Pension Fund Annual Report & Accounts

2020/21

Devon County Council

Front cover photo: Paragliders over Beer Head, East Devon

Contents

Forward 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 2021. The Fund investment return of +25% during 2020/21 was a pleasing outcome after the negative returns experienced in March 2020 as a result of the COVID pandemic.

The Committee has continued to focus on ensuring that the Fund is managed in the best interests of 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 fund liabilities over the longer term. In so doing, we aim to be responsible owners of the assets we invest in, to ensure a sustainable future for the Fund and for fund beneficiaries.

During the last year we have further strengthening the Fund's policies around how we deal with climate change in our investments, and how we meet our stewardship responsibilities. In February the Committee committed to achieving net zero portfolios by 2050. By December 2020, the Fund had already seen a reduction in the Weighted Average Carbon Intensity of its investments of 37% from a base position of March 2019.

The committee has also overseen the transition of a further 15% of the Fund's assets to be managed by the Brunel Pension Partnership, the company that we created along with 9 other LGPS funds, in July 2018, and continues to work with Brunel to ensure that they are meeting the Devon Fund's objectives in the way that the assets are managed.

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. As the outgoing chair, I wish my successor well in continuing to lead the Committee and the Fund forward over the next four years.

Ray Bloxham
Chair of the Investment and Pension Fund Committee 2020/21

Investment and Pension Fund Committee Attendance 2020/21

Name	Representing	Date Appointed	Meetings Attended
Cllr Ray Bloxham (Chairman)	Devon CC	May 2018	3 (of 4)
Cllr Yvonne Atkinson	Devon CC	May 2017	4 (of 4)
Cllr Alan Connett	Devon CC	May 2017	1 (of 4)
Cllr Richard Edgell	Devon CC	May 2009	4 (of 4)
Cllr Richard Hosking	Devon CC	May 2014	4 (of 4)
Cllr Andrew Saywell	Devon CC	Jan 2019	4 (of 4)
Cllr Lorraine Parker Delaz Ajete	Plymouth CC	May 2014	4 (of 4)
Cllr James O'Dwyer	Torbay Council	May 2015	4 (of 4)
Cllr Judy Pearce	Devon Districts	May 2019	4 (of 4)
Donna Healy	Fund Employers	May 2015	3 (of 4)
Roberto Franceschini	Fund Members[1]	May 1992	4 (of 4)
Jo Rimron	Fund Members[1]	May 2014	3 (of 4)
Stephanie Teague	Fund Members[1]	July 2019	1 (of 4)

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

Report of the County Treasurer

Over the course of the 2020/21 year, the value of the Devon Pension Fund increased from £4.011 billion (as at 31 March 2020) to £5.035 billion as at 31 March 2021, an increase of over £1 billion. Markets rebounded from the significant losses of March 2020 resulting from the coronavirus Covid-19 pandemic, despite the restrictions that continued for much of the year. As a result, the Devon Pension Fund's investment return for the year, net of fees, was +25.6%. This was ahead of the Fund's strategic benchmark of +24.3%, and also ahead of the LGPS universe average of +22.7%. This was a very good result for the fund after the performance of the previous year.

Along with nine other Local Government Pension Scheme (LGPS) funds, the Devon Pension Fund is a shareholder in the Brunel Pension Partnership Ltd, a company set up to pool investment assets in order to reduce investment costs and improve risk management. Since the company was set up three years ago the Devon Fund has been gradually transitioning its investment assets. During the Summer and Autumn of 2020, the Fund redeemed its investments in the Baillie Gifford and Barings diversified growth funds and these were transitioned to Brunel's Diversifying Returns Fund. The Fund's investment in five specialist equity funds was redeemed and transitioned to the Brunel Global Smaller Companies Equity Fund. At the same time an initial investment was made in Brunel's Sustainable Equites Fund, which launched in October 2020. By 31 March 2021, around 80% of the Devon Fund's investment assets were under Brunel's management. The Devon Pension Fund will continue to be responsible for deciding the strategic allocation between different asset classes to meet local investment objectives, but the Brunel Pension Partnership will be responsible for selection and monitoring of the external investment managers who will manage the investments.

Peninsula Pensions continues to deliver strong performance in pensions administration. Staff have successfully adapted to the new ways of working, following the restructure in 2018/19, and have embraced the continuous improvement approach to processes which has been implemented. The team is well-positioned to manage and respond to the ever increasing workloads and demands caused by a growth in the number of members and employers joining the fund, increases in requests for information and to ensure continued compliance with future regulations changes. The situation with Covid-19 presented a significant challenge to the team; however, early action was taken to identify and mitigate potential risks from an operational perspective. Adopting a proactive approach to working processes and making greater use of technology and electronic communication, including 'Member Self-Service' (our online communication portal), have enabled the team to continue to conduct business as usual with no impact on service provision.

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 2021. 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 listed equities and bonds is retained by the external investment managers for re-investment, but income from property, infrastructure and private debt is returned as cash and can be used to offset any shortfall between contributions and benefit payments. The Fund Account also shows that there has been an increase in the capital values of the Fund's investment assets of £1.024 billion 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.

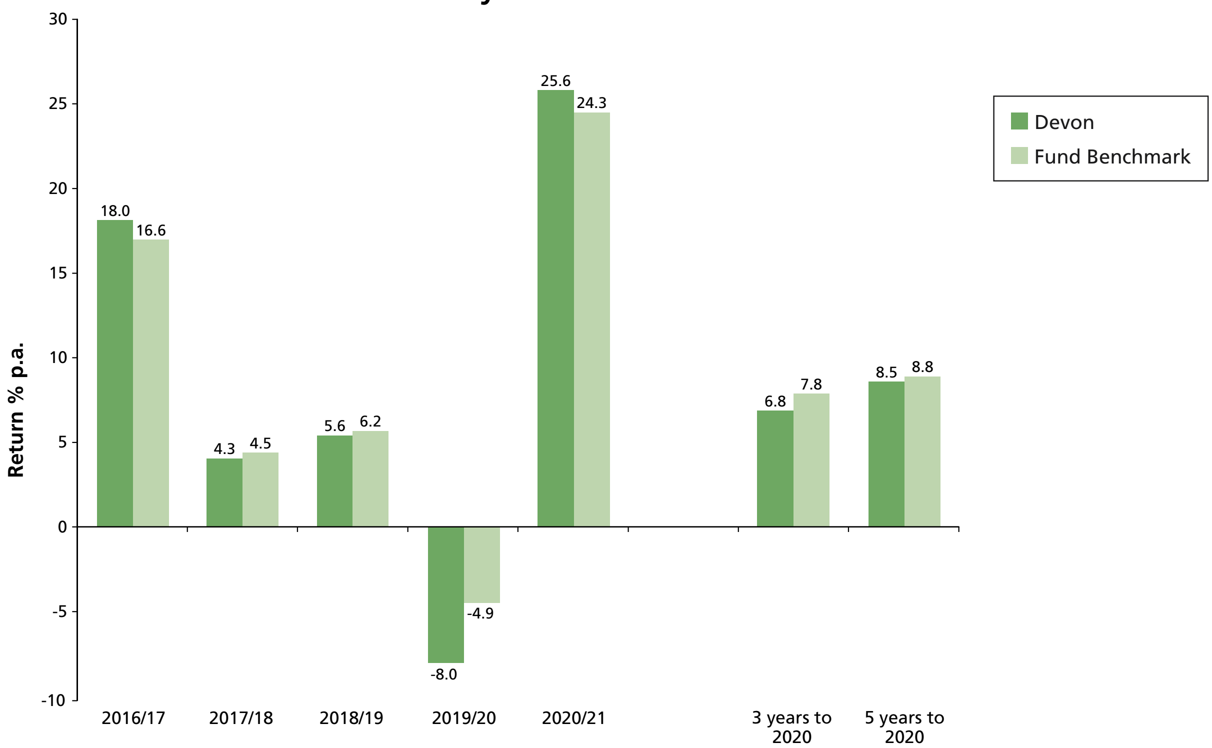
Investment Performance

As indicated above, the asset value of the Fund at the end of the 2020/21 financial year was £5.035 billion. This represents an investment return of +25.6% net of fees, compared with the Fund's internally set strategic benchmark target of +24.3%.

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. Equity markets recovered dramatically from the falls in March 2020, and the passive equity allocation returned +37.5% over the year. Returns were helped by the Fund's currency hedging strategy during a period when the value of the pound rose against other major currencies. The active Brunel Global High Alpha and Emerging Markets funds did even better, returning +50.0% and +46.1% respectively, both well ahead of the benchmark. Low Volatility Equities did less well against the wider market, in a period when low volatility stocks were generally out of favour. Global bonds delivered a small negative return, having delivered good positive returns in March 2020 when the rest of the market collapsed. The Wellington Multi-Sector Credit fund delivered a +24.8% return well ahead of benchmark.

Pension fund investment management has to consider the long term, and the Investment and Pension Fund Committee's principal aim for the Fund is therefore to maintain high performance over the longer term. Performance over the last year has boosted the longer term returns, but they remain below benchmark over the three and five year periods. 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



A more detailed analysis of the Fund's investment returns over the last year, 3 years and 5 years, broken down by asset class, is provided in the following table.

Investment Performance by Asset Class

One Year Performance	Opening Value		Closing Value		Performance		
	£'000	%	£'000	%	Gross	Net	Benchmark
Brunel Asset Pool Managed Investments							
Passive Equities	1,505,380	37.5	1,800,418	35.6	+37.5	+37.5	+37.8
Active Global High Alpha Equities	241,385	6.0	314,878	6.2	+50.0	+50.0	+39.1
Active Global Small Cap Equities[1]	0	0.0	238,078	4.7	+22.5	+22.5	+25.5
Active Emerging Market Equities	179,009	4.5	281,725	5.6	+46.1	+46.1	+42.8
Active Sustainable Equities[2]	0	0.0	153,375	3.0	+9.5	+9.5	+12.6
Active Low Volatility Equities	186,409	4.6	336,892	6.7	+20.2	+20.2	+39.6
UK Property	328,388	8.2	354,291	7.0	+2.3	+2.3	+2.5
International Property	51,321	1.3	54,788	1.1	+10.8	+10.8	-2.8
Infrastructure	25,117	0.6	65,840	1.3	+0.7	+0.7	+3.3
Private Equity	0	0.0	1,333	0.0	+73.5	+52.0	+3.5
Diversifying Returns Fund[3]	0	0.0	476,194	9.4	+0.6	+0.6	+2.8
Non-Asset Pool Managed Investments							
Active Specialist Equity Funds[1]	143,940	3.6	46,769	0.9	+49.4	+49.4	+31.8
Global Bonds	279,109	7.0	300,013	5.9	-1.0	-1.2	-2.4
Multi-Sector Credit	246,737	6.2	344,738	6.8	+24.8	+24.4	+18.4
Infrastructure	146,207	3.6	137,785	2.7	+5.3	+4.7	+5.0
Private Debt	107,367	2.7	107,613	2.1	+1.4	+0.9	+5.0
Diversified Growth Funds[3]	526,061	13.1	0	0.0	+15.1	+14.9	+4.1
Cash	44,685	1.1	41,565	0.8	-0.4	-0.5	-0.1

Three Year Performance[4]	Value 1 April 2018		Closing Value		Performance		
	£'000	%	£'000	%	Gross	Net	Benchmark
Passive Equities	1,780,200	43.7	1,800,418	35.6	+9.3	+9.3	+9.3
Active Global Equities	430,953	10.6	314,878	6.2	+10.5	+10.4	+13.3
Active Global Small Cap Equities	0	0.0	284,847	5.6	-	-	-
Active Emerging Market Equities	185,688	4.6	281,725	5.6	+8.7	+8.4	+7.5
Active Sustainable Equities	0	0.0	153,375	3.0	-	-	-
Active Low Volatility Equities	0	0.0	336,892	6.7	-	-	-
Global Bonds	220,072	5.4	300,013	5.9	+3.8	+3.5	+3.3
Multi-Sector Credit	221,425	5.4	344,738	6.8	+6.0	+5.6	+2.9
Property	389,164	9.6	409,079	8.1	+3.9	+3.8	+2.1
Infrastructure	147,504	3.6	203,625	4.0	+6.1	+5.7	+5.4
Private Equity	0	0.0	1,333	0.0	-	-	-
Private Debt	27,138	0.7	107,613	2.1	+8.8	+7.4	+5.4
Diversified Growth Funds	608,752	14.9	476,194	9.4	+1.5	+1.1	+4.4
Cash	61,192	1.5	41,565	0.8	+1.2	+1.1	+0.3

Five Year Performance[4]	Value 1 April 2016		Closing Value		Performance		
	£'000	%	£'000	%	Gross	Net	Benchmark
Passive Equities	1,425,527	42.9	1,800,418	35.6	+10.9	+10.9	+11.0
Active Global Equities	342,069	10.3	314,878	6.2	+13.3	+13.2	+14.8
Active Global Small Cap Equities	0	0.0	284,847	5.6	-	-	-
Active Emerging Market Equities	136,970	4.1	281,725	5.6	+11.8	+11.5	+13.2
Active Sustainable Equities	0	0.0	153,375	3.0	-	-	-
Active Low Volatility Equities	0	0.0	336,892	6.7	-	-	-
Global Bonds	282,544	8.5	300,013	5.9	+3.2	+3.1	+3.0
Multi-Sector Credit	119,694	3.6	344,738	6.8	+6.6	+6.4	+4.6
Property	366,555	11.1	409,079	8.1	+5.3	+5.2	+3.9
Infrastructure	139,748	4.2	203,625	4.0	+7.3	+7.0	+4.3
Private Equity	0	0.0	1,333	0.0	-	-	-
Private Debt	0	0.0	107,613	2.1	-	-	-
Diversified Growth Funds	486,079	14.6	476,194	9.4	+3.8	+3.6	+4.3
Cash	23,266	0.7	41,565	0.8	+0.8	+0.8	+0.3

Notes:

1) The Specialist Equity Funds transitioned to the Brunel Global Small Cap Equities Fund in October 2020, with the exception of the RWC European Focus Fund. Brunel performance is shown from the transition date and non-asset pool managed investments shows the collective performance of the Specialist Equity Funds up to the transition date, and of the RWC European Focus Fund thereafter.
2) The Brunel Sustainable Equities portfolio launched in October 2020. The reported performance therefore represents a part year from October 2020 to March 2021.
3) The Diversified Growth Funds (DGFs) transitioned from Baillie Gifford and Barings to the Brunel Diversifying Returns Fund during August and September 2020. Brunel performance is shown from the fund launch date in August and non-asset pool managed investments shows the performance up to the date the previous DGF investments were fully redeemed.
4) Three year and five year performance numbers combine periods of management by the pool and outside the pool where relevant, given that none of the assets have been managed by the pool for a full three years.

Fund Solvency

The Fund is required to have an actuarial valuation conducted every three years. The most recent triennial valuation, as at 31 March 2019, was carried out by the Fund Actuary, Barnett Waddingham. The valuation determined that the Devon Pension Fund's funding level had improved from 84% to 91%, compared with the previous 2016 valuation.

The Fund Actuary has reassessed the position as at 31 March 2021, using the approach of rolling forward the data from the 2019 valuation, and updating it for subsequent investment returns, pension and salary increases and revised financial assumptions. While it is not possible to assess the accuracy of the estimated liability as at 31 March 2021 without completing a full valuation, the results will be indicative of the underlying position. The funding position was damaged by the negative returns in 2019/20, but the significant recovery of markets and the 25.6% return in 2020/21 means that since the 2019 triennial valuation the total return on the Fund assets has been ahead of the Actuary's expectations.

The Actuary's revised financial assumptions include a reduction in the assumed dividend yield going forward, which has reduced the discount rate applied and therefore increased the projected pension liabilities. This has offset the positive performance on the Fund's assets resulting in an estimated funding level as at 31 March 2021 of 90%, broadly similar to the position at the 2019 triennial valuation.

Asset Allocation

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

The last major review undertaken by Mercer investment consultants in February 2019 recommended a direction of travel towards a long term target to be achieved by a phased implementation over a five year period, which would also tie in with the launch of new investment portfolios by the Brunel Pension Partnership.

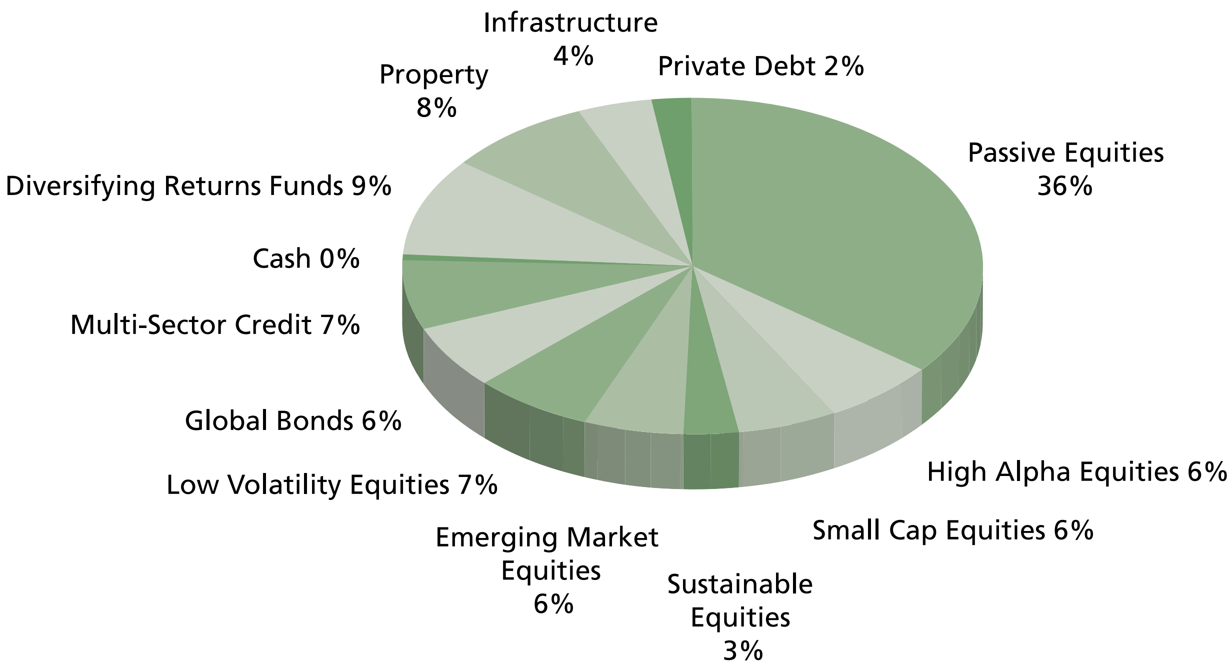
In line with that strategy, the Committee agreed the following changes to asset allocation targets during 2020/21:

- The allocation to global bonds and multi-sector credit was increased, funded by a reduction in the target allocation to Diversified Growth/Diversifying Returns funds.

- The active equity allocation that comprised the investment in specialist funds was transitioned to the Brunel Smaller Companies portfolio.
- The Fund's allocation to passive equities was reduced to fund an initial 3% allocation to Sustainable Equities and to increase the target allocation to Low Volatility Equities from 5% to 7%.
- Further commitments have been made to private markets, including infrastructure, private equity and private debt. The aim is to build these up to 15% of the total fund, but it is recognised that this will take some time to achieve, as it can take a long time for commitments made to be drawn down. This will be funded by a gradual reduction in the allocation to the Brunel Diversifying Returns fund.

The Fund's actual asset allocation as at 31 March 2021 is shown in the following chart:

Actual Asset Allocation as at 31 March 2021



A comparison of the actual allocation as at 31 March 2021 with the Fund's target allocation for 2020/21 is shown in the following table:

Actual Asset Allocation Compared to Target

	as at 31 March 2020		as at 31 March 2021		
	Target allocation %	Actual allocation %	Target allocation %	Actual allocation %	Variation from Target %
Global Bonds	6.0	7.0	7.0	6.0	
Multi-Sector Credit	6.0	6.2	7.0	6.8	
Cash	1.0	1.0	1.0	0.4	
Total Fixed Interest	**13.0**	**14.2**	**15.0**	**13.2**	**-1.8**
Passive Equities	38.0	37.5	33.0	35.8	
Active Global Equities	10.0	9.6	5.0	6.3	
Active Small Cap Equities	-	-	5.0	5.7	
Active Sustainable Equities	-	-	3.0	3.0	
Active Emerging Markets Equities	5.0	4.5	5.0	5.6	
Active Low Volatility Equities	5.0	4.6	7.0	6.7	
Total Equities	**58.0**	**56.2**	**58.0**	**63.1**	**+5.1**
Diversified Growth Funds	11.0	13.1	8.0	9.5	
Property	10.0	9.5	10.0	8.1	
Infrastructure	6.0	4.3	6.0	4.0	
Private Debt	2.0	2.7	3.0	2.1	
Total Alternatives/Other	**29.0**	**29.6**	**27.0**	**23.7**	**-3.3**

Conclusion

The priority of any pension fund is to make sure that it meets its liabilities to pay pensions both now and in the future. The COVID pandemic has provided challenges to both Peninsula Pensions and the Investments Team in continuing to provide the required level of service while most staff have been working at home. The commitment of staff has ensured that these challenges have been met.

Markets bounced back surprisingly quickly from the losses of March 2020, and the Fund’s investment return of 25.6% is a very positive result for the 2020/21 year. However, it remains a very challenging environment for the global economy and there may still be choppy waters ahead. We will need to ensure that the Fund strategy is well positioned to manage the short and medium-term risks, and will look to review the investment strategy over the next 12 months. We will continue to strengthen the Fund’s approach to climate change and responsible investment. The next triennial actuarial valuation is due as at 31 March 2022, and we will want to see continued progress to achieving full funding.

As at the 31st March 2021 80% of the Fund’s assets were managed by the Brunel Pension Partnership, with the transition of the fixed interest allocation due to take place during the Spring. This will take us up to nearly 95% of the assets being managed by Brunel. Following the County council elections there will be several new members of the Investment and Pension Fund Committee that is responsible for the management of the Fund. The Committee will continue to be focused on the Fund’s strategic asset allocation to ensure we can achieve our funding targets and continue to meet our liabilities to pay pensions over the medium to longer term.

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

Mary Davis
County Treasurer, 15th July 2021

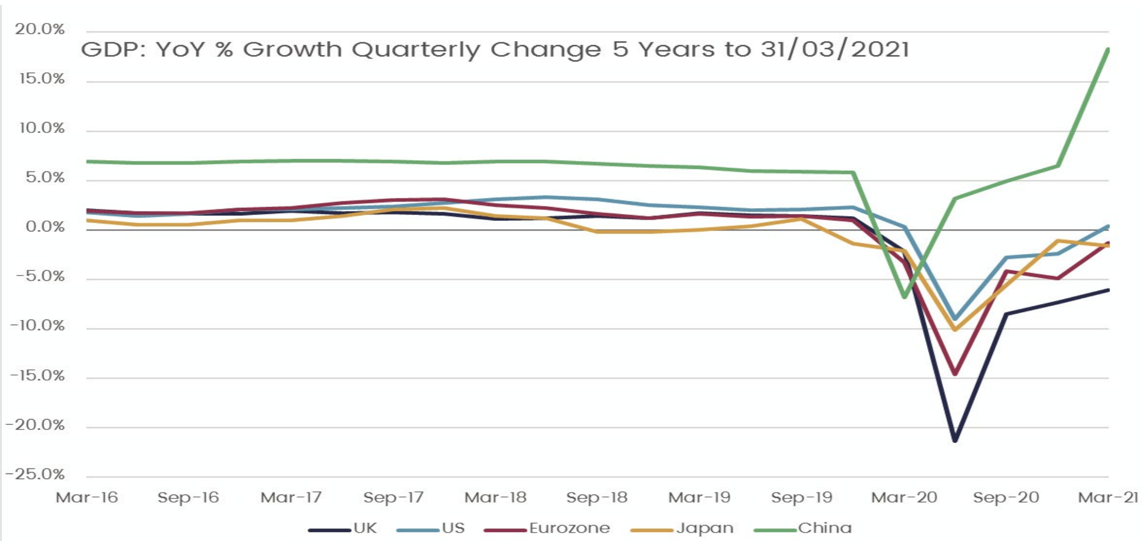
Market Commentary from the Independent Investment Advisor

Economic Background

The past financial year has been dominated by the coronavirus pandemic and its devastating effect on lives throughout the world. Once the pandemic was officially confirmed in March 2020, most Governments set about locking down their domestic populations and introduced international travel bans in a belated attempt to contain the rate of infection. Having switched off major parts of the economy, they introduced support packages aimed at stabilising domestic incomes. In a co-ordinated response Central Banks announced sharp cuts in interest rates, immediate support for the interbank system via the injection of almost unlimited liquidity and resumed their quantitative easing programmes on an unprecedented scale, with a much broader range of eligible assets including both investment and sub-investment grade bonds. The amount of support provided both in the form of fiscal and monetary policy was far larger than provided during the Global Financial Crisis. Fifteen months later most of these policies remain in place as developed and developing economies are still dealing with the impact of the virus and its new variants.

As can be seen in chart 1 below, after the collapse of economic activity between March and June 2020, GDP saw a sharp "V" shaped rebound as restrictions were eased over the Summer. However, as the year moved into Winter the lifting of restrictions proved premature with 2nd and 3rd waves of infection, partly due to the easing of restrictions but more because of the emergence of new more infectious variants. In November, the delivery in record time of effective vaccines supported optimism about a way out of the pandemic and return to more normal activity. The differing pace of the roll-out of vaccination programmes and the varied responses of regional governments has led to a slower and more varied rate of growth in the second half of the financial year. UK growth may have also been dampened by the change in policy on the trade in goods with the European Union, which came into effect on the 1st January 2021. In numbers at the end of the financial year 2021, the UK economy was 6.1% smaller than in March 2020, the USA was 0.4% larger and the Eurozone and Japanese economies were respectively 1.8% and 1.4% smaller. In China, however, where the pandemic started, the economy was 18.3% larger, mainly because China's economy is driven more by production of goods, whereas the developed economies are driven by consumption of goods and services.

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



As can be seen in chart 2 below, inflation has begun to tick up as economies recover. This is largely a "base effect" from the sharply lower inflation rates of 12 months ago and the impact of negative oil prices in March 2020. While there have been some increases in inflation, this is related to supply shortages and dis-locations caused by the various lockdown measures and travel restrictions.

Inflation is expected to be higher in 2021 and 2022, but this is expected to be transitory rather than permanent.

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

(Source: Bloomberg.)

Central Banks

Since the announcement of unprecedented monetary support in March and April 2020, central banks have left policy unchanged. Twelve months on, QE programmes are in "care and maintenance" mode. The US Fed has reiterated its policy on interest rates, confirming that it has no intention to increase rates until the economy is back to full employment, the inflation rate is sustainably above 2% and is showing signs of trending higher. The Bank of England, Bank of Japan and the European Central Bank have similar policies. Market expectations of higher rates have been revised, but at the time of writing no rate changes are expected before 2023, although speculation is high that QE purchases may be reduced as early as the end of the year.

Global politics

The only significant change in the political landscape in the financial year was the departure of Mr Trump as US President. He has been replaced by the Democrat Joe Biden and the Democrats have also "on paper" at least achieved for the first time in many years a majority in both houses of Congress. The international policy of the new administration is based on the US re-engaging in global co-operation with its key allies. Its domestic policy objectives are to use fiscal policy to invest in infrastructure and secure a more equitable economic recovery. Sadly, the world will still be dealing with the legacy of the Trump presidency for some time. Hence the actions of authoritarian regimes like China, Russia, and most recently Belarus are likely to continue.

The UK's relationship with the EU remains febrile to say the least, while it would appear that trade between most of the UK and the EU has returned to normal levels, problems remain in Northern Ireland. Also, in Jersey a ridiculous escalation in tensions over the slow-paced issue of fishing licences, led to a threat from the French Maritime Minister to cut off the island's electricity supply. The EU also continues to propose unreasonable and potentially unworkable conditions in its negotiations over the future of trade in services, which are far more important to the UK economy.

Market Returns

The actions of central banks and governments generated a sharp recovery in world equity markets, so that most markets had recouped their sharp losses incurred in March 2020, by the end of September. This rally was further boosted by the approval of anti-COVID vaccines in November, so that the MSCI All Country World Index recorded a total return of 39.1% for the year to March 2021, with the North America, Asia Pacific (ex-Japan) and Emerging Markets regions each gaining more than 40%. UK and Japanese equities were more muted, but each returned over 26% for the year. The strongest sectors globally were Basic Materials, Technology and Industrials. In the financial year to November 2020, growth stocks characterised by the large US technology stocks produced the strongest returns, but since the approval of the vaccines the performance of equity markets has broadened out into other sectors and value stocks characterised by energy companies and banks have outperformed.

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 2021.

% Total Return Dividends Reinvested

	MARKET RETURNS	
	Period end 31st March 2021	
	3 months	12 months
Global equity ACWI^	4.1	39.1
Regional indices		
UK All Share	5.2	26.7
North America	4.9	42.8
Europe ex UK	2.5	34.9
Japan	1.2	26.3
Pacific Basin	2.9	50.6
Emerging Equity Markets	1.9	40.8
UK Gilts - Conventional All Stocks	-7.2	-5.5
UK Gilts - Index Linked All Stocks	-6.3	2.3
UK Corporate bonds*	-4.4	10.1
Overseas Bonds**	-2.3	-1.1
UK Property quarterly^	2.3	2.7
Sterling 7 day LIBOR	0.01	0.05

^ MSCI indices * iBoxx £ Corporate Bond; **Citigroup WGBI ex UK hedged

Global government bonds were generally supported by the buying from central banks, but government bond yields began to rise from new all-time lows in August as fears grew of incipient US inflation. These were provoked by expectation of strong growth in the US economy together with the likely impact of substantial spending packages proposed by the new Biden Administration. The US 10-year Treasury yield rose from 0.7% to 1.7% in the six months to March 2021, accompanied by smaller, but significant, rises in UK and Eurozone bond yields. As can be seen in table 1 above corporate bonds outperformed government bonds driven in part by central bank buying but mainly due to falling relative yields driven by a recovery in corporate fundamentals.

After the Brexit agreement was signed, the pound stabilised, and in the year to March 2021 it gained 11% against the dollar, 4% against the Euro and 14% against the Yen.

UK commercial property languished under the effects of the continuing weakness of retail, and the uncertain outlook for offices after the pandemic, although Industrials were buoyant.

As noted in the County Treasurer's report the Devon Pension Fund achieved a return of 25.6% net of fees, compared to 24.3% for the strategic benchmark in the year to 31st March 2021. Over three years the Fund has achieved a net return of 6.8% per annum compared to the benchmark return of +7.8%. A more detailed analysis of the Fund's performance is contained in that report.

Economic and Market Outlook

The beginning of the first quarter of 2021 was marked by economic uncertainty over of the future recovery from Covid19 as hospitalisation and death rates surpassed their second quarter 2020 highs. Outside of China, economic activity slumped again as Covid restrictions had to be re-introduced. At the same time economists were looking through the bad news and citing huge "excess" savings and pent up demand as key drivers of the economic recovery over the rest of the year.

As we moved into April and May expectations for spectacular economic growth turned from forecast to fact. While some of this improvement is due to the measured removal of restrictions on activity it should not be forgotten that there are some very powerful base effects, with recent activity data being compared to the almost total shut down of economic activity in March to June 2020. The improvement has raised fears of higher inflation and a worry that central banks are being at the same time too complacent and that they will increase rates sooner than currently expected. Hence the recent negative performance of government bond markets, while equity markets have steadily gone up.

Governments remain concerned about the recovery and have extended their support programmes to the 3rd and in some cases 4th quarter of 2021, in order to support the broader recovery. In the US, The Biden administration is going for broke with two further economic support packages which, if passed, total nearly US$ 4 Trillion, on top of the US$ 1.9 Trillion already being distributed to the working population. Central banks have also made it clear that they see the current "surge" in the inflation data as temporary and that they will remain supportive well into the recovery.

The success of the vaccination programme in the UK and the US, and after a slow start in Europe is also supporting markets. The bad news to set against all this good news is the Covid tragedy unfolding most notably in India and Brazil, which underlines the importance of a global vaccination response.

Just like last year, equity markets are well ahead of the economy and actual earnings therefore I am only cautiously optimistic, for the following reasons; while most of the growth and inflation can be explained by base effects, if workers are not encouraged back to work because their unemployment benefits are more attractive, then this either slows the pace of recovery or leads to wage cost inflation, which will be more difficult for central banks to control. After the experience of the last year, savers may choose after the initial surge of spending due to "pent up" demand to have a higher savings rate than they did in the past. The Fiscal stimulus plans outlined by the Biden administration may be too big for the Senate in particular, and may be not be delivered or significantly reduced. And finally, until we are all (globally) vaccinated, global re-opening remains someway off. We only have to look at the caution in our own government's re-opening of overseas leisure travel to see how slow and expensive this could be.

In the long term, the global economy has turned a corner on climate change and sustainable development with the more constructive and engaging approach of the new Biden Presidency. The changes in the global economy that have been accelerated by Covid are also constructive for global sustainable equity, emerging markets and to a lesser extent credit markets, but remain negative for developed market government bonds. In terms of regions the more pro-cyclical and industrial sectors of Europe and the UK with their leadership in "green technology" could be beneficiaries over the US "information technology" and "social media" consumption led sectors.

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 2020/21 are detailed below:

Review of the internal audit reports for 2020/21 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 the board to monitor the progress of recommendations arising from internal audits. The Board considered a report from officers regarding amending the planned audit programme in order to audit changed working practices due to the pandemic.

Devon Pension Fund Risk Register.
During 2020/21, the Pension Board have reviewed the Risk Register at every board meeting and made a number of suggestions which were adopted by the Investment and Pension Fund Committee. These included the risk of negative interest rates and the effect on the pension fund and the issues around the McCloud judgement. 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. This review included The Investment Strategy Statement which was updated following the revision to the Stewardship Code. The Governance Policy was also reviewed by the board following a revision to the voting rights of union representatives sitting on the Investment and Pension Fund Committee.

Minutes from Investment & Pension Fund Committee meetings.

The Board reviewed each set of minutes from the Investment & Pension Fund Committee meetings held during 2020/21 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 board 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 Board members have sufficient knowledge and skills to carry out their role effectively.

