	1,317	15,170	16,487	0.31
Anglo American	Basic Materials	United Kingdom	12,475	3,032	15,507	0.29
SSE	Energy	United Kingdom	13,915	0	13,915	0.26
			398,694	171,247	569,941	10.72
Balance of Equity Investments			1,013,950	1,173,326	2,187,276	41.13
			1,412,644	1,344,573	2,757,217	51.85

The Fund's Largest Bond Holdings as at 31 March 2023

Company	Sector	Country	Portfolio	Total Holding £000	% of Total Investments %
McAfee	Technology	United States	Multi-Asset Credit	4,422	0.08
Tesco	Consumer, Non-cyclical	United Kingdom	Sterling Corporate Bonds	4,323	0.08
Electricite De France	Utilities	France	SCB/Multi-Asset Credit	3,868	0.07
Equity Release Funding	Financials	United Kingdom	Sterling Corporate Bonds	3,837	0.07
Charter Communications	Telecommunications	United States	Multi-Asset Credit	3,533	0.07
Telefonica Celular Paraguay	Telecommunications	Paraguay	Multi-Asset Credit	3,501	0.07
Bank of America	Financials	United States	SCB/Multi-Asset Credit	3,393	0.06
British Land	Financials	United Kingdom	Sterling Corporate Bonds	3,367	0.06
Goldman Sachs	Financials	United States	SCB/Multi-Asset Credit	3,366	0.06
Shaftesbury	Financials	United Kingdom	Sterling Corporate Bonds	3,343	0.06
				36,953	0.68
				945,121	17.79
				982,074	18.47

The Fund's Largest Property Fund Holdings as at 31 March 2023

Property Fund	Total Holding £000	% of Total Investments %
Industrial Property Investment Fund	44,280	0.83
Federated Hermes Property Unit Trust	39,103	0.74
Blackrock UK Property Fund	36,966	0.70
Schroders UK Real Estate Fund	34,213	0.64
CBRE Global Investors UK Property Fund	33,610	0.63
	188,172	3.54
Plus Other Pooled Property Fund Investments	279,769	5.27
	467,941	8.81

The Fund's Largest Private Markets Holdings (Infrastructure/Private Debt/Private Equity) as at 31 March 2023

Fund	Category	Total Holding £000	% of Total Investments %
Stepstone Brunel II Generalist Infrastructure Fund	Infrastructure	111,788	2.10
Stepstone Brunel I Infrastructure Fund	Infrastructure	92,533	1.74
Stepstone Brunel II Renewables Infrastructure Fund	Infrastructure	74,788	1.41
Golub Capital Partners International Fund 11	Private Debt	53,075	1.00
Hermes Infrastructure Fund	Private Debt	46,812	0.88
		378,998	7.13
Plus Other Infrastructure, Private Debt and Private Equity Fund Investments		294,195	5.54
		673,193	12.67

Scheme and Benefit Information

Devon County Council administers the Pension Fund for its own employees and over 500 other organisations including Unitary, District, Town and Parish Councils, Education establishments and other admitted bodies. In addition to these, there are a large number of employers who have ceased actively participating in the fund but have members who are now in receipt of a pension.

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 31st March 2022 with revised employer contributions payable from April 2023.

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

Benefits

The Local Government Pension Scheme (LGPS) is a valuable part of the pay and reward package for employees working in local government or working for other employers participating in the scheme.

Key features of the scheme include:

A secure pension

Your pension benefits are guaranteed and every year 1/49th of your pensionable pay is added to your pension account. At the end of the year the total amount of pension in your account is adjusted to take into account the cost of living.

Flexibility to pay more or less contributions

Pension benefits can be boosted by paying additional contributions, which attract tax relief. Scheme members also have the option to pay half of normal contributions in return for half of your normal pension. This is known as the 50/50 section of the scheme and is designed to help encourage members to stay in the scheme when they may not be able to afford full membership.

Tax efficient now and in the future

As a member of the LGPS, you receive tax relief on the contributions that you pay plus you have the option when you draw your pension to exchange part of it for tax-free cash.

Peace of mind

Your family enjoys financial security, with immediate life cover and a pension for your spouse, civil partner or eligible co-habiting partner and any eligible children in the event of your death in service or if you die after leaving, having met the 2-year qualifying period (also known as vesting period). In the event that you become seriously ill and you have met the 2-year qualifying period, you could receive immediate ill health benefits.

Freedom to choose when to take your pension

Your pension is usually payable from your normal pension age which is linked to your State Pension age (minimum of 65 years old). However, you can choose to retire and take your pension at any time between the age of 55 and 75. If you choose to take your pension before your normal pension age it will normally be subject to a reduction, as it is being paid earlier. If you take it later than your normal pension age it will be increased because it is being paid later.

Redundancy and efficiency retirement

If you are made redundant or are retired in the interests of business efficiency from age 55 onwards, provided that you satisfy the 2 years vesting period, you will receive immediate payment of the main benefits you have built up in the scheme (but there would be a reduction for early payment of any additional pension you have chosen to buy).

Flexible retirement

If you reduce your hours or move to a less senior position from age 55 onwards, provided that you satisfy the 2 years vesting period and with the agreement of your employer, you may be able to draw some or all of the benefits you have already built up in the scheme, helping you ease into retirement. Please note that these benefits may be reduced for early payment.

Pension Fund Glossary

Actuarial Terms

Actuary

An actuary is an expert in statistics and its application to solving problems regarding financial predictions. Actuaries are particularly involved in the fields of life and general insurance, pension funds and the investment of the funds underlying those businesses although they are involved in other areas too.

Actuarial Valuation

A comparison of a scheme's assets with its Actuarial Liability, sometimes also including a calculation of the cost of accruing benefits (if any). Assumptions are used to determine the estimated value of benefits payable. A formal valuation of a Defined Benefits Pension Scheme is carried out at least every three years. This generally leads to agreement of the employers' contributions for the following three years.

AVC - Additional Voluntary Contribution

Contributions to an Occupational Pension Scheme over and above a member's normal contributions (if any), which the member may elect to pay to the scheme (if the scheme allows) to secure additional benefits.

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 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.

Bonds

A bond is a form of debt issued to raise capital. Bonds may be issued by companies, governments, and non-governmental organisations (for example the European Investment Bank or the International Monetary Fund (IMF)). Bonds issued by the British Government are known as Gilts.

CMI - Continuous Mortality Investigation

The CMI carries out research into Mortality and morbidity experience. The CMI was originally established by the Actuarial Profession to carry out industry-wide claims experience investigations in the field of life and health insurance. The CMI also took over research into the mortality of members of Self-Administered Pension Schemes (SAPS) in 2006.

Deferred Pension

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

Deficit (Actuarial)

The amount by which the Actuarial Liability exceeds the value of assets at a specified date.

Deficit Recovery Contributions

Additional contributions, above the ongoing future service contributions, required to fund the Deficit in respect of a scheme's past service Liabilities.

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.

IAS19 – International Accounting Standard 19

The international accounting standard covering accounting for pension costs in companies' accounts.

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.

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.

Liability (Actuarial)

The estimated value, using actuarial methods and assumptions, placed on the obligations of a pension scheme. These obligations include the present value of future pension instalments and contingent benefits and may include the expected value of future expenses.

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.

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.

Pensionable Salary

Earnings used to calculate pension contributions in a Defined Benefit Pension Scheme. A different name may also be used, such as Pensionable Earnings. The measure will vary from scheme to scheme and should be precisely defined in the scheme's Trust Deed and Rules.

Pensionable Service

Length of employment / scheme membership used to calculate pension benefits in a Defined Benefit Pension Scheme. The measure will vary from scheme to scheme and should be precisely defined in the scheme's Trust Deed and Rules. A different name may also be used.

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 several 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.

Promotional scale

This takes into consideration the possibility of promotion during an employee's working life.

Property Unit Trust

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

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.

Return

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

S3PA tables

The S3PA 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 2009 to 2016.

Schedule of Contributions

A formal agreement between the Trustees of a Defined Benefit Pension Scheme and the employer, setting out how much the employer and employees will contribute to the scheme. The Scheme Actuary must certify that the Schedule of Contributions is adequate to meet the Statutory Funding Objective. The Trustees must monitor adherence to the schedule and report any material failures to the Pensions Regulator.

Solvency Test

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

Standard Contribution Rate

The contribution rate (employer and employee) required to fund future accrual of benefits before any adjustment for Surplus or deficit in respect of past service.

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.

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 consider future salary increases.

Yield

The total expected rate of return on an investment. This may include both the income part of return such as Dividends and Coupon payments as well as capital gains / losses from price movements.

APPENDIX A: STATUTORY STATEMENTS

Devon County Council

Devon County Council Pension Fund Investment Strategy Statement

Approved by the Investment and Pension Fund Committee
17th June 2022

1. Introduction

The Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016 require administering authorities to formulate and to publish a statement of its investment strategy, in accordance with guidance issued from time to time by the Secretary of State. The administering authority must invest, in accordance with its investment strategy, any Fund money that is not needed immediately to make payments from the Fund.

The regulations provide a new prudential framework, within which administering authorities are responsible for setting their policy on asset allocation, risk and diversity. The Investment Strategy Statement will therefore be an important governance tool for the Devon Fund as well as providing transparency in relation to how Fund investments are managed.

The Devon Pension Fund's primary purpose is to provide pension benefits for its members. The Fund's investments will be managed to achieve a return that will ensure the solvency of the Fund and provide for members' benefits in a way that achieves long term cost efficiency and effectively manages risk. The Investment Strategy Statement therefore sets out a strategy that is designed to achieve an investment return consistent with the objectives and assumptions set out in the Fund's Funding Strategy Statement.

We are long term investors: we implement our strategies through investments in productive assets that contribute to economic activity, such as equities, bonds and real assets. We diversify our investments between a variety of different types of assets in order to manage risk.

The Investment Strategy Statement will set out in more detail:

(a) The Devon Fund's assessment of the suitability of particular types of investments, and the balance between asset classes.
(b) The Devon Fund's approach to risk and how risks will be measured and managed, consistent with achieving the required investment return.
(c) The Devon Fund's approach to pooling and its relationship with the Brunel Pension Partnership.
(d) The Devon Fund's policy on how social, environmental or corporate governance considerations are taken into account in its investment strategy, including its stewardship responsibilities as a shareholder and asset owner.

Under the previous regulations the Fund was required to comment on how it complied with the Myners Principles. These were developed following a review of institutional investment by Lord Myners in 2000, and were updated following a review by the National Association of Pension Funds in 2008. While a statement on compliance with the Myners Principles is no longer required by regulation, the Devon Pension Fund considers the Myners Principles to be a standard for Pension Fund investment management. A statement on compliance is included at Annex 1.

This statement will be reviewed by the Investment and Pension Fund Committee at least triennially, or more frequently should any significant change occur.

2. Investment strategy and the process for ensuring suitability of investments

The primary objective of the Fund is to provide pension and lump sum benefits for members on their retirement and/or benefits on death before or after retirement for their dependants, in accordance with LGPS Regulations.

The Funding Strategy and Investment Strategy are intrinsically linked and together aim to deliver stable contribution rates for employers and a reduced reliance on employer contributions over time. The Funding Strategy Statement can be found on the Fund's website at:

https://www.devonpensionfund.org.uk/fund-policies/important-documents/

The investment objective is therefore to maximise returns, subject to an acceptable level of risk, whilst increasing certainty of cost for employers and minimising the long-term cost of the Fund. Having a thorough understanding of the risks facing the Fund is crucial and these are covered later in this statement.

The Fund has the following investment beliefs which help to inform the investment strategy derived from the decision-making process:

- Funding, investment strategy and contribution rates are linked.
- The strategic asset allocation is the key factor in determining the risk and return profile of the Fund's investments.
- Investing over the long term provides opportunities to improve returns.
- Diversification across asset classes can help to mitigate against adverse market conditions and assist the Fund to produce a smoother return profile due to returns coming from a range of different sources.
- Managing risk is a multi-dimensional and complex task but the overriding principle is to avoid taking more risk than is necessary to achieve the Fund's objectives.
- Environmental, Social and Governance are important factors for the sustainability of investment returns over the long term. More detail on this is provided below.
- Value for money from investments is important, not just absolute costs. Asset pooling is expected to help reduce costs over the long-term, whilst providing more choice of investments, and therefore be additive to Fund returns.
- Active management can add value to returns, albeit with higher short-term volatility.

The Fund's current investment strategy, along with an overview of the role each asset plays is set out in the table below:

Asset Class	Target 2022/23	Medium-Term Target	Role(s) within the Strategy
Equities	**50%**	**50%**	
Global Passive	25%	25%	Generate returns through capital gains and income through exposure to the shares of domestic and overseas companies; indirect links to inflation. The Fund invests in a range of actively and passively managed equity strategies to gain diversified exposure to global markets, using active managers and non-market cap indexation where appropriate and in the expectation that these will add value. Within this allocation are holdings in a number of different equity portfolios to gain exposure to a diverse range of return drivers (including small cap equities and sustainable equities).
Global Active	5%	5%	
Emerging Markets Active	5%	5%	
Global Small Cap	5%	5%	
Sustainable	10%	10%	
Fixed Interest	**20%**	**20%**	
Sterling Bonds including corporate and inflation-linked	7%	7%	The Fund invests in a number of global bond investments, to provide diversified exposure to corporate bond and public debt markets. These are expected to generate less volatile returns than equities, but also to generate returns above those available on domestic sovereign bonds ("gilts"). Within these holdings, the Fund uses active management, and permits its fund managers a degree of flexibility to switch between asset classes and credit qualities to enhance expected returns.
Multi-Sector Credit	12%	12%	
Cash	1%	1%	

Asset Class	Target 2022/23	Long-Term Target	Role(s) within the Strategy
Alternatives/Other	**30%**	**30%**	
Diversifying Returns Funds	6%	-	Deliver returns in excess of inflation, with a reasonably low correlation to traditional equity markets and providing a degree of downside protection in periods of equity market stress; opportunity for dynamic asset allocation.
UK Property	8%	8%	Generate inflation linked returns through income and capital appreciation via investment in global property markets with a strong bias to the UK, whilst providing some diversification away from equities and bonds.
International Property	2%	2%	
Infrastructure	8%	10%	The Fund invests in a diversified portfolio of infrastructure investments, to gain exposure to attractive returns and investments with a degree of inflation linkage in the income stream generated. The Fund intends to increase exposure to private equity and debt to benefit from diversified sources of return (including illiquidity and complexity premia).
Private Debt	3%	5%	
Private Equity	3%	5%	
TOTAL	**100%**	**100%**	

Full details of the current investment managers and their respective performance benchmarks are included in Annex 2.

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

The Investment and Pension Fund Committee is responsible for the Fund’s asset allocation which is determined via strategy reviews undertaken as part of the valuation process. The last review of the investment strategy was in 2022 and was both qualitative and quantitative in nature, and was undertaken by the Committee in conjunction with officers and independent advisers. The review considered:

- The required level of return that will mean the Fund can meet its future benefit obligations as they fall due.
- An analysis of the order of magnitude of the various risks facing the Fund, including consideration of climate scenarios.
- The requirement to meet future benefit cash flows.
- The desire for diversification across asset class, region, sector, and type of security.

Following the latest investment strategy review, the Committee agreed to a number of revisions to the investment strategy. These changes include reducing the allocation to listed equity and increasing the allocation to fixed income and private market investments.

Details of the 2022/23 target allocations and the agreed medium-term plan are shown in the table above. It should be noted that progress in reaching the targets will be dependent upon a number of factors, including market movements, the progress of the Brunel Pension Partnership in identifying suitable private market commitments and the pace of the subsequent draw down of commitments.

The medium-term plan will be regularly reviewed by the Committee in conjunction with officers and the Fund's Independent Investment Advisor.

In accordance with the requirements of the LGPS (Management and Investment of Funds) Regulations 2016, the Investment Strategy will not permit more than 5% of the total value of all investments of fund money to be invested in entities which are connected with the Authority within the meaning given by applicable legislation.

3. Risk measurement and management

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 counterparties 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.

In addition to targeting an acceptable overall level of investment risk, the Committee seeks to spread risks across a range of different sources, believing that diversification limits the impact of any single risk. The Committee aims to take on those risks for which a reward, in the form of excess returns, is expected over time.

The key investment risks that the Fund is exposed to are:

- The risk that the Fund's growth assets in particular do not generate the returns expected as part of the funding plan in absolute terms.
- The risk that the Fund's assets do not generate the returns above inflation assumed in the funding plan, i.e. that pay and price inflation are significantly more than anticipated and assets do not keep up.
- That there are insufficient funds to meet liabilities as they fall due.
- That active managers underperform their performance objectives.

The Fund may be adversely impacted by a combination of the risks set out above over a given timeframe. While it is understood that over the long term, downside events are expected to be more than offset by a subsequent recovery and further asset growth, an indicative "shock scenario" whereby asset values fall materially while inflation rises[1] could lead to a £1.1 billion fall in the value of Fund assets compared to its liabilities.

At Fund level, these risks are managed through:

- Diversification of investments by individual holding, asset class and by the investment managers appointed on behalf of the Fund by the Brunel Pension Partnership.
- Consideration of climate related risk in setting investment strategy and selecting investments for the Fund.

[1] Indicative shock scenario estimated by Mercer, based on a fall in asset values of between 10%-30% based on expected volatility for each asset class, combined with a 0.5% p.a. rise in inflation expectations, reduced to reflect the offsetting impact of risk diversification.

- Allocating to inflation-aware and cashflow generative investments within the asset portfolio.
- 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 Fund is also exposed to operational risk; this is mitigated 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.

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 Fund also recognises the following (predominantly non-investment) risks:

Longevity risk: this is the risk that the members of the Fund live longer than expected under the Actuarial Valuation assumptions. This risk is captured within the Actuarial Valuation report which is conducted at least triennially and monitored by the Committee, but any increase in longevity will only be realised over the long term.

