

Pension Fund Annual Report & Accounts 2021/22



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Foreword from the Chair of the Investment and Pension Fund Committee

This annual report sets out the activities of the pension fund for the year ending 31 March 2022. The performance of the Fund was significantly impacted during the early part of 2022 by Russia's decision to invade Ukraine and its effect on global markets, but the year still saw a positive return of 7.7%

The Committee oversees the management of the Fund, ensuring that it 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.

We have worked in partnership with the Brunel Pension Partnership who provide a range of funds to meet our strategic investment priorities. The Committee meets regularly with Brunel to ensure their funds are delivering the level of performance we require, both in terms of investment returns and acting as responsible owners of the assets we invest in.

During the last year the Committee has continued to focus on how our investments impact on climate change. We have moved two of our passive fund investments across to new climate aware funds. This contributed to a reduction in the carbon footprint of the Fund's investments and also represented a significant divestment from companies with fossil fuel reserves. By December 2021, the Fund had seen a reduction in the Weighted Average Carbon Intensity of its investments of 44% from a base position of March 2019.

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

James Morrish

Chair of the Investment and Pension Fund Committee 2021/22

Investment and Pension Fund Committee Attendance 2020/21

Name	Representing	Date Appointed	Date Left	Meetings Attended
Cllr James Morrish (Chairman)	Devon CC	May 2021		2 (of 4)
Cllr Yvonne Atkinson	Devon CC	May 2017		3 (of 4)
Cllr Phil Bullivant	Devon CC	May 2021		3 (of 4)
Cllr Henry Gent	Devon CC	May 2021		4 (of 4)
Cllr George Gribble	Devon CC	May 2021		3 (of 4)
Cllr Marcus Hartnell	Devon CC	May 2021		3 (of 4)
Cllr John Mahony	Plymouth CC	May 2014		2 (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	Oct 2021	1 (of 2)
Cllr Ray Bloxham	Fund Employers	Oct 2021		2 (of 2)
Roberto Franceschini	Fund Members ¹	May 1992		4 (of 4)
Jo Cook	Fund Members ¹	May 2014		3 (of 4)
Stephanie Teague	Fund Members ¹	July 2019		1 (of 4)

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

Report of the Director of Finance and Public Value

Over the course of the 2021/22 year, the value of the Devon Pension Fund increased from £5.035 billion (as at 31 March 2021) to £5.412 billion as at 31 March 2022. The first nine months of the reporting period saw equity markets continuing to rise as the world continued to recover from the impact of the Covid-19 pandemic. After peaking in late December / early January global markets were then hit first by concerns over rising inflation and interest rates and then by geo-political concerns over Russia's invasion of Ukraine. The last quarter therefore reduced the Devon Pension Fund's investment return for the year, net of fees, down from +10.9% as at 31 December to +7.7% as at 31st March. While this was still a healthy positive return, it was below the Fund's strategic benchmark of +9.3%, and also below the LGPS universe average of +8.2%.

Around 95% of the Fund's investment assets are now managed by 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 five years ago the Devon Fund has been gradually transitioning its investment assets. During the early Summer, the Fund transitioned its fixed interest investments, previously managed by Lazard Asset Management and Wellington Management, across to funds managed by Brunel. The Devon Pension Fund continues to be responsible for deciding the strategic allocation between different asset classes to meet local investment objectives, but the Brunel Pension Partnership undertakes the selection and monitoring of the external investment managers who manage the investments.

The administration of pension benefits is undertaken for the Devon Fund by Peninsula Pensions, a shared pensions administration service between Devon and Somerset. Peninsula Pensions continues to deliver strong performance for both members and employers. During 2021/22, the team has further reviewed and enhanced processes, developing technological solutions where appropriate, while remaining fully compliant with LGPS and other relevant regulations. The team is well positioned to manage future challenges and ensure compliance with future regulatory changes. The team has successfully adapted to revised working arrangements introduced as a result of COVID-19, making greater use of technology and electronic communication to maintain business as usual with no impact on service provision, despite the challenges of a significant increase in demand.

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 2022. The first section sets out the income received in contributions from employers and employees, and the expenditure on pension benefit payments. The second section of the Fund Account shows the income received from the Fund's investments and the cost of managing those investments. Investment income from property, infrastructure and private debt investments is returned as cash and can be used to offset any shortfall between contributions and benefit payments. The Fund's equity and bond investments are made via pooled funds which retain and reinvest the income from the individual securities. The Fund Account also shows that there has been an increase in the capital values of the Fund's investment assets of £380 million over the last year.

- Net Asset Statement** – The Net Asset Statement sets out the net assets of the Fund, in line with the IFRS based Code of Practice on Local Authority Accounting in the United Kingdom (the Code) and the latest Statement of Recommended Practice (SORP). Pooled investments include pooled Equity, Fixed Interest, Property, Infrastructure and Private Debt Funds and they are incorporated into those categories in reviewing the Asset Allocation of the Fund in a later section of my report.

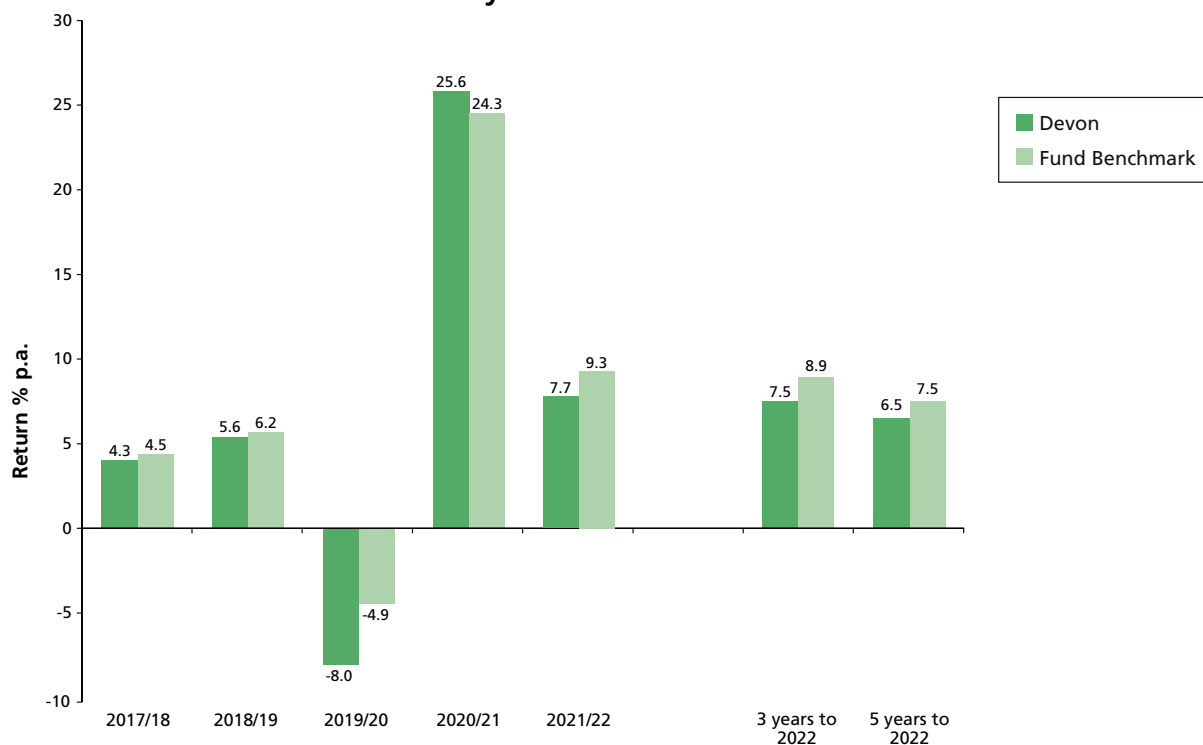
Investment Performance

As indicated above, the asset value of the Fund at the end of the 2021/22 financial year was £5.412 billion. This represents an investment return of +7.7% net of fees, compared with the Fund's internally set strategic benchmark target of +9.3%.

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. Bond markets saw negative returns over the year as a result of increasing interest rates. The cash plus benchmark of the Brunel Multi-Asset Credit portfolio meant that the return of -1.5% was significantly below benchmark. Infrastructure was also below an inflation plus benchmark as inflation began to rise significantly. Concerns over inflation and Russia's invasion of Ukraine resulted in negative equity markets over the last quarter. The last quarter also saw poor relative performance by the active equity portfolios, with the exception of the Low Volatility portfolio. Brunel's Global High Alpha and Sustainable Equities portfolios were both well below benchmark during a negative quarter when their investments in sustainable and "growth" companies did less well than "value" companies including the oil companies, whose share price went up as oil prices soared.

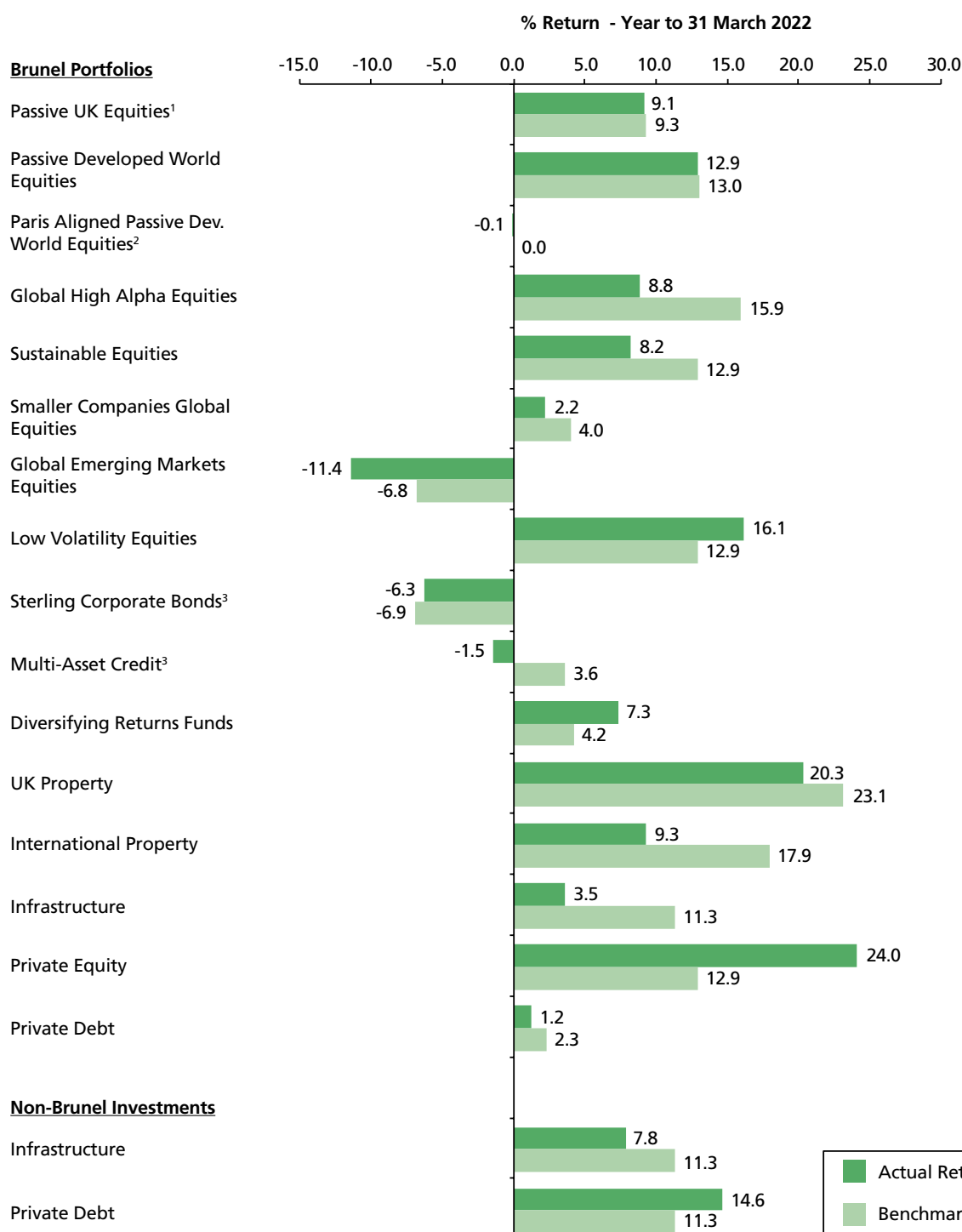
The following chart presents the investment returns achieved by the Devon Fund compared to the Fund's benchmark over each of the last five years, plus the total annualised return over the last three years and the last five years. Performance Figures are shown net of fees.

Investment Performance Summary



Performance over the last year broken down by portfolio is shown in the following chart:

Annual Performance 2021/22 by Portfolio



Notes:

- 1) Incorporates UK FTSE All Share tracker fund to end of January 2022 and the UK Climate Transition Benchmark fund from 1 February 2022.
- 2) From November 2021.
- 3) From July 2021.

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 Investment Management section of the Pension Fund Annual Report.

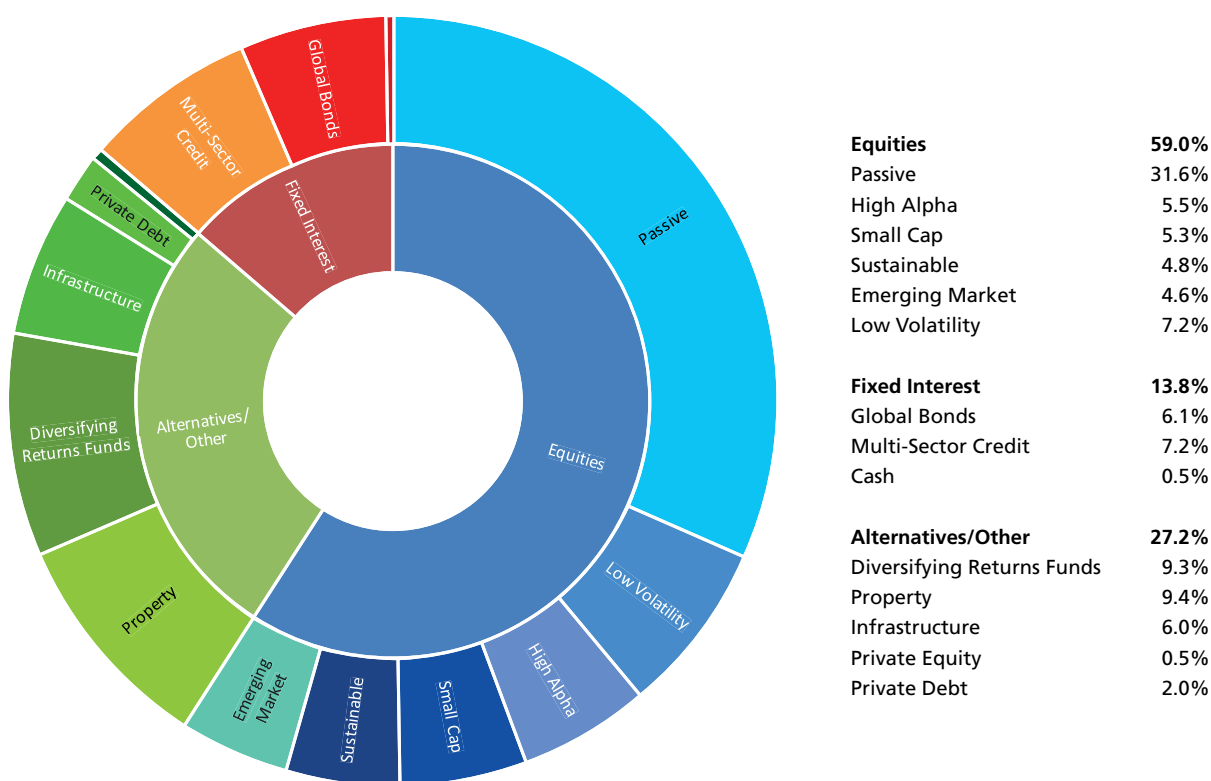
Asset Allocation

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.

During the year, some small changes were made to the asset allocation targets. The target allocation for sustainable equities was increased from 3% to 5%, funded by a reduction in passive equities. The Fund also began to build up an allocation to private equity, although it will take some time to achieve a meaningful allocation. Over the medium to long term it is proposed to build up all the private market allocations, funded from the current allocation to diversifying returns funds.

The Fund's actual asset allocation as at 31 March 2022 is shown in the following chart:

Actual Asset Allocation as at 31 March 2022



A comparison of the actual allocation as at 31 March 2022 with the Fund's target allocation for 2021/22 is shown in the following table:

Actual Asset Allocation Compared to Target

	as at 31 March 2021		as at 31 March 2022		
	Target allocation %	Actual allocation %	Target allocation %	Actual allocation %	Variation from Target %
Global Bonds	7.0	6.0	7.0	6.1	
Multi-Sector Credit	7.0	6.8	7.0	7.2	
Cash	1.0	0.4	1.0	0.5	
Total Fixed Interest	15.0	13.2	15.0	13.8	-1.2
Passive Equities	33.0	35.8	31.0	31.6	
Active Global Equities	5.0	6.3	5.0	5.5	
Active Small Cap Equities	5.0	5.7	5.0	5.3	
Active Sustainable Equities	3.0	3.0	5.0	4.8	
Active Emerging Markets Equities	5.0	5.6	5.0	4.6	
Active Low Volatility Equities	7.0	6.7	7.0	7.2	
Total Equities	58.0	63.1	58.0	59.0	+1.0
Diversified Growth Funds	8.0	9.5	7.0	9.3	
Property	10.0	8.1	10.0	9.4	
Infrastructure	6.0	4.0	6.0	6.0	
Private Equity	-	-	1.0	0.5	
Private Debt	3.0	2.1	3.0	2.0	
Total Alternatives/Other	27.0	23.7	27.0	27.2	+0.2

Following a review undertaken by Mercer investment consultants in February 2022, further changes are proposed for 2022/23, as follows:

- An increase in the allocation to Multi-Sector Credit to 12%, making a total allocation to Fixed Interest of 20%.
- A reduction in the overall allocation to Equities to 50% of the Fund to reduce risk.
- Within Equities, termination of the allocation to Low Volatility, a reduction in Passive Equities and an increase in the allocation to Sustainable Equities from 5% to 10%.
- An increase in the medium-term target for each of Private Debt and Private Equity to 5%.

These changes should allow the Fund to achieve the required level of return, but at a reduced level of risk.

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, carried out by the Fund Actuary, Barnett Waddingham determined that the Devon Pension Fund had a funding level of 91%.

At the end of December 2021, a funding update provided by the Fund Actuary, based on rolling forward the data from the 2019 valuation, updating it for subsequent investment returns, pension and salary increases, and revised assumptions on future investment returns, suggested that the funding level was broadly similar at around 92%. The annualised investment return over the last three years of +7.5% will have improved the Fund's position, but this is offset by the Actuary assuming lower investment returns going forward.

However, work on the next scheduled triennial valuation, as at 31 March 2022, is now underway. The 2022 valuation will comprise a more detailed analysis and updating of the Fund's liabilities, based on revised data as at 31 March 2022 and revised assumptions. The valuation has to be carried out in a way that ensures the solvency of the Fund and achieves long term cost efficiency in setting contribution levels to reduce the deficit in the funding position. The Fund will have an ongoing dialogue with employers over the valuation period to ensure that any concerns they have about future contribution levels are addressed.

Conclusion

It is disappointing that for the second time in three years events over the last quarter have led to a below benchmark return. Two years ago, it was Covid, this year it has been concerns over rising inflation and the impact of Russia's invasion of Ukraine. Nevertheless, the annualised investment return of 7.5% over the last three years has exceeded the Actuary's assumption, which should stand us in good stead for the triennial valuation.

Although performance was behind benchmark, this resulted from market conditions where oil companies and banks performed well, and more sustainable growth companies performed badly. Our responsible investment policy, implemented in partnership with Brunel meant that we had less of the former and more of the latter than the benchmark indices. This should be a blip and a trend that should reverse as the world takes more action to combat climate change.

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

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

Angie Sinclair

Director of Finance and Public Value

Market Commentary from the Independent Investment Advisor

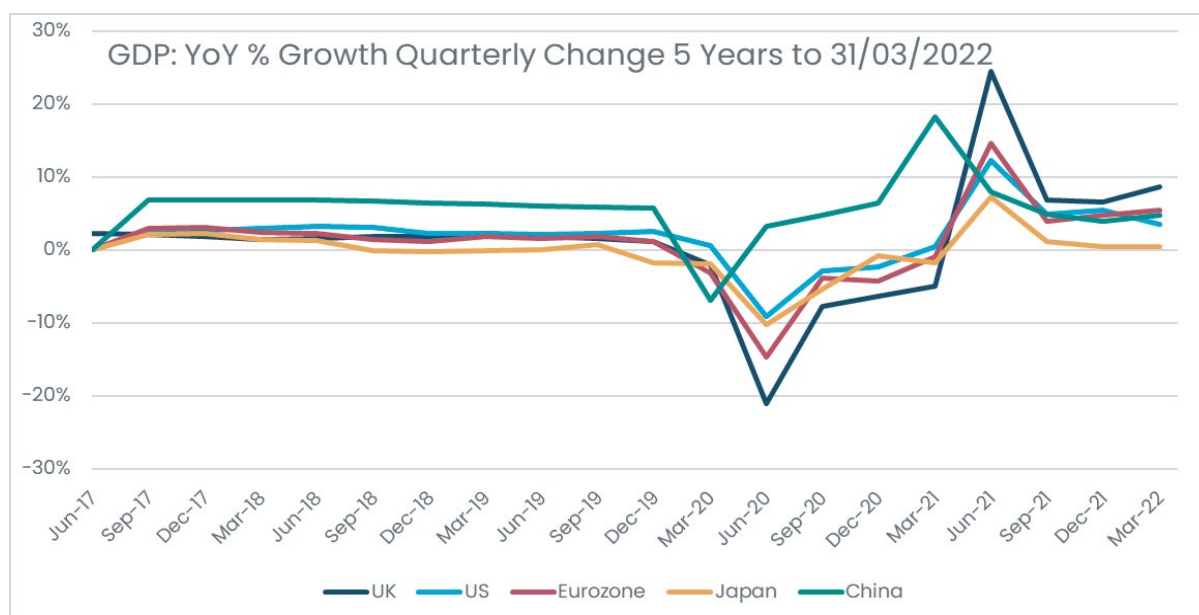
Economic Background

The last financial year was dominated by a strong economic recovery and rising inflation. Economic growth was fuelled by a sharp rebound in spending as lockdowns ended and Covid restrictions were reduced, supported by the tail winds of easy fiscal and monetary policy and excess savings accumulated during the pandemic. This growth was accompanied by rising inflation, driven initially by the strong demand of goods, then by shortages of workers and finally by rising energy prices. As a result, by the end of the calendar year central banks were talking openly of increasing interest rates and governments were reducing fiscal support. Then on the 24th February Russia invaded Ukraine, which has increased geopolitical risk for markets and the real economy alike.

As can be seen in chart 1 below, the global economic recovery varied significantly by region with the UK and US, which led the removal of lockdown restrictions, enjoying the strongest bounce back in growth. Japan saw the weakest recovery, driven by a much lower vaccination rate but also by the lockdown that accompanied the hosting of the Olympics. Towards the end of the financial year China also experienced weaker growth, again due to a combination of a poor vaccination programme and lockdowns to tackle the omicron variant and the government's "zero covid" policy. Outside of China other emerging economies also struggled, as they faced the headwinds of a rising US dollar and continued trade tensions from US-China to Brexit.

The biggest change over the year has been the increase in both actual reported inflation and short-term inflation expectations. In the summer and autumn of last year inflation was widely expected to increase as supply side issues caused by the re-opening of economies met increased demand. At the time consensus forecasts expected inflation to peak below 5% in first half of 2022 before slowly declining by the end of the year. However as can be seen in chart 2 below, actual inflation has not only turned out to be higher but is also expected to be more persistent rather than transitory.

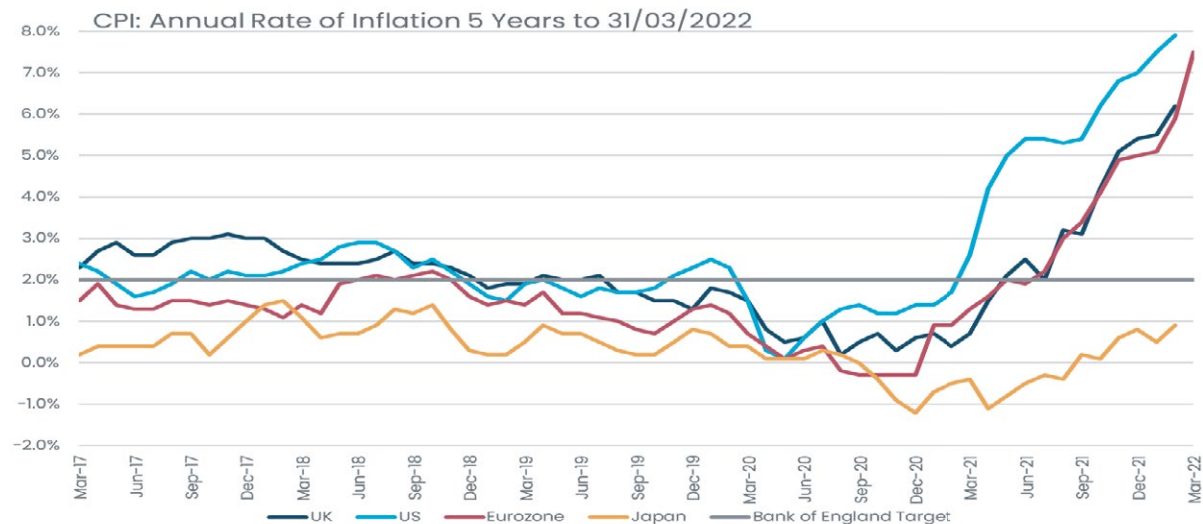
Chart 1: GDP growth, quarterly % change (Source: Bloomberg.)



Inflation is expected to peak in the summer of 2022, but in the UK this may not be until the end of the year as another step change in energy costs hits consumers in October. Needless to say, the situation in Ukraine has significantly increased the uncertainty and the risk of recession, especially in Europe because of its reliance on Russian supplied gas, as well as other key commodities supplied by both Ukraine and Russia.

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

(Source: Bloomberg.)



Central Banks

Last year markets expected no change in rates before 2023, however by the end of 2021 inflation was on the rise, predominately driven by supply side issues which are largely outside of the control of central banks. In the fourth quarter, after some prevarication, the Bank of England (BoE) became the 1st major central bank to start raising interest rates, followed by the US Fed in February 2022. Since then, the Fed, BoE and the European Central Bank (ECB) have changed their rhetoric and are now openly stating that getting inflation under control is more important than maintaining economic growth, despite the increased uncertainty caused by the Russian aggression in Ukraine. The exceptions to this are Japan, where the Bank of Japan has re-iterated its easy policy with no change in overnight rates or bond yield policy, and China, which has eased monetary policy in light of a weakening growth outlook.

Global politics

The most significant geo-political event in the fiscal year was the decision by Russia, on the 24th February, to invade Ukraine, seeking to grab more land in the eastern part of the country, but more importantly to replace the perceived pro-western government by force, with a regime completely in the Russian "sphere of influence" like the government in Belarus. Western governments quickly responded with a strong degree of unity, pledging support for Ukraine and imposing escalating sanctions on Russia, including excluding its banks from the international payments system and freezing the international assets of the Russian Government and Officials, and Oligarchs linked to Russia. This has already had a significant impact on markets and economic sentiment, but it is very early days and if Russia follows its usual strategy this is just the beginning of a very destructive, salami style attempt to take control of Ukraine.

Market Returns

As can be seen in table 1 below, over the fiscal year in sterling terms Global equities returned +12.8%, and the UK equity market did slightly better, at +13.0%. The UK with its higher yielding, cheaper mix of energy, commodity and financial companies outperformed the high growth, more interest rate sensitive US technology dominated winners of the last couple of years. Emerging Markets had a difficult year, returning around -4%, not least because of Russia being cut off from the world's financial markets following its invasion of Ukraine. Food inflation, a strengthening US dollar and the resurgence of covid infections in China in Q1, also contributed to the woes of Emerging Markets, but the aggregate result hides a wide range of returns with commodity rich countries like Brazil and regions like the gulf states experiencing strong positive returns.

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 2022.

% Total Return Dividends Reinvested

	MARKET RETURNS	
	Period end 31st March 2022	
	3 months	12 months
All World	-2.4	12.8
Regional indices		
UK All Share	+0.5	13.0
North America	-2.1	19.7
Europe ex UK	-9.5	3.9
Japan	-3.5	-2.3
Pacific Basin	-2.2	-4.3
Emerging Equity Markets	-2.5	-3.3
UK Gilts - Conventional All Stocks	-7.5	-5.3
UK Gilts - Index Linked All Stocks	-5.7	4.6
UK Corporate bonds*	-6.9	-5.4
Overseas Bonds**	-4.5	-3.8
UK Property quarterly^	4.0	18.8
Sterling 7 day LIBOR	0.0	0.0

FTSE Indices except where noted * iBoxx £ Corporate Bond; **Citigroup WGBI ex UK hedged; ^MSCI

Rising inflation, interest rates and the war caused government bond yields to rise significantly over the fourth quarter of the financial year, once again delivering negative returns. This re-established the trend seen over the year where bond markets have sought to price in the strong economic recovery leading to negative returns from the most interest rate sensitive long maturity sectors. UK investment grade corporate bonds also delivered poor returns as yields increased and credit spreads widened.

UK property markets had a very strong year, returning +19%, as they bounced back from the covid restrictions. Most private markets assets (not represented in the table above), including infrastructure, private equity and private debt also delivered steady positive returns. The performance of alternative asset classes like property and private markets underlines the importance of having a diversified asset allocation.

As noted in the Director of Finance and Public Value's report, the Devon Pension Fund achieved a return of +7.7% net of fees, compared to +9.3% for the strategic benchmark in the year to 31st March 2022. Over three years the Fund has achieved a net return of +7.5% per annum compared to the benchmark return of +8.9%. A more detailed analysis of the Fund's performance is contained in that report.

Economic and Market Outlook

While I have noted Russia as a geopolitical risk in my presentations to the Investment and Pension Fund Committee in the past, I had not believed President Putin felt so insecure in his position that he would attempt further incursions into Ukrainian territory and the replacement of the Ukrainian government by force.

Like covid 2 years ago the weight that can be given to these events in a probability based analysis of how to invest is low but their impact can be high and long lasting. Unlike covid, the impact of war cannot be easily offset by fiscal and monetary policy, and the development of a vaccine.

Nonetheless the political response by western governments to act with varying degrees of unity to impose sanctions and to freeze the overseas assets of the Russian government and Oligarchs alike is impressive. The adjustment from here is rather more difficult to achieve. Russia and Ukraine are major sources of energy, commodities and food to the rest of the world and in particular gas to Europe. Substitution of these important commodities is a long term issue which needs to be addressed by markets as unless the war ends soon and there is the removal of Putin's regime, the west cannot go back to business as usual with Russia.

The good news is that the global economy was strong on back of a re-opening post covid, due to the latent impact of fiscal spending, high household savings, strong consumer demand and low interest rates. What the war has done is increase uncertainty, reduce consumer sentiment and increase the length of the period of higher inflation. All of which will reduce economic activity and make life very difficult for central banks. They cannot push rates up high enough to choke off inflation without the risk of pushing the economy into recession.

I believe we are right in the middle of the bad news for inflation. As a result, it is entirely likely that over the next 6 to 12 months, the year over year inflation reports will be higher and this will make equity and bond markets more volatile as they see the inflation data and worry about how the central banks will respond on monetary policy. Central Banks are currently talking very strongly about their willingness to tackle inflation with higher interest rates. It will be interesting to see if they are willing to push their respective economies into a hard rather than a soft landing. I suspect that they will not want to cause a deep recession, but I believe that growth could be much lower than forecast over this fiscal year and probably in the next fiscal year as higher inflation, interest rates and taxes impact the economy, but I also believe that as a result inflation will also be falling by the end of 2022.

While higher interest rates and inflation are bad news for longer duration bond markets, they are not necessarily a bad outcome for equity markets. But it can be bad news for growth stocks. Thus far this year the MSCI AC world “growth index” is down -24% whereas the equivalent “value index” is only down -9%. This could continue for a while longer as the valuations of “growth” companies come down to more normal levels. Going forward, I would not be surprised to see more subdued returns and greater volatility from markets in general.

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 2021/22 are detailed below:

Review of the internal audit reports for 2021/22 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 2021/22, 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 inflation risk and issues surround the McCloud judgement and implementation of back dating changes to 2014. The risk register was subsequently updated to include the board's recommendations.

Pension Fund Governance.

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

Statutory Statements.

The Board conducted a review of the Fund's Statutory Statements and made suggestions for improvements where necessary. The Funding Strategy required some updating due to new LGPS regulations around new Deferred Employer status and Debt spreading arrangements. The Administering authority introduced new policies for these which the Board reviewed.

Minutes from Investment & Pension Fund Committee meetings.

The Board reviewed each set of minutes from the Investment & Pension Fund Committee meetings held during 2021/22 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 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 2021/22

Name	Date Appointed	Date Left	Meetings Attended
Employer Representatives			
Cllr Colin Slade (Chairman)	Sept 2018		4 (of 4)
Cllr Sara Randall Johnson	May 2016		4 (of 4)
Carl Hearn	May 2015		4 (of 4)
Carrie Piper	Feb 2020	Dec 2021	3 (of 3)
Scheme Member Representatives			
Judy Bailey	May 2019		3 (of 4)
Andy Bowman	May 2015		4 (of 4)
Paul Phillips	Aug 2017		4 (of 4)
Colin Shipp	April 2016		4 (of 4)
Independent Non-Voting Member			
William Nicholls	Oct 2015	May 2021	1 (of 1)
Rob Jeanes	Aug 2021		2 (of 2)

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.