More information on the work of the Devon Pension Board can be found on the 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 2020/21

Name	Date Appointed	Date Left	Meetings Attended
Employer Representatives			
Cllr Colin Slade (Chairman)	Sept 2018		3 (of 3)
Cllr Sara Randall Johnson	May 2016		3 (of 3)
Carl Hearn	May 2015		3 (of 3)
Carrie Piper	Feb 2020		3 (of 3)
Scheme Member Representatives			
Judy Bailey	May 2019		3 (of 3)
Andy Bowman	May 2015		3 (of 3)
Paul Phillips	Aug 2017		3 (of 3)
Colin Shipp	April 2016		2 (of 3)
Independent Non-Voting Member			
William Nicholls	Oct 2015		3 (of 3)

Note: The April meeting of the Pension Board was cancelled due to the lockdown imposed as a result of the COVID-19 pandemic.

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 £'000	2020/21 £'000	2021/22 £'000	2022/23 £'000	2023/24 £'000	2024/25 £'000	2025/26 to 2035/36 £'000	Total £'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.

Now that Brunel is operational, the financial performance of the pool will be monitored 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 set up and transition costs incurred to date are set out in the following table.

Brunel Pool Set Up Costs

	2020/21			Cumulative
	Direct	Indirect	Total	To Date
	£'000	£'000	£'000	£'000
Set Up Costs				
Recruitment	-	-	-	18
Legal	-	-	-	133
Procurement	-	-	-	82
Other Support Costs e.g. IT, Accommodation	-	-	-	-
Share Purchase/subscription costs	-	-	-	840
Other working capital provided e.g. loans	-	-	-	-
Staff costs	-	-	-	-
Other costs	-	-	-	-
	-	-	-	1,073
Transition Costs				
Transition fees	-	116	116	306
Taxation (seeding relief)	-	52	52	637
Other transition costs	-	2,327	2,327	3,824
	-	2,495	2,495	4,767

The Devon Fund transitioned its first assets to Brunel in July 2018, comprising the allocation to passive equities. By March 2020 around 63% of the Devon Fund's assets had been transitioned. During 2020/21, further active equity assets were transitioned across to the Brunel Global Smaller Companies portfolio, and the investment in Diversified Growth Funds was transitioned to the Brunel Diversifying Returns Fund. The Fund has also made a significant commitment to Brunel's infrastructure portfolio. The fee savings achieved in 2020/21 are set out in the following table.

Investment Fee Savings from Pooling

Portfolio	Value in Orginal Business case (31 March 2016) £'000	Value at 31 March 2021 £'000	Price variance £'000	Quantity variance £'000	Total saving / (cost) £'000
UK Passive Equities	730,447	560,214	136	62	198
Global Developed Passive Equities	430,180	806,449	376	(240)	136
Smart Beta Passive Equities	264,900	433,713	102	(134)	(32)
Global High Alpha Equities	174,215	314,878	105	(529)	(424)
Emerging Market Equities	136,970	281,725	511	(791)	(280)
Global Smaller Companies Equities	167,771	238,078	575	(176)	399
Sustainable Equities	-	153,375	134	(372)	(238)
Active Low Volatility Equities	-	336,892	287	(850)	(563)
Diversifying Returns Funds	486,079	476,194	700	93	793
Property	366,555	410,504	771	(172)	599
Infrastructure	139,374	194,950	(302)	(534)	(836)
			3,395	(3,643)	(248)

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 2020/21 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 allocation shown includes both Brunel funds and previous investments that are still managed directly by the Devon Fund, in order to give a complete picture.

A summary of the all 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

	2019/20				2020/21			
	Budget		Actual		Budget		Actual	
	In Year £'000	Cumulative to date £'000	In Year £'000	Cumulative to date £'000	In Year £'000	Cumulative to date £'000	In Year £'000	Cumulative to date £'000
Set up costs	-	1,241	-	1,073	-	1,241	-	1,073
Ongoing Brunel Costs	817	1,436	1,383	2,338	844	2,280	1,631	3,969
Devon Fund Savings	(79)	(155)	(79)	(149)	(81)	(236)	(81)	(230)
Transition costs	4,329	6,512	2,068	2,272	21	6,533	2,495	4,767
Fee savings	(2,476)	(2,884)	(1,442)	(1,990)	(4,059)	(6,943)	(3,395)	(5,385)
Net costs / (realised savings)	**2,591**	**6,150**	**1,930**	**3,544**	**(3,275)**	**2,875**	**650**	**4,194**

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 most significant variances from the original business case can be summarised as follows:

- Fee savings in 2020/21 were lower than the original business case. This is partly a result of a slower transition of assets than originally envisaged. The projected savings included transition of the fixed interest assets which as at 31 March 2021 had yet to transfer. This is also affected by the additional costs on infrastructure. This is a result of fees charged on committed capital as opposed to invested capital. As more of the commitment is drawn down, this should generate future savings. Changes in the Fund's asset allocation strategy will also have an impact.
- The transition costs for 2020/21 are higher, as the original business case assumed that 95% of the assets would have transitioned by March 2020. On a cumulative to date figure the transition costs are lower, but the fixed income assets have yet to transition, so further costs will be incurred in 2021/22. Of the transitions that took place during 2020/21 the diversified growth fund transition was achieved in line with the forecast costs, but the transition of the specialist funds to the Global Smaller Companies portfolio was significantly more expensive.
- 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. As a result, the ongoing overhead costs of the Brunel company are higher than originally estimated.

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 2020/21, together with the comparator figures for 2019/20. 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 2020/21

	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	8,472	219	8,691	25.0	6,731	264	6,995	60.1	15,686	33.8
Performance	-	185	185	0.5	565	-	565	4.9	750	1.6
Research	-	-	-	-	-	-	-	-	-	-
Other Charges	-	1,841	1,841	5.3	-	727	727	6.2	2,568	5.5
Asset Pool Shared Costs	1,469	-	1,469	4.2	-	-	-	-	1,469	3.2
Transaction costs										
Transaction taxes	145	322	467	1.3	-	78	78	0.7	545	1.2
Broker commission	122	750	872	2.5	-	147	147	1.3	1,019	2.2
Implicit costs	-	4,820	4,820	13.8	-	9,184	9,184	78.9	14,004	30.1
Entry/exit charges	-	-	-	-	-	4	4	-	4	-
Indirect transaction costs	-	1,282	1,282	3.7	-	303	303	2.6	1,585	3.4
Other transaction costs	76	1,114	1,190	3.4	57	293	350	3.0	1,540	3.3
Anti-dilution offset	-	(727)	(727)	-2.1	-	(95)	(95)	-0.8	(822)	-1.8
Property management costs	-	2,240	2,240	6.4	-	-	-	-	2,240	4.8
Custody	82	-	82	0.2	-	-	-	-	82	0.2
Other Costs	-	-	-	-	(3)	-	(3)	-	(3)	-
	10,366	12,046	22,412	64.2	7,350	10,905	18,255	156.9	40,667	87.5

2019/20

	Brunel Asset Pool				Non-Asset Pool				Fund Total	
	Direct	Indirect	Total		Direct	Indirect	Total			
	£'000	£'000	£'000	bps	£'000	£'000	£'000	bps	£'000	bps
Management Fees										
Ad Valorem	2,702	1,233	3,935	16.4	9,294	2,156	11,450	56.5	15,385	34.7
Performance	-	46	46	0.2	2,145	46	2,191	10.8	2,237	5.1
Research	-	-	-	-	-	-	-	-	-	-
Other Charges	-	1,136	1,136	4.7	-	2,472	2,472	12.2	3,608	8.1
Asset Pool Shared Costs	1,192	-	1,192	5.0	-	-	-	-	1,192	2.7
Transaction costs										
Transaction taxes	-	681	681	2.8	147	114	261	1.3	942	2.1
Broker commission	-	269	269	1.1	122	260	382	1.9	651	1.5
Implicit costs	-	2,305	2,305	9.6	-	4,812	4,812	23.8	7,117	16.1
Entry/exit charges	-	-	-	-	-	-	-	-	-	-
Indirect transaction costs	-	49	49	0.2	-	726	726	3.6	775	1.8
Other transaction costs	300	95	395	1.6	584	637	1,221	6.0	1,616	3.6
Anti-dilution offset	-	(194)	(194)	-0.8	-	(293)	(293)	-1.4	(487)	-1.1
Custody	59	-	59	0.2	-	-	-	-	59	0.1
Other Costs	-	-	-	-	(53)	(13)	(66)	-0.3	(66)	-0.1
	4,253	5,620	9,873	41.0	12,239	10,917	23,156	114.4	33,029	74.6

The following points are relevant in comparing the Brunel costs with the non-asset pool costs, and in comparing costs between 2019/20 and 2020/21:

- The ad valorum management fees, as a percentage of assets under management, increased in 2020/21 on both the Brunel Asset Pool and Non-Asset Pool managed assets, but reduced as a percentage of the Total Fund assets. A high proportion of the assets managed by Brunel in 2019/20 were passive equity assets, which have significantly lower fees than actively managed assets. As more actively managed assets transitioned to Brunel in 2020/21, this increased the average fees charged by the managers within the Brunel Asset Pool. The transition of further listed assets to Brunel during the year also meant that a higher proportion of the remaining non-asset pool managed assets comprised unlisted infrastructure assets which typically have higher fee rates. Therefore the average fees charged on the non-asset pool managed assets also increased. However, the average basis points charged across the total fund reduced as a result of fee savings achieved through transition to Brunel, netted off by an overall reduction in the proportion of passive assets and in increase in the proportion of actively managed assets with higher fee rates.

- Lower performance fees were paid in 2020/21. For the minority of investments where performance fees are charged, they are generally calculated on performance over the calendar year, and reflected poorer performance in 2020, due to the impact of the COVID pandemic.

- There was a sharp increase in implicit transaction costs in 2020/21. On non-asset pool managed assets the jump from 23.8 basis points to 78.9 basis points was the major cause of the increase in the total investment costs incurred, and comprised over half of the reported costs. The increase in implicit costs came from the Fund's allocation to multi-sector credit, where turnover increased due to the unprecedented credit market volatility created by opportunities presented by the COVID pandemic. The turnover was without question very beneficial to the portfolio as the team bought assets when prices fell dramatically and benefited from the price appreciation when they subsequently took profit. Performance was strong, net of all transaction costs, in both total return terms and relative to benchmark.

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. However, it was necessary to change the approach to the provision of training, as the Coronavirus pandemic made it impossible to run the usual training days. Instead, Committee and Board members were made aware of a range of seminars and training sessions that could be attended virtually. While this provided a range of opportunities and Committee and Board members were encouraged to attend a broad cross section of events to update their knowledge, there was a particular focus on the following:

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 Toolkit's self-assessment can be undertaken by Committee and Board members in their own time, but in addition two sessions were conducted by Devon Fund officers to take members through the toolkit and support them in undertaking the assessments. Those Committee and Board members who have completed the self-assessment are indicated in the following table.

Brunel Investment Seminar – 18 November 2020

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

- Overview of Brunel portfolios and fund launches
- Economic and market update
- Private markets update
- Listed markets update

Brunel Responsible Investment Seminar, 19 November 2020

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

- Overview of Brunel engagement activity
- COVID impact on responsible investment activity
- Human capital, diversity and inclusion
- Climate change and net zero investment framework

The training attended by Committee and Board members is shown in the table below:

Name	TPR Self Assessment Completed	Training/Events Attended
Investment and Pension Fund Committee		
Cllr Ray Bloxham (Chairman)	✔	• LGA Fundamentals – 3 day course • Barnet Waddingham LGPS Overview Training • Brunel Investment seminar • Brunel Responsible Investment seminar
Cllr Yvonne Atkinson		• Brunel Investment seminar • Brunel Responsible Investment seminar
Cllr Alan Connett		
Cllr Richard Edgell		• Brunel Investment seminar
Cllr Richard Hosking	✔	• BMO Investment Conference • Brunel Investment seminar • Brunel Responsible Investment seminar
Cllr Andrew Saywell		• LGA Fundamentals – 3 day course • Brunel Investment seminar • Brunel Responsible Investment seminar
Cllr Lorraine Parker Delaz Ajete	✔	• Brunel Investment seminar • Brunel Responsible Investment seminar
Cllr James O'Dwyer	✔	
Cllr Judy Pearce		• Brunel Investment seminar
Donna Healy	✔	• LGA Fundamentals – 3 day course • BMO Investment Conference • Brunel Investment seminar • Brunel Responsible Investment seminar
Cllr Mark Lowry (substitute)		• Brunel Investment seminar
Roberto Franceschini	✔	• Barnet Waddingham LGPS Overview Training • Brunel Investment seminar • Brunel Responsible Investment seminar
Jo Cook		
Stephanie Teague		• Brunel Investment seminar

Name	TPR Self Assessment Completed	Training/Events Attended
Devon Pension Board		
Cllr Colin Slade (Chairman)	✔	• Brunel Responsible Investment seminar
Cllr Sara Randall Johnson	✔	• Barnett Waddingham/CIPFA Local Pension Board Annual Event • Brunel Investment seminar • Brunel Responsible Investment seminar
Carl Hearn	✔	• Barnet Waddingham LGPS Overview Training • Brunel Investment seminar • Brunel Responsible Investment seminar • Barnett Waddingham/CIPFA Local Pension Board spring seminar 2021
Carrie Piper	✔	• Barnett Waddingham/CIPFA Local Pension Board Annual Event • Barnett Waddingham LGPS Overview Training
Julie Bailey	✔	• Brunel Investment seminar • Brunel Responsible Investment seminar
Andrew Bowman	✔	• Barnett Waddingham/CIPFA Local Pension Board Annual Event • Mallowfield – Quantifying Sustainability • Mallowfield – Environmental Investing • Mallowfield LGPS Indalba • LGA Fundamentals – 3 day course • UNISON LGPS Special Forum • UNISON LGPS Conference • Barnet Waddingham LGPS Overview Training • BMO Investment Conference • Brunel Investment seminar • Brunel Responsible Investment seminar • Barnett Waddingham/CIPFA Local Pension Board spring seminar 2021
Paul Phillips	✔	• Barnet Waddingham LGPS Overview Training
Colin Shipp	✔	
William Nicholls	✔	• Brunel Investment seminar • Brunel Responsible Investment seminar

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 2020/21 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. **Latest Review:** Markets incurred significant losses as a result of the Coronavirus COVID-19 pandemic. This had a significant impact on the value of the Fund as at 31 March 2020. Markets have subsequently recovered and the roll out of the vaccination programme has provided hope to investors. However, it is likely that there will be a long lasting impact on the global economy, hence uncertainty remains.	• 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 and /or Fund Managers fail to produce the required returns, or organisational changes / manager departures at a Fund Manager damage performance, resulting in: • Financial loss. • Insufficient funds available to meet future obligations. **Latest Review:** Returns during 2019/20 were severely impacted as a result of the Coronavirus COVID-19 pandemic. Markets have subsequently recovered with a return of over 20% in the year to 31 March 2021, and the roll out of the vaccination programme has provided more hope to investors. It is still likely that there will be a long-lasting impact on the global economy, however the mitigations are still relevant re longer term performance.	• Triennial actuarial valuations provide periodic indications of the growth in assets against liabilities. Employer contribution rates are set in response to this. The 2019 actuarial valuation includes provision for the Fund to achieve full funding over 19 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 on a regular basis. Mercers undertook an investment strategy review in 2016, which was then refreshed in February 2019. The 2019 report and recommendations were presented to the Investment and Pension Fund Committee in February 2019.
Pay and price inflation are higher than anticipated. • An increase in liabilities which exceeds the previous valuation estimate. **Latest Review:** • High global inflation not seen as likely in the current economic conditions	• 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. • The Committee has received training on understanding liabilities and potential approaches to Liability Driven Investment.

<table>
<tr><th>Description of Risk
and Potential Impact</th><th>Mitigating Controls</th></tr>
<tr><td>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.
Latest Review:
Controls still effective. Training can be delivered virtually where required</td><td>• The Investment Strategy is set in accordance with LGPS investment regulations.
• The Investment Strategy is reviewed, approved and documented by the Investment and Pension Fund Committee.
• The Investment Strategy takes into account the Fund’s liabilities.
• DCC employ an external investment advisor who provides specialist guidance to the Investment and Pension Fund Committee regarding the investment strategy.
• An Annual Training Plan was agreed for 2020/21. 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.</td></tr>
<tr><td>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.
Latest Review:
Carbon footprint assessed as at 31 December 2020, showing a 37% reduction in Weighted Average Carbon Intensity from the baseline calculation as at 31 March 2019. The Fund is targeting a 7% per annum reduction in its carbon footprint on an ongoing basis.</td><td>• 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 expects its non-Brunel investment managers to take climate change risks into account and to engage with companies over their approach to climate change issues.
• The Devon Fund will undertake an annual assessment of the carbon footprint of its investments.</td></tr>
</table>

<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 expects its fund managers (including the Brunel Pension Partnership) 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.
• 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.</td></tr>
<tr><td>The Devon Pension Fund has insufficient resources available to deliver the investment pooling proposal within the required timescale, without impacting the day-to-day management of the fund.
• The management of the Pension Fund is adversely affected due to existing resources concentrating on the pooling proposal.
• Underperformance and failure to meet statutory obligations.
Latest Review:
The Fund’s fixed interest mandates are due to transition in April/May 2021, at which point the transition will be complete. The Fund’s remaining non-Brunel holdings, comprising infrastructure and private debt investments will not transition, but will continue to be held until the end of the various fund lives. Brunel will move from the transition phase to a business as usual phase and the transition risk can be removed.</td><td>• The Brunel Pension Partnership is now established as an FCA regulated company, fully staffed to meet the business case as approved by the 10 client LGPS funds.
• Governance arrangements are in place with an Oversight Board of elected members and a Client Group of fund officers from each of the LGPS client funds to oversee the service provided by Brunel and ensure that Brunel are delivering on their key objectives.
• Regular update meetings are held between the County Treasurer and Assistant County Treasurer, as well as update meetings within the Devon Investment Services team, to review progress and workloads in order to identify and address any areas of concern.</td></tr>
</table>

Description of Risk and Potential Impact	Mitigating Controls
The average life expectancy of pensioners is greater than assumed in actuarial assumptions. • An increase in liabilities which exceeds the previous valuation estimate.	• Life expectancy assumptions are reviewed at each valuation. • Mortality assumptions include some allowance for future increases in life expectancy.
An employer ceases to exist with insufficient funding available to settle any outstanding debts, or refuses to pay the cessation value. • Departing employer not fully meeting its liabilities which leads to increased costs across the remaining scheme employers.	• Vetting of prospective employers before admission and ensuring that they fully understand their obligations. Applications for admission to the Fund are considered carefully and a bond or guarantee is put into place if required. • Outstanding liabilities will be assessed and recovered from any successor bodies or spread amongst remaining employers. • The actuarial valuation attempts to balance recovery period with risk of withdrawal. • If necessary, appropriate legal action will be taken. • An Employer Covenant Risk Assessment has been undertaken by the Fund Actuary, Barnett Waddingham.
Concentration of knowledge in a small number of officers and risk of departure of key staff. • The risk of losing key staff could lead to a breakdown in internal processes and service delivery, causing financial loss and potential risk to reputation.	• The Investment Manager is able to cover in the absence of the Assistant County Treasurer. • In 2018 the Head of Peninsula Pensions and the Investment Manager swapped roles to improve the sharing of knowledge and the resilience of the Fund. • Knowledge of all tasks shared by at least two team members and can in addition be covered by senior staff. • Training requirements are set out in job descriptions and reviewed annually with team members through the appraisal process. • A procedure manual is in place which sets out work instructions for the majority of crucial tasks undertaken.
Non-compliance with legislation and failure to correctly implement new legislation and regulations, resulting in: • Incorrect benefit payments being made. • Risk of financial loss and damage to reputation.	• LGA/External training. • Project work approach to implementation of legislative changes. • In house training for all staff. • A Training and Technical team is now in place, following the Pension Review. The team has commenced delivering training across the teams.

Description of Risk and Potential Impact	Mitigating Controls
The hosted Altair pensions system fails as a result of connection issues, supplier fault or cyber attack. • Loss of sensitive data. • Reputation risk. • Financial loss arising from legal action.	• The system is backed-up daily. System is hosted by Heywoods. • A full disaster recovery plan and business continuity plan is in place and tested and updated annually. • Peninsula Pensions ensure that the relevant people are suitably vetted and trained, that administrators and service providers have measures in place to avoid security breaches.
Annual Benefit statements are not sent to active and deferred members by 31st August . • 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. • We are looking to increase employer take up of monthly interfaces and are exploring options to improve software processes.

The current version of the full risk register can be found on the Peninsula Pensions 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 2020/21, and the opinions provided, are summarised in the following table.

Internal Audit Coverage 2020/21

Areas Covered		PF or PP	Level of Assurance
1	Investment Strategy Statement	DPF	Substantial Assurance
2	Performance Management	DPF	Reasonable Assurance
3	Risk Management and Reporting	DPF	Substantial Assurance
4	Employer Self-Service – including follow-up of Interfacing and use of ESS	PP	Reasonable Assurance
5	New Website	PP	Reasonable Assurance
6	Covid Response and Changed Practices – Member Services	PP	Substantial Assurance
7	Covid Response and Changed Practices – Employer Communications	PP	Substantial Assurance
8	Covid Response and Changed Practices – Technical & Compliance	PP	Substantial Assurance
9	Covid Response and Changed Practices – Overall Adaption	PP	Substantial Assurance

Key – DPF = Devon Pension Fund PP = Peninsula Pensions

Overall, and based on work performed during 2020/21, Internal Audit can provide 'reasonable assurance' on the adequacy and effectiveness of the Fund's internal control environment. The reviews undertaken during the year and in prior years provide enough evidence that the Devon Pension Fund and Peninsula Pensions have suitable governance arrangements in place to mitigate exposure to identified risks.

Internal Audit concluded that 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. A significant part of Internal Audit's work in 2020/21 focused on new COVID-19 related risks for Peninsula Pensions and provided an overall opinion of reasonable assurance.

Regular Actions and Recommendation Tracker reports are taken to the Devon Pension Board, with reference to an Audit Action Log created to track progress and completion of audit actions including a log of actions requested by the Board.

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 2020/21 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).

The Fund was previously accredited as a tier 1 signatory to the UK Stewardship Code. A new revised version of the code has now been issued. The UK Stewardship Code 2020 (the Code) 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 has begun work on further strengthening its approach to meet the new requirements of the Code.

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. These interests are 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 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 one of effecting change by engagement, rather than by disinvestment. Active stock selection decisions are delegated to the Fund's external investment managers, who are expected to take into account Environmental, Social and Governance (ESG) risks in making their investment decisions and to carry out engagement with the companies invested in on the Devon Fund's behalf. The Fund expects its external investment managers to engage with the companies they are invested in and to vote at AGMs.

The Devon County Council Investment Team will engage regularly with the Brunel Pension Partnership (Brunel), the Local Authority Pension Fund Forum, 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 Assistant County Treasurer, 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. The role of the Independent Investment Advisor to the Investment and Pension Fund Committee includes the objective of advising the Committee on responsible investment.

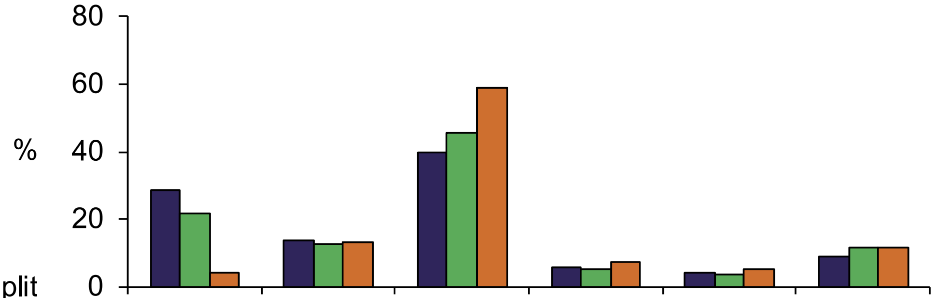
Each year the Fund holds an annual consultative meeting in February each year for members of the pension fund, which includes presentations on stewardship activity and how the Fund is addressing climate change, as well as updates on investment and administration performance. This allows fund members to ask questions and challenge how the fund is managing these issues. The meeting in February 2021 had to be held as a virtual meeting due to the COVID pandemic, but 173 fund members logged in to view the presentations and were able to pose questions to fund officers. A similar meeting was held for fund employers and information is also available on the Fund website: **www.devonpensionfund.org.uk**.

Equity Investments

In Autumn 2020 the Fund's investments in specialist equity funds transitioned across to the Brunel Global Smaller Companies Portfolio. As a result, apart from a small remaining allocation to the RWC European Focus Fund all of the Devon Fund's equity assets are now managed via Brunel. Brunel's engagement activities are included in the manager reports section of the Annual Report.

The Devon Pension Fund has equity investments across the globe, managed by external investment managers appointed and monitored by the Brunel Pension Partnership. 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 2020 (%)	28.8	13.5	39.9	5.5	3.8	8.6
March 2021 (%)	21.8	12.6	45.3	5.2	3.4	11.7
FTSE All World	4.1	13.0	59.1	7.2	5.3	11.3
£m Invested						
March 2020 (m)	649.5	303.8	900.4	123.3	85.4	193.1
March 2021 (m)	691.4	398.7	1,438.0	165.6	107.6	370.8

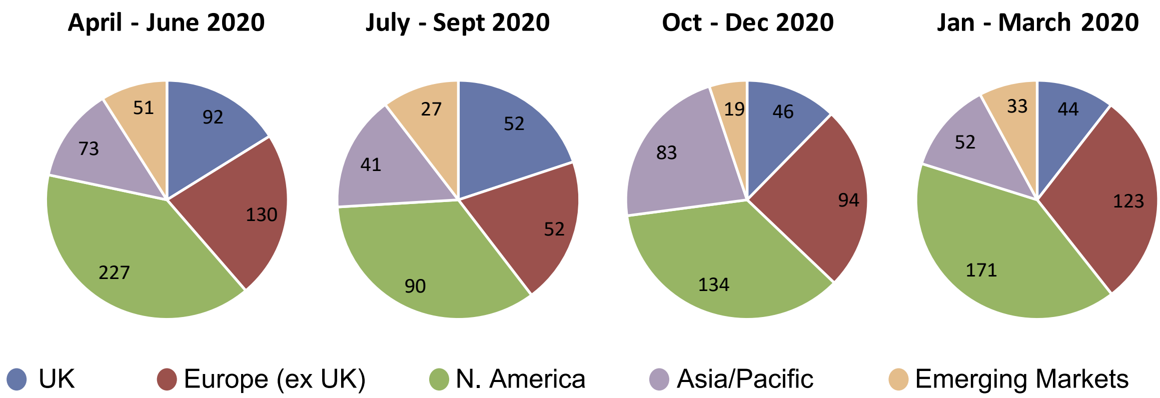
The regulatory environment varies across different parts of the world, and to be successful active owners in these markets, investors must assess stewardship in the local context and take the time to understand the local business environment, culture, and evolving regulations. These differences serve 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:

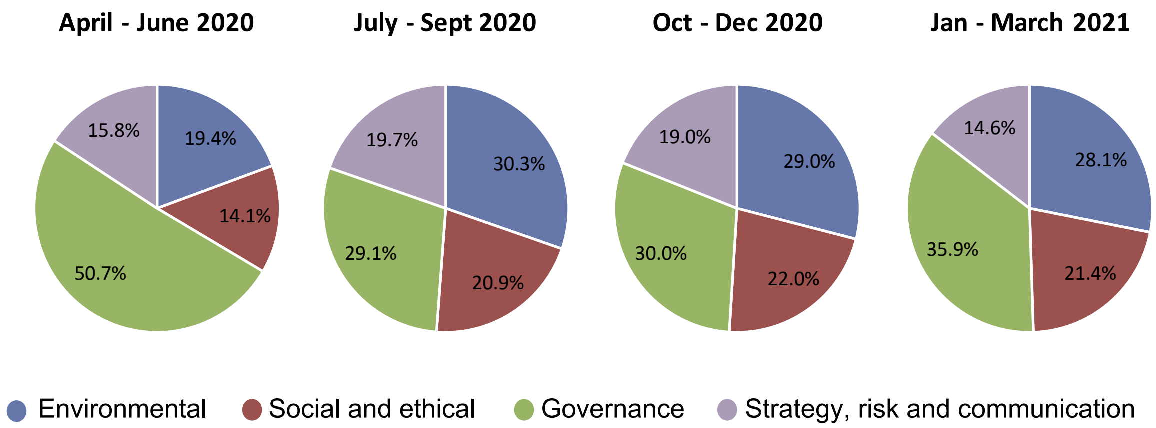
- Sustainability.
- Human and natural capital.
- Conduct, culture, composition and effectiveness of company boards (i.e. governance).
- Remuneration policies that align with shareholder interests
- Effective audit
- Protection of shareholder and bondholder rights.

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 57, 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

Barclays - Two almost identical resolutions were filed on climate change at the Barclays AGM, one submitted by a shareholder group led by ShareAction and another submitted by the company. All parties agreed that Barclays had made significant progress with its climate strategy, and Barclays made this point repeatedly in seeking support for its own resolution. However, the investor group felt the company needed to make more concrete, shorter-term commitments, as reflected in the shareholder resolution. LAPFF Chair, Cllr Doug McMurdo, and other LAPFF representatives communicated with Barclays several times over two months, and with ShareAction and other investors (including some LAPFF members) three or four times. During these engagements, it became clear that the two sides had come closer in their views of how to progress Barclays' approach to climate change and that the engagement between the two parties had been beneficial for everyone.
Rio Tinto - LAPFF's engagement has centred on Rio Tinto's involvement in the destruction of the historically significant caves at Juukan Gorge in Western Australia, and increasing concerns about the company's corporate governance practices. LAPFF has participated in a collaborative investor group led by Adam Matthews at Church of England to discuss a way forward not only for Rio Tinto, but the mining industry more broadly. LAPFF has also engaged with Rio Tinto in relation to the company's progress on scopes 1 and 2 carbon emission targets; progress on partnerships; and review of trade association memberships.
ArcelorMittal - Steelmaking accounts for 7-9% of global carbon emissions today, and as the largest steelmaker in the world ArcelorMittal is responsible for a significant share. The majority of carbon emissions come from the process of iron ore reduction. The carbon challenge for the industry in the coming decades must be to transform the way in which iron ore is turned into steel. Over the period of engagement, ArcelorMittal has been responsive and LAPFF and other lead investors have had notable success with the company separately identifying carbon-neutral hydrogen technology as central to its longer term zero-carbon transition. Most recently ArcelorMittal has set an objective for the whole group to be carbon neutral by 2050 in addition to its shorter term target in Europe to reduce CO2 emissions by 30% by 2030.
BMW - LAPFF has sought to engage with the auto industry to ascertain how car makers will be approaching the challenges of electrifying their fleets and what their plans are to reduce carbon emissions. As part of their activity on this front, the Forum met with BMW. BMW has openly set science-based targets for its Scope 1 & 2 emissions but has yet to set such targets for Scope 3 emissions. The company assured LAPFF that it is ready to meet a rise in demand for electric vehicles and that its own operations will be carbon neutral by next year by offsetting its carbon emissions in a number of ways. They have also ensured that all of their battery cell suppliers use green energy and are looking at all aspects of supply to reduce CO2 emissions.
BAE Systems - About a year and a half ago, the Forum began an engagement with widely held defence contractors to discuss their arms policies given the use of their weapons for the war in Yemen. One of the companies engaged was BAE. More recently, Cllr McMurdo has met with BAE and raised the question of engagement with human rights. However, the company appears to continue to focus on staff issues as its primary indicator of performance on the 'S' element of ESG. While it is understandable that the company is in a difficult position with government arms contracts, it is worrying that it appears to barely acknowledge the human rights implications of its arms contracts.

AngloAmerican and Glencore - Part of LAPFF's strategy to make progress on tailings dam safety has been to meet company chairs to explain the Forum's perspective on the importance of speaking meaningfully with affected communities. LAPFF Chair, Cllr Doug McMurdo, spoke with both AngloAmerican Chair, Stuart Chambers, and Glencore Chair, Tony Hayward, on this issue. Both chairs recognised the importance of engaging effectively with affected communities but did not provide much detail on how their respective companies were going about this engagement. Cllr McMurdo also raised concerns about the role of joint ventures in contributing to poor environmental, social, and governance standards in mining projects. While there was general agreement that joint ventures were problematic, the different companies had different perspectives on these structures, which might account for the dissonance in running them. As an added dimension to this work, Cllr McMurdo also met with a number of Brazilian investors, including Previ, the largest public pension fund in Brazil, to test their appetite for engaging with the affected communities.
Amazon - LAPFF signed onto a letter coordinated by investors to ensure that Amazon is respecting workers' rights to free association and collective bargaining. To date, Amazon has responded in letter form that it has appropriate human rights and labour standards in place. The company stated that it respects trade union rights and has good relationships with its employees. However, the investors in this collaborative engagement have not been satisfied with the company's response. This is in part due to reports that Amazon has hired a consulting company to obstruct trade union activities. There has been a follow up letter sent requesting a meeting with Amazon to discuss this issue further. The investors are awaiting a response from the company.
Tesco - During January 2021, LAPFF met with Tesco to discuss the company's long-term strategy relating to health and nutrition. Part of the objective of this engagement was to encourage the company to disclose metrics relating to the proportion of healthy versus unhealthy produce available to customers and to set relevant targets to improve the availability of healthy items. This engagement aligns with the Healthy Markets initiative being coordinated by ShareAction. Tesco outlined that it already collected data relating to health and nutrition. Since the engagement took place, ShareAction has announced the filing of a resolution at the upcoming Tesco AGM requesting that the company disclose the share of total food and non-alcoholic drink annual sales by volume made up of healthier products and publish a target to significantly increase that share by 2030.
Compass Group - In January 2021, multiple media articles came to light about Chartwell (a subsidiary of Compass Group Plc) and its contract awarded by the government to supply £30 for free school meals. The articles and pictures of school meals in the press presented what a family had been supposedly been provided for ten days and were highly critical of the allocation. Cllr McMurdo immediately reached out to Compass Group to ascertain what had gone wrong in Chartwell's supply chain. He asked why there had been governance failings and what was being done to ensure this did not happen again. After a thorough conversation around where these failings had happened and why, Compass discussed how it was ensuring that this would not happen again with more thorough procedures in place in certain parts of theirs and Chartwell's business operations.
HSBC - A shareholder resolution was filed for the 2021 HSBC AGM asking for publication of a strategy, with short, medium and long-term targets, to reduce the company's exposure to fossil fuel assets on a timeline aligned with the goals of the Paris agreement. Following the resolution filing, LAPFF participated in a meeting in February 2021 hosted by Investor Forum with the CEO & Chair to discuss the resolution. The company has acknowledged that 'expansion of coal-fired power is incompatible with the goals of the Paris agreement. In line with the resolution, HSBC has committed to set, disclose and implement a strategy with short- and medium-term targets to align its financing across all sectors with the goals of the Paris climate agreement. It will use 1.5C pathways that are not overly reliant on negative emissions technologies.

