

Democratic Services

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Date: 29 October 2015

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To: All Members of the Pension Board

Howard Pearce

Gaynor Fisher

Steve Harman

Tom Renhard

David Yorath

Chief Executive and other appropriate officers

Press and Public

Dear Member

Pension Board: Thursday, 5th November, 2015

You are invited to attend a meeting of the **Pension Board**, to be held on **Thursday, 5th November, 2015** at **2.00 pm** in the **Council Chamber - Guildhall, Bath**.

The agenda is set out overleaf.

Yours sincerely

Sean O'Neill
for Chief Executive

If you need to access this agenda or any of the supporting reports in an alternative accessible format please contact Democratic Services or the relevant report author whose details are listed at the end of each report.

This Agenda and all accompanying reports are printed on recycled paper

NOTES:

- 1. Inspection of Papers:** Any person wishing to inspect minutes, reports, or a list of the background papers relating to any item on this Agenda should contact Sean O'Neill who is available by telephoning Bath 01225 395090 or by calling at the Riverside Offices Keynsham (during normal office hours).
- 2. Public Speaking at Meetings:** The Council has a scheme to encourage the public to make their views known at meetings. They may make a statement relevant to what the meeting has power to do. They may also present a petition or a deputation on behalf of a group. Advance notice is required not less than two full working days before the meeting (this means that for meetings held on Wednesdays notice must be received in Democratic Services by 4.30pm the previous Friday)

The public may also ask a question to which a written answer will be given. Questions must be submitted in writing to Democratic Services at least two full working days in advance of the meeting (this means that for meetings held on Wednesdays, notice must be received in Democratic Services by 4.30pm the previous Friday). If an answer cannot be prepared in time for the meeting it will be sent out within five days afterwards. Further details of the scheme can be obtained by contacting Sean O'Neill as above.

- 3. Details of Decisions taken at this meeting** can be found in the minutes which will be published as soon as possible after the meeting, and also circulated with the agenda for the next meeting. In the meantime details can be obtained by contacting Sean O'Neill as above.

Appendices to reports are available for inspection as follows:-

Public Access points - Riverside - Keynsham, Guildhall - Bath, Hollies - Midsomer Norton, and Bath Central, Keynsham and Midsomer Norton public libraries.

For Councillors and Officers papers may be inspected via Political Group Research Assistants and Group Rooms/Members' Rooms.

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- 5. Attendance Register:** Members should sign the Register which will be circulated at the meeting.

6. THE APPENDED SUPPORTING DOCUMENTS ARE IDENTIFIED BY AGENDA ITEM NUMBER.

7. Emergency Evacuation Procedure

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Arrangements are in place for the safe evacuation of disabled people.

Pension Board - Thursday, 5th November, 2015
at 2.00 pm in the Council Chamber - Guildhall, Bath

A G E N D A

1. EMERGENCY EVACUATION PROCEDURE
2. APOLOGIES FOR ABSENCE
3. DECLARATIONS OF INTEREST
4. TO ANNOUNCE ANY URGENT BUSINESS AGREED BY THE CHAIR
5. ITEMS FROM THE PUBLIC
6. ITEMS FROM MEMBERS
7. MINUTES OF PREVIOUS MEETING (Pages 7 - 12)
8. AVON PENSION FUND COMMITTEE MINUTES (Pages 13 - 28)

The public and exempt minutes of the meeting of the Avon Pension Fund Committee Investment Panel of 11 September 2015 are attached.

If the Board wishes to discuss the exempt minutes it should go into exempt session.

The minutes of the meeting of the Avon Pension Fund Committee of 25 September 2015 are also attached.
9. LGPS DEVELOPMENTS AND UPDATES (Pages 29 - 32)
10. TRAINING PLAN UPDATE (Pages 33 - 48)
11. CONFLICTS OF INTEREST POLICY (Pages 49 - 60)
12. REGULATORY BREACHES POLICY (Pages 61 - 70)

13. ANNUAL REPORT AND FINANCIAL STATEMENTS (Pages 71 - 220)
14. ADMINISTRATION STRATEGY (Pages 221 - 266)
15. AVON PENSION FUND WORK PLANS (Pages 267 - 278)
16. PENSION BOARD WORK PLAN (Pages 279 - 286)

The Committee Administrator for this meeting is Sean O'Neill who can be contacted on 01225 395090.

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BATH AND NORTH EAST SOMERSET

PENSION BOARD

Thursday, 30th July, 2015

Present:- Howard Pearce (Chair), Steve Harman (Employer Representative), Tom Renhard (Member Representative) and David Yorath (Member Representative)

Also in attendance: Andrew Pate (Strategic Director, Resources), Tony Bartlett (Head of Business, Finance and Pensions), Jeff Wring (Head of Audit West), Liz Woodyard (Investments Manager) and Geoff Cleak (Pensions Benefits Manager)

1 APPROVAL OF APPOINTMENT OF CHAIR

The Strategic Director of Resources invited Members to approve the appointment of Howard Pearce as the Independent Chairman of the Local Pension Board in accordance with the Board's Terms of Reference.

RESOLVED to approve the appointment of Howard Pearce as Independent Chairman of the Local Pension Board.

2 EMERGENCY EVACUATION PROCEDURE

The Democratic Services Officer read out the procedure.

3 APOLOGIES FOR ABSENCE

Apologies were received from Gaynor Fisher (Employer Representative).

4 DECLARATIONS OF INTEREST

There were none.

5 TO ANNOUNCE ANY URGENT BUSINESS AGREED BY THE CHAIR

There was none.

6 ITEMS FROM THE PUBLIC - TO RECEIVE DEPUTATIONS, STATEMENTS, PETITIONS OR QUESTIONS

There were none.

The Strategic Director of Resources advised it was possible that members of the public might not understand the role of the Board and might in future wish to make statements or ask questions that should properly be directed to the Committee, such as investment policy.

7 ITEMS FROM MEMBERS

There were none.

8 INTRODUCTION OF MEMBERS OF THE LOCAL PENSION BOARD

Members of the Board introduced themselves.

The Chair said that he had been a member of the LGPS for over 30 years and is now an LGPS pensioner. Between 2003-2013 he had been the Head of Pension Fund Management for the Environment Agency and member of the national LGPS policy group. Since retiring he is now the Independent Chair of two other Local Pension Boards and had done some part time consultancy for the national LGPS Shadow Scheme Advisory Board.

Tom Renhard said that his recent background has been in representation, where he had championed varying welfare issues on behalf of the 27,000 strong student body at The Students' Union at UWE (formerly UWE Students' Union). This included a year as the Vice-President Community and Welfare, where he also sat as a Director and Trustee to the Charity, assisting in shaping the work of the Students' Union and scrutinising its finances and governance structures, laying out an initial timetable for a governance review. He is also currently part of the Bristol Independent Mental Health Network (BIMHN), which focuses on the representation of people accessing Mental Health services in Bristol. As part of this role he had also been developing their governance structures in order to maximise the effectiveness of the organisation in delivering its aims and aspirations.

Steve Harman said that he was a qualified CIPFA account and Manager with over 30 years' experience working in a number of local authorities both County and Unitary Councils, all of which are members of the Avon Pension Fund, of which he had been an individual member since he started work. He added that he had a keen interest in all aspects of the public sector and in particular governance issues, and was a former School Governor and board member of a local voluntary sector organisation.

David Yorath said that he was a pensioner member of Avon Pension Fund. He had fifteen years' experience as an elected member, during which time he was the lead member for the LGPS for Islington Council. He represented the Association of Metropolitan Authorities on the UK Steering Committee for Public Sector Pensions, which was then the consultative body for employers. He was a founder director of PIRC (Pension Investment Research Consultants), an independent corporate governance and shareholder advisory consultancy. He worked as a senior officer in local government for 20 years, most recently in Bristol. He is a Governor of Cotham Academy Trust, which is an Admitted Body in the Avon Pension Fund. He is a qualified CIPFA accountant and a member of CIPFA's Academies, Colleges and Universities Advisory Panel.

The Chair noted that the appointment of two additional Members, an employer representative and a member representative, were being finalised.

9 ADOPTION OF TERMS OF REFERENCE

The Head of Audit West presented the report. He said the terms of reference were agreed by Bath and North East Somerset Council at its meeting of 15th January 2015. The Board was required to formally adopt them.

A Member asked whether the Board was able to amend the Terms of Reference. The Head of Business, Finance and Pensions replied that the Terms of Reference were set by Bath and North East Somerset Council. It was possible that the ToR would need to change in the future in response to national regulations and guidance.

The Chair said that he hoped there would be a positive and collaborative relationship between the Board and the Committee. He noted that Members of the Board had a standing invitation to attend meetings of the Avon Pension Fund Committee and the Investment Panel as observers.

The Strategic Director of Resources said that officer support could be provided to facilitate meetings between the Board and Committee Chairs.

The Chair said that thought would need to be given to how the Board could measure its success and a paper with some proposals should come to a future meeting.

RESOLVED to adopt the Terms of Reference attached as Appendix 1 to the report.

10 ROLE OF LOCAL PENSION BOARD

The Head of Audit West presented the report. He said that the report could have been much longer, but he wanted to get something into the public domain as quickly as possible.

RESOLVED to note the report.

11 CODE OF CONDUCT AND CONFLICTS OF INTEREST

The Head of Audit West presented the report. He explained that at the heart of the Code of Conduct were the seven principles of public life. He said that Members would need to register their interests, which would be included in the Council's public register of interests. In response to a question from a Member, he said that the Code of Conduct would not change, but the declaration form might be revised in due course in the light of experience. The declaration form and the guidance notes would be emailed to Members shortly.

RESOLVED

1. To adopt the Code of Conduct attached as Appendix 1.
2. To request a further report back on conflicts of interest at the next meeting of the Board highlighting any specific changes or separate policy it should adopt in line with the requirements of the Pensions Regulator.

12 AVON PENSION FUND COMMITTEE MINUTES AND KEY DECISIONS

The Head of Audit West presented the report.

It was agreed that Board Members would receive email notifications of the publication of Committee and Panel agendas and minutes.

RESOLVED to note the report.

13 TRAINING PLAN

The Head of Audit West presented the report.

RESOLVED to note the proposals to develop a training plan and to agree that Pension Board members should complete a training needs self-assessment proforma to inform the training plan so it could be submitted to the next meeting.

14 WORK PLAN

The Head of Audit West presented the report.

Copies of the rolling workplans for the Committee, Panel and Officers of the Avon Pension Fund were distributed to Members. The Head of Business, Finance and Pensions said that these were included with the agenda for each Committee meeting and would allow the Board to be aware of what the Fund was planning to do.

The Chair said that one approach might be for the Board to align its own work with that of the Fund and its key risks. He suggested that the Board might have its own rolling workplan looking further than one year ahead. He felt that over time the Board would develop a sense of where it might help the Fund.

A Member said that he hoped that officers would guide the Board on the areas where the Board could give feedback and add value.

The Strategic Director of Resources said that the Board should bear in mind that its role was to scrutinise the work of the Fund at one level removed; it should consider whether the Fund was doing things it should not be doing or not doing things it should be doing, and whether there were issues on the horizon that the Fund needed to address. He suggested that the Board needed to avoid becoming bogged down in the details of the ongoing work of the Fund.

The Chair noted that an important function of the Board was to monitor compliance with the Code of the Pensions Regulator.

RESOLVED to note the report and proposals to develop a draft work plan for discussion at the next meeting.

15 DATE OF NEXT MEETING

NOTED that the next meeting of the Board is scheduled for Thursday, 5 November 2015 at 2pm.

The meeting ended at 3.59 pm

Chair(person)

Date Confirmed and Signed

Prepared by Democratic Services

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AVON PENSION FUND COMMITTEE - INVESTMENT PANEL

Minutes of the Meeting held

Friday, 11th September, 2015, 2.00 pm

Members: Councillor Christopher Pearce (Chair), Councillor David Veale, Councillor Cherry Beath, Ann Berresford and Councillor Mary Blatchford

Advisors: Tony Earnshaw (Independent Advisor), Steve Turner (Mercer) and James Giles (Mercer)

Also in attendance: Tony Bartlett (Head of Business, Finance and Pensions), Liz Woodyard (Investments Manager) and Matthew Clapton (Investments Officer)

1 EMERGENCY EVACUATION PROCEDURE

The Democratic Services Officer read out the procedure.

2 DECLARATIONS OF INTEREST

There were none.

3 APOLOGIES FOR ABSENCE AND SUBSTITUTIONS

Apologies were received from Shirley Marsh.

4 TO ANNOUNCE ANY URGENT BUSINESS AGREED BY THE CHAIR

There was none.

5 ITEMS FROM THE PUBLIC - TO RECEIVE DEPUTATIONS, STATEMENTS, PETITIONS OR QUESTIONS

Two questions had been submitted by Virginia Williamson of Transition Bath. These and the answer provided by officers were:

1. *What is the size of the Avon Pension Fund's investment in fossil fuels, including exploration?*

The Fund has approximately 1.2% of its assets invested in fossil fuel companies or c. £44m.

2. *How much does the APF invest in renewable energies, including their research?*

The Fund does not allocate directly to renewables. The investment managers can invest in both renewable energy and research into renewables through the stocks that they hold in their portfolios.

At the invitation of the Chair, Ms Williamson made a statement about her background and how she had come to raise these questions. The Head of Business, Finance

and Pensions informed Ms Williamson that the Committee would be conducting a review of its responsible investment policy over the next twelve months, commencing with a paper that would be on the agenda of the next meeting on 25 September. Issues like the ones that Ms Williamson had raised would be considered as part of the review.

6 ITEMS FROM COUNCILLORS AND CO-OPTED AND ADDED MEMBERS

There were none.

7 MINUTES: 4 MARCH 2015

These were approved as a correct record and signed by the Chair.

8 MANAGING LIABILITIES

The Investment Manager presented the report. She said that the two main means of managing a gap between the Fund's liabilities and its investment assets to meet those liabilities were generating more income / capital through the Investment Strategy or by raising the level of employer contributions. Mercer had produced a presentation on investment options and possible ways of managing this investment risk. The Panel was being invited to explore these issues before decisions were taken by the Committee.

Mr Turner gave a presentation based on the Mercer document that had been circulated with the agenda. He explained the possible options as to how the Fund could more effectively manage the risk that the mismatch between liabilities and assets posed to the Fund. The concept of leverage was explained in detail.

The Chair asked for clarification of the discount rate. He wondered whether it meant that future liabilities were calculated at present cash value and, secondly, whether the amount of bonds held would need to vary inversely to the level of interest rates. Mr Turner confirmed both of these suggestions.

There was discussion about the future trend of interest rates. The Head of Business, Finance and Pensions pointed out that political, rather than purely market factors, would have a major impact on the trend. Mr Turner said that markets had already priced in an expected rise in interest rates.

After discussion, the Panel felt that it was not able to make firm recommendations to the Committee at this time, and that they should consider Mercer's proposals again at a future meeting. Members agreed with the suggestion of the Investments Manager that a presentation by an investment manager on how such strategies including leverage worked would be useful.

RESOLVED

1. To request that further work be done on Mercer's proposals on an investment risk management framework and that they should appear on the agenda of a future meeting of the Panel.

2. To increase the allocation to Index Linked Gilts to the maximum permitted, funding the switch from fixed interest gilts.
3. To invite one of the Fund's investments manager to present to the Panel on how leverage works.

9 REVIEW OF STRATEGIC HEDGING OF CURRENCY EXPOSURE

RESOLVED that the Committee having been satisfied that the public interest would be better served by not disclosing relevant information, the public shall be excluded from the meeting during the discussion of this item, in accordance with the provisions of section 100(A)(4) of the Local Government Act 1972, because of the likely disclosure of exempt information as defined in paragraph 3 of Part 1 of Schedule 12A of the Act as amended.

The Investment Manager presented the report.

After discussion, Members **RESOLVED** to made recommendations to the Committee.

The meeting returned to open session.

10 INVESTMENT REPORT

The Investments Manager presented the report. She said that there no major issues to report to the Panel at the moment. The headline figures were given in paragraph 3 of the covering report. The latest funding position was not available at present, but would be given in the report to the next Committee meeting. She drew attention to Appendix 4 dealing with performance reporting of Partners Overseas Property Mandate; it was proposed to make changes to Partners' benchmarks as explained on agenda page 227 in order that the benchmark and performance target more accurately reflected the assets held within the portfolio.

Mr Turner commented on the Mercer investment report.

No issues arising from the investment report were identified for reporting to the Committee.

RESOLVED to note the information set out in the reports.

11 WORKPLAN

The Investments Manager presented the report.

It was noted that the next meeting of the panel was scheduled for 18 November 2015.

The Investments Manager suggested that the Meet the Managers Workshop should take place in November, and said that proposed dates would be circulated to Members.

RESOLVED

1. To note the workplan to be included in the Committee papers.
2. To note the proposed manager meeting schedule for the Panel.

The meeting ended at 4.42 pm

Chair(person)

Date Confirmed and Signed

Prepared by Democratic Services

By virtue of paragraph(s) 3 of Part 1 of Schedule 12A
of the Local Government Act 1972.

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Minutes of the Meeting held

Friday, 25th September, 2015, 2.00 pm

Bath and North East Somerset Councillors: David Veale (Chair), Christopher Pearce (Vice-Chair), Paul Myers and Cherry Beath

Co-opted Voting Members: Councillor Steve Pearce (Bristol City Council), Councillor Mary Blatchford (North Somerset Council), Cllr John Goddard (South Gloucestershire Council), William Liew (HFE Employers), Richard Orton (Trade Unions), Ann Berresford (Independent Member) and Shirley Marsh (Independent Member)

Co-opted Non-voting Members: Cheryl Kirby (Parish and Town Councils) and Wendy Weston (Trade Unions)

Advisors: Steve Turner (Mercer), Tony Earnshaw (Independent Advisor) and Paul Marsland (Manifest)

Also in attendance: Tony Bartlett (Head of Business, Finance and Pensions), Liz Woodyard (Investments Manager), Matt Betts (Assistant Investments Manager), Geoff Cleak (Pensions Benefits Manager), Martin Phillips (Finance & Systems Manager (Pensions)) and Alan South (Technical and Development Manager)

20 EMERGENCY EVACUATION PROCEDURE

The Democratic Services Officer read out the procedure.

21 APOLOGIES FOR ABSENCE AND SUBSTITUTIONS

Apologies were received from Cllr Shaun McGall, Cllr Mike Drew and Steve Paines.

22 DECLARATIONS OF INTEREST

There were none.

23 TO ANNOUNCE ANY URGENT BUSINESS AGREED BY THE CHAIR

There was none.

24 ITEMS FROM THE PUBLIC - TO RECEIVE DEPUTATIONS, STATEMENTS, PETITIONS OR QUESTIONS

Questions were received from Susan Johnson, a Fund member and from Fossil Free Bristol. The questions and answers are set out in the Appendix to these minutes.

Richard Lawrence of Fossil Free Bristol also made the following statement:

We are pleased to see that Bristol Unison now support our campaign, as well as Transition Bath, and we continue to work to bring light to our campaign across the Avon area. And in the global fossil fuel divestment campaign, we can report that so far more than 400 institutions and 2,000 individuals have pledged to divest from fossil fuels. Recent notable commitments include the California Public Employees' Retirement System, the Norway Pension Fund, the Canadian Medical Association, the World Council of Churches, the University of California, Leonardo DiCaprio and the Leonardo DiCaprio Foundation.

25 ITEMS FROM COUNCILLORS AND CO-OPTED AND ADDED MEMBERS

Two questions were submitted by Councillor Lin Patterson. These and the answers to them determined at the meeting are included in the Appendix.

26 MINUTES: 26 JUNE 2015

The public and exempt minutes of the meeting of 26 June 2015 were approved as a correct record and signed by the Chair.

27 AUDITED STATEMENT OF ACCOUNTS, ANNUAL GOVERNANCE REPORT & ANNUAL REPORT - 2014/15

The Finance & Systems Manager (Pensions) presented the report. He invited the Committee to note the final audited Statement of Accounts before their submission to the Corporate Audit Committee. He said that only significant change since the draft accounts were presented to the June meeting of the Committee was a refund of contributions overpaid by Bristol City Council, which reduced the stated net value of the Fund by £4.542m. An overpayment of £2.188m had been known to the Fund at 31 March 2015. The discovery of the first overpayment had led Bristol City Council to review their systems, and a second overpayment of £2.388m had come to light as a result of this review. Because contributions are monitored against pensionable pay, Pensions officers had thought that BCC was overpaying and had alerted them to the issue.

Mr Morris commented on the Annual Governance Report, which was circulated as part of a supplement to the agenda. All controls were rated green, apart from an issue relating to journals (supplement page 54), which was rated as amber. In a reply to a question from a Member, he confirmed that the auditors were satisfied with the separation of the Fund's banking arrangements from those of the Council. Responding to a question from a Member about the auditor's recommendation to separate the Pensions accounts from the Council's within the ledger system, the Head of Business, Finance and Pensions said that an assessment would have to be made of the complexity of extracting and separating the Fund's accounts, adding that there was an ongoing national debate about further separating LGPS Funds from their administering authorities and increasing their independence.

The Letter of Representation from the S151 Officer to the Auditor was circulated and approved at the meeting.

The Finance & Systems Manager (Pensions) invited Members to approve the Annual Report.

RESOLVED

1. To note the final audited Statement of Accounts for 2014/15.
2. To note the issues raised in the Annual Governance Report.
3. To approve the draft Avon Pension Fund Annual Report 2014/15.

28 ANNUAL RESPONSIBLE INVESTMENT REPORT

The Investment Manager presented the report.

Paul Marsland gave a presentation on Manifest's Monitoring Review of Shareholding Voting 2014 (Appendix 2 to the report).

A Member said that he found it difficult to see what concrete benefit had emerged from shareholders raising issues, as companies rarely seemed to modify their policies as a result. Many companies were owned by large institutions, who responded to market events, not issues raised by shareholders. Mr Marsland replied that it was important to consider the whole context in which company investment decisions took place; the voting record was only one aspect.

Another Member suggested that better reporting was needed from investment managers in relation to asset valuations in particular. Company reporting of assets could be very misleading. For example, an oil company might report 40-50 years of extractable reserves, whereas in 20 years' time most cars would be electric. Similar concerns applied to banks' valuation of their property valuations. He would like to see evidence of how our investment managers engaged with companies to interrogate their valuation of their assets. The Investments Manager replied that these issues were pursued through LAPFF, and could be raised in meetings the Investment Panel have with managers. The Member responded that it was important that the Fund's stakeholders knew that the Fund was engaging with these issues.

RESOLVED to approve the Responsible Investment Report for 2014/15.

29 LGPS UPDATE - POOLING OF INVESTMENTS

The Head of Business, Finance and Pensions presented the report. He said that the Government had returned to this theme in the July budget statement. He believed that the LGPS schemes in the South West had a good record of co-operation, but it was now inevitable that LGPS funds would be required to have some form of pooled investment arrangements. Funds were expected to produce their own proposals this autumn, with formal agreement of the proposals in January/February 2016. Members were invited to approve in principle the setting up of a South West Collective

Investment Vehicle and to authorise officers to continue work with neighbouring funds to develop proposals for such a vehicle.

A Member asked whether Funds would be required to merge. The Head of Business, Finance and Pensions replied that there was nothing specific from Government about this at the moment. The Member said that he would be concerned about the ability of very large funds to move the market. A Member was concerned that these proposals had progressed so far without any consultation with the funds. He believed that governance structure should be looked at first. The Head of Business, Finance and Pensions agreed that governance was critical. The Investment Manager said that the Government would consult on the regulations, but would not consult on the principle of collective investment. They were simply going to instruct funds to do it.

After discussion Members felt it was premature to approve a collective investment vehicle in principle and requested that this recommendation be withdrawn.

RESOLVED to authorise the S151 Officer to continue work with neighbouring funds in the South West to explore proposals for a South West Collective Investment Vehicle or alternative.

30 REVIEW OF RESPONSIBLE INVESTING POLICY - SCOPE

The Investment Manager presented the report.

A Member suggested that the scope should be amended to indicate that representations made to the Committee from the public, of the kind received today, would be taken into consideration. He also asked whether £25,000 was sufficient for a review of this kind. The Investment Manager said that the fee was that indicated by Mercer. A Member suggested that paragraph 5.2 of the report was broad enough to include representations from the public without a specific reference to them. It was agreed that the scope was broad enough and did not to require a specific reference to them.

RESOLVED

1. To agree the scope for the Review of the Responsible Investing Policy as set out in section 5.1-5.3.
2. To agree the fund the costs of the review to an initial limit of £25,000.

31 THE PENSIONS REGULATOR - ADMINISTRATION - COMPLIANCE REPORTING

The Pensions Manager presented the report.

A Member suggested that a minimum limit should be placed on historic frozen refunds. She also wondered whether late contributions needed to be broken down by individual employer.

RESOLVED:

1. To note the report.
2. To agree Appendix C – Data Improvement Plan.
3. To agree Appendix D – Late Payers Report.
4. To agree to receive a quarterly monitoring report going forward combining the overall administration performance report.

32 REPORT ON INVESTMENT PANEL ACTIVITY

The Assistant Investments Manager presented the report.

Members noted that the Panel had requested further information from the consultant about managing liabilities and had recommended that the Fund should continue to strategically hedge its exposure to currency risk.

RESOLVED

1. To note the recommendations and decisions made by the Panel since the last quarterly activity report, as set out in 4.1.
2. To agree the recommendations on currency hedging at 4.1.2(a) and points 1), 2) and 3) in Exempt Appendix 3.

33 REVIEW OF INVESTMENT PERFORMANCE FOR QUARTER ENDING 30 JUNE 2015

The Assistant Investments Manager presented the report. The funding level had fallen from 78% to c. 77% and the deficit had risen slightly from c. £1.07bn to c. £1.1bn, largely because of disappointing asset returns during the quarter. Falling gilt yields had increased the value of the liabilities over the 12 month period.

Mr Turner commented on the Mercer Investment Performance Report. He agreed with the suggestion made by a Member that the Bank of England would not raise the base rate until the Federal Reserve had done so, and that an increase in interest rates was largely priced into the market and the allocation to emerging markets should remain unchanged.

RESOLVED:

1. To note the information set out in the report.
2. To note LAPFF Quarterly Engagement Report at Appendix 4.

34 PENSION FUND ADMINISTRATION

The Finance & Systems Manager (Pensions) summarised the budget information as set out in section 4 and 5 of the report.

A Member asked about contribution rates. The Investment Manager replied that these were set at the triennial valuation. The rates reflected administration costs, not investment costs.

The Pensions Manager presented the performance report.

RESOLVED:

1. To note the administration and management expenditure incurred for 4 months to 31 July 2015.
2. To note the performance indicators and customer satisfaction feedback for 3 months to 30 June 2015.
3. To note the Summary Performance Report for period from 1 July 2011 to 30 June 2015.
4. To agree to review the full risk register once a year.
5. To agree to review the top 10 risks and changes quarterly.

35 CONSULTATION RESPONSES

The Technical Manager summarised the report.

Members discussed the proposed Exit Cap (paragraphs 5.1-5.5 and Appendix 2). One Member suggested that the proper approach would have been to change the rules of the LGPS rather than imposing this cap, while at the same time effectively allowing employers the final say on the benefits to be paid. As far as he understood, the Fund had never incurred costs because of employers' decisions about the redundancy of senior staff. The Head of Business, Finance and Pensions responded that Government was reacting to a perception that a large number of staff in the public sector were receiving extremely generous severance payments, and that this did not really fit in with the public sector ethos. The issue was how employers managed the exit of senior people, as the Fund did not incur additional costs.

RESOLVED:

1. To note the current update and the response made by Bath and North East Somerset Council in connection with the Exit Payment Cap consultation.
2. To approve the response letter regarding the pension tax relief consultation.

36 WORKPLANS

The Investment Manager presented the report.

RESOLVED to note the workplans and training programme for the relevant periods.

**37 TIMING OF FUTURE COMMITTEE MEETINGS AND TRAINING SESSIONS -
VERBAL REPORT**

The Head of Business, Finance and Pensions introduced this item. He said that a request had been received from a Member who found it difficult to attend meetings on a Friday afternoon that the Committee should consider holding changing its current meeting schedule.

The majority of Members felt that on balance they were content with the present meeting schedule and did not think that it should be altered.

It was agreed that the Committee Administrator should send the meeting schedule to Democratic Services in Bristol City Council, North Somerset and South Gloucestershire and issue invitations to Members for each meeting via the Outlook calendar.

The meeting ended at 4.01 pm

Chair(person)

Date Confirmed and Signed

Prepared by Democratic Services

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AVON PENSION FUND COMMITTEE
MEETING OF THE 25TH SEPTEMBER 2015

AGENDA ITEMS 5 AND 6

A. QUESTION from Fund Member Susan Johnson

I welcome the Pension Fund's decision to review its responsible investing policy in the light of concerns about climate change and other aspects of sustainable and ethical investing. Obviously this is a large area and I understand you are appointing consultants to undertake the review. What will be the criteria for making assessments about what is sustainable and ethical with respect to climate change relative to what are seen as commercial criteria for running the fund to maximize returns to beneficiaries (and taxpayers such as myself). For example, some big investors have now taken positions to divest from coal (Norway Sovereign Wealth Fund; Axa Insurance) but this is not a complete divestment from fossil fuels which are harming our potential to keep to the 2 degree C change that experts believe is necessary.

ANSWER: The criteria is clear that the Fund's overriding responsibility is to maximise returns to beneficiaries within an acceptable level of risk. The analysis will look at the risks that climate change poses to maximising those returns in the future.

B. QUESTIONS from Fossil Free Bristol

- 1. Item 5.4 says 'the subject matter [of the review] will be discussed at a number of workshops'. Who will be invited to attend these workshops?*

ANSWER - Committee members, officers and the consultant advising the review.

- 2. Will members of the pension scheme be invited?*

ANSWER – No, policy development is the responsibility of the Pensions Committee.

- 3. Item 5.4 also says 'a final report and recommendations will be presented no later than September 2016'. In light of the possibility of events impacting the portfolio before then, such as from the UN COP21 in Paris in December 2015, is APF planning immediate actions? For instance:*

- Restricting new investment in highly climate sensitive sectors such as tar sands and coal. Or only allowing short term trading positions in these sectors.*
- Carrying out an immediate audit of all climate sensitive investments and reviewing the situation in light of this audit.*

ANSWER – The Fund will comply with any regulatory requirement that emerges before the final report is produced and will consider other relevant information as part of the review process.

4. At our meeting it was explained by Liz and Tony that the fund is already making some renewable energy investments but your view was that a ‘tipping point’ (between fossil fuels and renewables) had not yet been reached. How will you ensure the fund is invested appropriately prior to this tipping point to ensure it avoids the underperformance of fossil fuels? - we are concerned that waiting until after the tipping point will mean the fund has to sell fossil fuel shares at low prices.

ANSWER - The Fund is undertaking the review of policy within an appropriate timeframe.

C. QUESTIONS from Councillor Lin Patterson, (Green), Lambridge ward

1. *How many members of the committee have seen the online videos of this month’s UNPRI conference in London (<http://www.unpri.org/events/pri-in-person-2015/>) where the CEO of PIMCO Investment company, Douglas Hodge, said “The conflict between our duty of care to those we directly serve and our broader obligation to society to allocate capital in ways that foster the six principles of responsible investing are no longer in conflict.” And that environmental, social and governance considerations (ESG), can be honoured “without sacrifice of return”, ending with the statement that “ESG investing is smart investing.”?*

ANSWER – (determined at the meeting) = 4

2. *My second, related question is: How many of the members of the committee are familiar with the ‘Six Principles of Institutional Investing’ referred to in the Investment Policy you are reviewing today? [NB The policy the Councillor refers to in her second question is the Fund’s Responsible Investing policy – Agenda item 11 describes the aims and scope of the proposed review of this policy to be completed in 2016] <http://www.unpri.org/about-pri/the-six-principles>.]*

ANSWER – (determined at the meeting) = 8

Bath & North East Somerset Council		
MEETING:	LOCAL PENSION BOARD - AVON PENSION FUND	
MEETING DATE:	5th November 2015	AGENDA ITEM NUMBER
TITLE:	LGPS Update – Latest Developments	
WARD:	ALL	
AN OPEN PUBLIC ITEM		
List of attachments to this report:		
Nil		

THE ISSUE

This report summarises key developments within the Local Government Pension Fund sector, the most significant of these is the proposal for pooling of investments

Prior to the 2015 General Election the Government had been considering the structure of the Local Government Pension Scheme and looking at options for pooling investments. This included a “Call for Evidence”, and then in May 2014 the Government issued a consultation document entitled “Local Government Pension Scheme: Opportunities for collaboration, cost savings and efficiencies.” The Avon Pension Fund was one of many consultees who responded to the consultation, but no response was issued by the Government before the election.

However, the new Government has now returned to the agenda and this report sets out the latest Government proposals and sets out a way forward for the Avon Pension Fund.

RECOMMENDATION

That the Board

Notes the report and latest developments and considers the issues in light of their own work plan.

FINANCIAL IMPLICATIONS

There are no direct implications related to the Pension Board in connection with this report.

With regard to the Pension Fund there will be costs associated with setting up a pooled arrangement. These are a matter for the Pension Fund and will be costed once there is a decision as to the pooling arrangements to be established.

1 REPORT

This report details the key national developments regarding the future of Local Government Pension Funds and full detail on the proposed pooling arrangements are detailed below. The implications in this area are highly significant and could lead to major changes to future governance structures with regard to Local Government Pension Funds.

Following these specific announcements the Chancellor made further general statements regarding the setting up of a number of British Wealth Funds connected to infrastructure investment during the party conference season but the details surrounding these are currently unclear.

The Head of Business Finance and Pensions will also provide a verbal update at the meeting on this and other consultation exercises affecting the industry most notably from the Pension Regulator.

GOVERNMENT POLICY – POOLING

The Government announced its intentions with regard to potential pooling of investments in the details of its July budget statement. The budget documents set out the following policy:

Local Government Pension Scheme pooled investments – The government will work with Local Government Pension Scheme administering authorities to ensure that they pool investments to significantly reduce costs, while maintaining overall investment performance. The government will invite local authorities to come forward with their own proposals to meet common criteria for delivering savings. A consultation to be published later this year will set out those detailed criteria as well as backstop legislation which will ensure that those administering authorities that do not come forward with sufficiently ambitious proposals are required to pool investments.

Further briefings have provided more information on what is proposed. There will be no formal consultation on any form of structure. The Government are looking for the LGPS community to bring forward their own proposals on setting up pooling arrangements, but the proposals must be ambitious. A series of criteria will be outlined, which are likely to focus on size, cost (i.e. potential savings) and governance. They will be looking for proposals to come forward in the early Autumn, and for formal agreement of the proposals to happen in January. It appears that the previous suggestion that Funds will be forced into passive management of their assets will not be pursued.

There will be significant work required to set up the new arrangements (i.e. a collective investment vehicle or CIV) and the expectation is that these should be in place within three years. Not all of each individual Fund's investments will need to be within the CIV at the start, as many funds will have illiquid investments that they are committed to for a longer period, but the majority of assets should be transferred to the CIV in a managed process over a reasonable timeframe once the vehicle is established. Each individual fund would retain control of strategy and asset allocation decisions, but would need to use the managers employed by the CIV.

The formal consultation is likely to be around changing the investment regulations, which is mostly about removing any barriers to pooling which may be inferred from the current regulations, and the "backstop" legislation. The backstop legislation will simply give the Secretary of State the power to instruct an LGPS Fund to invest through a particular pooled investment vehicle if the fund has not

made sufficient progress itself, i.e. if a fund does not voluntarily pool its assets it can be forced to do so.

THE WAY AHEAD

There are a variety of ways in which the pooling arrangements could be set up. Regional CIVs are not necessarily the only option but are one way it could go. Informal discussions have been held with neighbouring councils to consider the possibility of setting up a South West Regional CIV or alternative pooled arrangement. This would comprise Avon, Cornwall, Devon, Dorset, Gloucestershire, Somerset, Wiltshire and the Environment Agency.

In terms of size (total assets of around £19-20 billion) we would be at the bottom end of the Government's expectations, but the intention is that we would be open to other funds joining us. The key issue may be around how this fits in with what the LGPS funds in other regions propose in taking forward the agenda. The Local Government Association will play a role in trying to bring together a co-ordinated solution.

The South West LGPS pension funds have a good record of working together. Officer meetings are held on a regular basis to share best practice, and a number of South West LGPS collaborative frameworks have been set up, for example in relation to actuarial and investment consultancy services and legal services. These pre-dated the national frameworks that have been set up more recently. The region has many shared characteristics, such as demography, and would not be dominated by a large metropolitan authority. The South West would therefore be a good fit in terms of community of interest and shared objectives. A South West pooling arrangement would be a genuine partnership with clear accountability to the local funds. The alternative would be to invest in a more remote asset pooling arrangement that could be mandated by the Government.

Cost savings and governance will be key criteria in whether the South West proposal would be acceptable. This will involve looking at the forecast savings that we could make through the setting up of the CIV, and also how the structure would be organised. The London boroughs have been looking for some time at setting up an "Authorised Contractual Scheme" which is in effect a tax efficient separate corporate entity. This would be one option, although there are significant costs in setting up such a body. A more simple alternative might be a joint committee with a lead authority running the CIV. Some work has already been done on these issues, but more analysis will be needed to firm up on proposals to be made to the Government.

The Committee will need to be aware with that these changes are likely to involve significant changes in the investment of the fund, with significantly less direct involvement in selection of managers, and potentially some compromise with the detailed specification of mandates. However, with this approach the Fund will have a direct participation in the operation of the CIV, while other options will probably leave the Fund on the margins. As well as offering cost savings, a well-structured pooled vehicle could offer the opportunity to share expertise and knowledge.

Conclusion

The government has signalled its clear intention that LGPS investment assets should be pooled, and that action will be taken should local funds fail to engage sufficiently with the agenda. It is therefore proposed that the Avon Pension Fund should join with neighbouring funds in the South West to actively explore options

to set up a regional collective investment vehicle, and that officers should continue to collaborate on proposals.

This is the first stage of an extensive process. There will be chance to review detailed proposals before significant investments are made in the new structure, and scope for further review before the funds are transferred over to the CIV. A progress report will be brought to the December committee meeting.

RISK MANAGEMENT

At present a detailed assessment of risks in this area are difficult due to the level of uncertainty regarding future policy direction. However it is clear that changes of a significant nature will happen and these will be reflected within the Funds Risk Register.

The Avon Pension Fund Committee is the formal decision-making body for the Fund. As such it has responsibility to ensure adequate risk management processes are in place. It discharges this responsibility by ensuring the Fund has an appropriate investment strategy and investment management structure in place that is regularly monitored. The creation of an Investment Panel further strengthens the governance of investment matters and contributes to reduced risk in these areas.

EQUALITIES

An equalities impact assessment is not necessary.

CONSULTATION

Report and Issues have been subject to consultation with the S151 Officer, Monitoring Officer and Strategic Director of Resources.

Contact person	Tony Bartlett, Head of Business Finance & Pensions 01225 477302 Liz Woodyard, Investments Manager 01225 395306 Jeff Wring, Head of Audit West 01225 477323
Background papers	
Please contact the report author if you need to access this report in an alternative format	

Bath & North East Somerset Council		
MEETING:	Local Pension Board – Avon Pension Fund	
MEETING DATE:	5 th November 2015	AGENDA ITEM NUMBER
TITLE:	Training Plan	
WARD:	ALL	
AN OPEN PUBLIC ITEM		
List of attachments to this report:		
Appendix 1 – Training Requirements		
Appendix 2 – Self-Assessment Template		

1 THE ISSUE

- 1.1 The purpose of the report is to update the Board on developments of a Training Plan and how it meets the requirements for Members of the Local Pension Board (LPB).
- 1.2 Views of the board are sought on whether the self-assessment template is helpful in the development of the plan.

2 RECOMMENDATION

- 2.1 The Local Pension Board is asked to note the proposals to develop a training plan within the report.

3 FINANCIAL IMPLICATIONS

The cost of providing training to the LPB has been estimated for its first year of operation but will need to be revised to ensure it is sufficient for its four year term.

4 THE REPORT

Background

- 4.1 In accordance with the Pension Regulator (tPR) Code of Practice no.14: 'Governance and Administration of public service and pension schemes' (page 12 paragraphs 44 to 60) every individual member of a LPB must in summary:

- Be Conversant with the rules of the local government pension scheme (LGPS) &

- Have knowledge and understanding of the law relating to pensions:

4.2 These responsibilities begin from the date the LPB member takes up their role. These knowledge and understanding requirements apply to every individual member of a LPB rather than as a collective group.

4.3 The Avon Pension Fund is committed to making the appropriate training available to LPB members to assist them in undertaking their role. In addition each LPB member has a responsibility to demonstrate their capacity to attend meetings and complete the training.

Degree of Knowledge and Understanding (See Appendix 1)

4.4 The legal requirement is that Members of the LPB must be conversant with the rules of the LGPS and any document recording policy about the administration of the Fund. This is implied as a working knowledge so that members are aware of which legislation/policies to refer to when carrying out their role.

4.5 It is implicit that LPB members understand the duties and obligations that apply to the Avon Pension Fund as well as to themselves. LPB members should be clear on the roles, responsibilities and duties of the Board and its Members as set out in the Terms of Reference. LPB Members need to be able to identify and challenge failure to comply with the scheme rules. The rules of the LGPS would include:

- a) the Regulations;
- b) the Investment Regulations;
- c) the Transitional Regulations; and
- d) any statutory guidance referred to in these regulations

Areas of Knowledge and Understanding

4.6 LPB Members should be conversant with, but not limited to the following areas:

- a) Scheme approved policies
- b) Risk assessment/management
- c) Scheme booklets/members communications
- d) Role of LPB Members and the scheme manager
- e) Policies in relation to discretions
- f) Communications with scheme members and employers
- g) Key policy documents on administration, funding and investment

4.7 LPB Members should have a breadth of knowledge and understanding that is sufficient to allow them to understand fully any professional advice the LPB is given. Members should be able to challenge any information or advice they are given and understand how that information or advice impacts on any decision relating to the LPB's duty to assist the Avon Pension Fund.

Acquiring, Reviewing and Updating Knowledge and Understanding

- 4.8 Members of this Board will need to commit sufficient time in their learning and development alongside their other duties as training is an important part of the individual's role.
- 4.9 As members knowledge and understanding of responsibilities technically begin from the date they take up their post, training will be required to start as soon as possible in regard to the Regulations, key Fund documents and relevant Pension Law. The first informal training session prior to this meeting satisfies this basic requirement.
- 4.10 There is also a practical recognition that it will take a newly appointed member a reasonable period to attain the required full level of knowledge and understanding, while consideration needs to be given to the differing levels of existing knowledge that LPB Members may already have attained.

Training Plans

- 4.11 As discussed at its meeting in July the Board will receive training and briefing through its formal meeting cycle but this will need to be supplemented by additional training undertaken by Board Members themselves.
- 4.12 Board Members are also asked to individually update at the meeting on the initial proposals outlined below –
- a) Attendance at the LGE 3 day Pensions Fundamental Course as an introduction to the LGPS. This is a 3 day course spread over several months (September to December) covering all the key areas of the LGPS and provides a thorough understanding of the scheme, its legislation and an appreciation of the different areas of work.
 - b) Completion the on-line tPR e-learning trustee toolkit. This is split into modules which can be done at each individual's own learning pace and completed by a set of multiple choice questions. This should effectively assist in meeting the knowledge and understanding issues dealt with in the Regulators Code of Practice.
- 4.13 In addition Board Members are also asked for their views as to whether the self-assessment template attached at Appendix 2 would be helpful to complete and if so when it should be completed, i.e. before or after completion of the LGE course.
- 4.14 Dependent on the comments of Board Members a view can then be taken on how the Training Plan can be updated and developed moving forward which aligns with the Pension Fund Committee Members Training Plan.
- 4.15 The Avon Pension Fund will also keep Board Members updated of relevant conferences and any other opportunities to improve learning and development on an ongoing basis.

5 RISK MANAGEMENT

- 5.1 A risk assessment related to the issue and recommendations has been undertaken, in compliance with the Council's decision making risk management guidance.
- 5.2 Appropriate training for the members of the LPB mitigates the collective risks to the Board in that it is unable to fulfil its terms of reference or to each individual member in fulfilling their responsibilities.

6. EQUALITIES

- 6.1 A proportionate equalities impact assessment has been undertaken and there are no significant issues to report.

7. CONSULTATION

- 7.1 The report was distributed to the S151 Officer for consultation.

