

Devon Pension Fund

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Devon Fund Overview



- Devon County Council is the Administering Authority of the Fund and delegates management of the Fund to the Investment & Pension Fund Committee.
- Total size of fund = £3.0 billion (as at 31 March 2013).
- Over 160 employers paying into the fund.
- Over 90,000 members of the Pension Scheme, comprising contributors, pensioners and deferred pensioners.
- Funds invested into equities, bonds, etc. by external investment managers.
- Actuarial review of the Fund every three years to determine funding level.

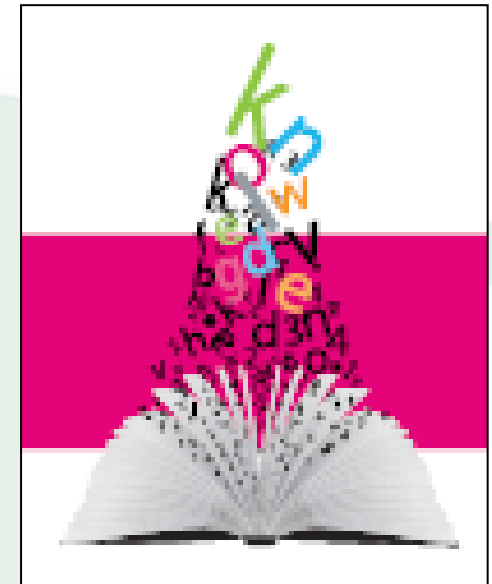
Committee Effectiveness

- Most areas of focus are well covered by the Committee. The need for a greater focus on risk management and liabilities has been highlighted by Grant Thornton.
- Pensions admin performance included in Annual Report, but perhaps a need for more reporting to Committee.
- The Committee will need to review how it works, particularly in the light of changes in regulations.



Knowledge and Skills

- Regular training has been provided for Committee members.
- CIPFA Code of Practice adopted on 28 February.
- Assessment of training needs to be undertaken, and a plan implemented.
- Specific training has been provided in advance of proposed changes to investment strategy.



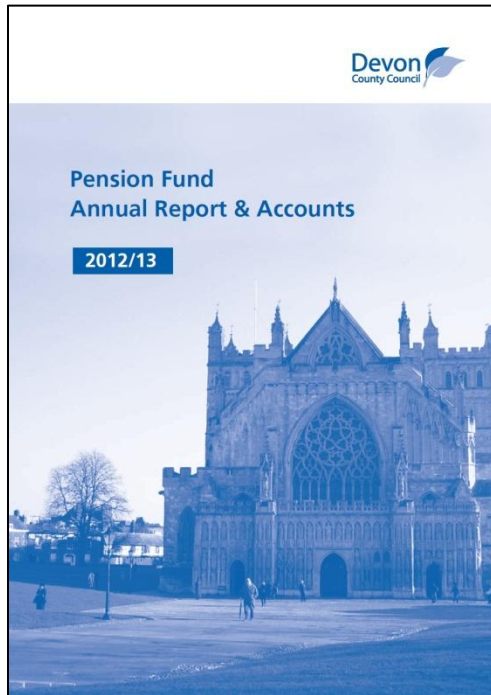
Annual Report and Statutory Statements

- 2012/13 Annual Report now available on-line

<http://www.peninsulapensions.org.uk/wp-content/uploads/2013/10/Pension-Fund-AR-2013.pdf>