In addition to engaging with investee companies, the Devon Fund requires that the Brunel Pension Partnership will always seek to exercise its rights as shareholders through voting on all resolutions at company general meetings.

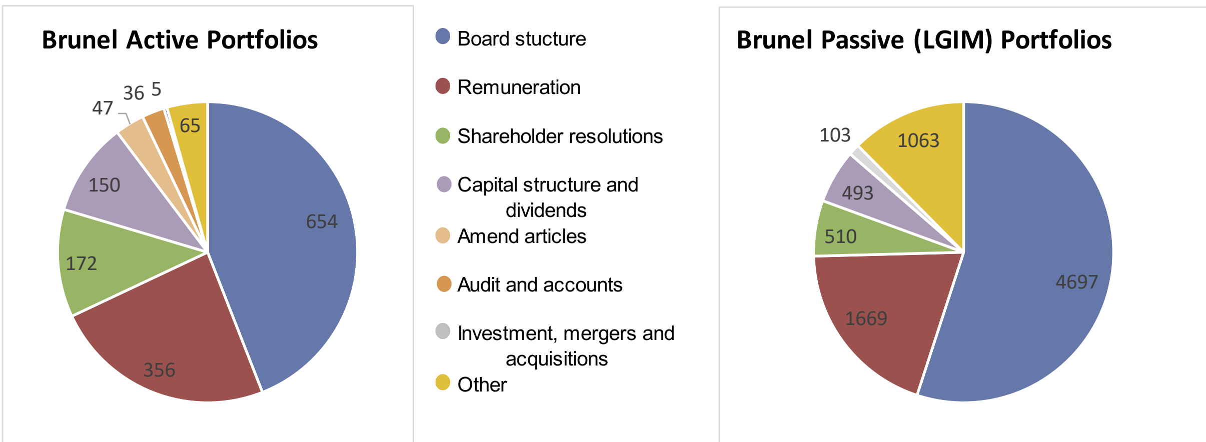
Brunel actively vote the shares held within their funds on behalf of their client funds, including Devon. For the passive equity allocation Legal and General Investment Management (LGIM) manage the investments and voting on the shares is delegated to them. On significant issues, Brunel may request that 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 2020/21

Manager	Number of Meetings	Number of Resolutions	Votes against Management Recommendation
Brunel Passive Portfolios (LGIM)	4,002	52,748	8,535
Brunel Active Portfolios	867	10,275	1,485
Specialist Funds (combined)	244	3,730	130

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 2020/21



Where significant issues arise on the agendas of company meetings, LAPFF will issue voting alerts, with recommendations on how to vote. The Devon Fund will then pass on these recommendations to its external investment managers, including Brunel, and ask them to report back on how they have voted. The voting alerts issued during 2020/21 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.

LAPFF Voting Alerts 2020/21

Company	AGM Date	Target Resolution	LAPFF Recommnd'n	Voting Record			Outcome
				LGIM (Passive)	Brunel Active	Active Portfolios Held In	
Santos Ltd.	03-Apr-20	Amendment to the Constitution.	For	For	N/A	N/A	Not Approved (92.6% votes against)
		Request for disclosures in line with Paris Goals.	For	For	N/A		Invalid (However 43.4% votes for and 55.9% votes against)
		Lobbying Inconsistent with the Paris Agreement Goals.	For	For	N/A		Invalid (However 46.4% votes for and 53.0% votes against)
Carnival Corporation & plc	06-Apr-20	Approval of Carnival plc Directors' Remuneration Policy	Oppose	Against	N/A	N/A*	Approved (85.3% votes for)
AstraZeneca plc	26-Apr-20	Approval of Directors' Remuneration Policy	Oppose	For	N/A	N/A*	Approved (94.7% votes for)
Boeing	27-Apr-20	Re-elect Robert A. Bradway	Oppose	For	N/A	N/A	Approved (95.1% votes for)
		Re-elect David L. Calhoun	Oppose	For	N/A		Approved (95.1% votes for)
		Re-elect Arthur D. Collins Jr.	Oppose	For	N/A		Approved (58.6% votes for)
		Re-elect Edmund P. Giambastiani Jr.	Oppose	For	N/A		Approved (63.7% votes for)
		Re-elect Lynn J. Good	Oppose	For	N/A		Approved (94.8% votes for)
		Re-elect Nikki R. Haley	Oppose	For	N/A		Resigned before AGM
		Re-elect Lawrence Kellner	Oppose	Against	N/A		Approved (73.2% votes for)
		Re-elect Caroline B. Kennedy	Oppose	For	N/A		Approved (93.8% votes for)
		Re-elect Susan C. Schwab	Oppose	For	N/A		Approved (56.4% votes for)
		Re-elect Ronald A. Williams	Oppose	For	N/A		Approved (66.5% votes for)
		Approve Executive Officer Compensation	Oppose	For	N/A		Approved (79.6% votes for)
		Disclosure of Director Board Matrixs	Abstain	Against	N/A		Not Approved (85.7% votes against)
		Additional Reporting on Lobbying Activities	For	For	N/A		Not Approved (64.0% votes against)
		Policy Requiring Independent Board Chair	For	For	N/A		Approved (52.1% votes for)

Company	AGM Date	Target Resolution	LAPFF Recommnd'n	Voting Record			Outcome
				LGIM (Passive)	Brunel Active	Active Portfolios Held In	
Honeywell International Inc.	27-Apr-20	Shareowner proposal- report on lobbying activities and expenditures	For	For	N/A	N/A	Not Approved (53.3% votes against)
Woodside Petroleum Ltd.	30-Apr-20	Amendment to the Constitution	For	Against	N/A	N/A	Not Approved (93.7% votes against)
		Request for disclosures in line with Paris Goals	For	For	N/A		Invalid (However 50.2% votes for and 49.8% votes against)
		Lobbying Inconsistent with the Paris Agreement Goals	For	For	N/A		Invalid (However 42.7% votes for and 57.3% votes against)
		Review 'Reputational advertising' activities	For	Against	N/A		Invalid (However 2.7% votes for and 97.3% votes against)
Eli Lilly and Company	04-May-20	Shareholder proposal to disclose direct and indirect lobbying activities and expenditures	For	For	For	Global High Alpha	Not Approved (70.3% votes against)
General Electric	05-May-20	Independent Board Chairman	For	For	N/A	N/A	Not Approved (74.0% votes against)
Dominion Energy Inc.	06-May-20	Policy to Require an Independent Chair.	For	For	For	Low Volatility	Not Approved (53.4% votes against)
Rio Tinto Ltd.	07-May-20	Shareholder Resolution to amend the company's constitution.	For	For	N/A	N/A	Not Approved (91.2% votes against)
		Shareholder Resolution on emissions targets.	For	For	N/A		Invalid (However 36.9% votes for and 63.1% votes against)
Duke Energy Corporation	07-May-20	Shareholder proposal regarding independent board chair	For	For	N/A	N/A	Not Approved (59.9% votes against)
Barclays plc	07-May-20	Barclays' commitment to tackling climate change	For	For	N/A	N/A*	Approved (99.9% votes for)
		Share Action requisitioned Resolution on climate change	For	For	N/A		Not Approved (76.1% votes against)

Company	AGM Date	Target Resolution	LAPFF Recommnd'n	Voting Record			Outcome
				LGIM (Passive)	Brunel Active	Active Portfolios Held In	
Motorola Solutions Inc	11-May-20	Re-election of Judy C. Lewent	Oppose	For	Against	Low Volatility	Approved (99.5% votes for)
		Political spending disclosure	For	For	For		Not Approved (52.1% votes against)
Ford Motor Company	14-May-20	Shareholder proposal - disclosure of the company's lobbying activities and expenditures	For	For	N/A	N/A	Not Approved (79.8% votes against)
Royal Dutch Shell	19-May-20	Request for climate targets aligned with Paris Agreement	For	For	N/A	N/A*	Not Approved (85.6% votes against)
Facebook, Inc.	27-May-20	Stockholder proposal regarding change in stockholder voting	For	For	For	Global High Alpha	Not Approved (72.9% votes against)
		Stockholder proposal regarding an independent chair	For	For	For		Not Approved (80.5% votes against)
		Stockholder proposal regarding majority voting for directors	For	For	For		Not Approved (74.6% votes against)
		Stockholder proposal regarding human/civil rights expert on board	For	For	Against		Not Approved (96.3% votes against)
Chevron	27-May-20	Create a Board Committee on Climate Risk	For	For	N/A	N/A	Not Approved (91.8% votes against)
		Adopt Policy for an Independent Chair	For	For	N/A		Not Approved (73.1% votes against)
ExxonMobil	27-May-20	Election of Director: Susan K. Avery	Oppose	Against	N/A	N/A	Approved (96.8% votes for)
		Election of Director: Angela F. Braly	Oppose	Against	N/A		Approved (84.1% votes for)
		Election of Director: Ursula M. Burns	Oppose	Against	N/A		Approved (95.3% votes for)
		Election of Director: Kenneth C. Frazier	Oppose	Against	N/A		Approved (83.0% votes for)
		Election of Director: Joseph L. Hooley	Oppose	Against	N/A		Approved (97.9% votes for)
		Election of Director: Steven A. Kandarian	Oppose	Against	N/A		Approved (96.7% votes for)
		Election of Director: Douglas R. Oberhelman	Oppose	Against	N/A		Approved (97.5% votes for)
		Election of Director: Samuel J. Palmisanos	Opposer	Against	N/A		Approved (94.5% votes for)

Company	AGM Date	Target Resolution	LAPFF Recommnd'n	Voting Record			Outcome
				LGIM (Passive)	Brunel Active	Active Portfolios Held In	
ExxonMobil (Cont.)	27-May-20	Election of Director: William C. Weldon	Oppose	Against	N/A	N/A	Approved (97.3% votes for)
		Election of Director: Darren W. Woods	Oppose	Against	N/A		Approved (93.2% votes for)
		Independent Chair	For	For	N/A		Not Approved (67.3% votes against)
		Report on Risks of Gulf Coast Petrochemical Investments	For	tbc	N/A		Not Approved (75.5% votes against)
		Report on Lobbying	For	For	N/A		Not Approved (62.5% votes against)
Amazon, Inc.	27-May-20	Report on effect of food waste	For	For	For	Global High Alpha; Low Volatility	Not Approved (67.9% votes against)
		Report on customer use of certain technologies	For	For	For		Not Approved (67.9% votes against)
		Report on potential customer misuse of certain technologies	For	For	For		Not Approved (68.0% votes against)
		Report on Efforts to Restrict Certain Products	For	For	For		Not Approved (65.1% votes against)
		Mandatory Independent Board Chair Policy	For	For	For		Not Approved (83.3% votes against)
		Alternative Report on Gender/Racial Pay	For	For	For		Not Approved (84.7% votes against)
		Report on Certain Community Impacts	For	Against	Against		Not Approved (93.9% votes against)
		Report on Promotion Data	For	For	For		Not Approved (87.8% votes against)
		Threshold for Calling Special Shareholder Meetings	For	For	For		Not Approved (63.3% votes against)
		Specific Supply Chain Report Format	For	For	For		Not Approved (68.9% votes against)
		Additional Reporting on Lobbying	For	For	For		Not Approved (69.9% votes against)

Company	AGM Date	Target Resolution	LAPFF Recommnd'n	Voting Record			Outcome
				LGIM (Passive)	Brunel Active	Active Portfolios Held In	
Alphabet, Inc.	03-Jun-20	Stockholder proposal regarding equal shareholder voting	For	For	For	Global High Alpha; Low Volatility	Not Approved (68.3% votes against)
		Stockholder proposal regarding the establishment of a human rights risk oversight committee	For	For	For		Not Approved (83.7% votes against)
		Stockholder proposal regarding majority vote for election of directors	For	For	For		Not Approved (70.6% votes against)
Caterpillar Inc.	10-Jun-20	Re-elect David L. Calhoun	Oppose	For	For	Global High Alpha	Approved (97.3% votes for)
		Re-elect Susan C. Schwab	Oppose	For	For		Approved (97.1% votes for)
		Report of Lobbying Activities	For	For	For		Not Approved (66.4% votes against)
		Independent Board Chairman	For	For	For		Not Approved (69.5% votes against)
		Shareholder Action by Written Consent	For	Against	Against		Not Approved (66.2% votes against)
General Motors	16-Jun-20	Shareholder proposal regarding report on lobbying communications and activities	For	For	For	Global High Alpha; Low Volatility	Not Approved (55.6% votes against)
Delta	18-Jun-20	Climate Lobbying Report	For	For	N/A	N/A	Not Approved (54.1% votes against)
Mizuho Financial Group	25-Jun-20	Amend Articles of Incorporation – Disclose Paris Agreement-aligned investment strategy and plan	For	For	N/A	N/A	Not Approved (65.5% votes against)
3i Group plc	25-Jun-20	Approval of Directors' Remuneration Policy	Oppose	Against	N/A	N/A*	Approved (94.2% votes for)
Homeserve plc	17-Jul-20	Approval of Directors' Remuneration Policy	Oppose	Against	N/A	N/A*	Approved (95.6% votes for)
Experian plc	22-Jul-20	Approval of Directors' Remuneration Policy	Oppose	Against	N/A	N/A*	Approved (95.3% votes for))
Ryanair	17-Sep-20	Re-elect Dick Milliken	Oppose	Against	N/A	N/A	Approved (91.7% votes for)

Company	AGM Date	Target Resolution	LAPFF Recommnd'n	Voting Record			Outcome
				LGIM (Passive)	Brunel Active	Active Portfolios Held In	
Tesla Inc.	22-Sep-20	Proposal for non-binding advisory vote on executive compensation	Oppose	Against	Against	Global High Alpha	Approved (84.5% votes for)
		Stockholder proposal regarding additional reporting on human rights	For	For	For		Not Approved (75.2% votes against)
Diageo plc	29-Sep-20	Approval of Directors' Remuneration Policy	Oppose	Against	Against	Global High Alpha	Approved (93.1% votes for)
Proctor and Gamble	13-Oct-20	Shareholder Resolution: Report on Efforts to Eliminate Deforestation	For	For	For	Low Volatility Equities	Approved (67.7% votes for)
BHP Group Ltd (Australia)	15-Oct-20	Amendment to the Constitution of BHP Group Ltd	For	For	N/A	N/A*	Not Approved (90.4% votes against)
		Cultural Heritage Protection	For	N/A	N/A		Withdrawn)
		Lobbying related to Covid-19 Recovery	For	For	N/A		Invalid (However 22.4% votes for and 77.6% votes against)
Oracle Corporation	04-Nov-20	Shareholder Resolution: Report on Gender Pay Gap	For	For	For	Global High Alpha Low Volatility Equities	Not Approved (54.0% votes against)
		Shareholder Resolution: Require Independent Board Chair	For	For	For		Not Approved (64.6% votes against)

* * Held in Brunel's Active UK Equities portfolio, but the Devon Fund is not invested in that portfolio.

Many of the companies listed will not be held in Brunel's active portfolios, but all were held through the passive allocations managed by LGIM. Both Brunel and LGIM will also conduct their own engagement. Where LGIM did not vote in line with the LAPFF recommendation this was due in most cases to engagement carried out with the company which gave them confidence that the issues concerned were being addressed, but where the shareholder resolutions being put forward would have been too restrictive and not in shareholders' interests.

Many of the voting alerts issued by LAPFF were focused on supporting shareholder resolutions on climate change, or recommending votes against re-election of board members where companies are considered to be not doing enough on the climate change issue. While the majority of these fail, it is encouraging to see that votes in support of more action against climate change are now gaining higher support than in the recent past. In many cases these are then taken forward in further engagement which produces more positive action from the company concerned. For example, in the case of Barclays, they put up their own resolution in response to the shareholder resolution. While it did not encompass all the aims of the original shareholder resolution it did make big steps forward in moving policy on their funding of fossil fuel exploration and extraction.

Another encouraging example is the shareholder resolution at Procter and Gamble. Procter and Gamble use both palm oil and forest pulp, pointing to the fact that these commodities are the leading drivers of deforestation and forest degradation. The shareholder resolution called for Procter and Gamble to issue a report assessing if and how it could increase the scale, pace and rigor of its efforts to eliminate deforestation and the degradation of intact forests in its supply chains. It is quite rare for shareholder resolutions to succeed unless the company agrees to support them, but in this case the resolution passed with the support of over 2/3 of shareholder votes. Along with engagement by shareholders, this is likely to promote real change at Procter and Gamble.

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.

During 2020/21, the Fund's fixed interest investments were split between investments managed by Lazard Asset Management and Wellington Management, with transition to Brunel due to take place in the second quarter of 2021. Lazard have actively engaged with issuers around Environmental, Social and Governance ("ESG") and sustainability issues. They participated in several new issues with compelling valuations during March 2020, bearing in mind thematic sectors that they believed would do well in the pandemic environment, for example: Pfizer (the first sustainability bond for a biopharmaceutical company) and AAA-rated African Development Bank (a social bond whose proceeds will be used to fight COVID-19 in Africa). They also increased exposure to other green, social, and sustainable labelled bonds throughout the period, and these "use of proceeds" bonds constituted over 30% of the portfolio as at 31 March 2021.

Wellington's portfolio managers, analysts and ESG analysts regularly engage with various corporate issuers on environmental, social, and governance topics. Engagement topics included:

- Environmental management systems;
- Water management;
- Corporate culture;
- Health and safety management;
- Succession planning;
- Business ethics;
- Reputational risk;
- Employee compensation;
- Board composition;
- Executive compensation;
- Cybersecurity;
- Diversity;
- Company culture;
- Supply chain management.

As fixed interest assets transition to Brunel, the Devon 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.

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 2020/21 include:

- The **First Sentier 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. Performance improved across all metrics in 2020. The Fund-level Accident Frequency Rate ("AFR" per 100,000 hours worked) continued a downward trend, almost halving in 2020 compared to 2019. Absolute Scope 1 and Scope 2 greenhouse gas emissions decreased by a third across the portfolio. The percentage of women in Board and senior management positions across our portfolio companies also increased, both to 24% in 2020, approaching our target of 30%.
- The **Hermes Infrastructure Fund** has increased internal collaboration with EOS, Federated Hermes' leading stewardship and engagement business. This year they have strengthened their efforts by conducting a portfolio thematic review in April, in addition to the annual review (usually completed in September), and expanded their existing engagement themes of Climate Change, Mental Health and Wellbeing and Diversity and Inclusion, to cover Natural Capital Management, leveraging EOS' deep expertise. As an example, since the acquisition of Viridor, Hermes have used their position on the Sustainability Committee to engage on climate transition risk and Viridor's decarbonisation strategy.

- The **Aviva Investors Infrastructure Income Fund** (AIIIF) participates in the annual GRESB Assessment of infrastructure funds. GRESB Assessments capture information regarding ESG performance and sustainability best practices for real estate and infrastructure funds, companies and assets worldwide. Their solar power generation assets have seen a 42% improvement in their score over the last year, while their small scale wind assets have seen a 132% improvement. In addition, 3,520,126 tCO_2e greenhouse gas (GHG) emissions are predicted to be avoided between 2020 and 2040 from the energy provided by their renewable assets and there has been a 20 MW electricity demand reduction through their six energy centres supporting NHS hospitals. 10,134 homes connected by their fibre assets, transforming the way people live and work, and £560,741 has been invested in community projects and LEDS (Local Electricity Discount Scheme) in their wind strategy.
- The **Brunel Pension Partnership**'s infrastructure portfolio invests in a number of underlying funds, and Brunel closely integrates ESG considerations into their fund selection approach. Stepstone Infrastructure and Real Assets (SIRA), appointed in 2020 to actively deploy infrastructure capital and build a portfolio to Brunel's specifications, has become a founding signatory of the Institutional Limited Partners Association's Diversity in Action. As well as a strong focus on responsible investing and sustainability throughout the due diligence phase, SIRA have upped the focus within their own operations, specifically around diversity and inclusion. Across private markets, Brunel voted on 100% of votable items at company meetings.

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. We look to implement the commitment 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.

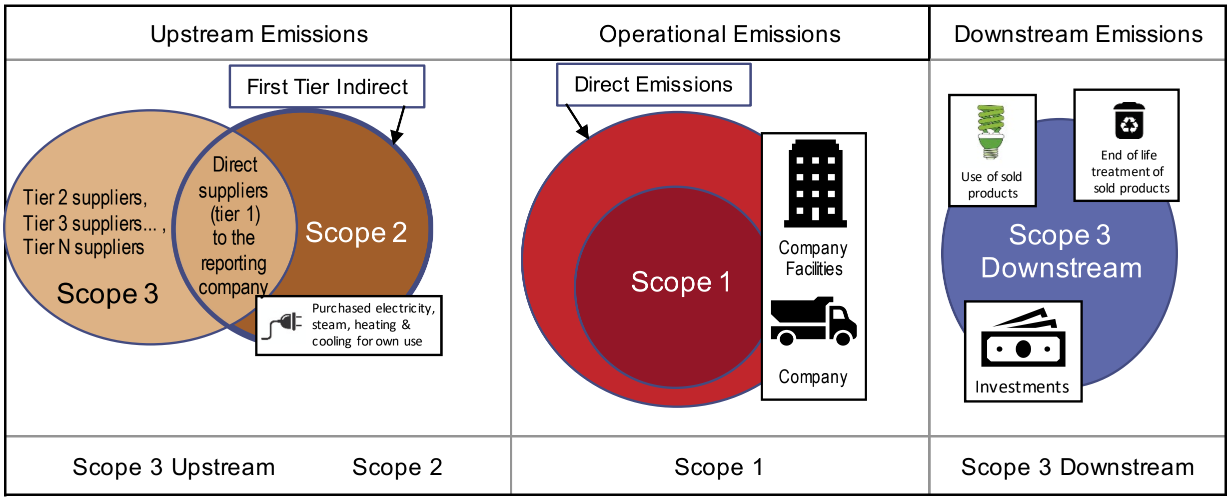
Carbon Footprint

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:



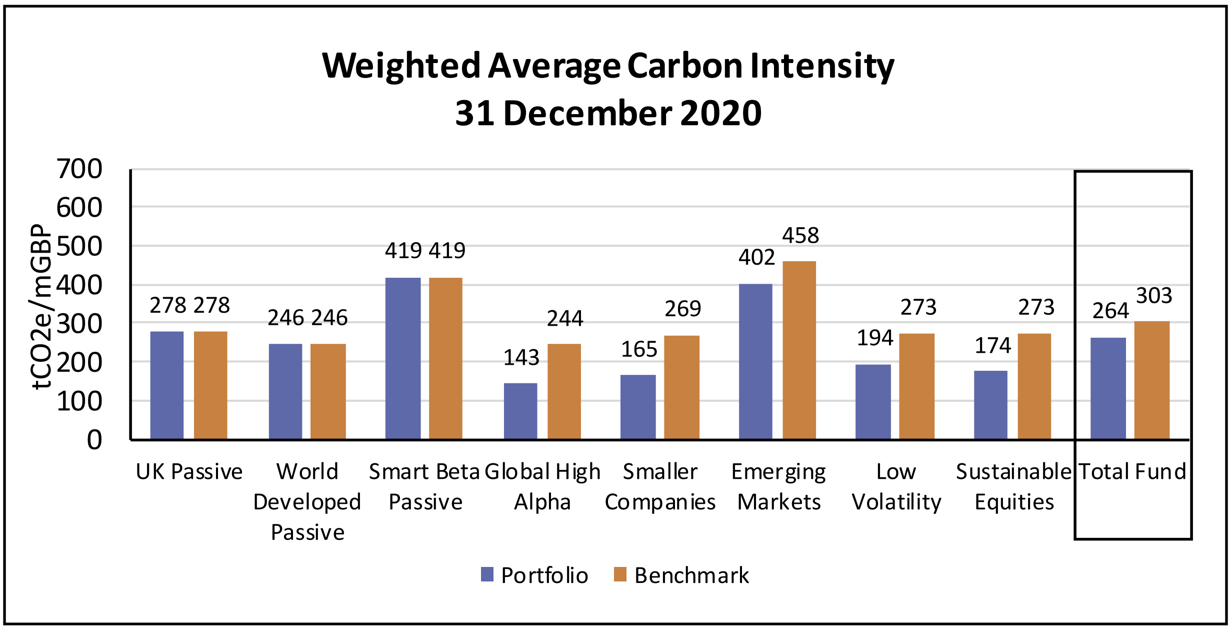
In analysing a portfolio of investment companies, there is the danger of double counting, where the scope 1 direct emissions of one company are the scope 3 downstream emissions of another company in the portfolio. However, from an investment risk perspective it is useful to know both the attribution 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.

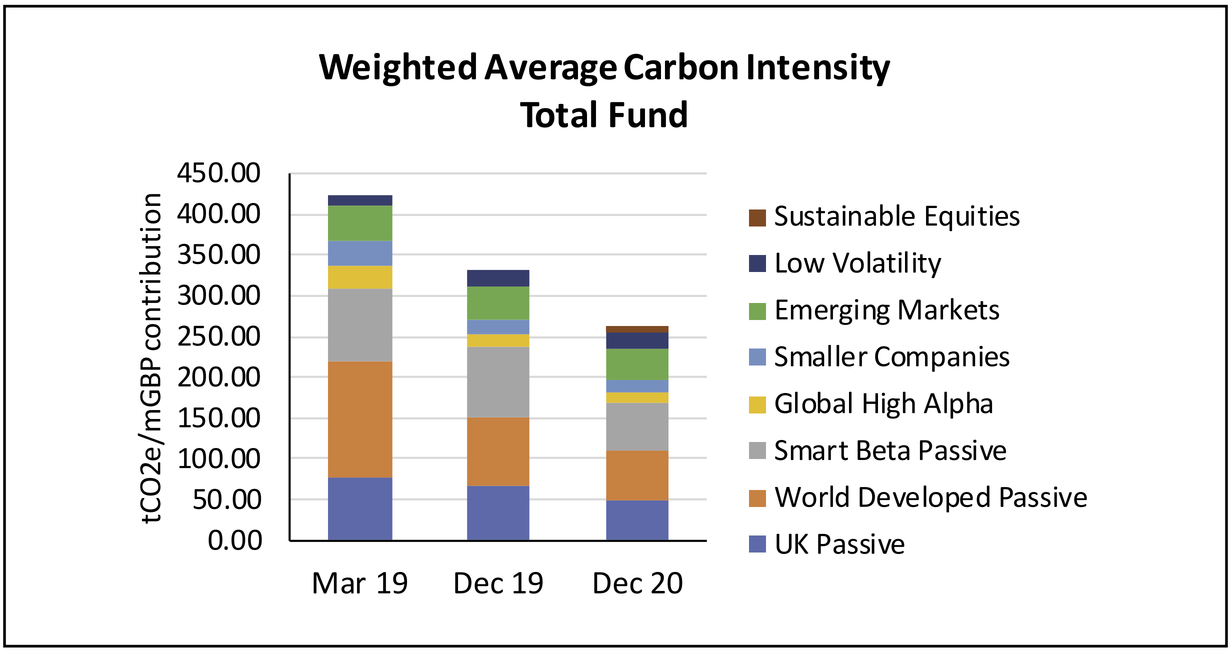
The disclosure of emissions varies across portfolio companies. The carbon intensity results will comprise a total of:

- 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 holdings as at 31 December 2020 is shown in the following graph. The total Fund WACI has fallen from 332 tCO2e/mGBP in December 2019 to 264 tCO2e/mGBP in December 2020, a reduction of 20.5%. The WACI in December 2019 was below the benchmark and in December 2020 is further below the benchmark of 303 tCO2e/ mGBP.



This is the third 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.



The chart shows an overall reduction of 37% in the Fund's WACI since the baseline calculation in March 2019, which is well ahead of the 7% per year target.

The reduced WACI represented an improved position across all portfolios, including passive, which shows that action is being taken within individual companies. It should be noted, however, that the COVID pandemic will have had an impact on the figures, as a reduction in economic activity has had a beneficial effect on reducing emissions. The growing share of the market of tech companies, with lower levels of emissions than traditional industries, will also have contributed. Therefore, it may be more difficult going forward to maintain this level of progress.

The passive portfolios' WACI is in line with the index as would be expected, as they track the benchmark. All the actively managed portfolios have a WACI below the benchmark. The WACI for the Smart Beta portfolio is currently the highest and this is an area Brunel are working to address. The second highest absolute WACI in December 2020 was for the emerging markets portfolio. This would be expected, given that the emerging markets have less stringent regulations on both emissions and also disclosure requirements.

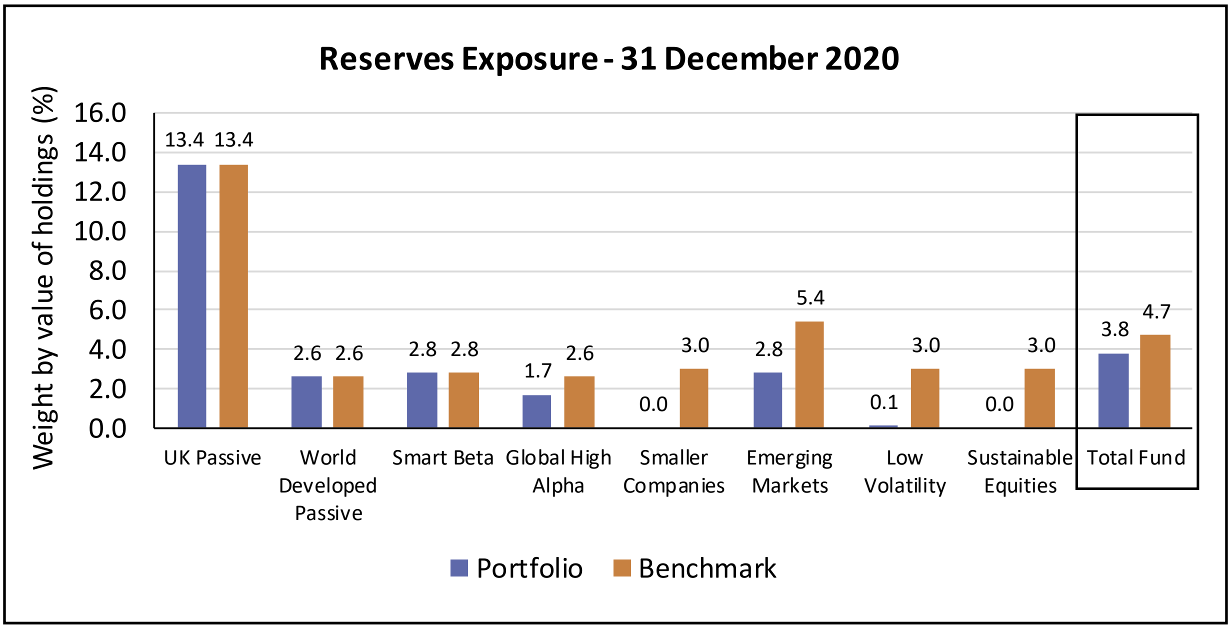
The Fund will continue to work with Brunel to seek further reductions in its carbon footprint, with the aim of seeking a further 7% improvement over each of the next two years, before Brunel conducts a further review of the position. The Fund's carbon footprint will be measured as at 31 December each year in order to review progress.

Reserves Exposure

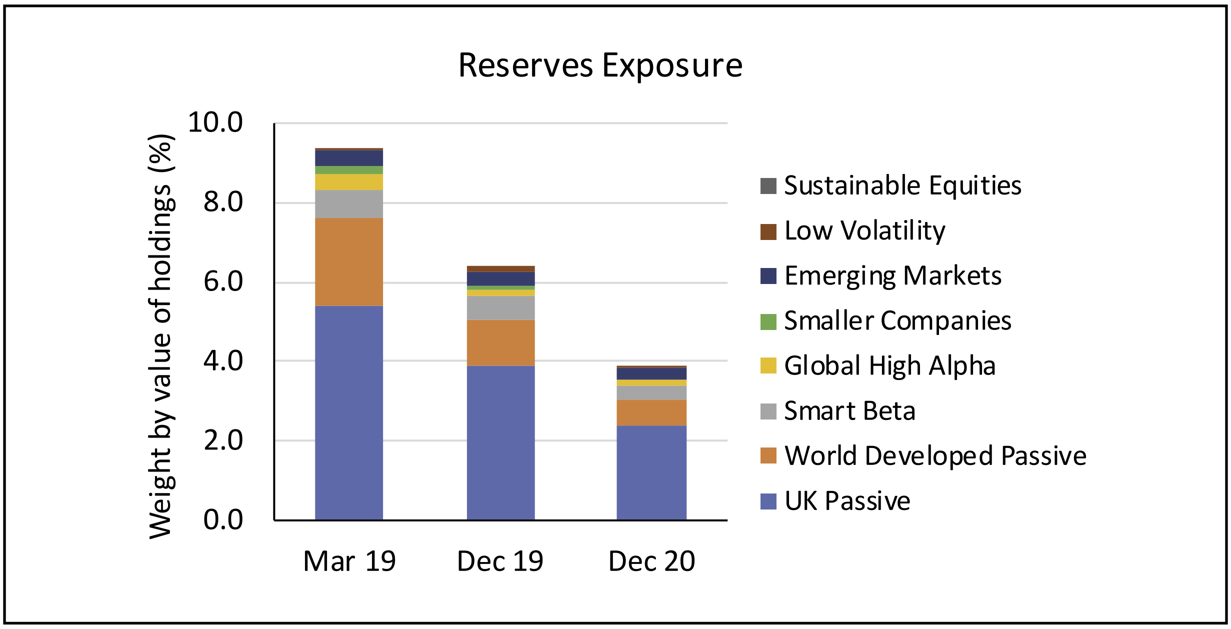
One of the issues with the WACI measurement is that it does not capture the downstream tier 3 emissions. Downstream Scope 3 emissions based on product in use (or disposal) are not widely calculated by companies or reported. However, downstream Scope 3 are critical when looking at the impact / investment 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 2020 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 2019 and December 2020, the reserves exposure fell from 6.3% to 3.8%.