Contact person	<i>Jeff Wring (01225 477323)</i>
Background papers	<i>Council Report – Establishment of Avon Pension Fund Board – 15th January 2015</i>
Please contact the report author if you need to access this report in an alternative format	

Appendix 1 – Knowledge and Skills Responsibilities under the Pensions Regulator Code of Practice No 14

Where do knowledge and understanding responsibilities rest under the Code of Practice No 14?		Nature of Requirement
Pension Board	Scheme Manager	
Legal Requirements		
Must be conversant with: 1)The rules of the scheme 2)Any document recording policy about the administration of the scheme which is for the time being adopted in relation to the scheme.		Statutory
Must have knowledge and understanding of: 1)The law relating to pensions 2)Any other matters which are prescribed in regulations.		Statutory
Should ensure that the degree of knowledge and understanding they possess is that appropriate for the purposes of enabling them to properly exercise the functions of a member of the pension board.		Statutory
Practical Guidance		
	Should help pension board members meet their legal obligations.	Code of Practice (paragraph 37)

	Should establish and maintain policies and arrangements for acquiring and retaining knowledge and understanding to support their pension board members.	Code of Practice (paragraph 38)
	Should designate a person to take responsibility for ensuring that a framework for acquiring and retaining knowledge and skills is developed and implemented.	Code of Practice (paragraph 38)
Areas of knowledge and understanding required		
	Should prepare and keep an updated list of the documents with which they consider pension board members need to be conversant. This will enable them to effectively carry out their role. They should make sure that both the list and the documents are available in accessible formats.	Code of Practice (paragraph 46)
Degree of knowledge and understanding Required		
	Clear guidance on the roles, responsibilities and duties of pension boards and the members of those boards should be set out in scheme documentation.	Code of Practice (paragraph 47)
	Should assist individual pension board members to determine the degree of knowledge and understanding that is sufficient for them to	Code of Practice (paragraph 48)

	effectively carry out their role, responsibilities and duties as a pension board member.	
Acquiring, reviewing and updating knowledge and understanding		
Should invest sufficient time in their learning and development alongside their other responsibilities and duties.	Should provide pension board members with the relevant training and support that they require.	Code of Practice (paragraph 55)
Newly appointed pension board members should be aware that their responsibilities and duties as a pension board member begin from the date they take up their post.	Should offer pre-appointment training or arrange for mentoring by existing pension board members.	Code of Practice (paragraph 56)
Should use a personalised training plan to document training needs.		Code of Practice (paragraph 57)
Should undertake a personal training needs analysis and regularly review their skills, competencies and knowledge to identify gaps or weaknesses.		Code of Practice (paragraph 57)
Pension board members who take on new responsibilities will need to ensure that they gain appropriate knowledge and understanding relevant to carrying out those new responsibilities.		Code of Practice (paragraph 58)
	Learning programmes should:	Code of Practice

	<p>1)Cover the type and degree of knowledge and understanding required</p> <p>2)Reflect the legal requirements</p> <p>3)Be delivered within an appropriate timescale.</p>	(paragraph 58)
Demonstrating knowledge and understanding		
	<p>Should keep appropriate records of the learning activities of individual pension board members and the board as a whole.</p>	Code of Practice (paragraph 59)

Appendix 2 – Example of Competency Self-assessment Matrix

Learning needs analysis		Training Requirements and Plan	
Do I possess...?	Rate my skills 1-No knowledge 5-Highly skilled	Training Requirements	Training Plan (Sources and timing)
1- Pensions Legislation			
A general understanding of the pension's legislative framework in the UK.	1 2 3 4 5		
An overall understanding of the legislation and statutory guidance specific to the scheme and the main features relating to benefits, administration and investment.	1 2 3 4 5		
An appreciation of LGPS discretions and how the formulation of the discretionary policies impacts on the pension fund, employers and local taxpayers.	1 2 3 4 5		
A regularly updated appreciation of the latest changes to the scheme rules.	1 2 3 4 5		
2- Pensions Governance			
Knowledge of the role of the administering authority in relation to the LGPS.	1 2 3 4 5		

An understanding of how the roles and powers of the DCLG, the Pensions Regulator, the Pensions Advisory Service and the Pensions Ombudsman relate to the workings of the scheme.	1 2 3 4 5		
Knowledge of the role of the Scheme Advisory Board and how it interacts with other bodies in the governance structure.	1 2 3 4 5		
A broad understanding of the role of pension fund committees in relation to the fund, the administering authority, employing authorities, scheme members and taxpayers.	1 2 3 4 5		
An awareness of the role and statutory responsibilities of the treasurer and monitoring officer.	1 2 3 4 5		
Knowledge of the Myners principles and associated CIPFA and SOLACE guidance.	1 2 3 4 5		
A detailed knowledge of the duties and responsibilities of pension board members.	1 2 3 4 5		
Knowledge of the stakeholders of the pension fund and the nature of their interests.	1 2 3 4 5		

Knowledge of consultation, communication and involvement options relevant to the stakeholders.	1 2 3 4 5		
Knowledge of how pension fund management risk is monitored and managed.	1 2 3 4 5		
An understanding of how conflicts of interest are identified and managed.	1 2 3 4 5		
An understanding of how breaches in law are reported.	1 2 3 4 5		
3- Pensions Administration			
An understanding of best practice in pensions administration eg performance and cost measures.	1 2 3 4 5		
Understanding of the required and adopted scheme policies and procedures relating to: 1)member data maintenance and record-keeping processes 2)internal dispute resolution 3)contributions collection 4)scheme communication and materials.	1 2 3 4 5		
Knowledge of how discretionary powers operate.	1 2 3 4 5		
Knowledge of the pensions administration strategy and	1 2 3 4 5		

delivery (including, where applicable, the use of third party suppliers, their selection, performance management and assurance processes).			
An understanding of how the pension fund interacts with the taxation system in the UK and overseas in relation to benefit administration.	1 2 3 4 5		
An understanding of what AVC arrangements exist and the principles relating to the operation of those arrangements, the choice of investments to be offered to members, the provider's investment and fund performance report and the payment schedule for such arrangements.	1 2 3 4 5		
4- Pensions Accounting and Auditing Standards			
An understanding of the Accounts and Audit Regulations and legislative requirements relating to internal controls and proper accounting practice.	1 2 3 4 5		
An understanding of the role of both internal and external audit in the governance and assurance process.	1 2 3 4 5		
An understanding of the role played by third party assurance providers.	1 2 3 4 5		
5- Pensions Services Procurement and Relationship Management			

An understanding of the background to current public procurement policy and procedures, and of the values and scope of public procurement and the roles of key decision-makers and organisations.	1 2 3 4 5		
A general understanding of the main public procurement requirements of UK and EU legislation.	1 2 3 4 5		
An understanding of the nature and scope of risks for the pension fund and of the importance of considering risk factors when selecting third parties.	1 2 3 4 5		
An understanding of how the pension fund monitors and manages the performance of their outsourced providers.	1 2 3 4 5		
6- Investment Performance and Risk Management			
An understanding of the importance of monitoring asset returns relative to the liabilities and a broad understanding of ways of assessing long-term risks.	1 2 3 4 5		
An awareness of the Myners principles of performance management and the approach adopted by the administering authority.	1 2 3 4 5		

Awareness of the range of support services, who supplies them and the nature of the performance monitoring regime.	1 2 3 4 5		
7- Financial Markets and Products Knowledge			
An understanding of the risk and return characteristics of the main asset classes (equities, bonds, property etc).	1 2 3 4 5		
An understanding of the role of these asset classes in long-term pension fund investing.	1 2 3 4 5		
An understanding of the primary importance of the fund's statement of investment principles and the investment strategy decision.	1 2 3 4 5		
A broad understanding of the workings of the financial markets and of the investment vehicles available to the pension fund and the nature of the associated risks.	1 2 3 4 5		
An understanding of the limits placed by regulation on the investment activities of local government pension funds.	1 2 3 4 5		
An understanding of the limits placed by regulation on the investment activities of	1 2 3 4 5		

local government pension funds.			
An understanding of how the pension fund interacts with the taxation system in the UK and overseas in relation to investments.	1 2 3 4 5		
8- Actuarial Methods, Standards and Practices			
A general understanding of the role of the fund actuary.	1 2 3 4 5		
Knowledge of the valuation process, including developing the funding strategy in conjunction with the fund actuary, and inter-valuation monitoring.	1 2 3 4 5		
An awareness of the importance of monitoring early and ill health retirement strain costs.	1 2 3 4 5		
A broad understanding of the implications of including new employers into the fund and of the cessation of existing employers.	1 2 3 4 5		
A general understanding of the relevant considerations in relation to outsourcings and bulk transfers.	1 2 3 4 5		
A general understanding of the importance of the employer covenant and the relative strengths of the	1 2 3 4 5		

covenant across the fund employers.			
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Bath & North East Somerset Council		
MEETING:	LOCAL PENSION BOARD - AVON PENSION FUND	
MEETING DATE:	5th November 2015	AGENDA ITEM NUMBER
TITLE:	Code of Conduct & Conflict of Interest Policy	
WARD:	ALL	
AN OPEN PUBLIC ITEM		
List of attachments to this report:		
Appendix 1 – Local Pension Board - Code of Conduct and Conflict of Interest Policy		

THE ISSUE

The purpose of this report is to propose a specific code of conduct and conflict of interest policy for the Pension Board. The policy is based on best practice from the Pensions Regulator and does not conflict with the Council's existing policies in this area.

RECOMMENDATION

That the Board

Agrees the policy attached at Appendix 1.

FINANCIAL IMPLICATIONS

There are no direct implications related to the Pension Board in connection with this report.

1 REPORT

Following the report presented to the Pension Board on the 30th July 2015 it was recommended that officer review best practice from the Pensions Regulator and consider collation of a revised policy for the purposes of the board.

All current members of the board have followed the existing declaration of interests requirements and the attached revised policy does not conflict with these existing policies or request any new actions from Board Members.

The Board is asked to consider the specific policy attached at Appendix 1 and recommend it for approval.

RISK MANAGEMENT

A risk assessment related to the issue and recommendations has been undertaken, in compliance with the Council's decision making risk management guidance.

Adopting a Code of Conduct and process for declaration of interests, mitigates against the potential for the LPB to act improperly or unlawfully, which may lead to a challenge to the work carried out by the LPB and a reputational risk to the Avon Pension Fund and Administering Authority.

EQUALITIES

A proportionate equalities impact assessment has been undertaken and there are no significant issues to report.

CONSULTATION

Report and Issues have been subject to consultation with the S151 Officer, Monitoring Officer and Strategic Director of Resources.

Contact person	Jeff Wring, Head of Audit West 01225 477323
Background papers	Report to Local Pension Board 30 th July – Code of Conduct and Conflict of Interest Policy
Please contact the report author if you need to access this report in an alternative format	

Code of Conduct and Conflict of Interest Policy Guidelines for Members of the Avon Pension Fund Local Pension Board

Status of this document

The Terms of Reference for the Board set out:

- the Board's code of conduct requirement; and
- the Administering Authority's conflict of interest policy for the Board (the Conflict Policy):

Duties of the Board

7. The Board should at all times act in a reasonable manner in the conduct of its purpose. In support of this duty Board members should be subject to and abide by the code of conduct for Board members.

Conflicts of interest

54. All members of the Board must declare to the Administering Authority on appointment and at any such time as their circumstances change, any potential conflict of interest arising as a result of their position on the Board.

55. A conflict of interest is defined as a financial or other interest which is likely to prejudice a person's exercise of functions as a member of the Board. It does not include a financial or other interest arising merely by virtue of that person being a member of the Scheme.

56. On each appointment to the Board and following any subsequent declaration of potential conflict, the Administering Authority shall ensure that any potential conflict is effectively managed in line with the internal procedures of the Administering Authority, the requirements of the [2013] Act, the requirements of the Code and the requirements of Relevant Legislation on conflict of interest for Board members.

This policy should be reviewed annually.

Objectives of this document

1. To set out the principles and internal procedures that the Administering Authority and all Board Members are expected to follow in order to comply with the Terms of Reference, relevant legislation, codes of practice, government guidance and public law principles.
2. To ensure that all Board members are aware of their duty to act independently and carry out their roles to a high ethical standard.
3. To set out procedures for identifying, monitoring and managing potential conflicts to ensure they do not become actual or perceived conflicts of interest.
4. To ensure that a Register of Member Interests is kept, reviewed and published.
5. To remove any perception that the actions of a Board member have been influenced by a conflict of interest.
6. To ensure that public confidence in the governance of the Fund is maintained.

Definitions used in this document

“2011 Act”	The Localism Act 2011 (as amended from time to time)
“2013 Act”	The Public Service Pensions Act 2013 (as amended from time to time)
“Administering Authority”	The administering authority for the Fund, Bath & North East Somerset Council. The Administering Authority is the scheme manager for the purposes of the 2013 Act.
“Board”	The Avon Pension Fund Local Pension Board
“Code”	The Pensions Regulator’s Code of Practice no. 14: Governance and administration of public service pension schemes (as amended from time to time)
“Committee”	The Avon Pension Fund Committee
“Conflict Policy”	The conflict of interest policy of the Board set out in the Terms of Reference (as amended from time to time)
“Councillor”	An elected or co-opted member of a local authority
“Declaration of Interest Form”	The form used to declare Relevant Interests as amended from time to time, currently as attached to this document at Appendix 1
“Fund”	The Avon Pension Fund within the LGPS, managed and administered by the Administering Authority
“Relevant Interest”	Any company directorship, trusteeship, other post (whether remunerated or not), financial interest or personal interest belonging to a Board member or a Board member’s spouse, civil partner or cohabitee, where such interest is likely to be affected by, or relevant to, the work of the Board.
“Register of Member Interests”	The register of member interests kept by Democratic Services to record Relevant Interests. Democratic Services is the Board Secretary for the purposes of the Terms of Reference
“Regulations”	The Local Government Pension Scheme Regulations 2013 (as amended from time to time)
“Scheme Advisory Board”	The Local Government Pension Scheme Advisory Board set up under section 7 of the 2013 Act
“Shadow SAB Guidance”	Local Government Pension Scheme (LGPS): Guidance on the creation and operation of Local Pension Boards in England and Wales

1. Code of Conduct for Board members

Government guidance on conduct of local pension board members

The Scheme Advisory Board provides advice to administering authorities and local pension boards in relation to the effective and efficient administration and management of the LGPS and their pension funds. The Scheme Advisory Board's predecessor was the Shadow Scheme Advisory Board. The Shadow Scheme Advisory Board published the Shadow SAB Guidance. If the Scheme Advisory Board adopts the Shadow SAB Guidance, the Administering Authority and the Board must have regard to it under section 7(3) of the 2013 Act. In any event, the Administering Authority and the Board should have regard to the Shadow SAB Guidance to assist with the effective and efficient administration and management of the Fund. Section 7 of the Shadow SAB Guidance deals with conduct of local pension board members.

Code of Conduct

Board members must have regard to the "Seven Principles of Public Life" (also known as the Nolan Principles). As members of a publicly-funded body involved in the discharge of public business, all Board members must comply with these principles in the exercise of their functions. The principles require the highest standards of conduct.

The Seven Principles of Public Life are:

Selflessness - Holders of public office should act solely in terms of the public interest. They should not do so in order to gain financial or other benefits for themselves, their family or their friends.

Integrity - Holders of public office should not place themselves under any financial or other obligation to outside individuals or organisations that might seek to influence them in the performance of their official duties.

Objectivity - In carrying out public business, including making public appointments, awarding contracts, or recommending individuals for rewards and benefits, holders of public office should make choices on merit.

Accountability - Holders of public office are accountable for their decisions and actions to the public and must submit themselves to whatever scrutiny is appropriate to their office.

Openness - Holders of public office should be as open as possible about all the decisions and actions that they take. They should give reasons for their decisions and restrict information only when the wider public interest clearly demands it.

Honesty - Holders of public office have a duty to declare any private interests relating to their public duties and to take steps to resolve any conflicts arising in a way that protects the public interest.

Leadership - Holders of public office should promote and support these principles by leadership and example.

Information provided to a Board member in the course of his or her duties is confidential and must only be used for the purposes of the Board. Board members must not disclose any information given to them in confidence without the written consent of a person who is authorised to give it, or unless required by law to do so. Board members must seek the advice of Democratic Services before disclosing any information given in confidence.

Board members should not accept any personal gifts or hospitality from any individual or organisation (including contractors and/or outside suppliers) which has or may have a specific interest in the work of the Board.

Regulation 107 of the 2013 Regulations allows Councillors to sit on a local pension board in certain circumstances. Councillors are subject to the separate code of conduct adopted by their local authority in accordance with the 2011 Act. This separate statutory requirement will continue to apply to any Board members who are Councillors in addition to the code of conduct above.

2. Conflict of Interest Policy

What is a Conflict of Interest?

The 2013 Act makes it a legal requirement that members of local pension boards do not have a conflict of interest. Section 5(5) of the 2013 Act defines a conflict of interest as;

A financial or other interest which is likely to prejudice the person's exercise of functions as a member of the board (but does not include a financial or other interest arising merely by virtue of membership of the scheme or any connected scheme)

A conflict of interest may arise when a member of a local pension board:

- must fulfil their legal duty to assist the Administering Authority; and
- at the same time has:
 - a separate personal interest (financial or otherwise); or
 - another responsibility in relation to that matter,

giving rise to a possible conflict with their first responsibility as a local pension board member.

A possible conflict could also arise due to a member's partner, family member or close associate having a specific responsibility or interest in a matter.

The key issue for a Board member is to consider whether they are subject to a conflict of interest which prevents them from acting entirely independently in their capacity as Board member. It is recognised that from time to time a person may have interests or responsibilities which are not aligned with their responsibilities as a Board member, but these do not prevent the person from fulfilling their responsibilities as a Board member. This situation may occur when the separate interest is sufficiently immaterial and so does not conflict with the member's first obligation to the Board.

Relevant Legislation

The Regulations effect the requirements of section 5 of the 2013 Act in relation to the LGPS.

Regulation 108 of the Regulations states:

108 Local pension boards: conflict of interest

(1) Each administering authority must be satisfied that any person to be appointed as a member of a local pension board does not have a conflict of interest.

(2) An administering authority must be satisfied from time to time that none of the members of a local pension board has a conflict of interest.

(3) A person who is to be appointed as a member of a local pension board by an administering authority must provide that authority with such information as the authority reasonably requires for the purposes of paragraph (1).

(4) A person who is a member of a local pension board must provide the administering authority which made the appointment with such information as that authority reasonably requires for the purposes of paragraph (2).

Regulations 108(1) and (3) prohibit conflicts and require information from each Board member at the time of their appointment, and regulations 108 (2) and (4) deal with the same requirements during office.

Regulation 107 allows for Councillors to sit on a local pension board in certain circumstances. The 2011 Act imposes a legal obligation on Councillors to disclose certain pecuniary interests in a register maintained by their local authority's monitoring officer. This separate statutory requirement will continue to apply to any Board members who are Councillors in addition to the relevant legislation, codes of practice and government guidance referred to in the Conflict Policy and these guidelines. Nothing in the Conflict Policy or these guidelines in any way supersedes or replaces the separate statutory requirements for Councillors.

The Pensions Regulator's Code: Conflicts of Interest

The Pensions Regulator has responsibility for regulatory oversight of the governance and administration of public service pension schemes, including the LGPS. The Pensions Regulator has published guidance in the Code. Paragraphs 61 to 89 of the Code deal with conflicts of interest.

Other Guidance on Conflicts of Interest

The Administering Authority and the Board should have regard to the Shadow SAB Guidance to assist with the effective and efficient administration and management of the Fund. Section 7 of the Shadow SAB Guidance deals with conflicts of interest.

Policy Guidelines

1. Identifying and monitoring Conflicts of Interest

The Board must:

- identify, monitor and manage dual interests and responsibilities which are or have the potential to become actual or perceived conflicts of interest. In determining how to manage conflicts of interest the Board must comply with the 2013 Act, the Regulations, the Code and other relevant guidance from the Pensions Regulator, the Conflict Policy and these guidelines;
- ensure that conflicts of interest are considered at every Board meeting;
- ensure that a report is sent to the Administering Authority after each Board meeting and at other times upon the Administering Authority's reasonable request detailing declared interests and mitigation action taken;
- ensure that Democratic Services (the Board Secretary) is notified at the earliest opportunity of any declared interests;
- seek further advice from Democratic Services wherever the Board has any doubt about the duties set out in these guidelines;

- consider obtaining legal advice when assessing any option to prevent a potential conflict of interest becoming detrimental to the conduct or decisions of the Board.

All Board members must:

- be familiar with the Conflict Policy, these guidelines, relevant legislation, the Code and the Shadow SAB Guidance;
- be conscious of the need to be open about potential, perceived and actual conflicts;
- before appointment to the Board, disclose to Bath & North East Somerset Council all Relevant Interests using the Declaration of Interest Form;
- during office, disclose to the Board all Relevant Interests as soon as they arise by submitting the Declaration of Interest Form to Democratic Services;
- during any meeting of the Board, disclose any Relevant Interest to the Board prior to the commencement of the Board's discussion of that matter. This requirement applies regardless of whether the interest is already recorded in the Register of Board Members' Interests. In cases of exceptional sensitivity, a Board member may make a notification of a Relevant Interest to the Chair of the Board rather than to the full Board;
- provide any information reasonably requested by the Administering Authority in connection with the Authority's duty to ensure that conflicts of interest do not exist.

Democratic Services (the Board Secretary) will:

- record declared interests in the Register of Member Interests;
- ensure that the Register of Member Interests (as updated from time to time) is published on the Board's webpage on the Administering Authority's website;
- ensure that the Register of Member Interests (as updated from time to time) is circulated to all Board members for review prior to each Board meeting;
- ensure that all Board meetings open with a standing item titled Declarations of Interest. This will allow Board members to notify existing and new Relevant Interests, so that potential conflicts can be considered for each agenda item and managed as set out below;
- minute any disclosure by a Board member made during a Board meeting together with all decisions of the Board relating to that disclosure;
- ensure that all Board meetings include a standing item titled Forward Work Plan, to consider decisions to be taken and work to be carried out by the Board over the next year. This will allow mitigations to be put in place so that potential conflicts can be managed as set out below.

The Administering Authority must:

- be satisfied that no potential Board member has a conflict of interest at appointment;
- be satisfied that no Board member has a conflict of interest during office;
- use an appointment process which considers all applications from potential Board members prior to approval in order to ensure that no conflict exists. The potential for a conflict to arise at some point in future will not in itself be reason to exclude an individual from membership of the Board, unless the Administering Authority considers that the likelihood of a conflict arising is so high or

the conflict itself is likely to arise persistently and frequently enough that it is likely to compromise an individual's ability to participate meaningfully on the Board;

- keep this document under regular review.

2. Managing Conflicts of Interest

In the event that the Board is of the view that a potential conflict of interest may become an actual or perceived conflict in respect of one or more of its members, the Board must determine the appropriate mechanism for managing that conflict. The approach taken will depend on the nature and extent of the potential conflict. Some possible methods for the management of potential conflicts are given below:

- Requiring that the Board member for whom the conflict exists takes no part in discussions or votes in respect of the matter for which they are conflicted, or leave the meeting;
- If practical, the Board member may relinquish or divest themselves of a personal interest which is the source of a conflict of interest with their Board responsibilities;
- If the conflict is likely to persist and continue in such a way that it is likely limit a Board member's meaningful participation in the Board, that member should consider resigning from their position.

The Administering Authority may remove any Board member where it considers there is an actual or potential conflict of interest which is impractical to manage.

3. Perceived Conflicts of Interest

Board members should be aware that even if no actual conflict of interest exists, it is important to guard against the perception among, for example, Scheme members, the Pensions Regulator, elected members or the general public that a real conflict of interest exists.

If there is the possibility that a perceived conflict of interest may exist, it should be managed by the Board in the same way as a real conflict of interest.

4. Confidential Information

A Board member may, by virtue of their employment by an employing authority within the Fund, have access to confidential information about their employer.

A Board member is not obliged to reveal this information as part of their role on the Board.

However, if an affected Board member considers that the information to which they are party may:

- a) adversely affect the Fund or an employer within the Fund;
- b) reasonably cause the Board to interpret a decision by the Pension Committee differently or act in a different way were the information to be known at the time; and
- c) the information will not be made available to the Board through some other means within such time as the Board is able fully to act upon it,

that Board member shall withdraw from all discussion in relation to that issue and notify the Board that a conflict of interest exists. The details of the conflict need not be disclosed.

This scenario may occur where a Board member is aware of legally confidential negotiations around, for example, the takeover of a Fund employer which may radically alter that business and have a corresponding effect on its participation in the Fund or the size of its liabilities.

5. Adviser and Officer Conflicts

The Board will be supported and advised by officers of the Fund in its day to day business. Similarly the Board may, if appropriate, seek independent or professional advice, for example legal advice or governance advice.

The Board must be confident that the advice it receives from officers and advisers is independent and truly in the best interests of the Fund. For this reason officers and advisers giving advice to the Board must also declare any situation where a potential, perceived or actual conflict exists, in order that it can be appropriately managed.

6. Examples of conflicts of interest

The following are intended to be examples of potential conflicts for illustrative purposes. The list is not exhaustive and is not intended to provide all the scenarios in which a conflict of interest may arise.

Example 1

There may be situations where a member of a local pension board who is also an officer for the relevant administering authority or some other employer in the LGPS pension fund faces conflicting priorities by virtue of their two roles. For example, as a local pension board member they may make or scrutinise a decision which requires the use of greater employer resource in order to improve the administration and efficiency of the relevant fund. However, at the same time they may be facing departmental pressure to cut budgets and spend less on pension administration matters.

Example 2

A local pension board is reviewing a decision by an administering authority to levy an additional charge under the Regulations to a group of employers whose poor performance in carrying out their statutory functions in respect of the LGPS has caused the administering authority additional costs. Any employer representative on the local pension board who is employed by an employer who falls into this category would need to declare their interest and the resulting conflict of interest would need to be managed.

Example 3

It is possible that a scheme member representative is also employed by a firm to whom an LGPS pension fund's administration has been outsourced. Such a member is likely to face a conflict of interest when the performance of that company in respect of their administration performance is discussed.

Example of where a declared interest may not constitute a conflict of interest

A representative on a local pension board holds shares in a company that provides outsourced pension administration services as part of a varied portfolio. The shares are valued at a few hundred pounds and the company's value is many tens of millions. The local pension board is reviewing the decision to outsource the relevant LGPS pension fund's administration staff to that company.

In this case the local pension board may consider that on grounds of materiality, no conflict of interest exists. The local pension board is not responsible for the decision and the impact of the outsourcing will have no effect on the company's share price. The local pension board member in question should, however, still declare their interest.

Appendix 1: Declaration of Interest Form

I,

a member of the Avon Pension Fund Local Pension Board (the "Board") give notice that I, and to the best of my knowledge my spouse, civil partner, person with whom I live as husband or wife, or person with whom I live with as a civil partner have the following Relevant Interests as defined in the Committee's conflict of interest policy guidelines (Please state none where appropriate)

1. Employment, office, trade, profession or vocation

You should disclose any employment, office (e.g. director or trustee), trade, profession or vocation carried on whether or not for profit or gain, including the name and address of the employer/appointor.

Member

Spouse/Civil Partner/Cohabitee

2. Contracts

You should detail any current contract under which goods or services are to be provided or works are to be executed and where any other party to the contract may be affected by the work of the Board.

Member

Spouse/Civil Partner/Cohabitee

2. Securities

You should detail any beneficial interest in securities which may be a Relevant Interest where either the total nominal value of the securities exceeds £25,000 or one hundredth of the total issued share capital, or one hundredth of the total issued share capital of any class of shares issued.

Member

Spouse/Civil Partner/Cohabitee

3. Disclosure of Gifts and Hospitality

You should reveal the name of any person from whom you have received a gift or hospitality with an estimated value of at least £50 which you have received in your capacity as a member of the Board.

Date of receipt of Gift/Hospitality	Name of Donor	Reason and Nature of Gift/Hospitality

4. Other Interests which may be Relevant Interests under the Committee's Conflict of Interest Policy Guidelines

Member

Spouse/Civil Partner/Cohabitee

5. Changes to Registered Interests

I understand that I must notify the Board Secretary at the earliest opportunity of any changes or additions to my Relevant Interests.

Signed:

Board Member

Date:

Bath & North East Somerset Council		
MEETING:	LOCAL PENSION BOARD - AVON PENSION FUND	
MEETING DATE:	5th November 2015	AGENDA ITEM NUMBER
TITLE:	Avon Pension Fund Regulatory Breaches Policy	
WARD:	ALL	
AN OPEN PUBLIC ITEM		
List of attachments to this report: Appendix 1 – Draft Regulatory Breaches Policy		

THE ISSUE

The purpose of this report is to propose a specific Regulatory Breaches Policy for the Pension Board. The policy is based on best practice from the Pensions Regulator.

RECOMMENDATION

That the Board

Agrees that the policy attached at Appendix 1 should be recommended to the Avon Pension Fund Committee for approval.

FINANCIAL IMPLICATIONS

There are no direct implications related to the Pension Board in connection with this report.

1 REPORT

There is a legal requirement on all LPB Members (as well as the Pension Fund Committee Members, officers of the Fund, employers, and advisers) to report any significant – i.e. material - breaches of the relevant Pensions laws to the Pensions Regulator.

The Pensions Regulator code of practice no.14 (Governance and administration of public service pension schemes) states there should be a procedure in place within each fund to identify and assess breaches.

Failure to report a material breach without ‘reasonable excuse’ is a civil offence that can result in civil penalties. At the same time it also provides an opportunity to learn from any mistakes and review and improve processes in the areas where a breach has occurred.

Where a material breach has occurred and has been identified it should be recorded, assessed and where necessary reported as soon as reasonably practicable and the Pension Fund and LPB should ensure they are informed as soon as possible in line with the attached policy.

The policy defines what a breach of the law is, the responsibilities on those who should be reporting, the requirements for reporting a breach, and deciding if a breach is 'materially significant' to be reported to the regulator.

The attached policy sets out these responsibilities and provides a framework for the Fund to identify, manage and where necessary report breaches of the Law applying to the management and administration of the Fund.

Pension Fund officers are responsible for the management of this policy and ensuring that training is conducted for all relevant individuals as necessary.

The Board is therefore asked to consider the specific policy attached at Appendix 1 and recommend it for approval.

RISK MANAGEMENT

A risk assessment related to the issue and recommendations has been undertaken, in compliance with the Council's decision making risk management guidance.

Adopting a reporting policy in relation to material breaches, mitigates against the potential for the LPB to act improperly or unlawfully, which may lead to a challenge to the work carried out by the LPB and a reputational risk to the Avon Pension Fund and Administering Authority.

EQUALITIES

A proportionate equalities impact assessment has been undertaken and there are no significant issues to report.

CONSULTATION

Report and Issues have been subject to consultation with the S151 Officer, Monitoring Officer and Strategic Director of Resources.

Contact person	Jeff Wring, Head of Audit West 01225 477323
Background papers	
Please contact the report author if you need to access this report in an alternative format	

APPENDIX 1

Avon Pension Fund Breaches of the Law Policy for Council Officers, Councillors and Members of the Avon Pension Fund Local Pension Board

Status of this document

This document contains the Committee's policy guidelines on identifying, managing and where necessary reporting breaches of the law in relation to the management and administration of the Fund. The guidelines apply to Councillors, Council officers and Board members. The guidelines do not cover the responsibility of any other person required by law to report such breaches.

Please note that Board members must comply with the Reporting Policy set out at paragraphs 89 to 98 of the Terms of Reference. These guidelines complement the Reporting Policy in respect of Board members.

These guidelines will be reviewed and approved by the Committee at least annually. The Committee will monitor all breaches and will ensure that adequate resources are allocated to managing and administering this process.

[The Council's Section 151 Officer] will be responsible for the management and execution of these guidelines.

Definitions used in this document

"Board"	The Avon Pension Fund Local Pension Board
"Code"	The Pensions Regulator's Code of Practice no. 14: Governance and administration of public service pension schemes (as amended from time to time)
"Committee"	The Avon Pension Fund Committee
"Council"	Bath & North East Somerset Council
"Councillor"	An elected or co-opted member of the Council
"Fund"	The Avon Pension Fund within the LGPS
"Regulations"	The Local Government Pension Scheme Regulations 2013 (as amended from time to time)
"Reporting Policy"	The Council's policy on reporting matters including breaches of the law set out in the Terms of Reference (as amended from time to time)

Objectives of this document

1. To set out the principles and procedures that all Councillors, Council officers and Board members are expected to follow in order to comply with the Terms of Reference, relevant legislation, codes of practice and government guidance.
2. To ensure that all Councillors, Council officers and Board members are aware of their duty to report relevant breaches of the law to the Pensions Regulator.
3. To set out procedures for identifying, assessing, recording and reporting relevant breaches within appropriate timescales (including processes for clarifying the facts and applicable law where needed, referral to Council

staff of appropriate seniority, dealing with difficult cases and identifying promptly any breaches that are so serious that they must always be reported to the Pensions Regulator).

4. To ensure that a breaches log is kept and reviewed.

Relevant Legislation

Section 70 of the Pensions Act 2004 sets out the legal duty to report breaches of the law:

70. Duty to report breaches of the law

- (1) Subsection (2) imposes a reporting requirement on the following persons—
 - (a) a trustee or manager of an occupational or personal pension scheme;
 - [(aa) a member of the pension board of a public service pension scheme;]
 - (b) a person who is otherwise involved in the administration of [an occupational or personal pension scheme];
 - (c) the employer in relation to an occupational pension scheme;
 - (d) a professional adviser in relation to such a scheme;
 - (e) a person who is otherwise involved in advising the trustees or managers of an occupational or personal pension scheme in relation to the scheme.
- (2) Where the person has reasonable cause to believe that—
 - (a) a duty which is relevant to the administration of the scheme in question, and is imposed by or by virtue of an enactment or rule of law, has not been or is not being complied with, and
 - (b) the failure to comply is likely to be of material significance to the Regulator in the exercise of any of its functions,
 he must give a written report of the matter to the Regulator as soon as reasonably practicable.
- (3) No duty to which a person is subject is to be regarded as contravened merely because of any information or opinion contained in a written report under this section. [*i.e. Duty to report overrides other obligations like duty of confidentiality, except where legal professional privilege applies*]
 This is subject to section 311 (protected items). [*Deals with exemption for legal professional privilege*]
- (4) Section 10 of the Pensions Act 1995 (c 26) (civil penalties) applies to any person who, without reasonable excuse, fails to comply with an obligation imposed on him by this section.

The Pensions Regulator's Code: Reporting breaches of the Law

The Pensions Regulator has responsibility for regulatory oversight of the governance and administration of public service pension schemes, including the LGPS. The Pensions Regulator has published guidance in the Code. Paragraphs 241 to 275 of the Code deal with reporting breaches of the law.

Overview

The identification, management and reporting of breaches is important. It is a requirement of the Pensions Act 2004 and the Code; failure to report a breach without “reasonable excuse” is a civil offence that can result in civil penalties.

At the same time, in addition to identifying, rectifying and where necessary reporting a particular breach, the process provides an opportunity to learn from mistakes and review and improve processes in the areas where the breach occurred.

All Councillors, Council officers and Board members are expected, indeed required, to take a pro-active approach to the identification, management and reporting of all breaches that have occurred, or are likely to occur.

[The Head of Pensions] will maintain a log of all breaches of the law as applicable to the management and administration of the Fund.

The Council, as Scheme Manager, and the Board cannot rely on waiting for other reporters to report a breach where it has occurred. Where a breach has occurred and has been identified by the Council or Board it should be recorded, assessed and where necessary reported as soon as reasonably practicable.

What is a breach of the law?

A breach of the law is “*an act of breaking or failing to observe a law, agreement, or code of conduct.*”. In the context of the Local Government Pension Scheme (LGPS) it can encompass many aspects of the management and administration of the LGPS, including failure:

- to do anything required under the Regulations;
- to do anything required under overriding legislation, applicable statutory guidance or codes of practice;
- to maintain accurate records;
- to act on any fraudulent act or omission that is identified;
- to comply with policies and procedures (e.g. the Fund’s statement of investment principles, funding strategy, discretionary policies, etc.);
- of an employer to pay over member and employer contributions on time;
- to pay member benefits either accurately or in a timely manner;
- to issue annual benefit statements on time or non-compliance with the Code.

Responsibilities in relation to breaches

Responsibility to report identified breaches of the law falls on the following reporters:

- Councillors and Council officers (on behalf of the Council as Scheme Manager);
- Board members;
- Scheme employers;
- Professional advisers (including the Fund actuary, investment advisers, legal advisers); and
- Third party providers (where so employed).

These guidelines only apply to Councillors, Council officers and Board members. It is for the other reporters to ensure their own adequate procedures and policies are put in place in order to identify, assess and where necessary report breaches. Both the Council and the Board will take all necessary steps to consider the breach and report to the Pensions Regulator, rather than having the breach solely reported by any of the other reporters.

Requirement to report a breach of the Law

Breaches of the law which affect pension schemes should be considered for reporting to the Pensions Regulator in accordance with the Code.

The decision whether to report an identified breach depends on whether:

- there is reasonable cause to believe there has been a breach of the law;
- and if so, is the breach likely to be of material significance to the Pensions Regulator?

It is important to understand that not every breach that is identified needs to be reported to the Pensions Regulator. For example, where it can be demonstrated that appropriate action is being taken to rectify the breach, or the breach has occurred due to teething problems with new or revised systems or processes, it may not be necessary to report the incident to the Pensions Regulator. It is still necessary that all incidents of

breaches identified are recorded in the Council's breaches log. This log will be reviewed on an on-going basis to determine any trends in the breaches log that might indicate any serious failings or fraudulent behaviour.

Where such failings or fraudulent behaviour are identified immediate action will be taken to agree and put in place a plan of action to rectify the matter and prevent such an occurrence in the future.

When is a breach required to be reported to the Pensions Regulator?

The Code requires that a breach should be notified to the Pensions Regulator as soon as is reasonably practicable once there is reasonable cause to believe that a breach has occurred and that it is of material significance to the Pensions Regulator. [The time taken should reflect the seriousness of the breach.] In any event, where a breach is considered to be of material significance it must be reported to the Pensions Regulator no later than one month after becoming aware of the breach or likely breach.

Where it is considered that a breach is of such significance that the Pensions Regulator is required to intervene as a matter of urgency (for example, serious fraud) the matter should be brought to the attention of the Pensions Regulator immediately (e.g. by calling them direct). A formal report should then be submitted to the Pensions Regulator, marked as "urgent" in order to draw the Pensions Regulator's attention to it.

Assessing "reasonable cause"

It is important that the Council and the Board are satisfied that a breach has actually occurred, rather than acting on a suspicion of such an event.

It will be necessary, therefore, for robust checks to be made by [Councillors, Council officers and Board members] when acting on any suspicion of a breach having occurred. Where necessary this will involve taking legal advice from [the Head of] Legal Services (who may recommend specialist external legal advice if necessary) as well as other advisers (e.g. auditors or the Fund actuary or investment advisers).

Deciding if a breach is "materially significant" and should be reported to the Pensions Regulator

The Pensions Regulator has produced a decision tree to assist schemes in identifying the severity of a breach and whether it should then be reported. When determining materiality of any breach or likely breach the following aspects are considered in all cases:

- cause – e.g. dishonesty, poor governance, incomplete or inaccurate information, acting or failing to act in contravention of the law;
- effect – e.g. ineffective internal controls, lack of knowledge and understanding, inaccurate records, potential for further breaches occurring;
- reaction – e.g. taking prompt and effective action to resolve a breach, notifying scheme members where appropriate; and
- wider implications – e.g. where a breach has occurred due to lack of knowledge or poor systems and processes making it more likely that other breaches will emerge in the future.

The decision tree provides a "traffic light" system of categorising an identified breach:

Green – not caused by dishonesty, poor governance or a deliberate contravention of the law and its effect is not significant and a plan is in place to rectify the situation. In such cases the breach may not be reported to the Pensions Regulator, but should be recorded in the Council's breaches log;

Amber – does not fall easily into either green or red and requires further investigation in order to determine what action to take. Consideration of other recorded breaches may also be relevant in determining the most appropriate course of action. The Council or Board will need to decide whether to informally alert the Pensions

Regulator of the breach or likely breach, formally reporting the breach if it is subsequently decided to categorise the breach as red;

Red - caused by dishonesty, poor governance or a deliberate contravention of the law and having a significant impact, even where a plan is in place to rectify the situation. The Council or Board must report all such breaches to the Pensions Regulator in all cases;

[Where a Councillor, Council officer or Board member is satisfied that a breach has actually occurred and it is significant, he or she must as soon as reasonably practicable report it to the Head of Pensions and the Chairman of the Board.]

If it is unclear as to whether the breach or likely breach is significant, in the first instance full details should always be reported to the Board ([through] its Chairman) to determine the appropriate course of action. [The Board will then report full details to the Committee as soon as reasonably practicable and otherwise in accordance with the Reporting Policy, including escalation where necessary.]

It should be noted that failure to report a significant breach or likely breach is likely, in itself, to be a significant breach.

The [Committee] will use the Pensions Regulator's decision tree as a means of identifying whether any breach is to be considered as materially significant and so reported to the [Section 151 Officer for reporting to] the Pensions Regulator.

Any failure of a scheme employer to pass over employee contributions that are considered to be of material significance must be reported to the Pensions Regulator immediately.

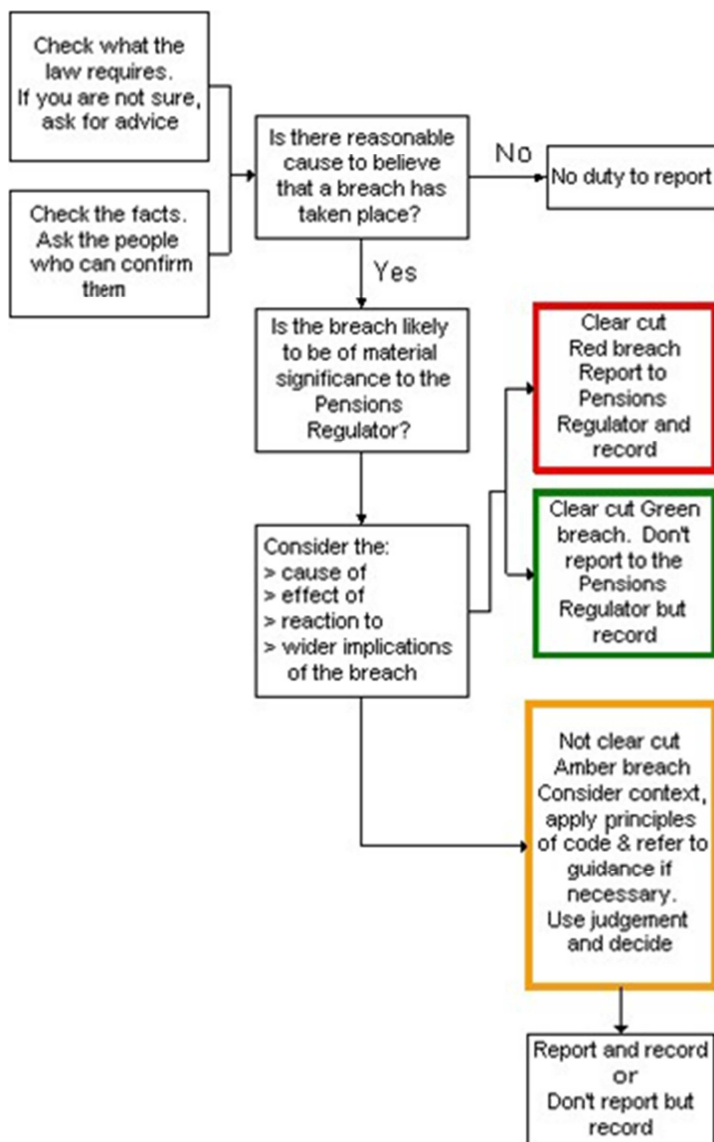
In order to determine whether failure to pay over employee contributions is materially significant or not the [Committee] will seek from the employer:

- the cause and circumstances of the payment failure
- what action the employer has taken as a result of the payment failure, and
- the wider implications or impact of the payment failure.

Where a payment plan is agreed with the employer to recover outstanding contributions and it is being adhered to or there are circumstances of infrequent one-off late payments or administrative failures the late payment will not be considered to be of material significance.

All incidences resulting from the unwillingness or inability of the employer to pay over the employee contributions, dishonesty, fraudulent behaviour or misuse of employee contributions, poor administrative procedures or the failure to pay over employee contributions within 90 days from the due date will be considered to be of material significance and reported to the Pensions Regulator.

As soon as a breach or likely breach has been [identified to the Committee], regardless of whether it needs to be reported to the Pensions Regulator, the relevant manager, in consultation with [the Head of Pensions], must review the circumstances of the breach in order to understand why it occurred, the consequences of the breach and agree the corrective measures required to prevent re-occurrence, including an action plan where necessary. All breaches must be recorded in the Council's breaches log.



Process for reporting breaches

All Councillors, Council officers and Board members have a responsibility to:

- identify and assess the severity of any breach or likely breach;
- report all breaches or likely breaches to the [Head of Pensions and Chairman of the Board, and in the case of Board members, escalate to the Section 151 officer where required under the Reporting Policy];
- in conjunction with relevant colleagues agree a proposed course of action to rectify the breach and put in place measures to ensure the breach does not re-occur, obtaining appropriate legal or other advice where necessary;
- ensure that the appropriate corrective action has been taken to rectify the breach or likely breach and to prevent it from re-occurring; and
- co-operate with, and assist in, the reporting of breaches and likely breaches to the Board, Committee, [Section 151 Officer] and where necessary the Pensions Regulator.

Responsibilities of the responsible officer

The Council will appoint one of its senior officers to be responsible for the management and execution of these guidelines. That officer will be the [Section 151 Officer].

The [Section 151 Officer] will be responsible for ensuring that breaches and likely breaches are recorded and reported as follows:

- ensure that all identified breaches and likely breaches are recorded [by the Head of Pensions] in the Council's breaches log;
- ensure investigation of the circumstances of all reported breaches and likely breaches;
- ensure, where necessary that an action plan is put in place and acted on to correct the identified breach and also ensure further breaches of a similar nature do not re-occur;
- ensure reporting to the Committee and Board of:
 - all materially significant breaches or likely breaches that will require reporting to the Pensions Regulator as soon as practicable, but no later than one month after becoming aware of the breach or likely breach; and
 - all other breaches at least quarterly as part of the Committee cycle.
- report all materially significant breaches to the Pensions Regulator as soon as practicable but not later than one month after becoming aware of the breach.

The [Section 151 Officer] will [make the final determination of] whether any breach or likely breach is materially significant, having regard to the guidance set out in the Code and after consultation with the Head of Legal Services and where considered appropriate the Committee and Board.

If appropriate, the matter will be referred to an external party to obtain any necessary legal or other advice before deciding if the breach is considered to be of material significance to the Pensions Regulator. Where uncertainty exists as to the materiality of any identified breach the [Section 151 Officer] [may/will] informally notify the Pensions Regulator of the issue and the steps being taken to resolve the issue.

How should a breach be reported to the Pensions Regulator?

All materially significant breaches must be reported to the Pensions Regulator in writing. This can be via post or electronically. The Pensions Regulator encourages the use of its standard reporting facility via its Exchange on-line service.

[The Section 151 Officer] will report all material breaches to the Pensions Regulator via Exchange.

How are records of breaches maintained?

All breaches and likely breaches identified are to be reported to the [Head of Pensions] as soon as they are identified. The [Head of Pensions] will log all breaches on the Council's breaches log, including the following information:

- date the breach or likely breach was identified;
- name of the scheme;
- name of the employer (where appropriate);
- any relevant dates;

- a description of the breach, its cause and effect, including the reasons it is, or is not, believed to be of material significance;
- whether the breach is considered to be red, amber or green.
- a description of the actions taken to rectify the breach;
- a brief description of any longer term implications and actions required to prevent similar types of breaches re-occurring in the future.

The [Section 151 Officer] will be responsible for ensuring the effective management and rectification of any breach identified, including submission of any report to the Pensions Regulator. Any documentation supporting the breach will be maintained by the [Section 151 Officer].

Whistleblowing

It is a statutory duty to report breaches of the law. In rare cases this may involve a duty to whistleblow on the part of an employee of the Council or a member of the Board. The duty to report overrides any other duties a reporter may have, such as confidentiality. Any such duty is not breached by reporting to the Pensions Regulator. Given the statutory duty that exists, in exercising these guidelines the Council will ensure it adheres to the requirements of the Employment Rights Act 1996 in protecting an employee making a whistleblowing disclosure to the Pensions Regulator. [The provisions of the Council's whistleblowing policy apply.]

The duty to report, however, does not override 'legal professional privilege', so oral and written communications between the Council, Committee or Board and a professional legal adviser must not be disclosed.

Training

The [Head of Pensions] will ensure that all Councillors, Council officers and Board members receive appropriate training on reporting breaches of the law and these guidelines at the commencement of their office, employment or appointment to the Board as appropriate and on an ongoing basis.

Bath & North East Somerset Council		
MEETING:	LOCAL PENSION BOARD - AVON PENSION FUND	
MEETING DATE:	5th November 2015	AGENDA ITEM NUMBER
TITLE:	Avon Pension Fund Annual Report & Financial Statements 2014/15	
WARD:	ALL	
AN OPEN PUBLIC ITEM		
<p>List of attachments to this report:</p> <p>Appendix 1 – Annual Accounts</p> <p>Appendix 2 – External Audit Governance Report</p> <p>Appendix 3 – Annual Report</p> <p>Appendix 4 – Internal Audit Summary Report</p>		

THE ISSUE

The purpose of this report is to present the Annual Report, which includes the Financial Statements for 2014/15 and External Auditors report along with a summary of Internal Audit findings.

The Annual Report, Accounts, External Auditors report and Internal Audit work have already been reviewed and approved by the Avon Pension Fund Committee and Corporate Audit Committee

RECOMMENDATION

That the Board

Notes the report and considers the items raised with regards to their future work plan.

FINANCIAL IMPLICATIONS

There are no direct implications related to the Pension Board in connection with this report.

1 REPORT

The purpose of this report is for induction purposes and developing knowledge of the Fund as the approval of the Financial Statements and development of the Annual Report occurred prior to the full establishment of the Pension Board.

The draft Annual Report was presented to the Avon Pension Fund Committee meeting on the 25th September 2015 for approval alongside the Accounts. The Avon Pension Fund has a statutory requirement under the local government pension scheme regulations 2013 (amended)SI 2015 No 755 to produce and Annual Report.

The report contains details of the accounts of the Avon Pension Fund and is primarily aimed at participating employer organisations within the Fund. It supplements the formal Statement of Accounts which is required under the Accounts and Audit Regulations 2011. Importantly the report covers a wide range of matters that affect the fund, its investments and general pension provision.

Copies of the Annual Report are circulated in accordance with the Communication Plan primarily in electronic format with access through the fund’s website and hard copies on request.