Sponsor Covenant risk: the financial capacity and willingness of the sponsoring employers to support the Fund is a key consideration of the Committee and is reviewed on a regular basis.

Liquidity risk: the Committee recognises that there is liquidity risk in holding assets that are not readily marketable and realisable. Given the long-term investment horizon, the Committee believes that a degree of liquidity risk is acceptable, given the potential return. The majority of the Fund's assets are realisable at short notice.

Regulatory and political risk: across all of the Fund's investments, there is the potential for adverse regulatory or political change. Regulatory risk arises from investing in a market environment where the regulatory regime may change. This may be compounded by political risk in those environments subject to unstable regimes. The Committee will attempt to invest in a manner which seeks to minimise the impact of any such regulatory or political change should such a change occur.

Exchange rate risk: this risk arises from unhedged investment overseas. The Fund has a currency hedging policy in place, hedging up to 100% of its exposure to currency risk on passive equity holdings. For other asset classes, currency hedging is reviewed on a case-by-case basis.

Climate change risk: climate change is a systemic investment risk that may have an impact on investee companies as a result of both the consequences of climate change and the transition to a low carbon economy.

The Fund requested Mercer carry out climate scenario analysis to estimate the impact of future warming scenarios on its asset portfolio. Under the worst scenario modelled, 4^{o}C warming by 2100, physical risks are expected to contribute to a negative impact on portfolio returns over timeframes to 2030, 2050 and 2100. Under the most positive scenario modelled, 2^{o}C warming by 2100, there is more limited downside risk, while a material low carbon transition premium is identified for sustainable investments. The positive impact of sustainable investments is most pronounced over the period ending 2030, with an estimated return uplift of 0.8% per annum compared to the pre-existing asset portfolio.

The Fund's approach to climate change is included in section 5 of the Investment Strategy Statement, and the Fund will expect Brunel and other fund managers to have policies in place to manage the risk.

Cashflow risk: the Fund is cashflow negative, in that income and disinvestments are required from the Fund's investments to meet benefit outgoes. Over time, it is expected that the size of pensioner cashflows will increase as the Fund matures and greater consideration will need to be given to raising capital to meet outgoings. The Committee recognises that this can present additional risks, particularly if there is a requirement to sell assets at inopportune times, and so looks to mitigate this by investing in cashflow generative assets and by taking income from investments where possible.

Governance: members of the Committee and Devon Pension Board participate in regular training delivered through a formal programme. Both the Committee and Devon Pension Board are aware that poor governance and in particular high turnover of members may prove detrimental to the investment strategy, fund administration, liability management and corporate governance and seeks to minimise turnover where possible.

4. Approach to asset pooling

The Devon Pension Fund participates with nine other administering authorities to pool investment assets through the Brunel Pension Partnership. At the centre of the partnership is Brunel Pension Partnership Limited (Brunel), a company established specifically to manage the assets within the pool.

The Devon Pension Fund, through the Investment and Pension Fund Committee, retains the responsibility for setting the detailed Strategic Asset Allocation for the Fund and allocating investment assets to the portfolios provided by Brunel.

The Brunel Pension Partnership Ltd, established in July 2017, is a company wholly owned by the Administering Authorities (in equal shares) that participate in the pool. The company is authorised by the Financial Conduct Authority (FCA). It is responsible for implementing the detailed Strategic Asset Allocations of the participating funds by investing Funds' assets within defined outcome focused investment portfolios. In particular, it researches and selects the external managers or pooled funds needed to meet the investment objective of each portfolio. Brunel will manage collective investment vehicles for quoted assets such as equities and bonds; for private market investments it will manage an investment programme with a defined investment cycle for each asset class.

As a client of Brunel, the Devon Pension Fund has the right to expect certain standards and quality of service. The Service Agreement between Brunel and its clients sets out in detail the duties and responsibilities of Brunel, and the rights of the Devon Fund as a client. It includes a duty of care of Brunel to act in its clients' interests.

The governance arrangements for the pool have been established. The Brunel Oversight Board is comprised of representatives from each of the Administering Authorities and two fund member observers, with an agreed constitution and terms of reference. Acting for the Administering Authorities, it has ultimate responsibility for ensuring that Brunel delivers the services required to achieve investment pooling and deliver each Fund's investment strategy. Therefore, it has a monitoring and oversight function. Subject to its terms of reference it will consider relevant matters on behalf of the Administering Authorities but does not have delegated powers to take decisions requiring shareholder approval. These will be remitted back to each Administering Authority individually. As shareholders of Brunel, the Administering Authorities' shareholder rights are set out in the Shareholders Agreement and other constitutional documents.

The Oversight Board will be supported by the Client Group, comprised primarily of pension investment officers drawn from each of the Administering Authorities but will also draw on Administering Authorities finance and legal officers from time to time. It has a primary role in reviewing the implementation of pooling by Brunel, including the plan for transitioning assets to the portfolios. It provides a forum for discussing technical and practical matters, confirming priorities, and resolving differences. It is responsible for providing practical support to enable the Oversight Board to fulfil its monitoring and oversight function. The Client Group will monitor Brunel's performance and service delivery for each of the established Brunel portfolios. The Devon Investment and

Pension Fund Committee will receive regular reports covering portfolio and Fund performance and Brunel's service delivery.

The proposed arrangements for asset pooling for the Brunel pool were formulated to meet the requirements of the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016 and Government guidance. Regular reports have been made to Government on progress, and the Minister for Local Government has confirmed on a number of occasions that the pool should proceed as set out in the proposals made.

Devon County Council approved the full business case for the Brunel Pension Partnership in 2017. The process of transitioning the Fund's assets to portfolios managed by Brunel started in April 2018, and was largely completed during 2021.

It is intended that all of the Devon Pension Fund's assets will be invested through Brunel portfolios. However, the Fund has certain commitments to long term illiquid investment funds which will take longer to transition across to the Brunel portfolios. These assets will be managed in partnership with Brunel until such time as they are liquidated, and capital is returned.

5. Social, Environmental and Corporate Governance policy

Overarching Principles

The Devon Pension Fund has a fiduciary duty to seek to obtain the best financial return that it can for its members. This is a fundamental principle, and all other considerations are secondary. However, the Devon Pension Fund is also mindful of its responsibilities as a long-term shareholder, and the Investment and Pension Fund Committee has considered the extent to which it wishes to take into account social, environmental or ethical issues in its investment policies. The Devon Fund's policy is to support engagement with companies to effect change, rather than disinvestment.

In the light of that overarching approach the following principles have been adopted:

(a) The Devon Pension Fund seeks to be a long-term responsible investor. The Fund believes that in the long term it will generate better financial returns by investing in companies and assets that demonstrate they contribute to the long-term sustainable success of the global economy and society.

(b) Social, environmental and ethical concerns will not inhibit the delivery of the Devon Fund's investment strategy and will not impose any restrictions on the type, nature of companies/assets held within the portfolios that the Devon Fund invests in. However, the identification and management of ESG risks that may be financially material is consistent with our fiduciary duty to members.

(c) The Devon Pension Fund will seek to engage (through the Brunel Pension Partnership, its asset managers or other resources) with companies to ensure they can deliver sustainable financial returns over the long-term as part of comprehensive risk analysis. In the example of fossil fuels, this will mean engaging with oil companies on how they are assessing and diversifying their business strategy and capital expenditure plans to adapt to changes in cost base and regulation that will ensure the continued delivery of shareholder returns in the medium to long term. Engagement with companies is more likely to be successful if the Fund continues to be a shareholder.

(d) Where social, environmental and ethical issues arise on the agendas of company Annual General Meetings, the Brunel Pension Partnership, and its external investment managers are expected to vote in alignment with 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.

(e) The Devon Pension Fund recognises the risks associated with environmental, social and governance (ESG) issues, and the potential impact on the financial returns if those risks are not managed effectively. The Fund therefore expects its external fund managers to monitor and manage the associated risks. The Devon Pension Fund will work with its partners in the Brunel pool and the Brunel

Pension Partnership Limited company to ensure that robust systems are in place for monitoring ESG risk, both at a portfolio and a total fund level, and that the associated risks are effectively managed.

(f) More broadly the Fund adopts the policies set out in the Brunel Responsible Investment Policy. The Brunel policy can be found at: https://www.brunelpensionpartnership.org/responsible-investment/responsible-investment-policy/

Climate Change

The Devon Pension Fund believes climate change poses significant risks to global financial stability and could thereby create climate-related financial risks to the Fund's investments unless action is taken to mitigate these risks. In recognising the need to address the risks associated with climate change posed to both the Fund's investments and our beneficiaries, we acknowledge that there is an urgent need to accelerate the transition towards global net zero emissions and play our part in helping deliver the goals of the Paris Agreement.

The Fund also believes investing for a positive climate scenario presents an opportunity to improve asset returns by harvesting a low carbon transition premium. This positive impact is expected to be most material over the period ending 2030.

The Devon Pension Fund has therefore pledged that its portfolio of investments will be net-zero by 2050 at the latest. In order to achieve this goal, the Fund has set an initial target of a 7% per annum reduction in the Weighted Average Carbon Intensity (WACI) of the Fund's investments, based on the March 2019 calculation of the WACI, to be reviewed in 2022. This recognises the need for significant progress in the earlier part of the period to 2050, with the intention of achieving a 50-75% reduction by 2030. These targets will also be applied to the Fund's exposure to fossil fuel reserves as a proxy for downstream scope 3 emissions which are not captured within the WACI calculation.

This will be achieved by the following strategy.

(a) We recognise that climate change will have impacts across our portfolios. This means we look to the Brunel Pension Partnership and all our asset managers to identify and manage climate-related financial risks as part of day-to-day fund management. The way those risks and opportunities present themselves varies, particularly in evaluating what a portfolio aligned to the Paris Agreement looks like.

(b) The Devon Pension Fund wants to play its part in achieving real economy emissions reductions. This means that we are looking for investee companies to make significant reductions in their emissions, rather than just shifting our investments from higher emitting companies to lower emitting companies. The Fund does not therefore consider a top-down approach to disinvestment to be an appropriate strategy. By integrating climate change into risk management process, using carbon footprinting, assessing fossil fuel exposure and challenging managers on physical risks, we seek to both reduce climate and carbon risk and achieve real reductions in global emissions. Where investee companies fail to engage with climate change issues, selective disinvestment may be appropriate based on investment risk.

(c) We are committed to working with Brunel to decarbonise our investments in listed portfolios. Decarbonisation is achieved by being selective in the allocation of capital, particularly to carbon intense companies. This process is informed by using a variety of tools in combination with industry and corporate engagement. For example, engagement with electric utility companies about their future strategy on energy sources informs the investment decisions relating to those companies and indeed the relative attractiveness of the sector over time.

(d) The Fund will collaborate via the Brunel Pension Partnership, the Local Authority Pension Fund Forum (LAPFF) and the Institutional Investors Group on Climate Change (IIGCC) to advocate policy and regulatory reforms aimed at achieving global net zero emissions by 2050 or sooner. This will include engaging with asset managers, credit rating agencies, auditors, stock exchanges, proxy advisers, investment consultants, and data and service providers to ensure that funds, products and services available to investors are consistent with achieving global net zero emissions by 2050 or sooner.

(e) We expect the engagement and voting conducted on behalf of the Fund by LAPFF, Brunel and underlying investment managers to be consistent with an objective for all assets in the portfolio to achieve net zero emissions by 2050 or sooner. The Fund's stewardship and voting policies are set out more fully below.

(f) Climate change risk and carbon reduction targets will be a consideration in reviews of the Fund's strategic asset allocation. This will be considered ensuring consistency with the Fund's fiduciary duty to achieve the investment returns required to meet its future pension liabilities.

(g) Within the Fund's infrastructure investments, we would expect a significant proportion to be invested in renewable energy assets. The target is to achieve an allocation of 5% of the total Fund to renewable energy infrastructure assets by 2025.

(h) The Devon Pension Fund adopts the Brunel Pension Partnership's climate change policy, found at the following link: https://www.brunelpensionpartnership.org/climate-change/

The Devon Pension Fund views the Brunel policy as being representative of the climate change objectives of the Fund and in support of the wider objectives of Devon County Council.

(i) Devon County Council has committed to reduce the carbon emissions from its operations to net-zero by 2030. This will include the operational emissions of the Devon County Council Investment Team in the oversight of the Fund's investments, and the administration of benefits by Peninsula Pensions.

(j) We are committed to being transparent about the carbon intensity of our investments through the publication of the Fund's carbon footprint and reserves exposure on an annual basis. This will enable us to measure progress against the targets set out above. The Fund will also report on delivery through the Brunel Annual Climate Action Plan and work towards meeting the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD).

Accountability

The Pension Board regularly reviews all the Fund's statutory statements. Their views will be taken into account in setting the Devon Fund's environmental, social and governance policies. The Fund also holds an annual consultative meeting with fund members which provides the opportunity for discussion of investment strategy and consideration of non-financial factors.

6. Stewardship Policy

The Devon Pension Fund is committed to responsible stewardship and believe that through stewardship it can contribute to the care, and ultimately long-term success, of all the assets within our remit.

The Fund supports and applies the UK Stewardship Code 2020 definition of stewardship: "Stewardship is the responsible allocation, management, and oversight of capital to create long-term value for clients and beneficiaries leading to sustainable benefits for the economy, the environment and society."

The Devon Pension Fund works with or through the Brunel Pension Partnership, the Local Authority Pension Fund Forum and/or other partners to pursue activities which are outcomes focused, which prioritise the pursuit and achievement of positive real-world goals, and where there is enhanced collaboration which focuses on collective goals to address systemic issues. From a bottom-up perspective, this includes:

- Engaging with companies and holding them to account on material issues.
- Exercising rights and responsibilities, such as voting.
- Integrating environmental, social and governance factors into investment decision making.
- Monitoring assets and service providers.
- Collaborating with others.
- Advancing Policy through advocacy.

The Devon Pension Fund fully endorses and supports the Brunel Pension Partnership Stewardship Policy, and the Devon Pension Fund policy should be seen as fully consistent in all aspects. The full Brunel policy can be found at:

https://www.brunelpensionpartnership.org/stewardship_report/

The following section sets out in detail the Fund's policies on stewardship, including its policy on the exercise of rights, including voting rights, attached to investments:

(a) Governance and Oversight

The Investment and Pension Fund Committee approves and is collectively accountable for the Devon Fund's policies, which includes the Stewardship Policy. Operational accountability on a day-to-day basis is held by the Assistant County Treasurer, Investments, who is supported by the Investment Manager to ensure high levels of coordination and implementation. The Devon Pension Fund requires the Brunel Pension Partnership to provide a suite of public reports on their stewardship activities, and environmental, social and governance metrics to empower the Devon Pension Fund's stewardship activities and to enable oversight.

The Fund believes in the importance of regular and in-depth shareholder and stakeholder engagement. Our Stewardship Policy has been developed in conjunction with that of the Brunel Pension Partnership, which in turn has been developed in collaboration with key stakeholders, including the Brunel Oversight Board, Brunel Client Group, and the Client Responsible Investment (RI) Sub-Group. The RI Sub-Group is made up of members of Brunel's clients and meets monthly, it provides an opportunity for clients to:

- Raise stewardship interests.
- Share best practice with Brunel and amongst partner funds.
- Provide insights on concerns, issues, and member perspectives.
- Shape priorities of Brunel and Equity Ownership Services (EOS) at Federated Hermes.
- Review reporting outputs.
- Knowledge share and receive a deeper dive into topics of interest.
- Access expertise.
- Consult on policy design and development.

(b) Identifying and Prioritising Engagement

The Fund will expect Brunel to identify engagement objectives in four ways.

- Firstly, top down, to identify thematic areas of risk and opportunity.
- Secondly, bottom up, to review exposure to individual companies and to specific ESG risks and opportunities. Companies should be identified through asset managers, collaborative engagement forums, external research, and Brunel's own internal ESG risk analysis.
- Thirdly, reactively to events, for example, after a specific, usually significant, incident. The companies that Brunel actively engage with should be prioritised based on our level of exposure and the probability of successful outcome.
- Fourthly, Brunel should be responsive to client concerns. Where the Devon Pension Fund raises specific issues, which could be as a result of Fund member concerns or points raised by Investment and Pension Fund Committee or Pension Board members, Brunel will be expected to engage with companies to address the concerns raised.

The Devon Pension Fund is a global investor and seeks to apply the principles of good stewardship globally. It is a strong advocate of the benefits of global stewardship codes to improve the quality of stewardship, and when updates are made aims to adopt best practice. As a UK-based investor our key reference points are the UK Stewardship Code 2020 and UK Corporate Governance Code and guidance produced by UK industry bodies, for example, the British Venture Capital Association (BVCA – private equity) RI toolkit.

The Fund is committed to supporting policy makers, regulators and industry bodies in the development and promotion of the codes and supporting guidance. The Fund publishes an annual review of its stewardship and engagement activities in its Annual Report which is intended to meet the best practice requirements of the UK Stewardship Code 2020 and support the Fund's compliance with the Shareholder Rights Directive II. The Fund is a strong supporter of the UK Corporate Governance Code and the application of the Companies Act S172 (Duty to promote the success of the company). It believes that corporate behaviour in line with the spirit of the Act more broadly is essential to the Fund's objective of contributing to a more sustainable and resilient financial system, which supports sustainable economic growth and a thriving society.

The Fund encourages companies either to comply with such codes or to fully explain their reasons for noncompliance. However, it is also cognisant that good governance cannot be guaranteed solely by adherence to the provisions of best practice governance codes. Therefore, we urge companies to consider carefully how best to apply the principles and the spirit of such codes to their own circumstances and to clearly communicate to investors the rationale behind their chosen approach.