The UK Passive portfolio tracks the FTSE All Share Index, which has a high proportion of resource companies (fossil fuels companies) including Royal Dutch Shell, BP and diversified mining companies. The significant contribution of the UK passive portfolio to the overall reserves exposure is further emphasised in the following graph which also shows the progress to date since March 2019.



In December 2020 the value of the UK Passive allocation was 17% of the total equity allocation, but accounted for 62% of the reserves exposure. However, it should also be noted that companies such as Royal Dutch Shell and BP are now setting emission reduction targets that do take account of downstream tier 3 emissions as part of their long term transition plans to diversify their business away from reliance on fossil fuels. This is a result of the significant engagement work lead by Climate Action 100+, supported by Brunel and the Local Authority Pension Fund Forum on behalf of the Devon Fund.

External Fund Managers

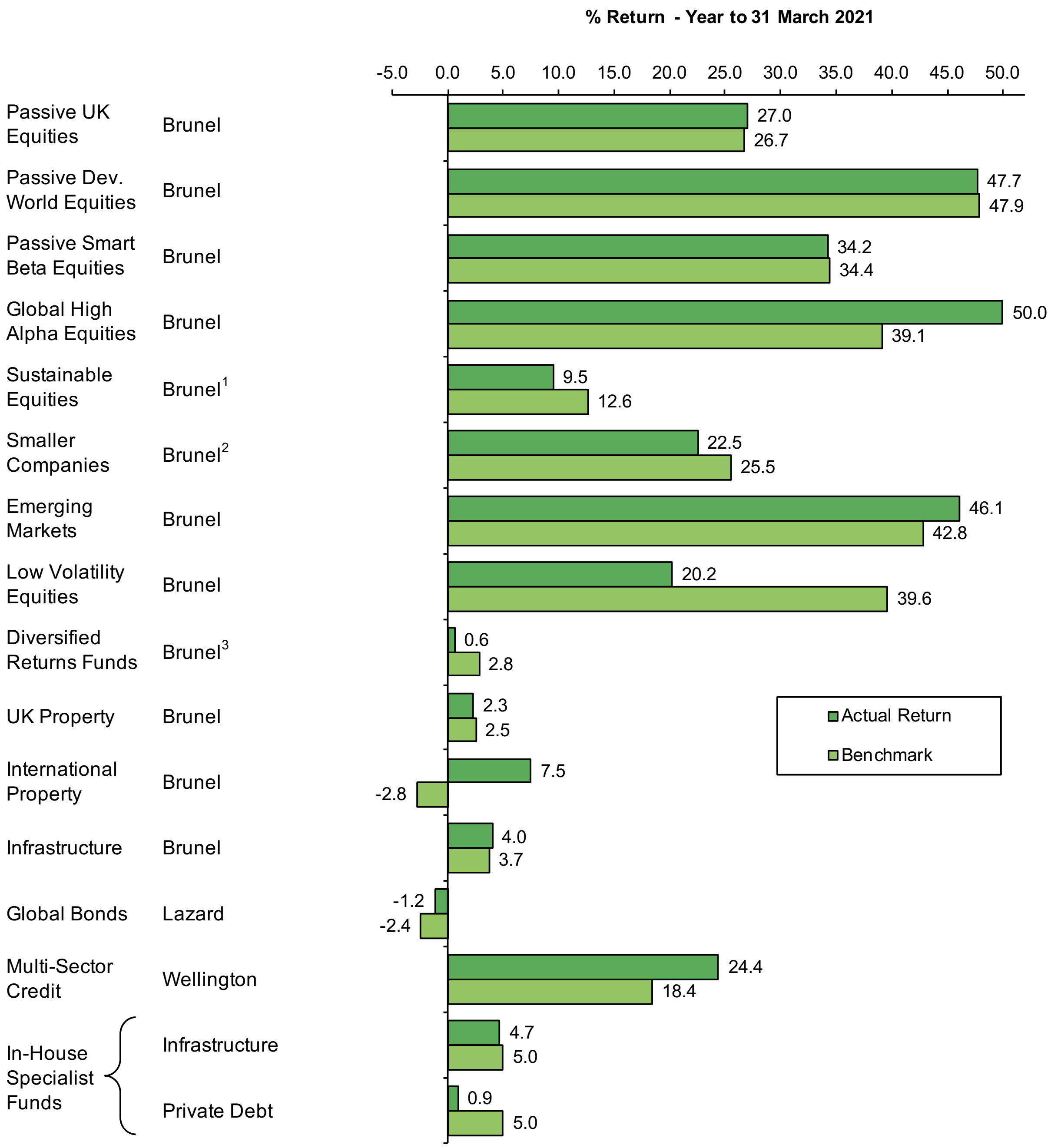
During 2020/21, the Fund transitioned two further mandates. The previous investments in the Baillie Gifford Diversified Growth Fund and the Barings Dynamic Asset Allocation Fund were redeemed and subscribed into the Brunel Diversifying Returns Fund during the Summer and early Autumn. The portfolio of specialist equity funds managed by the DCC Investment Team were transitioned to Brunel's Global Smaller Companies portfolio which launched during the Autumn. Each of the individual investments within the specialist equities allocation was redeemed, although the investment in the RWC European Focus Fund will need to be redeemed over an elongated timeframe due to the nature of the fund.

The following table lists the managers in place as at 31st March 2021 together with their mandates and the targets they have been set in relation to the benchmarks shown:

Manager	Mandate	Target	Benchmark
Brunel Pension Partnership Ltd	Passive UK Equities	Performance in line with benchmark	FTSE All Share TR Index
Brunel Pension Partnership Ltd	Passive Developed World Equities	Performance in line with benchmark	FTSE World Developed TR Index
Brunel Pension Partnership Ltd	Passive Smart Beta Equities	Performance in line with benchmark	SciBeta Multifactor Composite Index
Brunel Pension Partnership Ltd	Global High Alpha Equities	Outperform benchmark by 2-3% per annum over a rolling 3-5 year period	MSCI World TR Index
Brunel Pension Partnership Ltd	Sustainable Equities	Outperform the benchmark by 2% per annum over a rolling 3-5 year period.	MSCI All Countries World Index (ACWI) TR GD
Brunel Pension Partnership Ltd	Global Smaller Company Equities	Outperform the benchmark by 2% per annum over a rolling 3-5 year period.	MSCI World Smal Cap TR Index
Brunel Pension Partnership Ltd	Emerging Market Equities	Outperform benchmark by 2-3% per annum over a rolling 3-5 year period	MSCI Emerging Markets TR Index
Brunel Pension Partnership Ltd	Low Volatility Equities	Outperform benchmark but with lower volatility than the underlying market	MSCI All Countries World Index (ACWI) TR GD x
Brunel Pension Partnership Ltd	Diversified Returns	Outperform benchmark over a rolling 5-7 year period	GBP SONIA + 4%
Brunel Pension Partnership Ltd	UK Property	Outperform benchmark by 0.5% per annum over a rolling 5-7 year period	MSCI / AREF UK Quarterly Property Fund Index
Brunel Pension Partnership Ltd	International Property	Outperform benchmark by 0.5% per annum over a rolling 5-7 year period	MSCI Global Quarterly Property Fund Index
Brunel Pension Partnership Ltd	Infrastructure	Outperform benchmark	Consumer Prices Index (CPI) plus 4%
Lazard Asset Management LLC	Global Fixed Interest	Outperform benchmark by 1% per annum	Barclays Capital Global Aggregate Bond Index
Wellington Management International Ltd	Multi Sector Credit	Outperform benchmark by 1% per annum	Multi Sector Credit Bespoke
DCC Investment Team	Infrastructure	Outperform benchmark	7 Day LIBID plus 5%
DCC Investment Team	Private Debt	Outperform benchmark	7 Day LIBID plus 5%
DCC Investment Team	Cash	Outperform benchmark	7 Day LIBID

The Investment and Pension Fund Committee regularly reviews the performance of the Brunel Pension Partnership and each of the other investment managers during the year. The following graph highlights the performance of each manager and mandate during 2020/21. Given that Brunel now manage the majority of the Fund's assets and none of the Brunel portfolios yet have a performance record over three years, a longer term analysis is not included in this graph. However, further detail on investment returns can be found within the County Treasurer's report on page 7, including the three and five year performance of asset classes combining the performance of Brunel with the previous managers:

Manager Performance to 31 March 2021



1. Performance from October 2020
2. Performance from mid-September 2020
3. Performance from August 2020

As would be expected, passive equities performed in line with benchmark. However, the currency hedging strategy has been successful in protecting the value of the developed world allocation during a period of strength for the pound. The UK allocation under-performed versus the rest of the world.

The **Brunel** Global High Alpha and Emerging Markets portfolios both delivered good performance, well ahead of their benchmarks. The performance of the **Brunel** Sustainable Equities and Global Smaller Companies portfolios only reflects a part year, being launched after equity markets had already rallied by 20-25% from the lows of March 2020. The Smaller Companies absolute return of 22.2% reflects a good period for smaller companies, albeit slightly below benchmark. The Sustainable Equities performance was below benchmark as “value” stocks such as oil and financial companies, which would not be seen as sustainable stocks, rallied over the last quarter driving the returns of the wider market. The **Brunel** Low Volatility portfolio significantly underperformed. The last 12-18 months have not been a good period for the type of companies that usually feature in a low volatility portfolio and Brunel’s performance was in line with the more comparable MSCI Minimum Volatility index, but well behind the wider market.

Within fixed interest, the **Lazard** global bonds allocation delivered a negative return, but were above benchmark. The portfolio had delivered a positive return of 7.5% in 2019/20, when equity markets were negative, so has effectively fulfilled its role in the investment strategy of holding up when equity markets fall, but doing less well when equity markets are positive. **Wellington**’s multi-sector credit fund, by comparison, invests in the riskier end of the fixed interest market, and as a result saw a return of +24.4% for the year, ahead of the reference benchmark.

The **Brunel** Diversifying Returns portfolio delivered a very small positive return. This is also a defensive portfolio that should hold its ground when riskier markets fall, but will not keep up with a rising market. Assets were transitioned to the portfolio on a phased basis from the previous Diversified Growth Funds managers between August and October. The previous managers had benefited from the market rally between April and August, having failed to hold value during the falls of March 2020.

The **Brunel** private markets investments, comprising property and infrastructure provided single digit positive returns. The In-House allocation to infrastructure and private debt managed by the **Devon County Council Investments Team** experienced similar results. The more muted returns on these allocations reflect reduced income and valuations resulting from the COVID pandemic. Whereas equity markets fell in March 2020 and then bounced back, the impact of the pandemic on private markets had less initial impact due to lagged valuation cycles, but has resulted in lower, but still positive, returns in 2020/21.

Further detail on the performance of the individual managers can be found in their individual reports on pages 57-70. All of the managers have provided an investment commentary, which provides further detail on their performance over the past year, their engagement with the companies in which they invest, and their outlook going forward.

MANAGERS' REPORTS

Brunel Pension Partnership

Passive Equity Portfolios

Performance Review

For the 12-month period ending 31st March 2021, all Brunel passive portfolios have met performance expectations.

The **Passive Developed Equities** portfolio returned +39.4%, while the hedged portfolio returned. +50.2%, resulting in a total return for the Devon Fund of +47.7%. The **Passive UK Equities** portfolio returned +27.0% over the period. Both performed in line with their market capitalisation weighted benchmarks.

The **Passive Smart Beta Equities** portfolio returned +34.2% over the 12-month period, within an acceptable tolerance of the portfolio's Scientific Beta benchmark index. To provide context, this was 4.9% less than the MSCI World Index over the same period.

Global High Alpha Equity Portfolio

Performance Review

The Fund performed well over the year, delivering a relative out performance of +11.6% above the benchmark. This was driven by asset allocation and stock selection. On a sector basis the Fund benefitted from an overweight to Consumer Discretionary and underweights to the Consumer Staples and Utilities sectors. Stock selection was strongest in Healthcare and Consumer Discretionary, offsetting weaker stock selection in Real Estate sector. The Fund maintained the quality and growth bias it has had since inception, when compared to the index.

Manager makeup and target allocations remained consistent throughout the period. The Fund was rebalanced twice during the year to return the allocation between underlying managers back to target, occurring in June 2020 and September 2020.

Outlook

We anticipate the global equity market environment will continue to be volatile over the coming period given the uncertainty companies and economies face in recovering from the impacts of Covid-19 and the potential for further waves of the pandemic.

Low Volatility Global Equity Portfolio

Performance Review

Over the one-year period to March 2021 the Fund returned 20.5% against the MSCI ACWI return of 39.6%. Over the year we saw the market recover from an initial risk-off environment in March 2020. The recovery was driven by a small number of mega-cap/growth stocks, which provided asymmetric returns to the rest of the market. This caused concentration in the market increase and these stocks have a greater effect on the overall outcome of the market.

The Low Volatility portfolio is a risk managed strategy that looks to diversify risk across the market and thus has an underweight allocation to mega cap names, which largely drove the underperformance. However, from a strategy perspective, the MSCI Minimum Volatility index returned 14.8% over the year and is a more direct benchmark comparison for this portfolio.

We did also see a rotation in the early parts of 2021 as investors moved away from the large cap growth parts of the market and into the more Value/Quality/small cap parts of the market. This rotation benefitted the portfolio over Q1 2020 and the Fund performed inline the MSCI ACWI benchmark and outperformed the Low Volatility Strategy benchmark.

We also take comfort that throughout the year the portfolio maintained a beta of 0.8 and also a reduced volatility of around 25% over the year. The portfolio also continues to offer a level of downside protection when the market does decline.

Outlook

Over the next 6 month period we do not anticipate any additional trading or rebalancing between the underlying managers.

We expect the fund to continue to target downside market protection under normal market conditions. We expect the portfolio to continue to target 80% relative volatility to that of the market and a beta <0.9.

Emerging Market Equity Portfolio

Performance Review

Emerging market equities had a very impressive 12 months returning +42.8% in GBP terms. Performance was very strong in both absolute and relative terms. The portfolio returned +46.1%, comfortably ahead of the benchmark, which returned +42.8% over the same period. All three managers performed strongly over the last 12 months. Genesis, Ninety-One and Wellington outperformed the benchmark by +229bps, +443bps and +583bps gross of fees respectively.

The primary driver of relative returns across all managers was stock selection; there was almost no impact from the allocations to country, sector, market cap or style. From a country perspective, most value was added in China, which accounted for around 70% of outperformance, this was a result of good stock selection in the region. From a sector perspective, stock selection was particularly strong in technology, financials and communications, these three sectors accounted for almost 100% of total outperformance.

Outlook

The narrow markets of 2020, led by a very small number of technology and internet stocks, are likely to give way to a broader market but with higher volatility. This will hopefully present a wider range of stock-picking opportunities in a broader array of emerging markets. And while 2020 was a year of major economic contraction coupled with buoyant stock markets as investors discounted the expected recovery, 2021 is likely to see strong economic growth in both emerging markets ("EM") and developed markets ("DM"), but equity markets may be more muted as investors become concerned about future withdrawal or moderation of stimulus. The Fund maintains its focus on stock selection, with no style biases apart from a modest tilt towards quality.

Sustainable Equities Portfolio

Performance Review

Since the inception of the Fund on 19 October 2020 the fund has returned 9.60% against the MSCI ACWI return of 10.5%.

Shortly after the Fund's launch in the early part of November the potential for a Coronavirus vaccine gave renewed hope to the Value parts of the market that had underperformed for large parts of 2020. The Sustainable portfolio can be described as having a Growth/Quality Style bias and was out of favour during a Value rally. The outperformance of the Energy and Financials sectors can largely be attributed to the underperformance of the Fund since inception as the Fund holds underweight exposure to these sectors.

Whilst there have been obvious style headwinds since the launch of the Fund, we are comfortable with the level of return that has been provided and remain optimistic that despite being out of favour, parts of the portfolio were still able to generate positive alpha.

While all Brunel portfolios have sustainability and a strong ESG focus embedded throughout their processes, the Global Sustainable Equity portfolio goes a step further and targets companies which aim to provide solutions to the climate transition challenge and offers superior ESG risk statistics relative to the benchmark and a reduction in the relative Carbon intensity.

Outlook

Over the next 6 month period we do anticipate a large number of cash inflows that will sizeably adjust the assets under management ("AUM") of the portfolio. Due to these inflows we may adjust the portfolio construction to manage the additional capacity and ensure the that the portfolio characteristics remain consistent.

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

The below commentary covers the period from inception (1 October 2020) to 31 March 2021.

The reporting period saw a market moving event in November 2020, namely the confirmation of a viable COVID-19 vaccine. Since the vaccine distribution, small cap equities have performed strongly. In the context of this upswing, Value stocks have outperformed Growth.

Since inception to 31 March 2021, the Fund returned 22.38%, underperforming the benchmark MSCI World Small Cap index by 2.29%. At composite level, the Fund's underperformance for the period was largely a result of a modest Growth bias, with Value outperforming Growth since inception. Stock selection, particularly in the Finance and Health Technology sectors, also contributed negatively, as did an underweight position to the Energy Minerals sector, which outperformed the market over the year. The biggest positive contributor to relative performance was strong stock selection in the Consumer Durables services sector.

Turning to the individual managers that make up the Fund, Kempen outperformed the MSCI World Small Cap index by 10.31% over the period, largely driven by their bias to Value which has performed strongly for the majority of the period since inception. Following the positive COVID-19 vaccination news in November 2020, the Growth and Quality bias of Montanaro's strategy performed poorly and led Montanaro to underperform the benchmark by 11.98% over the period. American Century underperformed by 4.06% over the period since inception, partly as a result of a slight Growth bias and partly due to poor stock selection in the Finance and Technology Services sectors.

The allocation to managers remained within the target allocation range throughout the period.

Outlook

We anticipate the small cap market will continue to be challenging over the coming period due to the uncertainty for companies and the economy as lockdowns are lifted and we see the impacts of the COVID-19 virus.

Diversifying Returns Fund

Performance Review

FP Brunel Diversifying Returns Fund was launched on 27 July 2020. Since launch it has returned 0.71%.

William Blair SICAV - Dynamic Diversified Allocation Fund was the strongest performer since the launch of the Fund. Exposure to equity beta made a strong contribution to their performance and was only partially offset by negative returns from fixed income and security selection. Lombard Odier have also derived a positive return from equities as well as commodity exposure. Sovereign bond returns offset a portion of the positive returns derived elsewhere in their portfolio.

The UBS Currency Allocation Return Strategy Fund has delivered marginally positive returns since fund inception. Notable contributions to performance came from a short position in the Swiss Franc and long exposure to the Mexican.

JPMorgan Diversified Risk Fund made a negative contribution to Fund returns since portfolio inception. The biggest detractors from performance included their equity quality and fixed income carry signals.

However, JPM highlighted the diversification benefits they bring to the portfolio in the first quarter ("Q1") of 2021. Their equity trend and value signals, along with a negative duration position, enabled them to benefit from steepening yield curves and a rally in cyclical equities that presented a more challenging environment for the other managers.

Manager allocations remained within target ranges over the period.

Outlook

The four strategies within the fund target a variety of uncorrelated risk premia. Thus, the Fund has a diverse set of return drivers. Some sub strategies will benefit from mean reversion in markets and factors, while others are momentum driven or trend following. Were equity markets to accelerate strongly, this Fund would not keep pace. Equally, the Fund should provide a degree of shelter during any bouts of market turbulence.

Infrastructure Portfolio

Activity and Performance

Devon's infrastructure investment with Brunel is split between cycle 1 which was committed in 2018, and cycle 2 committed in April 2020.

Six out of the eight cycle 1 primary funds committed to are now closed. As of 31st March 2021, the portfolio remains resilient and has not experienced any J-curve (initial losses from investment that will be followed by gains as the investment comes to fruition) which is a testament to the diligence of the managers who focus on infrastructure that provide essential services and good quality assets.

Equity committed to projects across the six NTR acquisitions is up to 50% of total commitments. Clean Energy Infrastructure (CEI) Fund 8 closed on a 50Mw Scottish onshore wind deal estimated to reduce greenhouse emissions by over 2.6 million metric tons during its lifetime – the equivalent to the electricity to power over 440,000 homes for a year; as well as a 50Mw subsidy-free solar project in Spain, which, once fully operational in Q1 2022 is expected to reduce greenhouse emissions by over 70,000 metric tons –equivalent to the electricity to power over 12,500 homes for a year

For Cycle 2 Infrastructure, clients were offered the opportunity to invest either by committing to the Brunel 'Combined' Infrastructure Portfolio (which allocates 50% of total to renewables, 50% to general (non-renewables) infrastructure) or via the Brunel 'Renewables only' Portfolio which allocates 100% of total to renewables. In order to facilitate these Client outcomes, Brunel established two funds of funds with StepStone for cycle 2; SS-B II Renewables and SS-B II General. The Combined Infrastructure Clients, including Devon are invested 50:50 into each fund. At 31 March 2021, the portfolio had only made one primary fund commitment, to Vauban Core Infrastructure Fund III, a Core/Core+, majority European strategy, following on from CIF II in Cycle 1. The Cycle 2 Renewables Fund has committed to 3 primary funds and 1 tactical co-investment. Given the selected funds have limited exposure to Europe, the final two commitments will be allocated to managers offering European exposure and to further round out the geographic exposure, StepStone will tilt the Tactical portfolio towards Europe too.

Outlook

StepStone has progressed work on Project Legatus, a secondary transaction with a top tier General Partner; a mature portfolio of road, rail and social assets, which StepStone has negotiated as an off-market process. This is in late stage execution as at April 2021. A further co-investment opportunity is being considered, at a very early stage, in an operating bio-energy from waste power plant in the UK. All in all, if the above two transactions complete, this will result in more than £40m being called from cycle 1 investors over the next two quarters, showing the benefit of speedier deployment to overall portfolio construction aspirations.

For cycle 2, as at 31 March there were two greenfield primary fund commitments in final due diligence and legal negotiations; Meridiam Sustainable Infrastructure Europe IV, focused on addressing specific sustainable development goals (SDGS) and Infracapital Greenfield Partners II, focusing on decarbonization, technological change and building back better.

UK Property Portfolio

Performance

The total return for Devon's UK holdings over the year to March 2021 was +2.2%, compared with the return from the benchmark index of +2.5%. However, the benchmark Index continues to conceal a mixture of quite dramatic positive and negative returns from some of its constituent funds, particularly in specialist sectors, where the demand for industrial space and the lack of demand for non-essential retail space have remained contrasting themes.

The insecurity around Aberdeen Standard Investments' Airport Industrial Property Trust, with over 90% of its assets tenanted by Heathrow Airport cargo/catering operators, has diminished with a successful sale of an £80m asset, which has reduced fund leverage. This, and the receipt of over 95% of rental income during 2020/21, have supported a +14% 12-month return to end-March. Similarly, LGIM's Industrial Property Investment Fund, despite carrying out a significant fund-raise over the last quarter, has returned +15.7% over the last year.

In contrast, both the major shopping centre funds within the index, ASI and Nuveen, have shown further negative returns over the last quarter, leading to one-year total returns of -25.1% and -48% respectively. Both these funds are closed-ended, locking investors into a sector where pricing is uncertain and where a substantial transaction to re-set valuation levels is awaited.

Between these two extremes, the uncertainties around future demand for office space has led to weak pricing in the secondary market for Nuveen Central London Office Fund and Bentall Greenoak's West End of London Property Unit Trust (previously managed by Schroders). With office vacancy increasing to around 10% in London, tenants are becoming more selective and applying pressure to rental levels. However, rent collection in the sector has been resilient throughout 2020 and quality office space should prove defensive. As more people return to their offices over the summer, management decisions will dictate future demand and supply is likely to adjust to suit.

Outlook

Brunel is working towards investing a greater proportion of client money in the 22% of the MSCI/AREF UK Quarterly Property Fund Index described as 'Other', where specialist funds seek to capitalise on structural changes within UK society and are focusing on Healthcare, Education, Private Rental and Affordable Housing. Most of Brunel's preferred Balanced Core funds have also targeted these areas as part of their overall portfolio strategies, giving Brunel's clients further exposure to these defensive sectors. Yields are already tightening in affordable housing as investors recognise the benefits of long-term index-linked income streams coupled with the social and environmental attributes of developing quality assets for affordable rental and purchase..

International Property Portfolio

Performance

The COVID-19 pandemic continues to grip the world and weigh on activity. Extended lockdowns have been enforced across most European countries during the winter months and restrictions are also in place in the US. Asia Pacific is further ahead in the recovery and is returning to more normal life in many parts, although some localised lockdowns have been needed to combat the virus, such as in Sydney, Australia.

After allowing for seasonal effects, the Americas are showing a sharp pick-up in underlying activity and Asia Pacific also rose, albeit less dramatically. However, transactions in Europe are struggling, reflecting tougher lockdown restrictions in the region which is impinging on activity. Against this backdrop the Devon Fund's investments performed well achieving a 7.5% return against a negative benchmark.

Outlook

There is significant uncertainty over the impact that more flexible working arrangements will have on offices in the medium-term once the pandemic has passed. In retail, further falls in capital values are expected as structural change of online shopping alters the retail landscape drastically. Hence, for offices and retail, the investment opportunities which exist are likely to be asset specific. In contrast, at the market level, industrial and logistics are expected to continue to perform well, fuelled by strong occupier demand pushing rents higher and heightened investor demand compressing yields. Multifamily also presents an option in regions where it is an institutional asset class. Niche and specialist sectors have the potential to grow and deliver good investment performance. This includes areas such as data centres, laboratory space, medical offices and affordable housing.

Brunel, supported by its property adviser, Aon Townsend, is currently focusing investment on specialist funds in the US, specifically industrial, residential and medical offices opportunities.

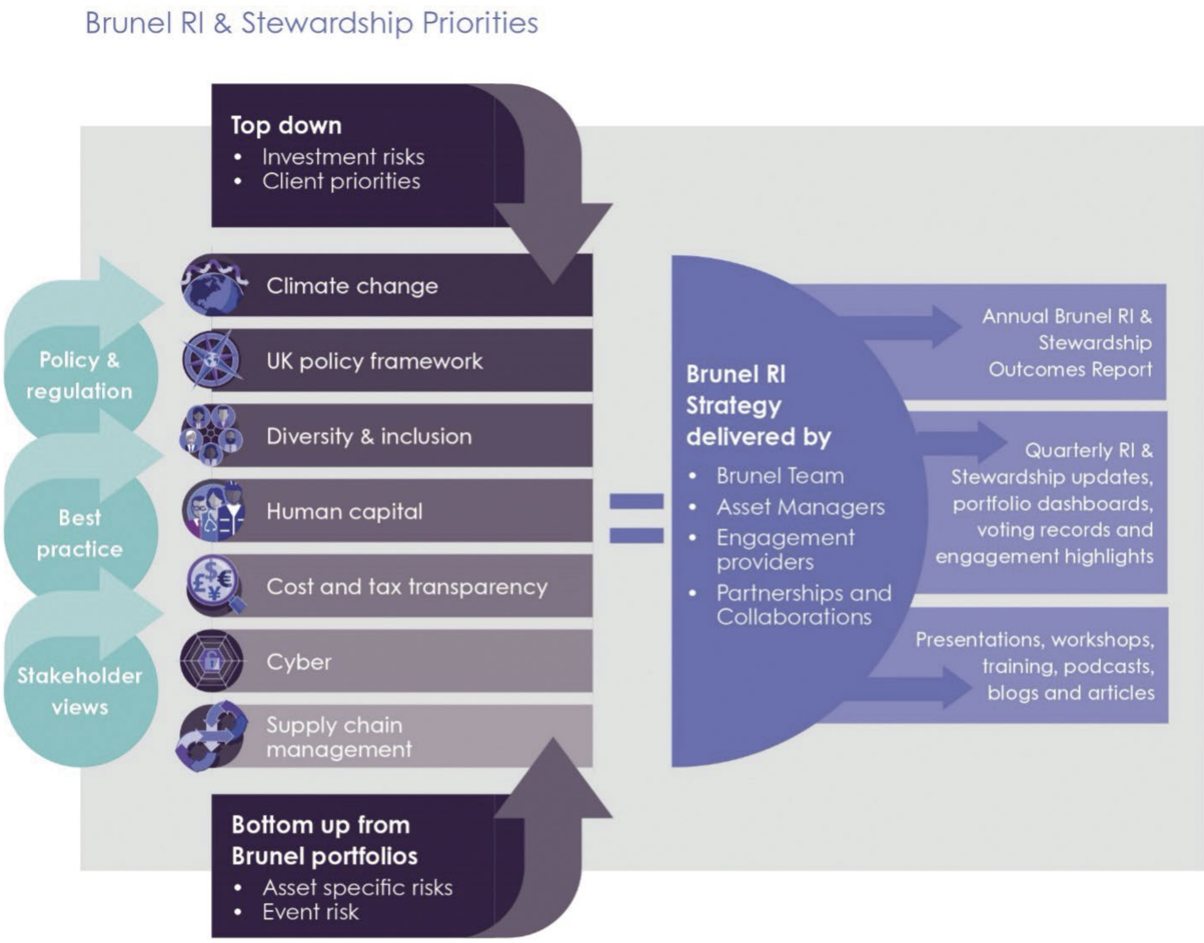
Stewardship and Responsible Investment

(across all portfolios)

Responsible investment (RI) is central to how Brunel fulfils its fiduciary duty. As responsible investors, we recognise that every company or asset we invest in operates interdependently with the economy, civil society and the physical environment.

We have identified seven priority themes which are informed by our investment beliefs, our Clients' policies and priorities together with stakeholder views, regulatory and statutory guidance and are aligned with best practice.

Brunel's seven priority themes as part of an integrated responsible investment process are illustrated in the following diagram:



Key achievements include:

- 22% greater carbon efficiency than benchmark for the Brunel Aggregate Portfolio – up from 15% a year earlier.
- 35% Females on board in UK Active and 28% in Global High Alpha – improvement in all active equities.
- 20% Reduction in water intensity (38% below investment benchmark) by Robeco (Brunel Low Volatility.
- 78% of the world's largest mining companies asked to review their relationships with First Nations communities and indigenous people.
- 3,101 Issues engaged on at 881 companies achieving 1,050 milestones.
- 1,046 company meeting voted at through active portfolios, 1,666 votes against or abstain.

A full analysis of Brunel's responsible investment and stewardship outcomes can be found at **https://www.brunelpensionpartnership.org/wp-content/uploads/2021/05/Brunel-Outcomes-Report-2021.pdf**

Lazard Asset Management Ltd

Mandate – Global Fixed Interest

Performance Review

For the trailing 12-months that ended 31 March 2021, global fixed income markets performed well, providing diversified sources of return during a tumultuous period of seesawing risk sentiment.

The period was marked by the deployment of massive monetary and fiscal stimulus to contain the economic fallout from the coronavirus pandemic. With several countries straining under severe economic downturns, these aggressive actions buoyed market confidence that central banks and governments would continue to act when necessary to backstop the world economy. As a result, risky assets rallied globally, including spread sectors in the investment grade, high yield, and emerging segments of the fixed income universe.

News of the discovery of a coronavirus vaccine in November 2020 was greeted enthusiastically by investors, who bet that its successful, widespread deployment would provide a pathway for the world economy to normalize in 2021. However, coronavirus risk remained top of mind for investors even with this encouraging development, as a bumpy, uneven rollout of vaccines worldwide collided with a resurgence in virus cases. In Europe, concerns grew about the eurozone's economic outlook on news in March of another wave of infections sweeping through the common currency bloc. The outbreak forced Germany and the Netherlands to extend economically punishing national lockdowns, and France and Italy to re-impose them. Broadly speaking, after significant US dollar weakening towards the end of 2020, currencies followed this vaccine divergence theme early in 2021 to the benefit of the US dollar after the US was seen as making significant progress in terms of its distribution and implementation.

Befitting its stature as the world's largest economy, developments in the US and related interest rate and spread movements had an outsize role in influencing other global bond markets. With the deployment of coronavirus vaccines accelerating and proposals for additional fiscal relief measures in March, investors grew increasingly confident of strong domestic economic growth in 2021, and with it, expectations of potential higher inflation. The combination of stronger growth and inflation expectations prompted a sell-off in the government bond market that drove the yield on the benchmark 10-year US Treasury note to higher levels, which also appeared to create a temporary headwind for risk assets.

Despite bond market volatility in early 2021, the diversified nature of global fixed income markets, and our active approach towards managing rate, credit, and currency exposures helped the Portfolio record attractive risk-adjusted gains for the period as a whole.

Stewardship

We believe that active engagement with issuers around Environmental, Social and Governance ("ESG") and sustainability issues adds tremendous value to our research. As an example, we participated in several new issues with compelling valuations during March 2020, bearing in mind thematic sectors that we believe will do well in the pandemic environment: Pfizer (the first sustainability bond for a biopharmaceutical company) and AAA-rated African Development Bank (a social bond whose proceeds will be used to fight COVID-19 in Africa). Furthermore, we increased our exposure to other green, social, and sustainable labelled bonds throughout the period, and these "use of proceeds" bonds now constitute over 30% of the portfolio as of March 31, 2021. As part of our ESG discipline, we are avoiding fossil-fuel corporates / energy sector, which was negatively impacted by the collapse in oil prices.

We believe that managing the strategy with a sustainable approach and incorporating ESG factors into our investment process will likely add value over time—not only from an opportunistic perspective, but also from a defensive one as we seek to avoid stranded assets, especially those related to fossil fuels.

Outlook

Central banks are determined to keep monetary/financial conditions accommodative because the economic recovery in many countries is still in the early stages, fragile, and mixed, although the pace of vaccine rollout appears to be improving. Some of the recent rate moves appear a bit exaggerated and have priced in or "brought forward" the potential for rate hikes in some countries to levels that we believe are premature. For instance, Fed Fund futures are now pricing in a hike in late 2022, compared to the Federal Reserve's "dot plot," which signals no hikes until after 2023. Underlying inflation will likely remain below central bank targets in the medium term given large output gaps, persistent softness in less cyclical categories, and labour markets which will take time to recover.

We anticipate that curves will remain steep in select core markets due to the increase in supply from fiscal actions, and as such, we will likely maintain an underweight to long maturity bonds in select markets. Some countries have already front-loaded a lot of issuance early in the year, which presents attractive entry points and opportunities, as interest rates appear to be consolidating within slightly higher ranges for some countries and price in extremely optimistic scenarios.