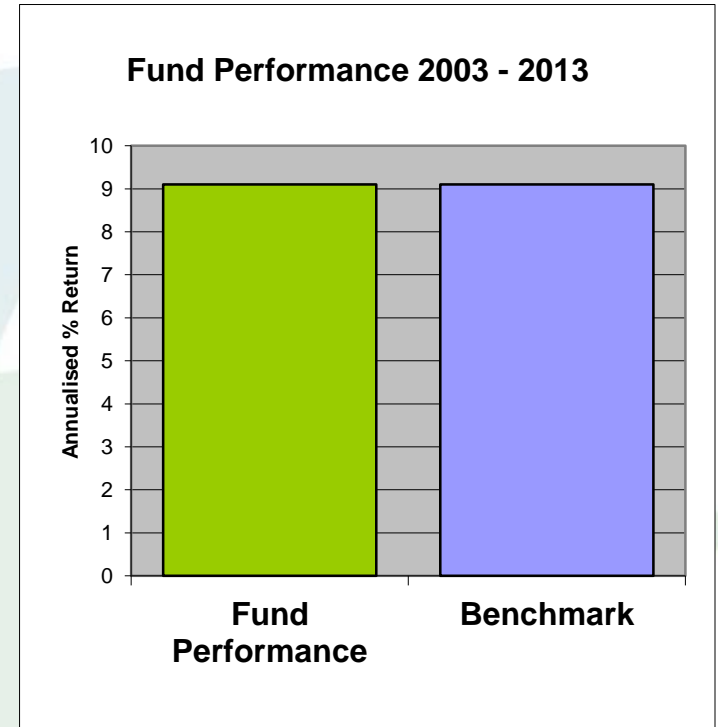
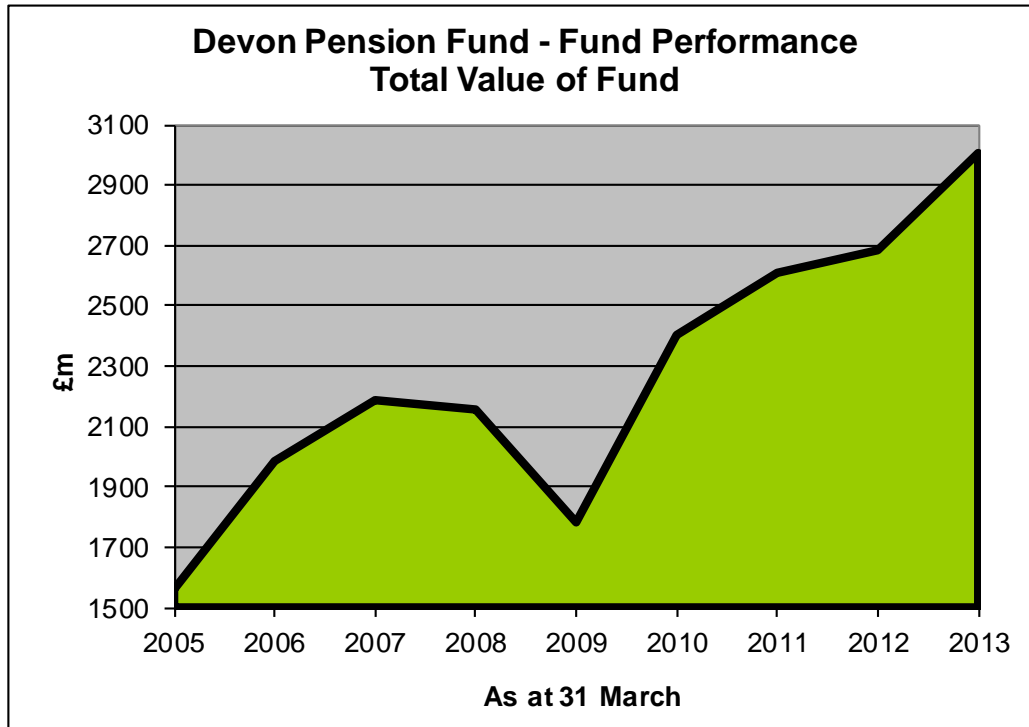
- Revised Governance Policy and Compliance Statement

<http://www.peninsulapensions.org.uk/wp-content/uploads/2013/09/Devon-Pension-Fund-Governance-Policy.pdf>



- Governance Compliance Statement shows minor areas of partial compliance e.g. employee reps do not have voting rights.
- Devon County Council Annual Governance Statement only makes passing reference to the Pension Fund.
- No separate Annual Governance Statement is produced for the Pension Fund. This may be an issue to consider.