(c) Transparency and Collaboration

Good stewardship requires a good understanding of the assets that the Fund invests in. This is done in collaboration with Brunel, who do it directly, through EOS at Federated Hermes, their asset managers, and other initiatives. Working closely with company boards is one of the most effective means to achieve this but requires the establishment of mutual trust and, at times, confidentiality. It is also acknowledged that, when working collaboratively with other investors, we must respect other disclosure requirements and restrictions.

The Fund publishes regular updates on its stewardship activities, including quarterly engagement and voting activity analysis presented to the Investment and Pension Fund Committee, and the annual review included in the Fund's Annual Report.

The Fund believes that working collaboratively is essential to delivering its objectives as the scope and scale of investments means that we need to draw on the expertise of others, including Brunel, the Local Authority Pension Fund Forum (LAPFF), and not least the asset managers employed by both Brunel and directly by the Fund. In addition to managers and specialist advisors, the Fund supports a number of organisations and initiatives that enable its ability to work collaboratively – for example this includes membership of LAPFF and the Institutional Investors Group on Climate Change (IIGCC). The Fund's reporting will evidence its activities.

(d) Conflicts of Interest

Devon County Council has a robust Code of Conduct and Conflicts of Interest policy, which all members of the Investment and Pension Fund Committee (whether Devon County Councillors or not) are required to adhere to. The policies can be found at:

http://democracy.devon.gov.uk/ieListDocuments.aspx?CId=416&MId=2487&Ver=4&info=1

Investment and Pension Fund Committee members are required to make declarations of interest prior to committee meetings in line with the Council's code of conduct and interest rules. This would ensure that if committee members had any personal interests in any company that the Fund invests in that may have an impact on stewardship activity then those interests would be declared and managed.

The management of conflicts is important in building long-term relationships with the companies the Fund invests in and with its partnerships. In particular, the Fund expects Brunel to have a robust approach to conflicts of interest. This includes having comprehensive controls operating at all levels within the business to prevent conflicts of interest from adversely affecting the interests of the Devon Fund and other clients, including the Fund's members and employers.

The effective management of potential Conflicts of Interest is a key component of Brunel's due diligence on all asset managers and service providers, as well as ongoing contract management. Conflict of interest clauses are included in investment management agreements. Conflicts are also considered when undertaking voting and engagement. Details on how EOS at Federated Hermes, Brunel's appointed engagement voting provider, approach conflicts of interest are available on their website at https://www.hermes-investment.com/ukw/wp-content/uploads/2020/05/stewardship-conflicts-of-interest-policy-2020.pdf.

(e) Data and Information.

The Fund recognises that ESG data is a developing discipline and is a strong advocate for improved disclosure from companies and assets in which it invests. The Fund will use a variety of data sources to analyse the ESG risks of its investments and asset allocation strategy. It expects Brunel to use its own analysis and that of its asset managers to inform its stewardship activity and risk ESG management, as well as media and company reports and a variety of third party proprietary and public data sources.

Given the lack of standardisation and transparency across ESG data, differing methodologies can lead to different outputs and biases. On behalf of the Fund and other clients, Brunel use a variety of best-in-class providers, which leverage the Sustainability Accounting Standards Board's (SASB) materiality framework, to reduce bias, provide greater coverage of our assets, improve awareness of differences in data providers or to aid specific targeted engagement priorities. SASB promotes better quality reporting on material ESG risks, the standards focus on financially material issues. Another framework Brunel endorses is the Task Force on Climate-related financial disclosures (TCFD) which has developed a set of consistent climate-related financial disclosures that can be used by companies. Further detail on the TCFD is located in Brunel's Responsible Investment Policy and Climate Change Policy.

These sources of data are embedded into quarterly reports reviewed by Brunel at quarterly Brunel Investment Risk Committee meetings and are included in the reports provided to the Devon Investment and Pension Fund Committee.

The Fund recognises that data provision is a continuously evolving area. The Fund supports Brunel's policy of reviewing their use of providers annually and providing feedback where developments could be made. Brunel seek to stimulate market-wide improvements in ESG risk analysis and commit to continue to innovate, adapt and improve to ensure the availability of robust, independent and effective data to work collegiately with external asset managers on the management of the whole spectrum of investment risks.

(f) Voting

Responsibility for the exercise of voting rights has been delegated to the Brunel Pension Partnership. For the Brunel passive portfolios, Brunel have further delegated voting to Legal and General Investment Management, but have retained the right to direct split voting on significant issues. The below link provides information on Legal and General Investment Management's approach to active ownership.

https://www.lgim.com/uk/en/capabilities/corporate-governance/

Brunel have adopted voting guidelines, following extensive consultation with their client funds, which can be found on their website.

The Devon Fund requires that Brunel will always seek to exercise its rights as shareholders through voting. This means seeking to vote 100% of available ballots. However, as with any process, errors and issues can occur. If the level of voting drops below 95% this would raise a cause for concern, be investigated and corrective action identified.

Votes should be cast applying the following principles:

- **Consistency**: Brunel should vote consistently on issues, in line with their Voting Policy, applying due care and diligence, allowing for case-by-case assessment of companies and market-specific factors. This should include consideration of engagement with companies when voting.
- **No abstention**: Brunel should aim to always vote either in favour or against a resolution and only to abstain in exceptional circumstances or for technical reasons, such as where a vote is conflicted, a resolution is to be withdrawn, or there is insufficient information upon which to base a decision.
- **Supportive**: Brunel should aim to be knowledgeable about companies with whom they engage and to always be constructive. Brunel should aim to support boards and management where their actions are consistent with protecting long-term shareholder value.
- **Long-term**: Brunel should seek to protect and optimise long-term value for shareholders, stakeholders and society.

- **Engagement**: Brunel should support aligning voting decisions with company engagement, and escalate the vote if concerns have been raised and not addressed in the prior year.
- **Transparency**: The Devon Fund expects Brunel to be transparent and publish voting activity no less than twice per year.

The Devon Fund expects that companies will conduct themselves as follows:

- **Accountability**: The directors of a company must be accountable to its shareholders and make themselves available for dialogue with shareholders.
- **Transparency**: We expect companies to be transparent and to disclose, in a timely and comprehensible manner, information to enable well-informed investment decisions. This includes environmental and social issues that could have a material impact on the company's long-term performance.
- **One Share, One Vote**: We support one share, one vote. Where a company issues shares with differing rights, they must define these rights transparently and clearly explain why rights are not equal.
- **Informed votes**: We expect companies to make complete materials for general meetings available to shareholders and, where possible, to do so in advance of the legal timeframes for the meeting.
- **Development**: We encourage companies to explore technology to improve the voting process and confirmation, such as blockchain, virtual meetings, electronic voting, and split voting (ownership proportion).

The Devon Pension Fund is a member of the Local Authority Pension Fund Forum (LAPFF). LAPFF also conducts significant engagement with companies on behalf of their member funds, and where there is a significant issue to be voted on at a company AGM they will issue a voting alert, with a recommendation to member funds on how to vote.

Where a voting alert has been issued by LAPFF, the Devon Pension Fund expects that Brunel (and Legal and General Investment Management) should give consideration to LAPFF's recommendation when deciding how to vote. Brunel should report back to the Fund on how they have voted and the rationale for their vote, especially where they vote differently to the LAPFF recommendation.

In exceptional circumstances, the Devon Fund may direct a split vote where the Fund has a specific investment policy commitment. Brunel has made provisions to allow clients, by exception, to direct votes, including the passive pooled funds, as an elective service. Client funds need to submit the request in line with the issuance of the meeting notification, usually not less than 2-3 weeks prior to an AGM/EGM.

The following issues are of particular concern to the Devon Fund in determining how shares should be voted. The Fund's policies on these issues align with Brunel's voting guidelines, which are not repeated in full here, but more details can be found at:

https://www.brunelpensionpartnership.org/voting_guidelines/

Sustainability

Companies should effectively manage environmental and social factors, in pursuit of enhancing their sustainability.

A company's governance, social and environmental practices should meet or exceed the standards of its market regulations and general practices and should take into account relevant factors that may significantly impact the company's long-term value creation. Issuers should recognise constructive engagement as both a right and a responsibility.

Human and Natural Capital

Companies operate interdependently with the economy, society, and the physical environment. The availability and retention of an appropriately skilled workforce will impact company productivity. Similarly, companies impact the environment through their use of natural resources e.g. water, waste and raw materials. The physical environment has an impact too; extreme weather can disrupt supply chains, either directly or indirectly which can impact company productivity.

Companies should manage their workforce and natural capital effectively to enhance their productivity and to deliver sustainable returns. Companies should regularly disclose key metrics on their capital requirements and risks. Directors of companies should be accountable to shareholders for the management of material environmental and social risks which, over the long term, will affect value and the ability of companies to achieve long Pension term returns.

Company Boards - Conduct and Culture

Corporate culture and conduct have always been important, but recent evidence from incidents where conduct has fallen below the expected standards has reinforced the need to focus on conduct and culture, as well as highlighting the financial risks linked to low standards on conduct.

Board Composition and Effectiveness

The composition and effectiveness of boards is crucial to determining company performance. Boards should comprise a diverse range of skills, knowledge, and experience, including leadership skills, good group dynamics, relevant technical expertise and sufficient independence and strength of character to challenge executive management and hold it to account.

The Devon Pension Fund believes that to function and perform optimally, companies and their boards should seek diversity of membership. They should consider the company's long-term strategic direction, business model, employees, customers, suppliers and geographic footprint, and seek to reflect the diversity of society, including across race, gender, skill levels, nationality and background. Robust succession planning at the Board and senior management level is vital to safeguard long-term value for any organisation, including planning for both unanticipated and foreseeable changes.

The board is accountable to shareholders and should maintain ongoing dialogue with its long-term shareholders on matters relating to strategy, performance, governance and risk and opportunities relating to environmental and social issues. This dialogue should support, but not be limited to, informing voting decisions at annual meetings.

Executive Remuneration

Executive remuneration is a critical factor in ensuring management is appropriately incentivised and aligned with the best interests of the long-term owners of the business. Whilst judgement of remuneration is therefore made on a case-by-case basis, we adhere to the following guiding principles:

- Simplicity: pay schemes should be clear and understandable for investors as well as executives.
- Shareholding: the executive management team should make material investments in the company's shares and become long-term stakeholders in the company’s success.
- Alignment and quantum: pay should be aligned to the long-term success of the company and the desired corporate culture and is likely to be best achieved through long-term share ownership.
- Accountability: remuneration committees should use discretion to ensure that pay properly reflects business performance. Pay should reflect outcomes for long-term investors and take account of any decrease in the value of or drop in the reputation of the company.
- Stewardship: companies and investors should regularly discuss strategy, long-term performance and the link to executive remuneration.
- Behaviour: the most senior executives should willingly embrace the approach described. If they do not, boards should consider the implications.

Audit

The audit process is vital to ensuring the integrity of company reporting and the presentation of a true and fair view, enabling shareholders to assess the financial health and long-term viability of a company.

Protection of Shareholder and Bondholder Rights

The rights of shareholders and bondholders should be protected, including the right to access information, to receive equal treatment and to propose resolutions and vote at shareholder meetings. We support a single share class structure and generally oppose any measures to increase the complexity of shareholding structures. We will generally require the unbundling of resolutions, giving shareholders the right to vote distinctly on the general, and enhanced authorities to issue shares as separate items on the agenda of shareholder meetings. We also support adherence to the highest possible standards on listed stock exchanges.

(g) Stock Lending and Share Recall

The Fund permits holdings in its segregated portfolios to be lent out to market participants. Stock lending is an important factor in the investment decision, providing opportunities for additional return, but that lending should not undermine governance, our ability to vote or long-term investing. The stock lending programme is managed by Brunel, and the Devon Fund adopts Brunel's policies on stock lending and share recall.

Voting rights attached to a stock or security reside with the borrower for as long as it is out on loan. Stock will be recalled from stock lending where Brunel considers it in the client's best interest and consistent with our investment principles.

Where there is a perceived trade-off between the economic benefit of stock lending, and Brunel's ability to discharge its obligations as a responsible long-term investor, the latter will have precedence. Securities lending entails operational process risks such as settlement failures or delays in the settlement of instructions. The Devon Fund expects Brunel to undertake a comprehensive review of the potential risks and implemented measures to mitigate and reduce the risk. Controls include, but are not limited to:

- An approved borrowers list.
- Retention of 5% of any one stock.
- On average, stock will be lent no longer than 21 days.
- Restrictions on acceptable collateral.

All measures and service level agreements are regularly monitored. Brunel examines the selection criteria for approved borrows to confirm consistency with Brunel's internal requirements regarding appropriate criteria. The selection criteria and content of the Approved List will be reviewed by Brunel at least annually.

There may be some instances where Brunel decides not to stock lend, for example where they have co-filed a shareholder resolution, but particularly where there are concerns of borrowers deliberately entering transactions to sway the outcome of a shareholder vote.

The decision to stock lend is a collective decision made by Brunel's clients and is supported by the Devon Pension Fund. Stock lending is applied at portfolio level and reviewed annually as part of the product governance cycle. The policy and relevant SLAs are also reviewed annually. Brunel's approach to responsible stock lending is outlined in further detail in a separate policy.

(h) Fixed Interest and Diversifying Returns Funds

Fixed interest instruments are debt instruments and therefore do not usually confer voting rights. However, in relation to corporate bonds, the Devon Pension Fund believes that well-governed companies are more likely to make their loan repayments and improve their creditworthiness, enabling better access to funds to support the creation of long-term value for shareholders, other stakeholders, society, and the environment.

Where voting rights are not attached and where opportunity to engage is limited, stewardship focuses on the managers' investment decision-making. The Devon Pension Fund expects Brunel to integrate Environmental Social and Governance (ESG) considerations into manager selection and ongoing manager monitoring to ensure that ESG is imbedded into the investment process at an issuer, sector, and geographic level.

Where voting rights are attached to fixed income, the Devon Pension Fund, via Brunel, will have the opportunity to vote at company meetings (AGM/EGMs). The Fund would look to Brunel to engage particularly prior to issuance, where the most impact can be made. However, we recognise that there is more work to be done in this asset class.

Diversified returns funds incorporate a wide range of investment strategies and multi asset funds providing diversification. Investors own units in these funds rather than owning the underlying holdings directly. Stewardship focuses on the managers investment decision-making.

(i) Private Markets

Stewardship is an intrinsic part of private markets investing due to the degree of influence and control, lack of short-term results pressure on capital markets, and long-term nature of the investments that are made. There are however some natural barriers to stewardship due to the lack of disclosure and often opaque nature of the asset classes and arm's length relationships between general partners (GPs) and limited partners (LPs). As a result, in-depth due diligence is critical, alongside building close relationships and exerting influence where possible.

When assessing potential private market investments, the Devon Pension Fund would expect Brunel to pay particular attention to ESG and sustainability throughout the selection process. We believe that well governed investments and those with strong ESG and sustainability characteristics will offer better long-term risk-adjusted returns.

Managers should have firm ESG and climate change policies in place, and these should be considered across the value chain, from investment due diligence to ongoing managing, monitoring, and ultimately disposal of the assets. As part of this due diligence Brunel examine case studies to evidence these policies are in place and, crucially, are being actioned. Proof of implementation is critical and supersedes all else. The Devon Pension Fund and Brunel will support managers on their journey and encourage best practice, forgiving policies and processes not being formalised so long as the manager commits to action in a reasonable timeframe.

Application of robust stewardship in private markets is very dynamic. Brunel seeks to use the appropriate mechanisms relative to the asset class, size and complexity of the investment, position in the capital structure and the influence that does or does not permit.

Stewardship actions across private markets include;

- Ensuring appropriate governance structures are in place, with particular attention paid where managers have minority positions in assets.
- Assessing the manager's approach to diversity and inclusion and where possible tracking metrics to substantiate claims.
- Assessing the manager's knowledge and commitment to Responsible Investment and climate change mitigation and avoidance.
- Assessing how Responsible Investment is integrated into the investment and asset management processes and fully embedded in the culture of the organisation (both deal teams and operations teams), or whether this is siloed in a separate ESG team.
- Supporting the manager's ongoing development of their Responsible Investment and Stewardship practices, including where appropriate participation in events, workshops as a representative on the Limited Partner Advisory Committee (LPAC).
- Establishing what commitments to Responsible Investment through existing or planned memberships/affiliations with organisations such as Principles for Responsible Investment (PRI), TCFD, GRESB and/or have adopted the SASB framework.
- Assessing the awareness, training, capacity and track record on Responsible Investment issues.
- Working with managers to improve transparency and quality of the manager's ESG approach and reporting.

Further details of Brunel's approach to private markets are included in the Brunel Stewardship Policy.

(j) Reporting

The Investment and Pension Fund Committee will monitor Brunel's engagement with the companies they have invested in, through the regular reporting arrangements in place. Brunel and LGIM's voting records will be reported to Committee on a quarterly basis. The engagement activity undertaken by Brunel and LAPFF will also be reported to Committee on a quarterly basis, together with a record of voting alerts issued by LAPFF, how Brunel and LGIM have voted on the proposals concerned and the outcome of the votes.

The Devon Pension Fund Annual Report each year includes a report focusing on stewardship and voting activity. This will include details of investment manager activity, voting analysis, LAPFF alert analysis, engagement, case studies and collaboration. A summary of Brunel’s stewardship activities is also included.

7. Advice Taken

This Investment Strategy Statement has been put together by Devon County Council's professional investment officers, supported by the Fund's Independent Investment Advisor, and with advice from Mercer LLC investment advisors, who have conducted a review of the Fund's investment strategy and asset allocation. Mercer were appointed to conduct the most recent review in 2022, having conducted previous reviews in 2017 and 2019 following a procurement exercise under the relevant South West LGPS Framework. For the 2022 review, strategic objectives were set in line with Part 7 of the Investment Consultancy and Fiduciary Management Market Investigation Order 2019, issued by the Competition and Markets Authority.