The current US economic climate is very different from the one that resulted in the 2013 "taper tantrum" because the Fed has signalled that it has no plans to taper its asset purchases in the near term. Instead, bond traders have been in effect tightening monetary policy based on expectations of a super-charged US recovery. Recent rate moves and the stronger US dollar have started to cause a negative and dangerous spillover effect for riskier assets to some degree, and also for emerging markets. Furthermore, with the significant increase in debt levels over the past year and cumulatively for the US and other countries, higher rates are an undesirable burden on debt servicing. As such, central banks are very likely to err on the side of keeping official rates "lower for longer" to focus on growing their economies to sustain these higher debt levels.

At these rate levels, and with the tailwind of low currency hedge costs, large institutional clients, especially in Europe and Japan, can access more attractive fixed income investments compared to last year. Furthermore, some pension plans are more fully funded based on recent rate moves and equity valuations. As a result, there could be some de-risking activity by these investors to add fixed income and lock in rates.

We continue to navigate the broad global fixed income markets with a focus on diversification and liquidity with more of a higher tilt. Overall, we believe the mix and quality of the strategy's holdings are superior to those of the benchmark, and we remain mindful of the importance of bonds as a means to provide balance in a total portfolio.

Wellington Management International Ltd

Mandate – Multi-Sector Credit

Performance Review

Over the 12 months ending 31 March 2021, the portfolio returned 24.35%, net of operating expenses and investment management fees.

Global fixed income sectors generated positive total returns. COVID-19 cases swelled early in the period but eventually abated as vaccination rates increased. The global economy slipped into recession early in the period but emerged following extraordinary monetary and fiscal stimulus and as restrictions eased. Global central banks maintained highly accommodative policy stances, including bond-buying programs and emergency liquidity provisions. Sovereign yields touched record low levels early in the period, but yield curves later steepened as easy central bank policies anchored front-end yields and lifted inflation expectations.

Fixed income credit spreads tightened, supported by expansionary fiscal policies. Structural allocations to bank loans and high yield contributed the most to performance, with lower-rated securities generally outperforming their higher-rated counterparts. An allocation to convertible bonds contributed positively to results, helped by opportunities in the long-term secular trends of digitization and innovation. An allocation to investment grade credit also contributed positively to results as corporate fundamentals rapidly improved and free cash flow generation held up well through the shock.

We maintained exposure to EM throughout the period. Positioning in EM debt (primarily hard-currency sovereigns and EM corporates) was another top contributor to performance.

Securitized sectors also recovered. Legacy non-agency RMBS holdings (particularly post-crisis "2.0" issuances) contributed positively to results, as did an allocation to agency MBS passthroughs which was supported by Fed purchases; an allocation to CMBS detracted modestly from performance - this sector has recovered more slowly as the outlook for office and retail space remains more uncertain.

The fund's long inflation breakeven position (long US TIPS versus duration-equivalent nominal Treasuries) was a positive contributor to performance as breakeven inflation rates increased. Tactical duration trades had a negative impact on performance, in aggregate.

Stewardship

Within your portfolio, our portfolio managers, analysts and ESG analysts engaged with various corporate issuers on environmental, social, and governance topics. More specifically, we engaged with companies on the following topics: environmental management systems, water management, corporate culture, health and safety management, succession planning, business ethics, reputational risk, employee compensation, board composition, executive compensation, cybersecurity, diversity, company culture, and supply chain management.

Outlook

Economy

- A widespread Economic recovery will persist, supported by fiscal and monetary stimulus, vaccine distribution, and pent-up demand.
- Bouts of market volatility will present opportunities to buy assets at attractive valuations; preserve cash and other liquid instruments to take advantage of future dislocations.
- Moderately pro-cyclical risk posture, with interest rate duration below our long-term average.

Global High Yield

- High yield default rate should continue to decline over the coming year; own a moderately-sized allocation to high yield.
- Spreads are at post-GFC tights, and much, but not all, good news is priced into bonds.
- Within high yield, focus on companies that have not fully recovered to pre-crisis valuations.

Bank Loans

- Bank loan prices have recovered, but loans still look attractive versus high yield, as their default loss experience tends to be better.
- Bank loan issuers in sectors like cable, food & beverage, and building materials have solid fundamentals.
- Largest allocation to bank loans; favor issuers in these sectors with strong, sustainable cash flow.

Emerging Markets Debt

- Improved economic data coupled with ample global liquidity supportive for EM asset markets; maintain pro-risk lean in EM.
- Weaker EM countries have added debt and need time to recover.
- Among frontier issuers, favor those with relatively low repayment needs over the next few years.
- EM corporates are better positioned than sovereigns to restore their credit profiles.
- Allocate to EM corporate issuers with prudent balance sheet management and low exposure to their home countries.

Structured Finance

- Attractive forbearance plans, low interest rates, and undersupply are tailwinds for US housing.
- Own select structured finance opportunities tied to residential and commercial mortgages.

Devon County Council In-house Team

Mandate – Specialist Funds

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

Performance Review

- **RWC European Focus Fund** – The Specialist Equity Funds were transitioned across to the Brunel Global Smaller Companies portfolio in September. The exception was the RWC European Focus Fund, due to its fund rules which require a notice period for full redemptions which will then be provided in roughly equal instalments over the next four quarters. An initial redemption of 25% of the investment was received in early January 2021. The Fund has delivered a return of +49.4% over the full year, including the impact of the currency hedge put in place by the Devon Fund. This represents a partial bounce back from the losses incurred in March 2020, when their concentrated portfolio was exposed to a couple of companies that were unable to operate their business model as a result of COVID due to the nature of their business.

- **Infrastructure** - The Fund's infrastructure investments delivered a positive return of +4.7% during the year, and provided significant income distributions. However, there was a significant divergence in returns between the different funds invested in. The First State European Diversified Infrastructure Fund again delivered solid performance, and the disposal of its stake in Caruna, the Finnish electricity distribution system operator, at a 72% premium to its estimated valuation resulted in an overall return of +36.3%. In contrast the UBS Archmore Fund had a return of -22.2%, as a result of the write-down in value of the Northern Star power generation asset in the United States. The Hermes Fund also suffered a small negative return (-1.5%), as a result of transport businesses hit by the pandemic. Eurostar was the most seriously affected asset that required refinancing as a result of the loss of business. The Aviva Infrastructure Fund delivered regular income distributions, with an income yield of 8% but this was offset by a reduction in capital value to give a total return of +6.1%.

- **Private Debt** – The return of +0.9% has also been moderated by the impact of the pandemic and a cautious approach to valuations. However, both Golub and Arcmont have rigorously analysed the impact of the pandemic on the companies that they have loans to, in order to assess the risk of default on their investment returns, and are optimistic that the level of defaults will be minimal. The biggest negative factor has been the impact of the weakening of around 10% in the US Dollar against Sterling which has converted Golub's return from +5.2% in US Dollar terms to -5.3% in Sterling terms. The Arcmont Fund has returned +6.8% during the year.

Stewardship

The RWC European Fund looks to drive performance by active involvement in the companies in which they invest. Their fund managers hold board seats in several of the investee companies, including Italmobiliare, EMGS and Technicolour, which gives them the ability to have a significant influence over policy.

The infrastructure fund managers also have significant influence over the assets held within their funds, often with representatives on the board. Some examples of stewardship activities undertaken are included in the main Stewardship and Engagement section of the Annual Report.

Outlook

- The RWC Fund should continue to do well from the recovery from the economic downturn resulting from the COVID pandemic. However, by early October the Devon investment will have been fully redeemed and transitioned to the Brunel Global Smaller Companies portfolio.
- The infrastructure investments may face a challenging period, particularly the transport assets which will be looking for more positive indications from governments that greater freedom of movement will be possible going forward. The more regulated assets should continue to provide steady returns and income distributions, and provide some diversification of risk when equity markets fall. Two of the infrastructure funds are moving towards their close dates over the next 2-3 years and will be looking to sell the remaining assets they hold. Their ability to achieve good pricing for their assets will be a key factor in the return generated over that period.
- The private debt investments with Arcmont and Golub appear to have weathered the COVID storm and should yield good returns going forward with a high income yield.

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 2020/21

Pension Fund Budget Forecast and Actuals 2020/21	Actual 2019/20 £'000	Original Forecast 2020/21 £'000	Actual 2020/21 £'000	Variance from Original Forecast £'000
Contributions				
Employers	(207,397)	(135,000)	(139,874)	(4,874)
Members	(40,758)	(40,000)	(42,805)	(2,805)
Transfers in from other pension funds:	(17,279)	(9,000)	(12,970)	(3,970)
	(265,434)	(184,000)	(195,649)	(11,649)
Benefits				
Pensions	157,626	165,000	163,522	(1,478)
Commutation and lump sum retirement benefits	27,170	28,000	24,617	(3,383)
Lump sum death benefits	3,674	4,000	4,300	300
Payments to and on account of leavers	497	500	586	86
GMP Refund from HMRC	(519)	0	0	0
Individual Transfers	12,778	9,000	7,851	(1,149)
	201,226	206,500	200,876	(5,624)
Net Withdrawals from dealings with fund members	**(64,208)**	**22,500**	**5,227**	**(17,273)**
Investment Income				
Received as Cash	(36,532)	(28,000)	(24,333)	3,667
Reinvested by Fund Manager	(22,820)	(13,000)	(10,687)	2,313
	(59,352)	**(41,000)**	**(35,020)**	**5,980**
Administrative costs				
Peninsula Pensions	2,328	2,400	2,304	(96)
	2,328	**2,400**	**2,304**	**(96)**
Investment management expenses				
External investment management fees - invoiced	7,485	3,500	4,400	900
External investment management fees - not invoiced	7,849	11,500	12,836	1,336
Custody fees	59	60	82	22
Transaction costs	1,153	1,200	400	(800)
Stock lending income & commission recapture	(36)	(10)	(23)	(13)
Class Action Proceeds	(41)	0	1	1
Other investment management expenses	23	25	20	(5)
	16,492	**16,275**	**17,716**	**1,441**
Oversight and governance costs				
Investment & Pension Fund Committee Support	76	90	82	(8)
Pension Board	36	45	41	(4)
Investment Oversight and Accounting	376	380	360	(20)
Brunel Pension Partnership	45	45	28	(17)
Legal Support	20	25	22	(3)
Actuarial Services	144	50	60	10
Investment Performance Measurement	115	100	91	(9)
Subscriptions	49	50	41	(9)
Internal Audit fees	25	25	20	(5)
External Audit fees	24	25	26	1
	911	**835**	**771**	**(64)**
Total Management Expenses	**19,731**	**19,510**	**20,791**	**1,281**

Key variances against the original forecast are summarised below:

- Both employer and member contributions were higher than forecast. This results from a higher overall level of pensionable pay across fund employers. Transfers into the Fund have also been higher than the forecast for the year.
- Investment income from property, infrastructure and private debt is received in cash and can be used to aid cashflow. Income to date from these allocations is around £10 million lower than would normally be anticipated, largely as a result of the pandemic, which has reduced rental income from property and the income from some economically sensitive infrastructure assets.
- The income that is accounted for, but automatically reinvested as cash, was higher than originally forecast, largely because transition of the global bonds segregated mandate managed by Lazard to Brunel has been delayed. The pooled equity funds managed by Brunel do not yield income as the income from the underlying assets is retained and invested within the fund.
- Peninsula Pensions expenditure shows a £100,000 underspend against forecast.
- Expenditure on investment management fees was significantly higher than forecast. However, the main reason for this is the inclusion of the fees from the property funds managed by Brunel. In the past, when these assets were managed by La Salle and before them Aviva, the fees accounted for were those paid to La Salle/Aviva, rather than the fees charged by the underlying property funds. These fees, totalling £2.7 million, have always existed but have now been included in the statement of accounts.
- This has been offset to some extent by a lower level of performance fees payable for the 2020 calendar year. Performance fees are charged by several of the Infrastructure and Private Debt funds based on achieving a return above a hurdle rate. As a result of the impact of the pandemic, returns were lower, resulting in a lower level of performance fees.
- Governance and oversight costs were £60,000 below forecast. This comprises a number of small underspends, with no significant underspending on any individual line.

Contributions by Employer 2020/21

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

Employer	Contributions		Employer	Contributions	
	Employers	Employees		Employers	Employees
	£'000	£'000		£'000	£'000
Administering Authority and Scheduled Bodies					
Devon County Council	40,530	11,259	Dawlish College	116	35
Plymouth City Council	12,337	4,839	Devon & Cornwall Magistrates Court	1,504	-
Torbay Council	5,423	1,948	Devonport Boys Academy	201	61
East Devon District Council	2,671	831	Devonport Girls Academy	124	37
Exeter City Council	4,497	1,177	Discovery Multi Academy Trust	243	67
Mid Devon District Council	2,696	702	East Allington Primary School	20	5
North Devon District Council	2,316	615	Eggbuckland Primary School	274	91
South Hams District Council	1,243	544	Exeter College	980	397
Teignbridge District Council	3,261	816	Exeter Mathematics School	37	11
Torridge District Council	1,668	398	Exmouth Academy	460	138
West Devon Borough Council	970	204	First Federation	670	188
Devon & Cornwall Police Authority	11,450	3,776	Fremington Primary School	66	18
Devon & Somerset Fire Authority	2,273	776	Glendinning Academy	23	7
University Of Plymouth	7,150	2,910	Great Torrington Academy	164	49
ACE (Devon)	259	80	Hayes Primary School	117	33
ACE Schools	589	182	High Street Primary School	6	-
Acorn Federation	147	41	Honiton Academy	159	46
All Saints (Axminster)	18	5	Horizon Multi Academy Trust	536	152
All Saints Academy	152	44	Ide Primary	33	9
All Saints, Babbacombe	37	10	Isca - Part Of Ted Wragg Trust	1,064	320
Alphington Primary	80	23	Ivybridge Academy	1,881	570
Alphington Primary Pre-school	16	5	Kings Academy	204	59
Alumnis Multi Academy Trust	268	73	Kingsbridge Academy	87	42
Avanti Hall School	143	32	Kingswear Primary School	5	2
Axe Valley	149	36	Lady Modifords Primary School	9	2
Barton Primary	113	31	Learning Academy Multi Academy Trust	697	196
Bay Education Trust	688	196	Learning Academy Partnership	389	111
Beer Primary School	19	5	Lew Tenchard	33	9
Bicton College Of Agriculture	139	43	Lipson Academy	261	76
Bideford College	282	80	Littletown Primary Academy	96	26
Blackawton Primary School	43	12	Marine Academy, Plymouth	327	98
Bowhill Primary	111	30	Meavy Primary School	12	3
Bradworthy Primary Academy	44	12	Montpelier School	107	30
Braunton Academy	158	46	Newport Academy	623	186
Brixham Academy	237	70	Newton Abbot College	265	78
Broadclyst Academy	303	80	North Molton Primary Schooll	21	6
Catch 22 MAT	100	30	Old Priory Junior School	34	10
Chulmleigh Academy	217	62	Petroc	1,317	383
Churston Academy	164	49	Pilgrim Primary	8	-
City College Plymouth	1,050	321	Plymouth Academy Trust	318	87
Clyst Vale Academy	159	52	Plymouth Cast	453	146
Coast Academies	357	104	Plymouth CAST (Plymouth)	452	125
Colyton Academy	145	49	Plymouth CAST (Torbay)	132	30
Colyton Primary School	28	8	Plymouth Citybus	50	4
Combe Pafford Academy	205	59	Plymouth College Of Art & Design	635	234
Connect Academy Trust	449	144	Plympton St Mary Infants	34	10
Dartmoor National Park	494	164	Police and Crime Commissioner	165	86
Dartmouth Academy	92	27	Primary Academies Trust	1,071	306

Employer	Contributions		Employer	Contributions	
	Employers	Employees		Employers	Employees
	£'000	£'000		£'000	£'000
Administering Authority and Scheduled Bodies (Continued)					
QE Academy Trust	285	81	St Rumon's Infant School	26	7
Reach South Central	945	271	St Thomas Primary	31	9
Ridgeway Academy	207	63	Starcross Primary	54	15
Riviera Primary Trust	331	91	Stockland Primary Academy	18	5
Roundswell Primary School	13	4	Stoke Damerel Academy	345	103
Route 39	47	13	Stoke Fleming Primary School	19	7
South Dartmoor Academy	31	-	Team Multi Academy Trust	156	43
South Devon College	1,125	358	Teignmouth Learning Trust	337	100
South Devon College UTC	25	6	Templer Academy	562	177
Sparkwell Primary Academy	19	5	The Dartmoor Trust	1,144	320
St Christophers Primary MAT	163	41	The Exwick Ark	5	2
St Christophers Secondary MAT	195	55	The Inspire MAT	128	36
St Edwards C of E Primary	33	7	The Link Academy MAT	277	82
St Georges Primary School	23	6	Tidcombe Primary School	34	9
St James Academy Trust	22	7	Torbridge Academy	260	75
St Leonards CofE Primary	104	27	Torquay Boys Academy	420	123
St Lukes College (Ted Wragg Tr)	139	39	Torquay Girls Academy	104	52
St Margaret's Academy	133	37	Torre Primary School	78	23
St Marychurch Primary	76	21	Uffculme Academy	305	89
St Matthews's C of E Primary	77	21	United School Trust Kingsteignton School	38	11
St Michael's Primary School	68	19	Upton St James C of E Primary	26	7
St Peters Junior School	34	10	Wave MAT	129	55
			TOTAL	**131,014**	**40,111**
Resolution Bodies					
Ashburton Town Council	5	1	Great Torrington Town Conucil	17	5
Axminister Town Council	16	5	Honiton Town Council	20	6
Axmouth Parish Council	1	1	Ilfracombe Town Council	11	3
Aylesbeare Parish Council	1	-	Ivybridge Town Council	69	19
Barnstaple Town Council	52	17	Kingsbridge Town Council	11	3
Bideford Town Council	40	12	Kingsteignton Parish Council	15	5
Bishopsteignton Parish Council	5	1	Kingswear Parish Council	1	-
Bovey Tracey Town Council	14	4	Lynton & Lynmouth Town Council	36	10
Bradninch Town Council	3	1	Moretonhampstead Parish Council	3	1
Braunton Pc	26	7	Newton Abbot Town Council	77	26
Brixham Town Council	30	9	Okehampton Town Council	25	7
Broadclyst Parish Council	26	9	Seaton Town Council	21	6
Buckland Monachorum Pc	3	1	Sidmouth Town Council	19	5
Budleigh Salterton Town Council	9	3	South Brent Parish Council	2	1
Chudleigh Town Council	10	3	South Molton Town Council	10	3
Combe Martin Parish Council	18	5	Stokenham Parish Council	3	2
Cranbrook Town Council	19	6	Tavistock Town Council	97	32
Crediton Town Council	17	4	Tedburn St Mary Parish Council	2	1
Cullompton Town Council	30	8	Teignmouth Town Council	23	7
Dartmouth Town Council	53	16	Totnes Town Council	40	12
Dawlish Town Council	32	10	Ugborough Parish Council	2	-
Exmouth Town Council	57	17	Witheridge Parish Council	2	-
Fremington Parish Council	21	6			
			TOTAL	**994**	**300**

Employer	Contributions		Employer	Contributions	
	Employers	Employees		Employers	Employees
	£'000	£'000		£'000	£'000
Admission Bodies					
Access Plymouth	23	4	ISS Torbay Schools	4	1
Action For Children	12	6	LED Leisure Management Ltd	243	26
Action For Children (West Exeter)	4	1	LEX Leisure	5	1
Aspens (King Edward VI School)	10	3	Libraries Unlimited	290	127
Aspens (Queen Elizabeth)	11	5	Liverty Ltd	68	-
Babcock	477	179	Mama Bears Day Nursery	4	2
Barnardos - 4Children(C4)	7	2	Millfields Trust	23	6
Barnardos - Dell Children's Centre	-	-	Mitie PLC (Devon)	6	2
Barnardos - Plymouth/Whitleigh	2	1	NHS Care	29	7
Bournemouth Churches HA	8	3	NHS Pensions	7	-
Burton Art Gallery	9	2	Norse Catering	126	32
CaterEd	373	129	Norse Cleaning	83	21
Caterlink Ltd.	6	1	North Devon Crematorium Cttee	49	13
Chartwells (N Tawton)	1	-	North Devon Homes	88	9
Chartwells (OLCS)	2	-	On Course South West	-	-
Churchill Services	2	1	Plymouth Association of Primary Heads	176	58
Churchills (Edward VI School)	2	-	Plymouth Citizens Advice Bureau	6	2
Churchills (Honiton CC)	7	2	Plymouth Community Healthcare	902	356
Churchills (Sherwell Valley PS)	2	-	Plymouth Community Homes	1,269	425
Compass (South Dartmoor MAT)	6	-	Plymouth Comm. Homes Services	186	-
Dame Hannah Rogers School	174	19	Plymouth Dental Social Enterprise	10	3
DCC South West Heritage Trust	53	15	Quadron	13	4
DELT - Plymouth City	93	33	Red One Ltd	4	2
DELT Part Print Services	6	2	Sanctuary Housing	3	1
DELT Shared Services Ltd	274	106	Scott Medical College	51	19
Devon and Severn IFCA	95	28	Servicemaster Clean Control	4	1
DVLA	8	-	SLM Community Leisure	36	19
Devon Norse FM	47	12	Sodexo	41	11
Devon Wildlife Trust	7	2	South West Highways	69	41
DYS Space Ltd	104	43	Strata	401	158
Edgehill College	1	-	Streets Coachways	3	1
Exeter CVS	(31)	-	Swsico Ltd.	373	100
Exeter Royal Acad.for Deaf Ed	136	32	Tarka Housing Limited	74	14
FCC Environment	341	88	Teign Housing	40	12
FishKids	6	2	The Childrens' Society	2	1
Fresh Ltd	11	2	TOR2 Limited Asset Management	21	9
Fresha	8	2	TOR2 Limited Streetscene	38	11
Fresha (connect Federation)	2	-	TOR2 Limited Waste & Recycling	11	6
Fresha (Furzeham School)	2	-	Torbay Coast & Countryside Trust	17	2
Fresha (St Christopher's MAT)	2	-	Torbay Community Development Trust	11	4
FullyCatered Limited	3	1	Torbay Economic Development Co	273	87
Fusion Lifestyle	40	13	Torbay Youth Trust	27	9
Healthwatch	18	4	University Comms Services Limited	43	12
IMASS (DCC Occupational Health)	2	-	Virgin Care	-	-
Initial Plymouth Catering	4	2	Viridor	24	19
Innovate Honiton	2	-	Wolseley Development Trust	320	10
Interserve Education	21	5	**TOTAL**	**7,866**	**2,394**

Summary	Contributions	
	Employers £'000	Employees £'000
Administering Authority	40,530	11,259
Scheduled Bodies	90,484	28,852
Resolution Bodies	994	300
Admission Bodies	7,866	2,394
TOTAL	**139,874**	**42,805**

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 County 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 as to how pension legislation affects employers and their employees
- 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
- 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 employers and members.

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 employers and members alike.

We also aim to ensure that information is readily available to members and employers by developing the existing self-service 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 develop training modules to enable continuous improvement and development of staff across the service at all levels.

We will 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.

We will use technology to improve member and employer communications and learning, and will 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 employer and member satisfaction.

Summary of Activity

The team maintained a high level of performance throughout 2020/21 and have successfully adapted to the new ways of working following the challenges arising from COVID19.

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

Employer Liaison and Communication

This function is headed up by Shirley Cuthbert, Employer and Communications Manager, 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

Technical and Compliance

This function is headed up by Rachel Lamb, Technical and Compliance Manager, 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
- Finance
- Systems Development
- 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

Member Services

This function is headed up by Natalie Taylor, Member Services Manager, 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 refunds of member contributions
- Administration of Additional Pension or Additional Voluntary Contributions
- Processing notifications such as changes of address, hours and marital status
- Responding to all queries from LGPS fund members via a variety of communication methods.

Some of the key activities undertaken by the team during 2020/21 are set out below:

Peninsula Pensions Website

Peninsula Pensions launched a new website during the year. The website provides a much improved user experience with easier navigation, clear and relevant information and links and is in full compliance with the Public Sector Bodies (Websites and Mobile Applications) (No. 2) Accessibility Regulations 2018.

A series of online videos and user guides for scheme members and employers have been published on the website and these will continue to be developed on an ongoing basis.

The new website can be found here: **https://www.peninsulapensions.org.uk/**

Pension Administration Strategy

October 2020 saw the launch of the updated Pension Administration Strategy (PAS).

Pension Administration Strategies (PAS) were first introduced into the LGPS regulations in 2008, and now fall under Regulation 59 of the LGPS 2013 Regulations. Although they are not a legal requirement, a PAS provides a mechanism to formulate a service level agreement between the administering authority and employers. The PAS covers a number of areas including procedures for liaison and communication, and sets out the performance standards and expectations for the administering authority and employers.

The PAS also helps to improve governance arrangements, ensuring that the administering authority and employers work together to ensure compliance with The Pensions Regulator Code of Practice.

Peninsula Pensions first introduced a PAS in April 2015 and the revised PAS reflects the growth in membership and demands of Scheme members and employers, changes to LGPS regulations, advances in technology and improvements to performance monitoring.

The PAS can be found on our website via the following link:
https://www.peninsulapensions.org.uk/document/devon-pension-fund-administration-strategy/

McCloud and Sargeant Judgements

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.

The team have been working with scheme employers over the year to complete a historic data sign off exercise and a move to monthly data submissions, which will ensure that Peninsula Pensions has the necessary data available to implement the remedy when the regulations are introduced. The target for completing the data sign off exercise is 31st March 2022.

Implementing the remedial action following the McCloud/Sargeant judgement is likely to prove to be one of the team's biggest challenges to date, but we are confident that we possess the skills and resources to deliver the project internally.

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://lgpsmember.org/news/story/mccloud_qanda.php

Restriction of Public Sector Exit Payments Regulations 2020

This past year saw the introduction of the Restriction of Public Sector Exit Payments Regulations 2020. The regulations were intended to address and restrict the value of exit packages for high earners and therefore deliver value for the taxpayer. Despite several flaws in the regulations which were highlighted in our response to the Government consultation (including the unintended consequence that lower paid earners would also be impacted), the regulations were introduced. The team worked hard to ensure that our internal processes were updated to ensure full compliance with the new regulations and that all scheme employers were aware of their obligations.

Three months after the introduction of the regulations, the Government announced that the regulations were being revoked and would be disapplied with immediate effect. The team were then faced with the additional challenge of identifying benefits that had been impacted by the regulations during the period and making the necessary corrections. We are now awaiting revised regulations which are expected to be released during the coming year.

Member Self-Service

Peninsula Pensions launched a campaign prior to the Government imposed lockdown restrictions to encourage scheme members to register for Member Self-Service (MSS) in order to mitigate any risk of delay with postal communication 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.

Although Peninsula Pensions has continued to provide communications via postal methods throughout the pandemic, MSS has proved to be a much more effective and efficient method of communication for registered members.

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

COVID-19

Despite having an effective risk register and robust business continuity plan in place, nobody could have anticipated the impact that COVID-19 would have on our day-to-day operations. Prior to the Government imposed lockdown restrictions, Peninsula Pensions took early action to ensure that the impact on the level of service provision would be minimal.

A summary of actions taken by the team are set out below:

- Appropriate ICT and office equipment was provided to staff to ensure that they were able to work from home effectively and maintain service provision.
- Office staffing levels have been kept to a minimum throughout the pandemic and staff have only been permitted to work in the office for issues of wellbeing or for business continuity purposes. Any member of staff wishing to work from the office was required to complete a health risk assessment and adhere to strict social distancing measures.
- Email signatures, the Peninsula Pensions website and telephone welcome message were all updated in respect of the COVID-19 situation.
- Letters were issued to scheme members, notifying them of potential delays in our printing facilities and postal communications, and encouraging the use of Member Self-Service (MSS) for communication purposes.
- The team have made greater use of technology during lockdown to enable continued efficient communication with scheme members, employers, colleagues and for staff management purposes.
- A full internal audit review was commissioned to consider the effectiveness of our Business Continuity Plan and adaptation of our working practices and processes in response to the pandemic.

Taking this action has ensured that Peninsula Pensions has been able to operate as close to business as usual as possible throughout the pandemic, and the impact on our level of service provision has been minimal.

Key Performance Data

Administration Performance

Peninsula Pensions' internal service standard target is to complete 90% of work within 10 working days from the date that all necessary information has been received.

In addition to the internal targets, 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.

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

Total performance against internal targets for 2020/21 was 92%, despite the continued impact of COVID19.

Total performance against the Occupational and Personal Pension Schemes (Disclosure of Information) Regulations 2013 for 2020/21 was 93%.

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 2021.

Performance Summary

	Cases Completed	Performance (Internal Targets)	Performance (Disclosure Regs)
High Priority Procedures	10,416	93%	93%
Medium Priority Procedures	25,481	91%	93%
Low Priority Procedures	3,886	93%	94%
TOTAL	**39,783**	**92%**	**93%**

High Priority Procedures

	Cases Completed	Performance (Internal Targets)	Performance (Disclosure Regs)
Changes	1,333	99%	99%
Complaints (Member)	70	100%	100%
Complaints (Employer)	0	-	-
Deaths	1,279	85%	85%
Payroll	2,986	99%	99%
Refunds	646	99%	99%
Retirements (Active)	1,469	88%	88%
Retirements (Deferred)	2,633	86%	86%
TOTAL	**10,416**	**93%**	**93%**

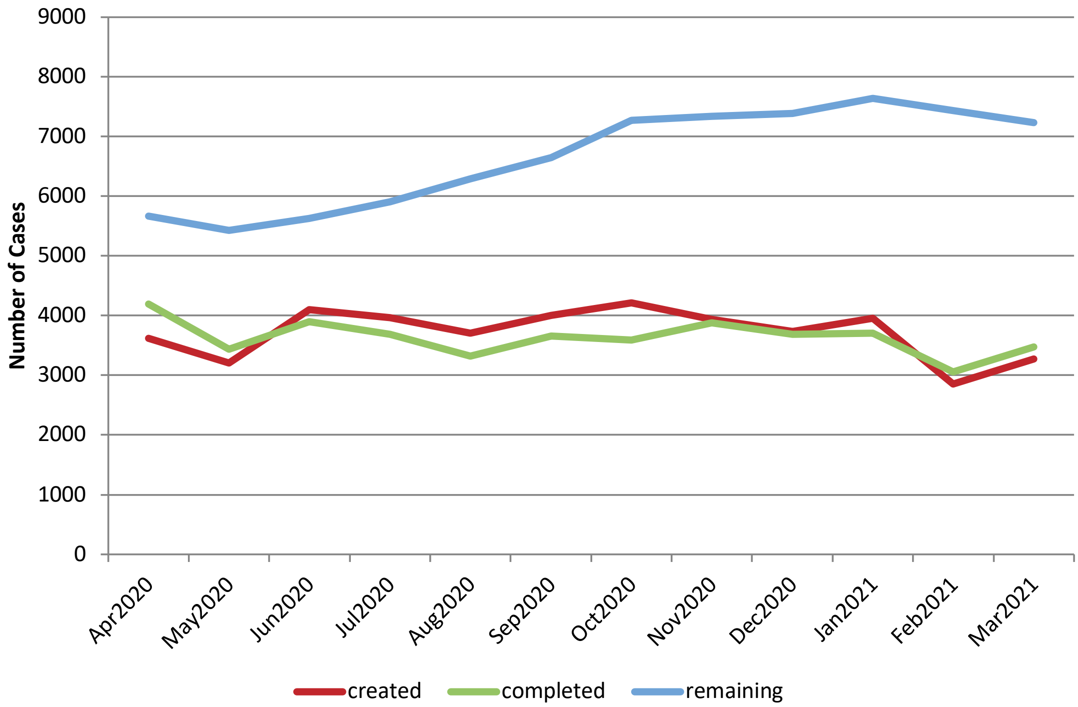
Medium Priority Procedures

	Cases Completed	Performance (Internal Targets)	Performance (Disclosure Regs)
Amalgamation of Records	3,346	81%	87%
Deferred Benefit Calculations	4,425	81%	82%
Divorce Calculations	261	86%	86%
Employer Queries	2,086	71%	79%
Estimates (Bulk)	0	-	-
Estimates (Employer)	126	100%	100%
Estimates (Member)	453	97%	97%
General	10,081	100%	100%
HMRC	130	97%	97%
Member Self-Service	4,573	100%	100%
TOTAL	**25,481**	**91%**	**93%**

Low Priority Procedures

	Cases Completed	Performance (Internal Targets)	Performance (Disclosure Regs)
Estimates (Other)	160	90%	90%
GMP Queries	1	100%	100%
Interfund Transfers In	426	77%	83%
Interfund Transfers Out	281	82%	87%
Pension Top Ups	319	96%	96%
Frozen Refunds	2,080	99%	99%
New Starters	2	100%	100%
Pension Transfers In	273	91%	92%
Pension Transfers Out	344	81%	81%
TOTAL	**3,886**	**93%**	**94%**

The graph below shows the overall performance of Peninsula Pensions (Devon Pension Fund only) for the year ending 31st March 2021.



Financial Indicators

For the financial year 2020/21, the costs of providing a pension administration service equated to £17.76 per fund member (compared with £18.13 for 2019/20). The reduction in administration costs per member are primarily as a result of the team making greater use of electronic communication throughout lockdown which resulted in reduced printing and postage costs.

Our pension payroll costs per pensioner equated to £5.60 per pensioner (compared with £5.22 for 2019/20). The increase is as a result of staffing movements.

During 2018/19, officers made the decision to withdraw from the CIPFA Benchmarking Club, which enabled cost comparisons to be made against other LGPS administrators. In addition to saving on membership costs, the decision to withdraw was made in view of the decreasing number of funds taking part in the exercise and results not being available until after the publication of the Pension Fund Annual Report. For the 3 financial years prior to our withdrawal from the CIPFA Benchmarking Club, the costs of our administration service compared favourably against the national average.

We will continue to monitor and benchmark our costs internally against the national average.

Staffing indicators

As at 31st March 2021, Peninsula Pensions employed 65.87 full-time equivalent members of staff. This equates to approximately 3,241 fund members for every full-time equivalent member of staff (compared with 3,372 for 2019/20).

Other Information

An analysis of the Devon Pension Fund's membership data as at 31st March 2021 is set out in the table below.

Status of Fund Membership	Number of Members
Active	39,462
Deferred	41,770
Pensioner	36,995
Undecided Leavers	11,754
Total	**129,981**

A further analysis of new pensioners for the Devon Pension Fund during 2020/21 is set out in the table below:

Pensioner Category	Number of New Pensioners
Ill-Health Retirement	69
Early Retirement	1,016
Normal Retirement	573
Total	1,658

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 2020/21.