The Devon Fund monitors the financial performance of the pool will 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

	2021/2022 Direct £'000	2021/2022 Indirect £'000	2021/2022 Total £'000	Cumulative To Date £'000
Set Up Costs				
Recruitment	-	-	-	18
Legal	-	-	-	133
Procurement	-	-	-	82
Share Purchase/subscription costs	-	-	-	840
	-	-	-	1,073
Transition Costs				
Transition fees	-	211	211	517
Taxation (seeding relief)	-	-	-	637
Other transition costs	-	1,487	1,487	5,311
	-	1,698	1,698	6,465

The Devon Fund transitioned its first assets to Brunel in July 2018, comprising the allocation to passive equities. By March 2021 around 80% of the Devon Fund's assets had been transitioned. During 2021/22, the fixed interest assets were transitioned across to the Brunel Multi-Asset Credit and Sterling Corporate Bonds portfolios. The Fund has also made further investments in Brunel's private markets portfolios. As at 31 March 2022 95% of the Devon Fund's assets were being managed by Brunel. The fee savings achieved in 2021/22 are set out in the following table.

Investment Fee Savings from Pooling

Portfolio	Value in Original Business case (31 March 2016) £'000	Value at 31 March 2022 £'000	Price variance £'000	Quantity variance £'000	Total saving / (cost) £'000
UK Passive Equities	730,447	459,028	128	68	196
Global Developed Passive Equities	430,180	772,824	472	(317)	155
Global Paris Aligned Passive Equities	-	477,240	69	(6)	63
Smart Beta Passive Equities	264,900	-	49	(69)	(20)
Global High Alpha Equities	174,215	295,699	242	(637)	(395)
Emerging Market Equities	136,970	249,457	668	(954)	(286)
Global Smaller Companies Equities	167,771	289,118	1,819	(1,412)	407
Sustainable Equities	-	258,166	430	(1,128)	(698)
Active Low Volatility Equities	-	391,135	497	(1,126)	(629)
Multi-Asset Credit	106,300	392,082	566	(896)	(330)
Investment Grade Bonds	295,938	330,866	344	79	423
Diversifying Returns Funds	486,079	502,440	1,145	(7)	1,138
Property	366,555	508,227	1,314	(344)	970
Infrastructure	139,374	324,789	(165)	(1,919)	(2,084)
Private Equity	-	25,448	94	(731)	(637)
Private Debt	-	108,455	27	(2,386)	(2,359)
			7,699	(11,785)	(4,086)

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 2021/22 and those that would have been paid at the previous rates. The quantity variance shows the difference in fees payable as a result of asset growth since the original business case was formulated. The infrastructure and private debt allocations shown include both Brunel funds and previous investments that are still managed directly by the Devon Fund, in order to give a complete picture. Where portfolios were not held by Devon prior to pooling, the saving is based on average fee levels paid by those funds who did hold such portfolios pre-pooling. A summary of the costs and savings to date compared to the original business case is provided in the following table.

Expected v. Actual Costs and Savings To Date

	2020/21 Budget In Year	2020/21 Budget Cumulative to date	2020/21 Actual In Year	2020/21 Actual Cumulative to date	2021/22 Budget In Year	2021/22 Budget Cumulative to date	2021/22 Actual In Year	2021/22 Actual Cumulative to date
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Set up costs	-	1,241	-	1,073	-	1,241	-	1,073
Ongoing Brunel Costs	844	2,280	1,631	3,969	872	3,152	1,520	5,489
Devon Fund Savings	(81)	(236)	(81)	(230)	(83)	(319)	(83)	(313)
Transition costs	21	6,533	2,495	4,767	-	6,533	1,698	6,465
Fee savings	(4,059)	(6,943)	(3,395)	(5,385)	(4,354)	(11,297)	(7,699)	(13,084)
Net costs / (realised savings)	(3,275)	2,875	650	4,194	(3,565)	(690)	(4,564)	(370)

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 point to note from the above table is that the Devon Fund has now reached a position where the savings achieved from pooling are greater than the costs of setting up Brunel, including the set up and transition costs and the overhead costs of Brunel to date. This is in line with the business case, which set out that the Devon Fund would achieve a breakeven point in 2022.

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

- Now that the transition phase is complete, both cumulative fee savings to date and those achieved in 2021/22 are higher than the original business case. The higher annual fee savings now being achieved suggest that going forward the net savings achieved will be higher than forecast in the original business case.
- Currently infrastructure is the one area where fees are higher than they were pre-pooling. This is due to the success of the Devon Fund in negotiating low fee levels prior to pooling. It also results from fees being charged on committed capital as opposed to invested capital. As more of the commitment is drawn down, this should generate future savings.
- Total transition costs across the transition period were broadly in line with the original business case, with some significant compensating variances on the different asset classes.
- 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 2021/22, together with the comparator figures for 2020/21. 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 2021/22

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

2020/21

	Brunel Asset Pool Direct £'000	Brunel Asset Pool Indirect £'000	Brunel Asset Pool Total £'000	Brunel Asset Pool bps	Non Asset Pool Direct £'000	Non Asset Pool Indirect £'000	Non Asset Pool Total £'000	Non Asset Pool bps	Fund Total £'000	Fund Total 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

The following points are relevant in comparing the Brunel costs with the non-asset pool costs, and in comparing costs between 2020/21 and 2021/22:

- By year end, around 95% of assets were managed by the Brunel Pension Partnership. Those assets that remained outside the pool comprised private market funds which typically charge higher fees than managers of listed market assets. This explains the significantly higher ad-valorum fees charged on the non-pooled assets.
- The non-pooled assets also incurred higher performance fees. For the minority of investments where performance fees are charged, they are generally calculated on performance over the calendar year. 2021 saw significantly improved performance compared to 2020, which was impacted by the COVID pandemic. The performance fees paid reflected particularly strong performance by three of the individual private market funds.
- Overall, there was a small increase in investment management costs in monetary terms, but a reduction in basis points from 87.5 bps (0.875% of fund assets) to 79.3 bps (0.793% of fund assets).

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

Ad Valorem 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, since the outbreak of the Covid pandemic it has been necessary to change the approach to the provision of training, as it has been 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 Committee and Board members who have completed the self-assessment are indicated in the following table.

Brunel Investment Seminar – 27 September 2021

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

- Overview of the global economy and impact on markets
- Listed markets update
- Sterling Corporate Bonds portfolio

Brunel Responsible Investment and Private Markets Seminar – 6 October 2021

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

- Responsible investment priorities
- Diversity and inclusion
- Action on climate change
- Responsible investment in private markets

Mercer Investment Strategy Seminar – 2 February 2022

The Seminar provided by Mercer covered:

- An outline of their review of the Devon Fund's investment strategy
- Analysis of risk
- Consideration of sustainability issues
- Recommendations on future strategy and the rationale behind them.

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 James Morrish)		
Cllr Yvonne Atkinson		• Brunel Responsible Investment seminar
Cllr Phil Bullivant		• LGA Fundamentals – 3 day course • Mercer Investment Strategy seminar
Cllr Henry Gentl		• Brunel Responsible Investment seminar • Mercer Investment Strategy seminar • Barnett Waddingham Pre-2022 Valuation Webinar
Cllr George Gribble		• Barnett Waddingham Pre-2022 Valuation Webinar
Cllr Marcus Hartnell		• Brunel Investment seminar • Brunel Responsible Investment seminar • Mercer Investment Strategy seminar
Cllr John Mahony		
Cllr James O'Dwyer	✓	• Mercer Investment Strategy seminar
Cllr Judy Pearce		• Barnett Waddingham Pre-2022 Valuation Webinar
Donna Healy	✓	
Cllr Ray Bloxham (from October 2021)	✓	• Mercer Investment Strategy seminar • Barnett Waddingham Pre-2022 Valuation Webinar

Name	TPR Self Assessment Completed	Training/Events Attended
Investment and Pension Fund Committee		
Roberto Franceschini	✓	<ul style="list-style-type: none"> • Brunel Investment seminar • Brunel Responsible Investment seminar • Mercer Investment Strategy seminar • Barnett Waddingham Pre-2022 Valuation Webinar
Jo Cook		<ul style="list-style-type: none"> • Brunel Responsible Investment seminar
Stephanie Teague		<ul style="list-style-type: none"> • Brunel Investment seminar
Devon Pension Board		
Cllr Colin Slade (Chairman)	✓	<ul style="list-style-type: none"> • Brunel Investment seminar • Brunel Responsible Investment seminar
Cllr Sara Randall Johnson	✓	
Carl Hearn	✓	<ul style="list-style-type: none"> • Brunel Investment seminar • Mercer Investment Strategy seminar • Barnett Waddingham Pre-2022 Valuation Webinar • Barnett Waddingham/CIPFA Local Pension Board Annual Event
Carrie Piper (to December 2021)	✓	
Julie Bailey	✓	<ul style="list-style-type: none"> • Mercer Investment Strategy seminar • Barnett Waddingham Pre-2022 Valuation Webinar • Barnett Waddingham/CIPFA Local Pension Board Annual Event
Andrew Bowman	✓	<ul style="list-style-type: none"> • Brunel Investment seminar • Brunel Responsible Investment seminar • Mercer Investment Strategy seminar • Barnett Waddingham Pre-2022 Valuation Webinar • Barnett Waddingham/CIPFA Local Pension Board Annual Event • LGC Investment Seminar • Mallowstreet Defined Benefit Indaba
Paul Phillips	✓	<ul style="list-style-type: none"> • Mercer Investment Strategy seminar • Barnett Waddingham/CIPFA Local Pension Board Annual Event
Colin Shipp	✓	<ul style="list-style-type: none"> • Brunel Investment seminar • Brunel Responsible Investment seminar • Barnett Waddingham Pre-2022 Valuation Webinar
Rob Jeanes	✓	

Risk Management

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

Risk disclosures are included in the Pension Fund Statement of Accounts. In addition, the Fund maintains a risk register, which is monitored and reviewed on a regular basis. Risks are assessed in terms of the potential impact of the risk event should it occur, and in terms of the likelihood of it occurring. Each risk is initially scored assuming that no mitigating controls exist and is then scored again on the basis of the mitigation in place. A summary of the Fund's most significant risks during the 2021/22 financial year is shown in the table below:

Description of Risk and Potential Impact	Mitigating Controls
<p>Market crash leading to a failure to reduce the deficit, resulting in:</p> <ul style="list-style-type: none"> • Financial loss. • Increased employer contribution costs. <p>Latest Review:</p> <p>Markets have recovered following the COVID pandemic, though cost of living increases and the invasion of Ukraine may lead to slower global and UK growth in the near term, and a significant fall in global equity markets.</p>	<ul style="list-style-type: none"> • The fund is well diversified and consists of a wide range of asset classes which aims to mitigate the impact of poor performance from an individual market segment. • Investment performance reporting and monitoring arrangements exist which provide the committee and investment officers with the flexibility to rebalance the portfolio in a timely manner. • The long term nature of the liabilities provides some mitigation, in that markets tend to bounce back after crashes, such that the impact is significantly reduced.

Description of Risk and Potential Impact	Mitigating Controls
<p>The Pension Fund has insufficient assets to meet its long term liabilities.</p> <p>The Pension Fund's investment strategy / strategic asset allocation fails to produce the required returns, resulting in:</p> <ul style="list-style-type: none"> • Financial loss. • Insufficient funds available to meet future obligations. <p>Latest Review:</p> <p>Changes to the investment strategy recommended by Mercer were agreed by the Investment and Pension Fund Committee in February 2022, for implementation at the beginning of the 2022/23 financial year.</p>	<ul style="list-style-type: none"> • Triennial actuarial valuations provide periodic indications of the growth in assets against liabilities. Employer contribution rates are set in response to this. The 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 at minimum every three years. The last review was undertaken by Mercers who presented their review to the Investment and Pension Fund Committee in February 2022.
<p>Pay and price inflation are higher than anticipated.</p> <ul style="list-style-type: none"> • An increase in liabilities which exceeds the previous valuation estimate. <p>Latest Review:</p> <ul style="list-style-type: none"> • Inflation has picked up in late 2021 / early 2022, exacerbated by Russia's invasion of Ukraine. Markets are forecasting further rises to interest rates during 2022. 	<ul style="list-style-type: none"> • The triennial actuarial valuation review focuses on the real returns on assets, net price and pay increases. • Employers pay for their own salary awards and are reminded of the geared effect on pension liabilities of any bias in pensionable pay rises towards longer serving employees. • The Fund is increasing its target allocation to investments in infrastructure funds with inflation linked returns, to act as a hedge against inflation increases. • Inflation risk was addressed in the strategic reviewed undertaken by Mercer which was presented to the Investment and Pension Fund committee in February 2022.

Description of Risk and Potential Impact	Mitigating Controls
<p>The Committee Members and Investment Officers make inappropriate decisions as a result of insufficient knowledge of financial markets and inadequate investment and actuarial advice received, resulting in:</p> <ul style="list-style-type: none"> • Poor Fund performance/financial loss. • Increased employer contribution costs. <p>Latest Review:</p> <p>Controls still effective. Training can be delivered virtually where required.</p>	<ul style="list-style-type: none"> • The Investment Strategy is set in accordance with LGPS investment regulations and takes into account the Fund's Liabilities • The Investment Strategy is reviewed, approved and documented by the Investment and Pension Fund Committee. • DCC employ an external investment advisor who provides specialist guidance to the Investment and Pension Fund Committee regarding the investment strategy. • An Annual Training Plan has been agreed for 2021/22. 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.
<p>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:</p> <ul style="list-style-type: none"> • Financial loss and/or failure to meet return expectations. • Increased employer contribution costs. • Reputational damage. <p>Latest Review:</p> <p>Carbon footprint assessed as at 31 December 2020, showing a 44% reduction in Weighted Average Carbon Intensity from the baseline calculation as at 31 March 2019. The Fund is targeting a 50-75% reduction in its carbon footprint by 2030, and aims to be net zero by 2050 or sooner.</p>	<ul style="list-style-type: none"> • 100% of Brunel's portfolios, across all asset classes, are carbon and climate aware. Consideration of climate change impacts is fully embedded into their manager selection process. • Brunel integrates climate change into their risk management process, using carbon footprinting, assessing fossil fuel exposure and challenging managers on physical risks, and seek to reduce unrewarded climate and carbon risk. • The Devon Fund will undertake an annual assessment of the carbon footprint of its investments. • The Fund has moved its UK and Smart Beta passive allocations to new UK Climate Transition and Global Paris Aligned funds to significantly reduce exposure to fossil fuel reserves.

Description of Risk and Potential Impact	Mitigating Controls
<p>The Fund fails to effectively manage risks associated with Environmental, Social and Governance (ESG) issues in relation to its investments, resulting in:</p> <ul style="list-style-type: none"> • Financial loss. • Reputational damage. 	<p>The Fund's Investment Strategy Statement sets out its approach to ESG issues and stewardship and engagement, including:</p> <ul style="list-style-type: none"> • The Fund requires the Brunel Pension Partnership, and its other fund managers, to monitor and manage the risks associated with ESG issues, and will review with managers on a regular basis how they are managing those risks. Brunel has a leading reputation for responsible investment. • The Fund will engage (through Brunel, its asset managers, the Local Authority Pension Fund Forum or other resources) with investee companies to ensure they can deliver sustainable financial returns over the long term. • The Fund holds annual meetings for both employers and scheme members to provide the opportunity for discussion of investment strategy and consideration of non-financial factors.
<p>The average life expectancy of pensioners is greater than assumed in actuarial assumptions.</p> <ul style="list-style-type: none"> • An increase in liabilities which exceeds the previous valuation estimate. 	<ul style="list-style-type: none"> • Life expectancy assumptions are reviewed at each triennial valuation. For the 2022 Valuation this will include a review of the impact of COVID19 on mortality. • Mortality assumptions include some allowance for future increases in life expectancy.
<p>An employer ceases to exist with insufficient funding available to settle any outstanding debts, or refuses to pay the cessation value.</p> <ul style="list-style-type: none"> • Departing employer not fully meeting its liabilities which leads to increased costs across the remaining scheme employers. 	<ul style="list-style-type: none"> • Vetting of prospective employers before admission and ensuring that they fully understand their obligations. Applications for admission to the Fund are considered carefully and a bond or guarantee is put into place if required. • Outstanding liabilities will be assessed and recovered from any successor bodies or spread amongst remaining employers. • The actuarial valuation attempts to balance recovery period with risk of withdrawal. • If necessary, appropriate legal action will be taken. • Bond levels for each relevant employer and Employer covenant risks are re-assessed following each triennial actuarial valuation. • Following changes to regulations, new policies have been put into place with regard to Deferred Debt and Debt Spreading Agreements. These will assist in managing exiting employer deficits.

Description of Risk and Potential Impact	Mitigating Controls
<p>Concentration of knowledge in a small number of officers and risk of departure of key staff.</p> <ul style="list-style-type: none"> 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. 	<ul style="list-style-type: none"> The Investment Manager is able to cover in the absence of the Head of Investments. 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.
<p>Non-compliance with legislation and failure to correctly implement new legislation and regulations, resulting in:</p> <ul style="list-style-type: none"> Incorrect benefit payments being made. Risk of financial loss and damage to reputation. 	<ul style="list-style-type: none"> LGA/External training. Project work approach to implementation of legislative changes. In house training for all staff. A Training and Technical team is now in place, following the Pension Review.
<p>The hosted Altair pensions system fails as a result of connection issues, supplier fault or cyber attack.</p> <ul style="list-style-type: none"> Loss of sensitive data. Reputation risk. Financial loss arising from legal action. 	<ul style="list-style-type: none"> The system is backed-up daily. System is hosted by Heywoods. A full disaster recovery plan 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.
<p>Annual Benefit statements are not sent to active and deferred members by 31st August.</p> <ul style="list-style-type: none"> 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. 	<ul style="list-style-type: none"> Project management approach. Regular contact with employers to get data. Monthly interfacing to reduce workload at year end. Following the completion of the historic data sign off exercise, employers will move to monthly interfacing which will reduce the number of queries at year-end. Target date for completion is 31st March 2022.

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

The Devon Audit Partnership undertakes an annual review of the adequacy and effectiveness of the Pension Fund's internal control environment. A range of audits are carried out each year as agreed with the Investment and Pension Fund Committee, reviewing key risks identified by the risk register. The audits carried out in 2021/22, and the opinions provided, are summarised in the following table.

Internal Audit Coverage 2021/22

Areas Covered		PF or PP	Level of Assurance
1	Investment Team changed working practices resulting from Covid-19	DPF	Reasonable Assurance
2	Communications Policy Review (Pre Review)	DPF	Substantial Assurance
3	Funding Strategy Statement Review	DPF	Substantial Assurance
4	Member Training and Induction	PP	Substantial Assurance
5	Member Self-Service	PP	Reasonable Assurance
6	First Response Team	PP	Substantial Assurance
7	Use of FINEST Review	PP/DPF	n/a
8	Risk Register - Risks & Mitigation Review	PP/DPF	Substantial Assurance

Key – DPF = Devon Pension Fund PP = Peninsula Pensions

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

Some areas were identified where controls could be improved, and actions were agreed with management. 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 2021/22 all internal control reports reviewed were found to provide satisfactory levels of assurance, with action plans in place to tackle any weaknesses identified.

Stewardship and Engagement

The Devon Pension Fund has long been supportive of the UK Stewardship Code, and the Committee accepts the rights and responsibilities that attach to being a shareholder and will play an active role in overseeing the management of the companies in which it invests. The Fund's approach to stewardship and engagement is set out in its Investment Strategy Statement (ISS).



In March 2022 the Fund was accredited by the Financial Reporting Council as a signatory to the UK Stewardship Code 2020. This follows an assessment of the Fund's stewardship and engagement policies and activity reported in the Pension Fund Annual Report for 2020/21. The revised Code (the Code) sets higher stewardship standards for asset owners and asset managers, and for service providers that support them. The Code comprises a set of 'apply and explain' principles for asset managers and asset owners, and a separate set of principles for service providers. The Devon Pension Fund is pleased that its work on stewardship has been recognised and will work to further strengthen its approach in response to feedback received.

The Fund has a fiduciary duty to achieve an investment return at an acceptable level of risk, in order to meet its liabilities to pay pension benefits over the long term, and thereby serve the interests of its current and future beneficiaries. 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 divestment. 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.

Governance and Resources

The Investment and Pension Fund Committee acts as the governing body for the Devon Fund, and will oversee stewardship and engagement activity. The Committee meets quarterly and at each meeting receives a report on the engagement activity carried out on behalf of the Fund over the previous quarter. Over the 2021/22 year the Committee have regularly questioned the effectiveness of the engagement carried out on behalf of the Fund by the Brunel Pension Partnership (Brunel) and the Local Authority Pension Fund Forum (LAPFF). This includes, for example, questioning why a large number of letters sent by LAPFF have received no response from the companies that they were sent to.

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

The Devon County Council Investment Team will engage regularly with Brunel, LAPFF, the Institutional Investors Group on Climate Change and other partners to ensure that the Fund's engagement and voting priorities, as set out in the Stewardship Policy within the Investment Strategy Statement, are

being met. The Head of Investments and the Investment Manager will have specific responsibilities and targets set within annual appraisals to ensure that the Fund's stewardship responsibilities are met. During March a new member of staff was appointed who will provide additional support on stewardship reporting. The role of the Independent Investment Advisor to the Investment and Pension Fund Committee includes the objective of advising the Committee on responsible investment.

Consultation with Fund Members

Each year the Fund holds an annual consultative meeting in February 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 2022 was held as a hybrid meeting, with some fund members attending in person and over 100 fund members attending virtually, enabling them to view the presentations and 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**.

The Fund's approach to climate change and divestment from fossil fuel companies was the highest profile issue raised by fund members at the meeting. The Investment and Pension Fund Committee recognises that managing the impact of the Fund's investment on climate change is an issue of concern to members and that climate change also represents a risk to future returns. Therefore, the Fund has been working through its partners at Brunel and the Local Authority Pension Fund Forum to ensure that climate change remains at the top of the agenda in the engagement conducted with investee companies on behalf of the Devon Fund. The Fund's general approach to climate change is set out further in the following section of the Annual Report.

Following the 2022 annual consultative meeting, it is proposed to undertake a survey of Fund members during 2022/23 to gain a fuller understanding of views on the Fund's investment strategy, stewardship priorities and climate change policies. The response from Fund members will then be considered and taken into account in reviewing the Social, Environmental and Corporate Governance Policy and the Stewardship Policy set out in the Fund's Investment Strategy Statement.

Conflicts of Interest

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

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

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

The members of the Investment and Pension Fund Committee, in their wider role as councillors, will be involved with their councils' provision of services to the local community which may cross over with the Fund's investments, such as council policies to provide more local affordable housing or provision of local green infrastructure. The Devon Fund has no specifically local investments. Where the Fund does invest in affordable housing, for example the PGIM Affordable Housing Fund, and renewable energy infrastructure funds, the selection of individual investment assets is undertaken by the fund managers and the Committee has no influence over the selection of those individual assets for investment.

As a result of these measures there were no conflicts of interest that arose during the 2021/22 financial year.

Asset Classes

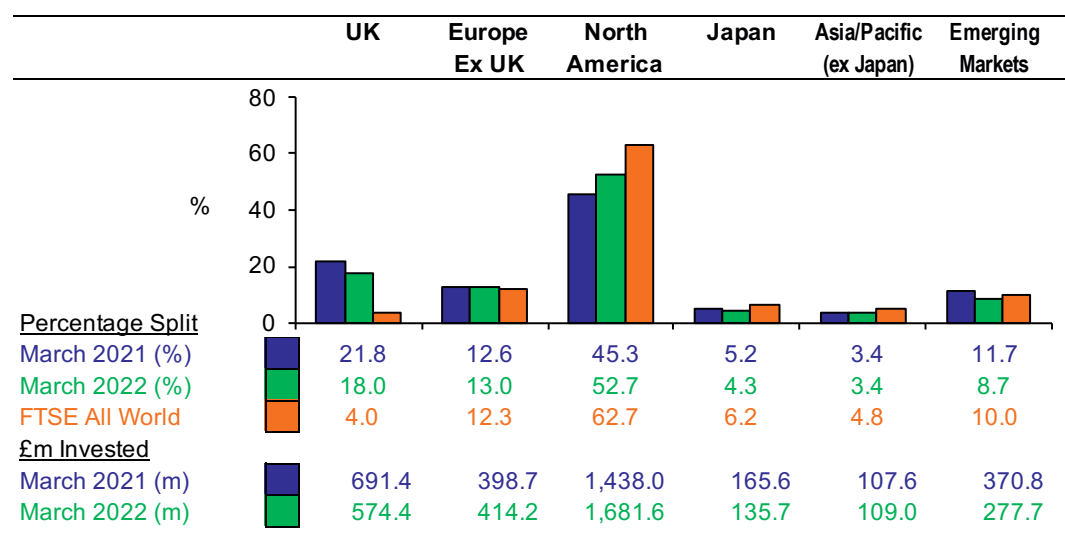
The Fund's investments are split between a number of asset classes. Broadly speaking as at 31 March 2022 59% was invested in equities, 14% in fixed interest, 9% in diversifying returns funds and 18% in private markets (property, infrastructure, private equity and private debt). More details can be found in the Report of the Director of Finance and Public Value on page 8. Stewardship and engagement activity varies between the different asset classes and is outlined below.

Equity Investments

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

The 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



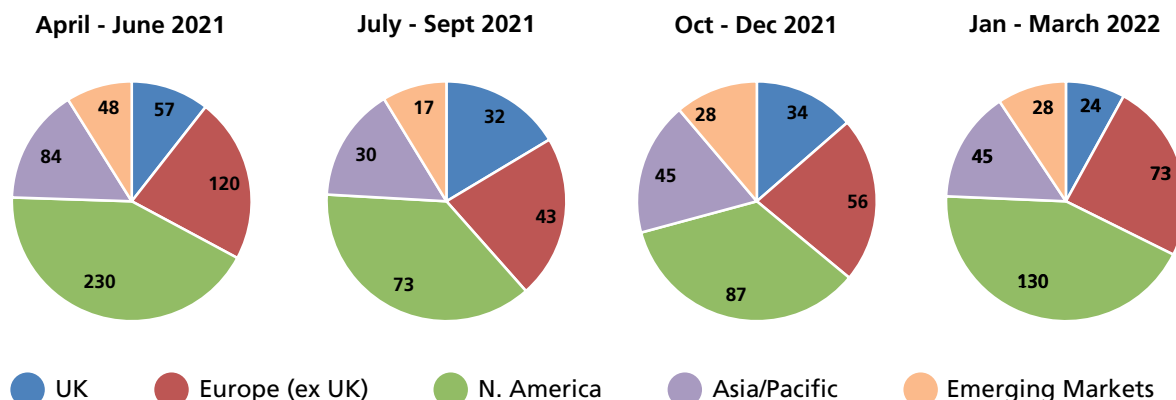
The regulatory environment varies across different parts of the world, and to be successful active owners in these markets, investors must assess stewardship in the local context and take the time to understand the local business environment, culture, and evolving regulations. These differences serve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

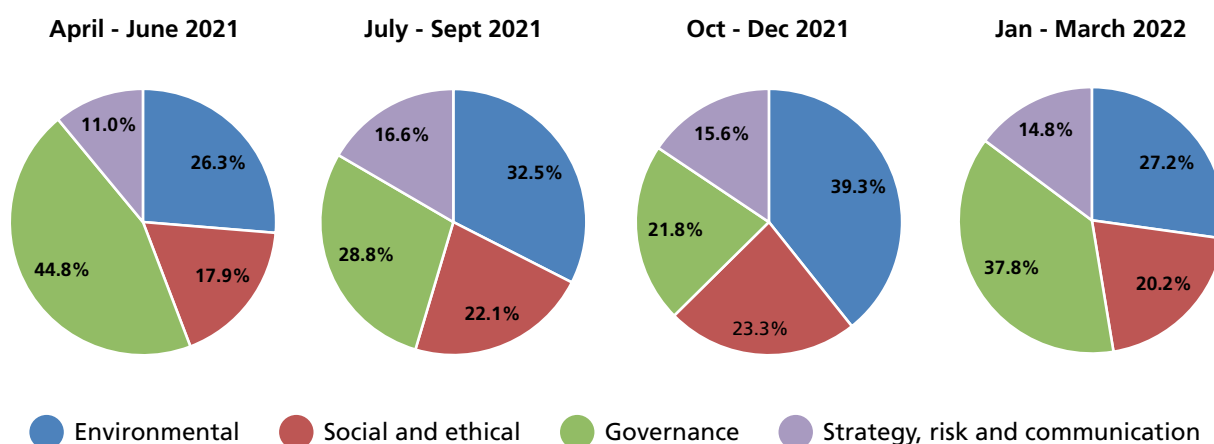
- Sustainability.
- Human and natural capital.
- Conduct, culture, composition and effectiveness of company boards (i.e. governance).
- Remuneration policies that align with shareholder interests.
- Effective audit.
- Protection of shareholder and bondholder rights.

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 110, 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

AstraZeneca - LAPFF Executive member, John Anzani, met with AstraZeneca Chair, Leif Johansson, to discuss the company's experience during the Covid pandemic and what learnings it has taken from this experience. There was also a question about whether AstraZeneca will change its business strategy or business model in light of its learnings. It was appreciated that AstraZeneca had not sought to profit from its vaccine in the same way that Pfizer and Moderna have and sought instead to distribute the medication as widely as possible around the world. There was a discussion around the misunderstanding of the vaccine's risks as presented in the press that arguably compromised an even more effective rollout process. The developments surrounding the war in Ukraine were discussed, which prompted a discussion about supply chain security. The importance of diversity and inclusion in all aspects of the company's operations was also discussed.

Motorola and Bezeq - LAPFF continues to ask a number of companies to undertake human rights impact assessments on their operations in the West Bank and East Jerusalem. LAPFF met with two companies this quarter: Motorola, alongside representatives for LGPS Central, and Bezeq. Both meetings were somewhat introductory and a starting point to continue dialogue going forward. Bezeq is the first company LAPFF has met on this topic that operates under Israeli state law, and provided an overview of its operations and what areas it operates in. LAPFF also met with the UN Special Rapporteur on Human Rights to discuss a letter that was sent to LGPS Funds, as well as further information on company positions on the list and the process for companies being removed from it.

ArcelorMittal - In a meeting at the end of 2021, LAPFF and the other lead CA100+ (Climate Action 100+) investors sought publication of a more granular report on lobbying with a trade association overview. Further correspondence in early January promoted engagement with InfluenceMap, whose assessment feeds into the CA100+ benchmarking process. In January 2022, ArcelorMittal issued a new Climate Advocacy Alignment Report. Continued engagement on lobbying disclosure and the shortly to be released new CA100+ benchmark results have helped the company, a year and a half on from their first 'lobbying' report, to update and improve it. In particular there is now disclosure on the action the company will take where misalignment is found between climate policy positions taken by membership associations, and ArcelorMittal's own policy priorities and the Paris agreement.

BHP - BHP offered to arrange a meeting for LAPFF with the Renova Foundation to discuss how to progress the remaining houses to be built after the Samarco tailings dam collapse at Mariana, Brazil in 2015. Both BHP and Renova representatives joined the call. LAPFF had been concerned at the lack of progress regarding the housebuilding with only three houses (to a total of 10) being built during 2021. However, by the time the meeting had taken place, 47 houses had been built. LAPFF Chair, Cllr Doug McMurdo, made clear that even this improved progress was inadequate. However, the improvement was welcomed.

Standard Chartered - A meeting was held with Standard Chartered chair, José Viñals, to determine how the bank is progressing working with clients to reduce carbon emissions and align with the bank's net zero by 2050 policy. Member concerns had been relayed to the chair about the bank's funding of Adaro, a major coal supplier which Standard Chartered's own analysis shows its activities to be aligned with an increase of 5-6°C in global warming. The company issued a roadmap for its progress to net zero in October which included 2030 targets to reduce financed emissions for thermal coal mining and oil and gas power, as well as plans to mobilise US\$300 billion in green and transition finance by 2030. There was further engagement in November, which confirmed an absolute target for coal, and that no investments would support any project expanding capacity.

BP - LAPFF met with BP to discuss detailed aspects of the company's energy transition plan and if a 'Say on Climate' was planned for the 2022 AGM. Company representatives provided more background to the company's plan which includes a reduction of production of 40% over 10 years and a goal of 50GW of renewable generating capacity by 2050. BP already operates the UK's largest public network of EV charging points and plans to install more in existing petrol stations. The company has installed some of the first charging stations in India and is working with large fleets in China. On a 'say on climate' resolution, this was being considered for 2022. It was noted they had achieved at least 'partial' scoring on all elements of the CA100+ benchmark.

Roche and Johnson & Johnson - LAPFF wrote to five pharmaceutical companies for engagement meetings to discuss whether Covid has forced them to change their business models or business strategies. In addition to meeting Roche, LAPFF was able to meet with Johnson & Johnson through a collaborative investor discussion. It is clear that the companies have treated Covid as a test of their existing business models and strategies. At this point, there appear to have been more operational changes, such as how staff work together online and determining the right balance of working from home and working from offices, than there have been business model or strategy changes. There might be further developments to consider in respect of business model and strategy before companies can decide whether they are well-placed with their existing structures or whether they need to make adjustments in the longer-term.

HSBC - The LAPFF chair met with HSBC representatives to ascertain how HSBC will be assisting its clients to set and implement coal phase-out plans in line with the bank's own commitment and timeline. Clarity was also sought on how the company is progressing on pulling out of coal-intensive industries. Representatives noted that the International Energy Agency scenario 'net zero by 2050' will be used to benchmark progress. The company has undertaken new analysis, with more data to be considered. The company joined the net zero banking alliance in April to help understand the transition journeys clients are on, and how the bank can have impact. On retreating from coal-intensive industries, it was noted that coal exposure represents 0.2% of wholesale loans and advances as measured under the Taskforce on Climate-related Financial Disclosure metrics in 2020. However, it was recognised this still represents investments of £1.2 billion, but as existing, not new, commitments.