The Devon Pension Fund has committed to pooling investments through the Brunel Pension Partnership Limited (BPP Ltd.), and advice from both Brunel and the Brunel Client Officer Group project team has also been taken into account in shaping the Devon Pension Fund response to the pooling initiative and building an investment strategy that can be implemented via Brunel.

The key people who have been consulted and who have provided advice in drawing up the Investment Strategy Statement are:

The Investment and Pension Fund Committee

This County Council Committee, which includes Unitary and District Council and other employer representatives and those of the contributors and the pensioners, 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.

The Devon Pension Board

While not a decision-making body, the Pension Board has been set up to assist the Administering Authority in securing compliance with legislation and regulation and the effective and efficient governance of the Fund. Members of the Pension Board were included in a consultation workshop on the investment strategy, and regularly review the Fund's statutory statements.

Devon County Council Director of Finance and Public Value: Angie Sinclair CPFA

The Director of Finance and Public Value 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. Angie Sinclair is a CIPFA qualified accountant and has been the Director of Finance and Public Value and Section 151 Officer for Devon County Council since Autumn 2021, and has worked for the Council since 2007. Angie has responsibility for Devon County Council's finances, including responsibility for the Devon Pension Fund. Angie is a Chartered Certified Accountant and Chartered Institute of Public Finance Accountant (CIPFA) giving her an insight into both public and private sector accounting.

Devon County Council Head of Investments: Mark Gayler ACMA, IMC

Mark Gayler has been Head of Investments (previously titled Assistant County Treasurer, Investments and Treasury Management) at Devon County Council since 2013. Mark heads up the investment team responsible for overseeing the Devon Pension Fund, as well as undertaking treasury management for the council. Mark is a CIMA qualified accountant and holds the CFA Level 4 Certificate in Investment Management. Mark has over 30 years of experience within local government, and first moved to the Investment Team in 2010, initially as Deputy Investment Manager.

Devon County Council Investment Manager: Charlotte Thompson APMI

Charlotte Thompson has worked as Investment Manager in the Investment Team since June 2018, having transferred from her previous role as Head of Peninsula Pensions. She has over 25 years' experience in the Pensions Industry. Prior to joining Devon County Council, Charlotte worked for Friends Provident, managing a portfolio of defined benefit schemes. She is an associate of the Pensions Management Institute, and is also currently studying for the Investment Management Certificate.

Independent Investment Advisor: Anthony Fletcher, MJ Hudson Allenbridge

Anthony is the independent adviser to the Devon County Council Investment and Pension Fund Committee. He also acts as advisor to the Derbyshire, Surrey and Wiltshire pension funds. He has over 30 years' investment experience, and has had FCA Approved Person status throughout his career: - currently FCA CF30 Investment Advice. His last full-time role was with Aberdeen Asset Management, where he was a Fixed Income Portfolio Manager and was responsible for twenty-four pan-European and global fixed income institutional client portfolios. This included insurance company assets and charitable foundations; UK corporate and local authority DB and DC pension funds and sovereign wealth funds, with a combined AUM of £3.6 billion, and four pooled funds with assets of a further £460 million.

Mercer LLC Investment Consultants:

Kieran Harkin, Principal

Kieran is a Principal at Mercer and Head of LGPS Investment, with over 20 years' pensions and investments experience. Kieran joined Mercer in 2019 as part of the acquisition of JLT Group. He has a degree in Economics from the University of Leicester and holds the Investment Management Certificate.

Chris West, Senior Associate

Chris is a Senior Associate within Mercer's investment business, with 10 years' experience working with public and private sector pension schemes on all aspects of investment strategy, implementation and monitoring. Chris has a degree in Accounting from the University of Liverpool and is a CFA Charterholder.

Brunel Pension Partnership

The Brunel Pension Partnership now manages the majority of the Fund's investment mandates. Brunel provides specifications for each of its portfolios operational, agreed across its client funds, and these specifications enable the Fund to determine how each portfolio fits into the Fund's investment strategy. The Brunel Responsible Investment Team has also provided significant advice and support on the development of the Fund's approach to stewardship and climate change.

Brunel Client Officer Group

The Brunel Client Officer Group has provided support with regard to the impact on strategy of the investment pooling proposals. The group comprises the investment officers from the Avon Pension Fund (Bath and NE Somerset Council), Buckinghamshire CC, Cornwall Council, Devon CC, Dorset Council, Gloucestershire CC, Oxfordshire CC, Somerset CC, Wiltshire Council and the Environment Agency.

Annex 1 – Compliance with the Myners Principles

The Committee has considered the 6 Myners Principles 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 Devon 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, who have one collective vote, advise the Committee on the views of their members. The Administering Authority is supported by a Pension Board, whose role is to assist them in securing compliance with legislation and regulation and the effective and efficient governance of the Fund.

2. Clear Objectives

This document sets out clear objectives in relation to the split of assets between equities and bonds, investment in diversified growth funds, and other assets such as property.

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

3. Risk and Liabilities

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

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

4. Performance Assessment

In the allocation of funds to individual portfolios provided by the Brunel Pension Partnership, benchmarks have been set for each asset class, as set out in Annex 2. The total fund is measured against a bespoke benchmark based on the Fund’s strategic asset allocation.

The Fund uses the services of its custodian bank 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, focusing on the longer term. These considerations form the basis of decision making.

5. Responsible Ownership

The Stewardship section of this document, on the policy of the exercise of rights (including voting rights) attaching to investments, sets out the Fund's commitment to responsible ownership. The services agreement with the Brunel Pension Partnership includes 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. Brunel have published their stewardship and voting policies which are referenced in this document. The Fund is also a member of the Local Authority Pension Fund Forum (LAPFF). This document sets out the Council's policy on voting.

6. Transparency and Reporting

This Investment Strategy Statement is available to any interested party on request. The latest version is available on the Devon Pension Fund website.

In accordance with LGPS (Administration) Regulations 2008, the Devon Pension Fund has published a Communications Policy Statement, which can be viewed at:

https://www.devonpensionfund.org.uk/fund-policies/important-documents/,

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 the Devon Pension Fund website, which it considers to be its primary communications channel.

Annex 2 – Current Managers and Mandates

Brunel Pension Partnership Mandates		
Mandate	**Underlying Managers**	**Target**
Passive UK Climate Transition Equities	Legal and General Investment Management	Performance in line with the FTSE All Share TR Index
Passive Global Developed Equities	Legal and General Investment Management	Performance in line with the FTSE World Developed TR Index
Passive Paris Aligned Global Developed Equities	Legal and General Investment Management	Performance in line with the SciBeta Multifactor Composite Index
Global High Alpha Equities	• Alliance Bernstein • Baillie Gifford • Fiera Capital • Harris Associates • Royal London	Outperform MSCI World TR Index by 2-3% per annum over a rolling 3-5 year period
Emerging Markets Equities	• Genesis • Wellington • Invesco	Outperform MSCI Emerging Markets TR Index by 2-3% per annum over a rolling 3-5 year period
Global Smaller Company Equities	• Montanaro • Kempen • American Century	To outperform the MSCI World Small Cap Index TR by 2% per annum over a rolling 3-5 year period
Sustainable Equities	• Ownership Capital • Nordea • RBC Global Asset Management • Mirova	Outperform the MSCI All Country World Index (ACWI) TR Index by 2% per annum over the medium to longer term (3-5 years)
Sterling Corporate Bonds	Royal London Asset Management	Outperform Barclays Capital Global Aggregate Bond Index by 1% per annum
Multi Asset Credit	Neuberger Berman CQS Oaktree	Outperform GBP SONIA by 4-5% per annum over a rolling 3-5 year period.

Brunel Pension Partnership Mandates		
Mandate	**Underlying Managers**	**Target**
Diversifying Returns Fund	• JP Morgan • William Blair • Lombard Odier • UBS	Outperform GBP SONIA by 3-5% per annum over a rolling 5-7 year period
UK Property	Brunel Private Markets Team	Outperform the MSCI/AREF UK Quarterly Property Fund Index by 0.5% p.a. over a rolling 5 - 7 year period.
International Property	Brunel Private Markets Team	Outperform the MSCI Global Quarterly Property Fund Index by 0.5% p.a. over a rolling 5 - 7 year period.
Infrastructure	• Brunel Private Markets Team • Stepstone	Outperform the Consumer Prices Index + 4%
Private Equity	Brunel Private Markets Team	Outperform the MSCI All Country World Index by 3% p.a. over a rolling 7 - 10 year period.
Private Debt	• Brunel Private Markets Team • Aksia	Outperform the Consumer Prices Index + 4%

Other Mandates (managed by DCC Investment Team)		
Mandate	**Managers**	**Target**
Infrastructure	• First Sentier • Hermes • UBS • Aviva	Outperform the Consumer Prices Index + 4%
Private Debt	Arcmont Golub	Outperform the Consumer Prices Index + 4%
Cash	DCC Investment Team	Outperform GBP 7 Day LIBID

Devon County Council Pension Fund Funding Strategy Statement

Approved by the Investment and Pension Fund Committee
3 March 2023

1. Introduction

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).

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

This statement should be read in conjunction with the Fund's Investment Strategy Statement (ISS) and has been prepared with regard to the guidance (Preparing and Maintaining a funding strategy statement in the LGPS 2016 edition) issued by the Chartered Institute of Public Finance and Accountancy (CIPFA).

2. Purpose of the Funding Strategy Statement

The purpose of this Funding Strategy Statement (FSS) is to:

- Establish a clear and transparent fund-specific strategy that will identify how employers' pension liabilities are best met going forward;
- Support the desirability of maintaining as nearly constant a primary contribution rate (as defined in Regulation 62(5) of the Regulations) as possible;
- Ensure that the regulatory requirements to set contributions to meet the future liability to provide scheme member benefits in a way that ensures the solvency and long-term cost efficiency of the fund are met; and
- Take a prudent longer-term view of funding those liabilities.

3. Aims and purposes of the Fund

The aims of the Fund are to:

- Manage employers' liabilities effectively and ensure that sufficient resources are available to meet all liabilities as they fall due;
- Enable primary contribution rates to be kept as nearly constant as possible and (subject to the administering authority not taking undue risks) at reasonable cost to all relevant parties (such as the taxpayers, scheduled, resolution and admitted bodies), while achieving and maintaining fund solvency and long-term cost efficiency, which should be assessed in light of the risk profile of the fund and employers, and the risk appetite of the administering authority and employers alike; and
- Seek returns on investment within reasonable risk parameters.

The purposes of the Fund are to:

- Pay pensions, lump sums and other benefits to Scheme members as provided for under the Regulations;

- Meet the costs associated in administering the Fund; and
- Receive and invest contributions, transfer values and investment income.

4. Funding objectives

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.

The funding objectives are to:

- Ensure that pension benefits can be met as and when they fall due over the lifetime of the Fund;
- Ensure the solvency of the Fund;
- Set levels of employer contribution to target a 100% funding level over an appropriate time period and using appropriate actuarial assumptions;
- Build up the required assets in such a way that employer contribution rates are kept as stable as possible, with consideration of the long-term cost efficiency objective; and
- Adopt appropriate measures and approaches to reduce the risk, as far as possible, to the Fund, other employers and ultimately the taxpayer from an employer defaulting on its pension obligations.

In developing the funding strategy, the administering authority should also have regard to the likely outcomes of the review carried out under Section 13(4)(c) of the Public Service Pensions Act 2013. Section 13(4)(c) requires an independent review of the actuarial valuations of the LGPS funds; this involves reporting on whether the rate of employer contributions set as part of the actuarial valuations are set at an appropriate level to ensure the solvency of the Fund and the long-term cost efficiency of the Scheme so far as relating to the pension fund. The review also looks at compliance and consistency of the actuarial valuations.

5. Key parties

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

The administering authority

The administering authority for the Fund is Devon County Council. The main responsibilities of the administering authority are to:

- Operate the Fund in accordance with the LGPS Regulations;
- Collect employee and employer contributions, investment income and other amounts due to the Fund as stipulated in the Regulations;
- Invest the Fund's assets in accordance with the Fund's Investment Strategy Statement (ISS);
- Pay the benefits due to Scheme members as stipulated in the Regulations;

- Ensure that cash is available to meet liabilities as and when they fall due;
- Take measures as set out in the Regulations to safeguard the Fund against the consequences of employer default;
- Manage the actuarial valuation process in conjunction with the Fund Actuary;
- Prepare and maintain this FSS and also the ISS after consultation with other interested parties;
- Monitor all aspects of the Fund's performance;
- Effectively manage any potential conflicts of interest arising from its dual role as both Fund administrator and Scheme Employer; and
- Enable the Local Pension Board to review the valuation process as they see fit.

Scheme employers

In addition to the administering authority, a number of other Scheme employers, including admission bodies, participate in the Fund.

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;
- Develop a policy on certain discretions and exercise those discretions as permitted under the Regulations;
- Meet the costs of any augmentations or other additional costs in accordance with agreed policies and procedures; and
- Pay any exit payments due on ceasing participation on the Fund.

Scheme members

Active scheme members are required to make contributions into the Fund as set by the Department for Levelling Up, Housing and Communities (DLUHC).

Fund Actuary

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

- Prepare valuations including the setting of employers' contribution rates at a level to ensure Fund solvency and long-term cost efficiency after agreeing assumptions with the administering authority and having regard to the FSS and the Regulations;
- Prepare advice and calculations in connection with bulk transfers and the funding aspects of individual benefit-related matters such as pension strain costs, ill health retirement costs, compensatory added years costs, etc;
- Provide advice and valuations on the exiting of employers from the Fund;

- Provide advice to the administering authority on bonds or other forms of security against the financial effect on the Fund of employer default;
- Assist the administering authority in assessing whether employer contributions need to be revised between valuations as permitted or required by the Regulations;
- Ensure that the administering authority is aware of any professional guidance or other professional requirements which may be of relevance to his or her role in advising the Fund; and
- Advise on other actuarial matters affecting the financial position of the Fund.

6. Funding strategy

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.

The most recent actuarial valuation of the Fund was carried out as at 31 March 2022. A summary of the methods and assumptions adopted is set out in the sections below.

The actuarial valuation involves a projection of future cashflows 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.

Funding method

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

The funding target is to have sufficient assets in the Fund to meet the accrued liabilities for each employer in the Fund.

For all employers, the method adopted is to consider separately the benefits accrued before the valuation date (past service) and benefits expected to be accrued after the valuation date (future service). These are evaluated as follows:

- 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% indicates a surplus of assets over liabilities; while a funding level of less than 100% indicates a deficit; and
- The future service funding rate (also referred to as primary rate as defined in Regulation 62(5) of the Regulations) 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.

The adjustment required to the primary rate to calculate an employer's total contribution rate is referred to as the secondary rate, as defined in Regulation 62(7).

Further details of how the secondary rate is calculated for employers is given further below.

The approach to the primary rate will depend on specific employer circumstances and in particular, may depend on 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 total contribution rate.

For open employers, the actuarial funding method that is adopted is known as the Projected Unit Method. The key feature of this method is that, in assessing the future service cost, the primary contribution rate represents the cost of one year's benefit accrual only.

For closed employers, the actuarial 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 a specific period, such as the length of a contract or the remaining expected working lifetime of active members.

The approach by employer may vary to reflect an employer's specific circumstance, however, in general the closed employers in the Fund are admission bodies who have joined the Fund as part of an outsourcing contract and therefore the Attained Age Method is used in setting their contributions. All other employers (for example councils, higher education bodies and academies) are generally open employers and therefore the Projected Unit Method is used. The administering authority holds details of the open or closed status of each employer.

7. Valuation assumptions and funding model

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.

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

- The demographic (or statistical) assumptions which are essentially estimates of the likelihood or timing 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

The base assumption in any valuation is the future level of price inflation over a period commensurate with the duration of the liabilities, as measured by the Retail Price Index (RPI). This is derived using the 20 year point on the Bank of England implied Retail Price Index (RPI) inflation curve, with consideration of the market conditions over the six months straddling the valuation date. The 20 year point on the curve is taken as 20 years is consistent with the average duration of an LGPS Fund. A deduction of 0.3% p.a.

is applied to the yield at the 20 year point to reflect the shape of the yield curve. A further deduction of 0.4% p.a. is applied to reflect the view that investors are willing to pay a premium for inflation-linked products in return for protection against unexpected inflation.

Future pay inflation

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 inflation exceeding price inflation in the longer term. The long-term pay increase assumption adopted as at 31 March 2022 was CPI plus 1.0% p.a. which includes allowance for promotional increases.

Future pension increases

Pension increases are linked to changes in the level of the Consumer Price Index (CPI). Inflation as measured by the CPI has historically been less than RPI due mainly to different calculation methods. However, RPI is due to be aligned with CPIH (CPI but with allowance for housing costs) from 2030.

Therefore, reflecting the anticipated amendment to RPI from 2030 and therefore the relative difference between RPI and CPI, a deduction of 0.35% p.a. is made to the RPI assumption to derive the CPI assumption. The CPI assumption adopted as at 31 March 2022 was 2.9% p.a.

Future investment returns/discount rate

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.

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

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. The discount rate adopted for the 31 March 2022 valuation was 4.7% p.a.

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.

The Fund Actuary will incorporate such an adjustment after consultation with the administering authority.

The adjustment to the discount rate for closed employers may be set to 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 if the Fund does not believe that there is another Scheme employer to take on the responsibility of the liabilities after the employer has exited the Fund. The aim is to minimise the risk of deficits arising after the termination date. More information on the minimum risk approach is provided in the cessation valuation section.

A summary of the financial assumptions adopted for the 2022 valuation is set out in the table below:

Financial assumptions as at 31 March 2022	
CPI inflation	2.9% p.a.
Pension/deferred pension increases and CARE revaluation	In line with CPI inflation
Pay increases	CPI inflation + 1.0% p.a.
Discount rate	4.7% p.a.