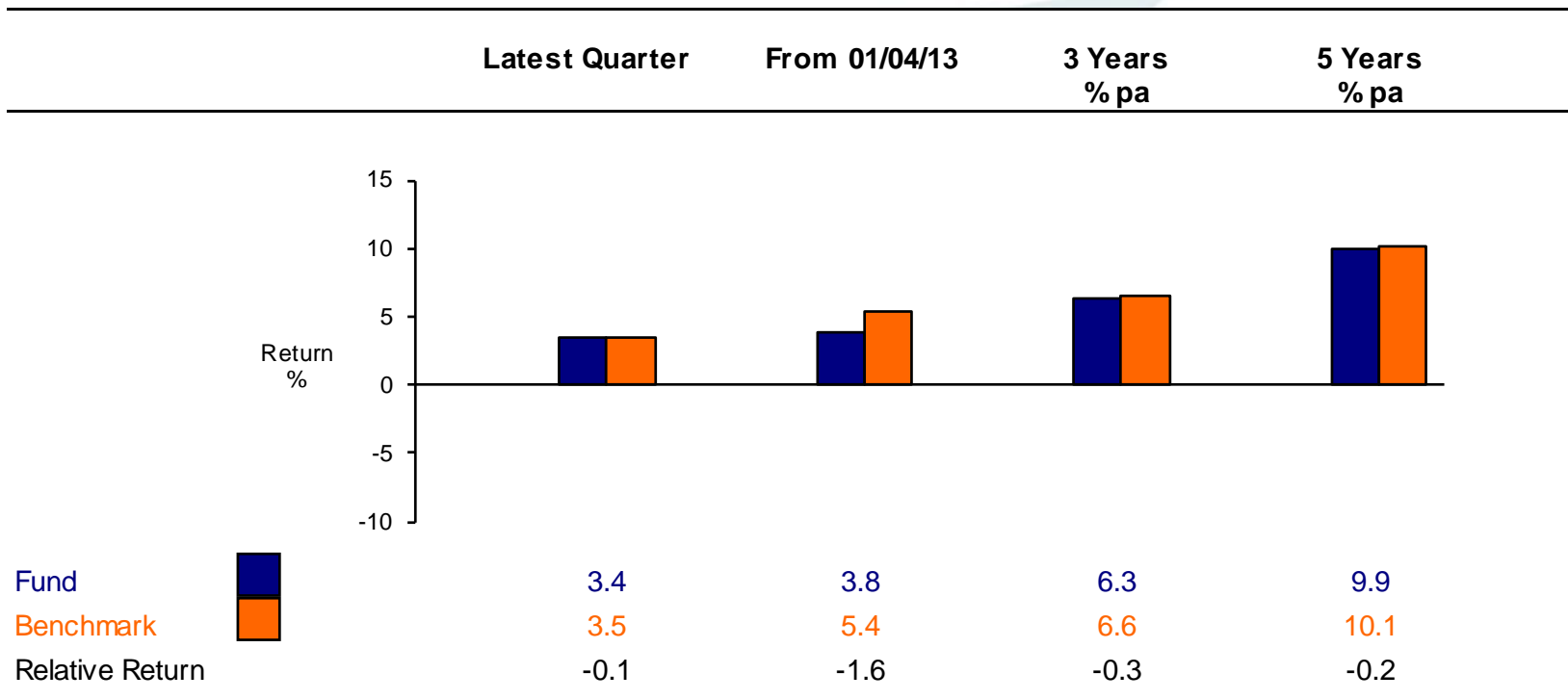
Fund Performance



- Total fund performance 2012/13 = 12.3%
- Annualised return of 9.1% per year over the last 10 years, in line with the Fund benchmark.