Sainsbury - LAPFF attended Sainsbury's 'Plan for Better' event and posed questions, both at this event and at the AGM, on the company's packaging practices, electric vehicles, supply chains, climate change and 'say on climate'. Sainsbury's 'Plan for Better' ESG event covered a broad range of ESG topics, noting targets and progress against them. In 2020, Sainsbury announced its climate target to be net zero by 2040 and has this year announced Scope 3 emissions target, which followed with a key theme of this year's ESG event being that the company was engraining ESG at the core of its business strategy. It is taking a number of steps in stores to tackle plastic packaging, opting for loose veg as opposed to prepacked. These steps have led Sainsbury to be recognised by Greenpeace as the retailer with the second highest proportion of loose fruit and vegetables in the market. LAPFF has also co-led an engagement with Sainsbury in a coalition led by First Sentier Investors, pushing for suppliers and distributors of domestic and commercial washing machines to fit, as a standard procedure, filters to their products to prevent plastic microfibres entering the world's ecosystems. Sainsbury responded that they had engaged with white goods suppliers and were looking at viable options.

National Grid - LAPFF has had long-term ongoing engagement with National Grid, most recently as joint-lead investor in the Climate Action 100+ (CA100+) engagement. This engagement culminated in the board putting a 'say on climate' resolution to the AGM, which asked shareholders, from 2022, to approve annual reporting on the company's net zero strategy, 2030 action plan, and progress against emission reduction targets. Cllr Rob Chapman, the LAPFF Vice-Chair, met with the new chair, Paul Rasput Reynolds, and attended the AGM to encourage robust decarbonization plans.

Voting Activity

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

Brunel actively vote the shares held within their funds on behalf of their client funds, including Devon. For the passive equity allocation Legal and General Investment Management (LGIM) manage the

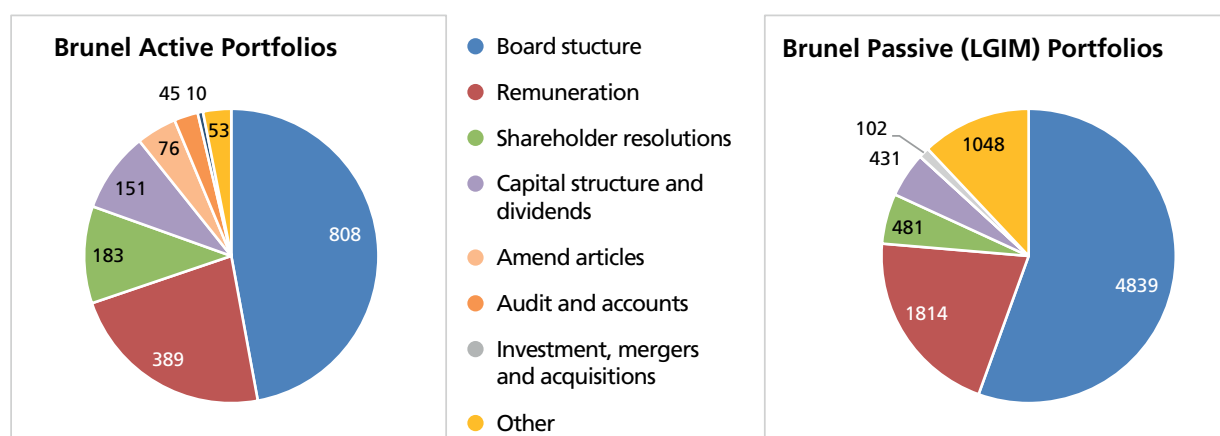
investments and voting on the shares is delegated to them. On significant issues, Brunel may request that their shares are split out and a different vote made. The votes cast by the Fund's investment managers during the year in respect of the Devon Fund's investments are set out in the table below. The passive portfolios managed by LGIM are shown separately from Brunel's voting on active portfolios.

Votes Cast at Company Meetings 2021/22

Manager	Number of Meetings	Number of Resolutions	Votes against Management Recommendation
Brunel Passive Portfolios (LGIM)	3,867	51,632	8,715
Brunel Active Portfolios	863	9,945	1,715
Specialist Funds (to 30 Sept)	13	187	9

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 2021/22



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

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

The voting alerts issued during 2021/22 and the votes cast on the issues concerned are summarised in the following table. The table separates out Brunel's votes through their active portfolios and the votes cast by LGIM on the passive portfolios. The table also shows the outcome of the votes concerned and the rationale for how Brunel/LGIM have cast their votes.

LAPFF Voting Alerts 2021/22

Rio Tinto - 09-Apr-21		Active Portfolios held in: None		
Target Resolutions	LAPFF Recommendation	LGIM (Passive) Vote	Brunel Active Vote	Outcome
Approve annual report and accounts	Oppose	For	N/A	Approved (77.0% votes for)
Re-elect Megan Clerk	Oppose	For	N/A	Approved (77.0% votes for)
Re-elect Sam Laidlaw	Oppose	For	N/A	Approved (77.1% votes for)
Re-elect Simon Thompson	Abstain	For	N/A	Approved (77.0% votes for)
Rationale for vote: The recommendations to vote against re-election of directors were in relation to holding them to account for the company's actions at Juukan Gorge, where Rio Tinto blew up two 46,000 year old rock shelters against the will of the local Puutu Kunti Kurrama and Pinikura (PKKP) people, who considered the rock shelters sacred. LGIM voted against the company's remuneration report as they believed further downward discretion would have been appropriate in response to what happened at Juukan Gorge, rather than voting against the company directors bearing in mind the importance of continuity.				
Glencore - 29-Apr-21		Active Portfolios held in: Global High Alpha		
Target Resolutions	LAPFF Recommendation	LGIM (Passive) Vote	Brunel Active Vote	Outcome
Annual Report and Accounts	Oppose	For	For	Approved (99.3% votes for)
Re-elect Peter Coates	Oppose	For	For	Approved (94.8% votes for)
Approve Climate Action Transition Plan	For	Against	Against	Approved (94.4% votes for)
Approve Remuneration Policy	Oppose	Against	For	Approved (74.2% vote for)
Rationale for vote: Whilst the comprehensiveness of the company's 2050 target was viewed favourably, Brunel/LGIM expected more clarity on short-term targets. In addition, an analysis of coal usage in 1.5C-compliant pathways from the Intergovernmental Panel on Climate Change (IPCC) points to the need for more ambitious cuts to global coal usage than implied by the company's 40% by 2035 emissions reduction targets. Therefore a vote against the Climate Action Transition Plan was applied.				
Barclays Plc - 05-May-21		Active Portfolios held in: None		
Target Resolutions	LAPFF Recommendation	LGIM (Passive) Vote	Brunel Active Vote	Outcome
Market Forces requisitioned resolution on climate change	For	Against	N/A	Not Approved (86.0% votes against)
Rationale for vote: LGIM is comfortable with the company's work in this area.				
Royal Dutch Shell - 18-May-21		Active Portfolios held in: None		
Target Resolutions	LAPFF Recommendation	LGIM (Passive) Vote	Brunel Active Vote	Outcome
Advisory Vote on Energy Transition Strategy	Oppose	Against	N/A	Approved (88.7% votes for)
Request for climate targets aligned with Paris Agreement	For	For	N/A	Not Approved (69.5% votes against)
Rationale for vote: LGIM acknowledged the substantial progress made by the company in setting targets which include Scope 3 emissions, changes to executive remuneration and business plans to increase low-carbon investment, but remained concerned that the strength of interim targets (up to 2035) and disclosed plans for oil and gas production fall short of the level of ambition required for the company to credibly claim alignment with a 1.5C pathway.				

Facebook inc. - 26-May-21		Active Portfolios held in: Global High Alpha		
Target Resolutions	LAPFF Recommendation	LGIM (Passive) Vote	Brunel Active Vote	Outcome
Shareholder proposal regarding dual class capital structure	For	For	For	Not Approved (72.3% votes against)
Shareholder proposal regarding an independent chair	For	For	For	Not Approved (83.9% votes against)
Shareholder proposal regarding child exploitation	For	For	For	Not Approved (82.7% votes against)
Shareholder proposal regarding human/civil rights expert on board	For	Against	Against	Not Approved (95.9% votes against)
Rationale for vote: A vote against the resolution on human/civil rights was warranted as the company had recently undergone an independent human rights audit and is acting on the recommendations, including appointing human rights experts to leadership positions.				
Amazon.com - 26-May-21		Active Portfolios held in: Global High Alpha, Sustainable		
Target Resolutions	LAPFF Recommendation	LGIM (Passive) Vote	Brunel Active Vote	Outcome
Customer Due Diligence	For	For	For	Not Approved (64.7% votes against)
Mandatory Independent Board Chair Policy	For	For	For	Not Approved (85.1% votes against)
Additional Reporting on Gender/Racial Pay	For	For	For	Not Approved (74.1% votes against)
Report on Promotion Data	For	For	For	Not Approved (81.9% votes against)
Report on Packaging Materials	For	For	For	Not Approved (64.5% votes against)
Diversity and Equity Audit Report	For	For	For	Not Approved (55.8% votes against)
Alternative Director Candidate Policy	For	For	For	Not Approved (82.5% votes against)
Report on Competition Strategy and Risk	For	Against	Against	Not Approved (66.3% votes against)
Reduction in Threshold for Calling Special Shareholder Meetings	For	For	For	Not Approved (65.9% votes against)
Additional Reporting on Lobbying	For	For	For	Not Approved (65.1% votes against)
Report on Customer Use of Certain Technologies	For	For	For	Not Approved (65.7% votes against)
Rationale for vote: On the proposal for a report on competition strategy and risk, LGIM's view was that it is sufficiently clear how the board is responsible for managing competitive risk. Whilst recognising there are clear anti-competitive considerations to be cognisant of, through engagement with the company it is clear in principle how the board oversight process works. In addition Brunel's view was that the report would not provide any useful information in addition to what the company is already disclosing.				

ExxonMobil - 26-May-21		Active Portfolios held in: None		
Target Resolutions	LAPFF Recommendation	LGIM (Passive) Vote	Brunel Active Vote	Outcome
Elect Director Michael J. Angelakis	Oppose	For	N/A	Elected (98.4% votes for)*
Elect Director Susan K. Avery	Oppose	For	N/A	Elected (96.7% votes for)*
Elect Director Angela F. Braly	Oppose	For	N/A	Elected (95.3% votes for)*
Elect Director Ursula M. Burns	Oppose	For	N/A	Elected (97.8% votes for)*
Elect Director Kenneth C. Frazier	Oppose	Against	N/A	Elected (94.5% votes for)*
Elect Director Steven A. Kandarian	Oppose	No Vote*	N/A	Elected (97.2% votes for)*
Elect Director Douglas R. Oberhelman	Oppose	No Vote*	N/A	Not Elected (97.2% votes for)*
Elect Director Samuel J. Palmisano	Oppose	No Vote*	N/A	Not Elected (93.2% votes for)*
Elect Director Jeffrey W. Ubben	Oppose	For	N/A	Elected (98.1% votes for)*
Elect Director Darren W. Woods	Oppose	Against	N/A	Elected (94.5% votes for)*
Elect Director Wan Zulkiflee	Oppose	No Vote*	N/A	Not Elected (93.4% votes for)*
Elect Director Gregory J. Goff	For	For	N/A	Elected (0.0% votes for)*
Elect Director Kaisa Hietala	For	For	N/A	Elected (90.7% votes for)*
Elect Director Alexander A. Karsner	For	For	N/A	Elected (73.1% votes for)*
Elect Director Anders Runevad	For	For	N/A	Not Elected (17.7% votes for)*
Shareholder Resolution: Require independent chair	For	For	N/A	Not Approved (77.0% votes against)
Rationale for vote: At Exxon's AGM shareholders had the choice of voting for or against 12 candidates put forward by the company, or for or against a list of 12 candidates including 4 nominees of an activist shareholder and 8 of the company's nominees. LGIM voted on the second list of nominees so no vote was registered for 4 of the company nominees. The 12 candidates who gained the most votes overall were elected to the Board, this is not accurately reflected in the percentages shown. Those elected included three of the four activist shareholder nominees who will seek to exert influence to move the company towards a more climate change aware policy.				
HSBC - 28-May-21		Active Portfolios held in: Low Volatility		
Target Resolutions	LAPFF Recommendation	LGIM (Passive) Vote	Brunel Active Vote	Outcome
Climate Change Resolution	For	For	For	Approved (99.7% votes for)
Rationale for vote: A shareholder resolution was put forward, but then withdrawn as following engagement HSBC tabled their own. HSBC's resolution had different wording but a similar purpose and was therefore supported as a step in the right direction.				
Booking Holdings Inc. - 03-Jun-21		Active Portfolios held in: Global High Alpha		
Target Resolutions	LAPFF Recommendation	LGIM (Passive) Vote	Brunel Active Vote	Outcome
Elect Glenn D. Fogel (Chief Executive)	Oppose	For	For	Approved (99.8% votes for)
Report on Annual Climate Transition	For	For	For	Approved (56.5% votes for)
Annual Investor Advisory Vote on Climate Plan	For	For	For	Not Approved (62.5% votes against)
Rationale for vote: Brunel and LGIM supported the two shareholder climate change resolutions which sought to encourage the company to make further efforts on its climate change-related actions and reporting. LAPFF's recommendation to oppose the re-election of Glenn Fogel was based on Booking Holdings operating in the West Bank, but Brunel and LGIM while engaging on this issue took the view that this was only a small part of the company's global operation.				

Expedia Group Inc. - 09-Jun-21		Active Portfolios held in: None		
Target Resolutions	LAPFF Recommendation	LGIM (Passive) Vote	Brunel Active Vote	Outcome
Elect Barry Diller - Chair	Oppose	Against	N/A	Approved (94.5% votes for)
Rationale for vote: LGIM expects a CEO (or Chair/CEO) or Non-Executive Director not to hold too many external positions to ensure they can undertake their duties effectively. It is also expected that a board should be regularly refreshed in order to maintain independence, relevant skills, experience and diversity.				
Tripadvisor Inc. - 09-Jun-21		Active Portfolios held in: Smaller Companies		
Target Resolutions	LAPFF Recommendation	LGIM (Passive) Vote	Brunel Active Vote	Outcome
Elect Gregory B. Maffei - Chair	Oppose	Against	Against	Approved (81.7% votes for)
Rationale for vote: LGIM expects a CEO (or Chair/CEO) or Non-Executive Director not to hold too many external positions to ensure they can undertake their duties effectively. Brunel also withheld votes for non-independent director nominees Gregory Maffei, Stephen Kaufer, and Albert Rosenthaler due to the company's lack of a formal nominating committee.				
Delta Airlines Inc. - 17-Jun-21		Active Portfolios held in: None		
Target Resolutions	LAPFF Recommendation	LGIM (Passive) Vote	Brunel Active Vote	Outcome
Report on corporate climate lobbying in line with Paris Agreement	For	For	N/A	Approved (63.0% votes for)
Rationale for vote: Providing information on the involvement and the level of expenditure across its different forms of lobbying, as well as how it aligns with the Paris Agreement, would enable shareholders to assess alignment between Delta's public statements and its lobbying activities.				
Mitsubishi UFJ Financial Group - 29-Jun-21		Active Portfolios held in: None		
Target Resolutions	LAPFF Recommendation	LGIM (Passive) Vote	Brunel Active Vote	Outcome
Resolution for plan to align financing with the Paris Agreement	For	For	N/A	Not Approved (77.2% votes against)
Rationale for vote: Presenting an annual plan with short, medium and long term targets would enable the company to be able to strategically and quickly respond to international and national policy objectives.				
SSE plc - 22-Jul-21		Active Portfolios held in: Low Volatility		
Target Resolutions	LAPFF Recommendation	LGIM (Passive) Vote	Brunel Active Vote	Outcome
Net zero transition report	Abstain	For	For	Approved (99.4% votes for)
Rationale for vote: The resolution was supported as the plans set out aligned with LGIM expectations.				
National Grid - 26-Jul-21		Active Portfolios held in: Sustainable		
Target Resolutions	LAPFF Recommendation	LGIM (Passive) Vote	Brunel Active Vote	Outcome
Approve 'net zero' commitment and associated targets	For	For	For	Approved (99.0% votes for)
Approve new articles of association	For	For	For	Approved (99.7% votes for)
Rationale for vote: The climate change resolution commits the company to reporting its strategy on an annual basis, in line with the accountability of the 'Say on Climate' initiative. The resolution was supported as the plans set out aligned with expectations.				

Frasers Group - 29-Sep-21		Active Portfolios held in: None		
Target Resolutions	LAPFF Recommendation	LGIM (Passive) Vote	Brunel Active Vote	Outcome
Approve the Directors' Remuneration Policy	Against	Against	N/A	Approved (84.9% votes for)
Re-elect David Daly	Against	For	N/A	Approved (98.0% votes for)
Re-elect David Brayshaw	Against	For	N/A	Approved (98.3% votes for)
Approve the Executive Share Scheme	Against	Against	N/A	Approved (86.6% votes for)
Rationale for vote: LGIM voted against the remuneration policy due to significant salary increases for the executive and the non disclosure of actual performance targets. The executive share scheme was opposed as the long term incentives were not appropriate. LGIM opted not to oppose the re-election of individual directors on these issues.				
BHP - 14-Oct-21		Active Portfolios held in: None		
Target Resolutions	LAPFF Recommendation	LGIM (Passive) Vote	Brunel Active Vote	Outcome
Approval of the Climate Transition Action Plan	Oppose	Against	N/A	Approved (84.9% votes for)
Amendment to the BHP Constitution	For	For	N/A	Not Approved (88.2% votes against)
Climate-related Lobbying	For	For	N/A	Not Valid (However, 98.9% votes for)
Capital Protection	For	Against	N/A	Not Valid (However, 85.8% votes against)
Rationale for vote: LGIM recognised the substantial progress the company has made in climate reporting, transparency and scenario analysis, but remained concerned that the company's interim operational emissions targets (to 2030) are insufficiently ambitious to be considered aligned with the 1.5C trajectory.				
Apple Inc. - 04-Mar-22		Active Portfolios held in: None		
Target Resolutions	LAPFF Recommendation	LGIM (Passive) Vote	Brunel Active Vote	Outcome
Reincorporate with Deeper Purpose	Abstain	Against	Against	Not Approved (96.9% votes against)
Transparency Reports	For	For	For	Not Approved (68.3% votes against)
Forced Labour	For	For	For	Not Approved (66.3% votes against)
Pay Equity	For	For	For	Not Approved (66.4% votes against)
Civil Rights	For	For	For	Approved (53.6% votes for)
Report on Concealment Clauses	For	For	For	Approved (50.04% votes for)
Rationale for vote: With the exception of the proposal to re-incorporate, Brunel and LGIM both supported all the shareholder resolutions that were the subject of LAPFF recommendations. The shareholder proposals promoted appropriate accountability or incentivisation and better management of ESG opportunities and risks. LGIM supported the proposals as the issues involved were considered to be a material risk. It should be noted that the Fund received correspondence from fund members on the proposals re transparency and forced labour.				

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 2021/22, the Fund's fixed interest investments were transitioned from the previous managers, Lazard Asset Management and Wellington Management, to the Brunel Pension Partnership. This included a change of strategy from the global bonds portfolio managed by Lazard to a Sterling Corporate Bonds portfolio managed by Brunel. Brunel have appointed three managers to manage the multi-asset credit part of the portfolio and Royal London Asset Management to manage Sterling Corporate Bonds on their behalf.

Brunel worked with its client funds to specify the requirements for their fixed income funds, including how they would incorporate stewardship responsibilities. The Devon Fund expected Brunel to integrate Environmental, Social and Governance (ESG) considerations into manager selection and ongoing manager monitoring to ensure that ESG was imbedded into the investment process at an issuer, sector, and geographic level.

On multi-asset credit, Brunel specifically looked for managers who would understand the engagement issues specific to the product and the difficulties of working within sub investment grade. Examples of this included looking at UN PRI (United Nations Principles of Responsible Investment) assessment reports and how the manager was performing in relation to that in assessing investee companies. They also looked at initiatives the manager was involved in and why, such as Climate Action 100+.

As an example, one of the appointed managers really understood Brunel's objectives and the constraints around getting to Net Zero by 2050 in a universe that is very difficult to quantify. The manager also had a realistic view on what you could do in different asset classes and geographies. For example, there were feasible solutions in place where it was difficult to engage over environmental protections, such as on emerging market sovereigns. On engagement, the manager had a sensible framework to identify companies who require engagement to align with the Paris accord. Finally, the manager also showed thought leadership by looking at our forward objectives that are currently not feasible, for example scenario modelling on physical and transitional risk.

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

One example of RLAM's stewardship approach during 2021 related to the railway network, and its approach to decarbonisation. Through targeted ESG analysis, they were able to evaluate the potential impact of decarbonisation, and the impact this could have on three privately-owned rolling stock leasing companies that RLAM has exposure to: Porterbrook, Angel Trains and Eversholt. They contacted each company to determine their preparedness, to re-examine the lending case, and also consider the longer-term outlook for the sector.

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. On health and safety, the Fund-level Accident Frequency Rate ("AFR" per 100,000 hours worked) continued a downward trend in 2021 and has decreased by almost one third since 2019. 85% of energy generated in the portfolio came from renewable sources in 2021 with Coriance, the French district heating business producing 66% of its energy from renewable sources (up from 51% since 2015). Based on emissions targets set by portfolio companies, scope 1 and 2 emissions of the fund are projected to decrease by 30% by 2030, with Coriance being the only company not projected to reach net zero by that date. Female representation on boards decreased slightly as a result of the divestment of Caruna, which had high levels of female representation.
- The **Hermes Infrastructure Fund** has increased internal collaboration with EOS, Federated Hermes' leading stewardship and engagement business. Through their seat on the Board and ESG Committee at Viridor, Hermes have been engaging on a targeted basis with the company on human capital management and human rights, including safety, gender representation, pay gaps and modern slavery. 2022 will see the launch of a refreshed people strategy, under the supervision of the ESG Committee including appropriate targets, metrics and KPIs to be developed and monitored going forwards. In the meantime, in financial year 2020/2021 Viridor was able to achieve a 20% reduction in lost time injury rate and, in response to the pandemic, introduced a formal Mental Health and Well-being programme. At Scandlines, Hermes have been particularly focussed on decarbonisation and the company's potential trajectory to Net Zero. In the autumn of 2021, Hermes and their Scandlines co-shareholders agreed to support an €80 million investment in a new zero emission freight ferry, which will allow Scandlines to expand its cargo capacity whilst retiring two older vessels from the fleet.

- The **Archmore Infrastructure Fund**, managed by UBS, 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. Both the Northern Star Generation asset and the Spinning Spur windfarm asset in the United States achieved a 4 star rating in 2021, and UBS are working with company management to identify areas that can be improved for the 2022 Assessment. There have been significant environmental concerns with the performance of Southern Water, leading to fines related to illegal discharge of sewage. Devon Fund officers have been pressing UBS to ensure that action is taken to address the concerns and changes have been made to the management of Southern Water to tackle the issues involved.
- The **Brunel Pension Partnership's** private debt portfolio, managed by Aksia, invests in a number of underlying funds, and Brunel closely integrates ESG considerations into their fund selection approach. Brunel work with the best managers who engage with their portfolio companies and serve as a resource to those companies and their sponsors on ESG best practices. The latest technology in the industry involves linking ESG-related milestones to the cost of debt, in order to incentivise good behaviour and penalise bad behaviour. Brunel have been working with a US manager over the last six months to improve its RI programme. They have quarterly calls to talk through progress against an agreed set of milestones. Whilst the manager is still not as strong as some of the other managers in the portfolio, they are on the right trajectory and willing to engage and improve.

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.

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

Over the last year the Devon Fund has moved its previous factor based passive allocation to a new Paris Aligned Global Passive Fund (November 2021), and its UK Passive allocation to a new UK Climate Transition Passive Fund (February 2022). Together, these changes represent a significant divestment from fossil fuel supply companies, as well as increasing allocations to those companies making good progress in transitioning their businesses in line with the Paris Agreement on Climate Change.

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

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

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

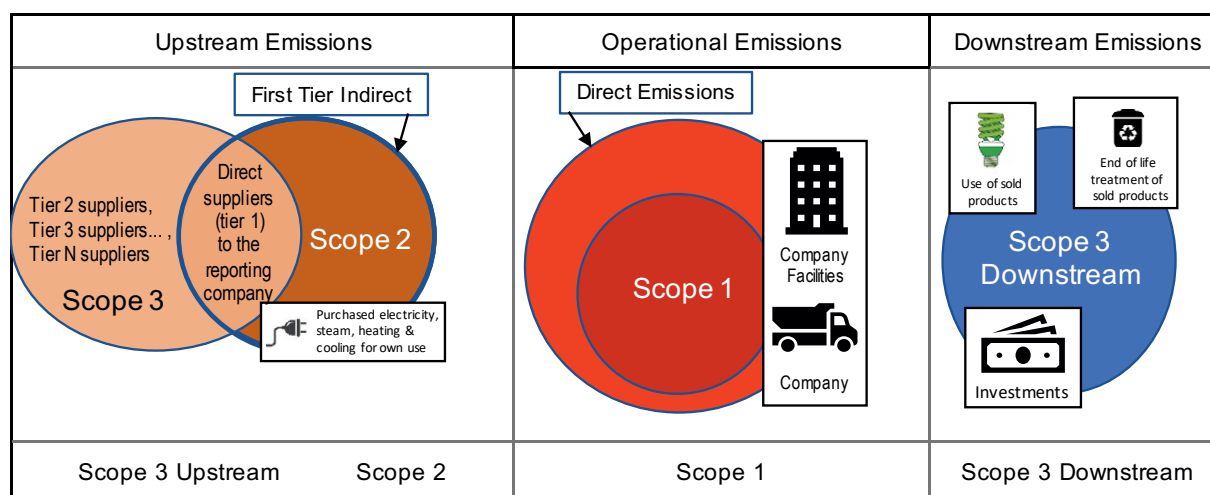
Carbon Footprint

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

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

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

These are illustrated in the following diagram:



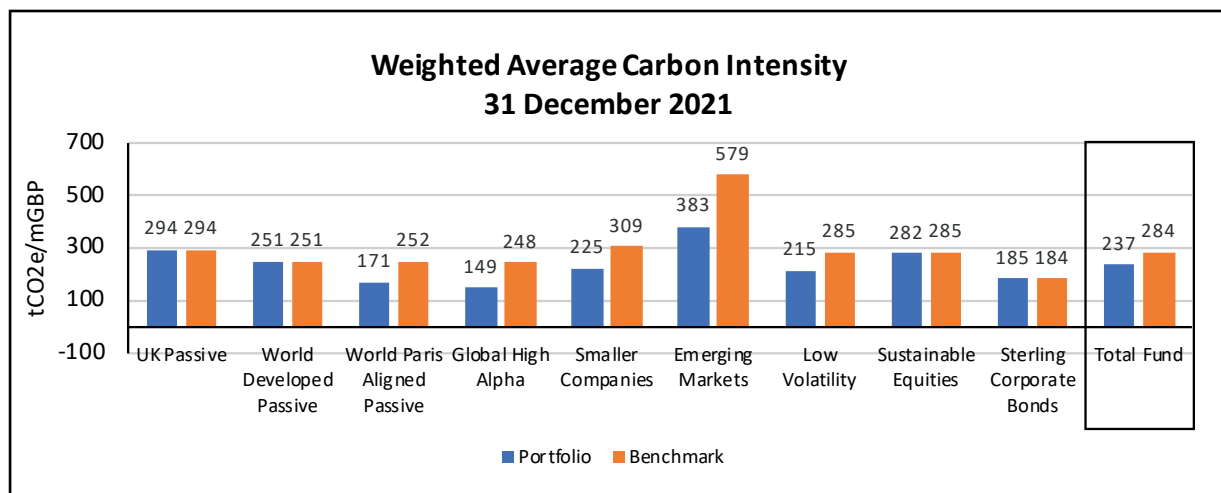
In analysing a portfolio of investment companies, there is the danger of double counting, where the scope 1 direct emissions of one company are the scope 3 downstream emissions of another company in the portfolio. However, from an investment risk perspective it is useful to know both the attribution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

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

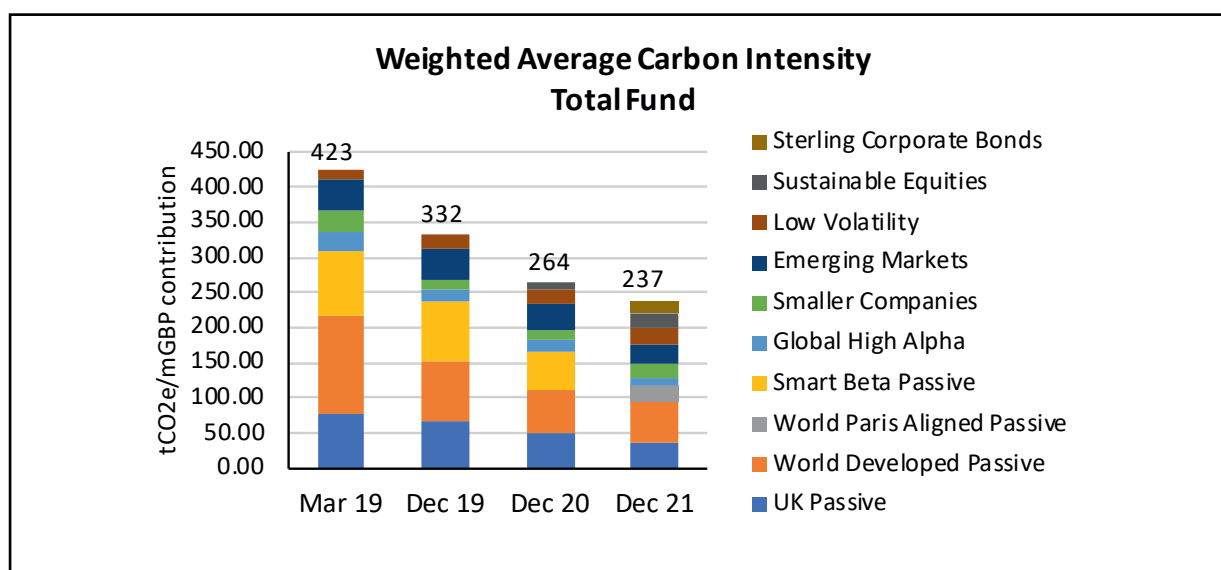
The disclosure of emissions varies across portfolio companies. The carbon intensity results will comprise a total of:

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

The WACI for each portfolio and for the Fund's total equity and sterling corporate bond holdings as at 31 December 2021 is shown in the following graph. The total Fund WACI has fallen from 264 tCO₂e/mGBP in December 2020 to 237 tCO₂e/mGBP in December 2021, a reduction of 10.2%. The WACI in December 2020 was below the benchmark and in December 2021 is further below the benchmark of 284 tCO₂e/mGBP.



This is the fourth 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 44% in the Fund's WACI since March 2019, which is good progress towards the target of a 50-75% reduction by 2030, and well ahead of the 7% per year target.

Progress over the last year has been slower, as economic activity has increased following the end of Covid restrictions in much of the world, and several of the portfolios have seen a small increase in their WACI. The reduction in the Fund WACI has almost entirely resulted from the Committee decision to move the investment in the Smart Beta passive fund to the World Developed Paris Aligned passive fund.

The Emerging Markets portfolio has the highest WACI. Emerging economies may find it more difficult to transition their economies, and the Fund also has the objective of securing a just transition that does not penalise those countries with a poorer standard of living.

The Sustainable Equities portfolio has a relatively high WACI compared to some of the active portfolios. This demonstrates that the numbers only tell half the story. The Sustainable Equities portfolio is focused on solutions, so may include companies who have higher emissions from processes that support the transition, for example the manufacture of wind turbines.

The analysis now includes the Sterling Corporate Bonds portfolio in addition to the equity portfolios. Any difference to the overall Fund WACI from the inclusion of the bonds portfolio is marginal, and it results in wider coverage of the Fund's total assets.

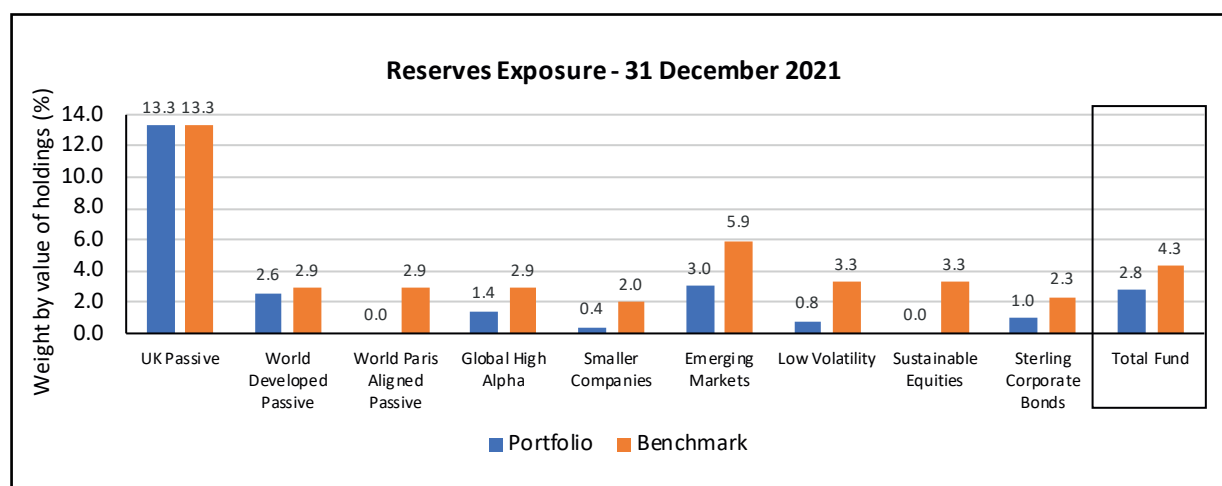
The Fund will continue to work with Brunel to seek further reductions in its carbon footprint, including a full stocktake and review of climate change policies during 2022. The Fund's carbon footprint will be measured as at 31 December each year in order to review progress.