Internal Audit reviews the fund as part of their overall plan across all activities within the Council and there is no specific audit plan for the fund as only 20 – 30 days review work takes place. Normally one audit review occurs each year and a summary of work undertaken in the last three years is attached at Appendix 4.

There are no items of material or significant concern from any external or internal audit work at this time.

The Board is asked to consider all the reports in relation to their future work plan.

RISK MANAGEMENT

A risk assessment related to the issue and recommendations has been undertaken, in compliance with the Council's decision making risk management guidance and there are no significant or material risks to report.

EQUALITIES

A proportionate equalities impact assessment has been undertaken and there are no significant issues to report.

CONSULTATION

Report and Issues have been subject to consultation with the S151 Officer, Monitoring Officer and Strategic Director of Resources.

Contact person	Jeff Wring, Head of Audit West 01225 477323
Background papers	
Please contact the report author if you need to access this report in an alternative format	

APPENDIX 1

PENSION FUND ACCOUNTS 2014/15

Statement of Accounts

Introduction

- 1.1 The following comprises the Statement of Accounts for the Avon Pension Fund (The Fund). The accounts cover the financial year from 1 April 2014 to 31 March 2015.
- 1.2 These accounts have been prepared in accordance with the Code of Practice on Local Authority Accounting ('Code of Practice') in the United Kingdom 2014/15 based on International Financial Reporting Standards as published by the Chartered Institute of Public Finance and Accountancy. The accounts have been prepared on an accruals basis, except for certain transfer values as described at 'Statement of Accounting Policies' – item 2.5. They do not take account of liabilities to pay pensions and other benefits in the future.
- 1.3 The accounts are set out in the following order:

Statement of Accounting Policies which explains the basis of the figures in the accounts.

Fund Account which discloses the size and nature of financial additions to and withdrawals from the Fund during the accounting period and reconciles the movements in the net assets to the Fund Account.

Net Assets Statement which discloses the size and disposition of the net assets of the Fund at the end of the accounting period.

Notes to the Accounts which give supporting details and analysis concerning the contents of the accounts, together with information on the establishment of the Fund, its membership and actuarial position.

Actuarial Valuation

- 1.4 As required by the Local Government Pension Scheme Regulations 2013 an actuarial valuation of the Fund was carried out as at 31 March 2013. The market value of the Fund's assets at the valuation date was £3,146 million. The Actuary estimated that the value of the Fund was sufficient to meet 78% of its expected future liabilities of £4,023 million in respect of service completed to 31 March 2013.
- 1.5 At the 2013 valuation the deficit recovery period for the Fund overall was set at 20 years.
- 1.6 The 2013 actuarial valuation was carried out using the projected unit actuarial method. The main assumptions used to set employers' contributions, are set out in the table below:

	Past service liabilities	Future service liabilities
Rate of Discount	4.8% per annum	5.6% per annum
Rate of pensionable pay inflation	4.1% per annum	4.1% per annum
Rate of price inflation	2.6% per annum	2.6% per annum

1.7 The 2013 triennial valuation was completed during 2013/14 using market prices and membership data as at 31 March 2013. The 2013 valuation set the employer contribution rates for future service and deficit recovery payments (expressed as a monetary amount payable annually) with effect from 1 April 2014.

1.8 The Actuary has estimated that the funding level as at 31 March 2015 has fallen to 78% from 84% at 31 March 2014. This fall in the funding level is due to the fall in real yields during the period. Investment returns contributed positively to the funding position but was not sufficient to offset the increase in the liabilities. The value of the future pension liabilities is calculated using a discount rate based on UK gilt yields, so as gilt yields fall, the value of these liabilities rises.

1.9 Note 17 to the accounts shows the actuarial present value of promised retirement benefits for the purposes of IAS19 using the assumptions and methodology of IAS 19. The discount rate referenced for IAS19 is the Corporate Bond yield. The discount rate used for the Actuarial Valuation references the Fund's investment strategy.

1.10 The Fund's Funding Strategy Statement can be found on the Fund's website www.avonpensionfund.org.uk (search Funding Strategy Statement).

Statement of Investment Principles

1.11 The Fund's Statement of Investment Principles as required by the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2009 can be found on the Fund's website www.avonpensionfund.org.uk (search Statement of Investment Principles).

Statement of Accounting Policies

Basis of Preparation

2.1 Except where otherwise stated, the accounts have been prepared on an accruals basis, i.e. income and expenditure is recognised as it is earned or incurred, not as it is received or paid. The accounts have been prepared on a going concern basis.

Investments

2.2 Investments are shown in the accounts at market value, which has been determined as follows:

- i. Quoted Securities have been valued at 31 March 2015 by the Fund's custodian using internationally recognized pricing sources (bid-price or 'last trade') where a quotation was available on a recognised stock exchange or the unlisted securities market. Unquoted securities are included at fair value based on the Fund Manager's valuation. All these valuations are subject to the custodian's and fund manager's internal control reports and external auditors.

- ii. Fixed interest securities exclude interest earned but not paid over at the year end, which is included separately within investment debtors.
- iii. Pooled investments are stated at their bid price or at the Net Asset Value quoted by their respective managers at 31 March 2015.
- iv. Foreign currency transactions are recorded at the prevailing rate at the date of transaction. Investments held in foreign currencies are shown at market value translated into sterling at the exchange rates ruling as at 31 March 2015.
- v. Open futures contracts are included in the net asset statement at their fair market value, which is the unrealised profit or loss at the current bid or offer market quoted price of the contract. The amounts included in the change in market value are the realised gains or losses on closed futures contracts and the unrealised gains or losses on open futures contracts.
- vi. Forward foreign exchange contracts outstanding at the year- end are stated at fair value which is determined as the gain or loss that would arise if the outstanding contract was matched at the year end with an equal and opposite contract. Foreign currency transactions are recorded at the prevailing rate at the date of transaction.
- vii. Acquisition costs of investments (e.g. stamp duty and commissions) are treated as part of the investment cost.
- viii. Investment debtors and creditors at the year- end are included in investment assets in accordance with the CIPFA code of practice on local authority accounting.
- ix. The Fund's surplus cash is managed separately from the surplus cash of B&NES Council and is treated as an investment asset.

Contributions

2.3 Contributions represent those amounts receivable from the employing bodies in respect of their own and their pensionable employees' contributions. Employers' contributions are determined by the Actuary on the basis of triennial valuations of the Fund's assets and liabilities and take into account the Funding Strategy Statement set by the administering authority. The last such valuation was at 31 March 2013. Currently employer contribution rates range from 7.0% to 30.2%. Employees' contributions have been included at the rates prescribed by the Local Government Pension Scheme Regulations 2013. The employee contribution rates range from 5.5% to 12.5% of pensionable pay for the financial year ending 31 March 2015.

2.4 Normal contributions both from members and the employer are accounted for on an accruals basis in the payroll period to which they relate. Employer deficit funding contributions are accounted for on the due dates on which they are payable under the schedule of contributions set by the scheme actuary or on receipt if earlier than the due date.

Benefits, Refunds of Contributions and Cash Transfer Values

2.5 From 1 April 2014, the scheme became a career average scheme, whereby members accrue benefits based on their pensionable pay in that year at an accrual rate of 1/49th. Accrued pension is uprated annually in line with the Consumer Prices Index.

2.6 Benefits payable and refunds of contributions have been brought into the accounts as they fall due.

2.7 Cash Transfer Values are those sums paid to or received from other pension schemes and relate to previous periods of pensionable employment. Cash Transfer Values have been included in the accounts on the basis of the cheque payment date or "Bath & North East Somerset Council cash office received" date. Accruals are only made when it is certain that a transfer is to take place.

2.8 Charges for splitting pensions on divorce are either invoiced to members or, on request, paid out of future benefits. In the case of payment from future benefits the charge against benefits and income to the Fund are both made in the current year. The charges are index linked to pension's increases to ensure that the Fund receives the full value.

Investment Income

2.9 Dividends and interest have been accounted for on an accruals basis. Some of the income on pooled investments is accumulated and reflected in the valuation of the units. Some of the income on pooled investments (mainly property) is distributed.

Investment Management & Administration

2.10 The Local Government Pension Scheme (Management and Investment of Funds) Regulations 2009 permit Bath & North East Somerset Council to charge administration costs to the Fund. A proportion of relevant Council costs has been charged to the Fund on the basis of actual time spent on Pension Fund business.

2.11 The fees of the Fund's external investment managers reflect their differing mandates. Fees are linked to the market value of the Fund's investments and therefore may increase or reduce as the value of the investment changes. Management fees are recognised in the year in which the management services are provided. In 2014/15 a provision has been made for performance fees that have been incurred but are subject to phased payments or are not to be paid until the realisation of the related investments. These remain subject to change as a consequence of future performance. Fees are also payable to the Fund's global custodian and other advisors.

Taxation

2.12 The Fund is an exempt approved fund under the Income and Corporation Taxes Act 1988 and is therefore not liable to UK income tax on investment income or to capital gains tax. As Bath & North East Somerset Council is the administering authority for the Fund, VAT input tax is recoverable on all Fund activities including expenditure on investment expenses. For taxation of overseas investment income please see note 3 iv. in the Notes to the Accounts.

Use of Accounting Estimates

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

Estimates are used in the valuation of unquoted investments (see 2.2i) and in the actuarial valuation for the purposes of IAS 26 (note 17) in which the actuarial calculation of the liability is subject to the professional judgement of the actuary. The Fund's investments are stated at fair value. The subjectivity of the inputs used in making an assessment of fair value is explained in note 25d.

Events After the Balance Sheet Date

2.14 The Statement of Accounts is adjusted to reflect events that occur after the end of the reporting period that provide evidence of conditions that existed at the end of the reporting period, should they occur. The Statement of Accounts is not adjusted to reflect events that are indicative of conditions that arose after the reporting period, but where material, disclosure is made in the notes of the nature and estimated financial effect of such events.

Financial Instruments

2.15 Financial Assets and Liabilities are recognised on the Balance Sheet when the Fund becomes a party to the contractual provisions of a financial instrument and are measured at fair value or amortised cost.

Fund Account
For the Year Ended 31 March 2015

	Notes	2014/15	2013/14
<i>Contributions and Benefits</i>		£'000	£'000
Contributions Receivable	4	202,100	143,276
Transfers In	18	4,794	18,776
Other Income	5	496	442
		<hr/>	<hr/>
		207,390	162,494
Benefits Payable	6	157,156	149,791
Payments to and on account of Leavers	7	5,001	6,868
Administrative Expenses	8	2,804	2,883
		<hr/>	<hr/>
		164,961	159,542
<i>Net Additions from dealings with members</i>		42,429	2,952
<i>Returns on Investments</i>			
Investment Income	10	28,104	29,092
Profits and losses on disposal of investments and change in value of investments.	11	435,645	185,124
Investment Management Expenses	9	(15,795)	(11,682)
Fund Manager Performance Fees	9	(1,802)	(4,931)
		<hr/>	<hr/>
<i>Net Returns on Investments</i>		446,152	197,603
<i>Net Increase in the net assets available for benefits during the year</i>		488,581	200,555
<i>Net Assets of the Fund</i>			
<i>At 1 April</i>		3,346,211	3,145,656
<i>At 31 March</i>		<hr/> 3,834,792 <hr/>	<hr/> 3,346,211 <hr/>

Net Assets Statement at 31 March 2015

	Note	31 March 2015		31 March 2014	
		£'000	%	£'000	%
INVESTMENT ASSETS					
Fixed interest securities : Public Sector		111,675	2.9	92,694	2.8
Equities		603,222	15.7	542,777	16.2
Diversified Growth Funds		368,177	9.6	314,340	9.4
Index Linked securities : Public Sector		238,962	6.2	189,176	5.7
Pooled investment vehicles :-					
- Property : Unit Trusts		111,753	2.9	102,865	3.1
: Unitised Insurance		57,075	1.5	46,063	1.4
: Other Managed Funds		146,839	3.8	112,058	3.3
Property Pooled Investment Vehicles		<u>315,667</u>		<u>260,986</u>	
- Non Property : Unitised Insurance		903,760	23.5	778,501	23.2
: Other Managed Funds		1,202,443	31.3	1,051,084	31.4
Non Property Pooled Investment Vehicles		<u>2,106,203</u>		<u>1,829,585</u>	
Cash deposits		94,416	2.4	85,023	2.5
Other Investment balances		4,805	0.1	9,361	0.3
INVESTMENT LIABILITIES					
Derivative contracts (Foreign Exchange hedge)		1,874	0.1	12,199	0.4
Derivative Contracts: FTSE Futures		152	0.0	162	0.0
Other Investment balances		(5,281)	(0.1)	(5,097)	(0.2)
TOTAL INVESTMENT ASSETS	12	<u>3,839,872</u>		<u>3,331,206</u>	
Net Current Assets					
Current Assets	14	10,592	0.3	24,980	0.7
Current Liabilities	14	(15,672)	(0.2)	(9,975)	(0.2)
Net assets of the scheme available to fund benefits at the period end		<u>3,834,792</u>	100	<u>3,346,211</u>	100

The Fund's financial statements do not take account of liabilities to pay pensions and other benefits after 31 March 2015.

Notes to the Accounts - Year Ended 31 March 2015

1, GENERAL

The Fund is administered by Bath & North East Somerset Council under arrangements made following the abolition of the former Avon County Council on 31 March 1996.

The scheme is governed by the Public Service Pensions Act 2013. The fund is administered in accordance with the following secondary legislation:

- The Local Government Pension Scheme Regulations 2013 (as amended)
- The Local Government Pension Scheme (Transitional Provisions, Savings and Amendment) Regulations 2014 (as amended)
- The Local Government Pension Scheme (Management and Investment of Funds) Regulations 2009.

Membership of the Fund is open to pensionable employees of scheduled bodies in the former Avon County area, together with employees of eligible designating and admission bodies. A list of employers with contributing scheme members can be found in note 26.

Employers' contributions are payable at the rate specified for each employing authority by the Fund's actuary. The employees' contribution rate is payable in accordance with the Local Government Pension Scheme Regulations 2013.

2, MEMBERSHIP

Membership of the Fund at the year-end was as follows:-

	31 March 2015	31 March 2014
Employed Members	34,765	34,846
Pensioners	26,006	25,985
Members entitled to Deferred Benefits	35,714	35,321
TOTAL	96,485	96,152

A further estimated 900 ex-members whose membership was for up to 2 years before 1st April 2004 or up to 3 months after that date are due refunds of contributions. It is not possible to put an exact value on this liability until these ex-members have been traced and their entitlement verified.

3, TAXATION

i. Value Added Tax

The Fund's administering authority Bath & North East Somerset Council is reimbursed VAT by H. M. Revenue and Customs and the accounts are shown exclusive of VAT.

ii. Income Tax

The Fund is a wholly exempt fund and some UK income tax is recoverable from HM Revenue and Customs. Where tax can be reclaimed, investment income in the accounts is shown gross of UK tax.

iii. Capital Gains Tax

No capital gains tax is chargeable.

iv. Taxation of Overseas Investment Income

The Fund receives interest on its overseas government bond portfolio gross, but a variety of arrangements apply to the taxation of interest on corporate bonds and dividends on overseas equities.

4, CONTRIBUTIONS RECEIVABLE

Contributions receivable are analysed below:-

	2014/15		2013/14	
	£'000		£'000	
Employers' normal contributions				
Scheduled Bodies	58,507		55,066	
Administering Authority	7,704		6,902	
Admission Bodies	7,784	73,995	6,876	68,844
Employers' deficit Funding				
Scheduled Bodies	67,052		27,384	
Administering Authority	14,042		4,146	
Admission Bodies	3,496	84,590	1,571	33,101
Total Employer's normal & deficit funding		158,585		101,945
Employers' contributions- Augmentation				
Scheduled Bodies	5,446		4,312	
Administering Authority	489		537	
Admission Bodies	138	6,073	147	4,996
Members' normal contributions				
Scheduled Bodies	29,491		28,868	
Administering Authority	3,798		3,530	
Admission Bodies	3,313	36,602	3,300	35,698
Members' contributions towards additional benefits				
Scheduled Bodies	685		474	
Administering Authority	123		127	
Admission Bodies	32	840	36	637
Total		202,100		143,276

Deficit funding contributions have been paid by employers in respect of the recovery of their deficit relating to past service. The deficit funding contributions in 2014/15 include £73,947k of discounted contributions that the actuary has calculated to cover the required deficit contributions for the three years commencing 2014/15.

The Members' contributions towards additional benefits above represent members' purchase of added years or additional benefits under the Scheme. Augmentation contributions are paid by employers to meet the cost of early retirements.

A further facility is provided whereby members can make Additional Voluntary Contributions, on a money purchase basis, which are invested in insurance policies with The Equitable Life Assurance Society or Friends Life on behalf of the individual members concerned. These contributions are not part of the Pension Fund and are not therefore reflected in the Fund's accounts. A statement of the value of these investments is given in Note 20.

5, OTHER INCOME

	2014/15	2013/14
	£'000	£'000
Recoveries for services provided	484	426
Cost recoveries	12	16
	<u>496</u>	<u>442</u>

'Recoveries for services provided refers to administrative and accounting services provided to employing bodies. Cost recoveries are the recovery of the cost of calculating Pension Sharing on divorce

6, BENEFITS PAYABLE

Analysis of Benefits Payable by Type:-

	2014/15	2013/14
	£'000	£'000
Retirement Pensions	121,095	112,720
Commutation of pensions and		
Lump Sum Retirement Benefits	32,246	34,148
Lump Sum Death Benefits	3,815	2,923
	<u>157,156</u>	<u>149,791</u>

Analysis of Benefits Payable by Employing Body:-

	2014/15	2013/14
	£'000	£'000
Scheduled & Designating Bodies	132,416	124,288
Administering Authority	14,342	14,133
Admission Bodies	10,398	11,370
	<u>157,156</u>	<u>149,791</u>

7, PAYMENTS TO AND ON ACCOUNT OF LEAVERS

	2014/15	2013/14
Leavers	£'000	£'000
Refunds to members leaving service	543	116
Individual Cash Transfer Values to other schemes	4,458	4,352
Group Transfers	-	2,400
	<u>5,001</u>	<u>6,868</u>

8, ADMINISTRATION EXPENSES

Costs incurred in the management and administration of the Fund are set out below.

	2014/15	2013/14
	£'000	£'000
Administration and processing	1,996	1,957
Actuarial fees	372	486
Audit fees	29	27
Legal and professional fees	-	-
Central recharges from Administering Authority	407	413
	<u>2,804</u>	<u>2,883</u>

9, INVESTMENT EXPENSES

Expenses incurred in the management of the Fund are set out below.

	2014/15	2013/14
	£'000	£'000
Fund Manager Base Fees	15,378	11,366
Fund Manager Performance Fees	1,802	4,931
Global Custody	66	94
Investment Advisors	259	123
Performance Measurement	39	37
Investment Accounting	1	4
Investment Administration	52	58
	<u>17,597</u>	<u>16,613</u>

Fund Manager Performance Fees include fees that have been accrued but are subject to phased payment or not due to be paid until the realisation of the related assets. Unpaid fees remain subject to variation as a result of future performance. The 2013/14 Performance Fees include £1,127k relating to 2013/14 and £3,804k relating to previous years. Total fund manager fees include management charges for pooled investments that are settled directly within the pooled vehicles in accordance with the investment management agreement.

10, INVESTMENT INCOME

	2014/15 £'000	2013/14 £'000
Interest from fixed interest securities	3,482	3,557
Dividends from equities	16,628	16,651
Income from Index Linked securities	3,019	5,091
Income from pooled investment vehicles	4,521	3,480
Interest on cash deposits	405	282
Other - Stock lending	49	31
	28,104	29,092

The Fund has an arrangement with its custodian (BNY Mellon) to lend eligible securities from its portfolio to third parties in return for which the third parties pay fees to the fund. The third parties provide collateral to the Fund which is held during the period of the loan. This stock lending programme was introduced with effect from July 2004. The Fund may terminate any loan of securities by giving notice of not less than the standard settlement time for those securities.

The value of the stock on loan as at 31 March 2015 was £14.57 million (31 March 2014 £17.27m), comprising of equities and sovereign debt. This was secured by collateral worth £15.45 million comprising equities and sovereign debt. The Fund does not sell collateral unless there is a default by the owner of the collateral.

11, CHANGE IN TOTAL NET ASSETS

Change in Market Value of Investments	Change in				Value at 31/03/15 £'000
	Value at 31/03/14 £'000	Purchases at Cost £'000	Sales Proceeds £'000	Market Value £'000	
Fixed Interest Securities	92,694	10,951	(13,868)	21,898	111,675
Equities	542,777	379,470	(368,729)	49,704	603,222
Index linked Securities	189,176	73,272	(65,761)	42,274	238,961
Pooled Investments -					
- Property	260,986	96,802	(66,363)	24,243	315,668
- Non Property	2,143,925	327,298	(262,842)	265,999	2,474,380
Derivatives	12,361	89,107	(109,820)	10,378	2,026
	3,241,919	976,900	(887,383)	414,496	3,745,932
Cash Deposits	85,023	691,405	(683,328)	1,316	94,416
Net Purchases & Sales Investment Debtors & Creditors	4,264	1,668,305	1,570,711)	97,594 (4,740)	(476)
<u>Total Investment Assets</u>	3,331,206				3,839,872
Current Assets	15,005			(20,085)	(5,080)
Less Net Revenue of Fund				(52,936)	
Total Net Assets	3,346,211			435,645	3,834,792

The **Change in Market Value** of investments comprises all gains and losses on Fund investments during the year, whether realised or unrealised.

The **Change in Market Value** for cash deposits represents net gains on foreign currency deposits and foreign exchange transactions during the year.

Derivatives. The purchases and sales of derivatives are shown at the values of the realised profits and losses of the net derivatives transactions.

Change in Total Net Assets 2013/14

Change in Market Value of Investments	Change in				
	Value at 31/03/13 £'000	Purchases at Cost £'000	Sales Proceeds £'000	Market Value £'000	Value at 31/03/14 £'000
Fixed Interest Securities	109,674	12,836	(22,360)	(7,456)	92,694
Equities	495,980	305,283	(302,104)	43,618	542,777
Index linked Securities	209,876	24,385	(30,469)	(14,616)	189,176
Pooled Investments -					
- Property	222,341	81,108	(61,176)	18,713	260,986
- Non Property	2,015,386	1,087,681	(1,070,788)	111,646	2,143,925
Derivatives	(3,138)	190,891	(199,962)	24,570	12,361
	3,050,119	1,702,184	(1,686,859)	176,475	3,241,919
Cash Deposits	85,895	558,772	(558,751)	(893)	85,023
Net Purchases & Sales		2,260,956	(2,245,610)	15,346	
Investment Debtors & Creditors	(638)			4,902	4,264
<u>Total Investment Assets</u>	3,135,376			-	3,331,206
Current Assets	10,280			4,725	15,005
Less Net Revenue of Fund				(15,431)	
Total Net Assets	3,145,656			185,124	3,346,211

Investment Transaction Costs. The following transactions costs are included in the above tables:

	2014/15				2013/14			
	Purchases £'000	Sales £'000	Other £'000	Total £'000	Purchases £'000	Sales £'000	Other £'000	Total £'000
Fees & Taxes	1,069	4	-	1,073	608	13	-	621
Commission	408	416	8	832	321	323	4	648
TOTAL	1,477	420	8	1,905	929	336	4	1,269

12, INVESTMENT ASSETS

Further analysis of the market value of investments as set out in the Net Assets Statement is given below:-

	31 March 2015		31 March 2014	
	£'000		£'000	
UK Equities				
Quoted	320,758		301,719	
Pooled Investments	232,321		225,298	
FTSE Futures	152	553,231	162	527,179
Diversified Growth Funds				
Pooled Investments	368,177	<u>368,177</u>	314,340	<u>314,340</u>
Overseas Equities				
Quoted	282,464		241,057	
Pooled Investments	1,265,573	<u>1,548,037</u>	1,083,136	<u>1,324,193</u>
UK Fixed Interest Gilts				
Quoted	111,675		92,694	
Pooled Investments	-	<u>111,675</u>	14,226	<u>106,920</u>
UK Index Linked Gilts				
Quoted	238,961	<u>238,961</u>	189,176	<u>189,176</u>
Sterling Bonds (excluding Gilts)				
Pooled Investments	332,615	<u>332,615</u>	269,350	<u>269,350</u>
Non-Sterling Bonds				
Pooled Investments	113,325	<u>113,325</u>	74,588	<u>74,588</u>
Hedge Funds				
Pooled Investments	162,368	<u>162,368</u>	162,986	<u>162,986</u>
Property				
Pooled Investments	315,668	<u>315,668</u>	260,987	<u>260,987</u>
Cash Deposits				
Sterling	81,503		78,163	
Foreign Currencies	12,913	<u>94,416</u>	6,860	<u>85,023</u>
Investment Debtors/Creditors				
Investment Income	3,807		3,414	
Sales of Investments	998		5,948	
Foreign Exchange Hedge	1,874		12,199	
Purchases of Investments	(5,280)	<u>1,399</u>	(5,097)	<u>16,464</u>
TOTAL INVESTMENT ASSETS		<u>3,839,872</u>		<u>3,331,206</u>

DERIVATIVES ANALYSIS

Open forward currency contracts

Settlement	Currency bought	Local Value 000	Currency Sold	Local Value 000	Asset Value £000's	Liability Value £000's
Up to one month	EUR	16,168	GBP	(19,900)	1,763	
Up to one month	JPY	22,508	GBP	(3,998,000)	94	
Up to one month	GBP	1,994,000	JPY	(11,522)		(315)
Up to one month	GBP	215,600	USD	(128,974)		16,280
Up to one month	USD	128,164	GBP	(215,600)	(17,091)	
One to six months	EUR	257,130	GBP	(327,070)	19,916	
One to six months	GBP	212,800	EUR	(169,528)		(15,184)
One to six months	GBP	28,314,000	JPY	(163,268)		(3,921)
One to six months	GBP	455,700	USD	(285,799)		21,466
One to six months	JPY	207,461	GBP	(36,290,000)	3,199	
One to six months	NOK	2,354	GBP	(27,594)	49	
One to six months	USD	283,691	GBP	(455,700)	(23,573)	
Six to twelve months	EUR	118,080	GBP	(153,800)	6,148	
Six to twelve months	GBP	46,800	EUR	(36,307)		(2,255)
Six to twelve months	GBP	18,780,000	JPY	(104,287)		1,818
Six to twelve months	GBP	680,500	USD	(445,465)		13,473
Six to twelve months	JPY	103,157	GBP	(18780,000)	(2,948)	
Six to twelve months	USD	441,893	GBP	(680,500)	(17,045)	
Total					(29,488)	31,362
Net forward currency contracts at 31 March 2015						1,874

Open forward currency contracts at 31 March 2014	37,052	(24,853)
Net forward currency contracts at 31 March 2014		12,199

Exchange Traded Derivatives held at 31 March 2015:-

<u>Contract Type</u>	<u>Expiration</u>	<u>Book Cost</u>	<u>Unrealised Gain</u>
		<u>£'000</u>	<u>£'000</u>
FTSE equity futures	June 2015	18,836	152

Exchange Traded Derivatives held at 31 March 2014:-

FTSE equity futures	June 2014	28,433	162
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A derivative is a financial contract between two parties, the value of which is determined by the underlying asset. Investment in derivatives may only be made if they contribute to a reduction of risks and facilitate efficient portfolio management.

The UK Equity futures contracts are held to facilitate efficient portfolio management for a passively managed investment where the costs of investing directly in UK equities would be significant.

Forward "over the counter" foreign exchange contracts are held to reduce the impact of fluctuations in the exchange rate between sterling and the other currency.

The proportion of the market value of investment assets managed by each external manager and in house Treasury Management at the end of the financial year was:-

	31 March 2015 £'000	%	31 March 2014 £'000	%
Blackrock	1,216,272	31.7	1,071,963	32.2
Standard Life	243,477	6.4	0	0
Record	20,651	0.5	28,129	0.8
Jupiter Asset Management	175,662	4.6	160,956	4.8
Genesis Investment Management	160,247	4.2	145,092	4.4
Invesco Perpetual	291,423	7.6	239,795	7.2
State Street Global Advisors	124,517	3.2	107,147	3.2
Partners Group	154,212	4.0	113,446	3.4
Royal London Asset Management	310,439	8.1	251,101	7.6
TT International	195,021	5.1	185,717	5.6
Man Investments	-	0.0	1,115	0.0
Gottex Asset Management	59,188	1.5	58,062	1.8
Stenham Asset Management	39,645	1.0	37,654	1.1
Signet Capital Management	63,535	1.7	66,155	2.0
Barings Asset Management	0	0	209,798	6.3
Pyrford International	124,700	3.2	104,542	3.1
Unigestion UK Ltd	191,725	5.0	166,687	5.0
Schroder Investment Management	434,251	11.3	365,163	11.0
Bank of New York Mellon	23,362	0.6	7,964	0.2
Treasury Management	11,545	0.3	10,720	0.3
TOTAL INVESTMENT ASSETS	3,839,872	100.0	3,331,206	100.0

13, SINGLE INVESTMENTS OVER 5% OF THE FUND

The following investments represent more than 5% of the net assets of the fund.

Investments	Value at 31 st March 2015 £'000	% of Net Assets	Value at 31 st March 2014 £'000	% of Net Assets
RLPPC UK Corporate Bond Fund (Royal London)	310,439	8.11%	251,101	7.54%
Invesco Perpetual Global ex UK Enhanced Index Fund	291,423	7.61%	239,795	7.20%
Standard Life Global Absolute	243,477	6.36%	-	-
Blackrock Advisors UK Ltd. (Aquila Life UK Equity Index Fund)	227,789	5.95%	220,957	6.63%
MSCI Equity Index Fund B-US (BlackRock)	219,389	5.73%	173,125	5.20%
Unigestion Uni-Global – Equity Emerging Mkt SAC GBP	191,725	5.01%	166,687	5.00%
Baring Dynamic Asset Allocation Fund	-	-	209,798	6.30%

14, CURRENT ASSETS AND CURRENT LIABILITIES

Provision has been made in the accounts for debtors and creditors known to be outstanding at 31 March 2015. Debtors and creditors included in the accounts are analysed below:-

	31 March 2015 £'000	31 March 2014 £'000
CURRENT ASSETS		
Contributions Receivable :-		
- Employers	6,431	8,490
- Members	2,968	2,919
Transfer Values Receivable	-	10,600
Discretionary Early Retirement Costs	351	1,952
Other Debtors	842	1,019
	<u>10,592</u>	<u>24,980</u>
CURRENT LIABILITIES		
Management Fees	(1,639)	(950)
Provision for Performance Fees	(5,510)	(4,373)
Transfer Values Payable	(1)	(2,400)
Lump Sum Retirement Benefits	(1,447)	(645)
Other Creditors	(7,075)	(1,607)
	<u>(15,672)</u>	<u>(9,975)</u>
NET CURRENT ASSETS	<u>(5,080)</u>	<u>15,005</u>

The provision for Performance Fees includes fees that have been incurred but are subject to phased payment or not due to be paid until the realisation of the related assets. They remain subject to variation as a result of future performance. At 31 March 2015 Other Creditors includes a £4,524k refund due to Bristol City Council for overpaid contributions.

Analysis of Debtors and Creditors by public sector bodies:-

	31 March 2015		31 March 2014
	<u>£'000</u>		<u>£'000</u>
CURRENT ASSETS			
Local Authorities	6,920		11,028
NHS Bodies	11		-
Other Public Bodies	2,794		13,211
Non Public Sector	867	<u>10,592</u>	<u>741</u>
			<u>24,980</u>
CURRENT LIABILITIES			
Local Authorities	(5,313)		(11)
Other Public Bodies	(1,512)		(3,789)
Non Public Sector	(8,847)	<u>(15,672)</u>	<u>(6,175)</u>
NET CURRENT ASSETS		<u>(5,080)</u>	<u>15,005</u>

15, CONTINGENT LIABILITIES

There were no contingent liabilities as at 31 March 2015. (March 2014 = NIL).

16, EVENTS AFTER THE BALANCE SHEET DATE

There have been no events after 31 March 2015 that require any adjustment to these accounts. Investments are valued at fair value and any gain or loss is only realised upon sale consequently any change is considered a non-adjusting event.

17, ACTUARIAL PRESENT VALUE OF PROMISED RETIREMENT BENEFITS FOR THE PURPOSES OF IAS 26

IAS 26 requires the present value of the Fund's promised retirement benefits to be disclosed, and for this purpose the actuarial assumptions and methodology used should be based on IAS 19 rather than the assumptions and methodology used for funding purposes.

To assess the value of the benefits on this basis, we have used the following financial assumptions as at 31 March 2015 (the 31 March 2014 assumptions are included for comparison):

	31 March 2014	31 March 2015
Rate of return on investments (discount rate)	4.5% per annum	3.3% per annum
Rate of pay increases	3.9% per annum*	3.5% per annum*
Rate of increases in pensions in payment (in excess of Guaranteed Minimum Pension)	2.4% per annum	2.0% per annum

* includes a corresponding allowance to that made in the actuarial valuation for short-term public sector pay restraint.

The demographic assumptions are the same as those used for funding purposes. Full details of these assumptions are set out in the formal report on the actuarial valuation dated March 2014.

During the year, corporate bond yields fell significantly, resulting in a lower discount rate being used for IAS26 purposes at the year end than at the beginning of the year (3.3% per annum versus 4.5% per annum). The expected long-term rate of CPI inflation also fell during the year, resulting in a lower assumption for pension increases at the year end than at the beginning of the year (2.0% p.a. versus 2.4% p.a.).

The value of the Fund's promised retirement benefits for the purposes of IAS26 as at 31 March 2014 was estimated as £4,396 million.

The effect of the changes in actuarial assumptions between 31 March 2014 and 31 March 2015 as described above is to increase the liabilities by c£718 million. Adding interest over the year increases the liabilities by a further c£198 million, and allowing for net benefits accrued/paid over the period increases the liabilities by another c£3 million (including any increase in liabilities arising as a result of early retirements/augmentations).

The net effect of all the above is that the estimated total value of the Fund's promised retirement benefits as at 31 March 2015 is £5,315 million.

18, TRANSFERS IN

During the year ending 31 March 2015 group transfers in to the fund from Strode College to Weston College and from Stroud College to South Gloucestershire and Stroud College were completed. The estimated values of these transfers were included in the 2012/13 and 2013/14 Statements of Accounts. The actual values did not vary materially from the estimated values.

19, BENEFITS RECHARGED TO EMPLOYERS

The Fund makes payments with regard to added year benefits awarded by the Employer to LGPS members, including related pension increases. The Fund also pays a small number of other pension supplements. These are not funded by the Fund and are recharged in full. They are not included in the Fund Account.

	2014/15	2013/14
	£'000	£'000
Benefits Paid and Recharged	6,312	6,240

20, ADDITIONAL VOLUNTARY CONTRIBUTIONS (AVCs)

Scheme members may make Additional Voluntary Contributions that are invested in insurance policies with The Equitable Life Assurance Society or Friends Life, the Fund's nominated AVC providers. Additional Voluntary Contributions received from employees and paid to The Equitable Life Assurance Society during 2014/15 were £274 (2013/14 - £498). Additional Voluntary Contributions received from employees and paid to Friends Life during 2014/15 were £371,799 (2013/14 - £407,897).

The total value of the assets invested, on a money purchase basis, with these AVC providers was:-

	31 March 2015	31 March 2014
	£'000	£'000
<u>Equitable Life</u>		
With Profits Retirement Benefits	417	501
Unit Linked Retirement Benefits	271	286
Building Society Benefits	195	235
	883	1,022
Death in Service Benefit	82	150
<u>Friends Life</u>		
With Profits Retirement Benefits	123	157
Unit Linked Retirement Benefits	3,762	3,625
Cash Fund	315	447
	4,200	4,229

AVC investments are not included in the Fund's financial statements in accordance with Regulation 4(2)(b) of the Pension Scheme (Management and Investment of Funds) Regulations 2009.

21, RELATED PARTIES

Committee Member Related:-

In 2014/15 £37,516 was charged to the Fund in respect of Allowances paid to the voting Members of the Avon Pension Fund Committee (£37,238 in 2013/14). Eight voting members and no non-voting members of the Avon Pension Fund Committee (including five B&NES Councillor Members) were members of the Local Government Pension Scheme during the financial year 2014/2015. (Six voting members and one non-voting member in 2013/2014, including five B&NES Councillor Members)

Independent Member Related:-

Two Independent Members were paid allowances of £7,532 and £13,237 respectively during the year for their work in relation to the Pension Fund Committee and the Investment Panel. They are entitled to claim reasonable expenses which are included in the above allowances. The Independent Members are not eligible to join the Local Government Pension Scheme.

Employer Related:-

During the year 2014/15 the Fund paid B&NES Council £309,649 for administrative services (£295,990 in 2013/14) and B&NES Council paid the Fund £25,341 for administrative services (£31,715 in 2013/14). Various Employers paid the fund a total of £166,848 for pension related services including pension's payroll and compiling data for submission to the actuary (£141,397 in 2013/14).

Officer and Manager Related:-

The officers administering the Avon Pension Fund are all eligible to be members of the Avon Pension Fund.

The Fund is governed by Central Government regulation. There are no other related party transactions except as already disclosed elsewhere.

22, OUTSTANDING COMMITMENTS

As at the 31 March 2015 the Fund had outstanding commitments relating to investments in property that will be drawn down in tranches by the Investment Managers totalling £151,284,981 (31st March 2014 £61,724,899).

A further outstanding commitment of \$US300,000,000 (31st March 2014 nil) relating to investments in a pooled fund of underlying infrastructure assets will be drawn down in tranches by the Investment Managers.

23, KEY MANAGEMENT REMUNERATION

Of Bath & North East Somerset Council's key management personnel, some of the remuneration costs were charged to the fund to reflect the time spent. These consisted of:

- part of the Divisional Director Business Support's salary, fees and allowances £16,948 (2013/14 £17,360) and their employer's pension contributions £3,552 (2013/14 £3,107).
- part of the Head of Business Finance and Pensions salary, fees and allowances £33,523 (2013/14 £31,540) and their employer's pension contributions £7,017 (2013/14 £5,460).

24, FINANCIAL INSTRUMENTS

The net assets of the Fund are made up of the following categories of Financial Instruments:

	31/03/2015	31/03/2014
Financial Assets	£'000	£'000
Receivables	10,592	24,980
Financial assets at fair value through profit or loss	3,839,872	3,336,303
Total Financial Assets	3,850,464	3,361,283
Financial Liabilities		
Payables	(15,672)	(15,072)
Financial liabilities at fair value through profit or loss	-	-
Total Financial Liabilities	(15,672)	(15,072)
Total Net Assets	3,834,792	3,346,211

All investments are disclosed at fair value. Carrying value and fair value are therefore the same. Payables and Receivables are valued at amortised cost. The carrying value has not been amortised and therefore is the same as the fair value. The gains and losses recognised in the Fund Account in relation to financial instruments are made up as follows:-

Net gains and losses on financial instruments

Financial assets at fair value through profit or loss		
	2014/15	2013/14
	£'000	£'000
Losses on derecognition	3,805	4,918
Reductions in fair value	24,311	239,774
Total expense in Fund Account	28,116	244,692
Gains on derecognition	92,566	323,622
Increases in fair value	350,046	97,545
Total income in Fund Account	442,612	421,167
Net gain/(loss) for the year	414,496	176,475

25, FINANCIAL RISK MANAGEMENT DISCLOSURE

The primary objective of the Avon Pension Fund is to generate positive real investment return above the rate of inflation for a given level of risk to meet the liabilities as they fall due over time. The aim of the investment strategy and management structure is to minimise the risk of a reduction in the value of the assets and maximise the opportunity for asset gains across the Fund.

To achieve its investment objective the Fund invests across a diverse range of assets such as equities, bonds, property and other alternative investments. As a result the Fund is exposed to a variety of financial risks including market risk (price, interest rate and currency risk), credit risk and liquidity risk.

The Fund's investments are managed by external Investment Managers. Each manager is required to invest in accordance with the terms of the agreed investment guidelines that sets out the relevant benchmark, performance target, asset allocation ranges and any restrictions. The Avon Pension Fund Committee ("Committee") has determined that the investment management structure is appropriate and is in accordance with its investment strategy. The Committee regularly monitors each investment manager and its Investment Consultant advises on the nature of the investments made and associated risks.

The Fund's investments are held by BNY Mellon Asset Servicing, who act as custodian on behalf of the Fund.

Because the Fund adopts a long term investment strategy, the high level risks described below will not alter significantly during any one year unless there are significant strategic or tactical changes to the portfolio. The risk management process identifies and mitigates the risks arising from the Fund's investment strategy and policies which are reviewed regularly to reflect changes in market conditions.

(a) Market Risk

Market risk is the risk of loss from fluctuations in market prices, interest rates or currencies. The Fund is exposed through its investments portfolio to all these market risks. The objective of the investment strategy is to manage and control market risk within acceptable parameters, while optimising the return.

Volatility in market risk is primarily managed through diversification across asset class and investment managers

Market Price Risk

Market price risk represents the risk that the value of a financial instrument will fluctuate caused by factors other than interest rates or currencies. These changes can be caused by factors specific to the individual instrument, its issuer or factors affecting the market in general and will affect the assets held by the Fund in different ways.

All investments present a risk of loss of capital. By diversifying its investments across asset classes, geography and industry sectors, investment mandate guidelines and Investment Managers the Fund aims to reduce its exposure to price risk. Diversification seeks to reduce the correlation of price movements. The risk arising from exposure to specific markets is limited by the strategic asset allocation, which is regularly monitored by the Committee against the strategic benchmark.

The Fund has a high allocation to equities and therefore the fluctuation in equity prices is the largest market risk within the portfolio. The maturity profile of the Fund and strong underlying covenant underpins the allocation to equities which are expected to deliver higher returns over the long term.

Market Price Risk - Sensitivity Analysis

The sensitivity of the Fund's investments to changes in market prices has been analysed using the volatility of returns of the assets held within the Fund (provided by the Fund's advisors). The potential volatilities are consistent with a one standard deviation movement in the change in value of the assets over the three years to 31 March 2015. These movements in market prices have been judged as possible for the 2014/15 reporting period. This analysis assumes all other variables including interest rates and foreign currency exchange rates remain the same.

Movements in market prices could have increased or decreased the net assets available to pay benefits by the amounts shown below. However, the likelihood of this risk materialising in normal circumstances is low by virtue of the diversification within the Fund. The volatility figure at Total Assets level incorporates the impact of correlation across the asset classes; therefore the Total Assets increase /decrease is not the sum of the parts.

The analysis for the year ending 31 March 2015:

Asset Type	Value (£'000)	% Change	Value on Increase	Value on Decrease
UK Equities	527,446	10.1%	580,824	474,068
Overseas Equities	1,323,210	9.3%	1,446,401	1,200,019
Global inc. UK	250,612	9.6%	274,721	226,503
UK Bonds	444,290	7.2%	476,412	412,168
Overseas Bonds	113,325	7.3%	121,643	105,007
Index Linked Gilts	238,961	9.7%	262,092	215,830
Pooled Multi Asset	368,177	3.3%	380,400	355,954
Property	315,668	1.9%	321,634	309,702
Alternatives	162,368	2.6%	166,590	158,146
Cash	94,416	0.0%	94,425	94,407
Total Assets	3,838,473	6.1%	4,071,069	3,605,847

The analysis for the year ending 31 March 2014 is shown below:

Asset Type	Value (£'000)	% Change	Value on Increase	Value on Decrease
UK Equities	509,345	12.3%	571,892	446,797
Overseas Equities	1,134,606	12.1%	1,271,553	997,659
Global inc. UK	207,422	11.0%	230,176	184,668
UK Bonds	376,270	6.5%	400,727	351,812
Overseas Bonds	74,588	7.4%	80,078	69,099
Index Linked Gilts	189,176	8.8%	205,862	172,491
Property	260,987	1.6%	265,137	256,838
Alternatives	477,326	3.2%	492,601	462,052
Total Assets	3,229,720	7.3%	3,464,198	2,995,243

Interest Rate Risk

Interest rate risk is the risk that the fair value of a financial instrument will fluctuate because of changes in market interest rates which will affect the value of fixed interest and index linked securities.

The Fund's exposure to interest rate movements on these investments is provided below. Cash includes the cash deposits held against futures contracts.

	31 March 2015	31 March 2014
	£'000	£'000
Cash and Cash Equivalents	94,416	85,023
Fixed Interest Assets	796,576	640,034
Total	890,992	725,057

Interest Rate Risk - Sensitivity Analysis

Fluctuations in interest rates can affect both income to the Fund and the value of the net assets to pay benefits. The sensitivity of the Fund's investments to changes in interest rates has been analysed by showing the effect on the value of the fixed income securities as at 31 March 2015 of a 100 basis point (1%) change in interest rates. The analysis assumes that all other variables including foreign currency exchange rates remain constant.

An increase or decrease of 100 basis points (bps) in interest rates would have increased or decreased the net assets by the amount shown below.

As at 31 March 2015	Value £'000	Change in net assets	
		+100 bps	-100 bps
Cash and Cash Equivalents	94,416	-	-
Fixed Interest	796,576	(110,405)	110,405
Total	890,992	(110,405)	110,405

A 1% rise in interest rates will reduce the fair value of the relevant net assets and vice versa. Changes in interest rates do not impact the value of cash balances but they will affect the interest income received on those balances.

The same analysis for the year ending 31 March 2014 is shown below:

As at 31 March 2014	Value £'000	Change in net assets	
		+100 bps	-100 bps
Cash and Cash Equivalents	85,023	-	-
Fixed Interest	640,034	(83,332)	83,332
Total	725,057	(83,332)	83,332

Currency Risk

Currency risk represents the risk that the fair value of financial instruments when expressed in Sterling will fluctuate because of changes in foreign exchange rates. The Fund is exposed to currency risk on investments denominated in a currency other than Sterling. A significant proportion of the Fund's equity portfolio is invested in overseas stocks. When sterling depreciates the sterling value of foreign currency denominated investments will rise and when sterling appreciates the sterling value for foreign denominated investments will fall. The Fund has a dynamic hedging arrangement in place which reduces the volatility of returns over the longer term (the hedging programme hedges the exposure to the US Dollar, Yen and Euro).

Where an investment manager chooses to hedge against foreign currency movements forward foreign exchange contracts are used.

The following tables summarise the Fund's currency exposures within the portfolio. For the global property funds the share class of the pooled funds held has been used. The funds of hedge funds and Diversified Growth Funds are not included in this analysis given the share classes held are either in Sterling or hedged back to Sterling.

Currency risk by asset class:

Currency Exposure – Asset Type	Asset value as at 31 March 2015 £'000	Asset value as at 31 March 2014 £'000
Overseas Equities	1,548,037	1,324,193
Overseas Fixed Income	113,325	74,588
Overseas Property	154,212	112,058

Currency Risk - Sensitivity Analysis

The sensitivity of the Fund's investments to changes in foreign currency rates has been analysed using the volatility which is broadly consistent with a one-standard deviation movement in the currency and incorporates the impact of correlation across currencies. The analysis assumes a 50% hedge ratio on the equity and bond assets to reflect the dynamic hedging strategy.

A strengthening of Sterling against the various currencies by one standard deviation (expressed as a percentage) at 31 March 2015 would have decreased the net assets by the amount shown in the tables below and vice versa:

Currency Risk by Asset Type:

Asset Type	Value (£'000)	% Change	Value on Increase	Value on Decrease
Overseas Equities	1,548,037	3.8%	1,606,655	1,489,419
Overseas Fixed Income	113,325	3.8%	117,616	109,034
Overseas Property	154,212	3.8%	160,051	148,373

The same analysis for the year ending 31 March 2014 is shown below:

Currency Risk by Asset Type:

Asset Type	Value (£'000)	% Change	Value on Increase	Value on Decrease
Overseas Equities	1,324,193	3.3%	1,367,307	1,281,080
Overseas Fixed Income	74,588	3.3%	77,017	72,160
Overseas Property	112,058	3.3%	115,707	108,410

(b) Credit Risk

Credit risk is the risk that the counterparty to a financial instrument or transaction will fail to meet an obligation and cause the Fund to incur a financial loss. In addition, the market values of investments will reflect an assessment of creditworthiness in their pricing and therefore the risk of loss is implicitly provided for in the carrying value of the assets and liabilities.