Asset valuation

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. This is referred to as the smoothed asset value and is calculated as a consistent approach to the valuation of the liabilities.

The Fund's assets are notionally allocated to employers at an individual level by allowing for actual Fund returns achieved on the assets and cashflows paid into and out of the Fund in respect of each employer (e.g. contributions received and benefits paid).

Demographic (Statistical) assumptions

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

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

2022 valuation results

As at 31 March 2022, as calculated at the 2022 valuation, the Fund was 98% funded, corresponding to a deficit of £89m.

The primary rate required to cover the employer cost of future benefit accrual was 19.2% of payroll p.a.

McCloud/Sargeant judgments

When the Government reformed public service pension schemes in 2014 and 2015 they introduced protections for older members. In December 2018, the Court of Appeal ruled that younger members of the Judges' and Firefighters' Pension schemes have been discriminated against because the protections do not apply to them. The Government has confirmed that there will be changes to all public sector schemes, including the LGPS, to remove this age discrimination. A consultation has been run in relation to the changes proposed for the LGPS and legislation is now being drafted to bring forward these changes. We understand the updated Regulations are to be consulted on over the course of 2023 with revised Regulations effective from October 2023.

For the 2022 valuation, as required by the Department for Levelling Up, Housing & Communities, in calculating the value of members' liabilities it was assumed that:

- The current underpin (which only applies to those members within 10 years of their NPA at 31 March 2012) will be revised and will apply to all members who were active in the Scheme on or before 31 March 2012 and who join the post 1 April 2014 scheme without a disqualifying service gap;
- The period of protection will apply from 1 April 2014 to 31 March 2022 but will cease when a member leaves active service or reaches their final salary scheme normal retirement age (whichever is sooner);
- Where a member remains in active service beyond 31 March 2022 the comparison of their benefits will be based on their final salary when they leave the LGPS or when they reach their final salary scheme normal retirement age (again whichever is sooner);
- Underpin protection will apply to qualifying members who leave active membership of the LGPS with an immediate or deferred entitlement to a pension; and
- The underpin will consider when members take their benefit.

Further details of the McCloud/Sargeant judgment can be found below in the Regulatory risks section.

Guaranteed Minimum Pension (GMP) indexation and equalisation

On 23 March 2021, the Government published the outcome to its Guaranteed Minimum Pension Indexation consultation, concluding that all public service pension schemes, including the LGPS, will be directed to provide full indexation to members with a GMP reaching SPA beyond 5 April 2021. This is a permanent extension of the existing 'interim solution' that has applied to members with a GMP reaching SPA on or after 6 April 2016. Details of the consultation outcome can be found at: https://www.gov.uk/government/consultations/public-service-pensions-guaranteed-minimum-pension-indexation-consultation.

The 2022 valuation approach for GMP is that the Fund will pay limited increases for members that have reached SPA by 6 April 2016, with the government providing the remainder of the inflationary increase. For members that reach SPA after this date, the Fund will be required to pay the entire inflationary increase.

8. Deficit recovery/surplus amortisation periods

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. This theory applies down to an individual employer level; each employer in the Fund has their own share of deficit or surplus attributable to their section of the Fund.

Where the actuarial valuation for an employer discloses a significant surplus or deficit then the level of required employer contribution will include an adjustment to either amortise the surplus or fund the deficit over a period of no more than 15 years. The adjustment may be set either as a percentage of payroll or as a fixed monetary amount.

Deficit contributions required from an employer are expressed as a minimum requirement, with employers able to pay regular contributions at a higher rate, or one-off contributions, to reduce their deficit. Employers should discuss with the Administering Authority and gain agreement from the Administering Authority before making one-off payments. The individual employer contribution rates are set out in the Rates and Adjustments Certificate which forms part of the Fund's 2022 valuation report.

The employers must pay contributions in line with the Rates and Adjustment Certificate, but they may be able to alter the timing of contributions payable and/or pay in additional contributions with agreement from the Administering Authority. The Administering Authority has agreed to allow a discount to employers who pay their deficit contributions up front, as long as the payment is received by the end of April in a particular Scheme year (i.e. the discount for the 2023/24 contributions would only apply if the lump sum payment was made by 30 April 2023). The discounts are 1.3% for an annual payment in advance or 4% for paying three years of contributions in advance. Employers should discuss with and gain agreement from the Administering Authority before making up front payments at the discounted rate.

The Rates and Adjustments Certificate sets out the minimum amounts to be paid by an employer to the Fund. Additional contributions towards deficit over the amounts certified in the Rates and Adjustment Certificate are permissible subject to the agreement of the Administering Authority. The employer must set out in writing to the Administering Authority a request to pay in additional deficit contributions. The employer should demonstrate its ability to fund any significant additional deficit contribution in accordance with accounting regulations. The Administering Authority will consider this request and will notify the Fund Actuary in order to consider the potential impact, including consideration of tracking of the amount paid for any employers participating in a funding pool. The Administering Authority will aim to approve or reject a request to pay additional contribution within 28 days, but this may vary on a case by case basis. A revised Rates and Adjustments Certificate will be required where appropriate.

The maximum recovery period across the Fund at the 2022 valuation was 15 years. This represents a reduction of six years from the maximum 21 year recovery period set at the 2019 valuation. The ultimate aim is to reach 100% funding, and a reduction of six years in the recovery period since the 2019 valuation demonstrates that the Fund is progressing towards that goal. Please note that recovery periods varied between individual employers.

Where the valuation for an employer discloses a surplus then the level of required employer contribution may include an adjustment to amortise the surplus over a period to be agreed with the Administering Authority and the Fund Actuary.

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 (including any security in place) and any limited period of participation in the Fund;
- The remaining contract length of an employer in the Fund (if applicable); and
- The implications in terms of stability of future levels of employers' contribution.

As part of the 2022 valuation, the Fund commissioned an employer covenant review from Barnett Waddingham LLP based on an analysis of credit risk reports obtained from Dun & Bradstreet (D&B). Where the review highlighted any concerns with regard to the default risk of an employer, particular attention was given to the deficit recovery period adopted for the employer and whether any security for the Fund was in place.

A general summary of the approach used for employers in the Fund is set out in the table below, however, the approach adopted may differ to reflect the situation specific to the employer.

Type of employer	Examples	Maximum recovery period
Major scheduled bodies	County and district councils, police and fire bodies	15 years
Small scheduled bodies	Town and parish councils	15 years
Higher and further education bodies	Colleges, universities	11 years
Academies	Academies, free schools	11 years
Admission bodies	Contractors	Remaining contract length
Other	Charities, etc.	15 years

9. Pooling of individual employers

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.

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.

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.

Forming/disbanding a funding pool

Where the Fund identifies a group of employers with similar characteristics and potential merits for pooling, it is possible to form a pool for these employers. Advice will be sought from the Fund Actuary to consider the appropriateness and practicalities of forming the funding pool.

Conversely, the Fund may consider it no longer appropriate to pool a group of employers. This could be due to divergence of previously similar characteristics or an employer becoming a dominant party in the pool (such that the results of the pool are largely driven by that dominant employer). Where this scenario arises, advice will be sought from the Fund Actuary.

Funding pools will be monitored on a regular basis, at least at each actuarial valuation, in order to ensure the pooling arrangement remains appropriate.

The funding pools adopted for the Fund at the 2022 valuation are summarised in the table below:

Pool	Type of pooling	Notes
Police	Past and future service pooling	Devon and Cornwall Police and the Police and Crime Commissioner pay the same primary contribution rate (Devon and Cornwall Police pays an additional secondary rate) and both have the same funding level
North Devon	Past and future service pooling	North Devon District Council and North Devon Joint Crematorium pay the same same total contribution rate and have the same funding level

Pool	Type of pooling	Notes
Small scheduled bodies	Past and future service pooling	All town and parish councils in the pool pay the same total contribution rate and have the same funding level
Academies	Past and future service pooling	All academies in the pool pay the same total contribution rate and have the same funding level

Risk-sharing

There are employers that participate in the Fund with a risk-sharing arrangement in place with another employer in the Fund.

For example, there are employers participating in the Fund with pass-through provisions: under this arrangement the pass-through employer does not take on the risk of underfunding as this risk remains with the letting authority or relevant guaranteeing employer. When the pass-through employer ceases participation in the Fund, it is not responsible for making any exit payment, nor receiving any exit credit, as any deficit or surplus ultimately falls to the letting authority or relevant guaranteeing employer.

At the 2022 valuation, risk-sharing arrangements were allowed for by allocating any deficit/liabilities covered by the risk-sharing arrangement to the relevant responsible employer.

10. New employers joining the Fund

When a new employer joins the Fund, the Fund Actuary is required to set the contribution rates payable by the new employer and allocate a share of Fund assets to the new employer as appropriate. The most common types of new employers joining the Fund are admission bodies and new academies. These are considered in more detail below.

Admission bodies

New admission bodies in the Fund are commonly a result of a transfer of staff from an existing employer in the Fund to another body (for example as part of a transfer of services from a council or academy to an external provider under Schedule 2 Part 3 of the Regulations). Typically these transfers will be for a limited period (the contract length), over which the new admission body employer is required to pay contributions into the Fund in respect of the transferred members.

Funding at start of contract

Generally, when a new admission body joins the Fund, they will become responsible for all the pensions risk associated with the benefits accrued by transferring members and the benefits to be accrued over the contract length. This is known as a full risk transfer. In these cases, it may be appropriate that the new admission body is allocated a share of

Fund assets equal to the value of the benefits transferred, i.e. the new admission body starts off on a fully funded basis. This is calculated on the relevant funding basis and the opening position may be different when calculated on an alternative basis (e.g. on an accounting basis).

However, there may be special arrangements made as part of the contract such that a full risk transfer approach is not adopted. In these cases, the initial assets allocated to the new admission body will reflect the level of risk transferred and may therefore not be on a fully funded basis or may not reflect the full value of the benefits attributable to the transferring members.

Contribution rate

The contribution rate may be set on an open or a closed basis. Where the funding at the start of the contract is on a fully funded basis then the contribution rate will represent the primary rate only; where there is a deficit allocated to the new admission body then the contribution rate will also incorporate a secondary rate with the aim of recovering the deficit over an appropriate recovery period.

Depending on the details of the arrangement, for example if any risk sharing arrangements are in place, then additional adjustments may be made to determine the contribution rate payable by the new admission body. The approach in these cases will be bespoke to the individual arrangement.

Security

To mitigate the risk to the Fund that a new admission body will not be able to meet its obligations to the Fund in the future, the new admission body may be required to put in place a bond in accordance with Schedule 2 Part 3 of the Regulations, if required by the letting authority and administering authority.

If, for any reason, it is not desirable for a new admission body to enter into a bond, the new admission body may provide an alternative form of security which is satisfactory to the administering authority.

Risk-sharing

Although a full risk transfer (as set out above) is most common, subject to agreement with the administering authority where required, new admission bodies and the relevant letting authority may make a commercial agreement to deal with the pensions risk differently. For example, it may be agreed that all or part of the pensions risk remains with the letting authority.

Although pensions risk may be shared, it is common for the new admission body to remain responsible for pensions costs that arise from:

- above average pay increases, including the effect on service accrued prior to contract commencement; and
- redundancy and early retirement decisions.

The administering authority may consider risk-sharing arrangements as long as the approach is clearly documented in the admission agreement, the transfer agreement or any other side agreement. The arrangement also should not lead to any undue risk to the other employers in the Fund.

Legal and actuarial advice in relation to risk-sharing arrangements should be sought where required.

New academies

When a school converts to academy status, the new academy (or the sponsoring multi-academy trust) becomes a Scheme employer in its own right.

Funding at start

On conversion to academy status, the new academy will become part of the Academies funding pool and will be allocated assets using the following approach:

1. Transfer assets in respect of the school's liabilities from the relevant local authority to the Academies funding pool. The value of assets is determined by what is called the active cover approach: we take the local authority's assets, apportion that so that the local authority's deferred and pensioner liabilities are fully funded, and so the rest that remains is available to cover the local authority's active liabilities. The percentage calculated by dividing these remaining assets over the active liabilities is the active cover %. We apply this to the school's liabilities to determine the assets to transfer to the Academies funding pool.
2. We then allocate assets to the new academy based on the funding level of the pool.

This active cover will be capped at 100% so that at most the liabilities will be transferred fully funded from the local authority.

Contribution rate

The contribution rate payable when a new academy joins the Fund will be in line with the contribution rate certified for the Academies funding pool at the 2022 valuation.

Where an academy joins an existing multi-academy trust in the Fund, additional contributions will be certified for the multi-academy trust in respect of the academy.

11. Contribution reviews between actuarial valuations

It is anticipated for most Scheme employers that the contribution rates certified at the formal actuarial valuation will remain payable for the period of the rates and adjustments certificate. However, there may be circumstances where a review of the contribution rates payable by an employer (or a group of employers) under Regulation 64A is deemed appropriate by the administering authority.

A contribution review may be requested by an employer or be required by the administering authority. The review may only take place if one of the following conditions are met:

(i). it appears likely to the administering authority that the amount of the liabilities arising or likely to arise has changed significantly since the last valuation;
(ii). it appears likely to the administering authority that there has been a significant change in the ability of the Scheme employer or employers to meet the obligations of employers in the Scheme; or
(iii). a Scheme employer or employers have requested a review of Scheme employer contributions and have undertaken to meet the costs of that review. A request under this condition can only be made if there has been a significant change in the liabilities arising or likely to arise and/or there has been a significant change in the ability of the Scheme employer to meet its obligations to the Fund.

Guidance on the administering authority's approach considering the appropriateness of a review and the process in which a review will be conducted is set out the Fund's separate Contribution review policy which can be accessed at https://www.devonpensionfund.org.uk/document/contribution-review-policy/

This includes details of the process that should be followed where an employer would like to request a review.

Once a review of contribution rates has been agreed, unless the impact of amending the contribution rates is deemed immaterial by the Fund Actuary, then the results of the review will be applied with effect from the agreed review date, regardless of the direction of change in the contribution rates.

Note that where a Scheme employer seems likely to exit the Fund before the next actuarial valuation then the administering authority can exercise its powers under Regulation 64(4) to carry out a review of contributions with a view to providing that assets attributable to the Scheme employer are equivalent to the exit payment that will be due from the Scheme employer. These cases do not fall under the separate contribution review policy.

With the exception of any cases falling under Regulation 64(4), the administering authority will not accept a request for a review of contributions where the effective date is within 12 months of the next rates and adjustments certificate.

12. Cessation valuations

When an employer leaves the Scheme and becomes an exiting employer, 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 an exit payment, 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, or if an alternative arrangement is agreed.

Any deficit in the Fund in respect of the exiting employer will be due to the Fund as a single lump sum payment, unless it is agreed by the administering authority and the other parties involved that an alternative approach is permissible. For example:

- It may be agreed with the administering authority that the exit payment can be spread over some agreed period;
- the assets and liabilities relating to the employer may transfer within the Fund to another participating employer; or
- the employer's exit may be deferred subject to agreement with the administering authority, for example if it intends to offer Scheme membership to a new employee within the following three years.

Similarly, any surplus in the Fund in respect of the exiting employer may be treated differently to a payment of an exit credit, subject to the agreement between the relevant parties and any legal documentation.

In assessing the financial position on termination, the Fund Actuary may adopt a discount rate based on 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.

For example, if the administering authority is satisfied that there is another employer willing to take on responsibility for the liabilities (or that there is some other form of guarantee in place) then the cessation position may be calculated on the ongoing funding basis.

If there is no guarantor in the Fund willing to accept responsibility for the residual liabilities of the exiting employer, then those liabilities may be assessed on a basis more prudent than the ongoing funding basis, known as a full cessation approach. The assumptions adopted will be consistent with the current ongoing funding position, but with additional prudence included in order to take into account potential uncertainties and risk e.g. due to adverse market changes, additional liabilities arising from regulatory or legislative change and political/economic uncertainties. The additional level of prudence on this basis was last reviewed as part of the Fund's 2022 valuation, when a stochastic analysis was used to assess the "success probabilities" of certain levels of prudence, with the aim being to target a 90% success probability that an exiting employer's assets plus the calculated exit payment/credit will be sufficient to meet the residual liabilities. This corresponds to a 3.6% prudence adjustment in the discount rate assumption. This adjustment will be reviewed on a regular basis, and as a minimum as part of each actuarial valuation.

Managing exit payments

Where a cessation valuation reveals a deficit and an exit payment is due, the expectation is that the employer settles this debt immediately through a single cash payment. However, should it not be possible for the employer to settle this amount, providing the employer puts forward sufficient supporting evidence to the administering authority, the administering authority may agree a deferred debt agreement (DDA) with the employer under Regulation 64(7A) or a debt spreading agreement (DSA) under Regulation 64B.

Under a DDA, the exiting employer becomes a deferred employer in the Fund (i.e. they remain as a Scheme employer but with no active members) and remains responsible for paying the secondary rate of contributions to fund their deficit. The secondary rate of contributions will be reviewed at each actuarial valuation until the termination of the agreement.

Under a DSA, the cessation debt is crystallised and spread over a period deemed reasonable by the administering authority having regard to the views of the Fund Actuary.

Whilst a DSA involves crystallising the cessation debt and the employer's only obligation is to settle this set amount, in a DDA the employer remains in the Fund as a Scheme employer and is exposed to the same risks (unless agreed otherwise with the administering authority) as active employers in the Fund (e.g. investment, interest rate, inflation, longevity and regulatory risks) meaning that the deficit will change over time.

Guidance on the administering authority's policy for entering into, monitoring and terminating a DDA or DSA is set out in the Fund's separate DSA and DDA policies document at: https://www.devonpensionfund.org.uk/document/deferred-debt-and-debt-spreading-agreement-policies/

This includes details of when a DDA or a DSA may be permitted, and the information required from the employer when putting forward a request for a DDA or DSA.