Reserves Exposure

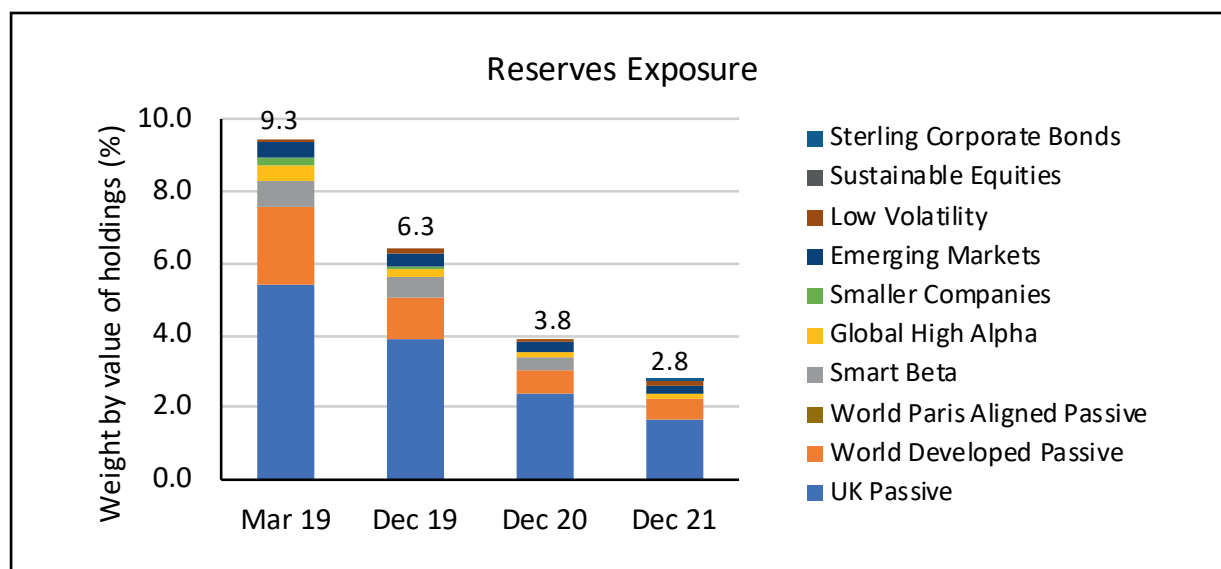
One of the issues with the WACI measurement is that it does not capture the downstream tier 3 emissions. Downstream Scope 3 emissions based on product in use (or disposal) are not widely calculated by companies or reported. However, downstream Scope 3 are critical when looking at the impact / investment 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 2021 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 2020 and December 2021, the reserves exposure fell from 3.8% to 2.8%. This equates to just under 2% of total assets.



The UK Passive portfolio held at 31 December tracks the FTSE All Share Index, which includes 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 2021, the UK Passive allocation accounted for around 60% of the reserves exposure. In February 2022, that allocation was transitioned to the new UK Climate Transition passive fund launched by Brunel in partnership with FTSE Russell and Legal and General Investment Management. This resulted in significant divestment from companies such as Royal Dutch Shell, Anglo American and Glencore, and therefore if the Fund's reserves exposure were to be re-assessed as at the end of March the exposure would be much reduced.

Climate Scenario Analysis

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

The UK Government has already enacted legislation to implement mandatory TCFD-aligned disclosures across the private sector, but the requirements do not currently apply to LGPS funds. It is anticipated that the Department of Levelling Up, Housing and Communities (DLUHC) will be issuing a consultation by the end of the Summer on how TCFD requirements will be built into the LGPS regulations.

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

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

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

Climate Change Impact on Return (% per year)

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

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

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

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

Fund Management

Following the transition of the Devon Fund's fixed interest assets to the Brunel Pension Partnership during 2021/22, Brunel now manage around 95% of the Fund's assets. The remaining assets comprise longstanding infrastructure and private debt fund investments which the Fund will retain until such time as those funds reach their natural endings.

The following table lists the mandates in place as at 31st March 2022 together with the targets they have been set in relation to the benchmarks shown:

Brunel Pension Partnership Managed Portfolios

Mandate	Target	Benchmark
Passive UK Equities	Performance in line with benchmark	FTSE All Share TR Index
Passive Developed World Equities	Performance in line with benchmark	FTSE World Developed TR Index
Passive Developed World Paris Aligned Equities	Performance in line with benchmark	SciBeta Multifactor Composite Index
Global High Alpha Equities	Outperform benchmark by 2-3% per annum over a rolling 3-5 year period	MSCI World TR Index
Sustainable Equities	Outperform the benchmark by 2% per annum over a rolling 3-5 year period	MSCI All Countries World Index (ACWI) TR GD
Global Smaller Company Equities	Outperform the benchmark by 2% per annum over a rolling 3-5 year period	MSCI World Smal Cap TR Index
Emerging Market Equities	Outperform benchmark by 2-3% per annum over a rolling 3-5 year period	MSCI Emerging Markets TR Index
Low Volatility Equities	Outperform benchmark but with lower volatility than the underlying market	MSCI All Countries World Index (ACWI) TR GD
Diversified Returns	Outperform benchmark over a rolling 5-7 year period	GBP SONIA + 4%
UK Property	Outperform benchmark by 0.5% per annum over a rolling 5-7 year period	MSCI / AREF UK Quarterly Property Fund Index
International Property	Outperform benchmark by 0.5% per annum over a rolling 5-7 year period	MSCI Global Quarterly Property Fund Index
Infrastructure	Outperform benchmark	Consumer Prices Index (CPI) plus 4%
Sterling Corporate Bonds	Outperform benchmark by 1% per annum over rolling 3 to 5 year periods	iBoxx Sterling Non-Gilts
Multi-Asset Credit	Outperform the benchmark over a rolling 3-5 year period	GBP SONIA + 4%

Devon County Council Managed Portfolios

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

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

Performance to 31 March 2022

One Year Performance	Opening Value	Opening Value	Closing Value	Closing Value	Net Return	Benchmark
	£'000	%	£'000	%	%	%
Brunel Asset Pool Managed Investments						
Passive Equities	1,800,418	35.7	1,709,091	31.6	+11.0	+11.2
Active Global High Alpha Equities	314,878	6.2	295,699	5.5	+8.8	+15.9
Active Global Small Cap Equities	238,078	4.7	289,118	5.4	+2.2	+4.0
Active Emerging Market Equities	281,725	5.6	249,457	4.6	-11.5	-6.8
Active Sustainable Equities	153,375	3.0	258,166	4.8	+8.2	+12.9
Active Low Volatility Equities	336,892	6.7	391,135	7.2	+16.1	+12.9
Sterling Corporate Bonds ¹	0	0.0	330,866	6.1	-6.3	-6.9
Multi-Asset Credit ¹	0	0.0	392,082	7.3	-1.5	+3.6
UK Property	354,291	7.0	436,458	8.1	+20.3	+23.1
International Property	54,788	1.1	71,769	1.3	+9.3	+17.9
Infrastructure	65,840	1.3	186,296	3.4	+3.5	+11.3
Private Equity	1,333	0.0	25,448	0.5	+24.0	+12.9
Private Debt	0	0.0	17,434	0.3	+1.2	+2.3
Diversifying Returns Fund	476,194	9.4	502,440	9.3	+7.3	+4.2
Non-Asset Pool Managed Investments						
Active Specialist Equity Funds ²	46,769	0.9	0	0.0	+8.5	+8.7
Global Bonds ³	300,013	6.0	0	0.0	+1.0	+1.1
Multi-Sector Credit ³	344,738	6.8	0	0.0	+1.5	+1.9
Infrastructure	137,785	2.7	138,838	2.6	+7.8	+11.3
Private Debt	107,613	2.1	91,022	1.7	+14.6	+11.3
Cash	41,565	0.8	16,541	0.3	+1.2	+0.1
TOTAL	5,056,295	100.0	5,401,860	100.0	+7.7	+9.3

Three Year Performance ⁴	Value 1 April 2019	Value 1 April 2019	Closing Value	Closing Value	Net Return	Benchmark
	£'000	%	£'000	%	%	%
Brunel Asset Pool Managed Investments						
Passive Equities	1,815,034	42.3	1,709,091	31.6	+10.4	+10.5
Active Low Volatility Equities	101,727	2.4	391,135	7.2	+8.7	+13.9
Infrastructure	5,883	0.1	186,296	3.4	+3.5	+7.3
Combined Returns						
Active Global Equities	458,655	10.7	295,699	5.5	+11.6	+14.9
Active Global Small Cap Equities	0	0.0	289,118	5.4	-	-
Active Emerging Market Equities	190,600	4.5	249,457	4.6	+3.4	+4.9
Active Sustainable Equities	0	0.0	258,166	4.8	-	-
Investment Grade Bonds	231,282	5.4	330,866	6.1	+0.2	-0.5
Multi-Asset Credit	226,437	5.3	392,082	7.3		
Property	403,626	9.4	508,227	9.4	+7.7	+7.6
Infrastructure	150,532	3.5	138,838	2.6	+5.6	+7.3
Private Equity	0	0.0	25,448	0.5	-	-
Private Debt	70,271	1.6	108,456	2.0	+8.0	+7.3
Diversified Growth Funds	606,931	14.1	502,440	9.3	+3.2	+4.3
Cash	31,178	0.7	16,541	0.3	+0.8	+0.2
TOTAL	4,292,156	100.0	5,401,860	100.0	+7.5	+8.9

Five Year Performance ⁴	Value 1 April 2017	Value 1 April 2017	Closing Value	Closing Value	Net Return	Benchmark
	£'000	%	£'000	%	%	%
Passive Equities	1,713,117	43.7	1,709,091	31.6	+8.5	+8.5
Active Global Equities	432,567	11.1	295,699	5.5	+9.3	+11.6
Active Global Small Cap Equities	0	0.0	289,118	5.4	-	-
Active Emerging Market Equities	181,795	4.7	249,457	4.6	+2.9	+5.2
Active Sustainable Equities	0	0.0	258,166	4.8	-	-
Active Low Volatility Equities	0	0.0	391,135	7.2	-	-
Global Bonds	270,960	6.9	330,866	6.1	+0.7	+0.4
Multi-Sector Credit	164,835	4.2	392,082	7.3		
Property	363,040	9.3	508,227	9.4	+8.2	+7.5
Infrastructure	157,897	4.0	325,134	6.0	+5.2	+6.6
Private Equity	0	0.0	25,448	0.5	-	-
Private Debt	0	0.0	108,456	2.0	-	-
Diversified Growth Funds	581,203	14.8	502,440	9.3	+2.9	+4.3
Cash	52,366	1.3	16,541	0.3	+0.8	+0.3
TOTAL	3,917,780	100.0	5,401,860	100.0	+6.5	+7.5

Notes

1. Performance since inception - June 2021
2. Performance up to final redemption – September 2021
3. Performance up to final redemption – June 2021

4. Three year performance represents the combined performance of Brunel with the previous external managers where the assets have not been managed by Brunel for the full three years. Five year performance combines the return of Brunel with the previous external managers in all cases, as none of the assets have been managed by Brunel for a full five years.

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

Equities fell over the last quarter but showed a positive return for the year. The impact of the Russian invasion of Ukraine had a greater impact on “growth” companies, such as the big tech companies, than on “value” stocks, such as the energy sector and consumer essentials. This explains the below benchmark performance of the **Global High Alpha, Smaller Companies** and **Sustainable** Equities portfolios, and the above benchmark performance of **Low Volatility** Equities.

Sterling Corporate Bonds delivered a negative return over the year, all arising from the last quarter, as interest rate rises reduced the value of the bonds held. **Multi-Asset Credit** which represents the riskier end of the listed fixed income market, also delivered a negative return from the inception of the Brunel portfolio, offsetting the positive return from the Wellington mandate between April and the transition to Brunel in June. The benchmark is a cash plus benchmark, so will always be positive, and in a period of negative returns will always be difficult to achieve.

The Brunel **Diversifying Returns Fund** achieved a positive return over the last quarter, demonstrating its value during times of market stress. This resulted in a positive above benchmark return over the year.

Infrastructure returns have been mixed, with the Brunel portfolio performing less well than the legacy assets managed by the In-House Devon County Council Investments Team. The benchmark seeks a return above inflation which has increased significantly, and the fund returns have not kept pace. Valuations are lagged in many cases, and where revenues are linked to inflation there is likely to be a boost over the next 6 months. It should also be noted that several of the Brunel infrastructure investments are at an early stage and need a longer time frame to deliver the high positive returns that we would expect.

Further detail on the performance of the individual portfolios can be found in the following reports pages. The Brunel Pension Partnership have provided an investment commentary on each of their portfolios, which provides further detail on their performance over the past year, their engagement with the companies in which they invest, and their outlook going forward. A commentary is also provided on the performance of the remaining assets held outside the pool.

Manager's Report - Brunel Pension Partnership

Passive Equity Portfolios

Performance Review

For the 12-month period ending 31st March 2022, all Brunel passive portfolios have met performance expectations.

The **Passive Developed Equities** portfolio returned +14.7%, while the hedged portfolio returned +11.1%, resulting in a total return for the Devon Fund of +12.9%. The **Passive UK Equities** portfolio was transferred from the FTSE All Share tracker fund to the new UK Climate Transition Benchmark Fund when it launched in February 2022. The combined return for the year was +9.1%.

The **Passive Smart Beta Equities** portfolio returned +10.7% to the end of October when the allocation was transferred to the World Developed Paris Aligned Benchmark Equities portfolio, which delivered a return of -0.1% from inception to year end. As the **World Developed Paris Aligned Benchmark Equities** portfolio was only held for the last five months of the period, it did not benefit from the market conditions in the early part of the year, but suffered from the market falls during the last quarter.

Global High Alpha Equity Portfolio

Performance Review

The Fund returned 8.8% over the year, underperforming the benchmark (MSCI World Index) by 7.1%. This was driven by stock selection and to a lesser extent asset allocation. On a sector basis, asset allocation was negative largely as a result of the Fund's underweight to the Energy sector which was the best performing sector. Stock selection was weakest in the Consumer Discretionary sector which more than offset stronger selection in the Materials sector. The Fund maintained the quality and growth bias it has had since inception when compared to the index. Since inception the Fund has returned 18.5% per annum, outperforming the benchmark by 2.8% per annum.

Outlook

We anticipate the global equity market environment will continue to be volatile over the coming period given the uncertainty companies and economies face as a result of rising inflation, global supply chain issues and rising geo-political risks following invasion of Ukraine.

Low Volatility Global Equity Portfolio

Performance Review

The Fund returned 16.1% over the prior 12 months, which comfortably outperformed the benchmark – the MSCI All Country World Index – by 3.2% on a net of fees basis. The Fund also outperformed the MSCI AC World Minimum Volatility index – a proxy for low volatility equities – by 0.52%. Both managers in the Fund outperformed the benchmark comfortably, with Robeco having the more successful year.

There were a number of highly significant events that resulted in increased volatility across global equity markets. Most notably persistent inflation, rising commodity prices, Omicron outbreaks and the invasion of Ukraine. This ultimately resulted in favourable conditions for lower volatility and value orientated companies. Most sectors produced positive performance over the past year. Commodity driven and interest rate sensitive sectors were amongst the most successful. Energy was

the best performer, returning +48% following strength in commodities such as crude oil. The low volatility approach tends to produce a bias away from energy names, which detracted from relative performance.

Outlook

The Fund maintains its bias towards low volatility companies with attractive valuations. At a country level, the Fund remains underweight in the United States, with an underweight of approximately -6% vs benchmark. From a sector perspective, the most notable position is in information technology, where the Fund is underweight -5% vs benchmark. Conversely, the Fund has higher exposure to lower volatility sectors such as consumer staples and health care; relative exposures vs benchmark are +5% and +4% respectively.

Emerging Market Equity Portfolio

Performance Review

The Emerging Markets Equity portfolio made a negative return over the trailing 12-month period. Total return in GBP was -11.5% on a net of fees basis, which lagged the benchmark – MSCI Emerging Markets – by -4.7%.

There were a number of highly significant events that resulted in increased volatility across emerging markets. Most notably China property & growth fears, persistent inflation, rising commodity prices, Omicron outbreaks and the invasion of the Ukraine. This ultimately resulted in very high dispersion at a country and style level.

In general, economies that export commodities had a hugely successful year, good examples of this include Brazil and Saudi Arabia, which appreciated by +31% and +46% respectively. The Fund is typically underweight commodity driven markets like Saudi Arabia and Brazil which contributed to the underperformance vs benchmark.

Investment styles diverged over the trailing year, most notably, the dispersion between value and growth. Value stocks outperformed the broader benchmark by almost +9%, whereas growth stocks lagged by -8%. The Fund maintains a fairly neutral stance on style, however, a modest underweight to large cap value names acted as a headwind to relative performance vs benchmark.

Outlook

The Fund maintains its positioning across the three sub-managers. Sector positioning remains unchanged, with a bias towards consumer-orientated companies. The Fund does not make any significant active allocation bets at a country level, the most significant is a 3% underweight vs benchmark in Saudi Arabia. Style wise, the Fund remains style neutral with a modest positive tilt towards companies with high quality earnings and strong balance sheets.

Sustainable Equities Portfolio

Performance Review

The Fund returned 8.2% over the year, underperforming the benchmark (MSCI All Countries World Index) by 4.7%. The underperformance was driven by the negative impact of stock selection which offset the positive contribution to relative return arising from sector allocation. Stock selection was weakest in the IT sector where not holding Apple (which returned 51%) was the largest detractor. Sector allocation was positive over the year. The beneficial effect of being underweight to the two worst performing sectors (Communications Services and Consumer Discretionary) more than offset the negative impact of being underweight in the best performing sector (Energy).

The Fund maintained the style bias towards Growth/Quality companies it has had since inception.

Outlook

We anticipate the global equity market environment will continue to be volatile over the coming period, given the uncertainty companies and economies face as a result of rising inflation, global supply chain issues and rising geo-political risks following the invasion of Ukraine.

Global Smaller Companies Equity Portfolio

Performance Review

Over the year to 31 March 2022, the Fund returned 2.22%, underperforming the benchmark MSCI World Small Cap index by 1.78%. At the composite level, the Fund's underperformance for the year was largely a result of the Fund's overall Growth bias, as Growth underperformed relative to Value over the year, particularly driven by the sharp rotation to Value in the first quarter of 2022. Whilst stock selection in the Healthcare and Technology sectors contributed to relative returns, the Fund's underweight allocation to the Energy sector was a significant detractor as the Energy sector performed very strongly over the year.

In terms of the individual managers that make up the Fund, following strong performance in the previous reporting year, Montanaro underperformed the MSCI World Small Cap index by 1.6% over the year, largely driven by their strong bias to Growth which underperformed relative to Value. Kempen performed in line with the benchmark (outperforming by 0.1%) over the year, as a result of their bias towards Value. American Century underperformed by 1.9% over the year, partly as a result of their modest Growth bias as well as stock selection in Industrials.

Outlook

We anticipate the small cap market will continue to be challenging over the coming period. This is due to a number of factors including global growth concerns and heightened uncertainty stemming from sustained significant inflationary pressure and a rising interest rate environment. In addition further lockdowns as a result of the COVID-19 virus remain a risk to performance. Factors such as rising commodity prices, heightened geopolitical risk and ongoing supply chain disruption may also continue to contribute to volatility in the global small cap market.

Sterling Corporate Bonds

Performance Review

After a relatively flat period for bonds from the inception of the portfolio in June 2021 through to December, central banks turned more hawkish at the start of 2022, in line with rising inflation - and Russia's invasion of Ukraine only added to the inflationary pressures. Government bonds were significantly impacted - UK government bonds returned -7.2% over the period (on an all-maturities basis).

Over the final quarter, the iBoxx Sterling Non-Gilt All Maturities benchmark returned -6.2%. Whilst broad sterling credit indices outperformed UK government debt over the period, reflecting the lower duration of sterling credit indices, it was the worst quarter for sterling credit markets since the Global Financial Crisis. The negative return was driven mainly by the significant rise in gilt yields, although spreads also widened by 22 basis points (iBoxx Sterling Non-Gilt index) over the period.

Over the period from inception, the Sterling Corporate Bonds portfolio returned -6.3% (net of fees), outperforming the benchmark by 0.6%. The outperformance was partly driven by duration positioning, as duration was marginally below that of the benchmark throughout the period.

Over Q4, Royal London Asset Management (RLAM)'s preference for secured over unsecured bonds was a positive factor as real estate, social housing and asset-backed securities, where RLAM are overweight, outperformed the broader market. Supranational bonds underperformed which also contributed to outperformance as the portfolio is underweight in this sector.

From a credit rating perspective, the AAA positions were beneficial as the portfolio is biased towards covered bank debt and residential mortgage-backed securities, both of which outperformed.

Outlook

Inflation and further increases in interest rates are likely to mean that 2022 continues to be a difficult period for bond markets.

While duration positioning is likely to be helpful in the short term, it is not expected to be a significant driver of relative return over the long-term as RLAM is primarily focused on security selection and sector allocation.

Multi-Asset Credit

Performance Review

The Multi-Asset Credit portfolio was launched in July 2021. After a solid start, from December onwards the portfolio was impacted by central bank decisions to increase interest rates to combat inflation, most notably the US Federal Reserve and the Bank of England.

The invasion of Ukraine increased volatility in corporate and sovereign credit. Spreads widened across most sub-investment grade corporate credit in the immediate aftermath of the invasion. Most notably, emerging market corporates – proxied by Bloomberg Emerging Markets USD Aggregate Corporates – saw option-adjusted spreads widen by over 100bps to a peak of around 480bps by early March.

All major asset classes within the sub-investment grade space fell during Q1 2022. There was a clear distinction between fixed and floating rate assets, with the latter performing significantly better, given the rising rate environment. Global High Yield – proxied by Bloomberg Global High Yield Corporates – fell roughly 5% in local terms over the quarter. Shorter durations in this space accompanied by slightly wider spreads – an increase of roughly 40bps – proved highly detrimental. Loans, a floating rate asset with near-zero duration, were relatively flat on the quarter; the S&P/LSTA US Leveraged Loan Index – a loan proxy – ended the quarter down 0.2% in GBP-hedged terms. Some of the more niche areas in sub-investment grade credit also struggled; notable examples included emerging market debt, subordinated bank capital and convertible bonds, which fell by over 5%.

The portfolio was fairly well-positioned heading into this environment, given the significant exposure to floating rate assets and underexposure to some of the worst-performing areas in credit like emerging market debt and convertible bonds. The fund held roughly a third of its assets in floating rate securities in the form of loans and collateralised loan obligations. Emerging market debt and convertibles were held in modest amounts, totalling approximately 7% and 1%, respectively. However, the portfolio was not immune from the impacts of rising rates; this was most notable in the high yield bond portion of the portfolio, which accounted for approximately 40% of the portfolio, going into Q1 2022.

Since-inception performance was -170bps, behind the SONIA+4% benchmark, which returned +313bps. The portfolio remained comfortably ahead of the secondary benchmark at quarter-end; the latter had returned -246bps since inception.

Outlook

Looking ahead, policy makers are likely to find the economic landscape challenging. The US economy is at risk of overheating. Consumer-price inflation is 7.9% and wages are 5.6% higher (both YoY). There are nearly twice as many job openings as there are unemployed workers. Short-term rates are expected to rise to 2.5% by the end of 2022 and to more than 3% in 2023. Whether the Federal Reserve can control high inflation without tipping the economy into recession remains to be seen. It doesn't have a great track record of doing so, and markets are pricing a reduction in rates after 2023, reflecting an expectation the economy may then be flagging and need support.

Diversifying Returns Fund

Performance Review

The Fund returned 7.3% over the year. Since inception date on 27 July 2020 it has returned 4.9% on an annualised basis.

UBS delivered the strongest performance of the sub-managers over the year, with long positions in commodity sensitive currencies contributing positively to performance, notable, the Brazilian Real. Positive exposure to the Colombian Peso and Norwegian Kroner also contributed to returns. Long exposure to the Japanese Yen and short exposure to the US, Canadian and New Zealand dollar had a negative impact on returns over the year.

JP Morgan also produced strong performance. Equity factor exposures all contributed positively. Equity value was a standout performer.. Commodity exposures also delivered positive performance, but fixed income and currency positions had mixed returns.

Exposure to equities and currencies contributed to positive returns for William Blair over the year. William Blair reduced their allocation to fixed income but the exposure they retained detracted from performance.

Lombard Odier also produced positive returns for the 12 month period. Exposure to commodities made the largest contribution to returns with equities also contributing positively. Lombard Odier's allocation to sovereign bonds detracted from performance.

Manager allocations remained within target ranges over the period.

Outlook

Continued high inflation and rising interest rates is likely to prove a challenge to beta allocation but the Fund's strategies with these exposures are expected to manage risk to dampen the severity of associated losses. The Fund also invests in strategies that are expected to be more market neutral in nature and that have the potential to deliver positive returns even as equity markets fall. The portfolio should provide some shelter during bouts of equity market volatility but we would expect the Fund to underperform rising equity markets.

UK Property Portfolio

Performance

The total return for Devon's UK holdings over the year to March 2022 was +28.2% (not including the cash held in the portfolio), compared with the return from the benchmark index of +20.9%. The twelve months to March 2022 will be remembered in the UK property market as an exceptional performance period, with the MSCI/AREF UK Quarterly Property Fund index delivering a total return of 20.9%, driven principally by sustained capital growth in the industrial and retail warehouse sectors. Industrial, which now represents 35% of the MSCI UK Property index, generated a total return of over 40% in the year to March 2022.

Industrial rents has risen by 5% per annum over the last five years, fuelled by the growth in online and omni-channel retail. The shortage of supply, boosted by high demand from distribution warehouse occupiers requiring additional space, created an astonishing year for industrial sector returns.

Investment into purpose built student accommodation (PBSA) surged in 1Q 2022. Within the Brunel portfolio, diversified funds have added PBSA to their opportunity set, capitalising on the yield differential between this sub-sector of Residential and the Private Rented Sector.

Outlook

Forecasters expect weakening rental returns from most retail and secondary offices over the next year, with more positive performance returns coming from residential (both private rented sector and affordable housing), student accommodation, healthcare and, once again, industrial assets.

For 2022 the range of total returns varies between 9% and 12% for the overall UK commercial market. However, while Brunel works towards rebalancing clients' portfolios towards defensive specialist sector funds, total returns from UK property overall are forecast to moderate considerably, reverting to the long-term return range of between 5% and 7%.

International Property Portfolio

Performance

Global real estate performance remained strong. Over the year to the end of March 2022 the index performed well, with returns of 19.88%.

The global economy faces new challenges as COVID-19 restrictions gradually abate and life returns to pre-pandemic-like conditions, apart from in China and Hong Kong where new lockdowns have been imposed. The war in Ukraine is curbing economic growth, boosting inflation and is likely to have a colling impact on real estate returns. The war has led to higher commodity and energy prices, disruption to international commerce and lower consumer confidence.

Inflation will remain high for the rest of the year, with central banks hoping to return to target levels over the next two years, as they follow a tightening monetary policy. However, it is importance to note that the degree of inflation protection varies between real estate sectors.

Long lease real estate typically provides a good hedge against inflation, due to rent reviews being inflation-linked. In direct real estate, the office, industrial and residential sectors have historically provided a better hedge, while retail usually underperforms due to a slow response of inflation movements. A controlled lowdown would see real estate returns slow but remain positive while a sharper downturn, or recession, will weigh more heavily on real estate markets and performance.

Outlook

Over the course of the last year, Brunel has made good progress deploying the new allocation from Devon to preferred funds within the model portfolio. With respect to the US allocation, the additions include three specialist funds whilst for the European element of the portfolio, Brunel has committed to two diversified funds.

With respect to the legacy positions in the portfolio, The Ardstone Residential fund is in wind down and has now distributed 97% of the original commitment, with a Fund life IRR forecast between 11-13%. The two APAC funds within the portfolio are highly rated: the Charter Hall Prime Industrial holding has been a driver of performance, with the tailwind of global outperformance from the industrial sector, and the M&G Asia Property Fund is comparable to the Invesco Real Estate Asia fund which sits within the Brunel model.

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.

In the period from December 2018 until March 2019, Brunel committed £200m to four primary funds. In February 2020 a further commitment of £303.4m was made to Stepstone Infrastructure Opportunities fund which has been set up to invest across primary, co investment and secondary deals.

During 2020 all planned primary fund capital commitment was concluded. On the co-investment and secondary side, six investments were closed in 2021 and include Pattern energy – a renewable energy platform, a co investment in Adapteo a Nordic provider of reusable modular buildings, Ermewa a European railcar leasing, New Suez a European water provider, MapleCo- a UK smart meter business.

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. The cycle 2 Generalist fund is fully committed to StepStone BII-G Infrastructure Opportunities, a discretionary mandate dedicated to Brunel only. At 31 March 2022, the portfolio had made a total of six primary fund commitments and four tactical investments. The Cycle 2 Renewables Fund has committed to 3 primary funds and 1 tactical co-investment. Following a review, a decision was made to expand the focus of the fund beyond traditional wind and solar assets. A further primary fund commitment and two co-investments have since been approved with more in the advanced stages of Due Diligence. If all assets under due diligence were closed, the vehicle will be close to 70% committed with only one additional primary commitment remaining.

Outlook

For cycle 1 a tactical investment remains to conclude cycle 1 deployment which will be in renewables of similar.

For cycle 2 general, a third investment in Project Cartier, a co investment in a district heating network in the USA is expected to close later in 2022. A further tactical investment remains to conclude cycle 2 G deployment. On the renewables portfolio, a further primary investment was approved into Mirova Energy Transition Fund 5 and another investment into Next Energy UK solar fund is in late Due Diligence. On the tactical side, the co investments in the renewables platform Akuo (closed March 2022) and Reden were approved, while two additional co-investments into an electricity interconnector and an offshore wind platform are in late Due Diligence.

Private Debt Portfolio

Activity and Performance

Over the period the Brunel Private Debt cycle 2 portfolio was launched and primary fund commitments were made to seven funds. The managers of these funds all operate investment strategies with a focus on senior secured direct lending and with a focus on target companies with earnings of typically between \$25M and \$100m. HPS and Barings investment strategies seek to create global portfolios of loans. Ardian, ICG and Bridgepoint have a European focus whilst Crescent and Neuberger Berman's strategies have a US focus. The portfolio looks to target exposure to high quality defensive sectors whose component companies exhibit strong and stable levels of cashflow, good resilience of business models, attractive growth prospects and a lower degree of cyclicity.

Cycle 2 capital was deployed over the period at a strong pace and by the end of the period stood around 20% drawn down. Deployment over the period was largely driven by activity of two managers, Neuberger Berman and ICG.

With respect to portfolio performance, cycle 2 performance has been positive over the period driven by positive returns across underlying managers. It is still early days as the portfolio remains in its 'ramp up' phase whereby committed capital is expected to be called by the managers over the next 12-36 months.

Private Equity

Activity and Performance

Cycle 2 Private Equity portfolio started in June 2020. As of December 2021, it had committed to 10 funds, which represented 70% of total commitments. The portfolio is still young but had a strong start with no j curve since inception. As at 31 December 2021 the portfolio was 21% drawn. The cycle 2 portfolio closed on 31 March 2022 and is still developing. The underlying funds are expected to start making capital calls throughout 2022.

Stewardship and Responsible Investment

(across all portfolios)

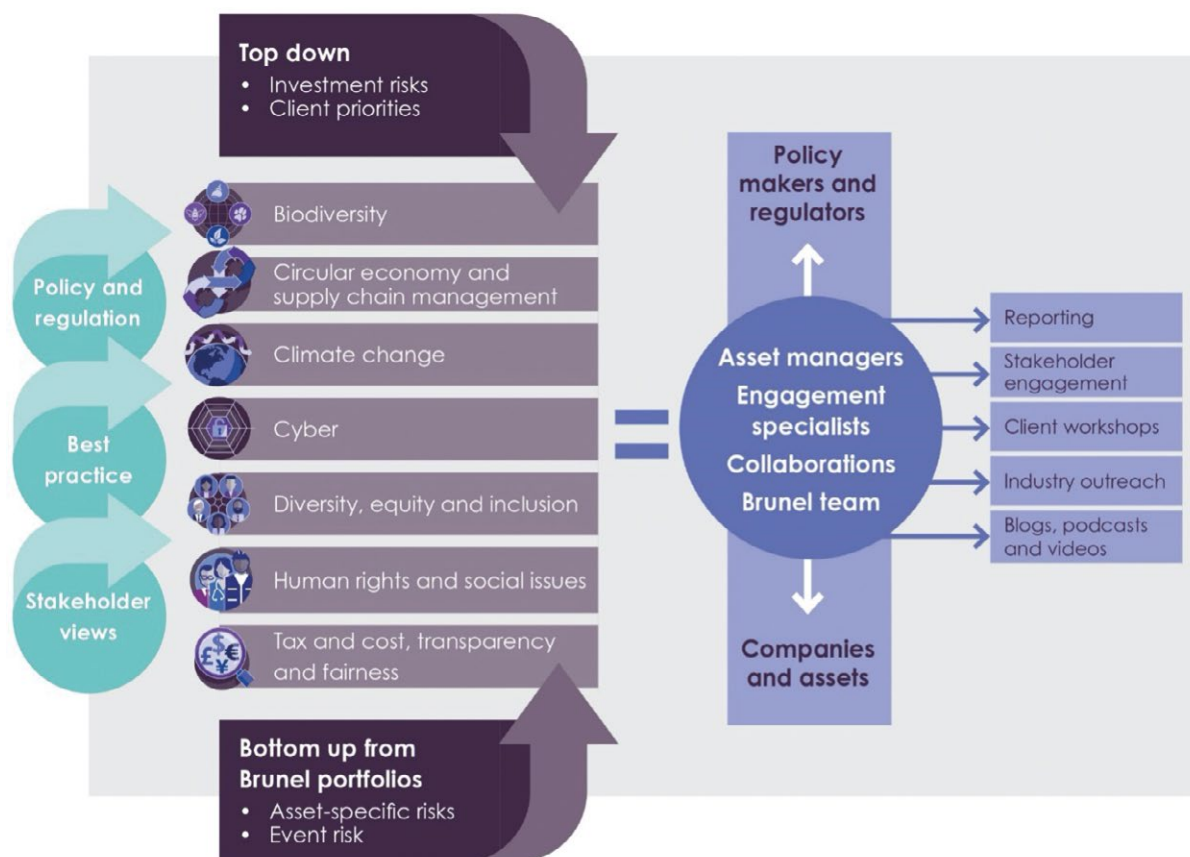
Our priority is to manage our fiduciary duties to our clients and embedding responsible investment (RI) is central to how we do that. Responsible investment is the acknowledgement that the economy operates interdependently with civil society and the physical environment. Where these interdependences exist, but are not acknowledged or properly considered, it can lead to the creation of systemic risks, with associated financially material impacts.