The entire Fund is exposed to credit risk through its underlying investments (including cash balances) and the transactions it undertakes to manage its investments. The careful selection and monitoring of counterparties including brokers, custodian and investment managers minimises credit risk that may occur though the failure to settle transactions in a timely manner.

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 over-the-counter derivative contracts is minimised by the various insurance policies held by exchanges to cover defaulting counterparties.

Forward currency contracts are entered into by the Fund's managers, especially the currency hedging manager, Record. These contracts are subject to credit risk in relation to the counterparties of the contracts. The responsibility for managing these contracts and counterparty risk rests with the managers. Counterparty management is evaluated as part of the due diligence process prior to appointing a manager.

The Fund's bond portfolios have significant credit risk through their underlying investments. This risk is managed through diversification across sovereign and corporate entities, credit quality and maturity of bonds. The market prices of bonds incorporate an assessment of credit quality in their valuation which reflects the probability of default (the yield of a bond will include a premium that will compensate for the risk of default).

Another source of credit risk is the cash balances held to meet operational requirements or by the managers at their discretion. Internally held cash is managed on the Fund's behalf by the Council's Treasury Management Team in line with the Fund's Treasury Management Policy which sets out the permitted counterparties and limits. Cash held by the Fund and managers is invested with the custodian in diversified money market funds rated AAA.

The cash held under the Treasury Management arrangements and by the custodian as at 31 March 2015 was £34.8m. This was held with the following institutions:

	31 March 2015		31 March 2014	
	Rating	£'000	Rating	£'000
Custodian's Liquidity Fund				
Bank of New York Mellon	AAA	23,361	AAA	7,962
Bank Call Accounts				
Barclays Platinum Account		-	A	1,000
Bank of Scotland Corporate Deposit Account	A	2,950	A	2,500
Goldman Sachs Global Treasury Fund (previously RBS Global Treasury Fund)	AAA	8,230	AAA	6,090
NatWest Special Interest Bearing Account	BBB+	300	BBB+	-1,104
Bank Current Accounts				
NatWest	BBB+	6	BBB+	7

The RBS Global Treasury Fund was taken over by Goldman Sachs International on 14th April 2014. The credit rating remained at AAA. NatWest is the Fund's banker.

A securities lending programme is managed by the Fund's custodian BNY Mellon who manage and monitor the counterparty risk, collateral risk and the overall lending programme. Through its securities lending activities, the Fund is exposed to the counterparty risk of the collateral provided by borrowers against the securities lent. The minimum level of collateral for securities on loan is 102%, however more collateral may be required depending upon the type of transaction. This level is assessed daily to ensure it takes account of market movements. The current collateral the Avon Pension Fund accepts is AAA rated supranational debt, AA rated sovereign debt and FTSE Equity DBV. Cash collateral is not permitted. Securities lending is capped by investment regulations and statutory limits ensure no more than 25% of eligible assets can be on loan at any time.

(c) Liquidity Risk

Liquidity risk is the risk that the Fund will not be able to meet its financial obligations as they fall due. The Fund's investment strategy and cash management policy ensure that the pension fund has adequate cash to meet its working requirements. Cash flow forecasts are prepared to manage the timing of and changes to the Fund's cash flows. The Fund has access to an overdraft facility for short term cash needs which was not drawn on during the year.

The Fund has immediate access to its cash holdings and a substantial portion of the Fund's investments consist of readily realisable securities, in particular equities and fixed income investments, even though a significant proportion is held in pooled funds. These are classed as liquid assets as they can be converted to cash within 3 months. The main liabilities of the Fund are the benefits payable as they fall due over a long period and the investment strategy reflects the long term nature of these liabilities. As a result the Fund is able to manage the liquidity risk that arises from its investments in less liquid asset classes such as property and fund of hedge funds which are subject to longer redemption periods and cannot be considered as liquid as the other investments. As at 31 March 2015 the value of the illiquid assets was £722m, which represented 18.8% of the total Fund assets (31 March 2014: £634m which represented 19% of the total Fund assets).

(d) Fair Value Hierarchy

Fair value is the value at which the investments could be realised within a reasonable timeframe. The Fund measures fair values using the following fair value hierarchy that reflects the subjectivity of the inputs used in making an assessment of fair value. This hierarchy is not a measure of investment risk but a reflection of the ability to value the investments at fair value. The hierarchy has the following levels:

- Level 1 - easy to price securities. Unadjusted quoted prices in active markets for identical assets or liabilities that the Fund has the ability to access at the measurement date. These include quoted/ listed equities, exchange traded derivatives, quoted government securities and quoted unit trusts.
- Level 2 - moderately difficult to price. Inputs other than quoted prices under Level 1 that are observable for the asset or liability, either directly or indirectly. For example where an instrument is traded in a market that is not considered to be active, or where valuation techniques based significantly on observable market data are used to determine fair value. Therefore Level 2 includes pooled funds where the net asset value of the pooled fund is derived from observable prices of the underlying securities including the Diversified Growth Fund that only holds quoted securities. The Fund's holding in these pooled funds can be realised at net asset value.
- Level 3 - difficult to price. Unobservable inputs for the asset or liability used to measure fair value that rely on the Fund's assumptions concerning the assumptions that market participants would use in pricing an asset or liability. Therefore Level 3 includes pooled funds such as the property funds, other Diversified Growth Funds and Fund of Hedge Funds where the net asset value is derived from unobservable inputs and the Fund's holding in these pooled funds is not immediately realisable at the net asset value.

The following sets out the Fund's financial assets and liabilities (by class) measured at fair value according to the fair value hierarchy at 31 March 2015.

	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
Equities – Quoted	603,222			603,222
Bonds - Quoted	350,636			350,636
Pooled Investment Vehicles		1,943,834		1,943,834
Fund of Hedge Funds			162,368	162,368
Diversified Growth Funds		124,700	243,477	368,177
Property			315,668	315,668
Cash	94,416			94,416
Derivatives: Forward FX	1,874			1,874
Derivatives: Futures	152			152
Investment Debtors /Creditors	-475			-475
	<u>1,049,825</u>	<u>2,068,534</u>	<u>721,513</u>	<u>3,839,872</u>

The fair value hierarchy as at 31 March 2014 was:

	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
Equities – Quoted	536,850			536,850
Bonds - Quoted	281,870			281,870
Pooled Investment Vehicles		1,672,523		1,672,523
Fund of Hedge Funds			162,986	162,986
Diversified Growth Funds		104,542	209,798	314,340
Property			260,988	260,988
Cash	85,023			85,023
Derivatives: Forward FX	12,199			12,199
Derivatives: Futures	162			162
Investment Debtors /Creditors	4,265			4,265
	<u>920,369</u>	<u>1,777,065</u>	<u>633,772</u>	<u>3,331,206</u>

26, EMPLOYING BODIES

As at 31 March 2015 the following employing bodies had contributing scheme members in the Avon Pension Fund:

Principal Councils and Service Providers

Avon Fire Brigade	North Somerset Council
Bath & North East Somerset Council	South Gloucestershire Council
Bristol City Council	

Further & Higher Education Establishments

Bath Spa University College	South Gloucestershire & Stroud College
City of Bath College	St. Brendan's College
City of Bristol College	University of the West of England
Norton Radstock College	Weston College

Education Establishments

Abbeywood Community School Academy	Inspirational Futures Trust
Academy of Trinity	Kingshill Academy
Ann Harris Academy Trust	Kings Oak Academy
Aspire Academy	Little Mead Primary School
Backwell School Academy	Marlwood School
Bannerman Road Community Academy	Meadow Brook Primary School
Barton Hill Academy	Merchant's Academy
Bath Community Academy	Midsomer Norton School Partnership
Bedminster Down School Academy	Minerva Primary Academy
Beechen Cliff Academy	Nailsea School Academy
Begbrook Primary Academy	North Somerset Learning and Technology College
Birdwell Primary School Academy	Oasis Academy Bank Leaze
Bradley Stoke Community School	Oasis Academy Brightstowe
Bridge Learning Campus Foundation	Oasis Academy Connaught
Bristol Cathedral Choir School	Oasis Academy John Williams
Bristol Free School Trust	Oasis Academy Long Cross
Bristol Technology & Engineering Academy	Oasis Academy New Oak
Broadlands Academy	Oasis Academy Brislington Enterprise College
Broadoak Mathematics & Computing College	One World Learning Trust
Cabot Learning Federation	Oldfield School Academy Trust
Castle School Education Trust	Orchard Academy
Cathedral Primary School	Parson Street Primary School
Charborough Road Primary School	Patchway Community College
Charfield Primary School	Priory Community School
Chew Stoke Church School	Ralph Allen Academy
Christ Church C of E Primary School	Redland Green School Academy
Churchill Academy	Redfield Educate Together Primary Academy
Clevedon Learning Trust	Severn Beach Primary School
Clevedon School Academy	Sir Bernard Lovell School
Clutton Primary School Academy	Steiner Academy
Colston Girl's School Trust	St Bedes School Academy
Colston's Primary School Academy	St. Nicholas of Tolentine Catholic Primary School
Cotham School Academy	St. Patrick's Academy
Diocese of Bristol Academies Trust	St. Teresa's Catholic Primary School

Downend School
Easton C of E Academy
Elmlea Junior School Academy
Fairfield School
Filton Avenue Infants Academy
Fishponds Church of England Academy
Four Acres Primary School
Fosseway School
Frome Vale Academy
Gordano School Academy
Greenfield Primary School Academy
Hanham High School
Hans Price Academy
Hareclive Academy
Hayesfield Girls School Academy
Henbury Court School
Henbury School Academy
Henleaze Junior School
Heron's Moor Community School
High Littleton C of E Primary
Hotwells Primary School
Ilminster Avenue E-ACT Academy

Designating Bodies

Almondsbury Parish Council
Backwell Parish Council
Bath Tourism Plus
Bradley Stoke Town Council
Charter Trustees of the City of Bath
Clevedon Town Council
Destination Bristol
Dodington Parish Council
Downend and Bromley Heath Parish Council
Filton Town Council
Frampton Cotterell Parish Council
Hanham Abbots Parish Council
Hanham Parish Council
Keynsham Town Council
Emersons Green Town Council
Midsomer Norton Town Council
Nailsea Town Council
Oldland Parish Council

Community Admission Bodies

Action For Children
Alliance Homes
Ashley House Hostel
Bristol Disability Equality Forum
Bristol Music Trust
Clifton Suspension Bridge Trust
CURO Places Ltd
CURO Group (Albion) Ltd

St. Ursula's E-ACT Academy
Stoke Bishop C of E Primary School
Stoke Lodge Academy
Summerhill Academy
The Bath Studio Academy
The Dolphin Academy
The Kingfisher School
The Ridings Federation Winterbourne
The Ridings Federation Yate
Threeways School
Tickenham Primary School
Trust in Learning
Wallscourt Farm Academy
Waycroft School Academy
Wellsway School Academy
West Town Lane Primary School
Westbury Park Primary School Academy
Westbury-on-Trym C of E Academy
Wicklea Academy
Writhlington School Academy
Yeo Moor Primary School

Patchway Town Council
Paulton Parish Council
Peasedown St John Parish Council
Pill & Easton in Gordano Parish Council
Portishead & North Weston Town Council
Radstock Town Council
Saltford Parish Council
Stoke Gifford Parish Council
Thornbury Town Council

Vista SWP Ltd
Westerleigh Parish Council
Westfield Parish Council
Weston Super Mare Town Council
Whitchurch Parish Council
Winterbourne Parish Council
Yate Town Council
Yatton Parish Council

Merlin Housing Society (SG)
Merlin Housing Society Ltd
Sirona Care & Health CIC (B&NES)
Sirona Care & Health CIC
Southwest Grid for Learning Trust
The Care Quality Commission
The Park Community Trust
University of Bath

CURO Choice
Holburne Museum of Art
Learning Partnership West Limited

Vision North Somerset
West of England Sport Trust

Transferees Admitted Bodies

Active Community Engagement Ltd
Agilisys
Aquaterra Leisure Ltd.
ARAMARK
BAM Construct UK Ltd
Churchill Contract Services Ltd (South Gloucestershire and Stroud College)
Circadian Trust

Learning Partnership West (Lot 1)
Learning Partnership West (Lot 2)
Learning Partnership West (Lot 3)
Learning Partnership West (Lot 7)
Liberata UK Ltd
Prestige Cleaning & Maintenance Ltd

Ridge Crest Cleaning Limited

Circadian Trust No 2

Shaw Healthcare (North Somerset) Ltd (Petersfield)

Creative Youth Networks (Lot 4)

Shaw Healthcare (North Somerset) Ltd (The Granary)

Direct Cleaning (SW) Ltd - Moorlands
Eden Food Services
Fit For Sport
Fit For Sport NSC (St Peters Primary)
HCT Group
ISS Mediclean
ISS Mediclean (Bristol)
Keeping Kids Company
Kier Facilities Services

SITA Holdings UK Ltd
Skanska (Cabot Learning Federation)
Skanska Rashleigh Westerfoil
SLM Community Leisure
SLM Fitness & Health
Sodexo
The Brandon Trust
Tone Leisure (Trust) Limited



The Audit Findings for Avon Pension Fund

Year ended 31 March 2015

25 September 2015

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Members of the Avon Pension Fund
Bath and North East Somerset Council
Lewis House
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25 September 2015

Dear Members

Audit Findings for Avon Pension Fund for the year ending 31 March 2015

The Audit Findings report highlights the significant findings arising from the audit for the benefit of those charged with governance (in the case of Avon Pension Fund, the Audit and Governance Committee), as required by International Standard on Auditing (UK & Ireland) 260. Its contents have been discussed with management. As auditors we are responsible for performing the audit, in accordance with International Standards on Auditing (UK & Ireland), which is directed towards forming and expressing an opinion on the financial statements that have been prepared by management with the oversight of those charged with governance. The audit of the financial statements does not relieve management or those charged with governance of their responsibilities for the preparation of the financial statements.

The contents of this report relate only to those matters which came to our attention during the conduct of our normal audit procedures which are designed primarily for the purpose of expressing our opinion on the financial statements. Our audit is not designed to test all internal controls or identify all areas of control weakness. However, where, as part of our testing, we identify any control weaknesses, we will report these to you. In consequence, our work cannot be relied upon to disclose defalcations or other irregularities, or to include all possible improvements in internal control that a more extensive special examination might identify. We do not accept any responsibility for any loss occasioned to any third party acting, or refraining from acting on the basis of the content of this report, as this report was not prepared for, nor intended for, any other purpose.

We would like to take this opportunity to record our appreciation for the kind assistance provided by the finance team and other staff during our audit.

Yours sincerely

Barrie Morris, Director.

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Section 1: Executive summary

01. Executive summary

02. Audit findings

03. Fees, non-audit services and independence

04. Communication of audit matters

Executive summary

Purpose of this report

This report highlights the key matters arising from our audit of Avon Pension Fund's (the Fund) financial statements for the year ended 31 March 2015. It is also used to report our audit findings to management and those charged with governance in accordance with the requirements of International Standard on Auditing 260 (ISA UK&I).

Under the Audit Commission's Code of Audit Practice we are required to report whether, in our opinion, the Fund's financial statements present a true and fair view of the financial position and expenditure and income for the year and whether they have been properly prepared in accordance with the CIPFA Code of Practice on Local Authority Accounting.

Introduction

In the conduct of our audit we have not had to alter or change our planned audit approach, which we communicated to you in our Audit Plan dated March 2015.

We received draft financial statements and accompanying working papers at the start of our audit, in accordance with the agreed timetable.

Our audit is substantially complete although we are finalising our work in the following areas:

- completion of final specialist partner review,

- obtaining and reviewing the final management letter of representation, and
- updating our post balance sheet events review, to the date of signing the opinion.

Key issues arising from our audit Financial statements opinion

We anticipate providing an unqualified opinion in respect of the Fund's financial statements.

The key messages arising from our audit of the Fund's financial statements are:

- Working papers are generally of a high standard,
- The draft accounts were presented for audit in accordance with the agreed timetable and contained minimal errors. This demonstrates good quality.

We have identified one adjustment affecting the Fund's reported financial position. In addition, we have agreed with officers some minor adjustments to improve the presentation of the financial statements.

Further details are set out in section two of this report.

Controls

Roles and responsibilities

The Council's management is responsible for the identification, assessment, management and monitoring of risk, and for developing, operating and monitoring the system of internal control.

Our audit is not designed to test all internal controls or identify all areas of control weakness. However, where, as part of our testing, we identify any control weaknesses, we report these to the Pension Fund and the Council as the administering authority.

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Findings

There is one area where control weaknesses have been noted. This relates to a number of manual adjustments relating to journals and the bank reconciliation. Further details can be found in the Internal Controls Section of this report.

The way forward

Matters arising from the financial statements audit have been discussed with the Pension Fund Finance and Systems Manager and the finance team.

Acknowledgment

We would like to take this opportunity to record our appreciation for the assistance provided by the finance team and other staff during our audit.

Grant Thornton UK LLP
September 2015

Section 2: Audit findings

01. Executive summary

02. Audit findings

03. Fees, non-audit services and independence

04. Communication of audit matters

Audit findings

In this section we present our findings in respect of matters and risks identified at the planning stage of the audit and additional matters that arose during the course of our work. We set out on the following pages the work we have performed and the findings arising from our work in respect of the audit risks we identified in our audit plan, presented to the Audit and Governance Committee of 27 March 2015. We also set out the adjustments to the financial statements arising from our audit work and our findings in respect of internal controls.

Changes to Audit Plan

We have not made any changes to our Audit Plan as previously communicated to you.

Audit opinion

We provide two opinions on the Pension Fund, as follows:

- an audit opinion on the Pension Fund financial statements included in the Council's Statement of Accounts
- an opinion on the Pension Fund financial statements included in the Pension Fund Annual Report, which confirms if these financial statements are consistent with the financial statements in the Statement of Accounts

Our proposed audit opinion on the Pension Fund financial statements in the Statement of Accounts is set out in Appendix B.

Audit findings against significant risks

"Significant risks often relate to significant non-routine transactions and judgmental matters. Non-routine transactions are transactions that are unusual, either due to size or nature, and that therefore occur infrequently. Judgmental matters may include the development of accounting estimates for which there is significant measurement uncertainty" (ISA (UK&I) 315).

In this section we detail our response to the significant risks of material misstatement which we identified in the Audit Plan. As we noted in our plan, there are two presumed significant risks which are applicable to all audits under auditing standards.

	Risks identified in our audit plan	Work completed	Assurance gained and issues arising
1.	<p>Improper revenue recognition Under ISA (UK&I) 240 there is a presumed risk that revenue may be misstated due to improper recognition</p>	<p>We rebutted this presumption during the interim phase of the audit, and this was communicated to members as part of the audit plan.</p> <ul style="list-style-type: none"> • review of accounting estimates, judgements and decisions made by management, • testing of journal entries, and • review of unusual significant transactions. 	<p>Our audit work has not identified any issues in respect of revenue recognition.</p>
Page 113	<p>Management override of controls Under ISA (UK&I) 240 there is a presumed risk of management over-ride of controls</p>	<ul style="list-style-type: none"> • review of accounting estimates, judgements and decisions made by management, • testing of journal entries, and • review of unusual significant transactions. 	<p>Our audit work has not identified any evidence of management override of controls. However, our review of journal controls has identified a control issue, which will be detailed in the Internal Controls section of the report.</p> <p>We set out later in this section of the report our work and findings on key accounting estimates and judgments.</p>
3.	<p>Level 3 Investments – Valuation is incorrect. A level 3 investment is one where at least one input that could have a significant effect on the value of the investment is not based on observable market data. The most common example of which are investments in private equity, which are valued using various estimation techniques.</p>	<ul style="list-style-type: none"> • documented our understanding of processes and key controls over the transaction cycle, • reviewed the control reports from all fund managers with level 3 investments, • tested level 3 investments by obtaining and reviewing audited accounts at latest date for individual investments and agreeing these to the fund manager reports, • reviewed the qualifications of fund managers as experts to value level 3 investments, • reviewed the nature of estimated values and the level of assurance that management has over level 3 investments. 	<p>Our audit work has not identified any significant issues in relation to the risk identified.</p> <p>We have been able to gain assurance over Level 3 investment balances through agreeing investment values presented in the accounts to those provided by the custodian and individual fund managers, We note that the audited financial statements of the Gottex Value Added Fund were qualified by the Gottex fund auditors. However, the qualification related to a specific fund in which Avon Pension Fund is not invested and therefore this does not affect the value of Avon Pension Fund's investment.</p>

Audit findings against other risks

In this section we detail our response to the other risks of material misstatement which we identified in the Audit Plan. Recommendations, together with management responses, are attached at Appendix A.

Transaction cycle	Description of risk	Work completed	Assurance gained & issues arising
<p>Investment Income</p>	<p>Investment activity not valid. Investment income not accurate. (Accuracy)</p>	<p>We have undertaken the following work in relation to these risks:</p> <ul style="list-style-type: none"> documented our understanding of processes and key controls over the transaction cycle, undertaken walkthrough of the key controls to assess the whether those controls were in line with our documented understanding, and we have reviewed the reconciliation of information provided by the fund managers, the custodian and the Pension Fund's own records and sought explanations for variances. 	<p>Our audit work has not identified any significant issues in relation to the risks identified.</p>
<p>Investment values – Level 2 investments</p>	<p>Valuation is incorrect. (Valuation net)</p>	<p>We have undertaken the following work in relation to these risks:</p> <ul style="list-style-type: none"> documented our understanding of processes and key controls over the transaction cycle, undertaken walkthrough of the key controls to assess the whether those controls were in line with our documented understanding, We have confirmed investment market values to independent pricing sources; and we have reviewed the reconciliation of information provided by the fund managers, the custodian and the Pension Fund's own records and sought explanations for variances. 	<p>Our audit work has not identified any significant issues in relation to the risks identified.</p>

Audit findings against other risks continued

Transaction cycle	Description of risk	Work completed	Assurance gained & issues arising
<p>Contributions</p>	<p>Recorded contributions not correct. (Occurrence)</p>	<p>We have undertaken the following work in relation to this risk:</p> <ul style="list-style-type: none"> documented our understanding of processes and key controls over the transaction cycle undertaken walkthrough of the key controls to assess the whether those controls were in line with our documented understanding tested key controls over the contributions made to the fund, Tested a sample of contributions to source data to gain assurance over their accuracy and occurrence, and Performed an analytical review on contributions to ensure that any unexpected trends are satisfactorily explained. 	<p>During the course of our audit the Pension Fund reached an agreement with Bristol City Council (BCC) as to the treatment of an overpayment of contributions made by BCC in 2013/14. During the audit a further contribution overpayment of £2.3m was identified in 2014/15 from BCC. Although the amounts are not material to the Pension Fund audit, the financial statements have been amended to ensure consistency between BCC and the pension fund's final accounts. Details of the adjustments made are in the adjusted misstatements table.</p> <p>Our audit work has identified one employer who was erroneously omitted from Note 26. Employing Bodies. This has now been corrected.</p> <p>Other than the issues identified above there have been no significant issues in relation to the risk identified.</p>
<p>Benefit payments</p>	<p>Benefits improperly calculated/claims liability understated</p>	<p>We have undertaken the following work in relation to this risk:</p> <ul style="list-style-type: none"> documented our understanding of processes and key controls over the transaction cycle undertaken walkthrough of the key controls to assess the whether those controls were in line with our documented understanding tested key controls for member to be enrolled on the scheme, Tested a sample of individual pensions in payment by reference to member files, and Rationalised pension paid with reference to changes in pensioner numbers and increases applied in the year to ensure that any unusual trends are satisfactorily explained. 	<p>Our audit work has not identified any significant issues in relation to the risk identified.</p>

Audit findings against other risks continued

Transaction cycle	Description of risk	Work completed	Assurance gained & issues arising
<p>Member Data</p>	<p>Member data not correct. (Rights and obligations)</p>	<p>We have undertaken the following work in relation to this risk:</p> <ul style="list-style-type: none"> • documented our understanding of processes and key controls over the transaction cycle • undertaken walkthrough of the key controls to assess the whether those controls were in line with our documented understanding • tested key controls over changes to the pension fund data set, and • Tested a sample of changes to member data made during the year to source documentation. 	<p>Our audit work has not identified any significant issues in relation to the risk identified.</p>

Accounting policies, estimates & judgements

In this section we report on our consideration of accounting policies, in particular revenue recognition policies, and key estimates and judgements made and included with the Council's financial statements.

Accounting area	Summary of policy	Comments	Assessment
Revenue recognition	<p>There are two key policies in relation to revenue recognition: that for contribution income and that for investment income. Normal contributions are accounted for in the payroll month to which they relate. Investment income from equities is accounted for on the date stocks are quoted ex-dividend. Income from fixed interest and index-linked securities, cash and short term deposits is accounted for on an accruals basis, as is income from other investments.</p>	<ul style="list-style-type: none"> The policies are considered appropriate under the accounting framework in place. 	<p>● Green</p>
Estimates and judgements	<p>Because of the nature of the fund no significant accounting judgements have been made, with all judgements following the requirements set out in the Code.</p> <p>The fund has a material balance of investments with significant unobservable inputs. The valuation of these investments is subject to varying degrees of estimation uncertainty. The fund discloses the differing methods of valuation for these funds within the accounting policies. In each case the Fund chooses to rely on the valuation provided by the fund manager.</p>	<ul style="list-style-type: none"> The policies are considered appropriate under the accounting framework in place. Sufficient assurance has been provided by either the experts used for valuing the fund, or we have been able to agree valuations to third party evidence. . 	<p>● Green</p>

Assessment

- Marginal accounting policy which could potentially attract attention from regulators
- Accounting policy appropriate but scope for improved disclosure
- Accounting policy appropriate and disclosures sufficient

Accounting policies, estimates & judgements continued

Accounting area	Summary of policy	Comments	Assessment
Other accounting policies	We have reviewed the Fund's policies against the requirements of the CIPFA Code and accounting standards.	Our review of accounting policies has not highlighted any issues which we wish to bring to your attention.	<p style="text-align: center;">●</p> <p style="text-align: center;">Green</p>

Assessment

- Marginal accounting policy which could potentially attract attention from regulators
- Accounting policy appropriate and disclosures sufficient
- Accounting policy appropriate but scope for improved disclosure

Other communication requirements

We set out below details of other matters which we are required by auditing standards to communicate to those charged with governance.

	Issue	Commentary
1.	Matters in relation to fraud	<ul style="list-style-type: none"> We have previously discussed the risk of fraud with the Audit and Governance Committee. We have not been made aware of any incidents in the period and no other issues have been identified during the course of our audit.
2.	Matters in relation to laws and regulations	<ul style="list-style-type: none"> We are not aware of any significant incidences of non-compliance with relevant laws and regulations.
3.	Written representations	<ul style="list-style-type: none"> A letter of representation has been requested from the Fund.
4.	Disclosures	<ul style="list-style-type: none"> Our review found no non-trivial omissions in the financial statements.
5.	Matters in relation to related parties	<ul style="list-style-type: none"> We are not aware of any related party transactions which have not been disclosed.
6.	Confirmation requests from third parties	<ul style="list-style-type: none"> We obtained direct confirmations from all of the investment managers, banks and the custodian of the fund. Positive confirmation was received from all parties.
7.	Going concern	<ul style="list-style-type: none"> Our work has not identified any reason to challenge the Fund's decision to prepare the financial statements on a going concern basis.

Internal controls

The purpose of an audit is to express an opinion on the financial statements.

Our audit included consideration of internal controls relevant to the preparation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of internal control. We considered and walked through the internal controls for level 3 investment valuation, investment income, investment values, contributions, benefits payable and member data as set out on page 9 above.

The matters that we identified during the course of our audit are set out in the table below:

Assessment	Issue and risk	Recommendations
<p>1. ● Amber</p>	<p>As part of our testing of journals it was not possible to extract a journals listing which contains only journals relating to the Pension Fund and does not include journals relating to B&NES Council. In order to compile a list which contains only pension fund journals, manual adjustment of the journals listing is required. This increases the risk of journals being omitted from the listing provided to audit, due to fraud or error.</p> <p>Additionally, due to the Fund being part of the Council's accounts in the ledger, the bank reconciliation is calculated from the bank balance, rather than the cash book balance as the cash book contains B&NES and Fund transactions which need to be separately identified. The difference between the cash book and bank account balance is trivial at £15k.</p>	<p>It is recommended that the Council consider separating the Pension Fund within the Agresso ledger system, in order to allow separate identification of pension fund transactions and balances.</p>

Unadjusted misstatements

The table below provides details of adjustments identified which have not been made within the final set of financial statements. The audit committee is required to approve management's proposed treatment of all items recorded within the table below:

Detail	Impact on accounts	Reason for not adjusting
1 None	None	None
Overall impact	£0	

Adjusted misstatements

One adjustment to the draft financial statements has been identified during the audit process. We are required to report all misstatements to those charged with governance, whether or not the financial statements have been adjusted by management. The table below summarises the adjustments arising from the audit which have been processed by management.

Impact of adjusted misstatements

All adjusted misstatements are set out in detail below along with the impact on the financial statements.

Detail	Fund Account £'000	Net Asset Statement £'000	Impact on net assets carried forward £'000
<p>Bristol City Council overpaid its contributions in 2013/14 and 2014/15 totalling £4,524k. It has been agreed that these will be repaid and therefore this has reduced contributions received in the Fund account and increased creditors in the Net Asset Statement, therefore reducing net assets carried forward.</p>	4,524	4,524	4,524
Overall impact	£4,524	£4,524	£4,524

Misclassifications & disclosure changes

The table below provides details of misclassification and disclosure changes identified during the audit which have been made in the final set of financial statements.

Adjustment type	Account balance	Impact on the financial statements
1 Presentation and disclosure	N/A	Our review of the Employing Bodies list contained within note 26 highlighted the omission of Action for Children. Management confirmed this had been omitted in error and it has now been corrected.
2 Presentation and disclosure	N/A	Admin and processing expenses in Note 8 of the accounts was misstated. The original accounts showed a figure of £1,996k. This has been amended to the correct figure of £2,804k. There was no effect on the account balances.
Presentation and disclosure	Various	Our review of the accounts highlighted some minor improvements that were required to be made to the accounts. None of these were individually significant and they have been made to improve the final presentation and aid clarity for the reader. The proposed minor adjustments were agreed with the Fund and changes have been made to the draft accounts submitted for audit.
		Examples include including a reference to the introduction of the Career Average Revalued Earnings (CARE) under operations and membership, to update the note referring to the delay in the introduction of IFRS 13, and to update the regulations disclosed in the introduction. This is in addition to the need to tidy up formatting and some punctuation prior to publication.

Section 3: Fees, non-audit services and independence

01. Executive summary

02. Audit findings

03. Fees, non-audit services and independence

04. Communication of audit matters

Fees, non-audit services and independence

We confirm below our final fees charged for the audit.

Fees

	Per Audit plan £	Actual fees £
Pension fund scale fee	30,116	30,116
Total audit fees		

Fees for other services

Service	Fees £
None	Nil

Independence and ethics

We confirm that there are no significant facts or matters that impact on our independence as auditors that we are required or wish to draw to your attention. We have complied with the Financial Reporting Council's Ethical Standards and therefore we confirm that we are independent and are able to express an objective opinion on the financial statements.

We confirm that we have implemented policies and procedures to meet the requirements of the Auditing Practices Board's Ethical Standards.

Section 4: Communication of audit matters

01. Executive summary
02. Audit findings
03. Fees, non-audit services and independence
04. Communication of audit matters

Communication of audit matters to those charged with governance

International Standard on Auditing ISA (UK&) 260, as well as other (UK&I) ISAs, prescribe matters which we are required to communicate with those charged with governance, and which we set out in the table opposite.

The Audit Plan outlined our audit strategy and plan to deliver the audit, while this Audit Findings report presents the key issues and other matters arising from the audit, together with an explanation as to how these have been resolved.

Respective responsibilities

The Audit Findings Report has been prepared in the context of the Statement of Responsibilities of Auditors and Audited Bodies issued by the Audit Commission (www.audit-commission.gov.uk).

We have been appointed as the Council's independent external auditors by the Audit Commission, the body responsible for appointing external auditors to local public bodies in England. As external auditors, we have a broad remit covering finance and governance matters.

Our annual work programme is set in accordance with the Code of Audit Practice (the Code) issued by the Audit Commission and includes nationally prescribed and locally determined work. Our work considers the Fund's key risks when reaching our conclusions under the Code.

It is the responsibility of the Council to ensure that proper arrangements are in place for the conduct of its business, and that public money is safeguarded and properly accounted for. We have considered how the Council is fulfilling these responsibilities.

Our communication plan	Audit Plan	Audit Findings
Respective responsibilities of auditor and management/those charged with governance	✓	
Overview of the planned scope and timing of the audit. Form, timing and expected general content of communications	✓	
Views about the qualitative aspects of the entity's accounting and financial reporting practices, significant matters and issues arising during the audit and written representations that have been sought		✓
Confirmation of independence and objectivity	✓	✓
A statement that we have complied with relevant ethical requirements regarding independence, relationships and other matters which might be thought to bear on independence.	✓	✓
Details of non-audit work performed by Grant Thornton UK LLP and network firms, together with fees charged		
Details of safeguards applied to threats to independence		
Material weaknesses in internal control identified during the audit		✓
Identification or suspicion of fraud involving management and/or others which results in material misstatement of the financial statements		✓
Compliance with laws and regulations		✓
Expected auditor's report		✓
Uncorrected misstatements		✓
Significant matters arising in connection with related parties		✓
Significant matters in relation to going concern		✓

Appendices

Appendix A: Action plan

Priority

High - Significant effect on control system

Medium - Effect on control system

Low - Best practice

Rec No.	Recommendation	Priority	Management response	Implementation date & responsibility
1 Page 129	<p>Manual adjustments to journal reports and bank reconciliation</p> <p>It is recommended that the Council consider separating the Pension Fund within the Agresso ledger system, in order to allow separate identification of pension fund transactions and balances.</p>	M	<p>The Council will consider the options which may be available to separate the Pension Fund within the Agresso system. Any decision on this will then be based upon an appraisal of the benefits and impacts.</p>	<p>Martin Phillips - Ongoing</p>

Appendix B: Audit opinion

We anticipate we will provide the Fund with an unmodified audit report on the Pension Fund

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF BATH AND NORTH EAST SOMERSET COUNCIL

We have audited the pension fund financial statements of Bath and North East Somerset Council for the year ended 31 March 2015 under the Audit Commission Act 1998. The pension fund financial statements comprise the Pension Fund Account, the Net Assets Statement and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2014/15.

This report is made solely to the members of Bath and North East Somerset Council in accordance with Part II of the Audit Commission Act 1998, as set out in paragraph 48 of the Statement of Responsibilities of Auditors and Audited Bodies published by the Audit Commission in March 2010 and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Authority and the Authority's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of the Director of Strategic Resources and auditor

As explained more fully in the Statement of Responsibilities, the Director of Strategic Resources is responsible for the preparation of the Authority's Statement of Accounts, which include the pension fund financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2014/15, and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the pension fund financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards also require us to comply with the Auditing Practices Board's Ethical Standards for Auditors

Scope of the audit of the pension fund financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the pension fund's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Director of Strategic Resources; and the overall presentation of the pension fund financial statements. In addition, we read all the financial and non-financial information and the annual report to identify material inconsistencies with the audited pension fund financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on the pension fund financial statements

In our opinion the pension fund's financial statements:

- give a true and fair view of the financial transactions of the pension fund during the year ended 31 March 2015 and of the amount and disposition of the fund's assets and liabilities as at 31 March 2015; and
- have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2014/15 and applicable law.

Opinion on other matters

In our opinion, the information given in the annual report for the financial year for which the pension fund financial statements are prepared is consistent with the pension fund financial statements

Barrie Morris
for and on behalf of Grant Thornton UK LLP, Appointed Auditor
Hartwell House
55-61 Victoria Street
Bristol B61 6FT

September 2015:



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Avon Pension Fund Annual Report 2014/2015 DRAFT

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DIRECTOR'S FOREWORD

As the Director responsible for the Avon Pension Fund, I am delighted to present the Fund's Annual Report and Financial Statement for the year ending 31 March 2015.

Before I mention the Fund's achievements over the last year, I would like to thank all those that have served on the Avon Pension Fund Committee over the last four years for their commitment and contribution to ensuring we have a successful and efficiently managed Fund for our stakeholders.

The year started with the introduction of the new scheme – LGPS 2014. Despite extremely challenging timescale and software requirements, the project to transition to the new scheme was successfully managed for members and employers alike.

The year was dominated by government consultations about the management and governance of the LGPS. As regards to governance, the government laid legislation introducing a local Pensions Board for each local LGPS scheme. Despite a tight deadline, the Avon Pension Fund Pension Board was established by 1 April 2015 and held its first meeting in July 2015. The Board's role is to provide oversight to ensure the Fund complies with its obligations under various codes and legislation as well as assist in delivering an effective and efficient scheme.

There was also consultation on potential changes in the way in which the investment portfolios are managed by local funds. Proposals were put forward to reduce investment management costs across the LGPS. These included the pooling of assets and greater use of passive investing. Although the government did not issue a response before the general election, the July 2015 budget has announced LGPS funds must pool their investments and the Fund is actively exploring options to achieve this.

The portfolio generated a strong investment return of 13.5% over the year with the value of the portfolio rising by £508m to £3,839m. In addition the Fund outperformed its investment benchmark over one, three and five years. Despite this stellar performance the funding level decreased slightly from 84% to 78% by 31 March 2015 as the yield on government bonds used to value the liabilities fell.

Finally on behalf of the Committee, I would like to thank the staff at the Avon Pension Fund for their contribution towards delivering an excellent service throughout the year.

Andrew Pate
Strategic Director Resources
Bath and North East Somerset Council

BACKGROUND TO THE AVON PENSION FUND

The Avon Pension Fund (the “Fund”) is a statutory pension scheme regulated by Local Government Pension Scheme (LGPS) Regulations. Bath & North East Somerset Council administers the Fund on behalf of more than 214 employer bodies including four unitary authorities.

The Fund has approximately 96,500 members and a value, as at 31 March 2015, of £3.839 billion. In 2014/15 the Fund received £207 million in pension contributions and paid out £157 million in pension payments.

REVIEW OF THE YEAR 2014/15

INVESTMENTS

The value of the Fund’s assets rose by £508 million from £3,331 million at 31 March 2014 to £3,839 million at 31 March 2015. The assets generated an investment return of 13.5% during the year and 11.2% per annum over the last three years.

The 2014/15 investment return was primarily driven by strong returns from a diverse range of assets including equities, bonds and property. Overseas equities which account for 25% of the Fund’s assets rose strongly whereas UK equities (15% of the Fund’s assets) lagged the overall return. Having delivered negative returns in the previous year, bonds rebounded strongly on expectations that interest rates will stay low for longer. Property assets continue to attract demand from investors seeking income in an environment of low real yields.

The appointment of a manager to invest in infrastructure and the restructuring of the hedge fund portfolio completed the actions arising from the review of the investment strategy in March 2013. In addition, one of the Diversified Growth mandates was terminated following the loss of key investment personnel and appointed a new manager to manage the assets.

During the year the contracts for investment consultancy and actuarial advice were tendered under the South West LGPS Funds Advisory Framework, a collaborative initiative to reduce procurement costs. Mercer Investment Consulting was appointed to replace JLT as the Fund’s investment consultant from 1 March 2015. Mercer Limited was retained as the Fund’s actuary.

Managing the investment assets of local LGPS funds

In 2013 the Department for Communities and Local Government (DCLG) announced a review of the way the local LGPS funds are managed in order to improve efficiency, reduce costs and improve performance.

Following a “Call for Evidence” to provide provided information and data, and a report commissioned by the DCLG, a formal consultation was issued in May 2014. This consultation proposed the greater use of passive investing (which have lower

fees than for active management) and investing through collective vehicles primarily to reduce investment management fees through economies of scale.

The Fund responded to the consultation paper. A significant proportion of the Fund's assets are invested on a passive basis; however, the Fund believes that the investment strategy and structure should fully consider the risks and the potential return from active and passive management in addition to costs.

The government did not issue a response to this consultation. However, the July 2015 budget announced a further consultation on the issue later in 2015. If funds do not put forward plans to reduce investment management costs, legislation will be put forward as to how the investments must be managed.

FUNDING LEVEL

As at 31 March 2015 the funding level is estimated to have decreased over the year from 84% to 78% and the deficit to have increased from £636 million to £1,104 million.

The deterioration in the funding position is due to a fall in real gilt yields used to value the liabilities. After year-end bond yields have begun to rise slightly. As the value of the future pension liabilities is calculated using a discount rate based on UK gilt yields and the benefits are indexed to inflation, a fall in real gilt yields increases the value of the liabilities. During the year the value of the assets rose by more than expected in the funding strategy. However, this was insufficient to offset the increase in the liabilities.

PENSIONS ADMINISTRATION

Service Plan and Budget

The forward looking three year Service Plan 2015/18 sets out the key service objectives and milestones. It also reviews the achievement against the previous year's plan.

The main focus of the plan is

- to ensure the Fund complies with The Pension Regulator requirements;
- to develop and implement an IT strategy to achieve a digital step change in service delivery and to mitigate service demand growth;
- to develop a medium term funding strategy;
- to explore the options for more effective matching of liabilities;
- to support the introduction of Pension Boards

The later years will focus on consolidation, realising efficiencies and embedding partnership working with stakeholders.

During the year to 31 March 2015, total administration costs (excluding governance and investment management costs) were £2.16 million, a saving of £226,000 (9%) on the budget.

Total costs including Investment Management, custody and governance costs, were £20 million, in line with the budget. Investment management fees were higher than expected due to the larger than anticipated increase in asset values during the year. Governance costs were also slightly higher than expected due to the re-tendering of investment mandates. The investment management and custody fees of £17.6 million equates to 0.44% of the Fund's assets.

GOVERNANCE

Local Pension Boards

The Public Service Pensions Act 2013 (PSPA2013) requires all public sector pension schemes to establish pension boards. The Board will have an oversight role to ensure the Fund complies with government regulations and guidelines issued by bodies such as The Pensions Regulator. In addition it will assist the administering authority in ensuring the effective and efficient governance and administration of the scheme.

The Avon Pension Fund Pension Board was established by the deadline of 1 April 2015. The Board has an independent chairperson and three employee and three employer representatives.

Scheme Advisory Board

The PSPA2013 also established a Scheme Advisory Board for the LGPS. This Board will advise the government on changes to the scheme and provide advice and assistance to administering authorities and local pension boards in relation to the effective and efficient management of the scheme and local funds.

The Board will initially collate data from the local LGPS funds to provide a national database and annual report. This will cover administration, investments and valuation metrics and will be used to monitor efficiency and costs across the national scheme.

REGULATIONS

Taxation of Pension Act 2014 and Pension Schemes Act 2015

These Acts provided the primary legislation for the Government's "Freedom and Choice" initiative announced in the 2014 Budget. The LGPS was impacted by this in connection with scheme members transferring out with a view to acquiring a right or entitlement to flexible benefits where there is now a requirement for them to obtain independent financial advice before making a decision to transfer.

The Pension Regulator Code of Practice No 14 (Governance and Administration of Public Service) was released in January 2015 and confirmed in Parliament in February 2015. The code is a reference for scheme managers and pension boards to use to inform their actions in four core areas of scheme governance and administration: governing your scheme, managing risks, administration and resolving issues

GOVERNANCE AND MANAGEMENT STRUCTURE

Management structure as at 31 March 2015

Administering Authority: Bath & North East Somerset Council

Members of the Avon Pension Fund Committee:

Voting members:

Councillor Paul Fox (Chair)	Bath & North East Somerset Council
Councillor Patrick Anketell-Jones	Bath & North East Somerset Council
Ann Berresford	Independent Member
Councillor Mary Blatchford	North Somerset Council
Councillor Lisa Brett	Bath & North East Somerset Council
Councillor Mike Drew	South Gloucestershire Council
Shirley Marsh	Independent Member
Councillor Charles Gerrish	Bath & North East Somerset Council
Councillor Ian Gilchrist	Bath & North East Somerset Council
William Liew	University of the West of England
Steve Paines	Unite the Union
Councillor Steve Pearce	Bristol City Council

Non-voting members:

Clive Fricker	Parish & Town Councils
Richard Orton	Unison
Paul Shiner	Unite the Union

Council officers:

Tim Richens	Divisional Director – Business Support
Tony Bartlett	Head of Business, Finance & Pensions
Liz Woodyard	Investments Manager
Geoff Cleak	Pensions Manager
Vernon Hitchman	Divisional Director (Legal and Democratic Services)

Independent Investment Advisor: Tony Earnshaw

Investment Managers:

Blackrock Advisors (UK) Ltd
Genesis Investment Management LLP
Gottex Asset Management
IFM Investors
Invesco Asset Management Ltd
Jupiter Asset Management Ltd
MAN Investments Ltd
Pyrford International

Record Currency Management
Royal London Asset Management
Partners Group AG
Schroder Investment Management Ltd
Signet Capital Management Ltd
Standard Life Investments
State Street Global Advisors Ltd
Stenham Asset Management
TT International
Unigestion

Actuary:

Mercer Limited.

Investment Consultant:

JLT Benefit Solutions (contract ended 31 March 2015)
Mercer Limited (contract started 1 March 2015)

Global Custodian: BNY Mellon Asset Servicing B.V.

Bankers:

National Westminster Bank plc
Bank of New York Mellon

Legal Advisors: Osborne Clarke

AVC Providers:

Friends Provident plc
The Equitable Life Assurance Society

FUND GOVERNANCE

Avon Pension Fund Committee

As administering authority, Bath and North East Somerset Council (“the Council”), has legal responsibility for the pension fund as set out in the Local Government Pension Scheme Regulations.

The Council has delegated responsibility for the Fund to the Avon Pension Fund Committee (the “Committee”) which is the formal decision-making body for the Fund. The Committee’s role is strategic in nature, setting policy framework and monitoring implementation and compliance within that framework. Due to the wide scope of the Committee’s remit it is supported by the Investment Panel (the “Panel”) which considers the investment strategy and investment performance in greater depth. The Committee has delegated authority to the Panel for specific investment decisions.

The Terms of Reference, agreed by the Council, for the Committee and Panel are set out in Appendix A.

Table 1 - Committee structure

Voting members (12)	5 elected members from Bath & North East Somerset Council 2 independent members 3 elected members nominated from the other West of England unitary councils 1 nominated from the Higher/Further education bodies 1 nominated by the Trades Unions
Non-voting members (4)	1 nominated from the Parish Councils Up to 3 nominated from the Trades Unions

The Committee meets formally each quarter. In addition to the quarterly meetings, the Committee held one workshop during the year to discuss the new governance arrangements for the LGPS including local pension boards.

Investment Panel

The Committee is supported by an Investment Panel which considers the investment strategy and investment performance in greater depth. The Committee has delegated authority to the Panel for specific investment decisions; strategic issues are referred to the Committee. The Panel consists of up to six voting members of the Committee and meets at least four times a year.

The Panel met formally four times during the year. Each meeting was followed by a workshop where selected investment managers present on their performance and outlook for their portfolio. In addition Panel members attended three selection panels held to appoint new managers.