Regulatory factors

At the date of drafting this FSS, the Government is currently consulting on potential changes to the Regulations, some of which may affect the timing of future actuarial valuations. This is set out in the *Local government pension scheme: changes to the local valuation cycle and the management of employer risk* consultation document.

Further details of this can be found in the **Error! Reference source not found.** section below.

Town and Parish Councils

When a Town or Parish Council cease participation in the Fund their cessation valuation will be based on a full cessation approach.

A Town or Parish Council may defer their exit if the last member leaves active service but the Town or Parish Council is intending to offer the scheme to a new employee. This will be in agreement with the Devon Pension Fund and any deficit payments due by the Town or Parish Council must continue to be paid during the suspension period. Any suspension period will be time-limited at the discretion of the Fund but will typically be capped at 3 years. The deficit contributions will be monetary amounts equivalent to the secondary contributions calculated as part of the most recent funding valuation.

During the period of suspension or following a cessation the Town or Parish Council will be removed from the funding pool. If a new member joins the employer during the suspension period they will re-join the pool.

If the last active member leaves a Town or Parish Council and they are not intending to offer the scheme to a new employee, or the suspension period comes to an end, a cessation valuation will be required. The employer may be able to enter a Deferred Debt Agreement (DDA) or Debt Spreading Agreement (DSA) with the Fund to allow them to spread the debt amount over a period of time to help with affordability. Alternatively they will pay any exit payment calculated. As part of a DDA or DSA the employer will be taken out of the funding pool and their full cessation deficit will be spread across the deficit recovery period of the pool. If a new member joins the employer during the DDA period they will re-join the pool.

Exit credits

The Local Government Pension Scheme (LGPS) (Amendment) Regulations 2018 were introduced in May 2018 which allow administering authorities to make an exit credit payment to exiting employers. This will be reviewed on a case by case basis before any payment is made. Considerations will be based on any previous agreements made and discussions between the Administering Authority, the Exiting Employer and the guaranteeing employer (if relevant).

Having regard to any relevant considerations, the administering authority will take the following approach to the payment of exit credits:

- Any employer who cannot demonstrate that they have been exposed to underfunding risk during their participation in the Fund will not be entitled to an exit credit payment. This will include the majority of “pass-through” arrangements. This is on the basis that these employers would not have not been asked to pay an exit payment had a deficit existed at the time of exit.
- The administering authority does not need to enquire into the precise risk sharing arrangement adopted by an employer but it must be satisfied that the risk sharing arrangement has/has not been in place before it will pay out an exit credit. The level of risk that an employer has borne will be taken into account when determining the amount of any exit credit. It is the responsibility of the exiting employer to set out why the arrangements make payment of an exit credit appropriate.
- Any exit credit payable may be subject to a maximum of the actual employer contributions paid into the Fund as certified in the Fund’s rates and adjustments certificates, up to any cap arrangements that may have been in place and excluding any additional payments such as strain payments.
- As detailed above, the Fund Actuary may adopt differing approaches depending on the specific details surrounding the employer’s cessation scenario. The default approach to calculating the cessation position will be on a minimum-risk basis unless it can be shown that there is another employer in the Fund who will take on financial responsibility for the liabilities in the future. If the administering authority is satisfied that there is another employer willing to take on responsibility for the liabilities (or that there is some other form of guarantee in place) then the cessation position may be calculated on the ongoing funding basis.

- The administering authority will pay out any exit credits within six months of the cessation date where possible. A longer time may be agreed between the administering authority and the exiting employer where necessary. For example if the employer does not provide all the relevant information to the administering authority within one month of the cessation date the administering authority will not be able to guarantee payment within six months of the cessation date.

Under the Regulations, the administering authority has the discretion to take into account any other relevant factors in the calculation of any exit credit payable and they will seek legal advice where appropriate.

13. Bulk transfers

Bulk transfers of staff into or out of the Fund can take place from other LGPS Funds or non-LGPS Funds. In either case, the Fund Actuary for both Funds will be required to negotiate the terms for the bulk transfer – specifically the terms by which the value of assets to be paid from one Fund to the other is calculated.

The agreement will be specific to the situation surrounding each bulk transfer but in general the Fund will look to receive the bulk transfer on no less than a fully funded transfer (i.e. the assets paid from the ceding Fund are sufficient to cover the value of the liabilities on the agreed basis).

A bulk transfer may be required by an issued Direction Order. This is generally in relation to an employer merger, where all the assets and liabilities attributable to the transferring employer in its original Fund are transferred to the receiving Fund.

Consolidation of Multi Academy Trusts (MATs)

Where an academy is transferring into or out of the Devon Fund as part of a MAT consolidation exercise, the Fund generally expects that this will proceed through a Direction Order from the Secretary of State. In these situations and subject to the terms agreed between the Fund Actuary to both LGPS Funds, typically all the assets attributable to the academy in the ceding Fund are transferred to the receiving Fund.

Where the academy is transferring out of the Devon Fund, the Fund requires a Direction Order to be sought such that all associated deferred and pensioner liabilities are also transferred out of the Fund.

Where the academy is transferring into the Devon Fund, where appropriate, the academy will become part of the Fund's Academy pool. If the funding level of the transfer into the Devon Fund is substantially lower than the funding level of the academy pool, then the Fund may require additional contributions to be paid by the academy to protect the other academies in the pool from an increased funding cost as a result of the transfer terms. There may be some instances where it is not deemed appropriate for the academy to join the Academy pool, or at least not immediately. For example, if a large number of academies from a MAT transfer into the Devon Fund at one time, then it may be more appropriate to initiate a separate funding pool for these academies until their funding position is in line with the main Academy pool, at which point it can then be merged into the Academy pool.

14. Links with the Investment Strategy Statement (ISS)

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

As explained above, the ongoing discount rate that is adopted in the actuarial valuation is derived by considering the expected return from the underlying investment strategy. This ensures consistency between the funding strategy and investment strategy.

15. Risks and counter measures

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.

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

Financial risks

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 Brunel Pension Partnership Ltd. and other fund managers, who are employed to implement the chosen investment strategy, failing to achieve their performance targets.

The valuation results are most sensitive to the real discount rate. Broadly speaking an increase/decrease of 0.1% p.a. in the real discount rate will decrease/increase the valuation of the liabilities by 2%, and decrease/increase the required employer contribution by around 0.7% of payroll p.a.

However, the Investment and Pension Fund Committee regularly monitors the investment returns achieved by Brunel and the other fund managers and receives advice from the independent advisers and officers on investment strategy. The Fund's strategic asset allocation is reviewed on a regular basis.

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

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

Demographic risks

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 increase the liabilities by approximately 4%.

The actual mortality of pensioners in the Fund is monitored by the Fund Actuary at each actuarial valuation and assumptions are kept under review. For the past three funding valuations, the Fund has commissioned a bespoke longevity analysis by Barnett Waddingham's specialist longevity team in order to assess the mortality experience of the Fund and help set an appropriate mortality assumption for funding purposes.

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

Climate risk

There are a large number of interlinked systemic long-term financial risks related to climate change which could potentially have a material impact on the assets and/or the liabilities of the Fund. The most obvious of these climate change risks will be the financial risks to the value of the Fund's assets, the potential increased volatility of markets and potential changes in life expectancy. It is possible that some of these factors will impact the assets and liabilities of the Fund in the same direction, although not necessarily by the same amount.

As part of its fiduciary duty the fund therefore has a duty to consider climate change risk when making investment decisions and to ensure any decisions support the effective management of climate change. The Fund therefore expects their appointed investment managers to be informed about climate change risks and take investment opportunities accordingly within their processes. More detail is included in the Fund's Investment Strategy Statement.

As part of the 2022 valuation, the Fund Actuary provided the Fund with a climate risk analysis which assessed the potential exposure of the Fund's funding position to climate risk under different climate scenarios. The principles behind the analysis were agreed with the Government Actuary's Department (GAD).

The results of this analysis demonstrated that the funding strategy agreed as part of the 2022 valuation was sufficiently robust in the context of climate scenario analysis and any potential contribution impacts.

The Fund will continue to assess this risk on a regular basis.

Maturity risk

The maturity of a Fund (or of an employer in the Fund) is an assessment of how close on average the members are to retirement (or already retired). The more mature the Fund or employer, the greater proportion of its membership that is near or in retirement. For a mature Fund or employer, the time available to generate investment returns is shorter and therefore the level of maturity needs to be considered as part of setting funding and investment strategies.

The cashflow profile of the Fund needs to be considered alongside the level of maturity: as a Fund matures, the ratio of active to pensioner members falls, meaning the ratio of contributions being paid into the Fund to the benefits being paid out of the Fund also falls. This therefore increases the risk of the Fund having to sell assets in order to meets its benefit payments. The Fund regularly monitors its cashflow forecasts, and will at least once every three years commission the Fund Actuary to provide a forward looking cashflow forecast for the next 20-25 years to inform its investment strategy.

The government has published a consultation (*Local government pension scheme: changes to the local valuation cycle and management of employer risk*) which may affect the Fund's exposure to maturity risk. More information on this can be found in the Regulatory risks section below.

Regulatory risks

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.

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.

However, the administering authority participates in any consultation process concerning proposed changes in Regulations and seeks advice from the Fund Actuary on the financial implications of any proposed changes.

There are a number of general risks to the Fund and the LGPS, including:

- If the LGPS was to be discontinued in its current form it is not known what would happen to members' benefits.
- More generally, as a statutory scheme the benefits provided by the LGPS or the structure of the scheme could be changed by the government.
- The State Pension Age is due to be reviewed by the government in the next few years.

At the time of preparing this FSS, specific regulatory risks of particular interest to the LGPS are in relation to the McCloud/Sargeant judgments and the timing of future funding valuations consultation. These are discussed in the sections below.

McCloud/Sargeant judgments

The Court of Appeal judgment on the McCloud and Sargeant cases, relate to age discrimination against the age-based transitional provisions put into place when the new judicial pension arrangements were introduced in 2015. The members argued that these transitional provisions were directly discriminatory on grounds of age and indirectly discriminatory on grounds of sex and race, based on the correlation between these two factors reflected in the judicial membership. The Tribunal ruled against the Government, deeming the transitional provisions as not a proportionate means of achieving a legitimate aim.

The Government subsequently applied to the Supreme Court to appeal the judgment but their application was denied on 27 June 2019. On 16 July 2020, the Government published a consultation on the proposed remedy to be applied to LGPS benefits in response to the McCloud and Sargeant cases. A ministerial statement in response to this was published on 13 May 2021 and revised Regulations are awaited to bring a remedy into play.

At the time of drafting this FSS, Regulations and therefore confirmation of the remedy are not yet finalised and are expected in 2023.

Cost control mechanism

As a result of the public service pension schemes reforms, the Government established a cost control mechanism for all those schemes to ensure a fair balance of risks between scheme members and the taxpayer. The process has been complex and has still not been fully resolved. Although the 2016 cost cap valuation report for the LGPS has been published, at the time of writing there is still a challenge outstanding regarding the inclusion of McCloud in the cost cap. Therefore, there is still a possibility that the 2016 valuation may have to be revisited with the small chance that benefit improvements will be required and potentially backdated to April 2019.

For the purposes of the 2022 valuation, we have made no allowance for any potential benefit changes. The Fund's prudence allowance already allows for an element of regulatory uncertainty and any potential impact is not deemed to be material.

Consultation: Local government pension scheme: changes to the local valuation cycle and management of employer risk

On 8 May 2019, the government published a consultation seeking views on policy proposals to amend the rules of the LGPS in England and Wales. The consultation covered:

- amendments to the local fund valuations from the current three year (triennial) to a four year (quadrennial) cycle;
- a number of measures aimed at mitigating the risks of moving from a triennial to a quadrennial cycle;
- proposals for flexibility on exit payments;
- proposals for further policy changes to exit credits; and
- proposals for changes to the employers required to offer LGPS membership.

The proposals for flexibility on exit payments and for further policy changes to exit credits have been finalised, however, the other three proposals are still to be finalised. This FSS will be revisited once the outcome is known and reviewed where appropriate.

Timing of future actuarial valuations

LGPS valuations currently take place on a triennial basis which results in employer contributions being reviewed every three years. In September 2018 it was announced by the then Chief Secretary to HMT, Elizabeth Truss, that the national Scheme valuation would take place on a quadrennial basis (i.e. every four years) along with the other public sector pension schemes. The results of the national Scheme valuation are used to test the cost control mechanism and HMT believed that all public sector schemes should have the cost control test happen at the same time.

Changes to employers required to offer LGPS membership

At the time of drafting this FSS, under the current Regulations further education corporations, sixth form college corporations and higher education corporations in England and Wales are required to offer membership of the LGPS to their non-teaching staff.

With consideration of the nature of the LGPS and the changes in nature of the further education and higher education sectors, the government has proposed to remove the requirement for further education corporations, sixth form college corporations and higher education corporations in England to offer new employees access to the LGPS. Given the significance of these types of employers in the Fund (colleges and universities make up around 10% of payroll), this could impact on the level of maturity of the Fund and the cashflow profile. For example, increased risk of contribution income being insufficient to meet benefit outgo, if not in the short term then in the long term as the payroll in respect of these types of employers decreases with fewer and fewer active members participating in the Fund.

This also brings an increased risk to the Fund in relation to these employers becoming exiting employers in the Fund. Should they decide not to admit new members to the Fund, the active membership attributable to the employers will gradually reduce to zero, triggering an exit under the Regulations and a potential significant exit payment. This has the associated risk of the employer not being able to meet the exit payment and thus the exit payment falling to the other employers in the Fund.

In November 2022, the Office of National Statistics reclassified FE colleges as public sector employers. At the time of writing, this does not require any action for colleges with regards to the LGPS, and therefore there has been no change in treatment of these employers as a result of the reclassification.

Governance

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.

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. In particular, the Fund will commission an employer risk review from the Fund Actuary on a regular basis, as part of each actuarial valuation as a minimum, to help identify the employers in the Fund that might be considered as high risk. In the case of admitted bodies, the Fund has a policy of requiring some form of security from the employer, in the form of a guarantee or a bond, in case of employer default where the risk falls to the Fund. Where the risk of default falls on the original letting authority, the Fund provides advice to the letting authority to enable them to make a decision on whether a guarantee or a bond should be required.

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.

16. Monitoring and review

This FSS is reviewed formally, in consultation with the key parties, at least as part of each actuarial valuation process.

The most recent valuation was carried out as at 31 March 2022, certifying the contribution rates payable by each employer in the Fund for the period from 1 April 2023 to 31 March 2026.

The timing of the next funding valuation is due to be confirmed as part of the government's *Local government pension scheme: changes to the local valuation cycle and management of employer risk* consultation which closed on 31 July 2019. At the time of drafting this FSS, it is anticipated that the next funding valuation will be due as at 31 March 2025.

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

Devon County Council Pension Fund Communications Policy

Approved by the Investment and Pension Fund Committee
15 November 2019

Devon County Council Pension Fund Communications Policy

Devon County Council

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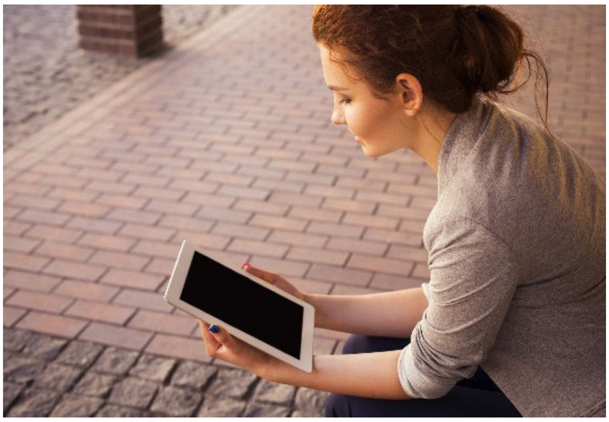


Review

The accuracy and relevance of this policy document is checked annually, and it is revised whenever there are significant changes to the LGPS or to the Authority's procedures and responsibilities.

Data Protection

The Devon Pension Fund Administering Authority is a Data Controller under the General Data Protection Regulations. This means we store, hold and manage your personal data in line with statutory requirements to enable us to provide you with pension administration services.

To enable us to carry out our statutory duty, we are required to share your information with certain bodies, but only do so in limited circumstances.

For more information about how we hold your data, who we share it with and what rights you have, please see our privacy notice: https://www.peninsulapensions.org.uk/wp-content/uploads/2018/03/GDPR_PNS-Devon-2.docx

Rights to Information

This document outlines the Fund's policy for communications with our members, participating employer organisations and the wider LGPS world. It sets out our methods and principles for managing interaction and includes a summary of the key strands of communications.

Increasingly we are using electronic forms of communication in the interests of economy, efficiency and environmental issues, but we offer members the opportunity to receive paper copies by post. Face-to-face and telephone communications will continue to be important channels for members to interact with the Fund and vice-versa.

Our print and electronic communications are designed with consideration for those with additional needs and we can arrange large print, audio or Braille versions of all printed literature. Please email pensions@devon.gov.uk or write to Peninsula Pensions, Great Moor House, Bittern Road, Sowton Industrial Estate, Exeter, EX2 7NL.

There is nothing in this policy statement that affects your rights to access or receive information under the Freedom of Information Act or the Disclosure requirements of the Local Government Pension Scheme (LGPS)You are entitled to see the information we hold about you and can request a copy by using this link https://new.devon.gov.uk/accesstoinformation/data-protection/accessing-your-personal-data.