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

The governance structures and transparency of our clients supports the flow of information that enables Brunel to reflect the views of our stakeholders in its priorities. For example, in 2021 Brunel participated in employer forums, client AGMs and a range of other events by which we proactively elicited the views of all stakeholders. Issues raised have included the role of banks, the circular economy and managing methane, but the most commonly raised topics were biodiversity and climate change.

Brunel has seven RI priorities, each of which comes with a set of stewardship objectives, and where appropriate, specific targets. The priorities drive an extensive and demanding programme of work. Brunel's seven priority themes are illustrated in the following diagram:

Brunel RI and Stewardship Priorities



Key achievements include:

- 35.5% reduction in carbon intensity from 2019 baseline.
- 38% female - Boards of companies held in Brunel active portfolios - up from 34.4% in 2020.
- 50% of engagement objectives set in year saw progress against one or more milestones.
- 27% of world's largest banks targeted on Paris alignment.
- 1,137 milestones - EOS engaged with at 839 companies on Brunel's behalf.
- 1,322 company meetings at which votes were cast.

The following case studies highlight Brunel's engagement:

Indigenous Relations - Led by the Australian Council of Institutional Investors (ACSI), and the Church of England Pensions Board, in 2020 Brunel along with 77 investors co-signed letters to 78 of the world's largest mining companies, requesting a review of their individual relationships with First Nations communities and Indigenous peoples. Throughout 2021 follow-up letters were sent, and responses received from 59 companies, 76% of those approached. Companies responded best on their policies and overall transparency; however, some governance and risk management questions were not addressed to the level of detail sought. There were some clear gaps in disclosure and approach that warrant further exploration, through further engagement and consultation the next phase will be the development of investor expectations for companies in relation to indigenous community relations.

Primark - EOS Hermes, our voting and engagement provider, asked Primark if it had mapped its current impact on biodiversity so that progress can be tracked. In 2020 Primark, Cotton Connect and the Cambridge Institute for Sustainability Leadership collaborated to develop indicators to measure the environmental impact of the Primark Sustainable Cotton Programme (PSCP). These metrics assess the practices employed by PSCP farmers that have been proven to benefit biodiversity, soil, and water.

Barclays - In December 2019, Brunel co-filed a shareholder resolution at Barclays, the first climate change resolution to ever be filed at a European bank, which resulted in the bank putting forward its ambition to become Net Zero by 2050. In 2022, Barclays published its updated climate plan ahead of a 'say on climate' shareholder vote, giving shareholders an opportunity to vote on the bank's climate strategy, targets and progress at the Annual General Meeting (AGM). Progress includes setting 2030 targets to reduce financed emissions across energy, power, cement and steel, as well as incorporating methane into the methodology for measuring greenhouse gas emissions for energy.

Social Issues in China - Forced labour and human rights abuses in China have been a focus for us over the past couple of years. Building on the analytical tools we developed in 2020, we have been able to assess and identify where we are exposed to potential risks in our portfolios. We wrote to all of our asset managers with an in-depth questionnaire around the processes they have in place to minimise, monitor and engage with companies around human rights risks in China. We conducted meetings with a number of managers in order to elevate the engagement and understand more about their approach.

A full analysis of Brunel's responsible investment and stewardship outcomes can be found at <https://www.brunelpensionpartnership.org/wp-content/uploads/2022/04/Brunel-Outcomes-Report-2022.pdf>

Devon County Council In-house Team

Infrastructure

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

Fund	Value 31-Mar-22	Return	Benchmark	Return	Benchmark
	£'000	%	%	%	%
Archmore Infrastructure Fund (UBS)	13,060	-17.3		-12.1	
Aviva Ground Rents Fund	18,135	+2.3		+2.0	
Aviva Infrastructure Income Fund	28,921	+9.1		+2.2	
Hermes Infrastructure Fund I	51,694	+9.5		+6.1	
Igneo European Infra Fund I	27,028	+19.1		+19.4	
TOTAL	138,838	+7.8	+11.3	+5.6	+7.3

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

- Archmore Infrastructure Fund** – The fund has performed poorly for several years, following the sale of the two most profitable assets. In particular, the fund's holding of Southern Water has detracted from performance. During July Southern Water was fined £90m plus costs following its guilty plea to 51 charges brought by the Environment Agency ("EA") for unlawful discharge of wastewater across 17 sites on the North Kent and Solent coasts, dating back to 2010-2015. £1bn in new share capital has been provided to recapitalise Southern Water, reducing the value of existing shares. The fund was due to close in 2022, but has been extended for a further two years to enable the remaining assets to be sold.
- Aviva Ground Rents Fund** - The fund is low yielding, but provides a regular secure level of income. Returns are linked to inflation, so the fund should provide increasing returns as inflation rises. However, the fund will be impacted to some extent by the Leasehold Reform Act passed in February 2022, which increases the risk of fire and building safety remedial costs falling on the fund, rather than the underlying leaseholders.
- Aviva Infrastructure Income Fund** – Following changes in the management of the fund, investors have been working with Aviva to ensure a focus on the management of existing assets. As a result Aviva agreed to close the fund to new investors, based on a commitment from existing investors to provide additional capital to fund contractual commitments to the purchase of new broadband assets. The Devon Fund agreed to commit an additional £20 million, of which £11.5 million has now been invested. The portfolio of assets, including wind and solar energy assets, is performing in line with expectations, with the exception of the fund's biomass plants which have encountered planning and operational issues.
- Hermes Infrastructure Fund** – Performance has improved over the year, driven by the recovery of their transport assets post Covid. A merger of Eurostar with Thalys, the continental high speed rail operator operating the primary route between Paris and Brussels/Netherlands, has been completed to create a newly combined business group ('Eurostar Group'). Federated Hermes Infrastructure managed funds will collectively hold 6.4% in the enlarged business, having previously held a combined interest of 10% in Eurostar. The Hermes fund has also been impacted by the Southern Water issue, but this is a smaller proportion of the fund assets than for the Archmore Fund and the performance of other assets has offset the impact on overall fund performance.

- **Igneo European Diversified Infrastructure Fund I** – This fund, previously known as the First Sentier EDIF, has been consistently the best performing fund in the Devon infrastructure portfolio. The Fund has recently sold its stake in Anglian Water for a price significantly above the previous valuation of the asset. Following the disposal of Anglian Water, four assets remain – ForSea, Finerge (wind power in Portugal and Spain, Coriance (District heating networks, France and Belgium) and Parkia (Car parks, Spain), which are all performing well. The Fund is scheduled to close with the sale of its remaining assets by 2024.

Private Debt

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

Fund	Value 31-Mar-22	Return	Benchmark	Return	Benchmark
	£'000	%	%	%	%
Arcmont Senior Loan Fund I	41,180	+9.2		+7.7	
Golub Capital International Fund 11	49,842	+19.0		+8.8	
TOTAL	91,022	+14.6	+11.3	+8.3	+7.3

The performance of each individual fund is detailed below:

- **Arcmont Senior Loan Fund I** – The fund has delivered consistently solid returns. The fund managers have worked closely with the businesses that they have provided loans to, in order to ensure that they remain resilient to the impact of the Covid pandemic. This includes looking at their business model and also the impact on supply chains. One business had been red rated as they had faced closure of their shops for protracted periods during lockdown, but are now recovering well and have been redesignated as amber. Arcmont have never yet had a default on any loan in any of their funds.
- **Golub Capital International Fund 11** – The fund continues to perform well with portfolio companies having improved internal performance ratings, low default rates, low net realized losses and solid net unrealized gains. The fund targets higher returns through the use of leverage, and as a US focused fund, returns have also been helped by the strength of the US Dollar over the last quarter.

Outlook

Russia's invasion of Ukraine and the resulting impact on the global economy, together with rising inflation and interest rates will have an impact on many of the infrastructure businesses and loanee companies of the private debt funds. However, the Covid pandemic has demonstrated the resilience of most of the businesses concerned to deal with challenging times. As with the pandemic, the private debt managers will work with the businesses they have lent money to, to help them chart their way through the choppy waters ahead and meet their loan repayment obligations.

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

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 2021/22

Pension Fund Budget Forecast and Actuals 2021/22	Actual 2020/21 £'000	Original Forecast 2021/22 £'000	Actual 2021/22 £'000	Variance from Original Forecast £'000
Contributions				
Employers	(171,456)	(142,000)	(128,172)	13,828
Members	(42,805)	(45,000)	(45,260)	(260)
Transfers in from other pension funds:	(12,970)	(9,000)	(13,324)	(4,324)
	(227,231)	(196,000)	(186,756)	9,244
Benefits				
Pensions	163,522	170,000	168,391	(1,609)
Commutation and lump sum retirement benefits	24,617	27,000	29,018	2,018
Lump sum death benefits	4,300	4,000	3,623	(377)
Payments to and on account of leavers	586	500	596	96
Individual Transfers	7,851	8,000	26,037	18,037
	200,876	209,500	227,665	18,165
Net Withdrawals from dealings with fund members	(26,355)	13,500	40,909	27,409
Investment Income				
Received as Cash	(24,333)	(30,000)	(31,129)	(1,129)
Reinvested by Fund Manager	(10,687)	(1,000)	(2,518)	(1,518)
	(35,020)	(31,000)	(33,647)	(2,647)
Administrative costs				
Peninsula Pensions	2,304	2,400	2,429	29
	2,304	2,400	2,429	29
Investment management expenses				
External investment management fees - invoiced	4,400	1,800	1,684	(116)
External investment management fees - not invoiced	12,836	16,500	21,662	5,162
Custody fees	82	60	62	2
Transaction costs	400	600	1,794	1,194
Stock lending income & commission recapture	(23)	(5)	(2)	3
Class Action Proceeds	1	0	(43)	(43)
Other investment management expenses	20	25	24	(1)
	17,716	18,980	25,181	6,201
Oversight and governance costs				
Investment & Pension Fund Committee Support	82	92	81	(11)
Pension Board	41	46	40	(6)
Investment Oversight and Accounting	360	380	413	33
Brunel Pension Partnership	28	30	25	(5)
Legal Support	22	25	24	(1)
Actuarial Services	60	60	29	(31)
Investment Performance Measurement	91	100	109	9
Subscriptions	41	45	54	9
Internal Audit fees	20	22	37	15
External Audit fees	26	25	31	6
	771	825	843	18
Total Management Expenses	20,791	22,205	28,453	6,248

Key variances against the original forecast are summarised below:

- Several employers paid their deficit contributions for a three year period in advance during 2020/21. As a result of amendments to the Statement of Accounts for 2020/21, the prepayment of deficit contributions for 2021-22 was accounted for in 2020-21 when the payments were received. As a result, the employer contributions received in 2021-22 were around £14 million less than the original forecast.
- Transfers into the Fund were higher than the original forecast, but this was more than offset by the transfers out of the Fund. Transfers out totalled £26 million, against the original forecast of £8 million. The main reason for this was a transfer of £16 million at the end of March to the Dorset Pension Fund in respect of staff transfers between Devon and Cornwall Police and Dorset Police. The two forces have forged a strategic partnership for the provision of support services which has resulted in a significant number of staff transferring to Dorset Police, and a smaller number transferring in the opposite direction.
- Investment income from property, infrastructure and private debt is received in cash and can be used to aid cashflow. However, following the transition of the global bonds portfolio to Brunel all the Fund's other investments are in pooled funds that do not distribute income. Income from the underlying assets is held and accounted for within the funds concerned. The income shown as "Reinvested by Fund Manager" represents income on the global bonds mandate before transition to Brunel.
- Investment management fees were £5 million higher than forecast. There are two main reasons for this. Performance fees are payable on a number of the Fund's private market investments and are always difficult to predict. They are based on calendar year performance and charged to the fund following the calendar year end. Performance fees for 2021 were around £3 million higher than the previous year, which reflected significant performance improvements from three funds in particular, whereas 2020 was a more challenging year as a result of Covid. Secondly, many infrastructure and private equity funds charge fees on committed capital in addition to invested capital. The significant additional commitments made to infrastructure and private equity funds over the year have resulted in additional fee costs.
- Transaction costs are higher than the original forecast as a result of the transition of the fixed interest mandates to Brunel and costs incurred in rebalancing from equities to multi-asset credit and the Diversified Returns Funds portfolio.
- Within oversight and governance costs, Investment Oversight and Accounting expenditure includes the cost of the Mercer review of the Fund's investment strategy, which was not reflected in the original forecast.

Contributions Payments

The following table provides an analysis of the timeliness of contributions payments.

Timeliness Analysis of Contributions Payments	£'000
Total Contributions due in year	173,432
Contributions received late by:	
1 Day	-
2 Days	1
3 Days	50
Over 3 Days	433
	484
Percentage of Contributions received late	0.28%

Regulations permit the Fund to charge interest on contributions that are paid over one month late at 1% above base rate. No such interest was charged during the year.

Contributions by Employer 2021/22

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

Employer	Employers Contributions £'000	Employees Contributions £'000	Employer	Employers Contributions £'000	Employees Contributions £'000
Administering Authority and Scheduled Bodies					
Devon County Council	32,097	12,041	Dartmouth Academy	87	28
Plymouth City Council	12,685	4,889	Dawlish College	117	35
Torbay Council	5,448	2,120	Devon Schools Leadership Services	11	3
East Devon District Council	2,261	877	Devonport Boys Academy	200	61
Exeter City Council	3,522	1,304	Devonport Girls Academy	129	40
Mid Devon District Council	1,950	745	Discovery Multi Academy Trust	248	68
North Devon District Council	2,305	643	East Allington Primary School	19	6
South Hams District Council	1,336	512	Eggbuckland Primary School	333	96
Teignbridge District Council	2,115	818	Ermington Primary (WCST)	7	2
Torridge District Council	1,729	407	Exeter College	1,044	424
West Devon Borough Council	775	208	Exeter Mathematics School	45	13
Devon & Cornwall Police Authority	10,782	4,100	Exmouth Academy	481	144
Devon & Somerset Fire Authority	2,271	830	First Federation	718	205
Police and Crime Commissioner	204	108	Fremington Primary School	90	25
University Of Plymouth	6,932	2,937	Glendinning Academy	57	19
ACE (Devon)	326	96	Great Torrington Academy	177	54
ACE Schools	524	158	Hayes Primary School	114	32
Acorn Federation	162	45	High Street Primary School	(6)	-
All Saints (Axminster)	20	5	Honiton Academy	164	48
All Saints Academy	155	45	Horizon Multi Academy Trust	575	161
All Saints, Babbacombe	40	11	Ide Primary	34	9
Alphington Primary	88	25	Ilseington Primary School	17	4
Alphington Primary Pre-school	34	12	Isca - Part Of Ted Wragg Trust	1,197	366
Alumnis Multi Academy Trust	274	67	Ivybridge Academy	1,794	545
Ashburton Primary (WCST)	39	11	Kings Academy	212	69
Atrium Studio School (WCST)	15	4	Kingsbridge Academy	139	46
Avanti Hall School	154	32	Kingswear Primary School	7	2
Axe Valley	113	39	Lady Modifords Primary School	12	3
Barton Primary	99	32	Learning Academy Multi Academy Trust	778	210
Bay Education Trust	707	206	Learning Academy Partnership	411	118
Beer Primary School	20	6	Lew Tenchard	35	9
Bicton College Of Agriculture	110	38	Lipson Academy	313	78
Bideford College	291	82	Littleton Primary Academy	96	27
Bishops Clyst Parish Council	2	1	Manor Primary (WCST)	23	6
Blackawton Primary School	74	13	Marine Academy, Plymouth	345	117
Bowhill Primary	112	30	Meavy Primary School	13	3
Bradworthy Primary Academy	47	13	Montpelier School	113	32
Braunton Academy	175	53	Morchard Bishop Primary School	14	5
Brixham Academy	238	71	Moretonhampstead Primary School	44	11
Broadclyst Academy	307	97	Newport Academy	660	198
Buckfastleigh Primary School (WCST)	35	9	Newton Abbot College	286	86
Catch 22 MAT	108	32	North Molton Primary School	28	8
Chulmleigh Academy	239	69	Old Priory Junior School	35	10
Churston Academy	182	56	Orchard Manor Academy	402	110
City College Plymouth	956	309	Petroc	1,405	419
Clyst Vale Academy	166	56	Pilgrim Primary	(8)	-
Coast Academies	377	109	Plymouth Academy Trust	326	92
Colyton Academy	159	52	Plymouth Cast	477	145
Colyton Primary School	36	10	Plymouth CAST (Plymouth)	456	124
Combe Pafford Academy	214	61	Plymouth CAST (Torbay)	154	41
Connect Academy Trust	562	158	Plymouth Citybus	52	5
Dartington CoFe Primary	66	18	Plymouth College Of Art & Design	683	245
Dartmoor National Park	479	167	Plymouth High School for Girls	128	39

Employer	Employers Contributions £'000	Employees Contributions £'000	Employer	Employers Contributions £'000	Employees Contributions £'000
Plympton St Mary Infants	34	10	St Peters Junior School	33	9
Police and Crime Commissioner	5	-	St Rumon's Infant School	23	6
Primary Academies Trust	1,131	325	St Thomas Primary	26	7
QE Academy Trust	296	84	Starcross Primary	60	17
Reach South Central	962	265	Stockland Primary Academy	21	5
Ridgeway Academy	218	68	Stoke Damerel Academy	391	103
Riviera Primary Trust	284	77	Stoke Fleming Primary School	28	9
Roundswell Primary School	30	9	Team Multi Academy Trust	176	50
Route 39	61	18	Teignmouth Learning Trust	340	102
Shiphay Academy	76	24	Templer Academy	541	192
South Dartmoor Community College (WCST)	170	50	The Dartmoor Trust	1,184	351
South Devon College	1,126	376	The Exwick Ark	3	1
South Devon College UTC	26	6	The Inspire MAT	154	44
Sparkwell Primary Academy	20	5	The Link Academy MAT	269	84
St Christophers Primary MAT	134	48	Thinking Schools Trust (Central Staff)	27	7
St Christophers Secondary MAT	191	55	Torbay Education Ltd	6	2
St Edwards C of E Primary	21	8	Torbridge Academy	270	76
St Georges Primary School	22	6	Torquay Boys Academy	422	124
St James Academy Trust	37	12	Torquay Girls Academy	173	60
St Leonards CofE Primary	102	27	Torre Primary School	80	22
St Lukes College (Ted Wragg Tr)	147	41	Uffculme Academy	317	94
St Margaret's Academy	132	38	Ugborough Primary (WCST)	5	1
St Marychurch Primary	72	19	United School Trust Kingsteignton School	43	12
St Matthews's C of E Primary	77	21	Upton St James C of E Primary	22	6
St Michael's Primary School	67	19	Wave MAT	159	53
St Peters C of E Primary Plymouth	43	12	Widecombe Primary	17	4
TOTAL				119,682	42,547
Resolution Bodies					
Ashburton Town Council	5	1	Fremington Parish Council	21	6
Axminster Town Council	12	4	Great Torrington Town Council	18	5
Axmouh Parish Council	1	-	Holcombe Burnell Parish Council	1	-
Aylesbeare Parish Council	1	-	Honiton Town Council	17	5
Barnstaple Town Council	69	21	Ilfracombe Town Council	9	3
Bideford Town Council	44	14	Ivybridge Town Council	65	19
Bishops Tawton Parish Council	1	-	Kingsbridge Town Council	12	3
Bishopsteignton Parish Council	5	1	Kingsteignton Parish Council	24	7
Bovey Tracey Town Council	15	4	Kingswear Parish Council	1	-
Bradninch Town Council	1	1	Lynton & Lynmouth Town Council	37	11
Braunton Pc	27	7	Moretonhampstead Parish Council	3	1
Brixham Town Council	30	9	Newton Abbot Town Council	89	30
Broadclyst Parish Council	27	9	Okehampton Town Council	27	8
Buckland Monachorum Pc	3	1	Seaton Town Council	24	8
Budleigh Salterton Town Council	9	3	Sidmouth Town Council	19	5
Chudleigh Town Council	10	3	South Molton Town Council	9	3
Clyst Honiton Parish Council	3	1	Staverton Parish Council	2	-
Combe Martin Parish Council	17	5	Stokenham Parish Council	4	1
Cranbrook Town Council	29	9	Tavistock Town Council	100	33
Crediton Town Council	20	5	Tedburn St Mary Parish Council	2	1
Cullompton Town Council	33	10	Teignmouth Town Council	26	8
Dartington Parish Council	3	1	Totnes Town Council	48	14
Dartmouth Town Council	60	18	Ugborough Parish Council	2	-
Dawlish Town Council	31	9	Uplyme Parish Council	1	-
Exmouth Town Council	64	19	Witheridge Parish Council	2	-
TOTAL				1,083	326

Employer	Contributions Employers £'000	Contributions Employees £'000	Employer	Contributions Employers £'000	Contributions Employees £'000
Admission Bodies					
Access Plymouth	22	4	Healthwatch	17	5
Action For Children	8	4	Initial Plymouth Catering	3	1
Action For Children (West Exeter)	4	2	Innovate (Colyton Grammar Academy Trust)	36	10
Aspens (Barton Hill)	17	4	Innovate Honiton	2	1
Aspens (King Edward VI School)	1	-	Interserve Education	20	5
Aspens (Queen Elizabeth)	13	6	LED Leisure Management Ltd	89	23
Aspens (TGGs)	34	5	LEX Leisure	17	-
Babcock	469	171	Libraries Unlimited	234	112
Barnardos - 4Children(C4)	7	2	Liverty Ltd	70	-
Barnardos - Plymouth/Whitleigh	2	1	Mama Bears Day Nursery	4	2
BIFFA Waste Services Ltd	14	5	Millfields Trust	27	7
Bournemouth Churches HA	6	2	Mitie PLC (Devon)	6	2
Burton Art Gallery	10	3	NHS Care	17	4
CaterEd	414	143	NHS Pensions	4	-
Caterlink Ltd.	6	1	Norse Catering	99	25
Chartwells (OLCS)	3	1	Norse Cleaning	61	15
Churchill Services	2	1	North Devon Crematorium Cttee	49	14
Churchills - SW Ambulance	12	3	North Devon Homes	90	9
Churchills (Edward VI School)	2	1	Pinnacle	12	3
Churchills (Honiton CC)	4	1	Plymouth Association of Primary Heads	211	69
Churchills (Oreston WCST)	4	1	Plymouth Citizens Advice Bureau	27	2
Churchills (Plymstock School WCST)	9	3	Plymouth Community Healthcare	927	365
Churchills (SDCC WCST)	17	4	Plymouth Community Homes	1,168	381
Churchills (Sherwell Valley PS)	2	-	Plymouth Dental Social Enterprise	8	3
Churchills(P H S G)	5	1	Quadron	11	3
Dame Hannah Rogers School	105	14	Red One Ltd	5	2
DCC South West Heritage Trust	49	15	Sanctuary Housing	3	-
DELT - Plymouth City	69	24	Scott Medical College	33	10
DELT - Transforming Futures	67	20	Servicemaster Clean Control	4	1
DELT Part Print Services	7	2	SLM Community Leisure	34	20
DELT Shared Services Ltd	248	96	Sodexo	5	-
Devon and Severn IFCA	92	28	South West Highways	68	39
Devon Norse FM	40	11	Specialist Fleet Services Ltd (NDDC)	11	3
Devon Wildlife Trust	7	2	St Johns Primary School - Compass	15	4
DVLA	8	-	Strata	402	158
DYS Space Ltd	111	47	Streets Coachways	4	-
Edgehill College	1	-	Swsico Ltd.	603	161
Exeter Royal Acad.for Deaf Ed	126	27	Tarka Housing Limited	75	12
Expedite Ltd	7	2	Teign Housing	35	18
FCC Environment	309	80	Three Rivers Development Ltd	19	7
FishKids	3	1	Tidcombe Primary School	35	10
Fishkids (Blackpool Primary)	4	1	Torbay Coast & Countryside Trust	18	2
Fresh Ltd	8	2	Torbay Community Development Trust	16	8
Fresha - Haywoods School	1	-	Torbay Economic Development Co	255	81
Fresha (Bradley Barton)	4	1	Torbay Youth Trust	27	9
Fresha (connect Federation)	9	2	University Comms Services Limited	40	12
Fresha (Furzeham School)	4	1	Viridor	10	3
Fresha (St Christopher's MAT)	12	2	Wolseley Development Trust	52	9
Fusion Lifestyle	51	10	TOTAL	7,407	2,387

Summary	Contributions Employer £'000	Contributions Employer £'000
Administering Authority	32,097	12,041
Scheduled Bodies	87,585	30,506
Resolution Bodies	1,083	326
Admission Bodies	7,407	2,387
TOTAL	128,172	45,260

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 2021/22 and has successfully adapted to the new ways of working introduced as a result of the COVID19 pandemic.

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 2021/22 are set out below:

The Pension Regulator's Pledge to combat pension scams

During 2021/22, Peninsula Pensions strengthened internal processes in respect of pension transfers in order to commit to The Pension Regulator's Pledge to combat pension scams.

From 30 November 2021, trustees and scheme managers were required to ensure specific checks are made before complying with a member's request to transfer their pension. These enhanced checks now form part of the due diligence process undertaken by Peninsula Pensions when considering transfer requests.

The checks determine whether a request meets the conditions to enable a statutory right to transfer, including whether a member is required to have guidance from MoneyHelper.

Peninsula Pensions has committed to:

- regularly warn members about pension scams
- encourage members asking for cash drawdown to get impartial guidance from Pension Wise
- get to know the warning signs of a scam and best practice for transfers by completing the scams module in the Trustee Toolkit and encourage all relevant staff or trustees to do so
- study and use the resources on the Financial Conduct Authority (FCA) ScamSmart website, TPR scams information and the PSIG code
- consider becoming a member of the Pension Scams Industry Forum
- report concerns about a scam to the authorities and communicate this to the scheme member

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

Employer Historic membership data review

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

Member Self-Service (MSS)

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

The team launched a campaign prior to the Government imposed lockdown restrictions to encourage scheme members to register for 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 and has proved to be a much more effective and efficient method of communication than traditional postal services.

As at 31st March 2022 over 80% of scheme members now have access to MSS, with less than 20% electing to opt out of the service.

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

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 which will ensure that Peninsula Pensions has the necessary data available to implement the remedy when the regulations are introduced.

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://www.lgpsmember.org/help-and-support/frequently-asked-questions/?faq-type=mccloud-court-case>

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 2021/22 was 86%. During this period the team successfully completed 92% of High Priority procedures within timescale.

Total performance against the Occupational and Personal Pension Schemes (Disclosure of Information) Regulations 2013 for 2021/22 was also 86%.

The lower than expected performance is in part due to delays in responses to member information requested from employers. The team has been working with employers to implement improvements in this area. It should be noted that employers have been undertaking a historic data sign off exercise over the year in preparation for the McCloud remedy, which will account for some of these delays. When performance data for employer queries is removed from the statistics, the overall team performance for the financial year to date stands at 89% against both the internal timescales and the disclosure regulations, despite increased demand.

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 2022.

Performance Summary

	Cases Completed	Performance (Internal Targets)	Performance (Disclosure Regs)
High Priority Procedures	13,248	92%	93%
Medium Priority Procedures	17,662	80%	81%
Low Priority Procedures	4,621	89%	89%
TOTAL	35,531	86%	86%

High Priority Procedures

	Cases Completed	Performance (Internal Targets)	Performance (Disclosure Regs)
Changes	2,014	100%	100%
Complaints (Member)	118	100%	100%
Complaints (Employer)	0	-	-
Deaths	1,250	90%	90%
Payroll	1,370	91%	91%
Refunds	2,832	99%	99%
Deferred (Over 55)	896	100%	100%
Retirements (Active)	1,858	89%	89%
Retirements (Deferred)	2,910	82%	82%
TOTAL	13,248	92%	93%

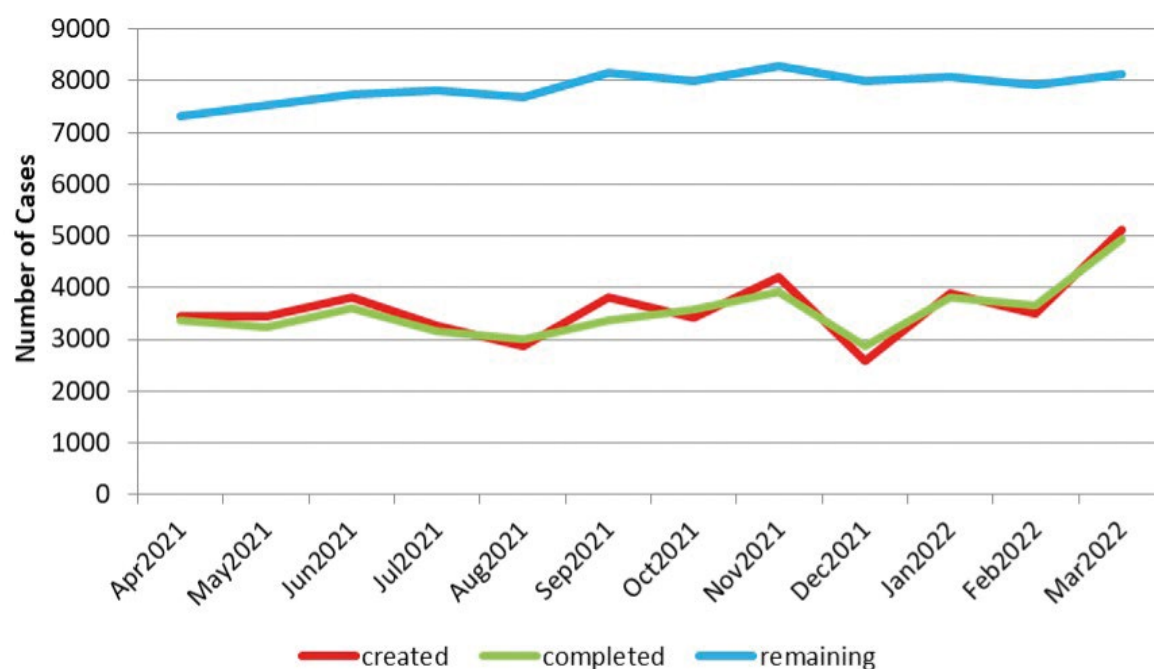
Medium Priority Procedures

	Cases Completed	Performance (Internal Targets)	Performance (Disclosure Regs)
Amalgamation of Records	2,885	78%	80%
Deferred Benefit Calculations	4,978	73%	73%
Divorce Calculations	278	83%	83%
Employer Queries	2,388	51%	57%
Estimates (Bulk)	0	-	-
Estimates (Employer)	89	95%	95%
Estimates (Member)	267	83%	83%
General	2,356	97%	97%
HMRC	159	100%	100%
Member Self-Service	4,262	100%	100%
TOTAL	17,662	80%	81%

Low Priority Procedures

	Cases Completed	Performance (Internal Targets)	Performance (Disclosure Regs)
Estimates (Other)	124	59%	60%
GMP Queries	13	100%	100%
Interfund Transfers In	342	77%	80%
Interfund Transfers Out	282	84%	84%
Pension Top Ups	295	95%	95%
Frozen Refunds	3,025	93%	93%
New Starters	1	100%	100%
Pension Transfers In	315	85%	85%
Pension Transfers Out	224	82%	82%
TOTAL	4,621	89%	90%

The graph below shows the overall performance of Peninsula Pensions (Devon Pension Fund only) for the year ending 31st March 2022.



Analysis of pension overpayments over the year

The table below shows an analysis of the pension benefits overpaid compared to the total retirement pensions paid for the year. Pension overpayments mainly relate to overpayment of pensioners between the date of their death and notification. A total of 8 overpayments were written off in 2021/22 – 7 of which were below £150.00.

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

Devon Pension Fund participates in the National Fraud Initiative (NFI), which is a biennial data matching exercise administered by the Cabinet Office. Pension data was submitted through the web portal in 2020 and data match reports included the following:

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

During the 2020 exercise, match reports were reviewed and additional information sought as necessary. The NFI did not identify and evidence any additional 'matched' pensioners who had died, where the pension administrators had not already been informed of their death or notified through monthly mortality reports. There were therefore no overpayments / recoveries / suspected fraud cases identified that need to be reported on.

Financial Indicators

For the financial year 2021/22, the costs of providing a pension administration service equated to £18.31 per fund member (compared with £17.76 for 2020/21). The slight increase in costs is as a result of the team being close to fully resourced throughout the year.

Our pension payroll costs per pensioner for the same period equated to £5.81 per pensioner (compared with £5.60 for 2020/21).

Staffing indicators

As at 31st March 2022, Peninsula Pensions employed 64.50 full-time equivalent members of staff (including staff providing administration services to non-LGPS clients under external service level agreements). For the LGPS only, this equates to approximately 3,383 fund members for every full-time equivalent member of staff (compared with 3,241 for 2020/21).

Other Information

An analysis of the Devon Pension Fund's membership data as at 31st March 2022 is set out in the table below:

Status of Fund Membership	Number of Members
Active	41,011
Deferred	42,752
Pensioner	38,478
Undecided Leavers	11,920
Total	134,161

A further analysis of new pensioners for the Devon Pension Fund during 2021/22 is set out in the table below:

Pensioner Category	Number of New Pensioners
Ill-Health Retirement	89
Early Retirement	1,830
Normal Retirement	562
Total	2,481

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 2021/22.