Table 2 - Committee and Panel membership and attendance record (as at 31 March 2015)

	Committee Meeting	Committee workshops / training	Investment Panel Meetings & workshops
No. of Meetings during year	4	1	7
Voting Members			
Councillor Paul Fox (Chair)	3	1	n/a
Councillor Patrick Anketell-Jones	3		7
Ann Berresford	4	1	7
Councillor Mary Blatchford	4	1	7
Councillor Lisa Brett	4	1	n/a
Councillor Mike Drew	1		n/a
Councillor Charles Gerrish	4	1	7
Councillor Ian Gilchrest	4	1	7
William Liew	4	1	6
Shirley Marsh	4	1	n/a
Steve Paines	1		n/a
Councillor Steve Pearce	3	1	n/a
Non-voting members			
Clive Fricker	2		n/a
Richard Orton	4	1	n/a
Paul Shiner	0		n/a

The Committee is supported by a number of external advisors. During 2014/215 JLT Investment Consultants advised on investment strategy and manager performance. Mercer Limited advised on all actuarial aspects of the fund. In addition Osborne Clarke provided legal advice on investment and funding issues.

The Committee, Fund Officers, external advisors, fund managers and administrators all operate in accordance with the relevant regulations namely the Local Government Pension Scheme Regulations 2013, the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2009, CIPFA Code and the Pensions Regulator Codes of Practice.

Training

The administering authority recognises the importance of training, both for Committee members and pension fund staff responsible for financial management and decision making within the Fund. Training is provided to ensure committee members and staff possess an appropriate level of knowledge, skill and understanding to carry out their duties.

Specifically the administering authority must ensure:

- that decisions are taken by persons or organisations with the skills, knowledge advice and resources necessary to make them effectively and monitor implementation; and
- those persons or organisations have sufficient expertise to be able to evaluate and challenge the advice they receive, and manage conflicts of interest.

The Fund has in place a formal training framework which is based on CIPFA's (Chartered Institute of Public Finance and Accounting) Knowledge and Skills Framework for LGPS funds. This framework is used to assess the training needs and draw up the annual training plan. The Divisional Director - Business Support is responsible for ensuring that training is implemented.

Committee training is delivered in a variety of formats, reflecting the strategic importance of the subject matter to the Committee's agenda and the differing level of knowledge and understanding across the Committee. Much of the training is delivered through detailed committee reports and workshops where the topic is explored greater in detail.

In addition, Committee members and staff are encouraged to attend seminars and conferences which broadens their understanding of investments and topics of relevance to the LGPS. New committee members are encouraged to attend the Fundamentals Training Courses offered by the Local Government Pension Committee and induction sessions arranged by officers.

Table 3 - Training provided in 2014/15

Topic	Delivered by:
Governance	
<ul style="list-style-type: none"> • Legal responsibility of Committee & Officers • Governance & assurance framework • Administration Strategy • Investment Regulations 	<ul style="list-style-type: none"> • Committee reports monitoring administration performance of Fund and employers • Committee reports for audited accounts and governance • Committee reports on Fund Discretions Policy & Delegations • External conferences/training courses • Committee response to DCLG consultation on cost savings and efficiency • Committee report on proposed LGPS Cost Cap Mechanism and other regulatory changes • Reports on advisory appointments
Employer and Funding risks	
<ul style="list-style-type: none"> • Admitted bodies • Employer risks • Funding level/solvency 	<ul style="list-style-type: none"> • Committee reports cover funding position, employers risks and policy for recovering outstanding liabilities

Investment Strategy

- Asset Allocation
- Performance monitoring
- Investment manager monitoring
- Stewardship activities
- Responsible investing policy
- Quarterly Committee & Panel reports review investment strategy and performance
- Annual report on Responsible Investing and voting activity
- External conferences
- Clarification meetings for manager appointments

Table 3a – Training provided externally

Training	Members
LPGS Fundamentals Training Course	Patrick Anketell-Jones
National Association of Pensions Funds LGPS conference	Mary Blatchford, William Liew,
LGC LGPS Investments Summit	Mary Blatchford, Charles Gerrish, Ian Gilchrist, Shirley Marsh
LGC Trustees Conference	Mary Blatchford
Local Authority Pension Fund Forum	Mike Drew (attended 3 meetings)

Officers' annual performance review identifies any training needs as well as monitoring individual performance against objectives.

Governance Compliance Statement

The Fund is required under the regulations to publish a Governance Compliance Statement which demonstrates the extent to which the Fund complies with best practices in pension fund governance. The Fund's latest statement was approved by the Avon Pension Fund Committee in June 2015. The statement shows a high level of compliance with best practice and is summarised below:

Principle	Compliance status	Comment
Governance structure	Compliant	The decision-making structure is clearly defined
Representation	Partial Compliance	There is broad representation of employers and scheme members on the Committee. However admitted bodies are not represented as it is difficult to have meaningful representation from such a diverse group of employers.
Selection / role of lay members	Compliant	The role and responsibilities of all members are set out in a Job Description.
Voting	Compliant	There is a clear policy on voting rights which have been extended to employer and member representatives.
Training / Facility time / Expenses	Compliant	There is a clear policy on training. The Fund pays all approved training courses for all members. The training plan reflects the needs of the committee agenda.
Meetings	Compliant	Formal meetings are held quarterly and lay members are included in the formal arrangements.
Access	Compliant	All members have equal access to meeting papers and advice.
Scope	Compliant	The terms of reference include all aspects of investments, funding, benefits administration and admissions to the Fund.
Publicity	Compliant	All statutory documents are made available to the public.

The latest Governance Compliance Statement is included as Appendix B and can also be obtained from the Fund's website www.avonpensionfund.org.uk (search *Governance Compliance Statement*)

RISK MANAGEMENT

The Avon Pension Fund Committee is responsible for ensuring there is an adequate risk management framework in place to ensure compliance with the regulations and to address the risks faced by the Fund. The Investment Panel strengthens the risk management process with regard to investment issues.

The Fund's approach to risk management is to manage risk rather than eliminate it entirely. Risk is identified and managed as follows:

1. **The Risk Register:** The Fund's Risk Register identifies the governance, operational, funding and investment risks that the Fund is exposed to and, having evaluated the financial and operational impact of the risk on the Fund's objectives, states the actions taken to mitigate and effectively manage the risk.

The register is reviewed regularly by the management team and is reported quarterly to the Committee. Table 4 shows the Top 10 material risks from the Risk Register.

2. **Internal Control Framework:** Internal controls and processes are in place to manage administration, financial and other operational risks. The Council's Internal Audit annually assesses the processes in place within the Fund in order to provide independent assurance that adequate controls are in place. The findings of all internal audits are reported to the Committee.

During the year internal audit completed one audit of the Fund's internal processes as follows:

Audit	Assurance level
Framework of internal controls for Pensions iConnect	4 = Good

This covered the automated monthly interface of key member data from specified scheme employers to the Avon Pension Fund via a software solution (middleware) supported by Heywoods and looked at procedures and protocols developed to ensure the security of member information.

The Internal Control Report of each 3rd party suppliers is reviewed annually to ensure their operational control environment is adequate, the results of which are reported to Committee. Where the Fund invests in an investment fund, the audited accounts of the fund are also reviewed annually.

3. **Financial Management Risk:** The Fund operates within the Council's financial framework with segregation of duties to ensure an effective control structure. A key financial risk is the non-payment of contributions by employers. The regulations provide a sanction for late payments. Processes are in place to ensure that contributions are reconciled regularly and late payers are reported to the Committee.

The Fund has a separate bank account from the Council's to ensure transparency and accountability of the banking arrangements. Management of the Fund's cash balance is delegated to the Council's Treasury Management Team who manages the cash separately from the Council's cash. The Fund has its own Treasury Management Policy.

4. **Investment Risk:** The investment decision-making process, supported by expert advice, is designed to ensure investment risks are kept to the minimum necessary to achieve the Fund's long term investment objectives. The Statement of Investment Principles sets out the investment strategy and how investment risks are considered and managed. The Statement of Accounts includes a disclosure on Financial Risk Management with particular reference to the investment strategy.

Investments by their very nature expose the Fund to varying degrees of risk, including market, interest rate, foreign currency, credit and liquidity risks. Such risks are managed through the diversification of assets, how the assets are invested and by managers. The Investment strategy is reviewed periodically, most recently in 2013.

In between strategic reviews, the Committee and Investment Panel monitor the performance of the investment strategy, providing flexibility to alter the strategy if required. A robust manager selection process assesses the risks of the investment approach and the manager will pose to the Fund.

The provision of expert advice is a key element of the risk management process. The Fund has appointed investment consultants to provide strategic investment advice as well as advising on managers' performance and manager selection. Other expert or specialist advice, such as tax or legal advice, is commissioned as required.

Much of the investment management process is outsourced to investment managers and the global custodian. This arrangement provides a clear segregation of duties within the Fund, with the in-house Investments Team closely monitoring performance and compliance with regulations and mandates.

5. **Funding Risk:** The Funding Strategy Statement sets out the funding strategy and policies for the Fund and it is reviewed at least every three years as it forms the basis for the actuarial valuation.

The potential insolvency of scheme employers, leaving outstanding liabilities in the Fund, is a significant risk. The regulations now require all bodies that wish to be admitted to the Fund to be guaranteed by a scheme employer(s) or to provide a bond to protect the Fund in the event of insolvency. The Fund monitors the financial sustainability of the scheme employers and takes this into account in the valuation exercise.

A key risk for employers is that the employer contribution rate is incorrectly calculated due to inaccurate membership information held by Fund. The Data

Quality Team reconciles the membership data to identify and resolve data queries with employers.

Some funding risks can be mitigated by the investment strategy. The funding and investment strategies focus on the expected real returns from the assets, thus slightly mitigating the effect of inflation on the value of the pension liabilities.

6. **Benefits Administration Risk:** These risks relate mainly to the inability of the Fund to meet its obligations and pay benefits accurately and on time as agreed with employers or under statute. The main risks are:
- non- or late payment of members’ benefits
 - incorrect calculation of benefits
 - breach of Data Protection Regulations
 - non-compliance with TPR codes
 - the failure to comply with Freedom of Information Act requests and Disclosure of Information requirements.

All of the above could lead to adverse publicity, loss of reputation and ultimately statutory fines. In addition, the Fund is dependent on a sole supplier of pension administration software. There are processes in place to mitigate administration risks, as identified in the Risk Register.

7. **Training:** As the body responsible for the Fund, Committee members are required to attain a level of knowledge about pensions, investment and funding strategies sufficient to carry out their duties effectively. Specifically they must be able to challenge and understand the advice provided when making decisions or scrutinising processes. To facilitate this, training is provided to members based on the Committee’s workplan. An Independent Advisor supports the Committee and Investment Panel members on investment issues.

8. **Business Continuity:** A Business Continuity Plan is in place primarily to deal with “disaster recovery” and includes contingency measures. The plan identifies critical activities whose failure would lead to an unacceptable loss of service and member records. It sets out measures to minimise the risk of disruption to service and specifies what “triggers” the contingency measures coming into effect. The Disaster Recovery process is tested annually.

Table 4: Summary of Risk Register

Risk	Management action
The Fund fails to achieve investment returns sufficient to meet its liabilities. This could affect the contribution rate paid by employers.	A Fund specific benchmark determines the appropriate risk adjusted return strategy to meet the liabilities. Fund performance and the funding level are monitored each quarter by Committee against this benchmark. This strategic benchmark is reviewed periodically.
Political pressure to direct how funds invest their assets to reduce costs. This could affect the ability	The Fund has well defined investment policies in place clearly stating the investment objectives and criteria. The Fund will continue to engage with

of the Committee to make decisions in the best interest of the Fund.	government on this issue and collaborate with other LGPS funds to ensure the most efficient management of the fund.
Insolvency of Participating Employers in the Fund without sufficient monetary guarantees or bonds to make good their outstanding liability. Such liabilities will be absorbed by the Fund and spread across other employers.	<p>The Fund's policy is for Transferee Admission Bodies to have a guarantee from a scheme employer. Community Admission Bodies are only admitted if they have a guarantor or failing that a bond is in place to protect the Fund.</p> <p>Covenant assessment monitoring assesses the financial standing of all employers and explores the options for obtaining greater protection through stronger guarantees, bonds, contingent assets or charges on assets.</p>
Lack of continuity within Committee which arises because most members face re-election simultaneously. This could impact the effectiveness of the Committee to make decisions.	<p>Wide representation on the Committee includes two independent members (independent from the administering authority, scheme employers and unions) not subject to the electoral cycle.</p> <p>Training is provided to new Committee members and there is ongoing training so that members can discharge their duties effectively.</p>
The investment managers appointed by the Fund to manage its assets fail to achieve their benchmark returns. This could mean the Fund fails to achieve the strategic return required to fund the liabilities. This could negatively affect the contribution rates paid by the employers.	Monitoring the performance of the investment managers is delegated to the Investment Panel. A performance monitoring framework identifies managers that are underperforming and issues that could affect future performance; these are reported to the Panel who agree an action plan. The Panel reports quarterly to the Committee on the performance of the managers and any managers that are on "watch".
Systems failure or lack of accessibility to systems. This could result in the potential loss of data, the need to re-process data, a fall in productivity, potential corruption of data and a delay in benefits processing and the payment of pensions.	<p>Policies are in place with relevant parties to ensure continuity of service issues are addressed within an agreed timeframe.</p> <p>The daily back up of the pensions system limits loss of data and reprocessing of data.</p> <p>The Fund relies on the Council's systems of control a firewalls to prevent virus attacks.</p>
Dependence on electronic data from employers. This	Training is given to employers as to the data requirements. The Data Quality Team reviews

<p>could lead to inaccurate or incomplete data.</p>	<p>the data received from employers.</p> <p>Internal audit to review the employer processes in 2015/16</p>
<p>Non-compliance with the Data Protection Act (DPA) or the Pension Regulator's codes of practice or standards. This could lead to fines, prosecutions and adverse publicity.</p>	<p>The Pensions Manager is the responsible officer for DPA. There are confidentiality agreements in place with the Fund's agents with regard to the DPA.</p> <p>The Fund complies with the Council's DPA policies.</p> <p>All personal data is transmitted from the Fund through secure portals.</p> <p>The Fund measures against TPR codes of practice and has implemented an improvement plan to address non-compliance.</p>
<p>Incorrect or late contributions from employers. This could adversely affect short term cash flow, could result in over/under funding of employer liabilities, and a breach of obligations could result in a fine.</p>	<p>Monthly contributions received are reconciled to the employer return. There is an annual reconciliation of contributions received to member records. Late payments of contributions are followed up and reported quarterly to Committee.</p>
<p>Lack of adequate resources / knowledge at the employers' level leading to a failure to comply with their obligations to their members and the fund under the regulations and codes of practice. This can result in disproportionate work and affect productivity.</p>	<p>The Fund provides timely information to and training for new employers and refresher sessions for existing employers.</p> <p>Employer bulletins and forums provide information to ensure employers comply with their obligations.</p> <p>The Administration Strategy permits the Fund to penalise employers for repetitive non-compliance that results in disproportionate work for the pension fund.</p>

PENSIONS ADMINISTRATION

Pensions Administration Strategy

The Administration Strategy sets out how the administering authority and scheme employers will work together to provide an improving quality level of service to Fund members.

The strategy ensures the Fund can continue to deliver a high quality pension service at a time when the operating environment is becoming more complex: the employer base has fragmented, especially with the creation of academies, furthermore the increase in the number of third party HR and payroll providers (favoured by a number of local education authority (LEA) schools) has added a further layer to the process and provision of data. The tables overleaf show how the Fund's employer and membership base has changed over time.

The Fund has revised its 2011 Administration Strategy to include a more detailed ICT Strategy and also to ensure the governance and administration requirements of the Pension Regulator are properly addressed as they fall to the Fund and Employers.

The key objectives of this Strategy are to ensure that:

- The Fund and Employers are aware of and understand their respective roles and responsibilities under the LGPS Regulations and in the delivery of administrative functions (largely defined in Service Level Agreements)
- The Fund operates in accordance with LGPS regulations and is aligned with The Pension Regulator in demonstrating compliance and scheme governance.
- Communication processes are in place to enable both the Fund and Employers to proactively and responsively engage with each other and other partners.
- Accurate records are maintained for the purpose of calculating pensions entitlements and Employer liabilities, ensuring all information and data is communicated accurately, timely and in a secure and compliant manner
- The Fund and Employers have appropriate skills and that training is in place to deliver a high quality service and effectively contribute to the changing pensions agenda
- Standards are set and monitored for the delivery of specified activities in accordance with Regulations and minimum standards as set out in each Employer's Service Level Agreement
- Administrative services are developed and delivered digitally as outlined in the ICT Strategy, in order to streamline processes and maintain costs at below or average levels

Full details of the Pensions Admin Strategy are available on the website www.avonpensionfund.org.uk and included as Appendix G.

Greater use of technology

The Fund utilises technology to improve the accuracy and flow of data across all aspects of the Fund and to improve communications with members. One of the administration strategy's objectives is for all data to be received and sent electronically between the Fund and employers.

Pension's software developments: The pensions software provided by Heywood has self-service modules which have been introduced for both members and employers as follows:

Employer Self-Service (ESS)

This web-based self-service access for employers was launched in October 2011 and most employers have now signed up. This facility allows employers to carry out calculations for retirement cases and, in the case of redundancy or efficiency, to calculate the Strain on the Fund costs. ESS has an interactive facility and the Fund has introduced a training programme to enable employers to input member data changes securely via ESS for automatic upload to the pension member database. This has been rolled out to existing employers and is an automatic requirement for any new employers to the Fund. By April 2015 58% of scheme employers were submitting data to the Fund electronically, representing 72% of active membership.

The number of employers continues to rise. During the year 27 new employers joined the scheme and 7 left.

Number of active employers in fund (2014/15)

	Active	Ceased	Total
Scheduled Body	159	0	159
Admission Body	56	7	63
Total	215	7	222

Member Self-Service (MSS)

This web-based member self-service facility introduced in 2010 allows members access to their personal pension information with the facility to perform "what if" calculations. It also provides an opportunity for the Fund to develop as a vehicle for electronic communication to members. At 31 March 2015 there are 7,069 registered members representing 8.45% of available membership. Development of this facility and encouraging greater take-up by members forms part of the work programme for the next year.

Number of members in fund (2011-2015)

	2015	2014	2013	2012	2011
Active	34,765	34,846	33,648	33,737	33,810
Deferred	35,714	35,321	31,754	28,812	24,858
Pensioners	26,006	25,985	24,574	23,631	22,541
Total	96,485	96,152	89,976	86,180	81,209

Electronic delivery to members

Costs of production and postal delivery of hard-copy documents sent to members have been rising steeply in recent years. Greater use of technology can reduce these costs significantly. The Fund's main communication costs arise from the active and pensioner member newsletters (normally twice a year) and Annual Benefit Statements which, in total, requires sending circa 150,000 printed documents at a significant annual cost.

Active members' newsletters

Newsletters are still posted to individual members. With the MSS facility now available, in the future the Fund intends to distribute newsletters electronically where possible. As legislation allows information to be distributed electronically, a project plan is being developed for 2014/15 to promote MSS as the preferred channel of communication. This will result in significant cost savings to the Fund going forward.

Website

The Fund has had its own dedicated pension website (www.avonpensionfund.org.uk) for over 10 years and this is now the key access point for information for members and employers. The site has been significantly improved in recent years and has separate sections for each category of membership. A separate employers' website (www.apfemployers.org.uk) was launched in 2013, providing interactive facilities. The number of website hits increased during the year demonstrating members' and media interest in pensions, prompted largely by the announcement of the new scheme from April 2014. Similarly, a new employee website is currently under development and will be launched late in 2015.

Chartered Institute of Public Finance & Accountancy (CIPFA) Benchmarking (Benefits Administration)

The Fund participates in the annual Pensions Administration CIPFA Benchmarking exercise where its performance and running costs are compared against its peers and against the "average fund".

The Fund takes part in the annual CIPFA Pensions Administration Benchmarking Club. This compares administration costs and performance indicators against other participating LGPS funds and against a group of funds of similar size. The results are used to identify areas for improvement in the Service Plan, to understand the specific service pressures that the Fund faces and to help the Fund operate as efficiently and effectively as possible. In addition it provides an indication of relative operational costs.

This year's report identifies the cost per member for the Fund as £16.55 compared with £18.27 in 2013/14. This is significantly less than the cost for the average fund which is £18.68 per member. The Fund's own performance targets are set out in the SLAs it has in place with employers, covering over 80% of the active membership. In many cases these targets are more challenging than the industry standard. Regular SLA review meetings are held with these employers to review each party's performance. The Fund also publishes a Customer Charter on its website. This includes its targets (in working days) for completion of processing of member benefits. Table 5 shows the Fund's performance in meeting LGPC standard targets compared with the Club average.

Table 5: Performance Indicators 2014/15

Performance Indicator	LGPC Standard Target	Fund achieved against target %	CIPFA Club average %
Letter detailing transfer in quote	10 days	83.3	89.5
Letter detailing transfer out quote	10 days	79.2	87.9
Process and pay refund	5 days	76.1	92.2
Letter notifying estimates of retirement benefits	10 days	92.2	90.5
Letter notifying actual retirement benefits	5 days	85.5	91.6
Initial letter acknowledging death of member	5 days	90	93.8
Letter notifying amount of dependant's benefits	5 days	87.9	85.8
Calculate and notify deferred benefits	10 days	53.8	74.5

Key staffing indicators

The administration of the Fund is provided by Bath & North East Somerset Council. The pension service is split into three areas: Investment & Accounting, Benefits Administration (including Data Management & Quality Control) and Systems Support & Pension Payments. An organisation chart is available on the Fund website. The total number of staff in the pension service was 38.4 in 2014/15. Of these 20.7 are involved in benefits administration. Table 6 shows an analysis of staff-based data from the CIPFA Benchmarking Club 2015 Report.

The benefits administration team has been restructured to include a Data Management & Quality Control Team. The creation of a dedicated team reflects the increasing focus within the LGPS on disclosure of information and Data Protection and to ensure compliance with TPR Codes of Practice. The team will focus on member data, ensuring compliance to regulator standards, resolving data queries and providing management information to assist in the performance monitoring process. This will enable the remaining administration team to service members more efficiently.

Table 6: Key Staffing Indicators 2014/15

Key Staffing Indicators	2014/135	(CIPFA club average)	2013/14	(CIPFA club average)
Number of staff administering the LGPS scheme	20.7		21.7	
Fund Member / Staff ratio	5,049	3,863	4,572	4,150

PENSION COMMUNICATIONS

The Fund's communication aims are to:

- provide clear, relevant, accurate, accessible and timely information to all our audiences and stakeholders
- listen and respond appropriately to feedback we receive
- use plain language and avoid unnecessary jargon
- use communication channels which best fit the audience and the information being passed on
- be a more electronic communication-based Fund, utilising new communication technology (web, email, social media)
- support members to enable them to make informed decisions about their pensions by making information available
- be compliant with all legislative requirements with regard to communicating with members, such as the Pensions Regulator and Pensions Board

The Communications Policy outlines the communications we provide to various audiences (our stakeholders, audiences and interested parties). The Fund's Communications Policy was updated in 2015 and is published on its public website.

The Communications Policy is available on the website www.avonpensionfund.org.uk and included as Appendix E.

INVESTMENT REPORT

1. Investment Regulations

(a) Investment Limits

The Avon Pension Fund is a funded scheme which means that the contributions and fund monies not currently needed to meet pension and benefit payments are invested and the Fund receives income from these investments. The Fund's objective is to meet the future pension payments of both past and current members.

The LGPS regulations provide a framework for the investment strategy. A wide range of investments are permitted but certain limits are set to ensure diversification and reduce risk.

The limits relevant to the Fund are:

- no more than 25% may be invested in unit trusts managed by any one body;
- no more than 10% of the Fund may be invested in unlisted securities;
- no more than 10% of the Fund may be invested in a single investment holding;
- no more than 10% of the Fund may be deposited with any one bank;
- no more than 35% of the Fund may be invested in any one insurance contract;
- no more than 2% of the Fund may be invested in a single partnership;
- no more than 15% of the Fund may be invested in partnerships

(b) Statement of Investment Principles

The Statement of Investment Principles (SIP) sets out the investment principles of the Fund and how the investments are managed in line with the principles. Key elements include:

- investment objective
- management of investment risk
- social, environmental and ethical considerations
- exercise of voting rights
- compliance with the Myners principles for effective decision making.

The SIP was revised during the year to reflect the new investment managers appointed and the revised allocations between mandates.

The latest revision of the Statement of Investment Principles was approved by the Avon Pension Fund Committee at its meeting in June 2015. The statement is included as Appendix D and can also be obtained from the website www.avonpensionfund.org.uk (search *Statement of Investment Principles*).

The Fund publishes a statement showing how it complies with the Financial Reporting Council (FRC) Stewardship Code. This Code is a set of best practice principles that are intended to frame both shareholder engagement with companies and the disclosure of such activity by investors. The Fund's latest statement of compliance can be found on the website www.avonpensionfund.org.uk (search *FRC Stewardship Code*).

The Fund is a member of the Local Authority Pension Fund Forum (LAPFF), a collaborative body that exists to serve the investment interests of local authority pension funds. In particular, LAPFF seeks to maximise the influence the funds have as shareholders through co-ordinating shareholder activism amongst the pension funds. Committee members and officers regularly attend the quarterly LAPFF meetings.

Compliance with the Myners Principles

The Myners Principles codify a model of best practice in decision making for investors. As part of the SIP, funds are required to state how they comply with each principle and explain where they do not comply.

The Fund's current compliance with the principles is summarised in Table 7 below (a full explanation can be found in the SIP).

Table 7: How the Avon Pension Fund achieves compliance with the Myners Principles

1 Effective decision-making	Compliance
Clear governance structure for decision-making, supported by expert advisors and officers with clear responsibilities.	Tick
Job descriptions setting out the role and responsibilities of all Committee members	Tick
Committee members undertake training on ongoing basis	Tick
A forward looking three-year business plan	Tick
2 Clear Objectives	
Clear investment objective and strategy, taking into account the actuarial position and impact on scheme employers and tax payers	Tick
A customised benchmark reflecting the Fund's own liability profile	Tick
Consideration of different asset classes and their impact on return and risk	Tick
Individual performance targets for the investment managers, monitored by the Committee	Tick
Expert advice when considering its investment objective and strategy	Tick
3 Risk and Liabilities	
Investment objective and strategy reflects the specific liability profile of the scheme members	Tick

Covenant of the employer and their ability to pay contributions is taken into account	Tick
Risk management process in place to ensure risks are identified and mitigating action is taken where possible	Tick
4 Performance Assessment	
Fund's performance measured against investment objective, investment managers performance measured against their benchmarks	Tick
Contracts with advisors assessed on an ongoing basis	Tick
Performance of decision-making bodies assessed by external auditors	Tick
5 Responsible Ownership	
Managers adopt the Institutional Shareholders' Committee Statement of Principles	Tick
Policy on responsible ownership is included in Statement of Investment Principles	Tick
6 Transparency and Reporting	
Clear policy to communicate and consult with its scheme members, representatives and employers as appropriate.	Tick
All documents and statements made available, annual report contains information and data relevant to its many, diverse stakeholders.	Tick

2. Investment Strategy

The objective of the investment strategy is to achieve the investment return required to fund the pension liabilities over time and to recover any funding deficit as set out in the funding strategy. Specifically the investment strategy is designed to produce investment returns that will help stabilise and minimise employer contribution rates in the long term as well as reflecting the balance between maximising returns, protecting asset values, and matching the liabilities (to minimise investment risk).

The strategy reflects the Fund's appetite for risk and its willingness to accept short term volatility within a long term strategy. The Fund pursues a policy of managing risk through diversification by asset class and by investment managers. The Avon Pension Fund Committee periodically reviews its investment strategy in order to ensure the strategy reflects the Fund's liability profile.

During 2014/15 the Fund completed the implementation of the revised investment structure following the strategic review of 2013 with the appointment of an

infrastructure manager and a single hedge fund manager to manage the allocation to hedge fund strategies.

Table 8 shows the Fund's actual asset allocation at 31 March 2015 against the strategic allocation benchmark. The allocation to infrastructure has yet to be invested. The Fund is currently overweight in equities which will be used to fund the investment in infrastructure. The table also shows the returns from each asset class over one and three years to 31 March 2015.

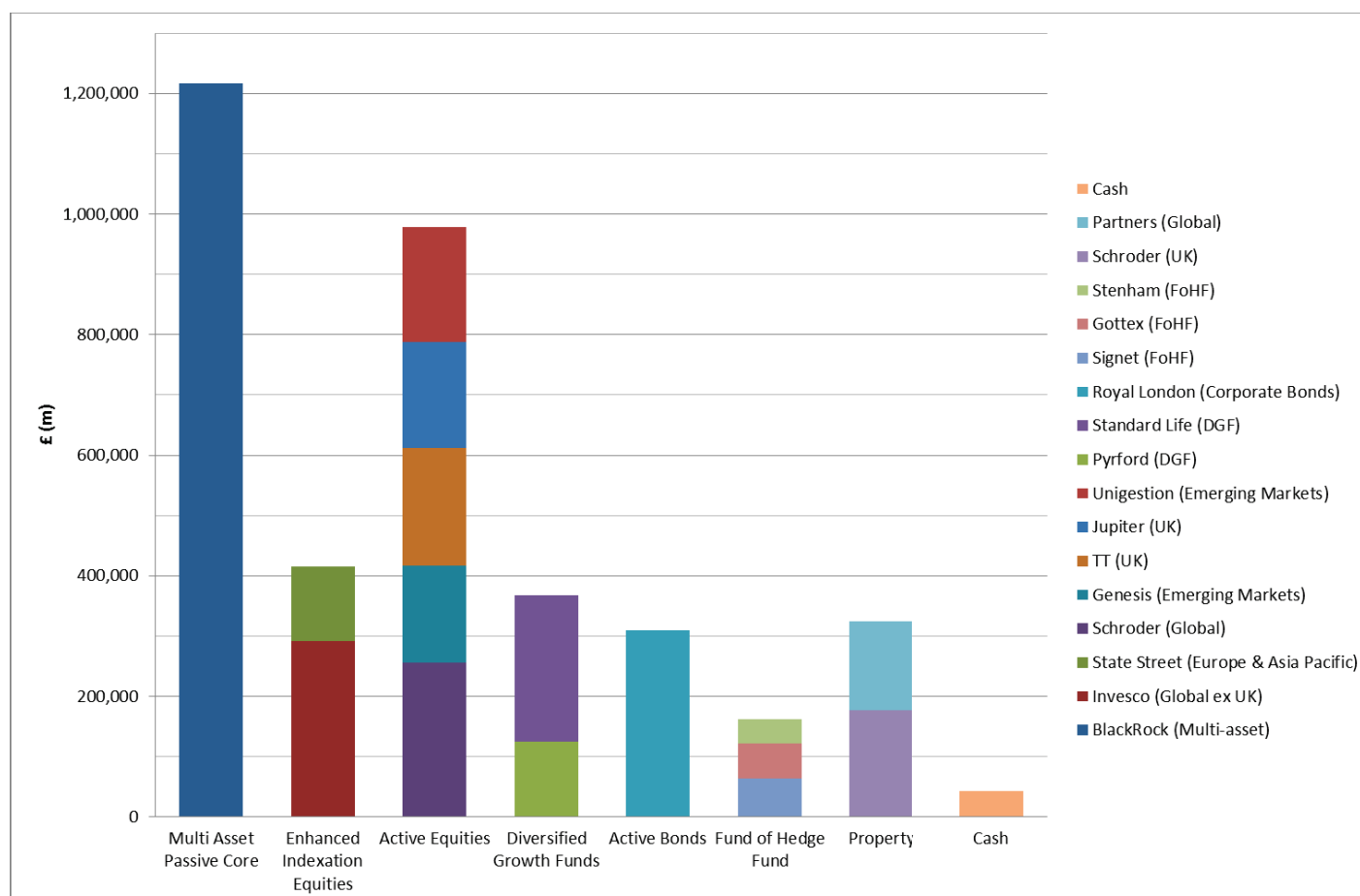
Table 8 - Strategic Asset Allocation and Actual Asset Allocation

Asset Class	31 March 2015 Allocation	Strategic Allocation	Asset Class Returns	
			1 year	3 years
UK Equities	16.0%	15%	6.6%	10.6%
Developed Overseas Equities	29.6%	25%	20.3%	15.5%
Emerging Market Equities	9.7%	10%	12.8%	3.2%
Diversified Growth Fund	9.6%	10%	4.6%	4.6%
Infrastructure	-	5%	-	-
Index-Linked Gilts	6.3%	6%	21.0%	8.9%
Fixed Interest Gilts	2.9%	3%	26.9%	10.0%
UK Corporate Bonds	8.6%	8%	13.1%	8.8%
Other Bonds	3.0%	3%	7.6%	1.0%
Fund of Hedge Funds	4.2%	5%	4.6%	4.6%
Property	8.2%	10%	16.6%	9.4%
Short term deposits / Other	1.9%	0%	-	-

Source: Mercer

The Fund's assets are managed by external investment managers. The investment management structure and amount of assets managed by each manager as at 31 March 2015 is set out in Table 9. During the year the Diversified Growth Fund mandate with Barings Asset Management was terminated following the departure of key investment staff. The mandate was re-tendered and Standard Life was appointed. IFM was appointed to manage the allocation to infrastructure. This portfolio is expected to begin investing during 2015/16. JPMorgan has been appointed to manage the hedge fund allocation replacing the three incumbent hedge fund managers. The funds will be transitioned to JPMorgan during 2015/16.

Table 9: Asset allocation by investment manager 31 March 2015



Responsible Investing

The Fund seeks to integrate a Responsible Investment (RI) approach across the entire investments portfolio, recognising the differing characteristics of asset classes. A copy of the policy can be obtained from the website www.avonpensionfund.org.uk (search Responsible Investment Policy)

The fund sought to manage Responsible Investment (RI) and Environmental, Social and Corporate Governance (ESG) risks during the year as follows:

- Embedded Environmental, Social and Governance and Responsible Investment criteria into the evaluation of the tenders for the Diversified Growth Fund mandate.
- Promoted Responsible Investment / Environmental, Social and Governance by:
 - Following through with issues identified throughout the year by the Fund's Committee and Investment Panel.
 - Holding managers to account and querying Responsible Investment / Environmental, Social and Governance factors in their investment process where appropriate.
 - Reviewing whether engagement activity of managers was in line with their stated policies.

- Publicly supported the shareholder resolutions for greater disclosure on carbon management strategies at BP and Shell.
- The Fund continued its participation in the Local Authority Pension Fund Forum (LAPFF) recognising that their collaboration and engagement activities are important tools to manage Responsible Investment (RI) risks. Officers and committee members attended four business meetings during the year.

The analysis by Manifest of the trends in voting by investors suggests that there is a gradual improvement in governance standards with a lower level of governance concerns identified in 2014. In the UK the introduction in 2014 of the vote on Remuneration Policy has had an impact in that where opposition was expressed by shareholders, it was often at a very high level, suggesting a targeted approach on the part of investors.

3. Investment Performance

(i) 2014/15 performance

The value of the Fund's assets rose by £508 million during the year to £3.84 billion at 31 March 2015. The investment return of 13.5% was driven primarily by the strong returns from overseas equities (c.29.6% of the assets) and bonds (c.20.8% of assets), where the Fund was overweight, and property. The Fund outperformed its strategic benchmark of 13.2% by 0.3%. Currency hedging added 0.2% to the fund's return; asset allocation contributed 0.7% and active portfolio management detracted 0.6%.

The Fund outperformed the average WM Local Authority Fund universe return over the year by 0.3% (the average local authority pension fund return as calculated by WM Company).

The strategic benchmark return (which assumes the investment achieve index returns) of 13.2% outperformed the long term return expectations for the underlying assets of c. 7.1%. This was due to the significant returns from overseas equities, bonds and property above their long term expectations. UK equities and hedge fund returns were below their long term expectations. As gilts are used as a proxy for valuing the liabilities, the strategic benchmark represents a portfolio that, using the long term return expectations, should generate a return of +2.7% above the yield from gilts (the "gilt-based benchmark"). In 2014/15 despite the good outturn from the investment portfolio, given a return from index linked gilts of c. 21%, the strategic benchmark underperformed the gilt based benchmark which will have led to deterioration in the funding position, everything else being equal.

Developed equity market returns were influenced by larger than expected quantitative easing by the ECB in Europe and signs of tentative economic growth and recovery in the USA and Japan. Emerging market returns were less positive due to the effect of a stronger US dollar on their economies and concerns over moves in the USA to raise interest rates. In addition they were affected by the decline in commodity prices by c. 30% in sterling terms over the year with oil leading the way. With global inflation remaining subdued and very low interest rates during the year, government and corporate bonds continued to rally. Central bankers have

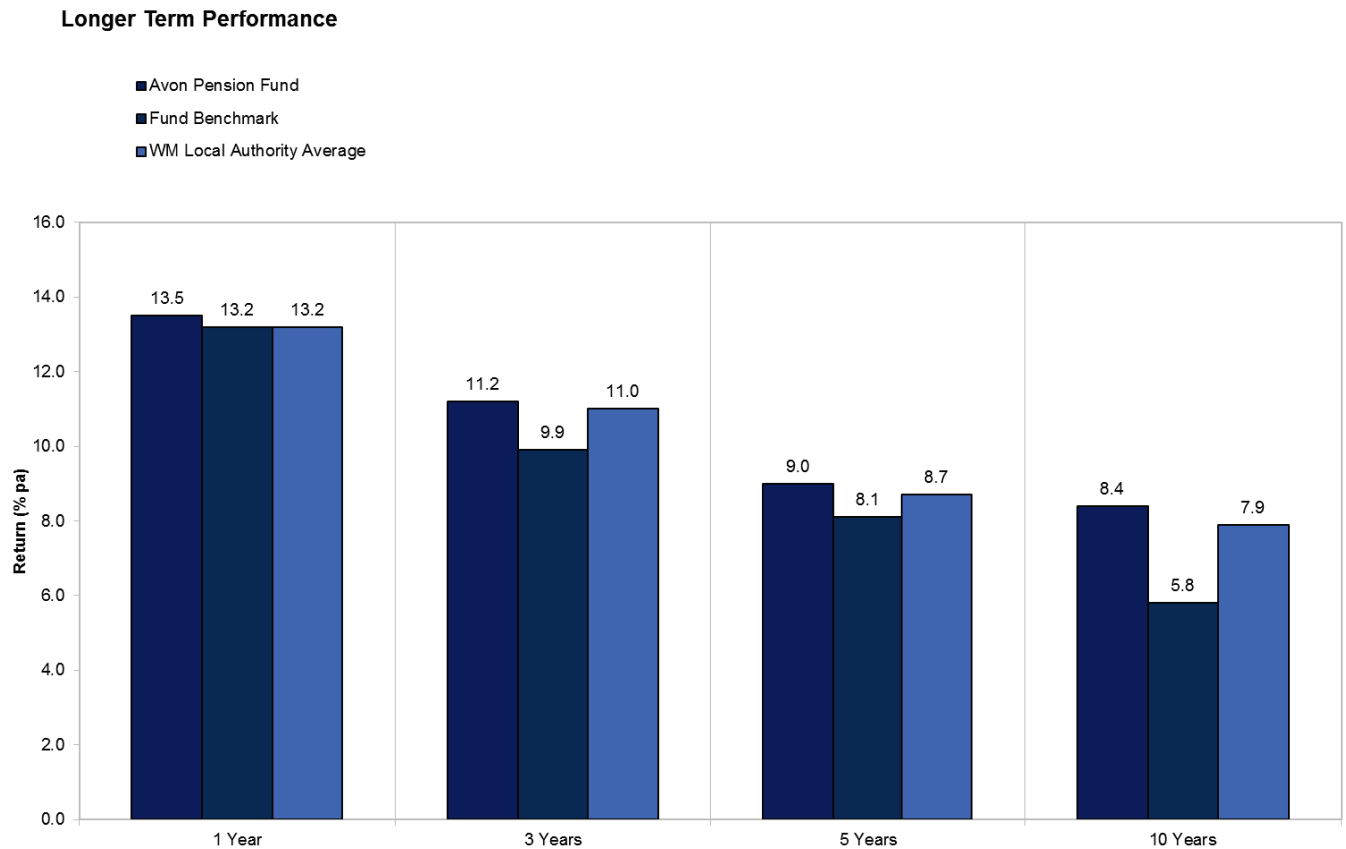
positioned markets for a gradual increase in interest rates over the next economic cycle.

(ii) Longer term performance

The longer term performance of the Fund is shown in Table 10 (the returns are annualised). The Fund’s benchmark return is included in the chart together with the return of the WM Local Authority Fund Average. The Fund return is inclusive of currency hedging whereas the benchmark return excludes currency hedging.

Over the last 3 years the investment return is 11.2% per annum falling to 9.0% per annum when viewed over the last 5 years. Currency hedging has added 0.2% per annum to the Fund’s return over the last three years.

Table 10 - Long Term Performance



Over three years the Fund’s return is ahead of the strategic benchmark return of 9.9% per annum with active portfolio management added 0.3% and asset allocation adding 0.7% per annum. However, the Fund marginally underperformed the gilts based benchmark as index linked gilts returned c.9% per annum.

Over the three years, returns from developed equities, UK bonds and property were ahead of the long term return expectations whilst emerging market equities, overseas bonds and hedge funds all lagged their long term expected returns.

As sterling has strengthened against the Euro and Yen over the last three years the dynamic currency hedge has increased overall return, whilst sterling weakened against the USD over the same period.

The annualised contribution to performance by asset class and stock selection over longer periods can be seen in Table 11.

Table 11: Attribution to performance from asset allocation and stock selection

Asset Class	Asset Allocation Impact p.a.		Stock Selection Impact p.a.	
	3 Years	5 Years	3 Years	5 Years
Equities	0.3%	0.1%	0.4%	0.4%
Bonds	0.0%	0.1%	0.1%	0.1%
Multi-asset	0.0%		0.0%	
Property	0.1%		0.0%	-0.1%
Hedge Funds	0.2%	0.2%	-0.1%	
Cash	-0.2%	-0.1%	-0.1%	
	0.7%	0.3%	0.3%	0.3%

Table 12 shows how each of the investment managers have contributed to performance. It shows their performance against their specific benchmarks over one year, three years and five years. Jupiter, Unigestion, Invesco, and State Street had strong performances relative to their benchmarks during 2014/15; Signet and Partners lagged their target. The performance of the global property portfolio managed by Partners is impacted by the dilution effect of investing monies during the investment phase of the portfolio. Over three years, ten of the fourteen managers in place for three years or more have met their performance targets.

In 2014/15 the managers in aggregate performed in line with their benchmarks whilst over three and five years they have added 0.3% and 0.1% respectively to overall return.

Table 12 - Contribution to performance – relative returns of investment managers

	1 Year Relative Return	3 Years Relative Return p.a	5 Years Relative Return p.a
BlackRock	-0.1%	0.1%	0.1%
Jupiter	1.9%	3.7%	4.4%
TT	-1.5%	2.3%	0.9%
Invesco	1.0%	1.0%	0.9%
SSgA - Europe	0.6%	1.3%	1.3%
SSgA - Asia Pacific	1.5%	1.5%	1.1%
Schroder Equity	0.0%	0.0%	N/A
Pyrford	1.2%	N/A	N/A
Genesis	-2.4%	1.2%	1.6%
Unigestion	2.2%	N/A	N/A
RLAM	0.2%	2.0%	1.7%
Partners	-8.6%	-2.9%	-0.3%
Schroder Property	0.6%	1.4%	1.2%
Stenham	1.7%	2.4%	-0.4%
Signet	-7.4%	-3.9%	-3.7%
Gottex	-1.7%	0.2%	-0.8%

4. Largest Holdings

The ten largest investment holdings of the Fund at 31 March 2015 are shown below:

Table 13 - Ten Largest Investment Holdings at 31 March 2015

Top 10 Largest Investment	£'s	% of Fund
ROYAL LONDON AM UK CORPORATE	310,439,429.88	8.11%
INV PERP GBL ENH IND FUND-A	291,422,823.62	7.61%
STANDARD LIFE GLOBAL ABSOLUTE	243,477,257.76	6.36%
BLACKROCK AQUILA LIFE UK EQUITY INDEX S1	227,788,633.34	5.95%
MSCI EQ INDEX FUND B-US	219,388,986.24	5.73%
UNI-GLOBAL-EQ EM MKT-SAC GBP	191,724,586.15	5.01%
BLACKROCK EUROPE EX-UK FD-A	171,061,805.64	4.47%
GENESIS EMERGING MKTS INV -B	160,246,739.81	4.19%
PYRFORD GLOBAL TOTAL RETURN	124,699,787.52	3.26%
BARCLAYS GLOBAL IN AQUILA LIFE	113,325,398.71	2.96%

5. Investment Administration

The Fund's custodian is responsible for the safe-keeping of the Fund's assets and acts as the Fund's bank, settling transactions and collecting income. In addition they provide a range of support services including stock lending and investment accounting.

The Fund has a separate bank account which provides transparency and accountability of the Fund's and Council's banking arrangements. In addition the Fund has a separate Treasury Management Policy which ensures the investment of the Fund's cash is consistent with the risk parameters of the Fund. The management of the pension fund's investment cash is delegated to the Council.

ACTUARIAL REPORT

Funding Position

In line with the LGPS regulations, the Fund's actuarial position is reviewed every three years. The latest triennial valuation based on membership data and asset values as at 31 March 2013, set the employer contribution rates for the period from 1 April 2014 to 31 March 2017. The 2016 valuation using membership and asset data at 31 March 2016 will set the contribution rates from 1 April 2017 onwards.

The 2013 valuation produced a funding level (the coverage of liabilities by the assets) of 78% which was slightly lower than the funding level of 82% at the previous valuation in 2010. However, in monetary terms the deficit increased from £552 million in 2010 to £876 million in 2013. The fall in the funding level and rise in the deficit since 2010 was due to the fall in gilt yields to near historic lows in March 2013. As the future value of the pension liabilities are calculated using a discount rate based on gilt yields, if gilt yields fall, the value of the liabilities will rise.

The funding level is estimated at 78% at 31 March 2015, unchanged from 2013 valuation but a 6% decline from the estimated 84% at 31 March 2014. The deficit has increased to £1.1 billion at 31 March 2015 from £636 million a year earlier. This position reflects the fall in real gilt yields which are used to value the liabilities over the year. This fall in real yields was not offset by the rise in the value of assets despite strong investment performance of the Fund over the year.

The historical funding level and asset allocation for the last five valuations is shown in the table below:

Valuation result	2001	2004	2007	2010	2013
Value of Assets £m	1,563	1,474	2,184	2,459	3,146
Value of Liabilities £m	1,572	1,841	2,643	3,011	4,023
Funding level	99%	80%	83%	82%	78%
Asset Allocation %	2001	2004	2007	2010	2013
Equities	75%	74%	77%	63%	63%
Bonds	25%	24%	21%	22%	20%
Property	-	-	-	4%	7%
Hedge Funds	-	-	-	9%	7%
Cash	-	2%	2%	2%	3%

The funding level will vary over time. The value of the assets and liabilities will vary due to changes in market prices. The non-financial assumptions that determine the liabilities will also change over time, such as longevity or the length of time it is assumed pensions will be paid over the retirement age.

Between the triennial valuations the Committee monitors the funding position each quarter. An interim valuation will be undertaken as at 31 March 2015 to provide employers with an indication of the potential impact of the 2016 valuation on their budget to help them plan accordingly.

The pension fund is maturing gradually and the investment and funding strategies takes this into account. As monthly pensions paid to pensioners exceed contributions received from employers and members, the Fund uses investment income to pay the pensions. The cash flow forecast is included in the Fund's Service Plan which is revised annually. Actual cash flow is monitored against the forecast to manage cash requirements on a monthly basis.