Why we Communicate

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

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

Our Communication Standards

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

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

How We Connect

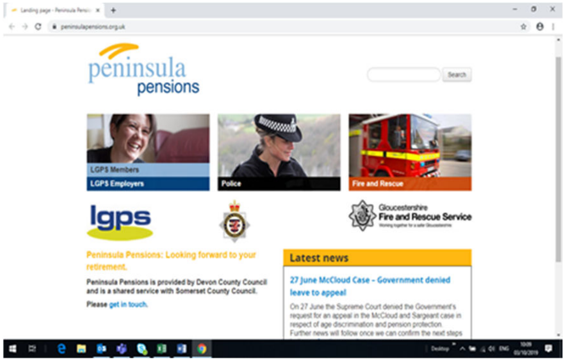
We have a range of communication channels and when deciding which to use we consider the message, our customer, and the cost to the Fund. Each time, the aim is to use the most appropriate and efficient means for connecting with scheme members and employers, whilst delivering concise, clear and above all accurate information.

To contain administration costs and embrace the use of technology, the fund aims to communicate as much as possible via electronic methods. This helps to ensure that we can maintain contact with our members and largely remove the need for subsequent member tracing services. However, in accordance with The Occupational and Personal Pensions Schemes (Disclosure of Information) Regulations 2013, members have been given the option to elect to continue to receive all communications via the postal service. Members who have not made such an election should sign up for Member Self-Service.

Here are some of the common communication channels we use:

Internet

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



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

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

Member Contact

Members are welcome to call 01392 383000 and ask for 'Pensions' to speak directly with one of the team. For email queries a form found on the 'Contact us' pages of the Peninsula Pensions website should be completed and submitted. The query will then be automatically routed to the team best placed to answer the query.

Call Us: 01392 383000 and "ask for pensions"

Our LGPS phone lines are open Monday to Thursday 12pm – 5pm and Friday 12pm – 4.30pm

Complaint Handling

We make every effort to get things right so that members do not have any complaints. However, should you have a grievance please contact us so we can put things right as quickly as possible.

Members who are not satisfied with any decision made should contact Peninsula Pensions in the first instance either by phone, letter or using the contact us page on the Peninsula Pensions website. We will always aim to resolve issues informally though there is a formal complaint process known as the Internal Dispute Resolution Procedure. This process has two stages though most complaints are resolved at the first stage. Any complaint made will be treated seriously and considered thoroughly and fairly.

Newsletters

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

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

Similarly, Peninsula Pensions publishes the newsletter Pensions Post, through which we keep our Fund members up to date with pensions legislation and changes, and this is made available on the website and member self-service for those who have not elected for postal communications.

Member Self-Service

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

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

Scheme Literature

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

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

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. Additionally, we are now developing e-learning modules for employers and members on our website.

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. Future events will be recorded and published on the website wherever possible.

Dedicated liaison officers provide communications and support to employers on various aspects of pension 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 pension's law, and developments in the reform of public pensions and LGPS specifically. Post event feedback and improvement opportunities are sought from everyone attending this annual event.

Annual Fund Member Consultative Meeting

An Annual Consultative Meeting (ACM) with fund members is held early in the calendar year. This is organised with the trade unions (Unison and GMB).

The Chair of the Committee, the County Treasurer, the Assistant County Treasurer – Investments and Treasury Management, and the Head of Peninsula Pensions attend the ACM to make presentations and answer any questions.

Benefit Statements, Pay Advices, and P60s

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

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

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

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

Annual Report

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

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

Communications with Key Governance Partners

Pensions governance is all about monitoring pension schemes to make sure they are run in their members' interests. Managers of the Devon County Council Investment and Peninsula Pensions teams work closely with the Investment & Pension Fund Committee and the Devon Pension Board to ensure that representatives are fully informed about Pension Fund matters and that they are fully supported in fulfilling their duties and responsibilities and able to make critical decisions.

Our Governance Policy and Compliance Statement outlines the arrangements for the Devon Pension Fund as maintained by Devon County Council in accordance with regulation 31 of the Local Government Pension Scheme (Administration) Regulations 2008 (as amended). Under this 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.

You can discover more about the governance of the Devon Pension Fund by reading **our Governance Policy and Compliance Statement** here

The Investment and Pension Fund Committee

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

The committee is made up of representatives from Devon County Council, Unitary and District Councils, other non-council employers, Trade Union and retired Members.

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

The Devon Pension Board

The Board meets four times a year, with meetings falling in between the meetings of the Investment and Pension Fund Committee.

More information on the Pension Board along with terms of reference and meeting minutes can be found on the Peninsula Pensions website at https://www.peninsulapensions.org.uk/pension-fund-investments/devon-county-council-investments/pension-board/

The Investments Team

The Devon County Council Investments Team provides all governance partners with the accurate data and unambiguous clarity of message they need to help them shape opinions and make informed decisions in their duties

Peninsula Pensions

Peninsula Pensions is a shared administration service run by Devon County Council on behalf of the Devon and Somerset Pension Funds. It provides an expert administration service to employers and members of public service pension schemes. This skilled team currently provides its expertise to members and employer organisations of:

- Both the Devon County Council LGPS Scheme and the Somerset County Council LGPS Scheme, as well as
- The Avon and Somerset Police Pension Scheme, and
- The Gloucestershire Fire and Rescue Service Pension Scheme

Visit https://www.peninsulapensions.org.uk/

Professional Know How

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

Actuarial Services

The Fund Actuary performs 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 a range of issues affecting the Fund, especially when an employer organisation is seeking to join or, more rarely, exit the Fund.

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

Investment Fund Managers & Independent Advisors

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

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

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

The Brunel Pension Partnership Ltd.

In the 2015 Autumn Statement, the Government published criteria for the pooling of Local Government Pension Scheme (LGPS) investments. This followed on from the policy statement made in the July budget that the Government was looking for LGPS funds to pool their investments into larger funds to achieve savings through economies of scale and increased bargaining power. Investment costs will be reduced along with other costs for all types of investment used in the pool.

Devon County Council is a shareholder of the Brunel Pension Partnership Ltd. (Brunel) which is one of eight national Local Government Pensions Scheme LGPS Pools. The Devon Fund will continue to be responsible for its own investment strategy, and for deciding the strategic asset allocation between different asset classes to meet local investment objectives. However, Brunel will be responsible for selection and monitoring of the external investment managers who will manage the investments.

Brunel will manage the investments for the pension funds of Avon, Buckinghamshire, Cornwall, Devon, Dorset, Environment Agency, Gloucestershire, Oxfordshire, Somerset, and Wiltshire; bringing together approximately £30 billion investments of the 10 likeminded funds.

It is expected that Devon Pension Fund investment assets will be fully transitioned across to Brunel during the period between April 2018 and mid-2021.

The Q&A for Fund members on this official investment reform can be found here.

The Q&A for Fund employers can be found here

And further news and information can be found at: www.brunelpensionpartnership.org

Brunel Oversight Board

The Chairman of the Devon Pension Fund and the chairs of the nine other Brunel clients meet on a quarterly basis to review the performance of Brunel and discuss other policy areas in relation to the operation of Brunel. This is a crucial body to ensure effective scrutiny of the operation of Brunel, and to act as a conduit of information between Brunel and the pension committees of the ten participating LGPS funds. Two Fund Member representatives, who have been selected from across the ten Brunel funds, also attend this board as observers.

Brunel Client Group

The investment managers of the ten LGPS funds that participate in the Brunel pool meet with each other and with Brunel on a monthly basis. The channel of communication between Brunel and the Client Group is vital to the effective management of the relationship between Brunel and the client funds, the effective management of the pooled investments and the transition of assets to Brunel. Communication within the Brunel Client Group is also crucial to the sharing of best practice and seeking further opportunities for collaboration to reduce costs and improve performance.

Legal Advice

Legal advice to the Fund is provided by the Devon County Council Solicitor, but may involve the appointment of specialist legal advisors for aspects of fund management.

Wider Audiences

There are other groups and associations the Devon Pension Fund engages with in delivering a professional and competent service for its members. Each has its own needs in terms of message and media which the Fund will deploy to make sure that the meaning and significance is delivered strongly and securely. Here are some of them:

Press and Media

The Devon Pension Fund will actively engage with the press and other media organisations to ensure clarity of fact and fair representation. Enquiries from these bodies are handled by Devon County Council's Press and PR Office.

Ministry of Housing, Communities and Local Government (MHCLG)

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

LGPS Scheme Advisory Board

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

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

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

Local Government Association (LGA)

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

The Pensions Regulator

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

The Pension and Lifetime Savings Association (PLSA)

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

The Local Authority Pension Fund Forum (LAPFF)

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

The Society of County Treasurers (SCT)

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

The South West Area Pension Officers Group (SWAPOG)

This liaison network is set up to promote consistent and uniform interpretation of LGPS rules and regulations among administering authorities in the region. They meet quarterly to discuss pension administration issues and share best practice.

Devon County Council

Summary of Information Needs: What all prospective and existing members can expect

Expectation	Product	Frequency
Information and news about the scheme; contact details	Internet Website Pensions Post Newsletter	Available online and within 3 months of any material changes Available through member self service
Scheme and Transfer credit information for prospective and new members	Starters promo leaflet and Pension Welcome Pack	Leaflet distributed through Employers. Pension Pack issued to new members upon joining. Also available on the website.
Knowledge of Fund Finances, investment performance, and investment principles	Annual Report & Accounts (Summary leaflet) Annual Consultative Meeting (ACM)	Online & uploaded to Member Self Service. Employee members are advised of web link via pay slips. Annual
Knowledge of benefits (Active and Deferred Members)	Benefits Statements	Available online & uploaded to Member Self-Service or posted
Ways to improve future pensions benefits	AVC and APC product information	Constantly available online
Information about Benefits in Payment	Pensioner Newsletter Pay advices	Annual or within one month of any change. Also updated on MSS. April & May incl. P60 for previous year
Representation on the Investment & Pension Fund Committee	Trade Union Reps with observer status	At least 4/5 occasions per year
Access to Investment & Pension Fund Committee papers and minutes	Administering Authority archive	Constantly available online
Representation on the Pension Board	Proportionate representation with Scheme members and Employers	Four times per year

Summary of Information Needs: What all employers can expect

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

Devon County Council Pension Fund Governance Policy and Compliance Statement

Approved by the Investment and Pension Fund Committee
16 November 2018
Amended by the Investment and Pension Fund Committee
19 June 2020

1. Introduction

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

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

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

(b) if they do so:

- (i) the terms, structure and operational procedures of the delegation;
- (ii) the frequency of any committee or sub-committee meetings;
- (iii) whether such a committee or sub-committee includes representatives of employing authorities (including authorities which are not Scheme employers) or members, and if so, whether those representatives have voting rights.

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

Each administering authority is required to:

(a) keep the statement under review;

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

(c) if revisions are made:

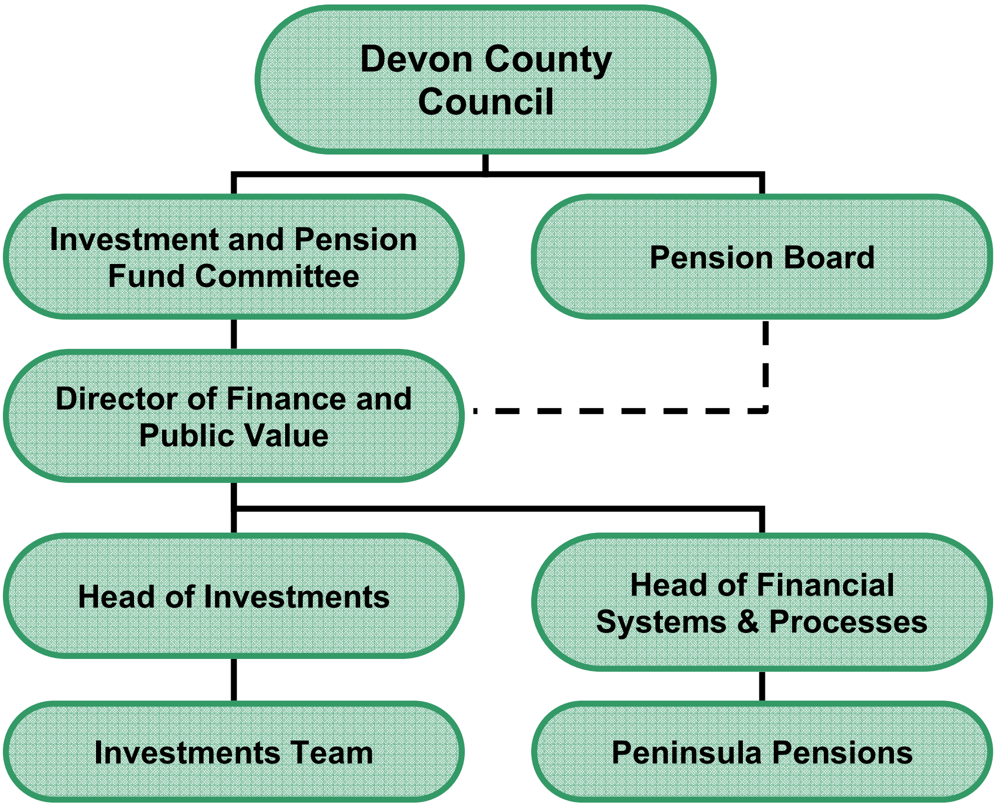
- (i) publish the statement as revised, and
- (ii) send a copy of it to the Secretary of State.

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

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

2. 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.



3. The Investment and Pension Fund Committee

The Investment and Pension Fund Committee is composed as follows:

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

All members and representatives, with the exception of the representatives nominated by the trade unions, have equal voting rights. Representatives nominated by the trade unions have one nominated voting representative, with the other nominees attending as observers. In the absence of the nominated voting representative, one of the other nominees may act as the voting representative. 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 Director of Finance and Public Value and staff from the Authority's Investments and Pensions Administration teams.
- An Independent Investment Advisor (currently Anthony Fletcher of MJ Hudson Allenbridge)
- 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.

4. 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 Investment Strategy Statement.
- 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.
- Monitoring the performance of the Brunel Pension Partnership Ltd.
- Setting and reviewing the investment parameters within which the Investment Managers can operate.
- Monitoring compliance of the investment arrangements with the Investment Strategy Statement.
- 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.

5. The Pension Board

The Pension Board is composed of nine members as follows:

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

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

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

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

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

The Board will meet four times a year, with meetings falling in between the meetings of the Investment and Pension Fund Committee. Additional meetings may be convened if significant issues arise. In addition training sessions will be held, which may be joint sessions with the Investment and Pension Fund Committee.

6. Role of the Pension Board

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

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

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

In fulfilling that role the Board undertakes the following tasks:

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

7. Role of the Director of Finance and Public Value

The Director of Finance and Public Value 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 Director of Finance and Public Value:

- 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.
- Acting as the Shareholder Representative for Devon County Council in relation to the Brunel Pension Partnership Ltd. including the approval of reserved matters under the Shareholder Agreement.
- The Committee has delegated the use of voting rights on the Fund's shareholdings to the investment managers. In exceptional circumstances the Director of Finance and Public Value 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.

Devon County Council

8. 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
(e) In accordance with the Public Sector Pensions Act 2013 a Pension Board is in place with equal representation from employers and member representatives.			✓
(f) That the Pension Fund is represented on the governance arrangements of the investment pool in which it participates.			✓
Explanation of level of compliance (c) and (d) No secondary committee has been established.			

Principle	Not Compliant	Partially Compliant	Fully Compliant
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)			✓
(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 or the pension board, 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.			✓
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 or the pension board.			✓
(b) That at the start of any meeting, committee members are invited to declare any financial or pecuniary interest related to specific matters on the agenda.			✓

Principle	Not Compliant	Partially Compliant	Fully Compliant
D. Voting			
(a) The policy of individual administering authorities on voting rights is clear and transparent, including the justification for not extending voting rights to each body or group represented on main LGPS committees.			✓
E. Training / Facility Time / Expenses			
(a) That in relation to the way in which statutory and related decisions are taken by the administering authority, there is a clear policy on training, facility time and reimbursement of expenses in respect of members involved in the decision making process.			✓
(b) That where such a policy exists, it applies equally to all members of committees, subcommittees, advisory panels or any other form of secondary forum.			✓
(c) That the administering authority considers the adoption of annual training plans for committee members and maintains a log of all such training undertaken.			✓
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 and the Pension Board have equal access to committee papers, documents and advice that falls to be considered at meetings of the main committee.			✓
H. Scope			
(a) That administering authorities have taken steps to bring wider scheme issues within the scope of their governance arrangements.			✓
I. Publicity			
(a) That administering authorities have published details of their governance arrangements in such a way that stakeholders with an interest in the way in which the scheme is governed, can express an interest in wanting to be part of those arrangements.			✓

LOCAL GOVERNMENT PENSION SCHEME

Devon Pension Fund Administration Strategy

peninsula pensions

April 2020

Agenda Item 6

peninsula pensions

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1. Introduction

Peninsula Pensions was formed in 2013 as a shared pension administration service, with Devon County Council acting as lead authority, for the provision of the Local Government Pension Scheme (LGPS) administration for Devon and Somerset administering authorities.

The Devon and Somerset Pension Funds, Investment and Pension Fund Committees and Pension Boards remain independent from each other with each Administering Authority retaining investment and governance responsibility.

Although not a statutory requirement, a Pension Administration Strategy (PAS) was introduced in April 2015, following approval by the Devon and Somerset Investment and Pension Fund Committees. Although there is a separate PAS in place for each Fund, the content is identical in order to ensure a fair and consistent approach is maintained for all stakeholders.

The legal context for this Strategy is Regulation 59 of The Local Government Pension Scheme Regulations 2013 which allows Funds the opportunity to prepare and review a Pensions Administration Strategy. The PAS also has regard to the Occupational and Personal Pension Schemes (Disclosure of Information) Regulations 2013 and The Pension Regulator Public Sector Code of Practice 14.

The PAS sets out the performance standards and expectations of the Administering Authority and the employing authorities, defining clear roles and responsibilities, and aims to ensure the delivery of a high quality service for all stakeholders.