Compliments	**106**
Formal complaints (IDRP Stage 1)[1]	**9**
Formal complaints (IDRP Stage 2)[2]	**6**
Other complaints[3]	**55**

[1] three of the IDRP Stage 1 complaints were against decisions made by the administering authority. One complaint was upheld, one was partially upheld and one was not upheld. All other IDRP Stage 1 complaints were against decisions made by scheme employers in respect of ill health retirement.

[2] any complaint that cannot be resolved under Stage 1 of the IDRP may be escalated to Stage 2. Two of the IDRP Stage 2 complaints were against decisions made by the administering authority. Neither of these complaints was upheld. All other Stage 2 complaints were against decisions made by scheme employers in respect of ill health retirement.

[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.

Member Self-Service

Peninsula Pensions encourages scheme members to sign up for Member Self-Service (MSS). This facility enables scheme members to:

- View pension records online
- Update personal details
- Submit and receive documentation securely and efficiently.
- View documents such as annual benefit statements, newsletters and pensioner payslips
- Calculate pension forecasts and estimates
- Contact the team directly with any queries

MSS has proved to be popular with our members. It is easy to access and use, in addition to being a more environmentally friendly method of communication than traditional postal methods. As at 31st March 2021, approximately 53% of active fund members have signed up for the service and 8% have opted out (Devon Pension Fund only).

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 383000** (and ask for ‘Pensions’)

FINANCIAL STATEMENTS 2020/21

Statement of Responsibilities for the Statement of Accounts

The Authority's Responsibilities

The Authority is required to:

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

Responsibilities of the County Treasurer

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

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

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

The County Treasurer has also:

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

Certificate of the County Treasurer

I hereby certify that this Statement of Accounts for the year ended 31st March 2021 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 2021 and its income and expenditure for the year ended 31st March 2021.

Mary Davis
County Treasurer
15th July 2021

Approval of the Statement of Accounts

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

Chairman of the Audit Committee

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 in order to provide retirement benefits for the member once they reach retirement age (or earlier if the situation demands). Before this time arrives however, the contributions paid into the scheme are invested in a variety of suitable investments. By investing the contributions in this way the fund can build up enough assets to cover any payments it may be expected to make regarding its scheme members' retirement benefits. Please visit the website **http://www.devonpensionfund.org.uk/** for further information.

As at 31st March 2021, the net assets of the Devon Pension Fund were valued at £5,035 millions. The fund currently has 39,462 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. As listed on page 134.	**Admitted Body** As listed on page 135.
No employing body discretion on membership.	Employing body discretion on membership.
No employer discretion on who can join.	Employer discretion on who can join.
Restricted to geographical area of fund.	May operate outside geographical area of fund, and potentially participate in more than one fund (separate admission agreement required).
No parent guarantee or bond.	May require an indemnity or bond.

Pensions are paid to 36,995 pensioners (and/or dependants) every month. There are currently 53,524 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 2020/21 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. The deficit contribution is expressed as a cash sum, and ranges from £0 to £11.5 millions.

From 1 April 2014, the scheme became a career average scheme, whereby members accrue benefits based on their pensionable pay in that year at an accrual rate of 1/49th. Accrued pension is uprated annually in line with the Consumer Prices Index. There are a range of other benefits provided under the scheme including early retirement, disability pensions and death benefits. The 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 oneoff tax-free cash payment. A lump sum of £12 is paid for each £1 of pension given up.	No automatic lump sum. Part of the annual pension can be exchanged for a one-off tax-free cash payment. A lump sum of £12 is paid for each £1 of pension given up.	No automatic lump sum. Part of the annual pension can be exchanged for a one-off tax-free cash payment. A lump sum of £12 is paid for each £1 of pension given up.

Management Structure

Administering Authority	Devon County Council County Hall Exeter EX2 4QD

Investment and Pension Fund Committee (at 31 March 2021)

Representing Devon County Council	Councillor Ray Bloxham Councillor Yvonne Atkinson Councillor Alan Connett Councillor Richard Edgell Councillor Richard Hosking Councillor Andrew Saywell	(Chairman)
Representing Devon Unitary & District Councils	Councillor Judy Pearce Councillor Lorraine Parker Delaz Ajete Councillor James O'Dwyer	(Devon Districts Councils) (Plymouth) (Torbay)
Representing Other Employers	Donna Healy	(Dartmoor National Park Authority)
Representing the Contributors	Stephanie Teague* Jo Cook*	
Representing the Beneficiaries	Roberto Franceschini*	

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

Adviser	Anthony Fletcher	(MJ Hudson Allenbridge)

Devon Pension Board (at 31 March 2021)

Representing Fund Employers	Councillor Colin Slade Councillor Sara Randall Johnson Carl Hearn Carrie Piper	(Devon County Council) (Chairman) (Devon County Council) (Tavistock Town Council) (South Devon College)
Representing Fund Members	Julie Bailey Andrew Bowman Paul Phillips Colin Shipp	
Independent Member	William Nicholls	

County Council Officers	Phil Norrey Mary Davis Angie Sinclair Mark Gayler Martin Oram Daniel Harris	Chief Executive County Treasurer Deputy County Treasurer Assistant County Treasurer Assistant County Treasurer Head of Peninsula Pensions

Asset Pool	Brunel Pension Partnership 101 Victoria Street Bristol. BS1 6PU
Other Investment Managers	Devon County Council Investment Team Lazard Asset Management LLC Wellington Management International Ltd
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 abridged Members Leaflet can be found on-line at:

www.devonpensionfund.org.uk

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

Financial Statements

Background

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

2019/20 £'000		Notes	2020/21 £'000
	Dealings with members, employers and others directly involved in the fund		
	Contributions		
(207,397)	Employers	5	(139,873)
(40,758)	Members	5	(42,805)
	Transfers in from other pension funds:		
(17,279)	Individual Transfers		(12,970)
(265,434)			(195,648)
	Benefits		
157,626	Pensions	6	163,522
27,170	Commutation and lump sum retirement benefits	6	24,617
3,674	Lump sum death benefits	6	4,300
	Payments to and on account of leavers		
505	Refunds to members leaving service		610
(519)	Guaranteed Minimum Pension refund from HMRC		0
(8)	Payments for members joining state scheme		(24)
12,778	Individual Transfers		7,851
201,226			200,876
(64,208)	**Net (additions)/withdrawals from dealings with members**		**5,228**
19,732	Management expenses	8 & 9	20,791
(44,476)	**Net (additions)/withdrawals including fund management expenses**		**26,019**
	Returns on investments		
	Investment Income:		
	Income from Bonds		
(399)	U.K. Public Sector Bonds		(282)
(4,941)	Overseas Government Bonds		(4,878)
(11)	UK Corporate Bonds		(38)
(2,477)	Overseas Corporate Bonds		(3,094)
	Income from Equities (Listed)		
(725)	U.K.		0
(5,212)	Overseas		107
(29,379)	Pooled Investments - Other		(13,435)
(15,957)	Pooled Property Investments		(12,995)
(690)	Interest on Cash and Short Term Deposits		(88)
	Taxes on income:		
4	Withholding Tax - Fixed Interest securities		11
436	Withholding Tax - Equities		(328)
	Profit and losses on disposal of investments and changes in market value of investments:		
(261,840)	Realised (profit)/loss		(240,731)
656,834	Unrealised (profit)/loss		(774,500)
335,643	**Net Returns on Investments**		**(1,050,251)**
291,167	Net (increase)/decrease in the net assets available for benefits during the year		(1,024,232)
(4,302,282)	Opening Net Assets of the Scheme		(4,011,115)
(4,011,115)	**Net Assets of the Scheme**		**(5,035,347)**

Net Asset Statement

31 March 2020 £'000		Notes	31 March 2021 £'000
	INVESTMENTS AT MARKET VALUE	15 & 16	
427	Long Term Investments		768
	Investment Assets		
	Bonds		
13,721	U.K. Public Sector Bonds		11,144
153,358	Overseas Government Bonds		160,893
1,326	UK Corporate Bonds		4,048
105,037	Overseas Corporate Bonds		115,139
3,307,127	Pooled Funds	14	4,296,164
372,962	Pooled Property Investments	14	404,962
	Derivative Assets	18	
7,199	Forward Currency Contracts		8,193
	Cash deposits		
8,511	Foreign Currency		11,509
27,243	Short Term Deposits		19,011
12,043	Cash & Bank Deposits		27,220
3,759	Investment income due		3,191
	Investment Liabilities		
	Derivatives	18	
(10,300)	Forward Currency Contracts		(3,233)
(1,136)	Amounts payable for purchases		(2,714)
4,001,277	**Total Net Investments**		5,056,295
	Non Current Assets and Liabilities		
1,504	Non Current Assets		0
(1,504)	Non Current Liabilities		0
	Current Assets and Liabilities	19	
33,080	Current Assets		18,063
(23,242)	Current Liabilities		(39,011)
4,011,115	**Net assets of the fund available to fund benefits at 31 March**		**5,035,347**

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 20 on page 111.

Notes to the Accounts

1. Accounting Policies

The Statement of Accounts summarises the fund's transactions for the 2020/21 financial year and its position at year-end as at 31st March 2021. The accounts have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2020/21(the Code), which is based upon International Financial Reporting Standards (IFRS), as amended for the UK public sector. The accounts have been prepared on a going concern basis.

The Code requires disclosure of any accounting standards issued but not yet adopted. IFRS16, introduced on 1st January 2019, is due to be adopted by the Code for accounting periods commencing on or after 1st April 2022. This new accounting standard largely removes the distinction between operating and finance leases by introducing an accounting model that requires lessees to recognise assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. 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 and other employers (with observers representing the staff and retired members) control the investments with advice from specialists. Employing body details are shown on pages 133 to 135.

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 accruals basis in accordance with the terms of the transfer agreement.

Investment income

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

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

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

Fund account – expense items

Benefits payable

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

Taxation

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

Management expenses

The 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 8 and 9.

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

Administrative expenses; oversight and governance costs; and investment management expenses are 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 assets 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. Where material gains and losses on forward currency contracts used to hedge against the exchange rate risks associated with specific assets will be set out in the notes to the accounts.

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 20).

Stock lending

The Fund has a programme of stock lending operated by its custodian. The programme lends directly held global equities and bonds to approved borrowers against a collateral of cash or fixed interest securities of developed countries, which is marked to market on a daily basis. Securities on loan are included at market value in the net assets on the basis that they will be returned to the Fund at the end of the loan term. Net income from securities lending received from the custodian is shown as income from investments in the Fund Account.

The custodian is authorised to invest and reinvest all or substantially all cash collateral. It is not the policy of custodian or the Devon Pension Fund to sell or repledge collateral held in the form of securities. In the event of default by the borrower, the custodian will liquidate non-cash collateral and will repurchase the original lent securities. If this is not possible (due to liquidity issues), the custodian would arrange an acceptable solution with the Devon Pension Fund.

Events after the Reporting Date

Events after the reporting date have been considered up to the time the Pension Fund Accounts were authorised for issue on 15th July 2021.

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

Financial Instruments

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

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

- The Pension Fund classifies financial instruments that are 'held for trading' as at fair value through profit or loss when the financial instrument is:
  - Acquired or incurred principally for the purpose of selling or repurchasing it in the near term, or
  - Part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit taking, or
  - A derivative.
- Financial assets and liabilities at fair value through profit or loss are initially recognised at fair value excluding transaction costs and carried at fair value without any deduction for transaction costs that would be incurred on sale or disposal.

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.

Value Added Tax (VAT)

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

2. Critical judgements in applying Accounting Policies

In applying the accounting policies set out in Note 1 it has not been necessary to make any critical judgements about complex transactions or those involving uncertainty about future events.

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

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

Item	Uncertainties	Effect if actual results differ from assumptions
Market Value of investments	The Fund's investments are revalued on a monthly basis. Investments are valued using quoted prices in active markets or by reference to markets which are not considered to be active but are valued based on quoted market prices, dealer quotations or alternative pricing sources supported by observable inputs. While market values are not estimates, the method of valuation does mean that future values may fluctuate (see note 4).	For every 1% increase in Market Value the value of the Fund will increase by £50.563 millions with a decrease having the opposite effect.
Unlisted assets, specifically level 3 private infrastructure and debt funds (valued at £303.895m)	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 £15.195m in total Fund assets.
Actuarial present value of promised retirement benefits (Note 20)	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 £184.591 millions • a 0.1% increase in assumed earnings inflation would increase the value of liabilities by approximately £17.341 millions • a one-year increase in assumed life expectancy would increase the liability by approximately £405.850 millions.

4. Estimates

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 making an assessment of fair value is explained in Note 24. For all other investments market values are available from an active market and as such no assumptions have been made in their valuation.

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

5. Contributions receivable

Contributions income for schedule bodies in 2020/21 was lower than the previous year. This was due to a significant payment from one employer to pay off their pension deficit in the prior year.

By authority

2019/20 £'000		2020/21 £'000
(50,578)	Administering Authority	(51,789)
(185,928)	Scheduled bodies	(119,335)
(1,872)	Admitted bodies	(2,219)
(2,736)	Community admission body	(3,554)
(5,805)	Transferee admission body	(4,487)
(1,236)	Resolution body	(1,294)
(248,155)		**(182,678)**

By type

2019/20 £'000		2020/21 £'000
(40,758)	Employees' normal contributions	(42,805)
(102,736)	Employers' normal contributions	(117,648)
(104,661)	Employers' deficit recovery contributions	(22,225)
(248,155)		**(182,678)**

6. Benefits Payable

By authority

2019/20 £'000		2020/21 £'000
65,810	Administering Authority	66,677
112,876	Scheduled bodies	114,989
700	Admitted bodies	1,010
4,126	Community admission body	4,741
4,464	Transferee admission body	4,385
494	Resolution body	637
188,470		**192,439**

7. Contribution Rates

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

Whole Time Pay Rate 2019/20	Member contribution rate	Whole Time Pay Rate 2020/21	Member contribution rate
£0 to £14,400	5.5%	£0 to £14,600	5.5%
£14,401 to £22,500	5.8%	£14,601 to £22,800	5.8%
£22,501 to £36,500	6.5%	£22,801 to £37,100	6.5%
£36,501 to £46,200	6.8%	£37,101 to £46,900	6.8%
£46,201 to £64,600	8.5%	£46,901 to £65,600	8.5%
£64,601 to £91,500	9.9%	£65,601 to £93,000	9.9%
£91,501 to £107,700	10.5%	£93,001 to £109,500	10.5%
£107,701 to £161,500	11.4%	£109,501 to £165,200	11.4%
More than £161,501	12.5%	More than £164,201	12.5%

8. Management Expenses

2019/20		2020/21
£'000		£'000
2,329	**Administrative costs**	2,304
2,329		**2,304**
	Investment management expenses	
13,188	Management fees (a)	16,672
2,145	Performance fees (a)	565
59	Custody fees	82
1,153	Transaction costs (b)	400
(36)	Stock Lending Income & Commission Recapture	(23)
(17)	Other Investment management expenses	20
16,492		**17,716**
	Oversight and governance costs	
24	Audit Fees (c)	26
887	Other Oversight and governance costs	745
911		**771**
19,732		**20,791**

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

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)) Audit fees include an amount of £25,693 (£24,105 in 2019/20) in relation to Grant Thornton UK LLP, the auditors appointed by the Public Sector Audit Appointments Ltd for external audit services.

9. Investment Management Fees

2020/21

	Total	Management fees	Performance related fees	Transaction Costs
	£'000	£'000	£'000	£'000
Bonds	673	673	0	0
Equities	0	0	0	0
Pooled Investments *	14,085	13,226	565	294
Pooled Property Investments	2,807	2,701	0	106
Cash and FX Contracts	72	72	0	0
	17,637	**16,672**	**565**	**400**
Custody Fees	82			
Stock Lending Income and Commission Recapture	(23)			
Other Investment Management Expenses	20			
	17,716			

* Included £1.469 million charged to the Fund by the Brunel Pension Partnership.

2019/20

	Total	Management fees	Performance related fees	Transaction Costs
	£'000	£'000	£'000	£'000
Bonds	594	594	0	0
Equities	1,646	1,383	0	263
Pooled Investments *	13,730	10,738	2,145	847
Pooled Property Investments	440	397	0	43
Cash and FX Contracts	76	76	0	0
	16,486	**13,188**	**2,145**	**1,153**
Custody Fees	59			
Stock Lending Income and Commission Recapture	(36)			
Other Investment Management Expenses	(17)			
	16,492			

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

10. Agency Services

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

31 March 2020		**31 March 2021**
£'000	**Payments on behalf of:**	**£'000**
7,501	Devon County Council	7,459
936	Plymouth City Council	951
529	Torbay Council	523
353	Teignbridge District Council	380
306	University Of Plymouth	321
238	Exeter City Council	245
235	North Devon District Council	225
187	South Hams District Council	191
166	Dorset, Devon and Cornwall Rehabilitation Service	159
83	Torridge District Council	87
357	Payments of less than £100,000 on behalf of other bodies	434
10,891		**10,975**

11. Related Party Transactions

The Devon Pension Fund is administered by Devon County Council. During the reporting period, the council incurred costs of £3.001 millions (2019/20: £3.027 millions) 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 £51.771 millions to the fund in 2020/21 (2019/20: £50.546 millions). In 2020/21 £3.541 millions was owed to the fund (2019/20: £4.360 millions) and £2.786 millions was due from the fund (2019/20: £2.819 millions).

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

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

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

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

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

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:

	2019/20 £'000	2020/21 £'000
Income	0	0
Expenditure	1,192	1,469
Debtors	317	361
Creditors	0	0

12. Key Management personnel

The Key Management Personnel of the Fund are those persons having 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 County Council Treasurer, the Deputy County Treasurer, the Assistant County Treasurers and the Head of Pension Services. A percentage of the Key Management Personnel total remuneration payable is set out below:

		Salary, Fees and Allowances £'000	Expenses Allowances £'000	Pension contributions £'000	**Total £'000**
Remuneration	2020/21	216	7	43	**266**
	2019/20	212	6	42	**260**

13. Stock Lending

The Devon pension Fund permits holdings in its segregated portfolios to be lent out to market participants. State Street Bank and Trust Company has acted as custodian for the Fund since 1 April 2018 and are authorised to lend both UK and Overseas stocks. A summary of the stock on loan as at 31st March 2021 is shown below.

31 March 2020 £'000	**% of Fund %**		**31 March 2021 £'000**	**% of Fund %**
8,462	0.2	**Stock on Loan**	**6,048**	0.1
		Collateral		
0		Cash	0	
9,305		Securities	6,869	
9,305			**6,869**	

14. Investments

2019/20 £'000		2020/21 £'000
	Investment Assets	
273,442	**Bonds**	**291,224**
	Pooled Funds	
246,728	Fixed Interest Funds	344,730
2,257,563	Global Equity	3,171,345
169,408	Infrastructure Funds	194,950
107,367	Private Debt Funds	107,612
0	Private Equity Funds	1,333
526,061	Diversified Growth Funds	476,194
3,307,127		**4,296,164**
	Other Investments	
372,962	Pooled Property Investments	404,962
	Derivatives:	
7,199	- Forward Foreign Exchange	8,193
380,161		**413,155**
47,797	Cash Deposits	57,740
3,759	Investment Income Due	3,191
51,556		**60,931**
4,012,286	**Total Investment Assets**	**5,061,474**
	Long-term Investments	
427	Shares in Brunel Pool	**768**
	Investment Liabilities	
	Derivatives:	
(10,300)	- Forward Foreign Exchange	(3,233)
(1,136)	Amounts Receivable For Sales	(2,714)
(11,436)	**Total Investment Liabilities**	**(5,947)**
4,001,277	**Total Investments**	**5,056,295**

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 2020 £'000	%	Manager	Mandate	31 March 2021 £'000	%
		Investments managed by the Brunel Pension Partnership Asset Pool:			
1,505,380	37.6	Brunel Pension Partnership Ltd	Passive Equities	1,800,418	35.6
241,385	6.0	Brunel Pension Partnership Ltd	Global High Alpha Equities	314,878	6.2
0	0.0	Brunel Pension Partnership Ltd	Global Small Cap Equities	238,078	4.7
179,009	4.5	Brunel Pension Partnership Ltd	Emerging Market Equities	281,725	5.6
0	0.0	Brunel Pension Partnership Ltd	Sustainable Equities	153,375	3.0
186,409	4.7	Brunel Pension Partnership Ltd	Low Volatility Equities	336,892	6.7
0	0.0	Brunel Pension Partnership Ltd	Diversifying Returns Fund	476,194	9.4
379,709	9.5	Brunel Pension Partnership Ltd	Property	409,079	8.1
25,117	0.6	Brunel Pension Partnership Ltd	Infrastructure	65,840	1.3
0	0.0	Brunel Pension Partnership Ltd	Private Equity	1,333	0.0
2,517,009	**62.9**			**4,077,812**	**80.6**
		Investments managed outside the Brunel Pension Partnership Asset			
279,109	7.0	Lazard Asset Management LLC	Global Fixed Interest	300,013	6.0
246,737	6.2	Wellington Management International Ltd	Global Fixed Interest	344,738	6.8
274,513	6.8	Baillie Gifford & Co	Diversified Growth Fund	0	0.0
251,548	6.3	Baring Asset Management Ltd	Diversified Growth Fund	0	0.0
432,361	10.8	DCC Investment Team	Specialist Funds	333,732	6.6
1,484,268	**37.1**			**978,483**	**19.4**
4,001,277	**100.0**			**5,056,295**	**100.0**

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 2020	Reclassification *	Purchases at cost & Derivative Payments	Sale proceeds & Derivative Receipts	Change in Market Value	Value at 31 March 2021
	£'000	£'000	£'000	£'000	£'000	£'000
Investment Assets						
Bonds						
U.K. Public Sector Bonds	13,721	0	5,826	(7,411)	(992)	11,144
Overseas Government Bonds	153,358	3,819	101,563	(88,186)	(9,661)	160,893
UK Corporate Bonds	1,326	0	3,019	0	(297)	4,048
Overseas Corporate Bonds	105,037	(3,819)	74,503	(54,289)	(6,293)	115,139
Pooled investments	3,307,127	0	1,427,485	(1,462,972)	1,024,524	4,296,164
Pooled property investments	372,962	0	98,910	(66,428)	(482)	404,962
Derivative contracts						
Forward currency contracts	(3,102)	0	27,744	(27,962)	8,280	4,960
Foreign Currency	8,512	0	67,211	(64,025)	(189)	11,509
Amounts payable for purchases of investments	(1,136)	0	(1,578)	0	0	(2,714)
	3,957,805	**0**	**1,804,683**	**(1,771,273)**	**1,014,890**	**5,006,105**
Other Investment Balances						
Short Term Deposits	27,243					19,011
Cash & Bank Deposits	12,043					27,220
Long Term Investments	427				341	768
Investment income due	3,759					3,191
Net investment assets	**4,001,277**				**1,015,231**	**5,056,295**

* Assets were reclassified by the Fund Custodian State Street. These assets initially reported as Corporate Bonds are owned by overseas government and are now classified as Government Bonds.

	Value at 31 March 2019	Reclassification	Purchases at cost & Derivative Payments	Sale proceeds & Derivative Receipts	Change in Market Value	Value at 31 March 2020
	£'000	£'000	£'000	£'000	£'000	£'000
Investment Assets						
Bonds						
U.K. Public Sector Bonds	11,770	0	637	0	1,314	13,721
Overseas Government Bonds	135,440	0	112,318	(100,006)	5,606	153,358
UK Corporate Bonds	0	0	1,253	0	73	1,326
Overseas Corporate Bonds	75,489	0	52,959	(25,570)	2,159	105,037
Equities (Listed)						
U.K.	39,901	0	7,697	(47,875)	277	0
Overseas	348,734	0	154,486	(522,276)	19,056	0
Pooled investments	3,224,966	0	2,216,307	(1,720,343)	(413,803)	3,307,127
Pooled property investments	378,934	0	424,811	(422,065)	(8,718)	372,962
Derivative contracts						
Forward currency contracts	5,146	0	26,535	(34,715)	(68)	(3,102)
Foreign Currency	5,447	0	4,231	(244)	(922)	8,512
Amount receivable for sales of	879		0	(879)	0	0
Amounts payable for purchases of investments	(193)		(943)		0	(1,136)
	4,226,513	**0**	**3,000,291**	**(2,873,973)**	**(395,026)**	**3,957,805**
Other Investment Balances						
Short Term Deposits	22,581					27,243
Cash & Bank Deposits	37,875					12,043
Long Term Investments	395				32	427
Investment income due	4,792					3,759
Net investment assets	**4,292,156**				**(394,994)**	**4,001,277**

17. Fund Investments over 5% of total fund value

	Value at 31 March 2021	% of Total Fund Value
	£'000	%
LGIM UK Equity Index Fund	538,609	10.7%
Brunel Diversifying Returns Fund	472,634	9.3%
LGIM Scientific Beta Multi-Factor Developed Equity Index Fund	406,381	8.0%
LGIM World Developed Equity Index Fund	386,075	7.6%
LGIM World Developed Equity Index (Currency Hedged) Fund	385,131	7.6%
Wellington Multi Sector Credit Fund	343,974	6.8%
Brunel Active Global Low Volatility Equity Fund	318,009	6.3%
Brunel Active Global High Alpha Equity Fund	305,945	6.1%
Brunel Active Emerging Markets Equity Fund	282,238	5.6%

	Value at 31 March 2020	% of Total Fund Value
	£'000	%
LGIM World Developed Equity Index (Currency Hedged) Fund	641,717	16.0%
LGIM UK Equity Index Fund	506,394	12.6%
LGIM Scientific Beta Multi-Factor Developed Equity Index Fund	357,238	8.9%
Baillie Gifford Diversified Growth Fund	274,513	6.9%
Barings Dynamic Asset Allocation Fund	251,548	6.3%
Wellington Multi Sector Credit Fund	246,728	6.2%
Brunel Active Global High Alpha Equity Fund	241,385	6.0%

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

19. 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.

31 March 2020 £'000		31 March 2021 £'000
	Current Assets	
	Debtors and Prepayments	
	Contributions Receivable	
10,298	Employers	9,326
1,504	Current portion of non current assets (Employers contributions)	1,504
3,175	Employees	3,402
18,103	Other debtors	3,831
33,080		**18,063**
	Current Liabilities	
	Creditors and Receipts in Advance	
(2,825)	Devon County Council	(2,799)
(20,417)	Other creditors	(36,212)
(23,242)		**(39,011)**

20. Funded Obligation

The actuarial present value of promised retirement benefits (the Funded Obligation) amounts to £9,085 millions as at 31 March 2021 (£6,924 millions as at 31 March 2020). The Funded Obligation consists of £8,919 millions (£6,804 millions as at 31 March 2020) in respect of Vested Obligation and £166 millions (£120 millions as at 31 March 2020), of Non-Vested Obligation.

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

Actuarial Methods and Assumptions

Valuation Approach

To assess the value of the Fund's liabilities at 31 March 2021, the actuary has rolled forward the value of Fund's liabilities calculated for the funding valuation as at 31 March 2019, using financial assumptions that comply with IAS19.

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

It is not possible to assess the accuracy of the estimated liability as at 31 March 2021 without completing a full valuation. However, we are satisfied that the approach of rolling forward the previous valuation data to 31 March 2021 should not introduce any material distortions in the results provided that the actual experience of the Fund has been broadly in line with the underlying assumptions, and that the structure of the liabilities is substantially the same as at the latest formal valuation. From the information we have received there appears to be no evidence that this approach is inappropriate.

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. The Actuary has allowed for actual pension increase experience for the period from 2019-2021. This assumes that pension increases are in line with the annual pension increases set by HM Treasury Revaluation Order.

As a result of allowing for actual experience, an experience item is observed in the reconciliation to 31 March 2021 to be a gain £91.807 millions (31 March 2020 a loss of £21.820 millions).

Guaranteed Minimum Pension (GMP) Equalisation

As a result of the High Court's recent Lloyds ruling on the equalisation of GMPs between genders, a number of pension schemes have made adjustments to accounting disclosures to reflect the effect this ruling has on the value of pension liabilities. It is the Actuaries' understanding that HM Treasury have confirmed that the judgement "does not impact on the current method used to achieve equalisation and indexation in public service pension schemes". More information on the current method of equalisation of public service pension schemes can be found on the **www.gov.uk** website.

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 State Pension Age (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 on the **www.gov.uk** website.

The Actuary's valuation assumption 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 Actuary has assumed that the Fund will be required to pay the entire inflationary increase. Therefore, the Actuary assumption is consistent with the consultation outcome and they do not believe they need to make any adjustments to the value placed on the liabilities as a result of the above outcome.

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 2019, except for the CMI projection model. The post retirement mortality tables adopted are the S3PA tables with a multiplier of 95% for males and 110% for females. These base tables are then projected using the CMI_2020 Model, allowing for a long-term rate of improvement of 1.25% p.a., smoothing parameter of 7.5, an initial addition parameter of 0.5% p.a. and a 2020 weighting of 25%.

Although the post retirement mortality tables adopted are consistent with the previous accounting date, the mortality improvement projection has been updated to use the latest version of the Continuous Mortality Investigation's model, CMI_2020, which was released in March 2021. This update has been made in light of the coronavirus pandemic and reflects the latest information available from the CMI. The new CMI_2020 Model introduces a "2020 weight parameter" for the mortality data in 2020 so that the exceptional mortality experienced due to the coronavirus pandemic can be incorporated without having a disproportionate impact on results. Our view is that placing too much weight on the 2020 mortality experience would not be appropriate given the abnormality of the 2020 data, however, the overall outlook for best-estimate future mortality improvements looks less positive as a result of the pandemic. Therefore the Actuary has updated to use the CMI_2020 Model with a 2020 weight parameter of 25%. At the last accounting date, the CMI_2018 Model was adopted. The effect on the Fund's liabilities of updating to the most recent model is reflected in the Change in demographic assumptions figure £ 75,560 millions for 2020/21 (£116,022 millions for 2019/20), and the effect on the assumed life expectancies is demonstrated in the table below.

The assumed life expectations from age 65 are:

Life Expectancy from 65 (years)	31 March 2020	31 March 2021 before CMI 2020 update	31 March 2021 after CMI 2020 update
Retiring Today			
Males	22.9	23.0	22.6
Females	24.1	24.1	23.9
Retiring in 20 years			
Males	24.3	24.4	24.0
Females	25.5	25.6	25.4

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

Assumptions as at	31 March 2021	31 March 2020	31 March 2019
	% p.a	% p.a	% p.a
Discount rate	2.0%	2.4%	2.4%
Pension Increases	2.9%	1.9%	2.4%
Salary Increases	3.9%	2.9%	3.9%

These assumptions are set with reference to market conditions at 31 March 2021.

The Actuary's estimate of the duration of the Fund's liabilities is 21 years.

An estimate of the Fund's future cashflows is made using notional cashflows based on the estimated duration above. The estimated cashflows are then used to derive a Single Equivalent Discount Rate (SEDR). The discount rate derived is such that the net present value of the notional cashflows, discounted at this single rate, equates to the net present value of the cashflows, discounted using the annualised Merrill Lynch AA rated corporate bond yield curve (where the spot curve is assumed to be flat beyond the 30 year point). This is consistent with the approach used at the previous accounting date.

Similar to the approach used to derive the discount rate, the Retail Prices Index (RPI) increase assumption is set using a Single Equivalent Inflation Rate (SEIR) approach, using the notional cashflows as described above. The single inflation rate derived is that which gives the same net present value of the cashflows, discounted using the annualised Merrill Lynch AA rated corporate bond yield curve, as applying the Bank of England (BoE) implied inflation curve. As above, the Merrill Lynch AA rated corporate bond yield spot curve is assumed to be flat beyond the 30 year point and the BoE implied inflation spot curve is assumed to be flat beyond the 40 year point. This is consistent with the approach used at the previous accounting date.

The BoE implied inflation curve may suggest a higher rate of inflation, over longer terms, than actually expected by market participants due to a willingness to accept a lower return on investments to ensure inflation linked returns. To reflect this, we include an Inflation Risk Premium (IRP) adjustment such that our assumed level of future annual RPI increase is 0.25% p.a. lower than the SEIR calculated using the BoE inflation curve alone. This differs from the previous accounting date. The impact of this change in derivation on the liability value resulted in a loss of £350,365,000 on the defined benefit obligation; comprising a gain of £417,672,000 from the change in assumed IRP and a loss of £768,037,000 from the change in the assumed gap between RPI and CPI inflation.

As future pension increases are expected to be based on the Consumer Prices Index (CPI) rather than RPI, we have made a further assumption about CPI which is that it will be 0.35% p.a. below RPI i.e. 2.85% p.a. We believe that this is a reasonable estimate for the future differences in the indices, based on the different calculation methods, recent independent forecasts and the duration of the Fund's liabilities. The difference between RPI and CPI is less than assumed at the previous accounting date. This reflects the movement in market implied RPI inflation that occurred following the UK Statistics Authority's proposal to change how RPI is calculated and subsequent announcements from the Chancellor on the issue. The impact of this change in derivation on the liability value as mentioned above.

Salaries are assumed to increase at 1.0% p.a. above CPI. This is consistent with the approach at the previous accounting date.

21. Taxation

Value Added Tax

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

Income Tax

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

Withholding Tax

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

22. 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
	2019/20				2020/21	
£'000	£'000	£'000		£'000	£'000	£'000
			Financial assets			
273,442	0	0	Bonds	291,224	0	0
3,307,127	0	0	Pooled investments	4,296,164	0	0
372,962	0	0	Pooled property investments	404,962	0	0
7,199	0	0	Derivative contracts	8,193	0	0
0	47,797	0	Cash	0	57,740	0
427	0	0	Long Term investments	768	0	0
3,759	0	0	Other investment balances	3,191	0	0
0	34,584	0	Debtors	0	18,063	0
3,964,916	**82,381**	**0**		**5,004,502**	**75,803**	**0**
			Financial Liabilities			
(10,300)	0	0	Derivative contracts	(3,233)	0	0
0	0	(1,136)	Other investment balances	0	0	(2,714)
0	0	(24,746)	Creditors	0	0	(39,011)
(10,300)	**0**	**(25,882)**		**(3,233)**	**0**	**(41,725)**
3,954,616	**82,381**	**(25,882)**		**5,001,269**	**75,803**	**(41,725)**

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 2020		31 March 2021
£'000		£'000
	Financial assets	
(328,326)	Fair value through profit and loss	1,044,866
(439)	Amortised Cost	(101)
(328,765)		**1,044,765**
	Financial liabilities	
(6,878)	Fair value through profit and loss	5,486
0	Amortised Cost	0
(6,878)		**5,486**

The total changes in fair value represent unrealised profit or loss. The difference in unrealised profit/(loss) figures between 2019/20 and 2020/21 reflects the prevailing economic conditions during each of the two years and the impact on the specific assets held by the Fund.