Compliments	131
Formal complaints (IDRP Stage 1) ¹	10
Formal complaints (IDRP Stage 2) ²	5
Other complaints ³	103

¹ Three of the IDRP Stage 1 complaints were against decisions made by the administering authority. One complaint was partially upheld and two were not upheld. All other IDRP Stage 1 complaints were against decisions made by scheme employers.

² Any complaint that cannot be resolved under Stage 1 of the IDRP may be escalated to Stage 2. Four of the Stage 2 complaints were against decisions made by scheme employers in respect of ill health retirement and one complaint was withdrawn. None of the IDRP Stage 2 complaints were against decisions made by the administering authority.

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

Audit

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

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 2022 over 80% of scheme members now have access to MSS, with less than 20% electing to opt out of the service (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 2021/22

Statement of Responsibilities for the Statement of Accounts

The Authority's Responsibilities

The Authority is required to:

- Make arrangements for the proper administration of its financial affairs and to secure that one of its Officers has the responsibility for the administration of those affairs. In this Authority, that Officer is the Director of Finance and Public Value.
- Manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets.
- Approve the Statement of Accounts.

Responsibilities of the Director of Finance and Public Value

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

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

- Selected suitable accounting policies and then applied them consistently.
- Made judgements and estimates that were reasonable and prudent.
- Complied with the Code of Practice.

The Director of Finance and Public Value has also:

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

Certificate of the Director of Finance and Public Value

I hereby certify that this Statement of Accounts for the year ended 31st March 2022 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 2022 and its income and expenditure for the year ended 31st March 2022.

Angie Sinclair

Director of Finance and Public Value

16th November 2022

Approval of the Statement of Accounts

I confirm that these accounts were approved by the Audit Committee at its meeting on 29th November 2022.

Chairman of the Audit Committee

29th November 2022

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 2022, the net assets of the Devon Pension Fund were valued at £5.412 million. The fund currently has 41,011 actively contributing members, employed by 210 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 132.	Admitted Body As listed on page 133.
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 38,478 pensioners (and/or dependants) every month. There are currently 54,672 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 2021/22 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 million.

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

Management Structure

Administering Authority	Devon County Council County Hall Exeter EX2 4QD
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Investment and Pension Fund Committee (at 31 March 2022)

Representing Devon County Council	Councillor James Morrish Councillor Yvonne Atkinson Councillor Phil Bullivant Councillor George Gribble Councillor Henry Gent Councillor Marcus Hartnell	(Chairman)
Representing Devon Unitary & District Councils	Councillor Judy Pearce Councillor John Mahony Councillor James O'Dwyer	(Devon Districts Councils) (Plymouth) (Torbay)
Representing Other Employers	Councillor Ray Bloxham	(Cranbrook Town Council)
Representing the Contributors	Stephanie Teague* Vacant*	
Representing the Beneficiaries	Roberto Franceschini*	

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

Adviser	Anthony Fletcher	(MJ Hudson Allenbridge)
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Devon Pension Board (at 31 March 2021)

Representing Fund Employers	Councillor Colin Slade Councillor Sara Randall Johnson Carl Hearn Vacancy	(Devon County Council) (Chairman) (Devon County Council) (Tavistock Town Council)
Representing Fund Members	Julie Bailey Andrew Bowman Paul Phillips Colin Shipp	
Independent Member	Robert Jeanes	

County Council Officers	Phil Norrey Angie Sinclair Mark Gayler Martin Oram Daniel Harris	Chief Executive Director of Finance and Public Value Head of Investments Head of Financial Systems & Processes Head of Peninsula Pensions
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Asset Pool	Brunel Pension Partnership 101 Victoria Street Bristol. BS1 6PU
Fund Actuary	Barnett Waddingham LLP 163 West George Street Glasgow. G2 2JJ
Fund Custodian	State Street Bank and Trust Company Quartermile 3 10 Nightingale Way Edinburgh. EH3 9EG
Bankers to the Fund	Barclays Bank plc 3 Bedford St Exeter. EX1 1LX
AVC Providers	Prudential Assurance Company Ltd Lancing BN15 8GB
External Auditors	Grant Thornton UK LLP 2 Glass Wharf Bristol. BS2 0EL

For More Information

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

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

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

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

2020/21 £'000		Notes	2021/22 £'000
	Dealings with members, employers and others directly involved in the fund		
	Contributions		
(171,456)	Employers	5	(128,172)
(42,805)	Members	5	(45,260)
	Transfers in from other pension funds:		
0	Group Transfers		(606)
(12,970)	Individual Transfers		(12,718)
(227,231)			(186,756)
	Benefits		
163,522	Pensions	6	168,391
24,617	Commutation and lump sum retirement benefits	6	29,018
4,300	Lump sum death benefits	6	3,623
	Payments to and on account of leavers		
610	Refunds to members leaving service		601
0	Guaranteed Minimum Pension refund from HMRC		0
(24)	Payments for members joining state scheme		(5)
0	Group Transfers		16,347
7,851	Individual Transfers		9,690
200,876			227,665
(26,355)	Net (additions)/withdrawals from dealings with members		40,909
20,791	Management expenses	8 & 9	28,453
(5,564)	Net (additions)/withdrawals including fund management expenses		69,362
	Returns on investments		
	Investment Income:		
	Income from Bonds		
(282)	U.K. Public Sector Bonds		(47)
(4,878)	Overseas Government Bonds		(784)
(38)	UK Corporate Bonds		(570)
(3,094)	Overseas Corporate Bonds		(1,116)
	Income from Equities (Listed)		
107	Overseas		(44)
(13,435)	Pooled Investments - Other		(15,974)
(12,995)	Pooled Property Investments		(14,989)
(88)	Interest on Cash and Short Term Deposits		(86)
	Taxes on income:		
11	Withholding Tax - Fixed Interest securities		(4)
(328)	Withholding Tax - Equities		(33)
	Profit and losses on disposal of investments and changes in market value of investments:		
(240,731)	Realised (profit)/loss		(297,564)
(774,500)	Unrealised (profit)/loss		(83,204)
(1,050,251)	Net Returns on Investments		(414,415)
(1,055,815)	Net (increase)/decrease in the net assets available for benefits during the year		(345,052)
(4,011,115)	Opening Net Assets of the Scheme		(5,066,930)
(5,066,930)	Net Assets of the Scheme		(5,411,982)

Net Asset Statement

31 March 2021 £'000		Notes	31 March 2022 £'000
	INVESTMENTS AT MARKET VALUE	15 & 16	
768	Long Term Investments		838
	Investment Assets		
	Bonds		
11,144	U.K. Public Sector Bonds		0
160,893	Overseas Government Bonds		0
4,048	UK Corporate Bonds		0
115,139	Overseas Corporate Bonds		0
4,296,164	Pooled Funds	14	4,883,580
404,962	Pooled Property Investments	14	453,953
	Derivative Assets	18	
8,193	Forward Currency Contracts		0
	Cash deposits		
11,509	Foreign Currency		13,908
19,011	Short Term Deposits		8,457
27,220	Cash & Bank Deposits		53,680
3,191	Investment income due		679
0	Amounts receivable for sales		68
	Investment Liabilities		
	Derivatives	18	
(3,233)	Forward Currency Contracts		(2,303)
(2,714)	Amounts payable for purchases		(11,000)
5,056,295	Total Net Investments		5,401,860
	Current Assets and Liabilities	19	
18,063	Current Assets		18,350
(7,428)	Current Liabilities		(8,228)
5,066,930	Net assets of the fund available to fund benefits at 31 March		5,411,982

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 35.

Notes to the Accounts

1. Accounting Policies

The Statement of Accounts summarises the fund's transactions for the 2021/22 financial year and its position at year-end as at 31st March 2022. The accounts have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2021/22 (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. CIPFA had deferred the implementation of IFRS 16 (Leases) until 2022/23 but it has further deferred the implementation of IFRS 16 so that it will apply from 1 April 2024 (and therefore in the 2024/25 Code). However, both the 2022/23 and the 2023/24 Codes will allow for adoption should an authority consider that it is able to do so as of 1 April 2022 or 2023. Implementation of IFRS 16 is not expected to have a material impact on the pension fund because it does not hold any assets as a lessee.

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

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

Devon County Council is the designated Administering Authority. The Investment and Pension Fund Committee comprising of County Councillors together with representatives of the Unitary and District Councils, other employers and three fund member representatives (one voting member and two observers) control the investments with advice from specialists. Employing body details are shown on pages 132 to 133.

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 asset are recognised in the fund account.

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

- Market-quoted investments. The value of an investment for which there is a readily available market price is determined by the bid market price ruling on the final day of the accounting period.
- Fixed interest securities are recorded at net market value based on their current yields.
- Unquoted investments. The fair value of investments for which market quotations are not readily available is determined as follows:
 - o Investments in unquoted property and infrastructure pooled funds are valued at the net asset value or a single price advised by the fund manager.
 - o Investments in private equity funds and unquoted limited partnerships are valued based on the fund's share of the net assets in the private equity fund or limited partnership using the latest financial statements published by the respective fund managers in accordance with International Private Equity and Venture Capital Valuation Guidelines 2018 and the IPEV Board's Special Valuation Guidance (March 2020).
 - o Limited partnerships. Fair value is based on the net asset value ascertained from periodic valuations provided by those controlling the partnership.
 - o Pooled investment vehicles are valued at closing bid price if both bid and offer prices are published; or if single priced, at the closing single price. In the case of pooled investment vehicles that are accumulation funds, change in market value also includes income, which is reinvested in the fund, net of applicable withholding tax.

Foreign currency transactions

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

Derivatives

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

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

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

Cash and cash equivalents

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

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

Hedge Accounts

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

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 27th July 2022.

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

Financial Instruments

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

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

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

Financial Assets measured at Amortised Cost:

- These assets are all short term.

Financial liabilities:

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

Value Added Tax (VAT)

Income and expenditure exclude 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 considering historical experience, current trends and other relevant factors. However, because balances cannot be determined with certainty, actual results could be materially different from the assumptions and estimates.

Item	Uncertainties	Effect if actual results differ from assumptions
Market Value of investments	The Fund's investments are revalued on a monthly basis. Investments are valued using quoted prices in active markets or by reference to markets which are not considered to be active but are valued based on quoted market prices, dealer quotations or alternative pricing sources supported by observable inputs. While market values are not estimates, the method of valuation does mean that future values may fluctuate (see note 4).	For every 1% increase in Market Value the value of the Fund will increase by £54.019 million with a decrease having the opposite effect.
Unlisted assets, specifically level 3 private infrastructure and debt funds (valued at £458.693m)	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 £22.935m 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: <ul style="list-style-type: none"> • a 0.1% increase in the discount rate assumption would result in a decrease in the Funded Obligation of £162.848 million. • a 0.1% increase in assumed earnings inflation would increase the value of liabilities by approximately £39.084 million. • a one-year increase in assumed life expectancy would increase the liability by approximately £427.593 million.

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 assessing 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 scheduled bodies in 2021/22 was lower than the previous year. This was due to the decision by some employers to make advance payment of deficit contributions for a three year period in the prior year.

By authority

2020/21 £'000		2021/22 £'000
(73,431)	Administering Authority	(44,138)
(129,262)	Scheduled bodies	(118,091)
(2,219)	Admitted bodies	(2,452)
(3,554)	Community admission body	(2,717)
(4,501)	Transferee admission body	(4,625)
(1,294)	Resolution body	(1,409)
(214,261)		(173,432)

By type

2020/21 £'000		2021/22 £'000
(42,805)	Employees' normal contributions	(45,260)
(117,648)	Employers' normal contributions	(120,663)
(53,808)	Employers' deficit recovery contributions	(7,509)
(214,261)		(173,432)

6. Benefits Payable

By authority

2020/21 £'000		2021/22 £'000
66,677	Administering Authority	70,268
114,989	Scheduled bodies	118,792
1,010	Admitted bodies	1,637
4,741	Community admission body	4,920
4,385	Transferee admission body	4,840
637	Resolution body	575
192,439		201,032

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 2020/21	Member contribution rate	Whole Time Pay Rate 2021/22	Member contribution rate
£0 to £14,600	5.5%	£0 to £14,600	5.5%
£14,101 to £22,800	5.8%	£14,601 to £22,900	5.8%
£22,801 to £37,100	6.5%	£22,901 to £37,200	6.5%
£37,101 to £46,900	6.8%	£37,201 to £47,100	6.8%
£46,901 to £65,600	8.5%	£47,101 to £65,900	8.5%
£65,601 to £93,000	9.9%	£65,901 to £93,400	9.9%
£93,001 to £109,500	10.5%	£93,401 to £110,000	10.5%
£109,501 to £164,200	11.4%	£110,001 to £165,000	11.4%
More than £164,201	12.5%	More than £165,001	12.5%

8. Management Expenses

2020/21 £'000		2021/22 £'000
2,304	Administrative costs	2,429
2,304		2,429
	Investment management expenses	
16,672	Management fees (a)	19,729
565	Performance fees (a)	3,617
82	Custody fees	62
400	Transaction costs (b)	1,794
(23)	Stock Lending Income & Commission Recapture	(2)
20	Other Investment management expenses	(19)
17,716		25,181
	Oversight and governance costs	
26	Audit Fees (c)	31
745	Other Oversight and governance costs	812
771		843
20,791		28,453

- 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) The following table reconciles the audit fees in the accounts to those notified by external audit. In addition, the external auditors of the other local authorities who are admitted bodies of the pension scheme have requested letters of assurance from the Pension Fund auditors. The fee for this audit work was £10,000 in 2020/21 and will increase to £19,000 for 2021/22 following a review by the external auditors. These fees are recharged by the Pension Fund to those admitted local authority members.

31 March 2021 £		31 March 2022 £
25,693	Audit Fees paid and accrued in Note 8	31,458
9,581	Additional Fees, notified by auditor but not approved by PSAA before completion of accounts	6,916
35,274	Fees notified by External Audit	38,374

9. Investment Management Fees

2021/22

	Total	Management fees	Performance related fees	Transaction Costs
	£'000	£'000	£'000	£'000
Bonds	88	88	0	0
Equities	59	0	0	59
Pooled Investments *	21,574	16,717	3,617	1,240
Pooled Property Investments	3,408	2,924	0	484
Cash and FX Contracts	11	0	0	11
	25,140	19,729	3,617	1,794
Custody Fees	62			
Stock Lending Income and Commission Recapture	(2)			
Class Action Proceeds	(43)			
Other Investment Management Expenses	24			
	25,181			

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

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.

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 2021		31 March 2022
£'000	Payments on behalf of:	£'000
7,459	Devon County Council	7,172
951	Plymouth City Council	953
523	Torbay Council	534
380	Teignbridge District Council	378
321	University Of Plymouth	316
245	Exeter City Council	237
225	North Devon District Council	222
191	South Hams District Council	185
159	Dorset, Devon and Cornwall Rehabilitation Service	178
87	Torridge District Council	81
434	Payments of less than £100,000 on behalf of other bodies	410
10,975		10,666

11. Related Party Transactions

The Devon Pension Fund is administered by Devon County Council. During the reporting period, the council incurred costs of £3.197 million (2020/21 £3.001 million) in relation to the administration of the fund and was subsequently reimbursed by the fund for these expenses. Devon County Council and its employees contributed £44.035 million to the fund in 2021/22 (2020/21 £73.413 million). In 2021/22 £5.594 million was owed to the fund (2020/21 £3.541 million) and £2.974 million was due from the fund (2020/21 £2.786 million).

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

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

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

One voting member of the Investment & Pension Fund Committee receives pension benefits from the Fund.

No senior officers responsible for the administration of the Fund have entered 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:

	2020/21 £'000	2021/22 £'000
Income	0	0
Expenditure	1,469	1,357
Debtors	361	0
Creditors	0	0

12. Key Management personnel

The Key Management Personnel of the Fund are those persons with the authority and responsibility for planning, directing and controlling the activities of the Fund, including the oversight of these activities. The Key Management Personnel of the Fund are the Director of Finance and Public Value, the Deputy Director of Finance and Public Value, the Head of Investments and the Head of Financial Systems and Processes. 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	2021/22	218	7	43	268
	2020/21	216	7	43	266

13. Contractual Commitments

As at 31 March 2022 the Fund had outstanding capital commitments of £524.050 million (31 March 2021 - £624.661 million). These commitments relate to outstanding call payments due on unquoted limited partnership funds held in the infrastructure, private debt and private equity fund elements of the investment portfolio. The amounts "called" by these funds are irregular in terms of both size and timing from the date of the original commitment due to the nature of the investments.

31 March 2021	31 March 2021		31 March 2022	31 March 2022
Total Commitment £'000	Remaining Commitment £'000		Total Commitment £'000	Remaining Commitment £'000
		Infrastructure		
158,833	2,725	Pre-Brunel Investments	180,228	11,218
424,160	363,982	Brunel Infrastructure Portfolio	484,197	298,684
		Private Debt		
144,360	33,781	Pre-Brunel Investments	146,963	28,484
100,000	100,000	Brunel Private Debt Portfolio (Cycle 2)	100,000	82,587
		Private Equity		
125,000	124,173	Brunel Private Equity Portfolio (Cycle 2)	125,000	103,077
952,353	624,661		1,036,388	524,050

14. Investments

2020/21 £'000		2021/22 £'000
	Investment Assets	
291,224	Bonds	0
	Pooled Funds	
344,730	Fixed Interest Funds	722,948
3,171,345	Global Equity	3,199,500
194,950	Infrastructure Funds	324,789
107,612	Private Debt Funds	108,455
1,333	Private Equity Funds	25,448
476,194	Diversified Growth Funds	502,440
4,296,164		4,883,580
	Other Investments	
404,962	Pooled Property Investments	453,953
	Derivatives:	
8,193	- Forward Foreign Exchange	0
413,155		453,953
57,740	Cash Deposits	76,045
3,191	Investment Income Due	679
60,931		76,792
5,061,474	Total Investment Assets	5,414,325
	Long-term Investments	
768	Shares in Brunel Pool	838
	Investment Liabilities	
	Derivatives:	
(3,233)	- Forward Foreign Exchange	(2,303)
(2,714)	Amounts Receivable For Sales	(11,000)
(5,947)	Total Investment Liabilities	(13,303)
5,056,295	Total Investments	5,401,860

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 2021					31 March 2022	
£'000	%	Manager	Mandate		£'000	%
Investments managed by the Brunel Pension Partnership Asset Pool:						
1,800,418	35.6	Brunel Pension Partnership Ltd	Passive Equities		1,709,091	31.6
314,878	6.2	Brunel Pension Partnership Ltd	Global High Alpha Equities		295,699	5.5
238,078	4.7	Brunel Pension Partnership Ltd	Global Small Cap Equities		289,118	5.4
281,725	5.6	Brunel Pension Partnership Ltd	Emerging Market Equities		249,457	4.6
153,375	3.0	Brunel Pension Partnership Ltd	Sustainable Equities		258,166	4.8
336,892	6.7	Brunel Pension Partnership Ltd	Low Volatility Equities		391,135	7.2
0	0.0	Brunel Pension Partnership Ltd	Sterling Corporate Bonds		330,866	6.1
0	0.0	Brunel Pension Partnership Ltd	Multi-Asset Credit		392,082	7.3
476,194	9.4	Brunel Pension Partnership Ltd	Diversifying Returns Fund		502,440	9.3
409,079	8.1	Brunel Pension Partnership Ltd	Property		508,227	9.4
65,840	1.3	Brunel Pension Partnership Ltd	Infrastructure		186,296	3.4
1,333	0.0	Brunel Pension Partnership Ltd	Private Equity		25,448	0.5
0	0.0	Brunel Pension Partnership Ltd	Private Debt		17,434	0.3
4,077,812	80.6				5,155,459	95.4
Investments managed outside the Brunel Pension Partnership Asset Pool:						
300,013	6.0	Lazard Asset Management LLC	Global Fixed Interest		0	0.0
344,738	6.8	Wellington Management International Ltd	Global Fixed Interest		0	0.0
333,732	6.6	DCC Investment Team	Specialist Funds		246,401	4.6
978,483	19.4				246,401	4.6
5,056,295	100				5,401,860	100

16. Investment Movements and Transactions

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

	Value at 31 March 2021 £'000	Purchases at cost & Derivative Payments £'000	Sale proceeds & Derivative Receipts £'000	Change in Market Value £'000	Value at 31 March 2022 £'000
Investment Assets					
Bonds					
U.K. Public Sector Bonds	11,144	61,114	(72,300)	42	0
Overseas Government Bonds	160,893	181,010	(341,279)	(624)	0
UK Corporate Bonds	4,048	189,494	(195,126)	1,584	0
Overseas Corporate Bonds	115,139	321,190	(438,983)	2,654	0
Equities (Listed)					
U.K.	0	4,922	(4,852)	(70)	0
Overseas	0	90,388	(89,109)	(1,279)	0
Pooled Investments	4,296,164	3,229,175	(2,958,829)	317,070	4,883,580
Pooled Property Investments	404,962	42,486	(59,020)	65,525	453,953
Derivative Contracts					
Futures	0	1,609	(412)	(1,197)	0
Forward Currency Contracts	4,960	17,036	(21,829)	(2,470)	(2,303)
Foreign Currency	11,509	117,296	(114,362)	(535)	13,908
Amount Receivable for Sale of Investments	0	68	0	0	68
Amounts Payable for Purchase of Investments	(2,714)	0	(8,286)	0	(11,000)
	5,006,105	4,255,788	(4,304,387)	380,700	5,338,206
Short Term Deposits	19,011				8,457
Cash & Bank Deposits	27,220				53,680
Long Term Investments	768			70	838
Investment Income Due	3,191				679
Net Assets of the Fund at 31 March	5,056,295			380,770	5,401,860

	Value at 31 March 2020	Reclassif- ication*	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.

17. Fund Investments over 5% of total fund value

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

	Value at 31 March 2021 £'000	% of Total Fund Value %
LGIM UK Equity Index Fund	560,214	11.1%
Brunel Diversifying Returns Fund	476,194	9.5%
LGIM Scientific Beta Multi-Factor Developed Equity Index Fund	433,713	8.6%
LGIM World Developed Equity Index Fund	404,566	8.0%
LGIM World Developed Equity Index (Currency Hedged) Fund	401,883	8.0%
Wellington Multi Sector Credit Fund	344,730	6.8%
Brunel Active Global Low Volatility Equity Fund	336,892	6.7%
Brunel Active Global High Alpha Equity Fund	314,878	6.3%
Brunel Active Emerging Markets Equity Fund	281,725	5.6%

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 2021 £'000		31 March 2022 £'000
Current Assets		
Debtors and Prepayments		
	Contributions Receivable	
9,326	Employers	12,258
1,504	Current portion of non current assets (Employers contributions)	0
3,402	Employees	4,113
3,831	Other debtors	1,979
18,063		18,350
Current Liabilities		
Creditors and Receipts in Advance		
(2,799)	Devon County Council	(3,329)
(4,629)	Other creditors	(4,899)
(7,428)		(8,228)

20. Funded Obligation

The actuarial present value of promised retirement benefits (the Funded Obligation) amounts to £9,063 million as at 31 March 2022 (£9,085 million as at 31 March 2021). The Funded Obligation consists of £8,905 million (£8,919 million as at 31 March 2021) in respect of Vested Obligation and £157 million (£166 million as at 31 March 2021), of Non-Vested Obligation. The Pension Fund holds assets, as disclosed in the Net Asset Statement, which offset these projected total liabilities.

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 2022, 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 2022 without completing a full valuation. However, we are satisfied that the approach of rolling forward the previous valuation data to 31 March 2022 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 2022 to be a loss £18.562 million (31 March 2021 a gain of £91.807 million).

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.

Following the transition to the updated CMI_2020 Model, with a 2020 weight parameter of 25%, the effect on the Funds liabilities in 2020/21 was a decrease of £75.560 million. There was no further impact on the Funds liabilities in 2021/22 resulting from changed demographic assumptions.

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 key financial assumptions required for determining the defined benefit obligation for accounting are the discount rate (linked to high quality corporate bond yields) and the rate of future inflation. The derivation financial assumptions and possible outcomes are set with reference to market conditions at 31st March 2022.

Assumptions as at	31 March 2022	31 March 2021	31 March 2020
	% p.a	% p.a	% p.a
Discount rate	2.60%	2.00%	2.35%
Pension Increases	3.25%	2.85%	1.90%
Salary Increases	4.25%	3.85%	2.90%

Discount rate

Under both the IAS19 and FRS102 standards the discount rate should be determined by reference to market yields at the end of the reporting period on high quality corporate bonds. A standardised approach is used to derive the appropriate discount rate and is known as the Single Equivalent Discount Rate (SEDR) methodology.

The calculated bond yield curve which underlies the SEDR calculation at 31 March 2022 is higher at all terms (years) than at 31 March 2021. All else being equal, a higher discount rate will result in a lower value being placed on the defined benefit obligation and therefore an improvement in the overall fund position. In carrying out this derivation the annualised Merrill Lynch AA rated corporate bond yield curve is used and assumes the curve is flat beyond the 30-year point. As a result, the discount rate assumed for the Fund will be higher than that assumed at the previous accounting date (from 2.0% to 2.6%).

Inflation expectations

Whilst the change in corporate bond yields is an important factor affecting the valuation of the liabilities, so too is the assumed level of future inflation as this determines the rate at which the benefits increase. IAS19 suggests that in assessing future levels of long-term inflation we should use assumptions that would result in a best estimate of the ultimate cost of providing benefits whilst also considering the gilt market (in line with general price levels) to give us an indication of market expectation. Pension increases in the LGPS are expected to be based on the Consumer Prices Index (CPI). As there is limited market information on CPI-linked assets, to derive a CPI assumption, first an assumption on the Retail Prices Index (RPI) is made which is then adjusted.

Retail Prices Index (RPI) assumption

Similar to the SEDR approach described above a Single Equivalent Inflation Rate (SEIR) approach is adopted in deriving an appropriate RPI assumption. The SEIR adopted is such that the single assumed rate of inflation results in the same liability value (when discounted using the yield curve valuation described above) as that resulting from applying the BoE implied inflation curve. The BoE implied inflation curve is assumed to be flat beyond the 40-year point.

Following a recent review of the market and noting the muted market reaction to the likely alignment of RPI with CPIH (Consumer Prices Index with Housing) from 2030, the view is that gilt-implied inflation rates are currently distorted by supply and demand factors at medium and longer terms. Therefore, an Inflation Risk Premium (IRP) of 0.4% at medium and longer terms (from 10 years) has been incorporated. This results in an overall IRP of between 0.0% p.a. and 0.3% p.a. depending on the term of the liabilities (for terms ranging from 2 years up to 30 years). Consistent with the SEDR approach, assumptions are rounded to the nearest 0.05%.

Difference between RPI and CPI

It is expected that RPI will be on average 1.0% p.a. lower than it would have otherwise been from 2030 because of the proposed alignment of RPI to CPIH (and CPI) from that date. We have therefore assumed that the annual increase in CPI inflation will be 1.0% p.a. lower than the market implied increases in RPI for each year prior to 2030 and will be in line with RPI inflation thereafter. This results in an assumed gap between the two inflation measures of between 0.25% p.a. and 0.85% p.a. depending on the term of the liabilities (for terms ranging from 30 years down to 5 years).

The implied CPI curve at 31 March 2022 is higher at all durations and as a result, the assumed level of future pension increases will be higher than that assumed at the previous accounting date. All else being equal, a higher pension increase assumption will result in a higher value being placed on the defined benefit obligation and a worsening in the overall position.

Ukraine crisis

As a result of this crisis, many equity markets across the globe have witnessed significant falls, but so far, the impact has been felt most prominently in equities with a close link to Russian markets, i.e. Russian equities themselves and in European tilted funds. Beyond equity markets, we have also seen volatility in government bond and credit markets. However, there has been no large directional move to date. The expected longer-term impact on gilt yields will largely depend on how these developments affect inflation (for example, through disruption to the supply of energy and commodities), and how central banks react to this.

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

21. Taxation**Value Added Tax**

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

Income Tax

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

Withholding Tax

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

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
2020/21	2020/21	2020/21		2021/22	2021/22	2021/22
£'000	£'000	£'000		£'000	£'000	£'000
Financial assets						
291,224	0	0	Bonds	0	0	0
4,296,164	0	0	Pooled investments	4,883,580	0	0
404,962	0	0	Pooled property investments	453,953	0	0
8,193	0	0	Derivative contracts	0	0	0
0	57,740	0	Cash	0	76,045	0
768	0	0	Long Term investments	838	0	0
3,191	0	0	Other investment balances	747	0	0
0	18,063	0	Debtors	0	18,350	0
5,004,502	75,803	0		5,339,118	94,395	0
Financial Liabilities						
(3,233)	0	0	Derivative contracts	(2,303)	0	0
0	0	(2,714)	Other investment balances	0	0	(11,000)
0	0	(7,428)	Creditors	0	0	(8,228)
(3,233)	0	(10,142)		(2,303)	0	(19,228)
5,001,269	75,803	(10,142)		5,336,815	94,395	(19,228)

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 2021		31 March 2022
£'000		£'000
Financial assets		
1,044,866	Fair value through profit and loss	422,855
(101)	Amortised Cost	(449)
1,044,765		422,406
Financial liabilities		
5,486	Fair value through profit and loss	2,233
0	Amortised Cost	0
5,486		2,233

The total changes in fair value represent unrealised profit or loss. The difference in unrealised profit/(loss) figures between 2020/21 and 2021/22 reflects the prevailing economic conditions during each of the two years and the impact on the specific assets held by the Fund.

23. 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	<ul style="list-style-type: none"> 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	<ul style="list-style-type: none"> 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 2022

	Assessed valuation range (+/-) %	Value at 31 March 2021 £'000	Value on increase £'000	Value on decrease £'000
Investment Assets				
Pooled Property Investments	3.52%	3,871	4,007	3,735
<u>Pooled Investments</u>				
Unlisted Infrastructure	4.29%	324,788	338,706	310,870
Private Equity	4.29%	42,882	44,720	41,044
Private Debt	4.29%	91,023	94,923	87,123
Long Term Investments	14.65%	838	961	715
		463,402	483,317	443,487

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 2021

	Assessed valuation range (+/-) %	Value at 31 March 2020 £'000	Value on increase £'000	Value on decrease £'000
Investment Assets				
Pooled Property Investments	5.36%	50	53	47
<u>Pooled Investments</u>				
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

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:

	2020/21 £'000	2021/22 £'000
<u>Pooled Property Investments</u>		
PGIM UK Affordable Housing Fund	-	133
<u>Unlisted Infrastructure</u>		
Archmore (UBS) International Infrastructure Fund LLP	(5,353)	(2,825)
Aviva Ground Rents Fund	(279)	38
Aviva Infrastructure Income Fund	71	958
Capital Dynamics Clean Energy Fund VII A	226	2,413
Capital Dynamics Clean Energy Fund VIII	747	210
First Sentier Infrastructure Fund	10,818	6,224
Hermes GPE Infrastructure Fund LLP	(956)	3,852
NTR Renewable Energy Fund II	(536)	191
Stepstone Brunel I Infrastructure Fund	603	1,341
Stepstone Brunel II Generalist Infra Fund	-	(72)
Stepstone Brunel II Renewables Infra Fund	331	645
Vauban Core Infrastructure Fund II	797	482
<u>Private Equity</u>		
Crown Global Secondaries V PE Fund	564	1,285
Alpinvest Co-Investment Fund VIII	-	398
Montana Capital-Partners Fund	-	612
New Mountain Fund 06	-	496
Insight Partners Fund XII	-	189
Insight Partners Fund X	-	1,424
Genstar X Opportunities Fund	-	50
Aksia Brunel Private Debt Fund	-	245
Genstar X Fund	-	89
Summa Equity Fund III	-	(34)
<u>Private Debt</u>		
Arcmont Senior Loan fund I	1,761	1,872
Golub Capital Partners International Fund 11	(847)	5,736
<u>Long Term Investments</u>		
Brunel Pension Partnership	341	70
	8,288	26,022

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 2022

	Quoted market price Level 1 £'000	Using observable inputs Level 2 £'000	With Significant unobservable inputs Level 3 £'000	Total £'000
Long Term Investments	-	-	838	838
Investment Assets				
Fixed Interest				
U.K. Public Sector Bonds	-	-	-	-
Overseas Government Bonds	-	-	-	-
UK Corporate Bonds	-	-	-	-
Overseas Corporate Bonds	-	-	-	-
Pooled investments	-	4,424,887	458,693	4,883,580
Pooled property investments	-	450,082	3,871	453,953
Derivative Assets				
Forward Currency Contracts	-	0	-	0
Cash Deposits				
Foreign Currency	13,908	-	-	13,908
Short Term Deposits	8,457	-	-	8,457
Cash & Bank Deposits	53,680	-	-	53,680
Investment income due	679	-	-	679
Investment Liabilities				
Derivatives				
Forward Currency Contracts	-	(2,303)	-	(2,303)
Amounts payable for purchases	(11,000)	-	-	(11,000)
Assets and Liabilities				
Current Assets	-	18,350	-	18,350
Current Liabilities	-	(8,228)	-	(8,228)
Net Assets of the Fund at 31 March 2022	65,792	4,882,788	463,402	5,411,982

At 31 March 2021

	Quoted market price - Restated Level 1 £'000	Using observable inputs - Restated Level 2 £'000	With Significant unobservable inputs Level 3 £'000	Total £'000
Long Term Investments	-	-	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				
Non current Assets	-	-	-	-
Non current Liabilities	-	-	-	-
Current Assets	-	18,063	-	18,063
Current Liabilities	-	(7,428)	-	(7,428)
Net Assets of the Fund at 31 March 2021	395,462	4,366,755	304,713	5,066,930

Reconciliation of Fair Value Measurements within Level 3

	Value at 31 March 2021	Transfers into Level 3	Purchases during the year and derivative payments	Sales during the year and derivative receipts	Unrealised gains / (losses)	Realised gains / (losses)	Value at 31 March 2022
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Investment Assets							
Pooled Property Investments	50	0	3,709	(21)	133	0	3,871
Pooled Investments							
Unlisted Infrastructure	194,950	0	135,411	(19,030)	3,266	10,191	324,788
Private Equity	1,332	0	37,590	(794)	3,961	793	42,882
Private Debt	107,613	0	5,353	(29,551)	3,741	3,867	91,023
Long Term Investments	768	0	0	0	70	0	838
	304,713	0	182,063	(49,396)	11,171	14,851	463,402

	Value at 31 March 2020	Transfers into Level 3	Purchases during the year and derivative payments	Sales during the year and derivative receipts	Unrealised gains / (losses)	Realised gains / (losses)	Value at 31 March 2021
	£'000	£'000	£'000	£'000	£'000	£'000	£'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 Debt	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

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.