Funding Strategy Statement (FSS)

The FSS was revised in 2013 to set the parameters for the 2013 valuation. As the 2013 valuation was completed during a particularly difficult time for public sector bodies due to the contraction in public sector funding, the 2013 FSS reflected the need to balance the long term solvency of the Fund with cashflow pressures faced by the scheme employers over the three year valuation period (to 2016/17).

The regulations provide that the FSS must

- establish a clear and transparent fund-specific strategy which will identify how employers' pension liabilities are best met going forward;
- support the regulatory requirement to maintain as nearly constant employer contribution rates as possible; and
- take a prudent longer-term view of funding those liabilities.

Using the flexibility provided within this framework, in 2013 the Fund kept increases in employer contribution rates to a minimum. The fall in gilt yields translated into a lower discount rate used to value both past service and future service pension liabilities and this led to increases in contribution rates for most employers. However, as the driver of the higher costs was the fall in gilt yields, the Actuary took into account an improvement in gilt yields in the period following the valuation when setting deficit recovery payment plans with individual employers in order to address affordability.

The period over which the deficit is recovered from each employer was reduced in the Funding Strategy Statement to a maximum of 27 years from 30 years (in the 2010 FSS). For most employers the deficit recovery period contracted by three years and overall, and the Fund's overall deficit recovery period decreased from 23 years to 20 years. When setting contribution rates and deficit recovery periods for individual employers or groups of employers, the Actuary takes into account as assessment of financial strength and funding sources undertaken by the Fund.

The Future Service Rate (the on-going cost of one year's pension accrual) is expressed as a percentage of pensionable pay. However, to ensure there is no significant underpayment of deficit recovery contributions should payrolls contract during the valuation period, deficit recovery contributions (or past service contributions) are expressed in annual monetary amounts.

The 2013 triennial valuation incorporated the changes arising from the new LGPS scheme, effective from 1 April 2014. Overall for the Fund there were savings to future service pension costs of around 1.7%, mainly due to an increase in the retirement age for benefits accruing post April 2014 (where the retirement will rise in line with the state pension age). However, for some smaller employers these

savings were more than offset by the extra cost of protections under the old scheme (determined by the age profile of the membership).

The number of employers in the Fund continued to increase due to the creation of academies and the outsourcing of services by scheme employers. As schedule bodies, academies have an automatic right to join the scheme. Employers outsourcing services to an admitted body are required to guarantee the liabilities of the admitted body.

The Funding Strategy Statement is in Appendix F and can be obtained from the website www.avonpensionfund.org.uk (search *Funding Strategy Statement*).

STATEMENT OF CONSULTING ACTUARY

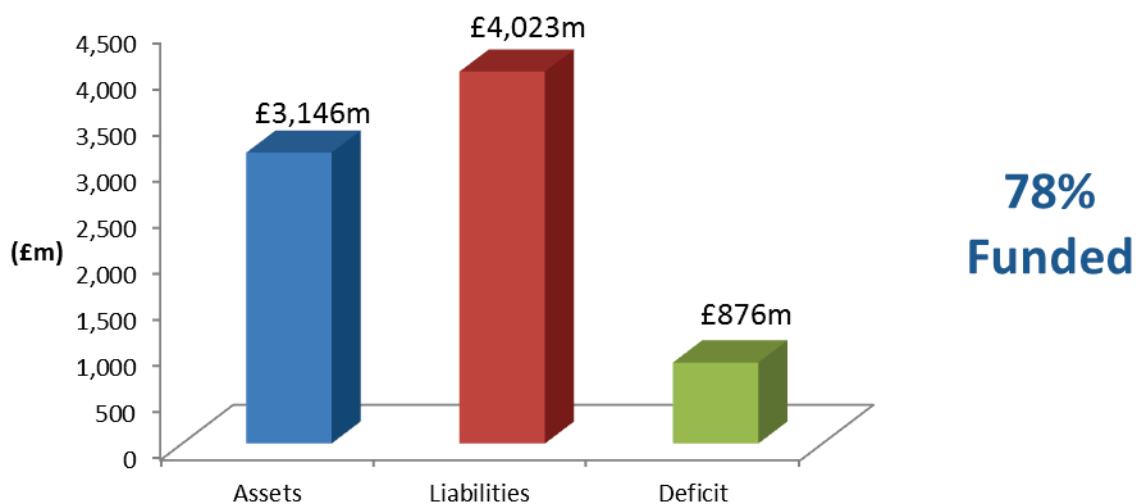
AVON PENSION FUND

Accounts for the year ended 31 March 2015 - Statement by the Consulting Actuary

This statement has been provided to meet the requirements under Regulation 57(1)(d) of The Local Government Pension Scheme Regulations 2013.

An actuarial valuation of the Avon Pension Fund was carried out as at 31 March 2013 to determine the contribution rates for the period from 1 April 2014 to 31 March 2017.

On the basis of the assumptions adopted, the Fund's assets of £3,146 million represented 78% of the Fund's past service liabilities of £4,023 million (the "Funding Target") at the valuation date. The deficit at the valuation date was therefore £876 million.



The valuation also showed that a common rate of contribution of 13.9% of pensionable pay per annum was required from employers. The common rate is calculated as being sufficient in the long term, together with contributions paid by members, to meet all liabilities arising in respect of service after the valuation date. It allowed for the new LGPS benefit structure which became effective from 1 April 2014.

After the valuation date, there were significant changes in financial markets. In particular there was an increase in gilt yields, which underpin the liability assessment. This improved the funding position materially to 83% with a resulting deficit of £650 million. This improvement was taken into account when setting the deficit contribution requirements for employers where required to stabilise contribution rates. On average across the Fund, the updated deficit would be eliminated by a contribution addition of £34m per annum increasing at 4.1% per

annum (equivalent to approximately 6.0% of projected Pensionable Pay at the valuation date) for 20 years if all assumptions are borne out in practice.

Further details regarding the results of the valuation are contained in the formal report on the actuarial valuation dated March 2014.

In practice, each individual employer's position is assessed separately and the contributions required are set out in the report. In addition to the certified contribution rates, payments to cover additional liabilities arising from early retirements (other than ill-health retirements) will be made to the Fund by the employers.

The funding plan adopted in assessing the contributions for each individual employer is in accordance with the Funding Strategy Statement (FSS). Any different approaches adopted, e.g. with regard to bespoke funding strategies, the implementation of contribution increases and deficit recovery periods, are as determined through the FSS consultation process.

The valuation was carried out using the projected unit actuarial method and the main actuarial assumptions used for assessing the Funding Target and the common contribution rate were as follows:

	For past service liabilities (Funding Target)	For future service liabilities (Common Contribution Rate)
Rate of return on investments (discount rate)	4.8% per annum	5.6% per annum
Rate of pay increases	4.1% per annum*	4.1% per annum
Rate of increases in pensions in payment (in excess of Guaranteed Minimum Pension)	2.6% per annum	2.6% per annum

* allowance was also made for short-term public sector pay restraint over a 3 year period.

The assets were assessed at market value.

The next triennial actuarial valuation of the Fund is due as at 31 March 2016. Based on the results of this valuation, the contribution rates payable by the individual employers will be revised with effect from 1 April 2017.

Paul Middleman

Fellow of the Institute and Faculty of Actuaries

**Mercer Limited
June 2015**

EMPLOYERS' CONTRIBUTION RATES

Participating Employers	Contribution Rates			
	2014-15		2013-14	
Year Ended 31 March 2015	%	Deficit / Surplus Recovery	%	Deficit / Surplus Recovery
Scheduled Bodies				
Principal Councils and Service Providers				
Avon Fire Brigade	11.8	£272,800	10.9	£241,900
Bath & North East Somerset Council	13.2	£14,042,300	12.2	£4,127,500
Bristol City Council	12.5	£41,493,600	11.8	£12,745,800
North Somerset Council	13.0	£4,992,800	11.8	£4,370,700
South Gloucestershire Council	12.9	£16,533,800	11.9	£4,840,600
Further & Higher Education Establishments				
Bath Spa University College	12.0	£457,300	11.2	£399,600
City of Bath College	11.9	£81,600	11.2	£72,700
City of Bristol College	12.4	£475,600	11.4	£452,700
Norton Radstock College	13.6	£37,500	12.3	£34,900
South Gloucestershire & Stroud College	11.2	£383,300	10.5	£312,000
St. Brendan's College	12.2	£30,400	11.4	£26,500
University of the West of England	12.0	£1,748,175	11.0	£1,620,800
Weston College	11.1	£194,900	10.4	£160,800
Education Establishments				
Abbeywood Community School Academy	12.7	£38,700	11.8	£36,400
Academy of Trinity	13.0	£6,500	12.5	£5,900
Ann Harris Academy Trust	16.2	£19,400	13.9	£6,400
Aspire Academy	14.6	£34,400		
Backwell School Academy	14.5	£89,200	13.7	£74,200
Bannerman Road Community Academy	10.7	£19,200	9.7	£29,500
Barton Hill Academy	11.9	£13,100		
Bath Community Academy	12.9	£18,600	12.4	£15,000
Bedminster Down School Academy	14.3	£30,300	13.5	£29,300
Beechen Cliff Academy	13.3	£31,400	12.4	£27,800
Begbrook Primary Academy	13.5	£18,000	12.5	£17,500
Birdwell Primary School Academy	13.7	£14,700	12.6	£12,200
Bradley Stoke Community School	11.6	£55,400	10.9	£48,600
Bridge Learning Campus Foundation	12.3	£57,400	11.7	£54,000
Bristol Cathedral Choir School	13.9		13.2	-£5,200
Bristol Free School Trust	14.2	£100	13.4	
Bristol Technology & Engineering Academy	13.4		13.4	
Broadlands Academy	12.1	£36,800	11.1	£36,100
Broadoak Mathematics & Computing College	12.6	£64,000	11.6	£60,300
Cabot Learning Federation	11.6	£10,800	10.8	
Castle School Education Trust	14.0	£68,900	13.0	£67,800
Cathedral Primary School	14.8		13.6	
Charborough Road Primary School	15.5	£4,500		
Charfield Primary School	15.4	£5,600	14.2	£2,700
Chew Stoke Church School	13.1	£5,200	12.0	£5,100
Christ Church C of E Primary School	13.2	£10,300	12.2	£9,800
Churchill Academy	13.6	£84,900	13.0	£77,300

Clevedon Learning Trust	20.0			
Clevedon School Academy	12.7	£52,600	12.1	£50,400
Clutton Primary School Academy	22.9	£500		
Colston Girl's School Trust	15.2	-£900	14.2	-£710
Colston's Primary School Academy	11.4	£6,100	10.9	£5,600
Cotham School Academy	12.4	£59,400	11.8	£51,100
Diocese of Bristol Academies Trust	21.3			
Downend School	13.3	£40,100	12.3	£39,900
Easton C of E Academy	14.8	£25,600		
Elmlea Junior School Academy	13.4	£9,700	12.4	£8,400
Fairfield School	15.4	£9,400		
Filton Avenue Infants Academy	11.5	£17,800	10.7	£17,000
Fishponds Church of England Academy	12.9	£22,000	12.0	£21,300
Four Acres Primary School	13.4	£4,400		
Fosseway School	11.0	£49,000	10.2	£42,100
Frome Vale Academy	11.8	£10,700	11.0	£10,300
Gordano School Academy	13.5	£94,100	12.5	£82,200
Greenfield Primary School Academy	13.3	£14,500	12.3	£13,300
Hanham High School	17.3	£34,600		
Hans Price Academy	12.6	£61,700	12.1	£51,400
Hareclive Academy	12.2	£18,200	11.5	£16,600
Hayesfield Girls School Academy	13.7	£33,400	12.9	£30,600
Henbury Court School	12.3	£18,700	11.5	£15,700
Henbury School Academy	12.7	£32,000	11.9	£30,700
Henleaze Junior School	13.2	£9,500	12.2	£7,900
Heron's Moor Community School	12.1	£21,500	11.5	£20,600
High Littleton C of E Primary	18.7	£4,800		
Hotwells Primary School	15.2	£13,100		
Ilminster Avenue E-ACT Academy	14.4	£8,900	15.0	£7,200
Inspirational Futures Trust	20.0			
Kingshill Academy	12.9	£11,100	12.3	£9,900
Kings Oak Academy	14.2	£29,700	13.2	£26,200
Little Mead Primary School	11.2	£17,500	10.7	£16,500
Marlwood School	16.4	£18,400		
Meadow Brook Primary School	15.2	£6,200		
Merchant's Academy	12.2	£4,000	11.2	
Midsomer Norton School Partnership	13.1	£89,400	12.1	£79,700
Minerva Primary Academy	13.5	£10,600	12.6	£10,300
Nailsea School Academy	14.4	£53,100	13.4	£51,600
North Somerset Learning and Technology College	20.0			
Oasis Academy Bank Leaze	10.4	£10,700	9.8	£10,400
Oasis Academy Brightstowe	12.1	£3,300	11.5	
Oasis Academy Connaught	13.2	£10,400	12.4	£8,900
Oasis Academy John Williams	12.6	£1,300	12.1	
Oasis Academy Long Cross	15.0	£36,800		
Oasis Academy New Oak	10.9	£15,300	10.1	£14,500
Oasis Academy Brislington Enterprise College	20.0			
Oldfield School Academy Trust	14.4	£13,300	13.9	£11,500
One World Learning Trust (City Academy)	11.3	£17,900	10.4	£14,600
Orchard Academy	13.1	£44,900	12.1	£43,700
Parson Street Primary School	14.4	£20,100	13.2	£20,200
Patchway Community College	15.1	£42,600	13.9	£14,583
Priory Community School	12.6	£94,500	11.9	£83,300
Ralph Allen Academy	14.4	£41,200	13.4	£40,600

Redland Green School Academy	11.1	£71,600	10.5	£68,300
Redfield Educate Together Primary Academy	9.8			
Severn Beach Primary School	21.1	£4,300		
Sir Bernard Lovell School	20.0			
Steiner Academy	13.0			
St Bedes School Academy	12.5	£30,600	11.9	£26,500
St. Nicholas of Tolentine Catholic Primary School	13.5	£11,600	12.7	£11,100
St. Patrick's Academy	14.5	£9,700	13.4	£9,300
St. Teresa's Catholic Primary School	12.7	£11,700	11.9	£11,200
St. Ursula's E-ACT Academy	13.2	-£100	11.8	
Stoke Bishop C of E Primary School	14.5	£17,300	13.4	£14,700
Stoke Lodge Academy	13.8	£16,900	12.9	£7,000
Summerhill Academy	14.1	£8,900	13.1	£8,300
The Bath Studio Academy	20.0			
The Dolphin Academy	8.9	£100	9.6	£100
The Kingfisher School	13.0	£9,200	12.1	£7,800
The Ridings Federation Winterbourne	12.8	-£17,200	11.8	-£21,300
The Ridings Federation Yate	12.4		11.4	-£9,500
Threeways School	10.1	£46,500	9.7	£24,000
Tickenham Primary School	9.7	£200		
Trust in Learning	20.7	£3,500	19.7	£3,100
Wallscourt Farm Academy	16.9	-	20.0	
Waycroft School Academy	13.9	£23,600	12.9	£21,500
Wellsway School Academy	13.0	£41,700	12.0	£38,700
West Town Lane Primary School	14.8	£17,300	14.0	£13,700
Westbury Park Primary School Academy	15.1	£14,700	13.8	£14,000
Westbury-on-Trym C of E Academy	13.3	£16,700	12.3	£15,700
Wicklea Academy	17.0	£900		
Writhlington School Academy	11.5	£59,400	11.0	£52,300
Yeo Moor Primary School	18.2	£4,600		
Designating Bodies				
Almondsbury Parish Council	14.5	£100	14.0	£0
Backwell Parish Council	15.3	£1,400	14.0	£1,200
Bath Tourism Plus	15.1	£2,500	14.1	£0
Bradley Stoke Town Council	14.7	£7,600	13.4	£7,000
Charter Trustees of the City of Bath	16.3	£3,700	14.3	£3,500
Clevedon Town Council	14.7	£100	13.2	£0
Destination Bristol	12.0	£12,500	12.5	£7,700
Dodington Parish Council	15.9	£1,200	14.8	£1,100
Downend and Bromley Heath Parish Council	12.5	£105	11.5	£100
Filton Town Council	11.2	£1,400	10.2	£1,200
Frampton Cotterell Parish Council	16.0	£1,300	14.0	£1,100
Hanham Abbots Parish Council	10.8	£100	10.0	£0
Hanham Parish Council	14.0	£3,100	12.9	£3,000
Keynsham Town Council	15.4	£12,700	14.5	£11,900
Emersons Green Town Council	12.4	£1,800	10.7	£1,700
Midsomer Norton Town Council	11.8	£7,600	10.8	£7,200
Nailsea Town Council	15.8	£3,800	14.0	£3,400
Oldland Parish Council	12.8	£400	11.7	£300
Patchway Town Council	13.0	£6,500	12.0	£6,200
Paulton Parish Council	14.4	£1,800	13.4	£1,700

Peasedown St John Parish Council	11.3	£500	14.0	£0
Pill & Easton in Gordano Parish Council	13.9	£100	12.9	£0
Portishead & North Weston Town Council	14.8	£3,200	16.2	£2,700
Radstock Town Council	8.5	£3,600	7.5	£3,400
Saltford Parish Council	15.8	£400	13.9	£400
Stoke Gifford Parish Council	15.4	£6,500	14.9	£6,200
Thornbury Town Council	18.1	£12,200	17.1	£11,500
Vista SWP Ltd	11.8	£500	11.3	
Westerleigh Parish Council	13.0	-£800	11.9	
Westfield Parish Council	19.5	£4,200	18.4	£3,600
Weston Super Mare Town Council	11.6	£5,700	10.6	£4,800
Whitchurch Parish Council	13.5	£105	12.3	£100
Winterbourne Parish Council	19.6	£400	17.3	£300
Yate Town Council	12.3	£10,500	11.3	£9,800
Yatton Parish Council	16.2	£200	14.0	
Community Admission Bodies				
Alliance Homes	14.7	£78,400	13.6	£72,000
Ashley House Hostel	17.1	£6,000	14.6	£4,500
Bristol Disability Equality Forum	19.4	-£100	17.5	
Bristol Music Trust	15.7	£3,000	14.7	
Clifton Suspension Bridge Trust	17.1	£3,300	15.9	£2,600
CURO Places Ltd	15.0	£244,800	14.6	£230,700
CURO Group (Albion) Ltd	15.0	£31,500	12.4	£26,600
CURO Choice	15.0		14.6	
Holburne Museum of Art	11.7	£16,700	10.0	£15,300
Learning Partnership West Limited	26.3	£225,000	11.1	£230,700
Merlin Housing Society (SG)	15.2	£9,900	14.2	
Merlin Housing Society Ltd	18.1	£18,700	15.9	
Sirona Care & Health (BANES)	16.0		14.8	
Sirona Care & Health	20.0			
Southwest Grid for Learning Trust	11.2	£25,900	11.2	£25,000
The Care Quality Commission	17.8	£42,300	16.7	£36,000
The Park Community Trust	15.2	-£600	14.2	
University of Bath	12.6	£1,835,600	11.6	£541,800
Vision North Somerset	16.2	£10,400	15.5	£9,100
West of England Sport Trust	15.0	£20,200	13.8	£13,500
Transferees Admitted Bodies				
Action for Children	15.1		12.1	
Active Community Engagement Ltd	19.0	-£5,600	13.7	-£3,600
Agilisys	18.0	-£900	14.3	
Aquaterra Leisure Ltd.	10.6	£31,300	8.8	£28,400
ARAMARK	15.6		15.6	
BAM Construct UK Ltd	22.4	-£2,800	16.6	£9,500
Churchill Contract Services Ltd (South Gloucestershire and Stroud College)	21.3			
Circadian Trust	11.1	£44,900	9.5	£31,500
Circadian Trust No 2	10.4	£100	9.2	
Creative Youth Networks (Lot 4)	16.5	-£2,400	14.6	-£2,000
Direct Cleaning (SW) Moorlands	20.0			
Eden Food Services	18.7	£100,800	13.8	£82,400
Fit For Sport	15.7		12.1	

Fit For Sport NSC (St Peters Primary)	18.5			
HCT Group	23.5	-£20,100	17.6	
ISS Mediclean	23.8	-£300	16.8	£900
ISS Mediclean (Bristol)	16.5	-£700	13.9	
Keeping Kids Company	16.3	-£1,300	13.3	
Kier Facilities Services	19.3	-£1,900	14.6	
Learning Partnership West (Lot 1)	24.8	-£10,000	16.4	
Learning Partnership West (Lot 2)	12.5	-£8,900	12.0	
Learning Partnership West (Lot 3)	17.5	-£11,600	11.7	
Learning Partnership West (Lot 7)	7.0	-£1,100	7.3	
Liberata UK Ltd	19.5	£32,200	14.3	
Prestige Cleaning & Maintenance Ltd	21.3			
Ridge Crest Cleaning Limited	19.1	£600		
Shaw Healthcare (North Somerset) Ltd (Petersfield)	16.8	£24,300		
Shaw Healthcare (North Somerset) Ltd (The Granary)	17.3	£7,900	15.5	£17,500
SITA Holdings UK Ltd	30.2	£61,000	21.9	£53,100
Skanska (Cabot Learning Federation)	26.7	-£5,600	27.3	-£1,800
Skanska Rashleigh Westerfoil	15.9	£300	12.7	£500
SLM Community Leisure	17.5	£6,600	13.8	£5,000
SLM Fitness & Health	15.5	£5,700	12.4	£4,700
Sodexo	22.6	-£7,800	17.1	
The Brandon Trust	16.5	£14,000	15.2	£24,000
Tone Leisure (Trust) Limited	18.4	£9,200	13.4	

STATEMENT OF ACCOUNTS 2014/15

Introduction

- 1.1 The following comprises the Statement of Accounts for the Avon Pension Fund (The Fund). The accounts cover the financial year from 1 April 2014 to 31 March 2015.
- 1.2 These accounts have been prepared in accordance with the Code of Practice on Local Authority Accounting ('Code of Practice') in the United Kingdom 2014/15 based on International Financial Reporting Standards as published by the Chartered Institute of Public Finance and Accountancy. The accounts have been prepared on an accruals basis, except for certain transfer values as described at 'Statement of Accounting Policies' – item 2.5. They do not take account of liabilities to pay pensions and other benefits in the future.
- 1.3 The accounts are set out in the following order:

Statement of Accounting Policies which explains the basis of the figures in the accounts.

Fund Account which discloses the size and nature of financial additions to and withdrawals from the Fund during the accounting period and reconciles the movements in the net assets to the Fund Account.

Net Assets Statement which discloses the size and disposition of the net assets of the Fund at the end of the accounting period.

Notes to the Accounts which give supporting details and analysis concerning the contents of the accounts, together with information on the establishment of the Fund, its membership and actuarial position.

Actuarial Valuation

- 1.4 As required by the Local Government Pension Scheme Regulations 2013 an actuarial valuation of the Fund was carried out as at 31 March 2013. The market value of the Fund's assets at the valuation date was £3,146 million. The Actuary estimated that the value of the Fund was sufficient to meet 78% of its expected future liabilities of £4,023 million in respect of service completed to 31 March 2013.
- 1.5 At the 2013 valuation the deficit recovery period for the Fund overall was set at 20 years.
- 1.6 The 2013 actuarial valuation was carried out using the projected unit actuarial method. The main assumptions used to set employers' contributions, are set out in the table below:

	Past service liabilities	Future service liabilities
Rate of Discount	4.8% per annum	5.6% per annum
Rate of pensionable pay inflation	4.1% per annum	4.1% per annum
Rate of price inflation	2.6% per annum	2.6% per annum

1.7 The 2013 triennial valuation was completed during 2013/14 using market prices and membership data as at 31 March 2013. The 2013 valuation set the employer contribution rates for future service and deficit recovery payments (expressed as a monetary amount payable annually) with effect from 1 April 2014.

1.8 The Actuary has estimated that the funding level as at 31 March 2015 has fallen to 78% from 84% at 31 March 2014. This fall in the funding level is due to the fall in real yields during the period. Investment returns contributed positively to the funding position but was not sufficient to offset the increase in the liabilities. The value of the future pension liabilities is calculated using a discount rate based on UK gilt yields, so as gilt yields fall, the value of these liabilities rises.

1.9 Note 17 to the accounts shows the actuarial present value of promised retirement benefits for the purposes of IAS19 using the assumptions and methodology of IAS 19. The discount rate referenced for IAS19 is the Corporate Bond yield. The discount rate used for the Actuarial Valuation references the Fund's investment strategy.

1.10 The Fund's Funding Strategy Statement can be found on the Fund's website www.avonpensionfund.org.uk (search Funding Strategy Statement).

Statement of Investment Principles

1.11 The Fund's Statement of Investment Principles as required by the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2009 can be found on the Fund's website www.avonpensionfund.org.uk (search Statement of Investment Principles).

Statement of Accounting Policies

Basis of Preparation

2.1 Except where otherwise stated, the accounts have been prepared on an accruals basis, i.e. income and expenditure is recognised as it is earned or incurred, not as it is received or paid. The accounts have been prepared on a going concern basis.

Investments

2.2 Investments are shown in the accounts at market value, which has been determined as follows:

- i. Quoted Securities have been valued at 31 March 2015 by the Fund's custodian using internationally recognized pricing sources (bid-price or 'last

trade') where a quotation was available on a recognised stock exchange or the unlisted securities market. Unquoted securities are included at fair value based on the Fund Manager's valuation. All these valuations are subject to the custodian's and fund manager's internal control reports and external auditors.

- ii. Fixed interest securities exclude interest earned but not paid over at the year end, which is included separately within investment debtors.
- iii. Pooled investments are stated at their bid price or at the Net Asset Value quoted by their respective managers at 31 March 2015.
- iv. Foreign currency transactions are recorded at the prevailing rate at the date of transaction. Investments held in foreign currencies are shown at market value translated into sterling at the exchange rates ruling as at 31 March 2015.
- v. Open futures contracts are included in the net asset statement at their fair market value, which is the unrealised profit or loss at the current bid or offer market quoted price of the contract. The amounts included in the change in market value are the realised gains or losses on closed futures contracts and the unrealised gains or losses on open futures contracts.
- vi. Forward foreign exchange contracts outstanding at the year- end are stated at fair value which is determined as the gain or loss that would arise if the outstanding contract was matched at the year end with an equal and opposite contract. Foreign currency transactions are recorded at the prevailing rate at the date of transaction.
- vii. Acquisition costs of investments (e.g. stamp duty and commissions) are treated as part of the investment cost.
- viii. Investment debtors and creditors at the year- end are included in investment assets in accordance with the CIPFA code of practice on local authority accounting.
- ix. The Fund's surplus cash is managed separately from the surplus cash of B&NES Council and is treated as an investment asset.

Contributions

2.3 Contributions represent those amounts receivable from the employing bodies in respect of their own and their pensionable employees' contributions. Employers' contributions are determined by the Actuary on the basis of triennial valuations of the Fund's assets and liabilities and take into account the Funding Strategy Statement set by the administering authority. The last such valuation was at 31 March 2013. Currently employer contribution rates range from 7.0% to 30.2%. Employees' contributions have been included at the rates prescribed by the Local Government Pension Scheme Regulations 2013. The employee contribution rates range from 5.5% to 12.5% of pensionable pay for the financial year ending 31 March 2015.

2.4 Normal contributions both from members and the employer are accounted for on an accruals basis in the payroll period to which they relate. Employer deficit funding contributions are accounted for on the due dates on which they are payable under the schedule of contributions set by the scheme actuary or on receipt if earlier than the due date.

Benefits, Refunds of Contributions and Cash Transfer Values

2.5 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 updated annually in line with the Consumer Prices Index.

2.6 Benefits payable and refunds of contributions have been brought into the accounts as they fall due.

2.7 Cash Transfer Values are those sums paid to or received from other pension schemes and relate to previous periods of pensionable employment. Cash Transfer Values have been included in the accounts on the basis of the cheque payment date or "Bath & North East Somerset Council cash office received" date. Accruals are only made when it is certain that a transfer is to take place.

2.8 Charges for splitting pensions on divorce are either invoiced to members or, on request, paid out of future benefits. In the case of payment from future benefits the charge against benefits and income to the Fund are both made in the current year. The charges are index linked to pension's increases to ensure that the Fund receives the full value.

Investment Income

2.9 Dividends and interest have been accounted for on an accruals basis. Some of the income on pooled investments is accumulated and reflected in the valuation of the units. Some of the income on pooled investments (mainly property) is distributed.

Investment Management & Administration

2.10 The Local Government Pension Scheme (Management and Investment of Funds) Regulations 2009 permit Bath & North East Somerset Council to charge administration costs to the Fund. A proportion of relevant Council costs has been charged to the Fund on the basis of actual time spent on Pension Fund business.

2.11 The fees of the Fund's external investment managers reflect their differing mandates. Fees are linked to the market value of the Fund's investments and therefore may increase or reduce as the value of the investment changes. Management fees are recognised in the year in which the management services are provided. In 2014/15 a provision has been made for performance fees that have been incurred but are subject to phased payments or are not to be paid until the realisation of the related investments. These remain subject to change as a consequence of future performance. Fees are also payable to the Fund's global custodian and other advisors.

Taxation

2.12 The Fund is an exempt approved fund under the Income and Corporation Taxes Act 1988 and is therefore not liable to UK income tax on investment income or to capital gains tax. As Bath & North East Somerset Council is the administering authority for the Fund, VAT input tax is recoverable on all Fund

activities including expenditure on investment expenses. For taxation of overseas investment income please see note 3 iv. in the Notes to the Accounts.

Use of Accounting Estimates

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

Estimates are used in the valuation of unquoted investments (see 2.2i) and in the actuarial valuation for the purposes of IAS 26 (note 17) in which the actuarial calculation of the liability is subject to the professional judgement of the actuary. The Fund's investments are stated at fair value. The subjectivity of the inputs used in making an assessment of fair value is explained in note 25d.

Events After the Balance Sheet Date

2.14 The Statement of Accounts is adjusted to reflect events that occur after the end of the reporting period that provide evidence of conditions that existed at the end of the reporting period, should they occur. The Statement of Accounts is not adjusted to reflect events that are indicative of conditions that arose after the reporting period, but where material, disclosure is made in the notes of the nature and estimated financial effect of such events.

Financial Instruments

2.15 Financial Assets and Liabilities are recognised on the Balance Sheet when the Fund becomes a party to the contractual provisions of a financial instrument and are measured at fair value or amortised cost.

Fund Account
For the Year Ended 31 March 2015

	Notes	2014/15	2013/14
		£'000	£'000
<i>Contributions and Benefits</i>			
Contributions Receivable	4	202,100	143,276
Transfers In	18	4,794	18,776
Other Income	5	496	442
		<hr/>	<hr/>
		207,390	162,494
Benefits Payable	6	157,156	149,791
Payments to and on account of Leavers	7	5,001	6,868
Administrative Expenses	8	2,804	2,883
		<hr/>	<hr/>
		164,961	159,542
<i>Net Additions from dealings with members</i>		42,429	2,952
<i>Returns on Investments</i>			
Investment Income	10	28,104	29,092
Profits and losses on disposal of investments and change in value of investments.	11	435,645	185,124
Investment Management Expenses	9	(15,795)	(11,682)
Fund Manager Performance Fees	9	(1,802)	(4,931)
		<hr/>	<hr/>
<i>Net Returns on Investments</i>		446,152	197,603
		<hr/>	<hr/>
<i>Net Increase in the net assets available for benefits during the year</i>		488,581	200,555
<i>Net Assets of the Fund</i>			
<i>At 1 April</i>		3,346,211	3,145,656
<i>At 31 March</i>		<hr/>	<hr/>
		3,834,792	3,346,211
		<hr/>	<hr/>

The Fund's financial statements do not take account of liabilities to pay pensions and other benefits after 31 March 2015.

Net Assets Statement at 31 March 2015

	Note	31 March 2015		31 March 2014	
		£'000	%	£'000	%
INVESTMENT ASSETS					
Fixed interest securities : Public Sector		111,675	2.9	92,694	2.8
Equities		603,222	15.7	542,777	16.2
Diversified Growth Funds		368,177	9.6	314,340	9.4
Index Linked securities : Public Sector		238,962	6.2	189,176	5.7
Pooled investment vehicles :-					
- Property : Unit Trusts		111,753	2.9	102,865	3.1
: Unitised Insurance		57,075	1.5	46,063	1.4
: Other Managed Funds		146,839	3.8	112,058	3.3
Property Pooled Investment Vehicles		<u>315,667</u>		<u>260,986</u>	
- Non Property : Unitised Insurance		903,760	23.5	778,501	23.2
: Other Managed Funds		1,202,443	31.3	1,051,084	31.4
Non Property Pooled Investment Vehicles		<u>2,106,203</u>		<u>1,829,585</u>	
Cash deposits		94,416	2.4	85,023	2.5
Other Investment balances		4,805	0.1	9,361	0.3
INVESTMENT LIABILITIES					
Derivative contracts (Foreign Exchange hedge)		1,874	0.1	12,199	0.4
Derivative Contracts: FTSE Futures		152	0.0	162	0.0
Other Investment balances		(5,281)	(0.1)	(5,097)	(0.2)
TOTAL INVESTMENT ASSETS	12	<u>3,839,872</u>		<u>3,331,206</u>	
Net Current Assets					
Current Assets	14	10,592	0.3	24,980	0.7
Current Liabilities	14	(15,672)	(0.2)	(9,975)	(0.2)
Net assets of the scheme available to fund benefits at the period end		<u>3,834,792</u>	100	<u>3,346,211</u>	100

Notes to the Accounts - Year Ended 31 March 2015

1, GENERAL

The Fund is administered by Bath & North East Somerset Council under arrangements made following the abolition of the former Avon County Council on 31 March 1996.

The scheme is governed by the Public Service Pensions Act 2013. The fund is administered in accordance with the following secondary legislation:

- The Local Government Pension Scheme Regulations 2013 (as amended)
- The Local Government Pension Scheme (Transitional Provisions, Savings and Amendment) Regulations 2014 (as amended)
- The Local Government Pension Scheme (Management and Investment of Funds) Regulations 2009.

Membership of the Fund is open to pensionable employees of scheduled bodies in the former Avon County area, together with employees of eligible designating and admission bodies. A list of employers with contributing scheme members can be found in note 26.

Employers' contributions are payable at the rate specified for each employing authority by the Fund's actuary. The employees' contribution rate is payable in accordance with the Local Government Pension Scheme Regulations 2013.

2, MEMBERSHIP

Membership of the Fund at the year-end was as follows:-

	31 March 2015	31 March 2014
Employed Members	34,765	34,846
Pensioners	26,006	25,985
Members entitled to Deferred Benefits	35,714	35,321
TOTAL	96,485	96,152

A further estimated 900 ex-members whose membership was for up to 2 years before 1st April 2004 or up to 3 months after that date are due refunds of contributions. It is not possible to put an exact value on this liability until these ex-members have been traced and their entitlement verified.

3, TAXATION

i. Value Added Tax

The Fund's administering authority Bath & North East Somerset Council is reimbursed VAT by H. M. Revenue and Customs and the accounts are shown exclusive of VAT.

ii. Income Tax

The Fund is a wholly exempt fund and some UK income tax is recoverable from HM Revenue and Customs. Where tax can be reclaimed, investment income in the accounts is shown gross of UK tax.

iii. Capital Gains Tax

No capital gains tax is chargeable.

iv. Taxation of Overseas Investment Income

The Fund receives interest on its overseas government bond portfolio gross, but a variety of arrangements apply to the taxation of interest on corporate bonds and dividends on overseas equities.

4, CONTRIBUTIONS RECEIVABLE

Contributions receivable are analysed below:-

	2014/15		2013/14	
	£'000		£'000	
Employers' normal contributions				
Scheduled Bodies	58,507		55,066	
Administering Authority	7,704		6,902	
Admission Bodies	7,784	73,995	6,876	68,844
Employers' deficit Funding				
Scheduled Bodies	67,052		27,384	
Administering Authority	14,042		4,146	
Admission Bodies	3,496	84,590	1,571	33,101
Total Employer's normal & deficit funding		158,585		101,945
Employers' contributions- Augmentation				
Scheduled Bodies	5,446		4,312	
Administering Authority	489		537	
Admission Bodies	138	6,073	147	4,996
Members' normal contributions				
Scheduled Bodies	29,491		28,868	
Administering Authority	3,798		3,530	
Admission Bodies	3,313	36,602	3,300	35,698

Members' contributions towards additional benefits

Scheduled Bodies	685	474
Administering Authority	123	127
Admission Bodies	32	36
	<u>840</u>	<u>637</u>
Total	<u>202,100</u>	<u>143,276</u>

Deficit funding contributions have been paid by employers in respect of the recovery of their deficit relating to past service. The deficit funding contributions in 2014/15 include £73,947k of discounted contributions that the actuary has calculated to cover the required deficit contributions for the three years commencing 2014/15.

The Members' contributions towards additional benefits above represent members' purchase of added years or additional benefits under the Scheme. Augmentation contributions are paid by employers to meet the cost of early retirements.

A further facility is provided whereby members can make Additional Voluntary Contributions, on a money purchase basis, which are invested in insurance policies with The Equitable Life Assurance Society or Friends Life on behalf of the individual members concerned. These contributions are not part of the Pension Fund and are not therefore reflected in the Fund's accounts. A statement of the value of these investments is given in Note 20.

5, OTHER INCOME

	2014/15	2013/14
	£'000	£'000
Recoveries for services provided	484	426
Cost recoveries	12	16
	<u>496</u>	<u>442</u>

'Recoveries for services provided refers to administrative and accounting services provided to employing bodies. Cost recoveries are the recovery of the cost of calculating Pension Sharing on divorce

6, BENEFITS PAYABLE

Analysis of Benefits Payable by Type:-

	2014/15	2013/14
	£'000	£'000
Retirement Pensions	121,095	112,720
Commutation of pensions and		
Lump Sum Retirement Benefits	32,246	34,148
Lump Sum Death Benefits	3,815	2,923
	<u>157,156</u>	<u>149,791</u>

Analysis of Benefits Payable by Employing Body:-

	2014/15 £'000	2013/14 £'000
Scheduled & Designating Bodies	132,416	124,288
Administering Authority	14,342	14,133
Admission Bodies	10,398	11,370
	<u>157,156</u>	<u>149,791</u>

7, PAYMENTS TO AND ON ACCOUNT OF LEAVERS

	2014/15 £'000	2013/14 £'000
Leavers		
Refunds to members leaving service	543	116
Individual Cash Transfer Values to other schemes	4,458	4,352
Group Transfers	-	2,400
	<u>5,001</u>	<u>6,868</u>

8, ADMINISTRATION EXPENSES

Costs incurred in the management and administration of the Fund are set out below.

	2014/15 £'000	2013/14 £'000
Administration and processing	1,996	1,957
Actuarial fees	372	486
Audit fees	29	27
Legal and professional fees	-	-
Central recharges from Administering Authority	407	413
	<u>2,804</u>	<u>2,883</u>

9, INVESTMENT EXPENSES

Expenses incurred in the management of the Fund are set out below.

	2014/15	2013/14
	£'000	£'000
Fund Manager Base Fees	15,378	11,366
Fund Manager Performance Fees	1,802	4,931
Global Custody	66	94
Investment Advisors	259	123
Performance Measurement	39	37
Investment Accounting	1	4
Investment Administration	52	58
	<u>17,597</u>	<u>16,613</u>

Fund Manager Performance Fees include fees that have been accrued but are subject to phased payment or not due to be paid until the realisation of the related assets. Unpaid fees remain subject to variation as a result of future performance. The 2013/14 Performance Fees include £1,127k relating to 2013/14 and £3,804k relating to previous years. Total fund manager fees include management charges for pooled investments that are settled directly within the pooled vehicles in accordance with the investment management agreement.

10, INVESTMENT INCOME

	2014/15	2013/14
	£'000	£'000
Interest from fixed interest securities	3,482	3,557
Dividends from equities	16,628	16,651
Income from Index Linked securities	3,019	5,091
Income from pooled investment vehicles	4,521	3,480
Interest on cash deposits	405	282
Other - Stock lending	49	31
	<u>28,104</u>	<u>29,092</u>

The Fund has an arrangement with its custodian (BNY Mellon) to lend eligible securities from its portfolio to third parties in return for which the third parties pay fees to the fund. The third parties provide collateral to the Fund which is held during the period of the loan. This stock lending programme was introduced with effect from July 2004. The Fund may terminate any loan of securities by giving notice of not less than the standard settlement time for those securities.

The value of the stock on loan as at 31 March 2015 was £14.57 million (31 March 2014 £17.27m), comprising of equities and sovereign debt. This was secured by collateral worth £15.45 million comprising equities and sovereign debt. The Fund does not sell collateral unless there is a default by the owner of the collateral.

11, CHANGE IN TOTAL NET ASSETS

Change in Market Value of Investments	Value at	Purchases	Sales	Change in	Value at
	31/03/14	at Cost	Proceeds	Market	31/03/15
	£'000	£'000	£'000	Value	£'000
				£'000	
Fixed Interest Securities	92,694	10,951	(13,868)	21,898	111,675
Equities	542,777	379,470	(368,729)	49,704	603,222
Index linked Securities	189,176	73,272	(65,761)	42,274	238,961
Pooled Investments -					
- Property	260,986	96,802	(66,363)	24,243	315,668
- Non Property	2,143,925	327,298	(262,842)	265,999	2,474,380
Derivatives	12,361	89,107	(109,820)	10,378	2,026
	3,241,919	976,900	(887,383)	414,496	3,745,932
Cash Deposits	85,023	691,405	(683,328)	1,316	94,416
Net Purchases & Sales		1,668,305	1,570,711)	97,594	
Investment Debtors & Creditors	4,264			(4,740)	(476)
<u>Total Investment Assets</u>	3,331,206				3,839,872
Current Assets	15,005			(20,085)	(5,080)
Less Net Revenue of Fund				(52,936)	
Total Net Assets	3,346,211			435,645	3,834,792

The **Change in Market Value** of investments comprises all gains and losses on Fund investments during the year, whether realised or unrealised.

The **Change in Market Value** for cash deposits represents net gains on foreign currency deposits and foreign exchange transactions during the year.

Derivatives. The purchases and sales of derivatives are shown at the values of the realised profits and losses of the net derivatives transactions.

Change in Total Net Assets 2013/14

Change in Market Value of Investments	Value at	Purchases	Sales	Change in	Value at
	31/03/13	at Cost	Proceeds	Market	31/03/14
	£'000	£'000	£'000	Value	£'000
				£'000	
Fixed Interest Securities	109,674	12,836	(22,360)	(7,456)	92,694
Equities	495,980	305,283	(302,104)	43,618	542,777
Index linked Securities	209,876	24,385	(30,469)	(14,616)	189,176
Pooled Investments -					
- Property	222,341	81,108	(61,176)	18,713	260,986
- Non Property	2,015,386	1,087,681	(1,070,788)	111,646	2,143,925
Derivatives	(3,138)	190,891	(199,962)	24,570	12,361
	3,050,119	1,702,184	(1,686,859)	176,475	3,241,919
Cash Deposits	85,895	558,772	(558,751)	(893)	85,023
Net Purchases & Sales		2,260,956	(2,245,610)	15,346	
Investment Debtors & Creditors	(638)			4,902	4,264
<u>Total Investment Assets</u>	3,135,376			-	3,331,206
Current Assets	10,280			4,725	15,005
Less Net Revenue of Fund				(15,431)	
Total Net Assets	3,145,656			185,124	3,346,211

Investment Transaction Costs. The following transactions costs are included in the above tables:

	2014/15				2013/14			
	Purchases	Sales	Other	Total	Purchases	Sales	Other	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Fees & Taxes	1,069	4	-	1,073	608	13	-	621
Commission	408	416	8	832	321	323	4	648
TOTAL	1,477	420	8	1,905	929	336	4	1,269

12, INVESTMENT ASSETS

Further analysis of the market value of investments as set out in the Net Assets Statement is given below:-

	31 March 2015		31 March 2014	
	£'000		£'000	
UK Equities				
Quoted	320,758		301,719	
Pooled Investments	232,321		225,298	
FTSE Futures	152	553,231	162	527,179
Diversified Growth Funds				
Pooled Investments	368,177	<u>368,177</u>	314,340	<u>314,340</u>
Overseas Equities				
Quoted	282,464		241,057	
Pooled Investments	1,265,573	<u>1,548,037</u>	1,083,136	<u>1,324,193</u>
UK Fixed Interest Gilts				
Quoted	111,675		92,694	
Pooled Investments	-	<u>111,675</u>	14,226	<u>106,920</u>
UK Index Linked Gilts				
Quoted	238,961	<u>238,961</u>	189,176	<u>189,176</u>
Sterling Bonds (excluding Gilts)				
Pooled Investments	332,615	<u>332,615</u>	269,350	<u>269,350</u>
Non-Sterling Bonds				
Pooled Investments	113,325	<u>113,325</u>	74,588	<u>74,588</u>
Hedge Funds				
Pooled Investments	162,368	<u>162,368</u>	162,986	<u>162,986</u>
Property				
Pooled Investments	315,668	<u>315,668</u>	260,987	<u>260,987</u>
Cash Deposits				
Sterling	81,503		78,163	
Foreign Currencies	12,913	<u>94,416</u>	6,860	<u>85,023</u>
Investment Debtors/Creditors				
Investment Income	3,807		3,414	
Sales of Investments	998		5,948	
Foreign Exchange Hedge	1,874		12,199	
Purchases of Investments	(5,280)	<u>1,399</u>	(5,097)	<u>16,464</u>
TOTAL INVESTMENT ASSETS		<u>3,839,872</u>		<u>3,331,206</u>

DERIVATIVES ANALYSIS

Open forward currency contracts

Settlement	Currency bought	Local Value 000	Currency Sold	Local Value 000	Asset Value £000's	Liability Value £000's
Up to one month	EUR	16,168	GBP	(19,900)	1,763	
Up to one month	JPY	22,508	GBP	(3,998,000)	94	
Up to one month	GBP	1,994,000	JPY	(11,522)		(315)
Up to one month	GBP	215,600	USD	(128,974)		16,280
Up to one month	USD	128,164	GBP	(215,600)	(17,091)	
One to six months	EUR	257,130	GBP	(327,070)	19,916	
One to six months	GBP	212,800	EUR	(169,528)		(15,184)
One to six months	GBP	28,314,000	JPY	(163,268)		(3,921)
One to six months	GBP	455,700	USD	(285,799)		21,466
One to six months	JPY	207,461	GBP	(36,290,000)	3,199	
One to six months	NOK	2,354	GBP	(27,594)	49	
One to six months	USD	283,691	GBP	(455,700)	(23,573)	
Six to twelve months	EUR	118,080	GBP	(153,800)	6,148	
Six to twelve months	GBP	46,800	EUR	(36,307)		(2,255)
Six to twelve months	GBP	18,780,000	JPY	(104,287)		1,818
Six to twelve months	GBP	680,500	USD	(445,465)		13,473
Six to twelve months	JPY	103,157	GBP	(18,780,000)	(2,948)	
Six to twelve months	USD	441,893	GBP	(680,500)	(17,045)	
Total					(29,488)	31,362
Net forward currency contracts at 31 March 2015						1,874

Open forward currency contracts at 31 March 2014	37,052	(24,853)
Net forward currency contracts at 31 March 2014		12,199

Exchange Traded Derivatives held at 31 March 2015:-

<u>Contract Type</u>	<u>Expiration</u>	<u>Book Cost</u>	<u>Unrealised Gain</u>
		<u>£'000</u>	<u>£'000</u>
FTSE equity futures	June 2015	18,836	152

Exchange Traded Derivatives held at 31 March 2014:-

FTSE equity futures	June 2014	28,433	162
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A derivative is a financial contract between two parties, the value of which is determined by the underlying asset. Investment in derivatives may only be made if they contribute to a reduction of risks and facilitate efficient portfolio management.