The revision to the PAS, effective from April 2020, reflects the growth in membership and demands of Scheme members and employers, changes to LGPS regulations and advances in technology.

The PAS is linked to the following statutory documents of the Fund which are located within the Devon Fund Investment area of the Peninsula Pensions website:

- Governance Policy and Compliance Statement
- Communications Strategy
- Funding Strategy Statement
- Investment Strategy Statement

Under no circumstances does the PAS override any provision or requirement of the LGPS regulations nor is it intended to replace the more extensive commentary provided by the Employers' Guide and website for day-to-day operations.

2. Key Administration Strategy focus

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

The strategy document sets out in detail how we will achieve our key focus points stated below:

- setting out the quality and performance standards required of the Fund and scheme employers
- promoting good working relationships and improving efficiency between the Fund and its scheme employers for the benefit of scheme members
- enhancing 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
- providing a framework to enable administration costs relating to significant employer underperformance to be met directly by the employer responsible, rather than shared across all the employers in the Fund*

(* Regulation 70 of the 2013 LGPS Regulations permits the recovery of additional costs from an employer where unsatisfactory performance levels have incurred additional costs to the Fund)

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

3. Record keeping

Record-keeping is a fundamental part of managing a scheme such as the LGPS. Funds and employers have a legal obligation to collate and maintain accurate data records.

Peninsula Pensions must be able to demonstrate that records are accurate and up to date, within the parameters of data protection legislation, in order to govern and administer the pension scheme efficiently and effectively for scheme members.

Employers (and their delegated payroll providers) are responsible for providing the core data required by the Fund. Employers need to ensure that legal obligations regarding the provision of timely and accurate information to the scheme are met.

The Fund has a legal duty to provide scheme members with accurate and timely information regarding their benefits. The use of electronic processes aides all parties to do this in a timely and efficient manner.

A strong working partnership between the Fund and employers is key in delivering a successful administration service. This document describes how the Fund provides support to employers in meeting their responsibilities.

If employers have concerns about the data required, they should contact Peninsula Pensions without delay. This will allow Peninsula Pensions to work with employers to resolve any issues and enable both parties to meet their requirements for the benefit of scheme members.

Where an employer does not actively engage with the Fund to resolve issues and/or consistently fails to meet its responsibilities under the LGPS Regulations, the Fund (or stakeholders such as the Pension Board) has a statutory duty to report any breach to The Pensions Regulator. If deemed to be materially significant, The Pensions Regulator has the authority to take prompt and effective action to investigate and correct the breach and its causes, and, where appropriate, to notify any members whose benefits have been affected.

More information about the work of The Pensions Regulator can be found via the following link: https://www.thepensionsregulator.gov.uk/en

4. Roles and Responsibilities

The key focus of the strategy set out in Section 2 will be achieved by:

- Clearly defining the respective roles of Scheme Employers and the Administering Authority
- Setting clear and achievable standards of service levels for the functions carried out by Scheme Employers and the Administering Authority
- Setting out clear procedural guidance for the secure and effective exchange of information between Scheme Employers and the Administering Authority
- Monitoring service delivery, identifying poor performance and establishing a platform for the provision of support to improve performance where required
- Continuous development of resources via the use of digital technology and staff training for both the Fund and its employers
- Applying charges where an employer consistently fails to meet deadlines to ensure the resulting additional administrative strain is not a burden on all employers

The Employer's Roles and Responsibilities

The key responsibilities for the Employer are to:

- Communicate the LGPS to eligible staff
- Ensure the correct level of monthly pension contributions are collected and paid by the 7th of the following month, and no later than the 19th
- Report information and data to the Pension Fund as set out in this Strategy
- Keep up to date with Peninsula Pension Communications
- Provide a prompt response to information requests

The Administering Authority's Roles and Responsibilities

The key responsibilities for the Administering Authority are to:

- Administer the LGPS in respect of all scheme members (Active, Deferred and Pensioner members) in accordance with this Strategy
- Maintain and review the Fund's Statements, Policies and Reports and all other matters relating to the Governance of the scheme
- Communicate and engage with employers on LGPS matters
- Provide support/training to scheme employers
- Maintain and develop an effective web presence for the benefit of members and scheme employers

A guide to the roles and responsibilities of employers and the Administering Authority are set out in Appendix A. The guides include a summary of duties, defining the main functions, which enable the Pension Fund to deliver an efficient, accurate and high-quality pension service to scheme members.

Any breaches of duty will be recorded on our breaches register, which will be reviewed by the Pension Board on a quarterly basis. Individual breaches will be reported to The Pensions Regulator as required.

5. Performance Monitoring

The strategy recognises that there is a shared responsibility for ensuring compliance with the LGPS regulations and the PAS. Below we have set out the ways in which performance and compliance will be monitored;

- The Fund and scheme employers must aim to ensure that all functions and tasks are carried out to the agreed quality standards set out in this Strategy
- The Fund will regularly monitor, measure and report on compliance with the agreed service standards outlined in this document
- The Fund will undertake a formal review of performance against this strategy on an annual basis and liaise with employers in relation to any concerns on performance
- The Fund monitors its own performance against internal key performance indicators and the Disclosure Regulations 2013. Formal monitoring is carried out on a monthly basis, and is reported to the Pension Board on a quarterly basis
- The performance of scheme employers against the standards set out in this document will be reported to the Investment and Pension Fund Committee and Pension Board, as appropriate, and will include data quality
- The Fund will also regularly report to employers regarding individual performance, identifying any areas for improvement including outstanding data items

Underperformance Fees

The LGPS regulations provide pension funds with the authority to recover any administration costs incurred as a result of the underperformance of a scheme employer, from the employer responsible for the underperformance. To date the Fund has not recovered these additional costs, and has taken the decision to work with employers to improve service delivery. However, we reserve the right to pass on these costs to the employer.

From April 2020 Peninsula Pensions will monitor any additional costs incurred in the administration of the scheme as a direct result of underperformance, with a view to recovering these costs from the responsible employer.

A breaches report will be presented to the Pension Board on a quarterly basis. This report will include the nature of the breach, the party responsible for the breach and details of any action taken to address the breach. The report will also include a recommendation for the Board to consider whether a breach is significant enough to warrant reporting to The Pensions Regulator.

In the event of a levy being issued to the Fund by The Pensions Regulator, the levy will be passed on to the relevant employer where it can be demonstrated that the employer's action or inaction are responsible for the levy. Any disagreement regarding the amount of the levy 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.

Interest on late payments

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

The employer will be reported to The Pensions Regulator where contributions are received late in accordance with The Pensions Regulator Code of Practice.

Feedback from Employers

Peninsula Pensions is also accountable for its performance and we welcome feedback from our Employers regarding the performance of the Fund against the standards in this administration strategy, as set out in Appendix A.

Comments should be sent to peninsulaemployers@devon.gov.uk or to the Employer and Communications Manager. Any feedback received will be incorporated into the quarterly reports provided to the Pension Board.

6.Liaison and Communication

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

Peninsula Pensions has a dedicated Employer & Communications Team who will work with employers to ensure they are equipped to meet their responsibilities in line with the LGPS Regulations.

Every employer will have access to a dedicated Member Services Team who will assist employers with queries relating to individual members.

Each employing authority will designate a named individual(s) to act as a **Pension Liaison Officer**, who will serve as the primary contact regarding any aspect of administering the LGPS. The Pension Liaison Officer(s) will be provided with 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. The **Peninsula Pensions website** is the main communication tool for both employers and scheme members.

    - **Employers** – a 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. All employers are 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 and the Member Self Service area where members can update personal details, review annual benefit statements, complete their own pensions estimates and access online tutorials.
    - **Contact Details** – Peninsula Pension staff roles and contact information are available on the website, together with contact details for the Investment Team, Investment and Pension Fund Committee and Pension Board.

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** are issued to scheme members and all employing authorities and published on the Peninsula Pensions website.

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

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

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

7. **Employer seminars and training groups** held at least annually to review scheme developments, and/or to resolve any training needs employers may have.

8. **Annual Consultative Meeting** held to review investment and administrative performance during the preceding 12 months, and to consider future plans and challenges.

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

For further information regarding our methods of communication, please see our Communications Policy which is located within the Statutory Statements section of our website

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. This responsibility rests with the employer.

Payroll providers – for employers who have delegated the responsibility to a payroll provider, for the provision of information direct to Peninsula Pensions, a delegation form will need to be completed confirming the areas for which they are permitted to act on your behalf. If information received from the payroll provider results in incorrect information being issued or incorrect benefits being paid to scheme members, the responsibilities under the Local Government Pension Regulations lie with the Employer.

7.Actuarial work

An actuarial valuation is conducted by the Pension Fund's actuary, as appropriate. The actuary determines the Fund's assets and liabilities in respect of each employer and calculates the appropriate contribution rate 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.

In the event that an employer elects to outsource a service, the actuary is required to produce a report in respect of those scheme members involved in the outsourcing. The outsourcing employer will be liable for the cost of producing this report.

An employer may also commission the fund actuary to undertake additional work, the costs of which will be charged to the employer. Please note that these costs will also include an element of the cost of any administration work involved in liaising with the actuary.

Devon Pension & Investment Committee
Devon County Council

Date…………………..

Performance Standards

The delivery of an efficient and cost-effective administration is dependent upon a successful joint working partnership between the Pension Fund and key individuals within or representing the scheme employer.

Performance standards are expressed as targets (i.e. the level of performance expected in normal circumstances). It is accepted that there may be occasions where it may not be possible to achieve the target indicated and a pragmatic approach will be adopted, subject to employers using their best endeavours to meet expected standards wherever possible.

1.Communication

Function/Role	Performance Target
Primary contacts - Nominate and keep under review named contacts including main contact and HR and payroll links.	Within 1 month of employer joining fund or change to nominated representative
Stage 1 Appeals (IDRP) Officer - Appoint a person to consider appeals under Stage 1 of the Applications for the Adjudication of Disagreements Procedure (AADP) and provide full, up to date contact details to the Fund.	Within 1 month of becoming a scheme employer or within 1 month of a change in Appeals Officer
Independent Registered Medical Practitioner (IRMP) - Appoint an IRMP qualified in occupational health medicine, or arrange with a third party, and seek approval of the appointment from the Fund, for the consideration of all ill-health retirement applications from active and deferred members.	Within 1 month of becoming a scheme employer or within 1 month of a change in IRMP(s)
Employer Discretions - Formulate and publish policies in relation to all areas where the employer may exercise a discretion within the LGPS (including providing a copy of the policy document to the Fund).	Initial policy and subsequent revisions to be provided within 1 month of publishing
LGPS content in Contracts - Ensure Fund- approved LGPS content is included in all contract / appointment / adjustment communications for LGPS-eligible positions including direction to Peninsula Pensions website.	Review LGPS content annually or within 1 month following receipt of information regarding adjustment to Fund approved wording
Distribute any information provided by the Fund to scheme members/potential scheme members.	Within timeframe set out by Fund
Refer new / prospective scheme members to the Fund's website.	Within 1 month of commencement of employment or change in contractual conditions
Outsourcing - Notify the Fund of contracting out of services which will involve a TUPE transfer of LGPS eligible staff to another organisation to enable LGPS information to be provided to potential contractors.	At the point of deciding to tender a service

Work with Peninsula Pensions to arrange for the admission of a contractor as a new employer in the Fund.	A minimum of 2 months in advance of the date of contract
Notify Peninsula Pensions of changes / extension / cessation of arrangements with a contractor.	Within 5 working days of decision being made
Assist Peninsula Pensions in ensuring that the terms of the contractor's admission as a scheme employer (Admission Agreement) are complied with.	Notify the Pension Fund if the terms of the Admission Agreement have been breached
Respond to enquiries from Peninsula Pensions and Fund representatives.	Within 2 weeks from receipt of the enquiry
Respond to enquiries from Peninsula Pensions and Fund representatives relating to Breaches of the Law.	Within 1 week of the request

2. Payments to the Fund

Function/Role	Performance Target
The Employer's Rate - Apply the employer contribution rate and deficit sum agreed with the Fund on becoming a scheme employer and adjust as instructed by the Fund from a date determined by the Fund.	Within 5 working days of receipt of information from the Fund effective from a date determined by the Fund following advice from the scheme actuary
The Employee's Rate - Calculate and review the correct employee contribution rate for all members at commencement and on 1st April each year. Also, to be reviewed at intervals during the year at the employer's discretion.	Within 5 working days of commencement, on 1st April each year and as per the employer's discretionary policy on adjusting the employee's contribution rate at intervals during the year
Assumed Pensionable Pay (APP) - Ensure the correct application of APP during periods of reduced/nil pay in accordance with the LGA's HR & Payroll Guides.	Review of eligibility for APP immediately upon a member moving to reduced/nil pay
Monthly Payment to the Fund - Remit Employee, Employer and any Additional contributions and submit the online Contributions Form to the Fund.	By the 19th of the month after deduction from pay or date specified by Fund
Payment of AVCs - Remit Additional Voluntary Contributions (AVCs) to the AVC provider(s).	By the 19th of the month following the deduction from pay

Make strain/shortfall payments to the Fund in respect of early payment of benefits from flexible retirement, redundancy or business efficiency retirement or where a member retires early with employer's consent.	Within 5 working days of receipt of invoice from Peninsula Pensions
Remit recharge payments in respect of pension members – e.g. Discretionary Compensation/Enhancement.	Within 5 working days of receipt of invoice from Peninsula Pensions
Payments in respect of FRS102 and IAS19 work carried out on behalf of Employers by the Fund and the Fund Actuary.	Within 5 working days of receipt of invoice from Peninsula Pensions
Payments in respect of all other work carried out on behalf of the Employer by the Fund's Actuary and connected data quality assurance undertaken by the Fund.	Within 5 working days of receipt of invoice from Peninsula Pensions
Prompt payment of invoices issued by the Fund for specific services provided e.g. admission agreement work.	Within 5 working days of receipt of invoice from Peninsula Pensions
Make payment of additional costs to the Fund associated with non-compliance with performance standards of the scheme employer.	Within 5 working days of receipt of invoice from Peninsula Pensions

3. Year-End Return

Function/Role	Performance Target
Completing the Year-End Return - Provide a fully reconciled and completed Year-End Return to the Fund in the format stipulated in the instructions issued each February.	By 19th April following the year-end unless employers are notified of an alternative date by the Fund
To resolve all queries returned from the Year-End Return.	To respond fully to all queries from the Fund within 3 weeks of receipt of the query. In circumstances where an employer submits a late year-end return limiting the Fund's time to complete its duties, the timescales may be reduced, as advised by the Fund

4. Scheme Members Information

Function/Role	Performance Target
To notify Peninsula Pensions of all new scheme members, changes in personal details, e.g. name, working hours via Interface or Employer Self Service.	1 month
On cessation of membership determine the reason for retirement, final pay for calculating pre 2014 benefits and CARE pay for post 2014 benefits as appropriate. **NB** Where an employee is suffering from a Terminal Illness and limited life expectancy, employers should contact Peninsula Pensions for guidance without delay.	For members in receipt of regular pay, where the employer can accurately project pay to the date of retirement, up to 1 month prior, or within 1 week following final pay period. Leavers under age 55 within 1 month following final payday
Apply a scheme members election to opt out of the LGPS to the member's payroll record. Notify Peninsula Pensions in line with the process for leavers, as stated above.	Election applies from the 1st of the month for the next available payroll, except where an opt-out is made within 3 months of an employee joining the scheme. In such cases the opt-out is backdated to the joining date and all contributions refunded directly.
Where a member dies in service - determine final pay for calculating pre 2014 benefits and CARE pay for post 2014 benefits as appropriate.	Within 1 week of final pay period
Provide monthly CARE data within required format.	Within 2 weeks of pay run
Ensure members are notified of the option to pay Additional Pension Contributions following absences not covered by APP.	Within 2 weeks of the return to work
Apply/adjust/cease the deduction of Additional Pension Contributions following an APC application from a scheme member and forward information via Interface or ESS to Peninsula Pensions.	In the month following receipt of election from scheme member or notification from the Fund
Notify Peninsula Pensions of periods of unpaid absence not covered by Assumed Pensionable Pay (APP).	Within 1 month
Arrange for the deduction of AVCs from scheme member's pay following election.	Commence deduction of AVCs in month following the month of election, as advised by AVC Provider

Provide end-of-year data within required format.	By date specified by Fund January each year
In line with General Data Protection Regulations (GDPR) 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

5. Peninsula Pensions

To complete cases in-line with the Disclosure Regulations, with at least 90% of cases completed within the internal targets.

Peninsula Pensions Responsibility	Disclosure regulations / Legal Requirement	Internal Targets
To accurately record and update member records on pension administration systems.	Within 3 months of effective date of change	2 weeks
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.	Within 2 months of joining the scheme or within 2 months of request being made	1 month
To process employer year-end contribution returns and provide consolidated and grouped error reports for action by employers.	n/a	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.	31st August	31st July
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.	31st August	30th June
To provide information and quotations to scheme member about additional voluntary contribution (AVC) options.	Within 2 months of request being made	Within 10 working days
To provide information and quotations to a scheme member on the option of making Additional Pension Contributions (APCs).	Within 2 months of request being made	Within 10 working days
To produce retirement estimates for employers, once in receipt of all the necessary information.	Within 2 months of request being made	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 2 months of receiving notification that pensionable service has ended or within 2 months of a request	Within 1 month
To accurately calculate and inform the member of the options available to them upon retirement.	Within 1 month following date benefit becomes payable (2 months if retiring before normal pension age)	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.	n/a	Within 10 working days
Under the General Data Protection Regulations 2018 Peninsula Pensions will protect information relating to a member contained on any item issued by them or received by them from improper disclosure.	n/a	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 contribution rates.		Assuming information provided by Actuaries provisional results December following valuation, with final results the following March

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

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September 2023

Devon County Council