24. 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 because of changes in market prices (other than those arising from interest rate risk or foreign exchange risk), whether those changes are caused by factors specific to the individual instrument or its issuer or factors affecting all instruments in the market.

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

Other Price Risk - Sensitivity Analysis

Following analysis of data by PIRC (Pensions and Investment Research Consultants Ltd.), it has been determined that the following movements in market price risk were reasonably possible for the reporting period:

Asset Class	Percentage Change 2020/21	Percentage Change 2021/22
Equities	14.85%	14.65%
Bonds	5.91%	6.14%
Cash	2.10%	1.07%
Pooled Property Investments	2.63%	3.52%
Infrastructure	4.85%	4.29%
Pooled Multi Asset	9.92%	9.56%

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 2022

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

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)

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 2021 and 2022 are provided below. These disclosures present interest rate risk based on underlying financial assets (at fair value).

	As at 31 March 2021 £'000	As at 31 March 2022 £'000
Cash and cash equivalents	27,220	53,680
Short term Deposits	19,011	8,457
Fixed Interest	644,743	722,948
Total	690,974	785,085

Interest Rate Risk - Sensitivity Analysis

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

The sensitivity of bond prices to interest rate changes depends upon both the maturity of the fixed interest security and the size and frequency of its coupon payments. Duration is used to measure interest rate risk and is the weighted average maturity of a bond, where the weights are the relative discounted cash flows in each period. Duration can then be adapted with reference to the yield of a bond to calculate modified duration, which is the percentage change in a bond's price for a 1% change in yields. Modified duration can be calculated for a portfolio of bonds, and modified duration figures have been provided by the Brunel Pension Partnership in relation to the Sterling Corporate Bonds and Multi-Asset Credit portfolios. Prior year figures were provided by the two bond managers used by the Devon Fund at the time (Lazard and Wellington). 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 2022	Carrying value at 31 March 2022	Modified Duration of Portfolio	Effect on Asset Values +1%	Effect on Asset Values -1%
	£'000	£'000	£'000	£'000
Cash and cash equivalents	53,680	-	-	-
Short term Deposits	8,457	-	-	-
Fixed Interest	722,948	4.53%	(32,750)	32,750
Total	785,085	4.53%	(32,750)	32,750

As at 31 March 2021	Carrying value at 31 March 2021	Modified Duration of Portfolio	Effect on Asset Values - Restated +1%	Effect on Asset Values - Restated -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 2022	Amount receivable in year ending 31 March 2022	Effect on Income Values +1%	Effect on Income Values -1%
	£'000	£'000	£'000
Cash and cash equivalents	86	1	(1)
Short term Deposits	0	-	-
Fixed Interest	2,516	-	-
Total	2,602	1	(1)

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

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

Currency Risk and Sensitivity Analysis

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

The following table summarises:

- a) The Fund's exposure at 31st March 2022 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 2022 would have increased or decreased the change for the year in net assets available to pay benefits by the amount shown. These changes in the currencies are reasonable based on historical movements in exchange rates over the past three years.

This analysis assumes that all other variables, in particular interest rates, remain constant. The analysis is performed on the same basis for the year ended 31st March 2021.

As at 31 March 2022	Assets held at fair value	FX Contracts	Total	Percentage Change	Change for the year in net assets available to pay benefits	
					+ 1	- 1
					Standard Deviation	Standard Deviation
	£'000	£'000	£'000		£'000	£'000
Australian Dollar	66,173	(900)	65,273	7.78%	5,078	(5,078)
Brazilian Real	43,957	0	43,957	14.48%	6,365	(6,365)
Canadian Dollar	40,289	0	40,289	6.54%	2,635	(2,635)
Chilean Peso	26,299	0	26,299	14.71%	3,869	(3,869)
Chinese Yuan	10,308	0	10,308	8.19%	844	(844)
Colombian Peso	46,580	0	46,580	12.93%	6,023	(6,023)
Czech Republic Koruna	(5,262)	0	(5,262)	7.59%	(399)	399
Danish Krona	20,908	0	20,908	6.94%	1,451	(1,451)
Euro	337,901	(327)	337,574	6.67%	22,516	(22,516)
Hong Kong Dollar	70,719	0	70,719	7.65%	5,410	(5,410)
Hungarian Forint	1,054	0	1,054	10.05%	106	(106)
Indian Rupee	10,709	0	10,709	7.47%	800	(800)
Indonesian Rupiah	11,154	0	11,154	7.92%	883	(883)
Israeli Shekel	(9,377)	0	(9,377)	9.00%	(844)	844
Japanese Yen	219,609	0	219,609	8.25%	18,118	(18,118)
Kenyan Shilling	966	0	966	5.75%	56	(56)
Malaysian Ringgit	17,117	0	17,117	7.04%	1,205	(1,205)
Mexican Peso	24,667	0	24,667	12.07%	2,977	(2,977)
New Taiwan Dollar	21,896	0	21,896	7.43%	1,627	(1,627)
New Turkish Lira	1,433	0	1,433	26.30%	377	(377)
New Zealand Dollar	(50,324)	0	(50,324)	6.90%	(3,472)	3,472
Nigerian Naira	1,290	0	1,290	5.75%	74	(74)
Norwegian Krone	65,393	0	65,393	9.81%	6,415	(6,415)
Philippines Peso	(13,499)	0	(13,499)	7.82%	(1,055)	1,055
Polish Zloty New	835	0	835	8.24%	69	(69)
Qatari Rial	2	0	2	8.11%	0	0
Romanian Leu	492	0	492	5.75%	28	(28)
Saudi Arabia Riyal	2,270	0	2,270	5.75%	131	(131)
Singapore Dollars	18,380	0	18,380	5.95%	1,094	(1,094)
South Korean Won	35,223	0	35,223	7.04%	2,480	(2,480)
Swedish Krona	32,571	0	32,571	7.61%	2,479	(2,479)
Swiss Franc	8,580	0	8,580	7.17%	615	(615)
Thailand Baht	(1,569)	0	(1,569)	7.53%	(118)	118
UAE Dirham	731	0	731	5.75%	42	(42)
US Dollars	1,465,859	(1,076)	1,464,783	7.69%	112,642	(112,642)
Vietnamese Dong	708	0	708	5.75%	41	(41)
	2,524,042	(2,303)	2,521,739		200,562	(200,562)

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	- 1
					Standard Deviation	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)
Philippines 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)

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 2021 £'000	As at 31 March 2022 £'000
Fixed Interest	291,224	-
Pooled investments	4,296,164	4,883,580
Pooled property investments	404,962	453,953
Derivatives (net)	4,960	(2,303)
Foreign currency	11,509	13,908
Short term deposits	19,011	8,457
Cash and cash equivalents	27,220	53,680
Settlements and dividends receivable	3,191	747
Long Term Investment	768	768
Total of investments held	5,059,009	5,412,790

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 2022 was £8.457 million (31st March 2021 £19.011 million). This was held with the following institutions:

Credit Rating at 31 March 2022

	Fitch	Moody's	Standard & Poor's	Balances as at 31 March 2021 £'000	Balances as at 31 March 2022 £'000
Banks and Building Societies					
Handelsbanken	AA	Aa2	AA-	19,011	8,457
				19,011	8,457

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.

25. 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 million (2016 valuation: £628 million) 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 £22.052 million in 2022/23 across all the Fund's employers, equivalent to an average of 9.3% of payroll.

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

The valuation of the fund has been undertaken using the projected unit method under which the salary increase for each member is assumed to increase until they leave active service by death, retirement or withdrawal from service. Allowances have been made for the McCloud/Sargeant case and GMP within the assumptions used for the triennial valuation of the fund. The principal assumptions for the Fund were:

Financial Assumptions

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 2020**

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

	2017/18 £'000	2018/19 £'000	2019/20 £'000	2020/21 £'000	2021/22 £'000
Contributions and Benefits					
Contributions	(168,808)	(176,196)	(248,155)	(214,261)	(173,432)
Transfers in from other pension funds	(6,481)	(6,134)	(17,279)	(12,970)	(13,324)
	(175,289)	(182,330)	(265,434)	(227,231)	(186,756)
Benefits Paid	173,772	180,638	188,470	192,439	201,032
Payments to and on account of leavers	5,855	9,747	12,756	8,437	26,633
	179,627	190,385	201,225	200,876	227,665
Net (Additions) Withdrawals from Dealings with Fund members	4,338	8,055	(64,208)	(26,355)	40,909
Management Expenses	18,084	17,999	19,732	20,791	28,453
Returns on Investments					
Investment Income	(44,578)	(49,937)	(59,351)	(35,020)	(33,646)
(Increase) /decrease in Market Value of Investments during the Year	(135,382)	(191,967)	394,994	(1,015,231)	(380,768)
Net Returns on Investments	(179,960)	(241,904)	335,643	(1,050,251)	(414,414)
Net Assets of the Fund at 31 March	(4,086,432)	(4,302,282)	(4,011,115)	(5,066,930)	(5,411,982)

Members Summary

	2017/18 No.	2018/19 No.	2019/20 No.	2020/21 No.	2021/22 No.
Devon County Council					
Contributors	11,484	11,166	10,547	11,390	11,685
Pensioners and Dependants	14,117	14,548	14,894	15,148	15,531
Deferred Pensioners	20,080	20,240	19,235	19,520	19,545
Other Employers					
Contributors	27,728	27,458	28,624	28,072	29,326
Pensioners and Dependants	18,976	22,118	21,056	21,847	22,947
Deferred Pensioners	30,139	32,616	32,490	34,004	35,127

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

Employing Bodies

	Active	Ceased	Total
Scheduled body	141	0	141
Admitted body	69	6	75
Total	210	6	216

There are currently 210 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
Axmouthe Parish Council
Aylesbeare Parish Council
Barnstaple Town Council
Barton Hill Academy
Bay Education Trust
Bicton College (Cornwall College)
Bideford Town Council
Bishops Clyst Parish Council
Bishops Tawton Parish Council
Bishopsteignton Parish Council
Bovey Tracey Town Council
Bradninch Town Council
Bradworthy Primary Academy
Braunton Academy
Braunton Parish Council
Brixham Academy
Brixham Town Council
Broadclyst Parish Council
Buckland Monachorum Parish Council
Budleigh Salterton Town Council
Catch 22 Multi Academy Trust
Chudleigh Town Council
Chulmleigh Academy Trust
Churston Academy
City College Plymouth
Clyst Honiton Parish Council
Clyst Vale Community College Academy
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
Dartington Parish Council
Dartmoor Multi Academy Trust
Dartmoor National Park
Dartmouth Town Council
Dawlish Town Council

Devon & Cornwall Police & Crime
Commissioner
Devon & Somerset 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
Estuaries Multi Academy Trust
Exeter City Council
Exeter College
Exeter Learning Academy Trust
Exeter Mathematics School
Exminster Parish Council
Exmouth Community College
Exmouth Town Council
Exwick Ark
First Federation Trust
Fremington Parish Council
Great Torrington Academy
Great Torrington Town Council
Greenshaw Learning Trust
Hayes Road Academy
Holcombe Burnell Parish Council
Honiton Community College
Honiton Town Council
Horizon Multi Academy Trust
Ilfracombe Town Council
Ivybridge Town Council
Kings Academy
Kingsbridge Town Council
Kingsteignton Town Council
Launceston Multi Academy Trust
Learning Academies MAT
Learning Academy Partnership (South
West)
Link Academy Trust
Lipson Academy
Littletown Primary Academy
Lynton & Lynmouth Town Council
Mid Devon District Council
Moretonhampstead Parish Council
Newton Abbot Town Council
North Devon District Council
Okehampton Town Council
Osprey Learning Trust
Petroc
Plymouth CAST
Plymouth City Bus
Plymouth City Council

Plymouth College Of Art & Design
Plymouth University
Plympton Academy
Reach South Academy Trust
Red Start Learning Partnership
Riviera Education Trust
Seaton Town Council
Sidmouth Town Council
South Devon College
South Hams District Council
South Molton Town Council
Sparkwell Primary Academy
Special Partnership Trust
St Christophers Primary Multi Academy
Trust
St Christophers Secondary Multi Academy
Trust
St Margaret's Academy
Staverton Parish Council
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
Thinking Schools Academy Trust
Tor Bridge High Academy
Torbay Council
Torquay Boys' Grammar School Multi
Academy Trust
Torquay Girls Academy
Torre Church of England Academy
Torrige District Council
Totnes Town Council
Uffculme Academy Trust
Ugborough Parish Council
United Schools Trust
Uplyme Parish Council
Ventrus Multi Academy Trust
WAVE Multi Academy Trust
West Devon Borough Council
Witheridge Parish Council
Westcountry Schools Trust

Admitted Bodies

3 Rivers Development Ltd	Devon Wildlife Trust	Pinnacle
Access Plymouth	Direct Clean Services	Plymouth Citizen's Advice Bureau
Action for Children	DYS Space Ltd	Plymouth Community Homes
Aspens Services Ltd	Expedite Complete Business Solutions Ltd	Plymouth Learning Partnership (PLP)
Babcock	FCC Environment	Quadron Services Ltd
Barnardos	FISHKIDS	Red One Ltd
Biffa Waste Services	FRESHA	Servicemaster Clean Contr serv
Bournemouth Churches Housing Association	Fusion Leisure	SLM Community Leisure
Burton Art Gallery	Healthwatch	SODEXO
CATERed Ltd	Innovate	South West Highways
Caterlink Ltd	Interserve Catering Services Plymouth	Specialist Fleet Services Ltd
Chartwells	Interserve Projects Ltd	Strata
Churchill Services	ISS PLAYMOUTH CAST	SWISCO Ltd
Compass Group UK	LED Leisure Management Ltd	Teign Housing
Dame Hannah Rogers School	LEX Leisure	The Deaf Academy
DCC South West Heritage Trust	Libraries Unlimited	Torbay Coast & Countryside Trust
Delt - Plymouth City	Livewell South West	Torbay Community Development Trust
Delt Part - Print Services	Mama Bears Day Nursery	Torbay Economic Development Company
Delt Shared Services Ltd	Millfields Trust	Torbay Education Ltd
Devon & Severn IFCA	Mitie PLC (Devon)	Torbay Youth Trust
Devon Norse Catering	NHS Care	University Commercial Services
Devon Norse Cleaning	North Devon Homes	Westward Housing Group
Devon Norse Facilities Management	North Devon Joint Crematorium	Wolseley Community Economic Development Trust
Devon Schools Leadership Services	Peninsula Dental Social Enterprise	

Statement of the Actuary for the year ended 31 March 2022

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 million;
- 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 £399 million.

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 key assumptions used to value the liabilities at 31 March 2019 are summarised below:

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	Male / Female
Member base tables	SP3A
Member mortality multiplier	95% / 110%
Dependant base tables	S3DA
Dependant mortality multiplier	95% / 80%
Projection model	CMI 2018
Long-term rate of improvement	1.25% p.a.
Smoothing parameter	7.5
Initial addition to improvements	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 2022 have been good, with the annual return being higher than the expected investment return assumption (discount rate) used as at 31 March 2019. As at 31 March 2022, in market value terms, the Fund assets were more than where they were projected to be based on the previous valuation.

However, future investment returns that will be achieved by the Fund in the short term are more uncertain than usual, in particular the return from equities due to actual and potential reductions and suspension of dividends.

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 2022, 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.

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 2022 valuation.

Overall position

On balance, we estimate that the funding position has improved slightly when compared on a consistent basis to 31 March 2019.

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 an upward pressure on primary contribution rates. The impact on secondary contributions will vary by employer.

However, the next formal valuation will be carried out as at 31 March 2022 with the new contribution rates set from 1 April 2023. As part of the 2022 valuation, the Fund and us as the Fund Actuary will work together in setting assumptions for the valuation which will be used to calculate the contribution rates for the participating employers.

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

Melanie Durrant FIA

Principal, Barnett Waddingham LLP
30th May 2022

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 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 through the Fund, the objectives in setting employer contribution rates and the funding strategy that is adopted to meet those objectives.

Communications Strategy Statement

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

Governance Policy and Compliance Statement

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

Administration Strategy

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

Copies of these statements as at 31 March 2021 are included in full in Appendix A at the back of the Annual Report.

The current versions of these statements, including any subsequent revisions are published on the Devon Pension Fund website at:

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

The Fund's Largest Holdings as at 31 March 2022

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

The Fund's Largest Equity Holdings as at 31 March 2022

Company	Sector	Country	Passive Holding £000	Active Holding £000	Total Holding £000	% of Total Investments %
Microsoft	Technology	United States	53,887	27,745	81,632	1.51
Apple	Technology	United States	61,585	8,996	70,581	1.30
Alphabet	Technology	United States	43,838	17,763	61,601	1.14
Amazon	Consumer Services	United States	39,934	11,823	51,757	0.96
National Grid	Utilities	United Kingdom	30,297	2,084	32,381	0.60
Astrazeneca	Consumer, Non-cyclical	United Kingdom	31,732	0	31,732	0.59
Glaxosmithkline	Healthcare	United Kingdom	28,160	2,397	30,557	0.56
Unilever	Consumer Goods	Netherlands	28,307	1,882	30,189	0.56
Taiwan Semiconductor	Technology	Taiwan	0	29,772	29,772	0.55
BT Group	Communications	United Kingdom	27,513	0	27,513	0.51
London Stock Exchange	Financial	United Kingdom	25,291	0	25,291	0.47
Legal and General	Financial	United Kingdom	24,757	0	24,757	0.46
Mastercard	Financial	United States	7,390	15,227	22,617	0.42
BP	Energy	United Kingdom	20,650	0	20,650	0.38
United Health Group	Healthcare	United States	11,285	8,871	20,156	0.37
Nestle	Consumer Goods	Switzerland	10,573	9,198	19,771	0.37
Samsung Electronics	Technology	South Korea	7,994	11,647	19,641	0.36
Tesla Motors	Consumer, Cyclical	United States	19,596	0	19,596	0.36
Croda International	Basic Materials	United Kingdom	19,032	0	19,032	0.35
Nvidia	Technology	United States	12,352	6,438	18,790	0.35
			504,173	153,843	658,016	12.17
Balance of Equity Investments			1,204,918	1,336,566	2,541,484	46.92
			1,709,091	1,490,409	3,199,500	59.09

The Fund's Largest Bond Holdings as at 31 March 2022

Company	Sector	Country	Portfolio	Total Holding £000	% of Total Investments %
HSBC Bank	Financial	United Kingdom	Sterling Corporate Bonds	6,756	0.12
Telereal Sec	Financial	United Kingdom	Sterling Corporate Bonds	6,706	0.12
BNP Paribas	Financial	France	Sterling Corporate Bonds	6,530	0.12
Thames Water	Utilities	United Kingdom	Sterling Corporate Bonds	6,379	0.12
Lloyds Bank	Financial	United Kingdom	Sterling Corporate Bonds	5,998	0.11
Electricite De France	Utilities	France	Sterling Corporate Bonds	5,755	0.11
Heathrow Finance	Industrial	United Kingdom	Sterling Corporate Bonds	4,833	0.09
US Government Treasury	Government	United States	Multi-Asset Credit	4,810	0.09
Yorkshire Building Society	Financial	United Kingdom	Sterling Corporate Bonds	4,356	0.08
Western Power Distribution	Utilities	United Kingdom	Sterling Corporate Bonds	4,213	0.08
				56,336	1.04
				666,612	12.32
				722,948	13.36

The Fund's Largest Property Fund Holdings as at 31 March 2022

Property Fund	Total Holding £000	% of Total Investments %
Industrial Property Investment Fund	59,349	1.10
Blackrock UK Property Fund	45,061	0.83
Schroders UK Real Estate Fund	41,990	0.78
Federated Hermes Property Unit Trust	39,513	0.73
UBS Triton Property Unit Trust	38,703	0.72
	<hr/> 224,617	<hr/> 4.16
Plus Other Pooled Property Fund Investments	283,610	5.23
	<hr/> 508,227	<hr/> 9.39

The Fund's Largest Private Markets Holdings (Infrastructure/Private Debt/Private Equity) as at 31 March 2022

Fund	Category	Total Holding £000	% of Total Investments %
Stepstone Brunel I Infrastructure Fund	Infrastructure	67,328	1.24
Stepstone Brunel II Generalist Infrastructure Fund	Infrastructure	57,149	1.06
Hermes Infrastructure Fund	Infrastructure	51,695	0.96
Golub Capital Partners International Fund 11	Private Debt	49,842	0.92
Arcmont Senior Loan Fund I	Private Debt	41,180	0.76
		<hr/> 267,194	<hr/> 4.94
Plus Other Infrastructure, Private Debt and Private Equity Fund Investments		191,499	3.54
		<hr/> 458,693	<hr/> 8.48

Scheme and Benefit Information

Devon County Council administers the Pension Fund for its own employees and over 300 other organisations including Unitary, District, Town and Parish Councils, Education establishments and other admitted bodies. In addition to these, there are a large number of employers who have ceased actively participating in the fund but have members who are now in receipt of a pension.

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

Contributions

Employer contributions rates are variable and are determined by the fund Actuary. A full valuation is carried out every 3 years in order to establish the value of the assets and liabilities of the fund and determine individual employer contribution rates. The most recent valuation was as at 31st March 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 employee's 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**

**Amended by the Investment and Pension Fund Committee
18th June 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 2021/2022	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.
Global Active	5%	5%	
Emerging Markets Active	5%	5%	
Low Volatility	7%	9%	
Global Small Cap	5%	5%	
Sustainable	3%	5%	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).
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%	

Devon County Council Pension Fund Investment Strategy Statement



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	1%	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

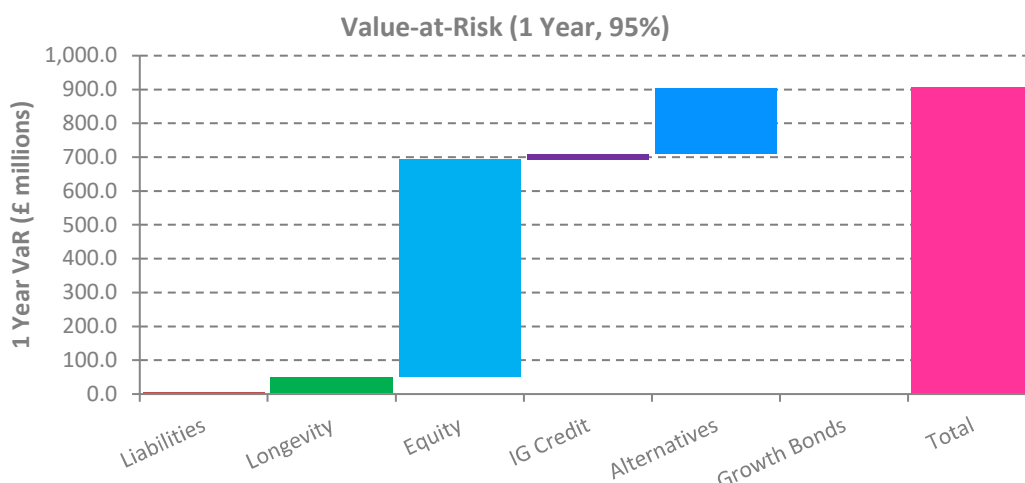
Successful investment involves taking considered risks, acknowledging that the returns achieved will to a large extent reflect the risks taken. There are short-term risks of loss arising from default by brokers, banks or custodians but the Fund is careful only to deal with reputable counter-parties to 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. In recognising the need to address the risks associated with climate change posed to both the Fund's investments and our beneficiaries, we acknowledge that there is an urgent need to accelerate the transition towards global net zero emissions and play our part in helping deliver the goals of the Paris Agreement.

The Devon Pension Fund has therefore pledged that its portfolio of investments will be net-zero by 2050 at the latest. In order to achieve this goal, the Fund has set an initial target of a 7% per annum reduction in the Weighted Average Carbon Intensity (WACI) of the Fund's investments, based on the March 2019 calculation of the WACI, to be reviewed in 2022. This recognises the need for significant progress in the earlier part of the period to 2050, with the intention of achieving a 60-75% reduction by 2030. These targets will also be applied to the Fund's exposure to fossil fuel reserves as a proxy for downstream scope 3 emissions which are not captured within the WACI calculation.

This will be achieved by the following strategy.

- (a) We recognise that climate change will have impacts across our portfolios. This means we look to the Brunel Pension Partnership and all our asset managers to identify and manage climate-related financial risks as part of day-to-day fund management. The way those risks and opportunities present themselves varies, particularly in evaluating what a portfolio aligned to the Paris Agreement looks like.
- (b) The Devon Fund wants to play its part in achieving real economy emissions reductions. This means that we are looking for investee companies to make significant reductions in their emissions, rather than just shifting our investments from higher emitting companies to lower emitting companies. The Fund does not therefore consider a top-down approach to divestment to be an appropriate strategy. By integrating climate change into risk management process, using carbon footprinting, assessing fossil fuel exposure and challenging managers on physical risks, we seek to both reduce climate and carbon risk and achieve real reductions in global emissions. Where investee companies fail to engage with

climate change issues, selective disinvestment may be appropriate based on investment risk.

- (c) We are committed to working with Brunel to decarbonise our investments in listed portfolios. Decarbonisation is achieved by being selective in the allocation of capital, particularly to carbon intense companies. This process is informed by using a variety of tools in combination with industry and corporate engagement. For example, engagement with electric utility companies about their future strategy on energy sources informs the investment decisions relating to those companies and indeed the relative attractiveness of the sector over time.
- (d) The Fund will collaborate via the Brunel Pension Partnership, the Local Authority Pension Fund Forum (LAPFF) and the Institutional Investors Group on Climate Change (IIGCC) to advocate policy and regulatory reforms aimed at achieving global net zero emissions by 2050 or sooner. This will include engaging with asset managers, credit rating agencies, auditors, stock exchanges, proxy advisers, investment consultants, and data and service providers to ensure that funds, products and services available to investors are consistent with achieving global net zero emissions by 2050 or sooner.
- (e) We expect the engagement and voting conducted on behalf of the Fund by LAPFF, Brunel and underlying investment managers to be consistent with an objective for all assets in the portfolio to achieve net zero emissions by 2050 or sooner. The Fund's stewardship and voting policies are set out more fully in section 6 of the Investment Strategy Statement.
- (f) Climate change risk and carbon reduction targets will be a consideration in reviews of the Fund's strategic asset allocation. This will be considered ensuring consistency with the Fund's fiduciary duty to achieve the investment returns required to meet its future pension liabilities.
- (g) Within the Fund's infrastructure investments, we would expect a significant proportion to be invested in renewable energy assets. The target is to achieve an allocation of 5% of the total Fund to renewable energy infrastructure assets by 2025.
- (h) The Devon Pension Fund adopts the Brunel Pension Partnership's climate change policy, found at the following link:
<https://www.brunelpensionpartnership.org/climate-change/>
The Devon Fund views the Brunel policy as being representative of the climate change objectives of the Fund and in support of the wider objectives of Devon County Council.
- (i) Devon County Council has committed to reduce the carbon emissions from its operations to net-zero by 2030. This will include the operational emissions of the Devon County Council Investment Team in the oversight of the Fund's investments, and the administration of benefits by Peninsula Pensions.
- (j) We are committed to being transparent about the carbon intensity of our investments through the publication of the Fund's carbon footprint and reserves

exposure on an annual basis. This will enable us to measure progress against the targets set out above. The Fund will also report on delivery through the Brunel Annual Climate Action Plan and work towards meeting the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD).

Accountability

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

6. Stewardship Policy

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

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

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

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

The Devon 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) Reporting

The Investment and Pension Fund Committee will monitor Brunel's engagement with the companies they have invested in, through the regular reporting arrangements in place. Brunel and LGIM's voting records will be reported to Committee on a quarterly basis. The engagement activity undertaken by Brunel and LAPFF will also be reported to Committee on a quarterly basis, together with a record of voting alerts issued by LAPFF, how Brunel and LGIM have voted on the proposals concerned and the outcome of the votes.

The Devon Pension Fund Annual Report each year includes a report focusing on stewardship and voting activity. This will include details of investment manager activity, voting analysis, LAPFF alert analysis, engagement, case studies and collaboration. A summary of Brunel's stewardship activities is also included.

7. Advice Taken

This Investment Strategy Statement has been put together by Devon County Council's professional investment officers, supported by the Fund's Independent Investment Advisor, and with advice from Mercer LLC investment advisors, who have conducted a review of the Fund's investment strategy and asset allocation. Mercer were 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

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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
18 June 2021**

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.

This assumption was reviewed following the Chancellor's November 2020 announcement on the reform of RPI. From 31 December 2020 RPI inflation is assumed to be 0.4% p.a. lower than the 20 year point on the inflation curve. This adjustment accounts for both the shape of the curve in comparison to the Fund's liability profile and the view that investors are willing to accept a lower return on investments to ensure inflation linked returns.

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. At the 31 March 2019 actuarial valuation, a deduction of 1.0% p.a. was made to the RPI assumption to derive the CPI assumption. The CPI assumption adopted as at 31 March 2019 was 2.6% p.a.

This assumption was also reviewed in light of the Chancellor's announcement on the reform of RPI mentioned above. From 31 December 2020 CPI inflation is assumed to be 0.4% p.a. lower than the RPI assumption (i.e. a total of 0.8% p.a. below the 20 year point on the Bank of England implied RPI inflation curve). This reflects the anticipated reform of RPI inflation from 2030 following the UK Statistics Authority's proposal to change the RPI calculation method in line with the Consumer Prices Index including Housing costs (CPIH). This assumption will be reviewed at future valuations and the difference between RPI and CPI is expected to move towards 0.0% p.a. as we get closer to 2030.

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. On 16 July 2020, the Government published a consultation on the proposed remedy to be applied to LGPS benefits. The consultation closed on 8 October 2020 and the final remedy will only be known after the consultation responses have been reviewed and a final set of remedial Regulations are published.

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). 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 23 March 2021, the government published the outcome to its Guaranteed Minimum Pension Indexation consultation, concluding that all public service pension schemes, including the LGPS, will be directed to provide full indexation to members with a GMP reaching SPA beyond 5 April 2021. This is a permanent extension of the existing 'interim solution' that has applied to members with a GMP reaching SPA on or after 6 April 2016. Details of the consultation outcome can be found at: <https://www.gov.uk/government/consultations/public-service-pensions-guaranteed-minimum-pension-indexation-consultation>.

The 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. This is consistent with the government's 23 March 2021 outcome noted above.

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 Rates and Adjustments Certificate sets out the minimum amounts to be paid by an employer to the Fund. Additional contributions towards deficit over the amounts certified in the Rates and Adjustment Certificate are permissible subject to the agreement of the Administering Authority. The employer must set out in writing to the Administering Authority a request to pay in additional deficit contributions. The employer should demonstrate its ability to fund any significant additional deficit contribution in accordance with accounting regulations. The Administering Authority will consider this request and will notify the Fund Actuary in order to consider the potential impact, including consideration of tracking of the amount paid for any employers participating in a funding pool. The Administering Authority will aim to approve or reject a request to pay additional contribution within 28 days, but this may vary on a case by case basis. A revised Rates and Adjustments Certificate will be required where appropriate.

The maximum recovery period across the Fund at the 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 following table:

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. Contribution reviews between actuarial valuations

It is anticipated for most Scheme employers that the contribution rates certified at the formal actuarial valuation will remain payable for the period of the rates and adjustments certificate. However, there may be circumstances where a review of the contribution rates payable by an employer (or a group of employers) under Regulation 64A is deemed appropriate by the administering authority.

A contribution review may be requested by an employer or be required by the administering authority. The review may only take place if one of the following conditions are met:

- (i) it appears likely to the administering authority that the amount of the liabilities arising or likely to arise has changed significantly since the last valuation;
- (ii) it appears likely to the administering authority that there has been a significant change in the ability of the Scheme employer or employers to meet the obligations of employers in the Scheme; or
- (iii) a Scheme employer or employers have requested a review of Scheme employer contributions and have undertaken to meet the costs of that review. A request under this condition can only be made if there has been a significant change in the liabilities arising or likely to arise and/or there has been a significant change in the ability of the Scheme employer to meet its obligations to the Fund.

Guidance on the administering authority's approach considering the appropriateness of a review and the process in which a review will be conducted is set out in the Fund's separate Contribution review policy which can be accessed [here](#). This includes details of the process that should be followed where an employer would like to request a review.

Once a review of contribution rates has been agreed, unless the impact of amending the contribution rates is deemed immaterial by the Fund Actuary, then the results of the review will be applied with effect from the agreed review date, regardless of the direction of change in the contribution rates.

Note that where a Scheme employer seems likely to exit the Fund before the next actuarial valuation then the administering authority can exercise its powers under Regulation 64(4) to carry out a review of contributions with a view to providing that assets attributable to the Scheme employer are equivalent to the exit payment that will be due from the Scheme employer. These cases do not fall under the separate contribution review policy.

With the exception of any cases falling under Regulation 64(4), the administering authority will not accept a request for a review of contributions where the effective date is within 12 months of the next rates and adjustments certificate.

12. Cessation valuations

When an employer leaves the Scheme and becomes an exiting employer, the Fund Actuary will be asked to make a termination assessment. Any deficit in the Fund in respect of the employer will be due to the Fund as an exit payment, unless it is agreed by the administering authority and the other parties involved that the assets and liabilities relating to the employer will transfer within the Fund to another participating employer, or if an alternative arrangement is agreed.

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.