The UK Equity futures contracts are held to facilitate efficient portfolio management for a passively managed investment where the costs of investing directly in UK equities would be significant.

Forward "over the counter" foreign exchange contracts are held to reduce the impact of fluctuations in the exchange rate between sterling and the other currency.

The proportion of the market value of investment assets managed by each external manager and in house Treasury Management at the end of the financial year was:-

	31 March 2015		31 March 2014	
	£'000	%	£'000	%
Blackrock	1,216,272	31.7	1,071,963	32.2
Standard Life	243,477	6.4	0	0
Record	20,651	0.5	28,129	0.8
Jupiter Asset Management	175,662	4.6	160,956	4.8
Genesis Investment Management	160,247	4.2	145,092	4.4
Invesco Perpetual	291,423	7.6	239,795	7.2
State Street Global Advisors	124,517	3.2	107,147	3.2
Partners Group	154,212	4.0	113,446	3.4
Royal London Asset Management	310,439	8.1	251,101	7.6
TT International	195,021	5.1	185,717	5.6
Man Investments	-	0.0	1,115	0.0
Gottex Asset Management	59,188	1.5	58,062	1.8
Stenham Asset Management	39,645	1.0	37,654	1.1
Signet Capital Management	63,535	1.7	66,155	2.0
Barings Asset Management	0	0	209,798	6.3
Pyrford International	124,700	3.2	104,542	3.1
Unigestion UK Ltd	191,725	5.0	166,687	5.0
Schroder Investment Management	434,251	11.3	365,163	11.0
Bank of New York Mellon	23,362	0.6	7,964	0.2
Treasury Management	11,545	0.3	10,720	0.3
TOTAL INVESTMENT ASSETS	3,839,872	100.0	3,331,206	100.0

13, SINGLE INVESTMENTS OVER 5% OF THE FUND

The following investments represent more than 5% of the net assets of the fund.

Investments	Value at 31 st March 2015 £'000	% of Net Assets	Value at 31 st March 2014 £'000	% of Net Assets
RLPPC UK Corporate Bond Fund (Royal London)	310,439	8.11%	251,101	7.54%
Invesco Perpetual Global ex UK Enhanced Index Fund	291,423	7.61%	239,795	7.20%
Standard Life Global Absolute	243,477	6.36%	-	-
Blackrock Advisors UK Ltd. (Aquila Life UK Equity Index Fund)	227,789	5.95%	220,957	6.63%
MSCI Equity Index Fund B-US (BlackRock)	219,389	5.73%	173,125	5.20%
Unigestion Uni-Global – Equity Emerging Mkt SAC.GBP	191,725	5.01%	166,687	5.00%
Baring Dynamic Asset Allocation Fund	-	-	209,798	6.30%

14, CURRENT ASSETS AND CURRENT LIABILITIES

Provision has been made in the accounts for debtors and creditors known to be outstanding at 31 March 2015. Debtors and creditors included in the accounts are analysed below:-

	31 March 2015 £'000	31 March 2014 £'000
CURRENT ASSETS		
Contributions Receivable :-		
- Employers	6,431	8,490
- Members	2,968	2,919
Transfer Values Receivable	-	10,600
Discretionary Early Retirement Costs	351	1,952
Other Debtors	842	1,019
	<u>10,592</u>	<u>24,980</u>
CURRENT LIABILITIES		
Management Fees	(1,639)	(950)
Provision for Performance Fees	(5,510)	(4,373)
Transfer Values Payable	(1)	(2,400)
Lump Sum Retirement Benefits	(1,447)	(645)
Other Creditors	(7,075)	(1,607)
	<u>(15,672)</u>	<u>(9,975)</u>
NET CURRENT ASSETS	<u>(5,080)</u>	<u>15,005</u>

The provision for Performance Fees includes fees that have been incurred but are subject to phased payment or not due to be paid until the realisation of the related assets. They remain

subject to variation as a result of future performance. At 31 March 2015 Other Creditors includes a £4,524k refund due to Bristol City Council for overpaid contributions.

Analysis of Debtors and Creditors by public sector bodies:-

	31 March 2015		31 March 2014
	£'000		£'000
CURRENT ASSETS			
Local Authorities	6,920		11,028
NHS Bodies	11		-
Other Public Bodies	2,794		13,211
Non Public Sector	867	<u>10,592</u>	<u>741</u>
			<u>24,980</u>
CURRENT LIABILITIES			
Local Authorities	(5,313)		(11)
Other Public Bodies	(1,512)		(3,789)
Non Public Sector	(8,847)	<u>(15,672)</u>	<u>(6,175)</u>
NET CURRENT ASSETS		<u>(5,080)</u>	<u>15,005</u>

15, CONTINGENT LIABILITIES

There were no contingent liabilities as at 31 March 2015. (March 2014 = NIL).

16, EVENTS AFTER THE BALANCE SHEET DATE

There have been no events after 31 March 2015 that require any adjustment to these accounts. Investments are valued at fair value and any gain or loss is only realised upon sale consequently any change is considered a non-adjusting event.

17, ACTUARIAL PRESENT VALUE OF PROMISED RETIREMENT BENEFITS FOR THE PURPOSES OF IAS 26

IAS 26 requires the present value of the Fund's promised retirement benefits to be disclosed, and for this purpose the actuarial assumptions and methodology used should be based on IAS 19 rather than the assumptions and methodology used for funding purposes.

To assess the value of the benefits on this basis, we have used the following financial assumptions as at 31 March 2015 (the 31 March 2014 assumptions are included for comparison):

	31 March 2014	31 March 2015
Rate of return on investments (discount rate)	4.5% per annum	3.3% per annum
Rate of pay increases	3.9% per annum*	3.5% per annum*
Rate of increases in pensions in payment (in excess of Guaranteed Minimum Pension)	2.4% per annum	2.0% per annum

* includes a corresponding allowance to that made in the actuarial valuation for short-term public sector pay restraint.

The demographic assumptions are the same as those used for funding purposes. Full details of these assumptions are set out in the formal report on the actuarial valuation dated March 2014.

During the year, corporate bond yields fell significantly, resulting in a lower discount rate being used for IAS26 purposes at the year end than at the beginning of the year (3.3% per annum versus 4.5% per annum). The expected long-term rate of CPI inflation also fell during the year, resulting in a lower assumption for pension increases at the year end than at the beginning of the year (2.0% p.a. versus 2.4% p.a.).

The value of the Fund's promised retirement benefits for the purposes of IAS26 as at 31 March 2014 was estimated as £4,396 million.

The effect of the changes in actuarial assumptions between 31 March 2014 and 31 March 2015 as described above is to increase the liabilities by c£718 million. Adding interest over the year increases the liabilities by a further c£198 million, and allowing for net benefits accrued/paid over the period increases the liabilities by another c£3 million (including any increase in liabilities arising as a result of early retirements/augmentations).

The net effect of all the above is that the estimated total value of the Fund's promised retirement benefits as at 31 March 2015 is £5,315 million.

18, TRANSFERS IN

During the year ending 31 March 2015 group transfers in to the fund from Strode College to Weston College and from Stroud College to South Gloucestershire and Stroud College were completed. The estimated values of these transfers were included in the 2012/13 and 2013/14 Statements of Accounts. The actual values did not vary materially from the estimated values.

19, BENEFITS RECHARGED TO EMPLOYERS

The Fund makes payments with regard to added year benefits awarded by the Employer to LGPS members, including related pension increases. The Fund also pays a small number of other pension supplements. These are not funded by the Fund and are recharged in full. They are not included in the Fund Account.

	2014/15	2013/14
	£'000	£'000
Benefits Paid and Recharged	6,312	6,240

20, ADDITIONAL VOLUNTARY CONTRIBUTIONS (AVCs)

Scheme members may make Additional Voluntary Contributions that are invested in insurance policies with The Equitable Life Assurance Society or Friends Life, the

Fund's nominated AVC providers. Additional Voluntary Contributions received from employees and paid to The Equitable Life Assurance Society during 2014/15 were £274 (2013/14 - £498). Additional Voluntary Contributions received from employees and paid to Friends Life during 2014/15 were £371,799 (2013/14 - £407,897)
The total value of the assets invested, on a money purchase basis, with these AVC providers was:-

	31 March 2015	31 March 2014
	£'000	£'000
<u>Equitable Life</u>		
With Profits Retirement Benefits	417	501
Unit Linked Retirement Benefits	271	286
Building Society Benefits	195	235
	883	1,022
Death in Service Benefit	82	150
<u>Friends Life</u>		
With Profits Retirement Benefits	123	157
Unit Linked Retirement Benefits	3,762	3,625
Cash Fund	315	447
	4,200	4,229

AVC investments are not included in the Fund's financial statements in accordance with Regulation 4(2)(b) of the Pension Scheme (Management and Investment of Funds) Regulations 2009.

21, RELATED PARTIES

Committee Member Related:-

In 2014/15 £37,516 was charged to the Fund in respect of Allowances paid to the voting Members of the Avon Pension Fund Committee (£37,238 in 2013/14). Eight voting members and no non-voting members of the Avon Pension Fund Committee (including five B&NES Councillor Members) were members of the Local Government Pension Scheme during the financial year 2014/2015. (Six voting members and one non-voting member in 2013/2014, including five B&NES Councillor Members)

Independent Member Related:-

Two Independent Members were paid allowances of £7,532 and £13,237 respectively during the year for their work in relation to the Pension Fund Committee and the Investment Panel. They are entitled to claim reasonable expenses which are included in the above allowances. The Independent Members are not eligible to join the Local Government Pension Scheme.

Employer Related:-

During the year 2014/15 the Fund paid B&NES Council £309,649 for administrative services (£295,990 in 2013/14) and B&NES Council paid the Fund £25,341 for administrative services (£31,715 in 2013/14). Various Employers paid the fund a total of £166,848 for pension related services including pension's payroll and compiling data for submission to the actuary (£141,397 in 2013/14).

Officer and Manager Related:-

The officers administering the Avon Pension Fund are all eligible to be members of the Avon Pension Fund.

The Fund is governed by Central Government regulation. There are no other related party transactions except as already disclosed elsewhere.

22, OUTSTANDING COMMITMENTS

As at the 31 March 2015 the Fund had outstanding commitments relating to investments in property that will be drawn down in tranches by the Investment Managers totalling £151,284,981 (31st March 2014 £61,724,899).

A further outstanding commitment of \$US300,000,000 (31st March 2014 nil) relating to investments in a pooled fund of underlying infrastructure assets will be drawn down in tranches by the Investment Managers.

23, KEY MANAGEMENT REMUNERATION

Of Bath & North East Somerset Council's key management personnel, some of the remuneration costs were charged to the fund to reflect the time spent. These consisted of:

- part of the Divisional Director Business Support's salary, fees and allowances £16,948 (2013/14 £17,360) and their employer's pension contributions £3,552 (2013/14 £3,107).

- part of the Head of Business Finance and Pensions salary, fees and allowances £33,523 (2013/14 £31,540) and their employer's pension contributions £7,017 (2013/14 £5,460).

24, FINANCIAL INSTRUMENTS

The net assets of the Fund are made up of the following categories of Financial Instruments:

	31/03/2015	31/03/2014
Financial Assets	£'000	£'000
Receivables	10,592	24,980
Financial assets at fair value through profit or loss	3,839,872	3,336,303
Total Financial Assets	3,850,464	3,361,283
Financial Liabilities		
Payables	(15,672)	(15,072)
Financial liabilities at fair value through profit or loss	-	-
Total Financial Liabilities	(15,672)	(15,072)
Total Net Assets	3,834,792	3,346,211
All investments are disclosed at fair value. Carrying value and fair value are therefore the same. Payables and Receivables are valued at amortised cost. The carrying value has not been amortised and therefore is the same as the fair value. The gains and losses recognised in the Fund Account in relation to financial instruments are made up as follows:-		

Net gains and losses on financial instruments

	Financial assets at fair value through profit or loss	
	2014/15	2013/14
	£'000	£'000
Losses on derecognition	3,805	4,918
Reductions in fair value	24,311	239,774
Total expense in Fund Account	28,116	244,692
Gains on derecognition	92,566	323,622
Increases in fair value	350,046	97,545
Total income in Fund Account	442,612	421,167
Net gain/(loss) for the year	414,496	176,475

25, FINANCIAL RISK MANAGEMENT DISCLOSURE

The primary objective of the Avon Pension Fund is to generate positive real investment return above the rate of inflation for a given level of risk to meet the liabilities as they fall due over time. The aim of the investment strategy and management structure is to minimise the risk of a reduction in the value of the assets and maximise the opportunity for asset gains across the Fund.

To achieve its investment objective the Fund invests across a diverse range of assets such as equities, bonds, property and other alternative investments. As a

result the Fund is exposed to a variety of financial risks including market risk (price, interest rate and currency risk), credit risk and liquidity risk.

The Fund's investments are managed by external Investment Managers. Each manager is required to invest in accordance with the terms of the agreed investment guidelines that sets out the relevant benchmark, performance target, asset allocation ranges and any restrictions. The Avon Pension Fund Committee ("Committee") has determined that the investment management structure is appropriate and is in accordance with its investment strategy. The Committee regularly monitors each investment manager and its Investment Consultant advises on the nature of the investments made and associated risks.

The Fund's investments are held by BNY Mellon Asset Servicing, who act as custodian on behalf of the Fund.

Because the Fund adopts a long term investment strategy, the high level risks described below will not alter significantly during any one year unless there are significant strategic or tactical changes to the portfolio. The risk management process identifies and mitigates the risks arising from the Fund's investment strategy and policies which are reviewed regularly to reflect changes in market conditions.

(a) Market Risk

Market risk is the risk of loss from fluctuations in market prices, interest rates or currencies. The Fund is exposed through its investments portfolio to all these market risks. The objective of the investment strategy is to manage and control market risk within acceptable parameters, while optimising the return.

Volatility in market risk is primarily managed through diversification across asset class and investment managers

Market Price Risk

Market price risk represents the risk that the value of a financial instrument will fluctuate caused by factors other than interest rates or currencies. These changes can be caused by factors specific to the individual instrument, its issuer or factors affecting the market in general and will affect the assets held by the Fund in different ways.

All investments present a risk of loss of capital. By diversifying its investments across asset classes, geography and industry sectors, investment mandate guidelines and Investment Managers the Fund aims to reduce its exposure to price risk. Diversification seeks to reduce the correlation of price movements. The risk arising from exposure to specific markets is limited by the strategic asset allocation, which is regularly monitored by the Committee against the strategic benchmark.

The Fund has a high allocation to equities and therefore the fluctuation in equity prices is the largest market risk within the portfolio. The maturity profile of the Fund and strong underlying covenant underpins the allocation to equities which are expected to deliver higher returns over the long term.

Market Price Risk - Sensitivity Analysis

The sensitivity of the Fund's investments to changes in market prices has been analysed using the volatility of returns of the assets held within the Fund (provided by the Fund's advisors). The potential volatilities are consistent with a one standard deviation movement in the change in value of the assets over the three years to 31 March 2015. These movements in market prices have been judged as possible for the 2014/15 reporting period. This analysis assumes all other variables including interest rates and foreign currency exchange rates remain the same.

Movements in market prices could have increased or decreased the net assets available to pay benefits by the amounts shown below. However, the likelihood of this risk materialising in normal circumstances is low by virtue of the diversification within the Fund. The volatility figure at Total Assets level incorporates the impact of correlation across the asset classes; therefore the Total Assets increase /decrease is not the sum of the parts.

The analysis for the year ending 31 March 2015:

Asset Type	Value (£'000)	% Change	Value on Increase	Value on Decrease
UK Equities	527,446	10.1%	580,824	474,068
Overseas Equities	1,323,210	9.3%	1,446,401	1,200,019
Global inc. UK	250,612	9.6%	274,721	226,503
UK Bonds	444,290	7.2%	476,412	412,168
Overseas Bonds	113,325	7.3%	121,643	105,007
Index Linked Gilts	238,961	9.7%	262,092	215,830
Pooled Multi Asset	368,177	3.3%	380,400	355,954
Property	315,668	1.9%	321,634	309,702
Alternatives	162,368	2.6%	166,590	158,146
Cash	94,416	0.0%	94,425	94,407
Total Assets	3,838,473	6.1%	4,071,069	3,605,847

The analysis for the year ending 31 March 2014 is shown below:

Asset Type	Value (£'000)	% Change	Value on Increase	Value on Decrease
UK Equities	509,345	12.3%	571,892	446,797
Overseas Equities	1,134,606	12.1%	1,271,553	997,659
Global inc. UK	207,422	11.0%	230,176	184,668
UK Bonds	376,270	6.5%	400,727	351,812
Overseas Bonds	74,588	7.4%	80,078	69,099
Index Linked Gilts	189,176	8.8%	205,862	172,491
Property	260,987	1.6%	265,137	256,838
Alternatives	477,326	3.2%	492,601	462,052
Total Assets	3,229,720	7.3%	3,464,198	2,995,243

Interest Rate Risk

Interest rate risk is the risk that the fair value of a financial instrument will fluctuate because of changes in market interest rates which will affect the value of fixed interest and index linked securities.

The Fund's exposure to interest rate movements on these investments is provided below. Cash includes the cash deposits held against futures contracts.

	31 March 2015	31 March 2014
	£'000	£'000
Cash and Cash Equivalents	94,416	85,023
Fixed Interest Assets	796,576	640,034
Total	890,992	725,057

Interest Rate Risk - Sensitivity Analysis

Fluctuations in interest rates can affect both income to the Fund and the value of the net assets to pay benefits. The sensitivity of the Fund's investments to changes in interest rates has been analysed by showing the effect on the value of the fixed income securities as at 31 March 2015 of a 100 basis point (1%) change in interest rates. The analysis assumes that all other variables including foreign currency exchange rates remain constant.

An increase or decrease of 100 basis points (bps) in interest rates would have increased or decreased the net assets by the amount shown below.

As at 31 March 2015	Value £'000	Change in net assets	
		+100 bps	-100 bps
Cash and Cash Equivalents	94,416	-	-
Fixed Interest	796,576	(110,405)	110,405
Total	890,992	(110,405)	110,405

A 1% rise in interest rates will reduce the fair value of the relevant net assets and vice versa. Changes in interest rates do not impact the value of cash balances but they will affect the interest income received on those balances.

The same analysis for the year ending 31 March 2014 is shown below:

As at 31 March 2014	Value £'000	Change in net assets	
		+100 bps	-100 bps
Cash and Cash Equivalents	85,023	-	-
Fixed Interest	640,034	(83,332)	83,332
Total	725,057	(83,332)	83,332

Currency Risk

Currency risk represents the risk that the fair value of financial instruments when expressed in Sterling will fluctuate because of changes in foreign exchange rates. The Fund is exposed to currency risk on investments denominated in a currency other than Sterling. A significant proportion of the Fund's equity portfolio is invested in overseas stocks. When sterling depreciates the sterling value of foreign currency denominated investments will rise and when sterling appreciates the sterling value for foreign denominated investments will fall. The Fund has a dynamic hedging arrangement in place which reduces the volatility of returns over the longer term (the hedging programme hedges the exposure to the US Dollar, Yen and Euro).

Where an investment manager chooses to hedge against foreign currency movements forward foreign exchange contracts are used.

The following tables summarise the Fund's currency exposures within the portfolio. For the global property funds the share class of the pooled funds held has been used. The funds of hedge funds and Diversified Growth Funds are not included in this analysis given the share classes held are either in Sterling or hedged back to Sterling.

Currency risk by asset class:

Currency Exposure – Asset Type	Asset value as at 31 March 2015 £'000	Asset value as at 31 March 2014 £'000
Overseas Equities	1,548,037	1,324,193
Overseas Fixed Income	113,325	74,588
Overseas Property	154,212	112,058

Currency Risk - Sensitivity Analysis

The sensitivity of the Fund's investments to changes in foreign currency rates has been analysed using the volatility which is broadly consistent with a one-standard deviation movement in the currency and incorporates the impact of correlation across currencies. The analysis assumes a 50% hedge ratio on the equity and bond assets to reflect the dynamic hedging strategy.

A strengthening of Sterling against the various currencies by one standard deviation (expressed as a percentage) at 31 March 2015 would have decreased the net assets by the amount shown in the tables below and vice versa:

Currency Risk by Asset Type:

Asset Type	Value (£'000)	% Change	Value on Increase	Value on Decrease
Overseas Equities	1,548,037	3.8%	1,606,655	1,489,419
Overseas Fixed Income	113,325	3.8%	117,616	109,034
Overseas Property	154,212	3.8%	160,051	148,373

The same analysis for the year ending 31 March 2014 is shown below:

Currency Risk by Asset Type:

Asset Type	Value (£'000)	% Change	Value on Increase	Value on Decrease
Overseas Equities	1,324,193	3.3%	1,367,307	1,281,080
Overseas Fixed Income	74,588	3.3%	77,017	72,160
Overseas Property	112,058	3.3%	115,707	108,410

(b) Credit Risk

Credit risk is the risk that the counterparty to a financial instrument or transaction will fail to meet an obligation and cause the Fund to incur a financial loss. In addition, the market values of investments will reflect an assessment of creditworthiness in their pricing and therefore the risk of loss is implicitly provided for in the carrying value of the assets and liabilities.

The entire Fund is exposed to credit risk through its underlying investments (including cash balances) and the transactions it undertakes to manage its investments. The careful selection and monitoring of counterparties including brokers, custodian and investment managers minimises credit risk that may occur though the failure to settle transactions in a timely manner.

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 over-the-counter derivative contracts is minimised by the various insurance policies held by exchanges to cover defaulting counterparties.

Forward currency contracts are entered into by the Fund's managers, especially the currency hedging manager, Record. These contracts are subject to credit risk in relation to the counterparties of the contracts. The responsibility for managing these contracts and counterparty risk rests with the managers. Counterparty management is evaluated as part of the due diligence process prior to appointing a manager.

The Fund's bond portfolios have significant credit risk through their underlying investments. This risk is managed through diversification across sovereign and corporate entities, credit quality and maturity of bonds. The market prices of bonds incorporate an assessment of credit quality in their valuation which reflects the

probability of default (the yield of a bond will include a premium that will compensate for the risk of default).

Another source of credit risk is the cash balances held to meet operational requirements or by the managers at their discretion. Internally held cash is managed on the Fund's behalf by the Council's Treasury Management Team in line with the Fund's Treasury Management Policy which sets out the permitted counterparties and limits. Cash held by the Fund and managers is invested with the custodian in diversified money market funds rated AAA.

The cash held under the Treasury Management arrangements and by the custodian as at 31 March 2015 was £34.8m. This was held with the following institutions:

	31 March 2015		31 March 2014	
	Rating	£'000	Rating	£'000
Custodian's Liquidity Fund				
Bank of New York Mellon	AAA	23,361	AAA	7,962
Bank Call Accounts				
Barclays Platinum Account		-	A	1,000
Bank of Scotland Corporate Deposit Account	A	2,950	A	2,500
Goldman Sachs Global Treasury Fund (previously RBS Global Treasury Fund)	AAA	8,230	AAA	6,090
NatWest Special Interest Bearing Account	BBB+	300	BBB+	-1,104
Bank Current Accounts				
NatWest	BBB+	6	BBB+	7

The RBS Global Treasury Fund was taken over by Goldman Sachs International on 14th April 2014. The credit rating remained at AAA. NatWest is the Fund's banker.

A securities lending programme is managed by the Fund's custodian BNY Mellon who manage and monitor the counterparty risk, collateral risk and the overall lending programme. Through its securities lending activities, the Fund is exposed to the counterparty risk of the collateral provided by borrowers against the securities lent. The minimum level of collateral for securities on loan is 102%, however more collateral may be required depending upon the type of transaction. This level is assessed daily to ensure it takes account of market movements. The current collateral the Avon Pension Fund accepts is AAA rated supranational debt, AA rated sovereign debt and FTSE Equity DBV. Cash collateral is not permitted. Securities lending is capped by investment regulations and statutory limits ensure no more than 25% of eligible assets can be on loan at any time.

(c) Liquidity Risk

Liquidity risk is the risk that the Fund will not be able to meet its financial obligations as they fall due. The Fund's investment strategy and cash management policy ensure that the pension fund has adequate cash to meet its working requirements. Cash flow forecasts are prepared to manage the timing of and changes to the Fund's cash flows. The Fund has access to an overdraft facility for short term cash needs which was not drawn on during the year.

The Fund has immediate access to its cash holdings and a substantial portion of the Fund's investments consist of readily realisable securities, in particular equities and fixed income investments, even though a significant proportion is held in pooled funds. These are classed as liquid assets as they can be converted to cash within 3 months. The main liabilities of the Fund are the benefits payable as they fall due over a long period and the investment strategy reflects the long term nature of these liabilities. As a result the Fund is able to manage the liquidity risk that arises from its investments in less liquid asset classes such as property and fund of hedge funds which are subject to longer redemption periods and cannot be considered as liquid as the other investments. As at 31 March 2015 the value of the illiquid assets was £722m, which represented 18.8% of the total Fund assets (31 March 2014: £634m which represented 19% of the total Fund assets).

(d) Fair Value Hierarchy

Fair value is the value at which the investments could be realised within a reasonable timeframe. The Fund measures fair values using the following fair value hierarchy that reflects the subjectivity of the inputs used in making an assessment of fair value. This hierarchy is not a measure of investment risk but a reflection of the ability to value the investments at fair value. The hierarchy has the following levels:

- Level 1 - easy to price securities. Unadjusted quoted prices in active markets for identical assets or liabilities that the Fund has the ability to access at the measurement date. These include quoted/ listed equities, exchange traded derivatives, quoted government securities and quoted unit trusts.
- Level 2 - moderately difficult to price. Inputs other than quoted prices under Level 1 that are observable for the asset or liability, either directly or indirectly. For example where an instrument is traded in a market that is not considered to be active, or where valuation techniques based significantly on observable market data are used to determine fair value. Therefore Level 2 includes pooled funds where the net asset value of the pooled fund is derived from observable prices of the underlying securities including the Diversified Growth Fund that only holds quoted securities. The Fund's holding in these pooled funds can be realised at net asset value.
- Level 3 - difficult to price. Unobservable inputs for the asset or liability used to measure fair value that rely on the Fund's assumptions concerning the assumptions that market participants would use in pricing an asset or liability. Therefore Level 3 includes pooled funds such as the property funds, other Diversified Growth Funds and Fund of Hedge Funds where the net asset value is

derived from unobservable inputs and the Fund's holding in these pooled funds is not immediately realisable at the net asset value.

The following sets out the Fund's financial assets and liabilities (by class) measured at fair value according to the fair value hierarchy at 31 March 2015.

	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
Equities – Quoted	603,222			603,222
Bonds - Quoted	350,636			350,636
Pooled Investment Vehicles		1,943,834		1,943,834
Fund of Hedge Funds			162,368	162,368
Diversified Growth Funds		124,700	243,477	368,177
Property			315,668	315,668
Cash	94,416			94,416
Derivatives: Forward FX	1,874			1,874
Derivatives: Futures	152			152
Investment Debtors /Creditors	-475			-475
	<u>1,049,825</u>	<u>2,068,534</u>	<u>721,513</u>	<u>3,839,872</u>

The fair value hierarchy as at 31 March 2014 was:

	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
Equities – Quoted	536,850			536,850
Bonds - Quoted	281,870			281,870
Pooled Investment Vehicles		1,672,523		1,672,523
Fund of Hedge Funds			162,986	162,986
Diversified Growth Funds		104,542	209,798	314,340
Property			260,988	260,988
Cash	85,023			85,023
Derivatives: Forward FX	12,199			12,199
Derivatives: Futures	162			162
Investment Debtors /Creditors	4,265			4,265
	<u>920,369</u>	<u>1,777,065</u>	<u>633,772</u>	<u>3,331,206</u>

26, EMPLOYING BODIES

As at 31 March 2015 the following employing bodies had contributing scheme members in the Avon Pension Fund:

Principal Councils and Service Providers

Avon Fire Brigade	North Somerset Council
Bath & North East Somerset Council	South Gloucestershire Council
Bristol City Council	

Further & Higher Education Establishments

Bath Spa University College	South Gloucestershire & Stroud College
City of Bath College	St. Brendan's College
City of Bristol College	University of the West of England
Norton Radstock College	Weston College

Education Establishments

Abbeywood Community School Academy	Inspirational Futures Trust
Academy of Trinity	Kingshill Academy
Ann Harris Academy Trust	Kings Oak Academy
Aspire Academy	Little Mead Primary School
Backwell School Academy	Marlwood School
Bannerman Road Community Academy	Meadow Brook Primary School
Barton Hill Academy	Merchant's Academy
Bath Community Academy	Midsomer Norton School Partnership
Bedminster Down School Academy	Minerva Primary Academy
Beechen Cliff Academy	Nailsea School Academy
Begbrook Primary Academy	North Somerset Learning and Technology College
Birdwell Primary School Academy	Oasis Academy Bank Leaze
Bradley Stoke Community School	Oasis Academy Brightstowe
Bridge Learning Campus Foundation	Oasis Academy Connaught
Bristol Cathedral Choir School	Oasis Academy John Williams
Bristol Free School Trust	Oasis Academy Long Cross
Bristol Technology & Engineering Academy	Oasis Academy New Oak
Broadlands Academy	Oasis Academy Brislington Enterprise College
Broadoak Mathematics & Computing College	One World Learning Trust
Cabot Learning Federation	Oldfield School Academy Trust
Castle School Education Trust	Orchard Academy
Cathedral Primary School	Parson Street Primary School
Charborough Road Primary School	Patchway Community College
Charfield Primary School	Priory Community School
Chew Stoke Church School	Ralph Allen Academy
Christ Church C of E Primary School	Redland Green School Academy
Churchill Academy	Redfield Educate Together Primary Academy
Clevedon Learning Trust	Severn Beach Primary School
Clevedon School Academy	Sir Bernard Lovell School
Clutton Primary School Academy	Steiner Academy
Colston Girl's School Trust	St Bedes School Academy
Colston's Primary School Academy	St. Nicholas of Tolentine Catholic Primary School

Cotham School Academy
Diocese of Bristol Academies Trust
Downend School
Easton C of E Academy
Elmlea Junior School Academy
Fairfield School
Filton Avenue Infants Academy
Fishponds Church of England Academy
Four Acres Primary School
Fosseway School
Frome Vale Academy
Gordano School Academy
Greenfield Primary School Academy
Hanham High School
Hans Price Academy
Hareclive Academy
Hayesfield Girls School Academy
Henbury Court School
Henbury School Academy
Henleaze Junior School
Heron's Moor Community School
High Littleton C of E Primary
Hotwells Primary School
Ilminster Avenue E-ACT Academy

St. Patrick's Academy
St. Teresa's Catholic Primary School
St. Ursula's E-ACT Academy
Stoke Bishop C of E Primary School
Stoke Lodge Academy
Summerhill Academy
The Bath Studio Academy
The Dolphin Academy
The Kingfisher School
The Ridings Federation Winterbourne
The Ridings Federation Yate
Threeways School
Tickenham Primary School
Trust in Learning
Wallscourt Farm Academy
Waycroft School Academy
Wellsway School Academy
West Town Lane Primary School
Westbury Park Primary School Academy
Westbury-on-Trym C of E Academy
Wicklea Academy
Writhlington School Academy
Yeo Moor Primary School

Designating Bodies

Almondsbury Parish Council
Backwell Parish Council
Bath Tourism Plus
Bradley Stoke Town Council
Charter Trustees of the City of Bath
Clevedon Town Council
Destination Bristol
Dodington Parish Council
Downend and Bromley Heath Parish Council
Filton Town Council
Frampton Cotterell Parish Council
Hanham Abbots Parish Council
Hanham Parish Council
Keynsham Town Council
Emersons Green Town Council
Midsomer Norton Town Council
Nailsea Town Council
Oldland Parish Council

Patchway Town Council
Paulton Parish Council
Peasedown St John Parish Council
Pill & Easton in Gordano Parish Council
Portishead & North Weston Town Council
Radstock Town Council
Saltford Parish Council
Stoke Gifford Parish Council
Thornbury Town Council
Vista SWP Ltd
Westerleigh Parish Council
Westfield Parish Council
Weston Super Mare Town Council
Whitchurch Parish Council
Winterbourne Parish Council
Yate Town Council
Yatton Parish Council

Community Admission Bodies

Action For Children
Alliance Homes
Ashley House Hostel

Merlin Housing Society (SG)
Merlin Housing Society Ltd
Sirona Care & Health CIC (B&NES)

Bristol Disability Equality Forum
Bristol Music Trust
Clifton Suspension Bridge Trust
CURO Places Ltd
CURO Group (Albion) Ltd
CURO Choice
Holburne Museum of Art
Learning Partnership West Limited

Sirona Care & Health CIC
Southwest Grid for Learning Trust
The Care Quality Commission
The Park Community Trust
University of Bath
Vision North Somerset
West of England Sport Trust

Transferees Admitted Bodies

Active Community Engagement Ltd
Agilisys
Aquaterra Leisure Ltd.
ARAMARK
BAM Construct UK Ltd
Churchill Contract Services Ltd (South
Gloucestershire and Stroud College)
Circadian Trust

Learning Partnership West (Lot 1)
Learning Partnership West (Lot 2)
Learning Partnership West (Lot 3)
Learning Partnership West (Lot 7)
Liberata UK Ltd
Prestige Cleaning & Maintenance Ltd

Ridge Crest Cleaning Limited

Circadian Trust No 2

Shaw Healthcare (North Somerset) Ltd
(Petersfield)

Creative Youth Networks (Lot 4)

Shaw Healthcare (North Somerset) Ltd (The
Granary)

Direct Cleaning (SW) Ltd - Moorlands
Eden Food Services
Fit For Sport
Fit For Sport NSC (St Peters Primary)
HCT Group
ISS Mediclean
ISS Mediclean (Bristol)
Keeping Kids Company
Kier Facilities Services

SITA Holdings UK Ltd
Skanska (Cabot Learning Federation)
Skanska Rashleigh Westerfoil
SLM Community Leisure
SLM Fitness & Health
Sodexo
The Brandon Trust
Tone Leisure (Trust) Limited

STATEMENT OF RESPONSIBILITIES FOR AVON PENSION FUND ACCOUNT

Bath & North East Somerset Council's responsibilities

The Council is required to:

- Make arrangements for the proper administration of the financial affairs of the Avon Pension Fund and to secure that one of its officers has the responsibility for the administration of those affairs. The Council has made the Divisional Director of Finance responsible for financial administration.
- Manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets.
- Approve the statement of accounts for the year

Divisional Director of Finance responsibilities

The Divisional Director of Finance is responsible for the preparation of the Avon Pension Fund's Statement of Accounts in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom.

In preparing this Statement of Accounts, the Divisional Director of Finance has:

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

The Divisional Director of Finance has also:

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

I hereby certify that this statement of accounts presents a true and fair view of the financial position of the Avon Pension Fund at the accounting date and the income and expenditure for the year ended 31 March 2015.

Tim Richens

Divisional Director of Finance
(S151 Officer)
September 2015

AUDITOR'S REPORT TO FOLLOW

SUMMARY OF FINANCIAL STATISTICS

Year Ended 31 March Revenue Account Income	2015 £m	2014 £'m	2013 £'m	2012 £'m	2011 £'m
Net Contributions	202.1	143.2	134.9	138.0	139.5
Investment Income	28.1	29.1	29.0	27.7	22.6
Net Cash Transfer	- 0.2	11.9	2.1	1.7	0.5
Total	230.0	184.2	166.0	167.4	162.6
Expenditure					
Pension & Benefits	157.1	149.8	136.7	129.2	121.7
Investment Management Expenses	17.6	16.6	10.1	9.2	7.2
Administration Costs	2.3	2.4	2.1	2.0	2.1
Total	177.0	168.8	148.9	140.4	131.0
Surplus for the Year	53.0	15.4	17.1	27.0	31.6
Revaluation of Investments	435.6	185.1	362.3	71.2	177.9
Change in Fund Value	488.6	200.5	379.4	98.2	209.5
Total Fund Value	3,834.8	3,346.2	3,145.7	2,766.3	2,668.1

Note: In 2014 and 2015 Investment Management Expenses include provisions for performance fees that were not included in previous years.

Analysis of Fund's Assets

	UK £m	Non-UK £m	Global £m	Total £m
Equities	553.2	1,006.1	542.0	2,101.3
Bonds	683.3		113.3	796.6
Property (direct holdings)	168.8		146.9	315.7
Alternatives			532.4	532.4
Cash	81.0	12.9		93.9
Total	1,486.3	1,019.0	1,334.6	3,839.9

Analysis of investment Income accrued during the reporting period

	UK £m	Non-UK £m	Global £m	Total £m
Equities	11.2		3.9	15.1
Bonds	6.5			6.5
Property (direct holdings)	6.0			6.0
Alternatives				-
Cash	0.4			0.4
Total	24.2	-	3.9	28.1

PENSION INCREASE

Increases in pensions (excluding the State Guaranteed Minimum Pension) are based on the change in the published Consumer Price Index (CPI) for the 12 months to 30 September of the previous year. Prior to April 2011, these increases were based on the change to the published Retail Price Index (RPI). Pensions awarded after the date of the last increase receive an apportioned increase related to the date the pension began.

All pensions are subject to the increase with the exception of those pensions awarded for non ill-health retirements where the recipient is under the age of 55 years. These pensions are subject to the accrued increase rate payable from the recipient's 55th birthday.

The table below shows the rate of increases that have applied during the last ten years.

Year Beginning April	Rate of Increase %	Index
2006	2.7	RPI
2007	3.6	RPI
2008	3.9	RPI
2009	5.0	RPI
2010	0.0	RPI
2011	3.1	CPI
2012	5.2	CPI
2013	2.2	CPI
2014	2.7	CPI
2015	1.2	CPI

The Fund is not responsible for any increases in the State Guaranteed Minimum Pension accrued before April 1988, these increases are paid by the State as part of the State Pension.

The Fund is responsible for increases in the State Guaranteed Minimum Pension accrued between April 1988 and March 1997 up to a maximum of 3% per annum (or the rate of inflation if less). Any increase above 3% is the responsibility of the State.

The increases shown above also apply to deferred pensions.

As a result of the new Single State Pension, from April 2016 there will no longer be a second state pension and contracting-out will cease. How this is to be achieved and the implications, for the LGPS, have not been fully decided. There are two working parties covering all public sector pension schemes currently involved with HM Treasury to decide on the way forward.

CONTACTS

For further information on investments, accounts, benefits and administration of the Avon Pension Fund email us at: avonpensionfund@bathnes.gov.uk

Or you can write to us at:
Avon Pension Fund,
Bath and North East Somerset Council
Lewis House
Manvers Street
Bath
BA1 1JG

Telephone: 01225 477000
Fax: 01225 395258

General information about the Avon Pension Fund can be found at:
www.avonpensionfund.org.uk

GLOSSARY OF TERMS

Actuary: An independent consultant who advises the Fund and reviews the financial position of the Fund every three years. The Actuary produces a report, known as the actuarial valuation report, which compares the Fund's assets with its liabilities and prescribes the rates at which the employing bodies must contribute.

Active Investing: An investment strategy whereby the manager deviates from an index or benchmark through stock selection or asset allocation in order to generate a rate of return in excess of the index or benchmark.

Assumed Pensionable Pay: An average pay figure used to calculate pension in cases of reduced contractual pay or no pay as a result of sickness or injury, during relevant child-related leave or whilst on reserve forces service leave.

Career Average Revalued Earnings (CARE) Pension Scheme: A pension scheme that provides a pension calculated as a proportion of a member's average pay depending on the length of membership in the scheme. In CARE schemes such as the LGPS, pension is built up each year based on a member's actual earnings in that year and is revalued so that the pension keeps up with the cost of living.

Civil Partnership: A civil partnership is a relationship between two people of the same sex which is formed when they register as civil partners of each other.

Cohabiting Partner: To be eligible to receive a survivor's pension in the event of a member's death, a cohabiting partner of the member, providing that for a continuous period of at least two years prior to the date of death -
they have been able to marry or form a civil partnership;
they have lived together as if they were husband and wife or civil partners;
neither the member or their cohabiting partner have been living with someone else as if they were husband and wife or civil partners;
their financial affairs have been interdependent (or the cohabiting partner has been financially dependent upon the scheme member).

Consumer Price Index (CPI) CPI is an alternative measure of inflation also based on the change in the price of a fixed basket of goods and services. The difference between CPI and Retail Price Index (RPI) is that CPI excludes some items used in RPI such as mortgage interest payments and Council Tax, and includes other items not used in RPI.

Community Admission Bodies Bodies, which either have sufficient links with a Scheme employer, and provides a public service in the United Kingdom otherwise than for the purposes of gain or are approved by the Secretary of State for the purposes of admission to the Scheme; a body, other than the governors or managers of a voluntary school, to the funds of which a Scheme employer contributes. Such a body can become a member of the Avon Pension Fund subject to Pension Committee approval.

Corporate Bonds Fixed interest securities and index-linked securities issued by companies registered either in the UK or overseas. They represent 'loans' to the companies which are repayable on a stated future date (for definitions of "fixed interest" and "index-linked" see 'Fixed Interest Government Securities' and 'Index-linked Government Securities'). In the annual accounts, these are included in 'Sterling Bonds' and 'Non-Sterling Bonds'.

Deferred Pension The pension benefit held in the Fund for a member who has ceased to contribute as a result of leaving employment or opting out of the pension scheme before retirement age. A deferred pension may be claimed at any time between the ages of 55 and 75, but will be reduced if paid before the member's Normal Pension Age or increased if paid after.

Designation Body A body, listed in Part 2 of Schedule 2 of the LGPS Regulations 2013, whose employees can only be eligible for membership of the Scheme, if designated by that body.

Discretionary Compensatory Added Years Until 1 April 2007, employers could award an additional period of service under discretionary regulations up to a maximum of 10 added years. Since this date, this provision has been withdrawn. Employers who have awarded additional service are recharged for any payments made in respect of them exercising such a discretion.

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 entitled to vote at shareholders' meetings.

Final Salary Scheme A pension scheme that provides a pension and in some cases a lump sum benefit, calculated as a proportion of a member's pay in their last year of membership depending on the length of membership in the scheme.

Fixed Interest Government Securities Investments in government stocks, which guarantee a fixed rate of interest. Investments in government stocks represent 'loans' to Government which are repayable on a stated future date.

Fund Benchmark The Fund benchmark reflects the asset mix determined by the Fund. It is expressed in terms of asset proportions and market indices (e.g. 45% UK Equities invested in the FTSE-Actuaries All Share Index). On this basis a benchmark return can be calculated. The significance of this benchmark is that it represents "normal fund policy".

Hedge Funds Otherwise known as "absolute return funds", these funds have as their objective a performance target expressed as a margin above the return which can be achieved on cash deposits. The advantage of these funds is that they should achieve a positive return even if the stock market falls.

Independent Members Voting members of the Avon Pension Fund Committee who are not councillors and who have no political attachments. There are two such members on the Committee, appointed principally because of the

financial/investment expertise which they have acquired in the course of their professional careers.

Indexed-Linked Government Securities Investments in government stocks (UK and overseas) where both the annual interest payment and the capital sum repayable by the government are adjusted to allow for inflation. Investments in government which are repayable on a stated future date.

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

Myners Principles A set of recommendations relating to the investment of pension funds which were prepared by Paul Myners in 2001 at the request of the Chancellor of the Exchequer and which were subsequently endorsed by Government. Their significance is that pension funds are expected to follow these principles or, if they do not, provide an explanation as to why they have decided not to do so.

Normal Pension Age (NPA) A member's NPA for pension benefits accrued after 31 March 2014 is now linked to their individual State Pension Age or age 65, whichever is later. For benefits accrued up to 31 March 2014 NPA is still age 65 for both men and women but a small number of members who retain Rule of 85 protections may retire earlier with no actuarial reduction.

Passive Investing (Indexation) An investment strategy whereby the manager replicates an index in order to generate a rate of return in line with the index. The manager has no discretion over stock selection within the index. If it is a multi-asset portfolio, the asset proportions are prescribed within the mandate.

Pooled Funds Pooled Funds are funds which manage the investments of more than one investor on a collective basis. Each investor is allocated units which are revalued at regular intervals. Income from these investments is normally returned to the pooled fund and increases the value of the units. These include Managed Funds which are a form of unit trust whereby the Fund makes payments under an insurance policy and is allocated units in an Investment Fund by way of benefits. In certain circumstances this form of unit trust can have tax advantages compared with a conventional unit trust.

Retail Price Index (RPI) A measure of the general level of inflation based on the change in the price of a fixed basket of goods and services, such as food, energy, petrol, travelling costs, mortgage interest payments and Council Tax.

Rule of 85 Set up under the 1997 Regulations to determine whether benefits are subject to any actuarial reduction where a member elects to receive benefits before age 65. If the sum of the member's age and Scheme membership, both in whole years, is 85 or more then the benefits were payable unreduced. However, this rule was removed from the Regulations in 2006 and does not apply to new Scheme members from 1 October 2006. Members in the LGPS before this date may have acquired certain protections that apply in respect of this rule. The rule of 85 does not apply where the member is retired on grounds of redundancy, efficiency or ill-health, where benefits are paid without reduction.

Transferee Admission Bodies (Scope Body) A body that provides, by means of a contract, a service in connection with the exercise of a function of a Scheme employer, can become an admitted body within the Avon Pension Fund. The Scheme Employer transferring, must act as guarantor for such bodies.

Unlisted Securities Holdings in companies which do not form part of the main stock market. They may be developing companies or smaller companies whose shares are not frequently traded. Unlisted securities are usually less liquid than those traded in the main markets.

WM Local Authority Average The average local authority pension fund investment return as calculated by The WM Company. The universe comprises approximately 100 local authority funds.

APPENDICES

Appendix A - Terms of Reference for the Avon Pension Fund Committee and Investment Panel

<http://www.avonpensionfund.org.uk/financeandinvestments/annualreport/AppendixA-TermsOfReference.pdf>

Appendix B - How the Local Government Pension Scheme works

<http://www.avonpensionfund.org.uk/financeandinvestments/annualreport/AppendixB-HowtheLGPSworks.pdf>

Appendix C - Governance Compliance Statement

<http://www.avonpensionfund.org.uk/governance/GovernanceComplianceStatement-20130621.pdf>

Appendix D - Statement of Investment principles

<http://www.avonpensionfund.org.uk/financeandinvestments/principles.htm>

Appendix E - Communications Policy

<http://www.avonpensionfund.org.uk/governance/Communications-Policy-Statement-20150601.pdf>

Appendix F - Funding Strategy Statement

<http://www.avonpensionfund.org.uk/financeandinvestments/fss.htm>

Appendix G – Administration Strategy 2015

<http://www.avonpensionfund.org.uk/governance/AS-20150601.pdf>

Appendix H - Service Plan

<http://www.avonpensionfund.org.uk/governance/ServicePlan2014-2017.pdf>

Summary of Internal Audit Work

Internal Audit Work 2012/13 to 2014/15

Year	Heading (Date of Final Report)	Scope	Assurance Level	No of Recommendations	
				Reported	Implemented at Follow-Up
2012/13	Pensions Administration (Feb 2013)	Review of the framework of internal controls in relation to the Administration processes, including ensuring that: <ul style="list-style-type: none"> • Control arrangements are in place to certify that all benefits calculations are carried out timely and accurately. • Employer contributions are received in full, recorded timely and accurately. • Member information held within Altair is accurate and maintained in a timely manner. 	‘4’ Good	7	6 (*1)
2013/14	Pensions Investments (July 2013)	Limited review concentrated on supporting the Investment Manager in reviewing the adherence of the fund to the Myner Principles, reviewing the structure of independent advice and providing guidance on the use of electronic transaction processes with the Global Custodian Bank.	‘5’ Excellent	3	1 (*2) (*3)
	Pensions Payroll (January 2014)	This reviewed: <ol style="list-style-type: none"> 1) Pension Payments are only made to eligible recipients. 2) Monthly and lump sum pension payments are made accurately and promptly. 3) Pension payments are accurately recorded on the pension system and reconciled monthly with the Financial Management System. 4) Information and payments sent to external organisations, including government departments and agencies in an accurate and timely manner. 5) Management reporting (which is relevant, sufficient, accurate and timely) is produced and issued to the appropriate level (includes exception/error reporting). 	‘4’ Good	3	3

2014/15	Pensions Administration (i-Connect)	This audit review took place during the project period, to give assurance that: 1) the files received from employers are managed and uploaded in a controlled way; 2) corrections are tracked through a proper decision process and audit trail; 3) error log management is properly controlled.	'4' Good	1	1
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- *1 - Implemented final recommendation based on a revised implementation date – Review and update of the Records Retention Schedule.
- *2 - Adoption of guidance notes for use as and when the new electronic money transfer system is introduced.
Management Response at Follow-Up - The new electronic system was not introduced as it does not allow foreign currency transactions. Most of our money transfers through the custodian are in foreign currencies. The custodian platform should permit this soon at which time the guidance notes will be disseminated and training given.
- *3 - The Avon Pension Fund should consider the requirement to continue with 3 sources of independent advice for reasons of value for money and potential conflict of advice.
Management Response at Follow-Up - The Public Service Pensions Act 2013 requires LGPS funds to establish a Pension Board to scrutinise the administering authority. Given this change in the governance arrangements, the review of the Independent Investment Advisor has been postponed in order to consider the implications of the new arrangements.