23. Hedge Accounting

Hedging is the process of entering into a derivative contract with the objective of reducing or eliminating exposure to a risk. This is achieved because expected changes in the value or cash flows of the hedging of the hedged item move in the opposite direction to expected changes in the value or cash flow of other investment holdings.

The Pension Fund enters hedging in order to manage risk and not for speculation purposes.

2020/21

	Nominal Value	Inception Date	Carrying Value at 31 March 2021	Changes in Fair Value 2020/21	Changes in Fair Value since inception	Hedge Effective-ness 2020/21	Hedge Effective-ness since inception
	£'000		£'000	£'000	£'000	%	%
Pooled Investments - Overseas Unit Trusts							
Forward Currency Contracts	(26,250)	08/01/2021	(24,705)	1,546	1,546	(5.9)	(5.9)
Pooled Investments - Global Equity							
Forward Currency Contracts	(12,672)	08/01/2021	(11,926)	746	746	(5.9)	(5.9)
Pooled Investments - Overseas Other Managed Funds							
Forward Currency Contracts	(49,877)	15/01/2021	(48,442)	1,434	1,434	(2.9)	(2.9)

2019/20

	Nominal Value	Inception Date	Carrying Value at 31 March 2020	Changes in Fair Value 2019/20	Changes in Fair Value since inception	Hedge Ineffective-ness 2019/20	Hedge Ineffective-ness since inception
	£'000		£'000	£'000	£'000	%	%
Pooled Investments - Overseas Unit Trusts							
Forward Currency Contracts	(16,964)	08/01/2020	(17,700)	(736)	(736)	4.3	4.3
Pooled Investments - Overseas Other Managed Funds							
Forward Currency Contracts	(33,929)	08/01/2020	(35,400)	(1,471)	(1,471)	4.3	4.3

The pooled investments effectiveness has been recognised as part of change in the market value of the investment.

24. 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 2021

	Assessed valuation range (+/-)	Value at 31 March 2021	Value on increase	Value on decrease
	%	£'000	£'000	£'000
Investment Assets				
Pooled Property Investments	5.36%	50	53	47
Pooled Investments				
Unlisted Infrastructure	4.85%	194,950	204,405	185,495
Private Equity	4.85%	1,332	1,397	1,267
Private Debt	4.85%	107,613	112,832	102,394
Long Term Investments	14.85%	768	882	654
		304,713	**319,569**	**289,857**

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 24) produce different price results.

As at 31 March 2020

	Assessed valuation range (+/-) %	Value at 31 March 2020 £'000	Value on increase £'000	Value on decrease £'000
Investment Assets				
Pooled Investments				
Unlisted Infrastructure	5.36%	107,658	113,428	101,887
Private Debt	5.36%	107,367	113,122	101,612
Long Term Investments	12.95%	427	482	372
		215,452	**227,033**	**203,870**

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:

	2019/20 £'000	**2020/21 £'000**
Unlisted Infrastructure		
Archmore (UBS) International Infrastructure Fund LLP	(295)	(5,353)
Aviva Ground Rents Fund	-	(279)
Aviva Infrastructure Income Fund	(2,803)	71
Capital Dynamics Clean Energy Fund VII A	(29)	226
Capital Dynamics Clean Energy Fund VIII	(149)	747
First Sentier Infrastructure Fund	-	10,818
Hermes GPE Infrastructure Fund LLP	3,154	(956)
NTR Renewable Energy Fund II	(18)	(536)
Stepstone Brunel I Infrastructure Fund	-	603
Stepstone Brunel II Renewables Infra Fund	-	331
Vauban Core Infrastructure Fund II	1,116	797
Private Equity		
Crown Global Secondaries V PE Fund	-	564
Private Debt		
Arcmont Senior Loan fund I	(1,753)	1,761
Golub Capital Partners International Fund 11	5,653	(847)
Long Term Investments		
Brunel Pension Partnership	32	341
	4,908	**8,288**

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 2021

	Quoted market price	Using observable inputs	With Significant unobservable inputs	
	Level 1 £'000	**Level 2 £'000**	**Level 3 £'000**	**Total £'000**
Long Term Investments	-	-	768	768
Investment Assets				
Fixed Interest				
U.K. Public Sector Bonds	11,144	-	-	11,144
Overseas Government Bonds	160,893	-	-	160,893
UK Corporate Bonds	4,048	-	-	4,048
Overseas Corporate Bonds	115,139	-	-	115,139
Pooled investments	46,021	3,946,248	303,895	4,296,164
Pooled property investments	-	404,912	50	404,962
Derivative Assets				
Forward Currency Contracts	-	8,193	-	8,193
Cash Deposits				
Foreign Currency	11,509	-	-	11,509
Short Term Deposits	19,011	-	-	19,011
Cash & Bank Deposits	27,220	-	-	27,220
Investment income due	3,191	-	-	3,191
Investment Liabilities				
Derivatives				
Forward Currency Contracts	-	(3,233)	-	(3,233)
Amounts payable for purchases	(2,714)	-	-	(2,714)
Assets and Liabilities				
Current Assets	-	18,063	-	18,063
Current Liabilities	-	(39,011)	-	(39,011)
Net Assets of the Fund at 31 March 2021	**395,462**	**4,335,172**	**304,713**	**5,035,347**

At 31 March 2020

	Quoted market price - Restated	Using observable inputs - Restated	With Significant unobservable inputs	
	Level 1 £'000	**Level 2 £'000**	**Level 3 £'000**	**Total £'000**
Long Term Investments	-	-	427	427
Investment Assets				
Fixed Interest				
U.K. Public Sector Bonds	13,721	-	-	13,721
Overseas Government Bonds	153,358	-	-	153,358
UK Corporate Bonds	1,326	-	-	1,326
Overseas Corporate Bonds	105,037	-	-	105,037
Pooled investments	598,393	2,493,709	215,025	3,307,127
Pooled property investments	-	372,962	-	372,962
Derivative Assets				
Forward Currency Contracts	-	7,199	-	7,199
Cash Deposits				
Foreign Currency	8,511	-	-	8,511
Short Term Deposits	27,243	-	-	27,243
Cash & Bank Deposits	12,043	-	-	12,043
Investment income due	3,759	-	-	3,759
Investment Liabilities				
Derivatives				
Forward Currency Contracts	-	(10,300)	-	(10,300)
Amounts payable for purchases	(1,136)	-	-	(1,136)
Assets and Liabilities				
Non current Assets	-	1,504	-	1,504
Non current Liabilities	-	(1,504)	-	(1,504)
Current Assets	-	33,080	-	33,080
Current Liabilities	-	(23,242)	-	(23,242)
Net Assets of the Fund at 31 March 2020	**922,255**	**2,873,408**	**215,452**	**4,011,115**

Reconciliation of Fair Value Measurements within Level 3

	Value at 31 March 2020 £'000	Transfers into Level 3 £'000	Purchases during the year and derivative payments £'000	Sales during the year and derivative receipts £'000	Unrealised gains / (losses) £'000	Realised gains / (losses) £'000	Value at 31 March 2021 £'000
Investment Assets							
Pooled Property Investments	0	0	50	0	0	0	50
Pooled Investments							
Unlisted Infrastructure	107,658	61,750	71,149	(52,076)	(6,566)	13,035	194,950
Private Equity	0	0	828	(60)	564	0	1,332
Private Debt	107,367	0	4,571	(5,239)	914	0	107,613
Long Term Investments	427	0	0	0	341	0	768
	215,452	**61,750**	**76,598**	**(57,375)**	**(4,747)**	**13,035**	**304,713**

	Value at 31 March 2019 £'000	Transfers into Level 3 £'000	Purchases during the year and derivative payments £'000	Sales during the year and derivative receipts £'000	Unrealised gains / (losses) £'000	Realised gains / (losses) £'000	Value at 31 March 2020 £'000
Investment Assets							
Pooled Investments							
Unlisted Infrastructure	87,833	0	28,717	(9,868)	947	29	107,658
Private Debt	70,271	0	50,840	(17,644)	242	3,658	107,367
Long Term Investments	395	0	0	0	32	0	427
	158,499	**0**	**79,557**	**(27,512)**	**1,221**	**3,687**	**215,452**

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.

25. Additional Financial Risk Management Disclosures

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

The Fund's investments are managed on behalf of scheme members by the Investment Managers. 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 Investment Managers. Risk of exposure to specific markets is limited by applying strategic targets to asset allocation, which are monitored by the Investment and Pension Fund Committee.

Other Price Risk

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

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

Other Price Risk - Sensitivity Analysis

Following analysis of data 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 2019/20	Percentage Change 2020/21
Equities	12.95%	14.85%
Bonds	5.17%	5.91%
Cash	0.50%	2.10%
Pooled Property Investments	2.52%	2.63%
Infrastructure	5.36%	4.85%
Pooled Multi Asset	9.11%	9.92%

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 2021

Asset Class	Value £'000	Percentage Change	Increase £'000	Decrease £'000
Equities	3,172,113	14.85%	471,127	(471,127)
Bonds	635,954	5.91%	37,586	(37,586)
Cash	63,177	2.10%	1,328	(1,328)
Pooled Property Investments	404,962	2.63%	10,669	(10,669)
Infrastructure	303,895	4.85%	14,734	(14,734)
Pooled Multi Asset	476,194	9.92%	47,245	(47,245)
Total	**5,056,295**		**582,689**	**(582,689)**

As at 31 March 2020

Asset Class	Value £'000	Percentage Change	Increase £'000	Decrease £'000
Equities	2,257,990	12.95%	292,366	(292,366)
Bonds	520,170	5.17%	26,868	(26,868)
Cash	50,420	0.50%	252	(252)
Pooled Property Investments	372,962	2.52%	9,386	(9,386)
Infrastructure	273,674	5.36%	14,661	(14,661)
Pooled Multi Asset	526,061	9.11%	47,943	(47,943)
Total	**4,001,277**		**391,476**	**(391,476)**

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 2020 and 2021 are provided below. These disclosures present interest rate risk based on underlying financial assets (at fair value).

	As at 31 March 2020 £'000	As at 31 March 2021 £'000
Cash and cash equivalents	12,043	27,220
Short term Deposits	27,243	19,011
Fixed Interest	520,170	644,743
Total	**559,456**	**690,974**

Interest Rate Risk - Sensitivity Analysis

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

The sensitivity of bond prices to interest rate changes depends upon both the maturity of the fixed interest security and the size and frequency of its coupon payments. Duration is used to measure interest rate risk and is the weighted average maturity of a bond, where the weights are the relative discounted cash flows in each period. Duration can then be adapted with reference to the yield of a bond to calculate modified duration, which is the percentage change in a bond's price for a 1% change in yields. Modified duration can be calculated for a portfolio of bonds, and modified duration figures have been provided by the Devon Pension Fund's two bond managers (Lazard and Wellington) for the portfolios that they manage. A weighted average has been used in the tables 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 2021	Carrying value at 31 March 2021	Modified Duration of Portfolio	Effect on Asset Values	
			+1%	-1%
	£'000	£'000	£'000	£'000
Cash and cash equivalents	27,220	-	-	-
Short term Deposits	19,011	-	-	-
Fixed Interest	644,743	5.62%	(36,235)	36,235
Total	**690,974**	**5.62%**	**(36,235)**	**36,235**

As at 31 March 2020	Carrying value at 31 March 2020	Modified Duration of Portfolio	Effect on Asset Values - Restated	
			+1%	-1%
	£'000	£'000	£'000	£'000
Cash and cash equivalents	12,043	-	-	-
Short term Deposits	27,243	-	-	-
Fixed Interest	520,170	5.59%	(29,090)	29,090
Total	**559,456**	**5.59%**	**(29,090)**	**29,090**

As at 31 March 2021	Amount receivable in year ending 31 March 2020	Effect on Income Values	
		+1%	-1%
	£'000	£'000	£'000
Cash and cash equivalents	88	1	(1)
Short term Deposits	0	-	-
Fixed Interest	8,292	-	-
Total	**8,380**	**1**	**(1)**

As at 31 March 2020	Amount receivable in year ending 31 March 2020	Effect on Income Values	
		+1%	-1%
	£'000	£'000	£'000
Cash and cash equivalents	690	7	(7)
Short term Deposits	0	-	-
Fixed Interest	7,828	-	-
Total	**8,518**	**7**	**(7)**

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

Currency Risk and Sensitivity Analysis

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

The following table summarises:

a) The Fund's exposure at 31st March 2021 to currency exchange rate movements on its investments based on movements over the previous 3 years.

b) 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 2021 would have increased or decreased the change for the year in net assets available to pay benefits by the amount shown. These changes in the currencies are considered to be reasonable based on historical movements in exchange rates over the past three years.

This analysis assumes that all other variables, in particular interest rates, remain constant. The analysis is performed on the same basis for the year ended 31st March 2020.

As at 31 March 2021	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	37,558	741	38,299	8.16%	3,125	(3,125)
Brazilian Real	62,240	0	62,240	15.35%	9,554	(9,554)
Canadian Dollar	59,616	69	59,685	7.07%	4,220	(4,220)
Chilean Peso	5,808	3	5,811	14.19%	825	(825)
Chinese Yuan	94,020	(127)	93,893	8.09%	7,594	(7,594)
Colombian Peso	31,277	0	31,277	12.12%	3,791	(3,791)
Czech Republic Koruna	3,137	310	3,447	7.12%	245	(245)
Danish Krona	15,303	0	15,303	6.99%	1,070	(1,070)
Euro	282,931	2,857	285,788	6.77%	19,348	(19,348)
Hong Kong Dollar	31,935	0	31,935	8.01%	2,558	(2,558)
Hungarian Forint	9,542	348	9,890	8.77%	867	(867)
Indian Rupee	9,655	12	9,667	8.19%	792	(792)
Indonesian Rupiah	1,971	(5)	1,966	8.43%	166	(166)
Israeli Shekel	(3,948)	0	(3,948)	9.05%	(357)	357
Japanese Yen	199,680	(1,588)	198,092	8.64%	17,115	(17,115)
Kenyan Shilling	655	0	655	6.33%	41	(41)
Malaysian Ringgit	12,099	0	12,099	7.38%	893	(893)
Mexican Peso	42,702	39	42,741	12.88%	5,505	(5,505)
New Taiwan Dollar	33,537	0	33,537	7.84%	2,629	(2,629)
New Turkish Lira	6,360	0	6,360	20.05%	1,275	(1,275)
New Zealand Dollar	(33,475)	292	(33,183)	7.43%	(2,465)	2,465
Nigerian Naira	1,123	0	1,123	6.33%	71	(71)
Norwegian Krone	78,918	86	79,004	9.58%	7,569	(7,569)
Peruvian Sol	5,512	0	5,512	6.33%	349	(349)
Philipines Peso	(2,140)	0	(2,140)	7.52%	(161)	161
Polish Zloty New	35,803	273	36,076	7.37%	2,659	(2,659)
Romanian Leu	8,793	269	9,062	6.33%	574	(574)
Russian Rouble	28,480	(18)	28,462	14.05%	3,999	(3,999)
Singapore Dollars	21,161	60	21,221	6.35%	1,348	(1,348)
South African Rand	17,941	0	17,941	14.08%	2,526	(2,526)
South Korean Won	37,010	(34)	36,976	7.57%	2,799	(2,799)
Swedish Krona	44,249	(73)	44,176	7.73%	3,415	(3,415)
Swiss Franc	22,900	(157)	22,743	7.36%	1,674	(1,674)
Thailand Baht	(10,459)	(18)	(10,477)	7.67%	(804)	804
US Dollars	1,377,425	1,621	1,379,046	8.03%	110,737	(110,737)
Vietnamese Dong	1,741	0	1,741	6.33%	110	(110)
	2,571,060	**4,960**	**2,576,020**		**215,656**	**(215,656)**

As at 31 March 2020	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
Argentine Peso	123	0	123	6.79%	8	(8)
Australian Dollar	34,389	1,005	35,394	8.16%	2,888	(2,888)
Brazilian Real	7,886	0	7,886	13.17%	1,039	(1,039)
Canadian Dollar	50,536	521	51,057	7.47%	3,814	(3,814)
Chilean Peso	4,712	0	4,712	12.97%	611	(611)
Chinese Yuan	76,555	(28)	76,527	7.46%	5,709	(5,709)
Colombian Peso	2,053	0	2,053	11.01%	226	(226)
Czech Republic Koruna	7,758	(3)	7,755	7.01%	544	(544)
Danish Krona	4,281	0	4,281	7.00%	300	(300)
Euro	213,111	(2,992)	210,119	6.72%	14,120	(14,120)
Hong Kong Dollar	19,420	0	19,420	7.73%	1,501	(1,501)
Hungarian Forint	9,051	176	9,227	8.26%	762	(762)
Indian Rupee	3,738	0	3,738	8.19%	306	(306)
Indonesian Rupiah	6,416	0	6,416	7.89%	506	(506)
Israeli Shekel	3,304	0	3,304	8.73%	288	(288)
Japanese Yen	62,812	1,218	64,030	8.72%	5,583	(5,583)
Malaysian Ringgit	1,849	0	1,849	7.18%	133	(133)
Mexican Peso	10,859	379	11,238	11.95%	1,343	(1,343)
Morroccan Dirham	346	0	346	5.35%	19	(19)
New Taiwan Dollar	20,852	0	20,852	7.61%	1,587	(1,587)
New Turkish Lira	1,537	0	1,537	18.38%	283	(283)
New Zealand Dollar	9,518	219	9,737	7.79%	759	(759)
Nigerian Naira	587	0	587	6.79%	40	(40)
Norwegian Krone	10,087	364	10,451	8.75%	914	(914)
Peruvian Sol	5,368	0	5,368	4.83%	259	(259)
Philipines Peso	5,270	0	5,270	7.33%	386	(386)
Polish Zloty New	7,943	38	7,981	7.34%	586	(586)
Qatari Rial	136	0	136	8.18%	11	(11)
Romanian Leu	8,305	(87)	8,218	6.79%	558	(558)
Russian Rouble	4,107	0	4,107	13.04%	536	(536)
Saudi Arabia Riyal	167	0	167	6.79%	11	(11)
Singapore Dollars	6,107	(47)	6,060	6.35%	385	(385)
South African Rand	6,284	0	6,284	13.77%	865	(865)
South Korean Won	18,425	(52)	18,373	7.76%	1,426	(1,426)
Swedish Krona	7,984	8	7,992	7.65%	611	(611)
Swiss Franc	35,698	41	35,739	7.29%	2,605	(2,605)
Thailand Baht	4,986	0	4,986	7.48%	373	(373)
UAE Dirham	1,231	0	1,231	7.28%	90	(90)
US Dollars	745,231	(3,861)	741,370	7.73%	57,308	(57,308)
Vietnamese Dong	1,275	0	1,275	6.79%	87	(87)
	1,420,297	**(3,101)**	**1,417,196**		**109,380**	**(109,380)**

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 2020 £'000	As at 31 March 2021 £'000
Fixed Interest	273,442	291,224
Pooled investments	3,307,127	4,296,164
Pooled property investments	372,962	404,962
Derivatives (net)	(3,101)	4,960
Foreign currency	8,511	11,509
Short term deposits	27,243	19,011
Cash and cash equivalents	12,043	27,220
Settlements and dividends receivable	3,759	3,191
Long Term Investment	427	768
Total of investments held	**4,002,413**	**5,059,009**

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 2021 was £19.011 millions (31st March 2020: £27.243 millions). This was held with the following institutions:

Credit Rating at 31 March 2021	**Fitch**	**Moody's**	**Standard & Poor's**	**Balances as at 31 March 2020 £'000**	**Balances as at 31 March 2021 £'000**
Banks and Building Societies					
Handelsbanken	AA	Aa2	AA-	947	19,011
Money Market Funds					
Aberdeen Money Market Fund	AAA	Aaa	AAA	26,296	0
				27,243	**19,011**

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.

26. Funding Arrangements

In line with the Local Government Pension Scheme (Administration) Regulations 2013, the fund's actuary undertakes a funding valuation every three years for the purpose of setting employer contribution rates for the forthcoming triennial period. The last such valuation took place as at 31 March 2019. The next valuation will take place as at 31 March 2022.

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 aim is to achieve 100% solvency over a period of 21 years and to provide stability in employer contribution rates by spreading any increases in rates over a short period of time, normally three years.

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

At the 2019 actuarial valuation, the fund was assessed as 91% funded (84% at the March 2016 valuation). This corresponded to a deficit of £399 millions (2016 valuation: £628 millions) at that time.

The primary rate (previously known as the future service rate) over the three year period ending 31 March 2023 is 16.9% of payroll. The secondary rate (the deficit recovery rate) totals £22.241 millions in 2021/22 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.devonpensionfund.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

Assumptions	Rate
Investment return (discount rate)	5.1%
Salary Increases	3.6%
Pension increases in line with CPI	2.6%

Mortality assumptions

Life expectancy from 65 years	31 March 2019
Retiring today	
Males	22.8
Females	24.0
Retiring in 20 years	
Males	24.2
Females	25.4

Historic mortality assumptions

Life expectancy for the year ended 31 March 2019 are based on S3PA tables with a multiplier of 95% for males and 110% for females. The allowances for future life expectancy are based on the 2018 CMI Model allowing for a long-term rate of improvement of 1.25% per annum, smoothing parameter of 7.5 and an initial addition to improvements of 0.5 % per annum.

Commutation assumption

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

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.

Statistical Summary

Financial Summary

	2016/17 £'000	2017/18 £'000	2018/19 £'000	2019/20 £'000	2020/21 £'000
Contributions and Benefits					
Contributions	(159,873)	(168,808)	(176,196)	(248,155)	(182,679)
Transfers in from other pension funds	(8,205)	(6,481)	(6,134)	(17,279)	(12,970)
	(168,078)	(175,289)	(182,330)	(265,434)	(195,649)
Benefits Paid	168,016	173,772	180,638	188,470	192,439
Payments to and on account of leavers	6,403	5,855	9,747	12,756	8,437
	174,419	179,627	190,385	201,225	200,876
Net (Additions) Withdrawals from Dealings with Fund members	**6,341**	**4,338**	**8,055**	**(64,208)**	**5,227**
Management Expenses	**12,286**	**18,084**	**17,999**	**19,732**	**20,791**
Returns on Investments					
Investment Income	(39,852)	(44,578)	(49,937)	(59,351)	(35,020)
(Increase) /decrease in Market Value of Investments during the Year	(571,754)	(135,382)	(191,967)	394,994	(1,015,231)
Net Returns on Investments	**(611,606)**	**(179,960)**	**(241,904)**	**335,643**	**(1,050,251)**
Net Assets of the Fund at 31 March	**(3,928,894)**	**(4,086,432)**	**(4,302,282)**	**(4,011,115)**	**(5,035,348)**

Members Summary

	2016/17 No.	2017/18 No.	2018/19 No.	2019/20 No.	2020/21 No.
Devon County Council					
Contributors	12,455	11,484	11,166	10,547	11,390
Pensioners and Dependants	13,737	14,117	14,548	14,894	15,148
Deferred Pensioners	18,923	20,080	20,240	19,235	19,520
Other Employers					
Contributors	26,051	27,728	27,458	28,624	28,072
Pensioners and Dependants	18,050	18,976	22,118	21,056	21,847
Deferred Pensioners	28,217	30,139	32,616	32,490	34,004

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

Employing Bodies

	Active	Ceased	Total
Scheduled body	141	1	142
Admitted body	71	0	71
Total	**212**	**1**	**213**

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 Schools Multi Academy Trust (Plymouth)
Acorn Multi Academy Trust
Alumnis MAT
An Daras Multi Acadmey 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
Bishopsteignton Parish Council
Bishops Clyst 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
Coast Academies
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
Dartmoor Multi Academy Trust
Dartmoor National Park
Dartmouth Town Council
Dawlish Town Council
Devon & Cornwall Police & Crime Commissioner
Devon & Somserset Fire & Rescue Service
Devonport High School for Boys Academy
Devonport High School for Girls Academy
Discovery Multi Academy Trust
East Devon District Council
Education South West
Eggbuckland Community College Academy
Estuaries Multi Academy Trust
Exeter City Council
Exeter College
Exeter Learning Academy Trust
Exeter Mathematics School
Exmouth Community College
Exmouth Town Council
Exwick Ark
First Federation Trust
Fremington Parish Council
Great Torrington Academy
Great Torrington Town Council
Hayes Road Academy
Holcombe Brunel Parish Council
Honiton Community College
Honiton Town Council
Horizon Multi Academy Trust
Ilfracombe Town Council
Greenshaw Learning Trust
Ivybridge Town Council
Kings Academy
Kingsbridge Town Council
Kingsteignton Town Council
Launceston Multi Academy Trust
Learning Academies Trust
Learning Academy Partnership
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
Osprey Learning Trust
Petroc
Plymouth Academy Trust Plymouth CAST
Plymouth City Bus
Plymouth City Council
Plymouth College Of Art & Design
Plymouth School of Creative Arts
Plymouth University
Plympton Academy
Queen Elizabeth's Academy Trust
Reach South Academy Trust
Riviera Education Trust
Seaton Town Council
Sidmouth Town Council
South Brent Parish Council
South Devon College
South Devon UTC
South Hams District Council
South Molton Town Council
Sparkwell Primary Academy
Staverton Parish Council
St Christophers Primary Multi Academy Trust
St Christophers Secondary Multi Academy Trust
St Margaret's Academy
Stockland Academy
Stokenham Parish Council
Tarka Learning Academy Partnership Multi Academy Trust Tavistock Town Council
Team Multi Academy Trust
Ted Wragg Multi Academy Trust
Tedburn St Mary Parish Council
Teignbridge District Council
Teignmouth Town Council
The All Saints Church of England Academy
The Inspire Multi Academy Trust
The Link Academy Multi 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
Uffculme Academy Trust
Ugborough Parish Council
United Schools Trust
WAVE Multi Academy Trust
Westcountry Schools Trust
West Devon Borough Council
Witheridge Parish Council
Ventrus Multi Academy Trust

Admitted Bodies

Access Plymouth
Action For Children
Action for Children - West Exeter Childrens Centre
Aspens Services Ltd
Babcock
Barnardos - 4Children (C4)
Barnardos - Plymouth/Whitleigh - Devon 3
Bournemouth Churches Housing Association Burton Art Gallery
CATERed Ltd
Caterlink Ltd
Chartwells (N Tawton)
Chartwells (OLCS)
Churchill Services
Compass Group UK
Cormac Solutions Ltd
Dame Hannah Rogers School
DCC South West Heritage Trust
Delt - Plymouth City
Delt Part - Print Services
Delt Shared Services Ltd
Devon & Severn IFCA
Devon Norse Catering
Devon Norse Cleaning
Devon Norse Facilities Management
Devon Wildlife Trust
DYS Space Ltd
Exeter Royal Academy for Deaf Education
Expedite Ltd
FCC Environment
FISHKIDS
FRESH Ltd
FRESHA
Fusion Leisure
Healthwatch
Innovate (Honiton Community College
Interserve Catering Services Plymouth
Interserve Projects Ltd
LED Leisure Management Ltd
LEX Leisure
Libraries Unlimited
Livewell South West
Mama Bears Day Nursery
Millfields Trust
Mitie PLC (Devon)
NHS Care
North Devon Homes
North Devon Joint Crematorium
Plymouth Citizen's Advice Bureau
Plymouth Community Homes
Peninsula Dental Social Enterprise
Plymouth Learning Partnership (PLP)
Quadron Services Ltd
Red One Ltd
Sanctuary Housing
Servicemaster Clean Contr serv
SLM Community Leisure
SODEXO
South West Highways
Strata
Streets Coaches
SWISCO Ltd
Teign Housing
Torbay Coast & Countryside Trust
Torbay Community Development Trust
Torbay Economic Development Academy
Torbay Youth Trust
University Commercial Services
Viridor
Westward Housing Group
Wolseley Community Economic Development Trust

Statement of the Actuary for the year ended 31 March 2021

Introduction

The last full triennial valuation of the Devon County Council Pension Fund was carried out as at 31 March 2019 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 2020.

Asset value and funding level

The results for the Fund at 31 March 2019 were as follows:

- The smoothed market value of the Fund's assets as at 31 March 2019 for valuation purposes was £4,273 millions;
- The Fund had a funding level of 91% i.e. the assets were 91% 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 £399m.

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 16.9% 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 2020.

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 primary and secondary rates are contained in the Rates and Adjustment Certificate in the triennial valuation report.

Assumptions

The assumptions used to value the liabilities at 31 March 2019 are summarised following:

Assumption	Assumptions used for the 2019 valuation
Financial assumptions	
Market date	31 March 2019
CPI Inflation	2.6% p.a.
Long-term salary increases	3.6% p.a.
Discount rate	5.1% 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 increase. 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 Member base tables Member mortality multiplier Dependant base tables Dependant mortality multiplier Projection model Long-term rate of improvement Smoothing parameter Initial addition to improvements	Male / Female SP3A 95% / 110% S3DA 95% / 80% CMI 2018 1.25% p.a. 7.5 0.5% p.a
The mortality assumptions translate to life expectancies as follows:	
Assumed life expectancies at age 65:	Men / Women
Average life expectancy for current pensioners - currently age 65	22.8 years / 24.0 years
Average life expectancy for current pensioners - currently age 45	24.2 years / 25.4 year

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

Updated position since the 2019 Valuation

Assets

Returns over the year to 31 March 2021 have been strong, helping to offset the significant fall in asset values at the end of the previous year. As at 31 March 2021, in market value terms, the Fund assets were more than where they were projected to be based on 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 2021, the real discount rate is estimated to be lower than at the 2019 valuation due to lower future expected returns on assets in excess of CPI inflation.

Please note that we have updated the derivation of the CPI inflation assumption to be 0.8% p.a. below the 20 year point on the Bank of England (BoE) implied inflation curve. The assumption adopted at the 2019 valuation was that CPI would be 1.0% p.a. below the 20 year point on the BoE implied inflation curve. This update was made following the Government's response (on 25 November 2020) to the consultation on the reform of RPI, and the expectation that the UK Statistics Authority will implement the proposed changes to bring RPI in line with CPIH from 2030. This updated approach leads to a small increase in the value of liabilities.

The value of liabilities will also have increased due to the accrual of new benefits net of benefits paid.

It is currently unclear what the impact of the COVID-19 pandemic is on the Fund's funding position. It is expected that COVID-related deaths will not have a material impact on the Fund's current funding level, however, impact on future mortality rates may be more significant and we will be reviewing the Fund's mortality assumption as part of the next valuation.

Overall position

On balance, we estimate that the funding position has weakened slightly since 31 March 2019, falling from 91% to 90% at 31 March 2021.

The change in the real discount rate since 31 March 2019 is likely to place a higher value on the cost of future accrual which results in a higher primary contribution rate. Deficit contributions would also be slightly higher as a result of the worsening in the funding position.

Future investment returns that will be achieved by the Fund in the short term are more uncertain than usual, in particular the return from equites due to actual and potential reductions and suspensions of dividends. There is also uncertainty around future benefits due to the McCloud/Sargeant cases and the cost cap process.

We will continue to monitor the funding level on a quarterly basis as requested by the administering authority.

Graeme Muir FFA
Partner, Barnett Waddingham LLP
21st May 2021

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/

Fund's Largest Equity Shareholdings as at 31 March 2021

All of the Devon Fund's equity 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 table shows the top twenty equity holdings on that basis.

Company	Sector	Country	Passive Holding £000	Active Holding £000	Total Holding £000	% of Total Investments %
Microsoft	Technology	United States	26,279	21,022	47,301	0.94
Apple	Technology	United States	29,989	7,066	37,055	0.74
Alphabet	Technology	United States	19,927	14,188	34,115	0.68
Unilever	Consumer, Non-cyclical	Netherlands	27,213	2,142	29,355	0.58
Amazon	Consumer Services	United States	19,958	9,016	28,974	0.58
Taiwan Semi-Conductor	Technology	Taiwan	0	28,941	28,941	0.57
Royal Dutch Shell	Energy	United Kingdom	28,740	0	28,740	0.57
Astrazeneca	Consumer, Non-cyclical	United Kingdom	25,491	417	25,908	0.51
HSBC Holdings	Financials	United Kingdom	23,295	474	23,769	0.47
Tencent	Technology	China	0	22,894	22,894	0.45
Samsung Electronics	Technology	South Korea	5,812	15,758	21,570	0.43
Mastercard	Financials	United States	5,595	13,535	19,130	0.38
Alibaba	Consumer Services	China	0	18,615	18,615	0.37
Diageo	Consumer, Non-cyclical	United Kingdom	18,357	0	18,357	0.36
Glaxosmithkline	Consumer, Non-cyclical	United Kingdom	16,954	1,274	18,228	0.36
Rio Tinto	Basic Materials	United Kingdom	16,794	0	16,794	0.33
British American Tobacco	Consumer, Non-cyclical	United Kingdom	16,709	0	16,709	0.33
BP	Energy	United Kingdom	15,721	0	15,721	0.31
Nestle	Consumer Goods	Switzerland	4,972	10,070	15,042	0.30
Anglo American	Basic Materials	United Kingdom	9,819	4,890	14,709	0.29
			311,625	170,302	481,927	9.55
Balance of Equity Investments			1,488,793	1,200,625	2,689,418	53.37
			1,800,418	1,370,927	3,171,345	62.92

The Fund's Largest Property Fund Holdings as at 31 March 2021

Property Fund	Total Holding £000	% of Total Investments %
Industrial Property Investment Fund	41,715	0.83
Blackrock UK Property Fund	38,223	0.76
Federated Hermes Property Unit Trust	33,792	0.67
CBRE Global Investors UK Property Fund	27,163	0.54
Schroders UK Real Estate Fund	26,573	0.53
	167,466	3.33
Plus Other Pooled Property Fund Investments	237,496	4.71
	404,962	8.04

Infrastructure and Private Debt Funds as at 31 March 2021

	Total Holding £000	% of Total Investments %
Infrastructure Funds		
Hermes Infrastructure Fund	49,979	0.99
First Sentier European Diversified Infrastructure Fund	35,335	0.70
Aviva Investors ReALM Ground Rents Fund	18,161	0.36
Aviva Investors Infrastructure Income Fund	16,562	0.33
Archmore (UBS) International Infrastructure Fund	16,202	0.32
Stepstone Brunel II Renewables Infrastructure Fund	15,675	0.31
Stepstone Brunel I Infrastructure Fund	14,507	0.29
Vauban Core Infrastructure Fund II	10,046	0.20
Capital Dynamics Clean Energy Infrastructure Fund VIII	9,297	0.18
Capital Dynamics Clean Energy Infrastructure Fund VII	5,526	0.11
NTR Renewable Energy Fund II	3,490	0.07
Stepstone Brunel II Generalist Infrastructure Fund	168	0.00
	194,950	3.86
Private Debt Funds		
Bluebay Senior Loan Fund I	60,048	1.19
Golub Capital Partners International Fund 11	47,565	0.94
	107,613	2.13

Scheme and Benefit Information

Devon County Council administers the Pension Fund for its own employees and over 480 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.