Managing exit payments

Where a cessation valuation reveals a deficit and an exit payment is due, the expectation is that the employer settles this debt immediately through a single cash payment. However, should it not be possible for the employer to settle this amount, providing the employer puts forward sufficient supporting evidence to the administering authority, the administering authority may agree a deferred debt agreement (DDA) with the employer under Regulation 64(7A) or a debt spreading agreement (DSA) under Regulation 64B.

Under a DDA, the exiting employer becomes a deferred employer in the Fund (i.e. they remain as a Scheme employer but with no active members) and remains responsible for paying the secondary rate of contributions to fund their deficit. The secondary rate of contributions will be reviewed at each actuarial valuation until the termination of the agreement.

Under a DSA, the cessation debt is crystallised and spread over a period deemed reasonable by the administering authority having regard to the views of the Fund Actuary.

Whilst a DSA involves crystallising the cessation debt and the employer's only obligation is to settle this set amount, in a DDA the employer remains in the Fund as a Scheme employer and is exposed to the same risks (unless agreed otherwise with the administering authority) as active employers in the Fund (e.g. investment, interest rate, inflation, longevity and regulatory risks) meaning that the deficit will change over time.

Guidance on the administering authority's policy for entering into, monitoring and terminating a DDA or DSA is set out in the Fund's separate DSA and DDA policies document here. This includes details of when a DDA or a DSA may be permitted and the information required from the employer when putting forward a request for a DDA or DSA.

Town and Parish Councils

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.

Exit credits

The Local Government Pension Scheme (LGPS) (Amendment) Regulations 2018 were introduced in May 2018 which allow administering authorities to make an exit credit payment to exiting employers. This will be reviewed on a case by case basis before any payment is made. Considerations will be based on any previous agreements made and discussions between the Administering Authority, the Exiting Employer and the guaranteeing employer (if relevant).

Having regard to any relevant considerations, the administering authority will take the following approach to the payment of exit credits:

- Any employer who cannot demonstrate that they have been exposed to underfunding risk during their participation in the Fund will not be entitled to an exit credit payment. This will include the majority of “pass-through” arrangements. This is on the basis that these employers would not have not been asked to pay an exit payment had a deficit existed at the time of exit.
- The administering authority does not need to enquire into the precise risk sharing arrangement adopted by an employer but it must be satisfied that the risk sharing arrangement has/has not been in place before it will pay out an exit credit. The level of risk that an employer has borne will be taken into account when determining the amount of any exit credit. It is the responsibility of the exiting employer to set out why the arrangements make payment of an exit credit appropriate.
- Any exit credit payable may be subject to a maximum of the actual employer contributions paid into the Fund as certified in the Fund’s rates and adjustments certificates, up to any cap arrangements that may have been in place and excluding any additional payments such as strain payments.
- As detailed above, the Fund Actuary may adopt differing approaches depending on the specific details surrounding the employer’s cessation scenario. The default approach to calculating the cessation position will be on a minimum-risk basis unless it can be shown that there is another employer in the Fund who will take on financial responsibility for the liabilities in the future. If the administering authority is satisfied that there is another employer willing to take on responsibility for the liabilities (or that there is some other form of guarantee in place) then the cessation position may be calculated on the ongoing funding basis.
- The administering authority will pay out any exit credits within six months of the cessation date where possible. A longer time may be agreed between the administering authority and the exiting employer where necessary. For example if the employer does not provide all the relevant information to the administering authority within one month of the cessation date the administering authority will not be able to guarantee payment within six months of the cessation date.

Under the Regulations, the administering authority has the discretion to take into account any other relevant factors in the calculation of any exit credit payable and they will seek legal advice where appropriate.

13. Bulk transfers

Bulk transfers of staff into or out of the Fund can take place from other LGPS Funds or non-LGPS Funds. In either case, the Fund Actuary for both Funds will be required to negotiate the terms

for the bulk transfer – specifically the terms by which the value of assets to be paid from one Fund to the other is calculated.

The agreement will be specific to the situation surrounding each bulk transfer but in general the Fund will look to receive the bulk transfer on no less than a fully funded transfer (i.e. the assets paid from the ceding Fund are sufficient to cover the value of the liabilities on the agreed basis).

A bulk transfer may be required by an issued Direction Order. This is generally in relation to an employer merger, where all the assets and liabilities attributable to the transferring employer in its original Fund are transferred to the receiving Fund.

Consolidation of Multi Academy Trusts (MATs)

Where an academy is transferring into or out of the Devon Fund as part of a MAT consolidation exercise, the Fund generally expects that this will proceed through a Direction Order from the Secretary of State. In these situations and subject to the terms agreed between the Fund Actuary to both LGPS Funds, typically all the assets attributable to the academy in the ceding Fund are transferred to the receiving Fund.

Where the academy is transferring out of the Devon Fund, the Fund requires a Direction Order to be sought such that all associated deferred and pensioner liabilities are also transferred out of the Fund.

Where the academy is transferring into the Devon Fund, where appropriate, the academy will become part of the Fund's Academy pool. If the funding level of the transfer in to the Devon Fund is substantially lower than the funding level of the academy pool then the Fund may require additional contributions to be paid by the academy to protect the other academies in the pool from an increased funding cost as a result of the transfer terms. There may be some instances where it is not deemed appropriate for the academy to join the Academy pool, or at least not immediately. For example if a large number of academies from a MAT transfer into the Devon Fund at one time, then it may be more appropriate to initiate a separate funding pool for these academies until their funding position is in line with the main Academy pool, at which point it can then be merged into the Academy pool.

14. Links with the Investment Strategy Statement (ISS)

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

As explained above, the ongoing discount rate that is adopted in the actuarial valuation is derived by considering the expected return from the underlying investment strategy. This ensures consistency between the funding strategy and investment strategy.

15. Risks and counter measures

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

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

Financial risks

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

The valuation results are most sensitive to the real discount rate. Broadly speaking an increase/decrease of 0.5% 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 meet 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.

Climate Change risks

There are a large number of interlinked systemic long term financial risks related to climate change which could potentially have a material impact on the assets and/or the liabilities of the Fund. The most obvious of these climate change risks will be the financial risks to the value of the Fund's assets, the potential increased volatility of markets and potential changes in life expectancy. It is possible that some of these factors will impact the assets and liabilities of the Fund in the same direction, although not necessarily by the same amount.

The Fund has a fiduciary duty to consider climate change risk when making investment decisions and to ensure any decisions support the effective management of climate change. More detail on this can be found in the Fund's Investment Strategy Statement.

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.

McCloud/Sargeant judgements and cost cap

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.

On 16 July 2020, the Government published a consultation on the proposed remedy to be applied to LGPS benefits and at the same time announced the unpausing of the 2016 cost cap process which will take into account the remedy for the McCloud and Sargeant judgement. The consultation closed on 8 October 2020 and the final remedy will only be known after the consultation responses have been reviewed and a final set of remedial Regulations are published. At the time of drafting this FSS, it is not yet known what the effect on the current and future LGPS benefits will be.

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

On 8 May 2019, the government published a consultation seeking views on policy proposals to amend the rules of the LGPS in England and Wales. The consultation covered:

- amendments to the local fund valuations from the current three year (triennial) to a four year (quadrennial) cycle;
- a number of measures aimed at mitigating the risks of moving from a triennial to a quadrennial cycle;
- proposals for flexibility on exit payments;
- proposals for further policy changes to exit credits; and
- proposals for changes to the employers required to offer LGPS membership.

The consultation is currently ongoing: the consultation was closed to responses on 31 July 2019 and an outcome is now awaited.

So far, two partial responses to the consultation have been issued:

- On 27 February 2020, a partial response was issued relating to policy changes to exit credits
- On 26 August 2020, a partial response was issued relating to review of employer contributions and flexibility on exit payments

This FSS has been updated in light of these responses and will be revisited again once the outcomes are known for the remaining items.

Detail of the outstanding policy proposals are outlined below:

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.

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.

Governance

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

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

However, the administering authority monitors the position of employers participating in the Fund, particularly those which may be susceptible to the events outlined, and takes advice from the Fund Actuary when required. In particular, the Fund will commission an employer risk review from the Fund Actuary on a regular basis, as part of each actuarial valuation as a minimum, to help identify the employers in the Fund that might be considered as high risk. In the case of admitted bodies, the Fund has a policy of requiring some form of security from the employer, in the form of a guarantee or a bond, in case of employer default where the risk falls to the Fund. Where the risk of default falls on the original letting authority, the Fund provides advice to the letting authority to enable them to make a decision on whether a guarantee or a bond should be required.

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

16. Monitoring and review

This FSS is reviewed formally, in consultation with the key parties, at least as part of each actuarial valuation process.

The most recent valuation was carried out as at 31 March 2019, certifying the contribution rates payable by each employer in the Fund for the period from 1 April 2020 to 31 March 2023.

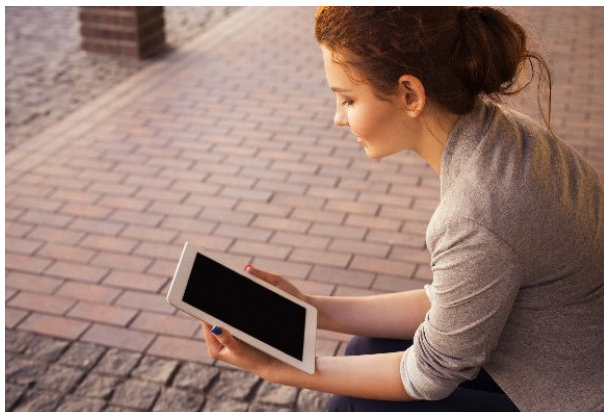
The timing of the next funding valuation is due to be confirmed as part of the government's Local government pension scheme: changes to the local valuation cycle and management of employer risk consultation which closed on 31 July 2019. At the time of drafting this FSS, it is anticipated that the next 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

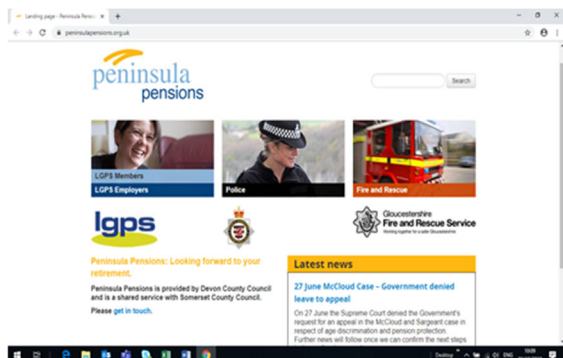
We have a range of communication channels and when deciding which to use we consider the message, our customer, and the cost to the Fund. Each time, the aim is to use the most appropriate and efficient means for connecting with scheme members and employers, whilst delivering concise, clear and above 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:

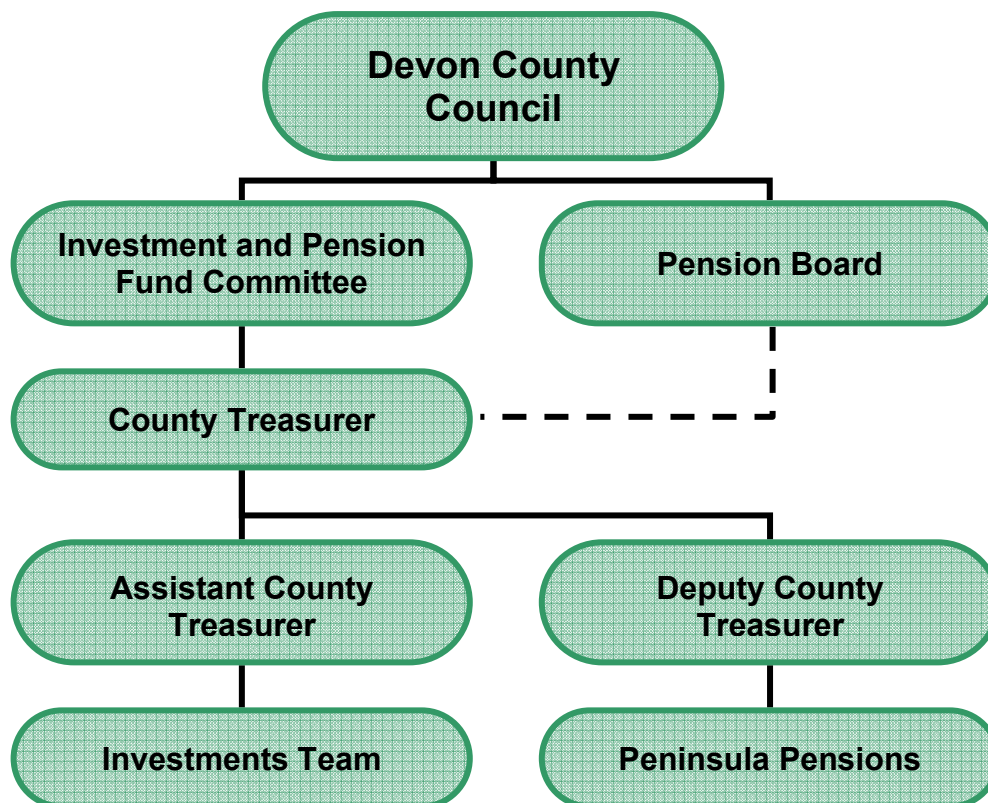
- (a) keep the statement under review;
- (b) make such revisions as are appropriate following a material change in respect of any of the matters mentioned in (a) to (c) above; and
- (c) if revisions are made:
 - (i) publish the statement as revised, and
 - (ii) send a copy of it to the Secretary of State.

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

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1. Introduction

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

The Devon and Somerset Pension Funds, Investment and Pension Fund Committees and Pension Boards remain independent from each other with each Administering Authority retaining investment and governance responsibility.

Although not a statutory requirement, a Pension Administration Strategy (PAS) was introduced in April 2015, following approval by the Devon and Somerset Investment and Pension Fund Committees. Although there is a separate PAS in place for each Fund, the content is identical in order to ensure a fair and consistent approach is maintained for all stakeholders.

The legal context for this Strategy is [Regulation 59 of The Local Government Pension Scheme Regulations 2013](#) which allows Funds the opportunity to prepare and review a Pensions Administration Strategy. The PAS also has regard to [the Occupational and Personal Pension Schemes \(Disclosure of Information\) Regulations 2013](#) and [The Pension Regulator Public Sector Code of Practice 14](#).

The PAS sets out the performance standards and expectations of the Administering Authority and the employing authorities, defining clear roles and responsibilities, and aims to ensure the delivery of a high quality service for all stakeholders.

The revision to the PAS, effective from April 2020, reflects the growth in membership and demands of Scheme members and employers, changes to LGPS regulations and advances in technology.

The PAS is linked to the following statutory documents of the Fund which are located within the Devon Fund Investment area of the Peninsula Pensions [website](#):

- Governance Policy and Compliance Statement
- Communications Strategy
- Funding Strategy Statement
- Investment Strategy Statement

Under no circumstances does the PAS override any provision or requirement of the LGPS regulations nor is it intended to replace the more extensive commentary provided by the Employers' Guide and website for day-to-day operations.

2. Key Administration Strategy focus

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

The strategy document sets out in detail how we will achieve our key focus points stated below:

- setting out the quality and performance standards required of the Fund and scheme employers
- promoting good working relationships and improving efficiency between the Fund and its scheme employers for the benefit of scheme members
- enhancing the flow of data by having clear channels of communication in place, so that each authority is fully aware of its role and responsibilities within this process
- providing a framework to enable administration costs relating to significant employer underperformance to be met directly by the employer responsible, rather than shared across all the employers in the Fund*

(* [Regulation 70 of the 2013 LGPS Regulations](#) permits the recovery of additional costs from an employer where unsatisfactory performance levels have incurred additional costs to the Fund)

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

3. Record keeping

Record-keeping is a fundamental part of managing a scheme such as the LGPS. Funds and employers have a legal obligation to collate and maintain accurate data records.

Peninsula Pensions must be able to demonstrate that records are accurate and up to date, within the parameters of data protection legislation, in order to govern and administer the pension scheme efficiently and effectively for scheme members.

Employers (and their delegated payroll providers) are responsible for providing the core data required by the Fund. Employers need to ensure that legal obligations regarding the provision of timely and accurate information to the scheme are met.

The Fund has a legal duty to provide scheme members with accurate and timely information regarding their benefits. The use of electronic processes aides all parties to do this in a timely and efficient manner.

A strong working partnership between the Fund and employers is key in delivering a successful administration service. This document describes how the Fund provides support to employers in meeting their responsibilities.

If employers have concerns about the data required, they should contact Peninsula Pensions without delay. This will allow Peninsula Pensions to work with employers to resolve any issues and enable both parties to meet their requirements for the benefit of scheme members.

Where an employer does not actively engage with the Fund to resolve issues and/or consistently fails to meet its responsibilities under the LGPS Regulations, the Fund (or stakeholders such as the Pension Board) has a statutory duty to report any breach to The Pensions Regulator. If deemed to be materially significant, The Pensions Regulator has the authority to take prompt and effective action to investigate and correct the breach and its causes, and, where appropriate, to notify any members whose benefits have been affected.

More information about the work of The Pensions Regulator can be found via the following link: <https://www.thepensionsregulator.gov.uk/en>

4. Roles and Responsibilities

The key focus of the strategy set out in Section 2 will be achieved by:

- Clearly defining the respective roles of Scheme Employers and the Administering Authority
- Setting clear and achievable standards of service levels for the functions carried out by Scheme Employers and the Administering Authority
- Setting out clear procedural guidance for the secure and effective exchange of information between Scheme Employers and the Administering Authority
- Monitoring service delivery, identifying poor performance and establishing a platform for the provision of support to improve performance where required
- Continuous development of resources via the use of digital technology and staff training for both the Fund and its employers
- Applying charges where an employer consistently fails to meet deadlines to ensure the resulting additional administrative strain is not a burden on all employers

The Employer's Roles and Responsibilities

The key responsibilities for the Employer are to:

- Communicate the LGPS to eligible staff
- Ensure the correct level of monthly pension contributions are collected and paid by the 7th of the following month, and no later than the 19th
- Report information and data to the Pension Fund as set out in this Strategy
- Keep up to date with Peninsula Pension Communications
- Provide a prompt response to information requests

The Administering Authority's Roles and Responsibilities

The key responsibilities for the Administering Authority are to:

- Administer the LGPS in respect of all scheme members (Active, Deferred and Pensioner members) in accordance with this Strategy
- Maintain and review the Fund's Statements, Policies and Reports and all other matters relating to the Governance of the scheme
- Communicate and engage with employers on LGPS matters
- Provide support/training to scheme employers
- Maintain and develop an effective web presence for the benefit of members and scheme employers

A guide to the roles and responsibilities of employers and the Administering Authority are set out in Appendix A. The guides include a summary of duties, defining the main functions, which enable the Pension Fund to deliver an efficient, accurate and high-quality pension service to scheme members.

Any breaches of duty will be recorded on our breaches register, which will be reviewed by the Pension Board on a quarterly basis. Individual breaches will be reported to The Pensions Regulator as required.

5. Performance Monitoring

The strategy recognises that there is a shared responsibility for ensuring compliance with the LGPS regulations and the PAS. Below we have set out the ways in which performance and compliance will be monitored;

- The Fund and scheme employers must aim to ensure that all functions and tasks are carried out to the agreed quality standards set out in this Strategy
- The Fund will regularly monitor, measure and report on compliance with the agreed service standards outlined in this document
- The Fund will undertake a formal review of performance against this strategy on an annual basis and liaise with employers in relation to any concerns on performance
- The Fund monitors its own performance against internal key performance indicators and the Disclosure Regulations 2013. Formal monitoring is carried out on a monthly basis, and is reported to the Pension Board on a quarterly basis
- The performance of scheme employers against the standards set out in this document will be reported to the Investment and Pension Fund Committee and Pension Board, as appropriate, and will include data quality
- The Fund will also regularly report to employers regarding individual performance, identifying any areas for improvement including outstanding data items

Underperformance Fees

The LGPS regulations provide pension funds with the authority to recover any administration costs incurred as a result of the underperformance of a scheme employer, from the employer responsible for the underperformance. To date the Fund has not recovered these additional costs, and has taken the decision to work with employers to improve service delivery. However, we reserve the right to pass on these costs to the employer.

From April 2020 Peninsula Pensions will monitor any additional costs incurred in the administration of the scheme as a direct result of underperformance, with a view to recovering these costs from the responsible employer.

A breaches report will be presented to the Pension Board on a quarterly basis. This report will include the nature of the breach, the party responsible for the breach and details of any action taken to address the breach. The report will also include a recommendation for the Board to consider whether a breach is significant enough to warrant reporting to The Pensions Regulator.

In the event of a levy being issued to the Fund by The Pensions Regulator, the levy will be passed on to the relevant employer where it can be demonstrated that the employer's action or inaction are responsible for the levy. Any disagreement regarding the amount of the levy will be decided by the Secretary of State who will have regard to:

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

Interest on late payments

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

The employer will be reported to The Pensions Regulator where contributions are received late in accordance with The Pensions Regulator Code of Practice.

Feedback from Employers

Peninsula Pensions is also accountable for its performance and we welcome feedback from our Employers regarding the performance of the Fund against the standards in this administration strategy, as set out in Appendix A.

Comments should be sent to peninsulaemployers@devon.gov.uk or to the Employer and Communications Manager. Any feedback received will be incorporated into the quarterly reports provided to the Pension Board.

6. Liaison and Communication

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

Peninsula Pensions has a dedicated Employer & Communications Team who will work with employers to ensure they are equipped to meet their responsibilities in line with the LGPS Regulations.

Every employer will have access to a dedicated Member Services Team who will assist employers with queries relating to individual members.

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

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

The various channels of communication employed by the fund include:

1. The **Peninsula Pensions website** is the main communication tool for both employers and scheme members.
 - **Employers** – a dedicated and secure employer section where employers can access procedure guides, information on courses run by the Fund, access back copies of the Pensions Line, access Employer Self Service and Interface information. All employers are required to provide data through the Employer Self Service Portal and/or Interfaces.
 - **Scheme members** – access to up-to-date information about all aspects of the LGPS and the Member Self Service area where members can update personal details, review annual benefit statements, complete their own pensions estimates and access online tutorials.
 - **Contact Details** – Peninsula Pension staff roles and contact information are available on the website, together with contact details for the Investment Team, Investment and Pension Fund Committee and Pension Board.
2. **Scheme members** who have chosen to opt out of the Member Self Service will continue to receive postal communication. They will still be able to access up-to-date information about all aspects of the LGPS via our website.

3. **Periodic newsletters** are issued to scheme members and all employing authorities and published on the Peninsula Pensions website.
4. **Induction and pre-retirement workshops** undertaken upon request to develop both employer and scheme member understanding (minimum of attendees 10 required per workshop)
5. **Pension surgeries** held for scheme members upon employer request to resolve any individual or collective issues that members may have.
6. **Regular E-zine** sent directly to employer representatives to provide notification of any scheme / administrative updates and developments.
7. **Employer seminars and training groups** held at least annually to review scheme developments, and/or to resolve any training needs employers may have.
8. **Annual Consultative Meeting** held to review investment and administrative performance during the preceding 12 months, and to consider future plans and challenges.
9. **Employer representatives** distribute information supplied by the pension fund to scheme members within their organisation, such as scheme guides and factsheets.

For further information regarding our methods of communication, please see our Communications Policy which is located within the Statutory Statements section of our [website](#)

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

Payroll providers – for employers who have delegated the responsibility to a payroll provider, for the provision of information direct to Peninsula Pensions, a delegation form will need to be completed confirming the areas for which they are permitted to act on your behalf. If information received from the payroll provider results in incorrect information being issued or incorrect benefits being paid to scheme members, the responsibilities under the Local Government Pension Regulations lie with the Employer.

7. Actuarial work

An actuarial valuation is conducted by the Pension Fund's actuary, as appropriate. The actuary determines the Fund's assets and liabilities in respect of each employer and calculates the appropriate contribution rate to be applied for the subsequent three year period.

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

In the event that an employer elects to outsource a service, the actuary is required to produce a report in respect of those scheme members involved in the outsourcing. The outsourcing employer will be liable for the cost of producing this report.

An employer may also commission the fund actuary to undertake additional work, the costs of which will be charged to the employer. Please note that these costs will also include an element of the cost of any administration work involved in liaising with the actuary.

Devon Pension & Investment Committee
Devon County Council

Date.....



Performance Standards

The delivery of an efficient and cost-effective administration is dependent upon a successful joint working partnership between the Pension Fund and key individuals within or representing the scheme employer.

Performance standards are expressed as targets (i.e. the level of performance expected in normal circumstances). It is accepted that there may be occasions where it may not be possible to achieve the target indicated and a pragmatic approach will be adopted, subject to employers using their best endeavours to meet expected standards wherever possible.

1.Communication

Function/Role	Performance Target
Primary contacts - Nominate and keep under review named contacts including main contact and HR and payroll links.	Within 1 month of employer joining fund or change to nominated representative
Stage 1 Appeals (IDRP) Officer - Appoint a person to consider appeals under Stage 1 of the Applications for the Adjudication of Disagreements Procedure (AADP) and provide full, up to date contact details to the Fund.	Within 1 month of becoming a scheme employer or within 1 month of a change in Appeals Officer
Independent Registered Medical Practitioner (IRMP) - Appoint an IRMP qualified in occupational health medicine, or arrange with a third party, and seek approval of the appointment from the Fund, for the consideration of all ill-health retirement applications from active and deferred members.	Within 1 month of becoming a scheme employer or within 1 month of a change in IRMP(s)
Employer Discretions - Formulate and publish policies in relation to all areas where the employer may exercise a discretion within the LGPS (including providing a copy of the policy document to the Fund).	Initial policy and subsequent revisions to be provided within 1 month of publishing
LGPS content in Contracts - Ensure Fund- approved LGPS content is included in all contract / appointment / adjustment communications for LGPS-eligible positions including direction to Peninsula Pensions website .	Review LGPS content annually or within 1 month following receipt of information regarding adjustment to Fund approved wording
Distribute any information provided by the Fund to scheme members/potential scheme members.	Within timeframe set out by Fund
Refer new / prospective scheme members to the Fund's website.	Within 1 month of commencement of employment or change in contractual conditions
Outsourcing - Notify the Fund of contracting out of services which will involve a TUPE transfer of LGPS eligible staff to another organisation to enable LGPS information to be provided to potential contractors.	At the point of deciding to tender a service

Work with Peninsula Pensions to arrange for the admission of a contractor as a new employer in the Fund.	A minimum of 2 months in advance of the date of contract
Notify Peninsula Pensions of changes / extension / cessation of arrangements with a contractor.	Within 5 working days of decision being made
Assist Peninsula Pensions in ensuring that the terms of the contractor's admission as a scheme employer (Admission Agreement) are complied with.	Notify the Pension Fund if the terms of the Admission Agreement have been breached
Respond to enquiries from Peninsula Pensions and Fund representatives.	Within 2 weeks from receipt of the enquiry
Respond to enquiries from Peninsula Pensions and Fund representatives relating to Breaches of the Law.	Within 1 week of the request

2. Payments to the Fund

Function/Role	Performance Target
The Employer's Rate - Apply the employer contribution rate and deficit sum agreed with the Fund on becoming a scheme employer and adjust as instructed by the Fund from a date determined by the Fund.	Within 5 working days of receipt of information from the Fund effective from a date determined by the Fund following advice from the scheme actuary
The Employee's Rate - Calculate and review the correct employee contribution rate for all members at commencement and on 1st April each year. Also, to be reviewed at intervals during the year at the employer's discretion.	Within 5 working days of commencement, on 1st April each year and as per the employer's discretionary policy on adjusting the employee's contribution rate at intervals during the year
Assumed Pensionable Pay (APP) - Ensure the correct application of APP during periods of reduced/nil pay in accordance with the LGA's HR & Payroll Guides.	Review of eligibility for APP immediately upon a member moving to reduced/nil pay
Monthly Payment to the Fund - Remit Employee, Employer and any Additional contributions and submit the online Contributions Form to the Fund.	By the 19th of the month after deduction from pay or date specified by Fund
Payment of AVCs - Remit Additional Voluntary Contributions (AVCs) to the AVC provider(s).	By the 19th of the month following the deduction from pay

Make strain/shortfall payments to the Fund in respect of early payment of benefits from flexible retirement, redundancy or business efficiency retirement or where a member retires early with employer's consent.	Within 5 working days of receipt of invoice from Peninsula Pensions
Remit recharge payments in respect of pension members – e.g. Discretionary Compensation/Enhancement.	Within 5 working days of receipt of invoice from Peninsula Pensions
Payments in respect of FRS102 and IAS19 work carried out on behalf of Employers by the Fund and the Fund Actuary.	Within 5 working days of receipt of invoice from Peninsula Pensions
Payments in respect of all other work carried out on behalf of the Employer by the Fund's Actuary and connected data quality assurance undertaken by the Fund.	Within 5 working days of receipt of invoice from Peninsula Pensions
Prompt payment of invoices issued by the Fund for specific services provided e.g. admission agreement work.	Within 5 working days of receipt of invoice from Peninsula Pensions
Make payment of additional costs to the Fund associated with non-compliance with performance standards of the scheme employer.	Within 5 working days of receipt of invoice from Peninsula Pensions

3. Year-End Return

Function/Role	Performance Target
Completing the Year-End Return - Provide a fully reconciled and completed Year-End Return to the Fund in the format stipulated in the instructions issued each February.	By 19th April following the year-end unless employers are notified of an alternative date by the Fund
To resolve all queries returned from the Year-End Return.	To respond fully to all queries from the Fund within 3 weeks of receipt of the query. In circumstances where an employer submits a late year-end return limiting the Fund's time to complete its duties, the timescales may be reduced, as advised by the Fund

4. Scheme Members Information

Function/Role	Performance Target
To notify Peninsula Pensions of all new scheme members, changes in personal details, e.g. name, working hours via Interface or Employer Self Service.	1 month
On cessation of membership determine the reason for retirement, final pay for calculating pre 2014 benefits and CARE pay for post 2014 benefits as appropriate. NB Where an employee is suffering from a Terminal Illness and limited life expectancy, employers should contact Peninsula Pensions for guidance without delay.	For members in receipt of regular pay, where the employer can accurately project pay to the date of retirement, up to 1 month prior, or within 1 week following final pay period. Leavers under age 55 within 1 month following final payday
Apply a scheme members election to opt out of the LGPS to the member's payroll record. Notify Peninsula Pensions in line with the process for leavers, as stated above.	Election applies from the 1st of the month for the next available payroll, except where an opt-out is made within 3 months of an employee joining the scheme. In such cases the opt-out is backdated to the joining date and all contributions refunded directly.
Where a member dies in service - determine final pay for calculating pre 2014 benefits and CARE pay for post 2014 benefits as appropriate.	Within 1 week of final pay period
Provide monthly CARE data within required format.	Within 2 weeks of pay run
Ensure members are notified of the option to pay Additional Pension Contributions following absences not covered by APP.	Within 2 weeks of the return to work
Apply/adjust/cease the deduction of Additional Pension Contributions following an APC application from a scheme member and forward information via Interface or ESS to Peninsula Pensions.	In the month following receipt of election from scheme member or notification from the Fund
Notify Peninsula Pensions of periods of unpaid absence not covered by Assumed Pensionable Pay (APP).	Within 1 month
Arrange for the deduction of AVCs from scheme member's pay following election.	Commence deduction of AVCs in month following the month of election, as advised by AVC Provider

Provide end-of-year data within required format.	By date specified by Fund January each year
In line with General Data Protection Regulations (GDPR) an employer will protect information relating to a member contained in any item issued by Peninsula Pensions from improper disclosure. They will only use information supplied or made available by Peninsula Pensions for the LGPS.	Ongoing requirement

5. Peninsula Pensions

To complete cases in-line with the Disclosure Regulations, with at least 90% of cases completed within the internal targets.

Peninsula Pensions Responsibility	Disclosure regulations / Legal Requirement	Internal Targets
To accurately record and update member records on pension administration systems.	Within 3 months of effective date of change	2 weeks
To produce a statutory notification and forward to member's home address, together with information relating to the LGPS including how to request a transfer, inform us of previous service, and complete an expression of wish form.	Within 2 months of joining the scheme or within 2 months of request being made	1 month
To process employer year-end contribution returns and provide consolidated and grouped error reports for action by employers.	n/a	3 months
To produce annual benefit statements for all active members as at the preceding 31 March and notify electronically or by post to member's home address.	31 st August	31 st July
To produce annual benefit statements for all preserved members, as at the preceding 31 March, and notify electronically or by post to member's home address.	31 st August	30 th June
To provide information and quotations to scheme member about additional voluntary contribution (AVC) options.	Within 2 months of request being made	Within 10 working days
To provide information and quotations to a scheme member on the option of making Additional Pension Contributions (APCs).	Within 2 months of request being made	Within 10 working days
To produce retirement estimates for employers, once in receipt of all the necessary information.	Within 2 months of request being made	Within 10 working days

To accurately record and update member records on pension administration systems for those members leaving the scheme, without entitlement to immediate payment of benefits. Provide them with the options available and deferred benefit entitlement.	Within 2 months of receiving notification that pensionable service has ended or within 2 months of a request	Within 1 month
To accurately calculate and inform the member of the options available to them upon retirement.	Within 1 month following date benefit becomes payable (2 months if retiring before normal pension age)	10 working days from receiving all information from employer
Upon receipt of members completed retirement forms finalise pension records and authorise payment of lump sum and set up of payroll record.	n/a	Within 10 working days
Under the General Data Protection Regulations 2018 Peninsula Pensions will protect information relating to a member contained on any item issued by them or received by them from improper disclosure.	n/a	Ongoing requirement, online security within databases regularly reviewed
Each Administering Authority is responsible for exercising the discretionary powers given to it by the regulations. The Administering Authority is also responsible for publishing its policy to its members in respect of the key discretions as required by the regulations.		Peninsula Pensions will maintain links to these discretions on their website
Notification of Pension Fund Triennial Valuation results including contribution rates.		Assuming information provided by Actuaries provisional results December following valuation, with final results the following March

If you need more information or a different format phone 0843 155 1015, email customer@devon.gov.uk text 80011 (start your message with the word Devon) or write to Devon County Council, County Hall, Topsham Road, Exeter EX2 4QD



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