Fund Performance

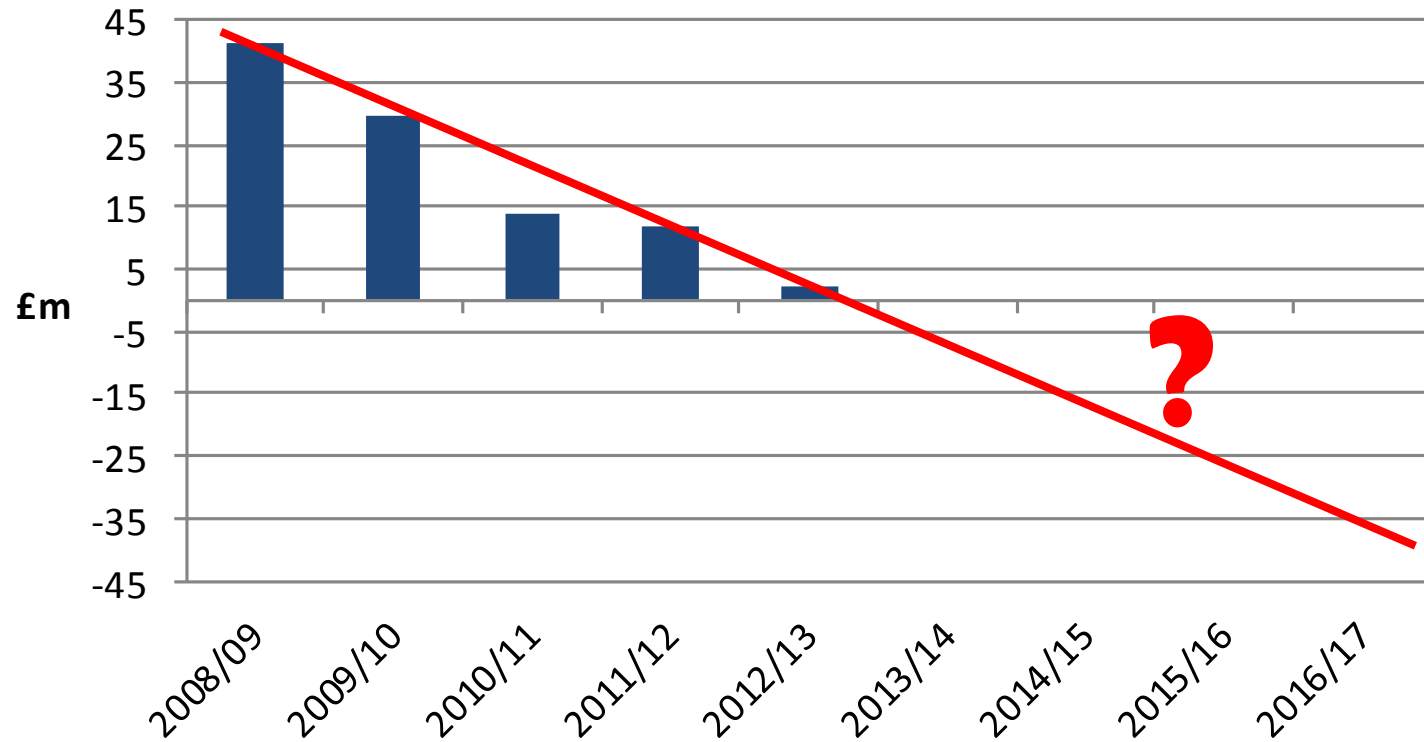
Performance to 31 December 2013



- Disappointing return for financial year to date.
- A reasonable performance in the final quarter should take the rolling 3 year and 5 year performance back in line with benchmark.

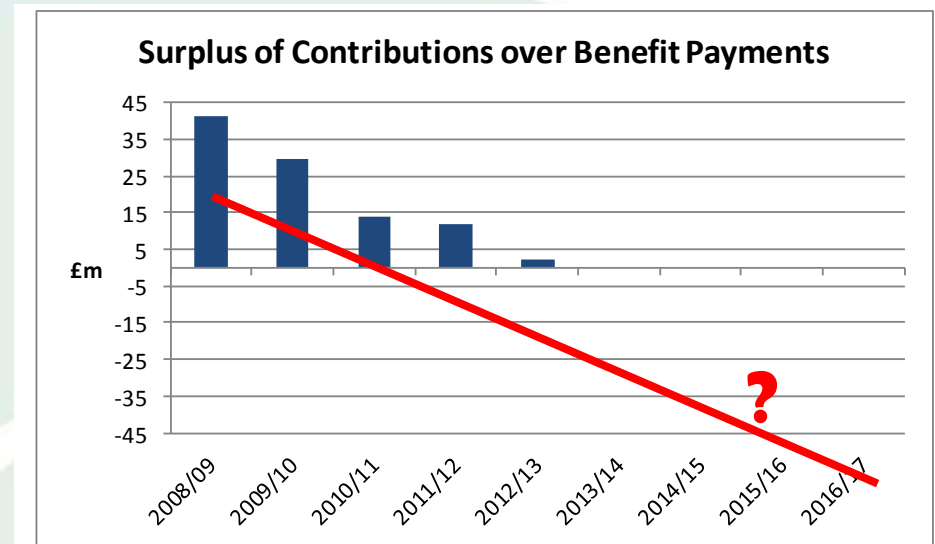
Fund Cashflow

Surplus of Contributions over Benefit Payments



Investment Strategy

- Funding level represents assets as a % of liabilities.
- Funding level increased to 83% in 2013.
- Likely to be cashflow negative in 2013/14.
- Investment income will need to be used to meet shortfalls – this may necessitate a change of strategy going forward.



- Change in asset allocation in 2012, with allocation to DGFs – aim to reduce volatility.
- Minor amendment in 2013 with increased allocation to Infrastructure – returns linked to inflation; income yield.
- Current asset allocation: Equities 55%; Fixed Interest 16%; DGFs 15%; Property 10%; Infrastructure 4%.
- Income from property and infrastructure not reinvested by managers, and is available to pay benefits.
- No specific liability matching – something to consider further?

Costs and Savings

- Creation of Peninsula Pensions as shared admin service with Somerset.
- Use of national framework for Custody service.
- Costs benchmarked against other LGPS funds.
- Headline figures fairly meaningless as funds are of difference sizes.



Risk Management and Audit

- Risk reporting to Committee could be improved.
- Combined Risk Register for Fund to be produced and taken to a future Committee meeting.
- Work of Internal Audit being expanded to cover investments in addition to pension payments and contributions.
- An Audit Plan will be taken to the next meeting of the Investment and Pension Fund Committee.

Looking Ahead



- The Pension Fund has a long term horizon over which to invest.
- The Fund needs to adapt to a changing world and increasing volatility of markets.
- Negative cashflow (contributions less benefits) needs to be factored into investment strategy.
- Greater emphasis on cost savings (proposals for mergers / greater collaboration).
- Long term performance is still the overriding objective.