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 2019 with revised employer contributions payable from April 2020.

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.

Glossary

Actuarial Terms

Actuary

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

BoE spot inflation curve

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

Deferred Pension

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

Merrill Lynch AA rated corporate bond curve

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

Non-Vested obligations

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

Promotional scale

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

Retirement age assumption

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

Solvency Test

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

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.

Vested obligations

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

Derivatives

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

Emerging Markets

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

Equities

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

Fixed Interest Securities

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

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

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

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

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

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

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

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

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

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

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

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

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

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

APPENDIX A: STATUTORY STATEMENTS

Devon County Council Pension Fund Investment Strategy Statement

Approved by the Investment and Pension Fund Committee
26th February 2021

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.peninsulapensions.org.uk/pension-fund-investments/devon-county-council-investments/devon-fund-key-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 in Section 5.
- 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 2020/2021	Medium-Term Target	Role(s) within the Strategy
Equities	**58%**	**58%**	
Global Passive	33%	29%	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, sustainable equities and low volatility equities).
Global Active	5%	5%	
Emerging Markets Active	5%	5%	
Low Volatility	7%	9%	
Global Small Cap	5%	5%	
Sustainable	3%	5%	
Fixed Interest	**15%**	**15%**	
Global Bonds	7%	-	The Fund invests in a number of global bond investments, to provide diversified exposure to sovereign and corporate bond 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.
Sterling Bonds including corporate and inflation-linked	-	7%	
Multi-Sector Credit	7%	7%	
Cash	1%	1%	

Asset Class	Target 2021/2022	Medium-Term Target	Role(s) within the Strategy
Alternatives/Other	**27%**	**27%**	
Diversifying Returns Funds	7-9%	1%	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, whilst providing some diversification away from equities and bonds.
International Property	2%	2%	
Infrastructure	5-8%	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. In the medium to long term, the Fund intends to increase exposure to private markets (equity and credit) to benefit from diversified sources of return (including illiquidity and complexity premia).
Private Debt	3%	3%	
Private Equity	0%	3%	
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 2018/2019 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 different economic and market 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 long term investment strategy. These changes include increasing diversification within the equity and fixed income holdings, and also implementing an allocation to private market investments in order to generate returns in excess of inflation, through exposure to companies that are not publicly traded and which therefore provide an "illiquidity premium" whilst providing some diversification away from listed equities and bonds.

The review set out a long-term plan, with a phased implementation over a 3-5 year period, with interim steps. The phased approach:

- Is designed to ensure that significant changes are not made at the wrong time in the economic cycle, with negative implications for investment returns.
- Is linked with the transition timetable to Brunel and the availability of Brunel portfolios.
- Recognises the commitment and drawdown cycle within private markets that means that commitments made are only drawn down over an elongated timeframe.

Details of allocations for 2021/22 are shown in the table above, together with the agreed medium-term target allocations, as per the long-term plan. It should be noted that progress in reaching the targets for infrastructure, private debt and private equity, and the consequent decrease in the allocation to Diversifying Returns Funds (DRFs) will be dependent upon the progress of the Brunel Pension Partnership in identifying suitable commitments, and on the pace of the subsequent draw down of commitments. It is difficult to forecast how quickly this will be achieved. Therefore the 2021/22 allocations shown to infrastructure and DRFs are shown as a range.

The long-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

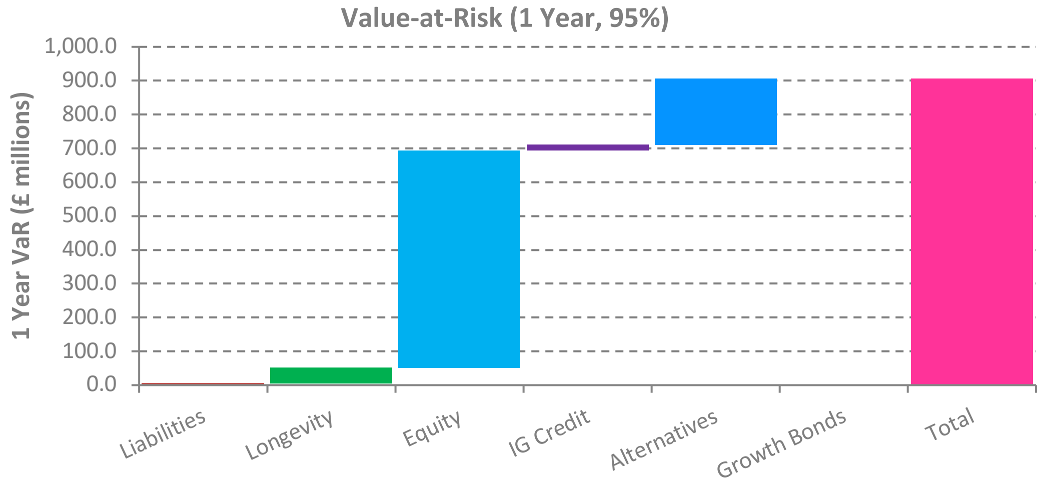
Successful investment involves taking considered risks, acknowledging that the returns achieved will to a large extent reflect the risks taken. There are short-term risks of loss arising from default by brokers, banks or custodians but the Fund is careful only to deal with reputable counter-parties to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

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

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

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 graph below provides an indication of the main sources of investment risk (estimated by Mercer) to the funding position, as measured using a 1 year Value at Risk measure at the 5% level.



Note: “IG Credit” risk represents investment grade credit risks within Fund’s fixed income mandates.

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.

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.
- 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'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 taking income from investments where possible.

Governance: members of the Committee and Local Pension Board participate in regular training delivered through a formal programme. Both the Committee and Local 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 Ltd. 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 create collective investment vehicles for quoted assets such as equities and bonds; for private market investments it will create and manage an investment programme with a defined investment cycle for each asset class.

As a client of Brunel, the Devon 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 the portfolios managed by Brunel started in April 2018 (the passive equity assets transitioned in July 2018) and is expected to be completed (except for legacy private market assets) during 2021. A transition timetable agreed between the clients and Brunel is regularly monitored by the Client Group. Until such time as transitions take place, the Devon Pension Fund will continue to maintain the relationship with its current investment managers and oversee their investment performance, working in partnership with Brunel where appropriate.

Following the completion of the transition plan, 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 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 social, environmental 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 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.

(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 Fund does not 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 reduce unrewarded climate and carbon risk. 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) We are committed to being transparent about the carbon intensity of our investments through the publication of the Fund's carbon footprint on an annual basis. In line with (c) above we would expect the carbon footprint to reduce over time as part of a transition to a low carbon economy. The Fund has set a target of a 7% per annum reduction in the Weighted Average Carbon Intensity (WACI) of the Fund's investments, based on the December 2019 calculation of the WACI, with a view to achieving net zero carbon emissions by 2050.

(e) Within the Fund's infrastructure investments, we would expect a significant proportion to be invested in renewable energy assets.

(f) 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 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.

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 Fund fully endorses and supports the Brunel Pension Partnership Stewardship Policy, and the Devon 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 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 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 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 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 longterm 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 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 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 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 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 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 longterm 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 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 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) <u>Reporting</u>

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 selected to undertake the investment review following a procurement exercise through the South West LGPS Framework for the Supply of Actuarial, Benefits and Investment Advisory Services, administered by the Environment Agency.

The Devon 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 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.

County Treasurer: Mary Davis BA (Hons), CPFA

The County Treasurer advises the Committee and ensures that it is informed of regulatory changes and new developments in the investment field and implements the Committee's decisions. Mary Davis is a CIPFA qualified accountant and has been the County Treasurer and Section 151 Officer for Devon County Council since 2008. Mary has responsibility for Devon County Council's finances, including responsibility for the Devon Pension Fund. Mary has a BA (Hons) degree in Economics.

Assistant County Treasurer Investments: Mark Gayler ACMA, IMC

Mark Gayler has been 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 30 years of experience within local government, and first moved to the Investment Team in 2010, initially as Deputy Investment Manager.

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 22 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:

Tessa Page, Principal

Tess is a Partner at Mercer and an LGPS strategy specialist, with over 15 years' pensions and investments experience. Tess joined Mercer in 2011, having previously worked at JLT (formerly HSBC Actuaries and Consultants). She has a Masters in Biochemistry from the University of Oxford and is a Fellow of the Institute and Faculty of Actuaries.

Sandy Dickson, Associate

Sandy is an Associate within Mercer's investment business, with over 5 years' experience working with predominantly public sector pension schemes on all aspects of investment strategy, implementation and monitoring. Sandy has a Masters in Chemistry from the University of Durham 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 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 award of mandates to individual investment managers the Investment and Pension Fund Committee has set benchmarks 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

Section 6 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 section 6 of 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 Peninsula Pensions website.

In accordance with LGPS (Administration) Regulations 2008, the Devon Pension Fund has published a Communications Policy Statement, which can be viewed at: https://www.peninsulapensions.org.uk/members/local-government/your-pension-scheme/pension-fund-investments/devon/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 Peninsula Pensions website, which it considers to be its primary communications channel.

Annex 2 – Current Managers and Mandates

Manager	Mandate	Target
Brunel Pension Partnership (underlying manager: Legal and General Investment Management)	Passive UK Equities	Performance in line with the FTSE All Share TR Index
	Passive Global Developed Equities	Performance in line with the FTSE World Developed TR Index
	Passive Smart Beta Equities	Performance in line with the SciBeta Multifactor Composite Index
Brunel Pension Partnership (underlying managers: Alliance Bernstein, Baillie Gifford, Fiera Capital, Harris Associates, Royal London)	Global High Alpha Equities	Outperform MSCI World TR Index by 2-3% per annum over a rolling 3-5 year period
Brunel Pension Partnership (underlying managers: Genesis, Wellington, Invesco)	Emerging Markets Equities	Outperform MSCI Emerging Markets TR Index by 2-3% per annum over a rolling 3-5 year period
Brunel Pension Partnership (underlying managers: Robeco, Quonium)	Low Volatility Equities	Outperform the MSCI All Countries World TR Index (longer term) but with lower volatility than the underlying market (80% or less)
Brunel Pension Partnership (underlying managers: Montanaro, Kempen, American Century)	Global Smaller Company Equities	To outperform the MSCI World Small Cap Index TR by 2% per annum over a rolling 3-5 year period
Brunel Pension Partnership (underlying managers: Ownership Capital, Nordea, RBC Global Asset Management)	Sustainable Equities	Outperform the MSCI All Country World Index (ACWI) TR Index by 2% per annum over the medium to longer term (3-5 years)
RWC Partners	European Activism Fund	Outperform the MSCI Europe TR Index

Manager	Mandate	Target
Lazard Asset Management LLC	Global Fixed Interest	Outperform Barclays Capital Global Aggregate Bond Index by 1% per annum
Wellington Management International Ltd	Multi Sector Credit	Outperform composite of 1/3 Bank of America Merrill Lynch Global High Yield Constrained Index, 1/3 JP Morgan Emerging Markets Bond Index Plus, and 1/3 CS Leveraged Loan Index
Brunel Pension Partnership (Underlying managers: JP Morgan, William Blair, Lombard Odier, UBS)	Diversifying Returns Fund	Outperform GBP SONIA by 3-5% per annum over a rolling 5-7 year period
Brunel Pension Partnership	UK Property	Outperform the MSCI/AREF UK Quarterly Property Fund Index by 0.5% p.a. over a rolling 5 - 7 year period.
Brunel Pension Partnership	International Property	Outperform the MSCI Global Quarterly Property Fund Index by 0.5% p.a. over a rolling 5 - 7 year period.
Bluebay Asset Management	Private Debt	Outperform GBP 7 Day LIBID + 5%
Golub Capital Partners	Private Debt	Outperform GBP 7 Day LIBID + 5%
DCC Investment Team	Infrastructure Funds	Outperform GBP 7 Day LIBID + 5%
Brunel Pension Partnership	Infrastructure Funds	Outperform CPI + 4%
DCC Investment Team	Cash	Outperform GBP 7 Day LIBID

Devon County Council Pension Fund Funding Strategy Statement

Approved by the Investment and Pension Fund Committee
28 February 2020

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 2016 guidance issued by CIPFA.

2. Purpose of the Funding Strategy Statement

The purpose of this Funding Strategy Statement 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 Ministry of Housing, Communities and Local Government (MHCLG).

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 2019. 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. The RPI assumption adopted as at 31 March 2019 was 3.6% p.a.

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 2019 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. A deduction of 1.0% p.a. is therefore made to the RPI assumption to derive the CPI assumption. The CPI assumption adopted as at 31 March 2019 was 2.6% 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 2019 valuation was 5.1% 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.

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.

2019 valuation results

As at 31 March 2019, as calculated at the 2019 valuation, the Fund was 91% funded, corresponding to a deficit of £399m.

The primary rate required to cover the employer cost of future benefit accrual was 16.9% of payroll p.a.

McCloud/Sargeant judgements

The McCloud/Sargeant judgements were in relation to two employment tribunal cases which were brought against the government in relation to possible age and gender discrimination in the implementation of transitional protection following the introduction of the reformed 2015 public service pension schemes from 1 April 2015. These judgements were not directly in relation to the LGPS, however, do have implications for the LGPS.

In December 2018, the Court of Appeal ruled that the transitional protection offered to some members as part of the reforms amounted to unlawful discrimination. On 27 June 2019 the Supreme Court denied the government’s request for an appeal in the case. A remedy is still to be either imposed by the Employment Tribunal or negotiated and applied to all public service schemes, so it is not yet clear how this judgement may affect LGPS members’ past or future service benefits. It has, however, been noted by government in its 15 July 2019 statement that it expects to have to amend all public service schemes, including the LGPS.

Further details of this can be found below in the Regulatory risks section.

At the time of drafting this FSS, it is still unclear how the McCloud/Sargeant judgements will affect current and future LGPS benefits. As part of the Fund's 2019 valuation, in order to mitigate the risk of member benefits being uplifted and becoming more expensive, the potential impact of McCloud was covered by the prudence allowance included in the discount rate assumption. As the remedy is still to be agreed the cost cannot be calculated with any certainty, however, the Fund Actuary expects it is likely to be less than the impact of reducing the discount rate assumption by 0.05%.

Guaranteed Minimum Pension (GMP) indexation and equalisation

As part of the restructuring of the state pension provision, the government needs to consider how public service pension payments should be increased in future for members who accrued a Guaranteed Minimum Pension (GMP) from their public service pension scheme and expect to reach State Pension Age (SPA) post-December 2018. In addition, a resulting potential inequality in the payment of public service pensions between men and women needs to be addressed. Information on the current method of indexation and equalisation of public service pension schemes can be found at: https://www.gov.uk/government/consultations/indexation-and-equalisation-of-gmp-in-public-service-pension-schemes/consultation-on-indexation-and-equalisation-of-gmp-in-public-service-pension-schemes.

On 22 January 2018, the government published the outcome to its Indexation and equalisation of GMP in public service pension schemes consultation, concluding that the requirement for public service pension schemes to fully price protect the GMP element of individuals' public service pension would be extended to those individuals reaching SPA before 6 April 2021. HMT published a Ministerial Direction on 4 December 2018 to implement this outcome, with effect from 6 April 2016. Details of this outcome and the Ministerial Direction can be found at: https://www.gov.uk/government/publications/indexation-of-public-service-pensions.

The 2019 valuation assumption 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, it is assumed that 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 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 2019 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 2020/21 contributions would only apply if the lump sum payment was made by 30 April 2020). The discounts are 1.5% for an annual payment in advance or 4.5% 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 maximum recovery period across the Fund at the 2019 valuation was 21 years. This represents a reduction of three years from the maximum 24 year recovery period set at the 2016 valuation. The ultimate aim is to reach 100% funding, and a reduction of three years in the recovery period since the 2016 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 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.

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 2019 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
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
ISS contracts	Past and future service pooling	All employers in the pool pay the same total contribution rate and have the same funding level
Compass contracts	Past and future service pooling	All employers 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 2019 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.

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 based on the funding level of the pool at the conversion date.

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 2019 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. 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.

In certain circumstances the Fund may agree with an exiting employer that it will continue to be treated as an active employer with deficit contributions being set on an ongoing basis. This will only be permitted where the employer organisation is assessed as having a long term stable financial position, and where security is put in place to cover the full cessation deficit.

A Town or Parish Council may defer their exit if the last member leaves the scheme 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 and at the discretion of the Fund.

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).

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

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 regulations surrounding an employer's exit from the Fund. 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 Regulatory risks section below.

12. 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.

13. 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.

14. 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 0.5% p.a. in the real discount rate will decrease/increase the valuation of the liabilities by 10%, and decrease/increase the required employer contribution by around 2.5% 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 two 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.

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.
- The potential effects of GMP equalisation between males and females, if implemented, are not yet known.
- 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 judgements, the cost cap mechanism and the timing of future funding valuations consultation. These are discussed in the sections below.

<u>McCloud/Sargeant judgements and cost cap</u>

The 2016 national Scheme valuation was used to determine the results of HM Treasury's (HMT) employer cost cap mechanism for the first time. The HMT cost cap mechanism was brought in after Lord Hutton's review of public service pensions with the aim of providing protection to taxpayers and employees against unexpected changes (expected to be increases) in pension costs. The cost control mechanism only considers "member costs". These are the costs relating to changes in assumptions made to carry out valuations relating to the profile of the Scheme members; e.g. costs relating to how long members are expected to live for and draw their pension. Therefore, assumptions such as future expected levels of investment returns and levels of inflation are not included in the calculation, so have no impact on the cost management outcome.

The 2016 HMT cost cap valuation revealed a fall in these costs and therefore a requirement to enhance Scheme benefits from 1 April 2019. However, as a funded Scheme, the LGPS also had a cost cap mechanism controlled by the Scheme Advisory Board (SAB) in place and HMT allowed SAB to put together a package of proposed benefit changes in order for the LGPS to no longer breach the HMT cost cap. These benefit changes were due to be consulted on with all stakeholders and implemented from 1 April 2019.

However, on 20 December 2018 there was a judgement made by the Court of Appeal which resulted in the government announcing their decision to pause the cost cap process across all public service schemes. This was in relation to two employment tribunal cases which were brought against the government in relation to possible discrimination in the implementation of transitional protection following the introduction of the reformed 2015 public service pension schemes from 1 April 2015. Transitional protection enabled some members to remain in their pre-2015 schemes after 1 April 2015 until retirement or the end of a pre-determined tapered protection period. The claimants challenged the transitional protection arrangements on the grounds of direct age discrimination, equal pay and indirect gender and race discrimination.

The first case (McCloud) relating to the Judicial Pension Scheme was ruled in favour of the claimants, while the second case (Sargeant) in relation to the Fire scheme was ruled against the claimants. Both rulings were appealed and as the two cases were closely linked, the Court of Appeal decided to combine the two cases. In December 2018, the Court of Appeal ruled that the transitional protection offered to some members as part of the reforms amounts to unlawful discrimination. On 27 June 2019 the Supreme Court denied the government's request for an appeal in the case. A remedy is still to be either imposed by the Employment Tribunal or negotiated and applied to all public service schemes, so it is not yet clear how this judgement may affect LGPS members' past or future service benefits. It has, however, been noted by government in its 15 July 2019 statement that it expects to have to amend all public service schemes, including the LGPS.

At the time of drafting this FSS, it is not yet known what the effect on the current and future LGPS benefits will be.

<u>Consultation: Local government pension scheme: changes to the local valuation cycle and management of employer risk</u>

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 consultation is currently ongoing: the consultation was closed to responses on 31 July 2019 and an outcome is now awaited. 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 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. This results of the national Scheme valuation are used to test the cost control cap mechanism and HMT believed that all public sector scheme should have the cost cap test happen at the same time with the next quadrennial valuation in 2020 and then 2024.

Managing employer exits from the Fund

The consultation covers:

- Proposals for flexibility on exit payments. This includes:

  - Formally introducing into the Regulations the ability for the administering authority to allow an exiting employer to spread the required exit payment over a fixed period.
  - Allowing employers with no active employees to defer payment of an exit payment in return for an ongoing commitment to meeting their existing liabilities (deferred employer status).
- Proposals for further policy changes to exit credits. The proposed change would require the exiting employer's exposure to risk to be taken into account in calculating any exit credit due (for example a pass through employer who is not responsible for any pensions risk would likely not be due an exit credit if the amendments are made to the Regulations).

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, 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.

<u>Governance</u>

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.

15. 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 2019, certifying the contribution rates payable by each employer in the Fund for the period from 1 April 2020 to 31 March 2023.

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 2022 but the period for which contributions will be certified remains unconfirmed.

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

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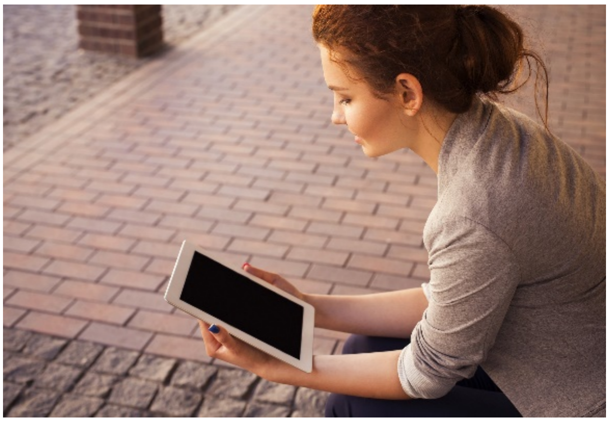


Review

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.

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

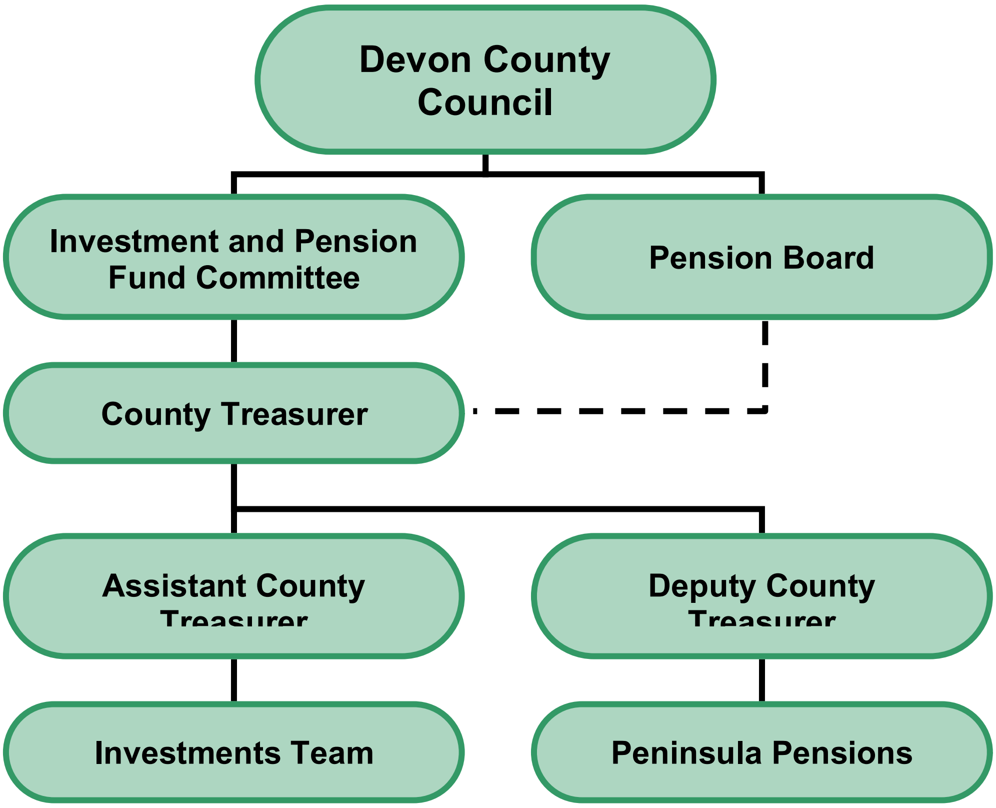
  (ii) send a copy of it to the Secretary of State.

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 County Treasurer 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 County Treasurer and staff from the Authority's Investments and Pensions Administration teams. It will also include staff from the Devon Audit Partnership. The Board will also be able to seek advice from other advisors, such as the Fund Actuary, and the Fund's external auditors.

The Board will meet 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 County Treasurer

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

The following responsibilities are delegated to the County Treasurer:

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

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

April 2020

Contents

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 the Devon County Council and Somerset County Council Administering Authorities.

The Devon County Council and Somerset County Council Administering Authorities, Investment and Pension Fund Committees and Pension Boards remain independent from each other with each Administering Authority retaining investment and governance responsibility for their respective pension fund.

Although not a statutory requirement, a Pension Administration Strategy (PAS) was introduced in April 2015, following approval by the Devon County Council and Somerset County Council Investment and Pension Fund Committees. Although there is a separate PAS in place for each Administering Authority, the content is identical in order to ensure that 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 permits Administering Authorities 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 employers, 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 Administering Authority which are located within the Devon County Council Pension 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 associated documentation for day-to-day operations, which can be found within the employer's area of the Peninsula Pensions website.

2. Key Administration Strategy focus

This strategy formulates the administrative arrangements between the Administering Authority and employers. It recognises that employers and the Administering Authority 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 and working together.

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 Administering Authority and employers
- promoting good working relationships and improving efficiency between the Administering Authority and employers for the benefit of scheme members
- enhancing the flow of data by having clear channels of communication in place, so that each stakeholder 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, as opposed to sharing the costs across all employers in the Pension 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 Administering Authority)

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. Administering Authorities 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 Administering Authority. Employers need to ensure that legal obligations regarding the provision of timely and accurate information to the scheme are met.

The Administering Authority 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 Administering Authority and employers is key in delivering a successful administration service. This document describes how the Administering Authority provides support to employers in meeting their responsibilities.

Peninsula Pensions will notify employers in advance of any proposed changes in systems, processes, legislation and data requirements and will provide sufficient time, support and guidance for employers to implement any changes.

Full details covering the processes for employers, including the procedures for the escalation of outstanding requests for information, can be found within the employer's section of our website.

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 Peninsula Pensions to resolve issues and/or consistently fails to meet its responsibilities under the LGPS Regulations, the Administering Authority (or stakeholders such as the Pension Board) has a statutory duty to report any breach to The Pensions Regulator. Similarly, stakeholders (such as the Pension Board) may report Peninsula Pensions to The Pensions Regulator if it is believed that a breach has occurred in respect of its duty as scheme administrator.

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.

The Pensions' Regulator may impose a penalty under section 10 of the Pensions Act 1995. At the time of creating the PAS, the maximum amount of a penalty in relation to a breach is £5,000 in the case of an individual and up to £50,000 in any other case.

Penalties may be imposed on any party who has legal requirements or responsibilities relating to the management or administration of the scheme, and anyone else who could be subject to any of The Pensions' Regulator's statutory powers of investigation and enforcement, such as employers and professional advisers.

The Pensions' Regulator's compliance and enforcement policy for public service sector schemes can be accessed via the following link:

https://www.thepensionsregulator.gov.uk/-/media/thepensionsregulator/files/import/pdf/compliance-policy-public-service-pension.ashx

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 employers and the Administering Authority
- Setting clear and achievable standards of service levels for the functions carried out by employers and the Administering Authority
- Setting out clear procedural guidance for the secure and effective exchange of information between 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 Administering Authority and 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.

<u>The Employer's Roles and Responsibilities</u>

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 Peninsula Pensions as set out in this Strategy
- Keep up to date with Peninsula Pension Communications
- Provide a prompt response to information requests

<u>The Administering Authority's Roles and Responsibilities</u>

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 Pension 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 employers
- Maintain and develop an effective web presence for the benefit of members and 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 will facilitate the delivery of an efficient, accurate and high-quality pension service to scheme members.

Failure to comply with any of the duties listed in Appendix A will be considered as a reportable breach. The ultimate aim is to work together to ensure that any issues of concern are addressed before an issue reaches a breach status. Any affected party will be given sufficient warning and the opportunity to address any outstanding issues before a breach is recorded.

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 Administering Authority and employers must aim to ensure that all functions and tasks are carried out to the agreed quality standards set out in this Strategy
- The Administering Authority will regularly monitor, measure and report on compliance with the agreed service standards outlined in this document
- The Administering Authority 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 Administering Authority 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 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 Administering Authority will also regularly report to employers regarding individual performance, identifying any areas for improvement including outstanding data items

Underperformance Fees

The LGPS regulations provide Administering Authorities with the authority to recover any administration costs incurred as a result of the underperformance of an employer, from the employer responsible for the underperformance.

To date the Administering Authority 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 concerned, as opposed to sharing such costs across all employers.

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.

Where areas of underperformance are identified, and an employer fails to make improvements and/or is unwilling to engage with Peninsula Pensions to resolve performance issues, Peninsula Pensions will:

- Write to the employer, setting out area(s) of non-compliance with performance standards, offer support and, where applicable, request attendance at a training/coaching session.
- Where the underperformance is in respect of an Admitted Body, the originating employer will be informed and will be expected to work with Peninsula Pensions to resolve the issue(s).

If no improvement is seen within one month or the employer is unwilling to attend a meeting to resolve the issue, Peninsula Pensions will issue a formal written notice, setting out:

- The area(s) of non-compliance that have been identified
- The steps taken to resolve those area(s)
- How the underperformance has contributed to the additional costs of administration and the amount of the additional cost incurred
- Provide notice that the additional costs incurred by Peninsula Pensions as a direct result of the employer's poor performance will now be reclaimed

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 Administering Authority 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 Administering Authority and the employer 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 employer 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 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.

Employers are also entitled to raise any performance related issues direct to the Pension Board, via one of the Board's Employer Representatives.

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 employer 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 employers to ensure that all requirements are consistently met.

The various channels of communication are set out below:

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 statutory communication by post. 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 that 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** are responsible for ensuring that information supplied by Peninsula Pensions is communicated 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

The Administering Authority will appoint an actuary, who will conduct a valuation of the pension fund, as appropriate. The actuary will determine the assets and liabilities in respect of each employer and will calculate 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 any actuarial costs arising from the outsourcing of a service, including the production of the report.

Guidance regarding the outsourcing of a service is located within the employer's section of our website.

An employer may also commission the 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.

Investment and Pension Fund 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 Peninsula Pensions and key individuals within or representing the 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.

Employer Responsibilities

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 the Pension 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 Peninsula Pensions.	Within 1 month of employer joining the Pension Fund or 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 Peninsula Pensions, for the consideration of all ill-health retirement applications from active and deferred members.	Within 1 month of employer joining the Pension Fund 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 Peninsula Pensions).	Initial policy and subsequent revisions to be provided within 1 month of publishing
LGPS content in Contracts – Ensure that 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
Communicate any information provided by Peninsula Pensions to scheme members/potential scheme members.	Within 1 month unless an alternate timeframe is set by Peninsula Pensions

Refer new / prospective scheme members to Peninsula Pensions' website.	Within 1 month of commencement of employment or change in contractual conditions
Outsourcing – Notify Peninsula Pensions 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.	Within 1 week-following Committee approval
Work with Peninsula Pensions to arrange for the admission of a contractor as a new employer.	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 an employer (Admission Agreement) are complied with.	Notify Peninsula Pensions immediately if the terms of the Admission Agreement have been breached
Respond to enquiries from Peninsula Pensions and representatives from the Administering Authority.	Within 2 weeks from receipt of the enquiry
Respond to enquiries from Peninsula Pensions and representatives from the Administering Authority in respect of 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 Administering Authority on becoming an employer and adjust as instructed by the Administering Authority from a date determined by the Administering Authority.	Within 5 working days of receipt of information from the Administering Authority effective from a date determined by the Administering Authority 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 Pension Fund - Remit employee, employer and any additional contributions and submit the online contributions form to the Administering Authority.	By the 19th of the month after deduction from pay or date specified by the Administering Authority.
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 Administering Authority 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 or the Pension Fund
Remit recharge payments in respect of pension members – e.g. Discretionary Compensation/Enhancement.	Within 5 working days of receipt of invoice from Peninsula Pensions or the Pension Fund
Payments in respect of FRS102 and IAS19 work carried out on behalf of employers by the Administering Authority and the Actuary.	Within 5 working days of receipt of invoice from Peninsula Pensions or the Pension Fund
Payments in respect of all other work carried out on behalf of the employer by the Actuary and connected data quality assurance undertaken by the Administering Authority.	Within 5 working days of receipt of invoice from Peninsula Pensions or the Pension Fund
Prompt payment of invoices issued by the Administering Authority for specific services provided e.g. admission agreement work.	Within 5 working days of receipt of invoice from Peninsula Pensions or the Pension Fund
Make payment of additional costs to the Administering Authority associated with non-compliance with performance standards of the scheme employer.	Within 5 working days of receipt of invoice from Peninsula Pensions or the Pension Fund

3. Year-End Return

Function/Role	Performance Target
Completing the Year-End Return - Provide a fully reconciled and completed Year-End Return to Peninsula Pensions 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 Peninsula Pensions
To resolve all queries returned from the Year-End Return.	To respond fully to all queries from Peninsula Pensions within 3 weeks of receipt of the query. In circumstances where an employer submits a late year-end return, limiting the time that Peninsula Pensions has to complete its duties, the timescales may be reduced, as advised by the Peninsula Pensions

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 leaving, 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, or as set out in the employer's discretion policy
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
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 Peninsula Pensions in 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

peninsula pensions

Administering Authority Responsibilities

1. 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 31st 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 31st 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

A comprehensive glossary of the terms referred to within this document can be found on our website:

https://www.peninsulapensions.org.uk/

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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Devon County Council