Internal Audit Work 2015/16

1) **Pensions Administration (Member Records / Contributions)** – {Planned Quarter 3 2015/16}

The Audit Brief was agreed in October 2015 and the scope as per the Audit Brief is:

The audit will review the following key risks/control objectives:

- a) Employer (employer and employee) contributions are accurate and received in full by specified timescales.
- b) Employers provide accurate member and contribution information by specified timescales.
- c) The Pension Fund provides accurate and timely information to assist employers in fulfilling their Pension Fund obligations.
- d) Member information is held in compliance with Data Protection and is provided to relevant parties to fulfil member and regulation requirements.
- e) Governance framework and processes are in place to manage/scrutinise Pension Fund administration.

2) **IT Systems - Altair & i-Connect** {Planned Quarter 4 2015/16}

Scope to be agreed and could include:

- Access to the system is restricted.
- The integrity of the data within the system is safeguarded.
- System availability is maintained by robust Business Continuity and IT Disaster Recovery arrangements.

Bath & North East Somerset Council		
MEETING:	LOCAL PENSION BOARD - AVON PENSION FUND	
MEETING DATE:	5th November 2015	AGENDA ITEM NUMBER
TITLE:	Avon Pension Fund Administration Strategy	
WARD:	ALL	
AN OPEN PUBLIC ITEM		
<p>List of attachments to this report:</p> <ul style="list-style-type: none"> Appendix 1 Pensions Administration Strategy Annex 1 Legislative Framework Annex 2 Communications Policy Statement Annex 3 ICT Strategy Annex 4 Performance Standards Annex 5 Customer Service Charter Annex 6 Schedule of Additional Admin Charges 		

THE ISSUE

The purpose of this report to present the Administration Strategy as recently submitted and approved by the Avon Pension Fund Committee in March 2015.

The Strategy is important for the Board to consider as it incorporates the governance and administration requirements of the Pension Regulator.

RECOMMENDATION

That the Board

Notes the report and considers the items raised with regards to their future work plan.

FINANCIAL IMPLICATIONS

There are no direct implications related to the Pension Board in connection with this report.

1 REPORT

The purpose of this report is for induction purposes and developing knowledge of the Fund as the Administration Strategy forms an important part of the understanding of the future direction of the management of the Fund.

The purpose of this Administration Strategy is to continue progress towards a seamless pension service, employing appropriate technology and best practice

which both significantly improve the quality of information and the speed with which it is processed, to provide better information for Employers and stakeholders and a more efficient service to Fund members.

The Strategy recognises that significant work will need to be undertaken in achieving the Pension Regulator's compliance requirements and both the Fund and its Employers will need to work in partnership to meet this challenge.

A consultation process was also undertaken with Employer's over the summer inviting comments on the draft Strategy before it was finally implemented from June 2015.

Key to the success of the Strategy are the IT Strategy proposals which will deliver high quality, efficient and integrated digital services to employers and members in an increasingly regulated and financially complex environment. In addition, significant development to the website will broaden service access across a range of social media applications and devices.

Performance targets for both Employers and the Fund reflecting the Pensions Regulator's requirements will be set out in revised Service Level Agreements and agreed with Employers. Performance reporting will be revised and continue to be discussed with Employers at regular Performance / SLA review meetings and similarly reported to the Committee.

Poor performance by an employer would be flagged up by these reports and the Review meetings will enable Employers and the Fund to work together to resolve any problem areas and to improve performance. Where the Fund identifies poor quality or missing data it will put a data improvement plan in place to address these issues.

If however poor performance continues the Fund, under legislation, has the opportunity to charge an Employer additional costs, if the work carried out for it is disproportionate to that for other Fund Employers. This will be used only as a last resort following an Employer's *continuing failure* to improve. Also If the Fund is *fined* for any breach of its legal responsibilities which is as a direct result of an employer's poor performance (e.g. not providing information or providing incorrect information) the Fund has the power to and does intend to pass on any such fine to the Employer concerned.

The Board is asked to consider all the reports in relation to their future work plan.

RISK MANAGEMENT

A risk assessment related to the issue and recommendations has been undertaken, in compliance with the Council's decision making risk management guidance and there are no significant or material risks to report.

EQUALITIES

A proportionate equalities impact assessment has been undertaken and there are no significant issues to report.

CONSULTATION

Report and Issues have been subject to consultation with the S151 Officer and Strategic Director of Resources.

Contact person	Jeff Wring, Head of Audit West 01225 477323
Background papers	
Please contact the report author if you need to access this report in an alternative format	

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Avon Pension Fund

Administration Strategy Statement 2015

Prepared XX XXXXXXXX 2015

Administration Strategy Statement 2015

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Pensions Administration Strategy Statement 2015

INTRODUCTION

The 1st April 2015 represents a key milestone in the governance arrangements of Local Government Pension Scheme's. From this date the Pensions Regulator takes responsibility for setting standards of administration and governance on all administrative aspects of the scheme, whilst newly established Local Pensions Boards will play an independent scrutiny role to 'assist' the Fund with its 'regulatory compliance, effective and efficient administration and governance'.

The Local Government Pension Scheme (LGPS) Regulations 2013 allows Pension Fund Administering Authorities to prepare a Pensions Administration Strategy ("the Strategy") for the sole purpose of improving the administrative processes within their LGPS Fund. These regulations are quite specific regarding the disclosure of information and performance statistics as part of this process but provide less guidance in terms of strategy.

The Avon Pension Fund ("the Fund") has revised its 2011 Strategy Statement to ensure the Governance and administration requirements of the Pension Regulator are properly addressed as they fall to the Fund and Employers.

1. AIMS

The aim of this Strategy is to continue progress towards a seamless, automated pension service, employing appropriate technology and best practice which both significantly improves the quality of information overall and the speed with which it is processed to provide better information for Employers and stakeholders and a more efficient service to members. The Strategy recognises that significant work will need to be undertaken in achieving the Pension Regulator's compliance requirements and both the Fund and its Employers will need to work in partnership to meet this challenge.

2. LEGISLATIVE FRAMEWORK

The Fund and its Employers must have regard to this Strategy when carrying out their Scheme functions. The Strategy is made in accordance with Regulation 59 of LGPS Regulations 2013 which allows administering authorities to prepare a Pension Administration Strategy following consultation with its Employers to facilitate best practices and efficient customer service in respect of the following:

- the establishment of levels of performance which the administering authority and its Employers are expected to achieve in carrying out their Scheme functions
- ensuring the Fund and its Employers comply with statutory requirements in respect of those functions

- improving the communication between the administering authority and its Employers of information relating to those functions.

The Strategy can also set out circumstances in which the Fund may consider giving written notice to any of its Employers under regulation 70 for additional costs on account of that Employer's unsatisfactory performance in carrying out its Scheme function.

Levels of performance achieved must be included within the Fund's Annual Report along with other matters arising from the Strategy that are considered appropriate.

All relevant regulations are set out fully in **Annex 1**.

3. KEY OBJECTIVES

The key objectives of this Strategy are to ensure that:

- The Fund and Employers are aware of and understand their respective roles and responsibilities under the LGPS Regulations and in the delivery of administrative functions (largely defined in Service Level Agreements)
- The Fund operates in accordance with LGPS regulations and is aligned with The Pension Regulator in demonstrating compliance and scheme governance.
- Communication processes are in place to enable both the Fund and Employers to proactively and responsively engage with each other and other partners.
- Accurate records are maintained for the purpose of calculating pensions entitlements and Employer liabilities, ensuring all information and data is communicated accurately, timely and in a secure and compliant manner
- The Fund and Employers have appropriate skills and that training is in place to deliver a high quality service and effectively contribute to the changing pensions agenda
- Standards are set and monitored for the delivery of specified activities in accordance with Regulations and minimum standards as set out in each Employer's Service Level Agreement
- Administrative services are developed and delivered digitally as outlined in the ICT Strategy, in order to streamline processes and maintain costs at below or average levels

4. ACHIEVING THE OBJECTIVES

There are presently over 215 employers in the Fund differing in size, structure and capability which represents a significant logistical challenge to the management of information, processes and services within the Fund. It is clear that because of these differences a “one size fits all approach” would be unlikely to deliver workable solutions; however standard ways of operating applicable to different employer groups would bring benefits. The number of employers within the scheme continues to grow as does the demand for more accurate and timely information, needed to improve liability management at both the local and national level. Furthermore, the Pensions Regulator has introduced higher levels of compliance and the Fund will be required to demonstrate heightened governance and administrative efficiency.

There are four key elements necessary to achieving the Fund’s administrative objectives:

- A Communications Policy that:
 - (i) Ensures members have accessible and timely information on all aspects of their pensions benefits and informs and enables decisions in respect of their pensions
 - (ii) Enables Employers to make effective decisions in the management of risks and liabilities as well as facilitates engagement in the wider pensions debate
- A training plan that will offer direct engagement and support to employers and continue to enhance staff knowledge and skills to ensure efficient administration compliant with the Pensions Regulator requirements.
- An IT Strategy which will deliver high quality, efficient and integrated digital services to employers and members in an increasingly regulated and financially complex environment.
- A performance framework which will support the effective working of the Fund and enable both the Fund and Employers to deliver continuous improvement and move towards a higher standard of service.

(a) Communications

The Fund aims to provide clear, relevant, accurate, accessible and timely information to all stakeholders. To this end, the Funds’ communications strategy is already well developed providing a wide range of solutions for all parties. However, with the increasing number of scheme employers and membership creating an increased need for information, the Fund is aiming to develop it’s communications strategy, embracing technology in a number of key areas.

Significant development to the website will provide stakeholders with a single secure access point to relevant services and a range of tools to help streamline and improve efficiency, support good governance and be cost effective. Access will be enabled across a range of social media applications and devices.

The Communication Policy Statement is attached as **Annex 2**

(b) Training and Engagement

The objectives of the Fund have always been to keep stakeholders informed of new developments providing training courses and workshops for Employers and the Fund's staff alike when new Regulations are implemented or are under consideration. Additionally training is offered on an ongoing basis to new scheme employers or relevant new HR/Payroll staff.

With this in mind, it is important that both Employers and the Fund ensure that their staff have the right level of skills and knowledge to support any changes, starting with a sound foundation of existing regulations and administrative processes.

Notwithstanding future changes, there is an ongoing need to continuously maintain the quality of member records and the administrative processes by improving the quality of information received from Employers.

The aims of the training strategy are therefore:-

- To maintain a high standard of customer service for members and Employers
- To ensure that relevant staff within each Employer have sufficient knowledge and skills to effectively discharge administrative processes
- To ensure that Employers are fully aware of the risks involved in poor administration and maintenance of member pension records and if they fail to discharge of their discretionary functions
- Recognising the continued growth in employer portfolio – provide ongoing training platform on relevant employer responsibility
- Develop new chargeable resource package to offer direct engagement/support to employers to ensure meet TPR requirements.
- To support the implementation of new technology within the Fund enabling greater self service for the Employer and streamlined administration
- To continually develop the technical skills and competencies of the Fund's staff and retain knowledge in the application of historic regulations
- To identify and develop staff to become the future managers and professionals of the Fund as part of a workforce development plan
- To ensure that members of the Committee also receive adequate training to properly discharge their function.

To achieve this:

- the Fund will work with Employers' Human Resources, Payroll and other staff to identify relevant skills and knowledge gaps and develop an appropriate training programme
- Organise workshops and forums for Employers to debate new issues as they emerge
- Continue to invest in specific technical training and professional development of Fund staff
- Promote an ongoing programme of Committee member training and participation in national events to support governance arrangements

This training strategy will ensure that both the Fund and Employers have a common understanding of their obligations under their Local Government Pension Scheme, and that administrative processes are designed to maximise efficiency and effectively manage risk.

The Fund will provide training for Employers' relevant staff, to build up and maintain a level of professional expertise which together with the Employer's own systems and processes will enable Employers to deliver information required by the Fund to efficiently administer the Scheme.

(c) IT Strategy

As part of the 2011 Strategy the Fund indicated it would be 'embracing technology' and that investment in upgraded software systems would enable the Fund to achieve fully integrated self-service applications for employers and members with the Fund and ultimately it proposed a programme to achieve full electronic data submission from employers by October 2012. At January 2015 approximately 75% of active scheme membership is covered by automated data submission. That these aspirations were not fully met can be attributed to a number of factors:

- The inability of software suppliers to focus on support and development of the relevant tools
- The introduction of the new 2014 LGPS CARE scheme
- Insufficient core skills to address technology requirements
- The continued growth in employer portfolio.

As part of the Pensions Administration Strategy 2015 the Fund proposes to develop and implement an IT Strategy designed to achieve the digital step change in service delivery. To achieve this the Fund has identified a number of key workstream developments to be implemented over the next three years.

Full details of the ICT Strategy are contained separately in **Annex 3**.

(d) Performance

The Administration Strategy has a statutory obligation to set performance standards and publish both the targets and achievement against those targets. The purpose of doing so is to secure monitor continuous improvement of the administration function. **Annex 4** details the performance measures and proposed targets which will be monitored. The outcomes will be subject to external scrutiny by The Pensions Regulator, the Local Pensions Board and the Pensions Committee. Information is also published in the Pensions Fund' Annual Report. It should be noted that many of these targets are set to ensure compliance with *statutory* requirements that already exist.

New Service Level Agreements ("SLAs") will be agreed with Employers to set and monitor performance at the local level and will include all the targets for both the Fund and the Employer and will include areas relating to TPR compliance. The aggregated performance will be reported to the Avon Pension Fund Committee on a quarterly basis.

Reporting on Performance

The Pensions Regulator codes of practice require scheme managers to keep records of information pertaining to member data across all membership categories. The Pensions Board will play an independent scrutiny role to 'assist' the Fund with its regulatory compliance and has the authority to report any serious concerns to the Pensions Regulator.

Assessment of the levels of administrative performance requires that agreed performance standards are continuously monitored and the results fed back to Employers. This will be achieved by the production of a Performance Report for each Employer to keep them fully informed of the efficiency of service delivery to the Scheme Members. The Performance Report will contain the key areas of performance and will be a working document. Reports will also take into account any TPR compliance issues and where the Fund identifies poor quality or missing data it will put a data improvement plan in place to address these issues.

The Performance Report will measure the efficiency of service processes covering early leavers, retirements, estimates and deaths in service between the Employer and the Fund to enable effective benefit processing and payment. The Report will also include, if appropriate, details of any complaints from members or employers and discretions not exercised or kept up-to-date by employers.

Review meetings to consider the findings will be held regularly with Employers and will identify problem areas and devise an action plan to improve service delivery. Information from the Performance Report will be made available to the Avon Pension Fund Committee and details of performance review will be included in the Fund's Annual Report.

(i) Performance failures

As stated at the outset, the purpose of this Strategy is to secure improvement across the Administrative processes of the Fund. Both the Fund and each Employer need to play their part in ensuring this. However in areas of continuous poor performance the Fund has the ability to apply financial penalties and will ultimately do so but only as a matter of "last resort".

Where in the opinion of the Fund, it incurs additional costs because of an Employer's poor performance in carrying out its functions, the Fund will:

- a) give written notice to the Employer that it will be invoiced for an extra monetary amount in respect of these costs (in addition to its standard pension contributions)
- b) specify the basis on which the extra amount is calculated and the provisions of the Strategy which are relevant.

If an Employer feels that an additional allocation of costs is not warranted it would have access to the Avon Pension Fund Committee on which Employers have an Employer representative.

- c) The Pension Regulator imposes a statutory obligation to scheme managers and to the Local Pensions Board to report failures which are likely to be of material significance.

(ii) Opportunity to improve

It is the Fund's intention that a poorly-performing Employer will be given the opportunity to improve its poor performance before additional costs are imposed upon it.

However, if in the opinion of the Fund, that Employer fails to improve, the Fund will after consultation with the Employer issue an invoice payable by the Employer within 30 days of issue. The amount of the invoice will represent the cost to the Fund of the Employer's poor performance, plus any additional work by the Fund's officers charged at a staff charge out rate of £50 per hour (*subject to annual review at the start of each new financial year*).

(iii) Passing on "Statutory" Fines and charges

Where the Fund incurs a fine or charge for a breach of its statutory duties which is as a result of the Employer's performance failure (such as failing to provide the Fund with a change in a member's circumstances or supplying inaccurate or inadequate information for an employee member), the Fund reserves the right to require the Employer to reimburse it within 28 working days of the payment of the fine or charge. A list of charges is enclosed at Appendix 6.

Role of the Committee

The Avon Pension Fund Committee is representative of all the Employers in the Fund (reflecting best practice) and as such has a duty to ensure that the Administration of the Fund is carried out efficiently and cost effectively. Its roles and responsibilities are set out in its *Terms of Reference* which form part of the Fund's Governance and Compliance Statement which is available on the Fund's website.

The Committee already receives quarterly reports in respect of the Fund and Employers administrative processes and this will be enhanced with information regarding matters of compliance required by the Pensions Regulator in respect of data. The summary results reported will be scrutinised by the Committee who will take action where appropriate.

The Committee annually reviews all Administrative targets and the costs of service delivery and will continue to do so in order to inform future changes to the Administration Strategy.

5. IMPLEMENTATION AND REVIEW

The Strategy sets out the key objectives of all the major areas of pension administration within the Fund and takes effect from 01 June 2015. Prior to implementation a full consultation exercise will be undertaken with Scheme Employers. The Strategy will be further reviewed in 2017.

Appendix 2

ROADMAP ICT STRATEGY OWNER GEOFF CLEAK	2015			2016			2017			
	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3
<p>Strategy Up To 31/03/2018</p> <p>Phase 1 - ICT Support Structure</p> <p>Phase 2 - Investing in Core Skills</p>										
Workstream 1										
Phase 1 - ICT Support Structure Phase 2 - Investing in Core Skills	Recruitment of Support Team	Initial Training	Support Team in Place	Initial Training Completed	Ongoing Training and Development of Team and Individuals					
Workstream 2										
Create Shared Development Agenda	Initial Meeting with Heywood 12/03	Partnership Resource in Place	Initial Key Errors Identified	Partnership Resource in Place	Initial Training Completed	ESS Phase 2 New Development	Testing	Rollout to Employers	Testing Complete	Rollout Complete
	Creation of Development List & Initial Discussion with Heywood	Develop Agreed Partnership Working Arrangements with Heywood, Integrating Existing Workarounds into the Existing Product	Implementing a Document Management System	Core Payroll Development	Testing	Payroll Go Live	Testing	Rollout to Employers	Testing Complete	Rollout Complete
	Online Actuarial Funding Tool									
Workstream 3										
Electronic Delivery of Employer Data	BANES & S Glos go live on I-Connect	Bristol Live New Payroll	Af&R & UWE Live on I-Connect	Af&R & UWE Live on I-Connect	i-Connect New Business Langer Employers e.g. University of Bath, Bath Spa, Sirona etc					
	i-Connect; Bristol - Error Reporting & Testing on New Extract	i-Connect; New Business - Af&R & UWE?								
	ESS Phase 1 - Completion of Rollout to New Employers									
Workstream 4										
Member Website	Build & Test New Website	Launch New Member Website	Ongoing Development e.g. Online Appointment Booking/Multimedia							
Member Self Service	Ongoing Promotion of MSS	Test Calculation Functions & Security	Ongoing Promotion of MSS	Develop Online Forms & Build in Email Vehicle for Digital Communication						
Employer Website	Ongoing Promotion of MSS	Review Current Employer Website	Development of New Employer Web Platform including Customised Dashboard, Workflow Management & Learning Tools							
Workstream 5										
Operational Processes & Management Reporting	Agree Tasks Required, Setup Tasks & Agree Reporting	Process Automation - Agree Spec & Costs; Agree Tasks Required e.g. TPR, Year End, Deferred into Payment & Payroll Adjustments	Firs Reports to Committees & Pensions Board	Go Live	Go Live with Process Automation					

Legislative Framework for the Statement**Local Government Pension Regulations 2013****Pension Administration Strategy**

59. —(1) An administering authority may prepare a written statement of the authority's policies in relation to such of the matters mentioned in paragraph (2) as it considers appropriate ("its pension administration strategy") and, where it does so, paragraphs (3) to (7) apply.

(2) The matters are—

- (a) procedures for liaison and communication with Scheme employers in relation to which it is the administering authority ("its Scheme employers");
- (b) the establishment of levels of performance which the administering authority and its Scheme employers are expected to achieve in carrying out their Scheme functions by—
 - (i) the setting of performance targets,
 - (ii) the making of agreements about levels of performance and associated matters, or
 - (iii) such other means as the administering authority considers appropriate;
- (c) procedures which aim to secure that the administering authority and its Scheme employers comply with statutory requirements in respect of those functions and with any agreement about levels of performance;
- (d) procedures for improving the communication by the administering authority and its Scheme employers to each other of information relating to those functions;
- (e) the circumstances in which the administering authority may consider giving written notice to any of its Scheme employers under regulation 70 (additional costs arising from Scheme employer's level of performance) on account of that employer's unsatisfactory performance in carrying out its Scheme functions when measured against levels of performance established under sub-paragraph (b);
- (f) the publication by the administering authority of annual reports dealing with—
 - (i) the extent to which that authority and its Scheme employers have achieved the levels of performance established under sub-paragraph (b), and
 - (ii) such other matters arising from its pension administration strategy as it considers appropriate; and
- (g) such other matters as appear to the administering authority after consulting its Scheme employers and such other persons as it considers appropriate, to be suitable for inclusion in that strategy.

(3) An administering authority must—

- (a) keep its pension administration strategy under review; and
- (b) make such revisions as are appropriate following a material change in its policies in relation to any of the matters contained in the strategy.

(4) In preparing or reviewing and making revisions to its pension administration strategy, an administering authority must consult its Scheme employers and such other persons as it considers appropriate.

(5) An administering authority must publish—

- (a) its pension administration strategy; and
- (b) where revisions are made to it, the strategy as revised.

(6) Where an administering authority publishes its pension administration strategy, or that strategy as revised, it must send a copy of it to each of its Scheme employers and to the Secretary of State as soon as is reasonably practicable.

(7) An administering authority and its Scheme employers must have regard to the pension administration strategy when carrying out their functions under these Regulations.

(8) In this regulation references to the functions of an administering authority include, where applicable, its functions as a Scheme employer.

Additional costs arising from Scheme employer's level of performance

70. —(1) This regulation applies where, in the opinion of an administering authority, it has incurred additional costs which should be recovered from a Scheme employer because of that employer's level of performance in carrying out its functions under these Regulations.

(2) The administering authority may give written notice to the Scheme employer stating—

- (a) the administering authority's reasons for forming the opinion mentioned in paragraph (1);
- (b) the amount the authority has determined the Scheme employer should pay under regulation 69(1)(d) (payments by Scheme employers to administering authorities) in respect of those costs and the basis on which the specified amount is calculated; and
- (c) where the administering authority has prepared a pension administration strategy under regulation 59, the provisions of the strategy which are relevant to the decision to give the notice and to the matters in sub-paragraphs (a) or (b).

Statements of policy about exercise of discretionary functions

60. —(1) A Scheme employer must prepare a written statement of its policy in relation to the exercise of its functions under regulations—

- (a) 16(2)(e) and 16(4)(d) (funding of additional pension);
- (b) 30(6) (flexible retirement);
- (c) 30(8) (waiving of actuarial reduction); and
- (d) 31 (award of additional pension),

and an administering authority must prepare such a statement in relation to the exercise of its functions under regulation 30(8) in cases where a former employer has ceased to be a Scheme employer.

(2) Each Scheme employer must send a copy of its statement to each relevant administering authority before 1st July 2014 and must publish its statement.

(3) A body required to prepare a statement under paragraph (1) must—

- (a) keep its statement under review; and
- (b) make such revisions as are appropriate following a change in its policy.

(4) Before the expiry of a month beginning with the date any such revisions are made, each Scheme employer must send a copy of its revised statement to each relevant administering authority, and must publish its statement as revised.

(5) In preparing, or reviewing and making revisions to its statement, a body required to prepare a statement under paragraph (1) must have regard to the extent to which the exercise of the functions mentioned in paragraph (1) in accordance with its policy could lead to a serious loss of confidence in the public service.

(6) In this regulation a relevant administering authority in relation to a Scheme employer, is any authority which is an appropriate administering authority for that employer's employees.

Statements of policy concerning communications with members and Scheme employers

61. —(1) An administering authority must prepare, maintain and publish a written statement setting out its policy concerning communications with—

- (a) members;
- (b) representatives of members;

- (c) prospective members; and
- (d) Scheme employers.

(2) In particular the statement must set out its policy on—

- (a) the provision of information and publicity about the Scheme to members, representatives of members and Scheme employers;
- (b) the format, frequency and method of distributing such information or publicity; and
- (c) the promotion of the Scheme to prospective members and their employers.

(3) The statement must be revised and published by the administering authority following a material change in their policy on any of the matters referred to in paragraph (2).

Pension fund annual report

57. —(1) An administering authority must, in relation to each year beginning on 1st April 2014 and each subsequent year, prepare a document ("the pension fund annual report") which contains—

- (a) a report about the management and financial performance during the year of each of the pension funds maintained by the authority;
- (b) a report explaining the authority's investment policy for each of those funds and reviewing the performance during the year of the investments of each fund;
- (c) a report of the arrangements made during the year for the administration of each of those funds;
- (d) for each of those funds, a statement by the actuary who carried out the most recent valuation of the assets and liabilities of the fund in accordance with regulation 62 (actuarial valuations of pension funds), of the level of funding disclosed by that valuation;
- (e) the current version of the statement under regulation 55 (governance compliance statement);
- (f) for each of the funds, the fund account and net asset statement with supporting notes and disclosures prepared in accordance with proper practices;
- (g) an annual report dealing with—
 - (i) the extent to which the authority and the Scheme employers in relation to which it is the administering authority have achieved any levels of performance set out in a pension administration strategy in accordance with regulation 59 (pension administration strategy), and

- (ii) such other matters arising from a pension administration strategy as it considers appropriate;
- (h) the current version of the statement referred to in regulation 58 (funding strategy statement);
- (i) the current version of the statement under regulation 12 of the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2009 (statement of investment principles)
- (j) the current version of the statement under regulation 61 (statements of policy concerning communications with members and Scheme employers); and
- (k) any other material which the authority considers appropriate.

Public Service Pensions Act 2013

[2013 c. 25](#) [Administration](#)

17 Regulatory oversight

- (1) Schedule 4 contains provision relating to the regulation of schemes under section 1, new public body pension schemes and connected schemes.
- (2) The Secretary of State may by order make—
 - (a) provision consequential on Schedule 4, and
 - (b) further provision for, or in connection with, the regulation of public service pension schemes within the meaning of the Pensions Act 2004 (as amended by that Schedule).
- (3) The provision referred to in subsection (2) includes provision made by amending any legislation (including this Act).
- (4) An order under this section may make different provision for different purposes.
- (5) An order under this section is subject to—
 - (a) the affirmative procedure, if it amends primary legislation, and
 - (b) the negative procedure, in any other case.

SCHEDULE 4 Regulatory oversight [section 17]

Amends the Pensions Act 2004 to cover Public Service Pensions and the Pension Regulator involvement

Section 16

Records

- (1) The scheme manager for a scheme under section 1 and any statutory pension scheme that is connected with it must keep such records as may be specified in regulations made by the Secretary of State.

The Public Service Pensions (Record Keeping and Miscellaneous Amendments) Regulations 2014

Records

3. For the purposes of section 16 of the 2013 Act, the scheme manager for a public service pension scheme must keep the records which are specified in regulations 4 to 6.

Records of member and beneficiary information

4.—(1) In respect of member and beneficiary information, the records which are specified are—

- (a) the name of each member and of each beneficiary;
- (b) the date of birth of each member and of each beneficiary;
- (c) the gender of each member and of each beneficiary;
- (d) the last known postal address of each member and of each beneficiary;
- (e) each member's identification number in respect of the scheme;
- (f) the national insurance number of each member who has been allocated such a number; and
- (g) in respect of each active member, deferred member and pensioner member—
 - (i) the dates on which such member joins and leaves the scheme;
 - (ii) details of such member's employment with any employer participating in the scheme including—
 - (aa) the period of pensionable service in that employment; and
 - (bb) the amount of pensionable earnings in each year of that employment.

(2) In respect of each member's rights and, where applicable, of each beneficiary's entitlement, to any benefits which are not money purchase benefits, injury benefits or compensation benefits under the scheme, the records which are specified are—

- (a) any formula or formulas used for calculating the member's or beneficiary's pension or benefit;
 - (b) the percentage to be applied in respect of revaluation for each year to the member's accrued rights to benefits under the scheme; and.
 - (c) any increase to be applied to the pensioner member's or beneficiary's pension or benefit in payment in each year..
- (3) In respect of each member's rights to any money purchase benefits under the scheme, the records which are specified are—
- (a) any investment decisions taken by, or in relation to, the member;
 - (b) any investments held on behalf of the member; and.
 - (c) any anticipated date of retirement notified by the member..
- (4) In respect of pension credits under section 29(1)(b) of the Welfare Reform and Pensions Act 1999(1) (creation of pension debits and credits) or under article 26(1)(b) of the Welfare Reform and Pensions (Northern Ireland) Order 1999(2) (creation of pension debits and credits), the records which are specified are records of any information relevant to calculating each member's rights under the scheme which are attributable (directly or indirectly) to a pension credit.
- (5) In respect of pension debits under section 29(1)(a) of the Welfare Reform and Pensions Act 1999 or under article 26(1)(a) of the Welfare Reform and Pensions (Northern Ireland) Order 1999, the records which are specified are records of any information relevant to calculating any reduction in each member's rights under the scheme which are attributable to a pension debit.

Records of transactions

- 5.** In respect of transactions, the records which are specified are—
- (a) any employer contribution or member contribution paid in relation to each active member;
 - (b) payments of pensions and benefits including the date of the payment;
 - (c) except where the payment is a payment under paragraph (b) or (f), payments made by, or on behalf of, the scheme manager to any person including—
 - (i) the name and address of the person to whom payment was made; and
 - (ii) the reason for that payment;
 - (d) any movement or transfer of assets from the scheme to any person including—

- (i) the name and address of the person to whom the assets were moved or transferred; and
 - (ii) the reason for that transaction;
- (e) the receipt or payment of money or assets in respect of the transfer of members into or out of the scheme including—
- (i) the name of that member;
 - (ii) the terms of the transfer;
 - (iii) the name of the scheme into or out of which the member has been transferred;
 - (iv) the date of the transfer; and
 - (v) the date of receipt or payment of money or assets;
- (f) payments made to any member who leaves the scheme, other than on a transfer, including—
- (i) the name of that member;
 - (ii) the date of leaving;
 - (iii) the member's entitlement at that date;
 - (iv) the method used for calculating any entitlement under the scheme; and
 - (v) how that entitlement was discharged;
- (g) payments made to any employer participating in the scheme;
- (h) any amount due to the scheme which has been written off in the scheme's accounts; and
- (i) any other payment to the scheme including the name and address of the person from whom it is received and, where a payment is made in respect of a member, the name of the member in respect of whom it is made.

Records of pension board meetings and decisions

6.—(1) In relation to any pension board meetings, the records which are specified are records relating to any such meeting including—

- (a) the date, time and place of the meeting;
- (b) the names of all the members of the pension board invited to the meeting;

(c) the name of any person who attended the meeting and the capacity in which each attended; and

(d) any decisions made at the meeting.

(2) In relation to any other decision made by the members of the pension board in the exercise of their functions as members of the pension board, the records which are specified are records relating to any such decision including—

(a) the date, time and place of the decision; and

(b) the names of the members of the pension board who participated in making the decision.

(3) In relation to any decision made by a committee or sub-committee of the pension board which has not been ratified by the pension board, the records which are specified are records relating to any such decision including—

(a) the date, time and place of the decision; and

(b) the names of the members of the committee or sub-committee who participated in making the decision.

Amendment of the Occupational Pension Schemes (Scheme Administration) Regulations 1996

7. For regulation 16A of the Occupational Pension Schemes (Scheme Administration) Regulations 1996) (exemptions from the requirement to notify the Authority or the member of a late contribution payment) substitute—

“Exemptions from the requirement to notify the Authority or the member of a late contribution payment

16A.—(1) Subject to paragraph (3), where an amount corresponding to any contribution payable on behalf of an active member of an occupational pension scheme—

(a) is deducted from that member’s earnings in respect of any employment; and

(b) is not paid to the trustees or managers of the scheme within the period of 19 days beginning on the first day of the month after which the deduction is made,

the trustees or managers do not need to give notice of the failure to pay that amount within that period to the Authority or member in the circumstances specified in paragraph (2).

(2) The specified circumstances are where the trustees or managers of the scheme are exempt from the requirement—

(a) to secure the preparation, maintenance and revision of a payment schedule for the purposes of section 87(1) of the 1995 Act (schedules of payments to money purchase schemes), by virtue of regulation 17; or

(b) to prepare, review and if necessary revise a schedule of contributions under section 227 of the 2004 Act (schedule of contributions), by virtue of any of subparagraphs (a) to (i) and (k) to (m) of regulation 17(1) of the Occupational Pension Schemes (Scheme Funding) Regulations 2005.

(3) Paragraph (1) does not apply in circumstances where the scheme is a public service pension scheme.

(4) For the purposes of this regulation—

“the 2013 Act” means the Public Service Pensions Act 2013;

“connected”, “new public body pension scheme” and “statutory pension scheme” have the meanings given in section 37 of the 2013 Act (general interpretation);

“public service pension scheme” means—

(a) a scheme established under section 1 of the 2013 Act (schemes for persons in public service);

(b) a new public body pension scheme;

(c) any statutory pension scheme which is connected with a scheme referred to in para (a) or (b).

Explanatory note for this amendment

Under section 49 of the Pensions Act [1995 \(c. 26\)](#) trustees or managers must notify the Pensions Regulator and the member where there is a late payment of a contribution where such late payment is likely to be of material significance to the Pensions Regulator’s functions. Regulation 16A of the Scheme Administration Regulations sets out exceptions to that duty. The amendments mean that managers of public service pension schemes under the 2013 Act cannot benefit from the exception and will now be subject to the duty to notify.

Avon Pension Fund Communications Policy Statement 2015

Avon Pension Fund vision statement:

“Avon Pension Fund delivers high quality, efficient and integrated services to members and employers at the forefront of innovation. We are renowned for high performance and effectively managing investments in a transparent and responsible way”

Avon Pension Fund aims:

- We work closely with members and employers to deliver better, more efficient and effective joined-up services
- We are recognised by members as integral to their life planning and financial well being
- We are recognised by employers as key partners supporting workforce and organisational developments
- Our staff are empowered, motivated and confident to re-design services to meet future demands
- We are committed to ongoing staff training and development
- We have a strong track record of leading the pensions sector with agility, creativity and innovation
- We have strong governance and are recognised for our transparency and consultative approach
- We deliver clear strategies to enhance the performance of the fund and our services and we continuously strive to improve.

Our communication aims:

We are committed to delivering a consistently high level of performance and customer service. Effective communication is core to this commitment.

Our communication aims are to:

- provide clear, relevant, accurate, accessible and timely information to all our audiences and stakeholders
- listen and respond appropriately to feedback we receive
- use plain language and avoid unnecessary jargon
- use communication channels which best fit the audience and the information being passed on
- be a more electronic communication-based Fund, utilising new communication technology (web, email, social media)
- support members to enable them to make informed decisions about their pensions by making information available
- be compliant with all legislative requirements with regard to communicating with members, such as the Pensions Regulator and Pensions Board

What the policy statement covers

The policy outlines the communications we provide to various audiences (our stakeholders, audiences and interested parties). A communications matrix shows an

at-a-glance overview of this (Appendix 1). Detailed information about the Fund's methods of communications is outlined in Appendix 2.

How do we communicate?

When deciding how to communicate we take into consideration our audience and the cost to the Fund. We aim to use the most appropriate and effective means of communication for the audiences receiving the information.

Our aim is to conduct the majority of communication with members in electronic format (via our website, online member self-service, email) as we become a more electronic Fund. However we will follow Disclosure regulations, which say that we should write to members about changes to their pension and that they can request in writing for continued use of paper-based communications, even if the Fund conducts the majority of its communications digitally.

The IT strategy outlines the work streams to move the Fund to more digital communications.

Access to communication

We want to ensure that all members can access our services, whatever their needs. All print and electronic communications are designed with consideration for those with additional needs. Our communications media is measured against accessibility standards and we can arrange large print, audio or Braille versions of all printed literature.

Increasingly we are using electronic forms of communication, but we will always 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.

Who we regularly communicate with:

- Scheme members (active, deferred and pensioners)
- Employing authorities (referred to as "Employers")
- Prospective scheme members
- Prospective employers
- Representatives of scheme members (trade unions)
- Avon Pension Fund Committee
- Avon Pension Fund Board Board
- Other bodies / organisations – such as:
 - Media
 - Investment managers
 - Actuary
 - Other funds
 - Department for Communities and Local Government (DCLG)
 - Local Government Association (LGA)
 - The Pensions Regulator
 - Advisers / consultants

Appendix 1 - Fund communications matrix

This outlines the current (as of March 2015) communication channels, their target audience and frequency

Communication material	Audience	Electronic	Paper based	Website	Face-to-face	Frequency	Reviewed
Avon Pension News	Active	✓	✓	✓		Twice a year	Ongoing
Avon Pensioner News	Pensioners	✓	✓	✓		Once a year	Ongoing
www.avonpensionfund.org.uk	All members / public	✓		✓		Ongoing	6 monthly
literature/publications/guides	All members	✓	✓	✓		Ongoing	Ongoing
“my pension online” (member self-service)	All members	✓	✓	✓		Ongoing	Ongoing
Pension clinics and seminars	All members				✓	Ongoing	
Personal appointments	All members				✓	Ongoing	
Benefit estimates	Active members	✓	✓			Ongoing	
Annual Benefit Statements	Active & Deferred	✓	✓	✓		Annual	Annually
Telephone and email contacts	All members/employers/public						
New starter packs	Active members	✓	✓	✓		Ongoing	Annually
www.apfemployers.gov.uk	Employers	✓		✓		Ongoing	6 monthly
Employer self-service (ESS) / iConnect	Employers	✓		✓		Ongoing	
Annual Report and Accounts	All members/employers/public	✓		✓		Annual	Annually
Employers' newsletter	Employers	✓		✓		4 times a year	Ongoing
Employer email updates and bulletins	Employers	✓		✓		Ongoing	Ongoing
Employer training and workshops	Employers	✓		✓		Ongoing	
Employers' Conference	Employers				✓	Once a year	
Employer Forum	Employers				✓	Twice a year	
Investment Forum	Employers				✓	Once a year	

Appendix 2 - Methods of communication

1. What the Fund provides for *scheme members*

It is essential that scheme members are provided with appropriate information regarding the pension scheme and their own benefits, to enable them to make informed choices and decisions.

Scheme members cover:

- **Active members** (people who are currently in the employment of a participating employer - 34,846 members*)
- **Deferred members** (people who have left the employment of a participating employer, but who have not yet retired - 35,321 members*)
- **Pensioners** (people who are in receipt of a pension from the Fund - 25,985 members*)

*membership figures as of 31 March 2014

- ***Scheme literature/publications/guides***

The Fund produces all paper-based and electronic communications, such as brochures, guides or individual letters in a corporate and branded style. A guide to the Local Government Pension Scheme and a fuller more detailed guide are available to active members (and prospective members). These guides are also available electronically on the Fund's website, and in hard copy format (also available in Braille and audio versions). Forms and factsheets are also available from the website or upon request in hard copy. Often these are sent as part of correspondence with members.

- ***Internet***

The Avon Pension Fund has two websites, one of which is aimed at members. www.avonpensionfund.org.uk is the Fund's public website for members, prospective members and the wider population. It's the Fund's main information resource for these different audience types. As well as an information resource on the LGPS the website contains downloadable forms and factsheets for members as well as being the portal for "my pension online" (see below for more details).

This website is currently (as of autumn 2014) being developed to provide a more customer-focussed content platform, with information relevant to the various audiences and member life stages. The site will have more self-service functionality such as online forms and closer integration with "my pension online", as well as being accessible on mobile platforms (tablets and smart phones).

- ***"my pension online" (member self-service)***

Through the Fund's public website, scheme members can securely access their pension details held on the Fund's pension database. This facility allows members to check their personal details and advise the Fund of changes and produce estimates of their potential LGPS benefits.

Pensioner members have the facility to view and/or print their Pensions Payment Advice slips and/or P60s.

- **Newsletters**

For active and deferred members the Fund produces its newsletter *Avon Pension News* at least twice a year. The newsletter contains articles on changes to the LGPS regulations, summary of the Fund's Annual Report and Accounts and any relevant information and promotional messages for members. The newsletter is currently posted to members, but it is also available electronically on the Fund's public website and through "my pension online".

For pensioner members, *Avon Pensioner Newsletter*, is produced at least once a year and is posted out to members along with their pay slip (usually in April). The newsletter includes information about pensions increase, pay day dates and reminders about changes of address or bank details. The newsletter is also available electronically online and through "my pension online".

- **Pension clinics and seminars**

Pension clinics for members are often held at the request of employers. This involves pension officers visiting employers' sites to discuss benefits on a 'one-to-one' basis with active members. Pension officers are also available to participate in pre-retirement seminars organised by employers.

- **Personal appointments**

Members can make appointments to visit the Fund to discuss their benefits on a "one-to-one" basis. The Fund's office opening hours are Monday to Thursday 8.30am to 5pm and Friday 8.30am to 4.30pm.

- **Annual Pension Benefit Statements**

Each year all active and deferred members are sent an Annual Pension Benefit Statement. Statements are sent by post to the home address or, alternatively, can be viewed on "my pension online".

The statement summarises the basic information we hold about them such as date of birth, hours of work, pay for pension purposes and gives estimates of the current and future value of the member's benefits. It also shows an estimate of the survivors' pension benefits.

Members may also request an estimate of benefits at any time, by phone, letter or email.

- **Pay advice slips and P60**

The Fund issues payslips to scheme pensioners in March, April and May each year. The April advice shows the effect of the annual pension increase and the May advice shows any tax changes. We do not send pensioners a pay slip during the rest of the financial year unless their pension amount changes by £5 or more. Early in the financial year pensioners also receive a P60 advice.

- **Telephone and email contacts**

The Fund has a dedicated telephone number (01225 477 000) and a free phone number for pensioners (0800 0644 155).

The fund has a generic email address for all enquiries:
avonpensionfund@bathnes.gov.uk

2. What the Fund provides for new / prospective members

- ***New starter packs***

Each member joining the scheme receives a new starter pack, issued along with their contract of employment. This pack contains a scheme guide that explains rights, benefits and options for the new employee, as well as information on transferring previous pension benefits. In most instances this pack is sent electronically via a web link to the Fund's website. Hard copies of the pack are available upon request from the employer.

- ***Website***

The Fund's website (under the 'Thinking of joining' section) contains information on joining the LGPS and the benefits of the scheme.

- ***Other employer communications***

The Fund actively works with employers to utilise their existing communication channels, such as intranets and noticeboards, to promote the pension scheme and its benefits to employees, where appropriate.

3. What the Fund provides for employers

To assist employers participating in the scheme, the Fund has a range of communication materials and methods to help increase their understanding of pension issues and to fulfil their responsibilities as scheme employers. By continuing to work in partnership we are all able to provide a better service to our members.

- ***Internet***

www.apfemployers.gov.uk is the website specifically dedicated to employers. The site is username and password protected and holds details specific to individual employer organisations, which only they can access (with the Fund having administrator rights). This is a popular and well-received resource as provides a wealth of information and guidance for employers. There are downloadable forms and factsheets, online bookable training system and links to the Employer Self Service facility (see below).

- ***Employer self-service (ESS)***

This enables employers to transfer and update data electronically to the Fund. This includes uploading new starters, pay changes and changes of member details. This links directly to the Fund's pension database system.

- ***iConnect***

The larger employers are now using this middleware software system to link transfer bulk member data from their payroll system to the Fund.

- **Annual Report and Accounts**

Our annual report, which contains the Fund's statement of accounts is available on both websites and a link is emailed to the employers.

- **Email updates and bulletins**

Ad hoc email messages and updates are sent employers with information about issues and training opportunities.

- **Employers' newsletter**

A branded electronic newsletter is sent to employers four times a year.

- **Employers' Conference**

All employers are invited to this annual event which includes presentations on topical pension issues including regulation changes.

- **Employer training and workshops**

The Fund offers a programme of training to all employers on the LGPS and their role in administering the scheme. Training covers the full range of administrative and regulatory activities, as well as ESS training. Workshops are also offered on specific topics, for example discretionary policies. Training and workshops are advertised on the employers' website, through email bulletins and newsletters, and are bookable online.

- **Employer Forum**

These forums keep employers up-to-date with LGPS developments and provide a forum to discuss common issues and share good practice. These are held twice a year.

- **Investment Forum**

The Investments Forum focuses on the investment strategy and actuarial developments. This is held once a year.

4. What the Fund provides for prospective employers

The Fund provides information to prospective employers to ensure they understand the LGPS Regulations, their implications and the role of a scheme employer.

The Fund will provide information which facilitates a smooth transition in respect of prospective employers to which LGPS members may TUPE transfer, such as schools which become academies and contractors providing a service to a scheme employer. Information is available on the APF employers' website.

5. What the Fund provides for its staff

Regular email bulletins are sent to staff to keep them updated with the activities of the fund. Training events and briefings on specific topics are held. All newsletters and other communications to members are shared with staff to ensure they are familiar with what the Fund is saying.

6. What the Fund provides for *Avon Pension Fund Committee*

The Avon Pension Fund Committee meets quarterly to monitor activities of the Fund and its administration and takes decisions as necessary. It gives the Fund its strategic direction.

The Committee exercises a wide range of powers over Fund administration under its Terms of Reference. The Investment Sub Committee meets more regularly to review investment performance and examine opportunities for improvement in investment strategy.

Reports of these bodies are made available to the public in advance on request and at meetings. The reports and minutes of these meeting are also available on the website.

7. What the Fund provides for *Avon Pension Fund Board*

- A dedicated website page on the council's public website
- Ad hoc articles in Avon Pension News

8. Liaison with other organisations

The Fund maintains regular and ad hoc communications with the following organisations, providing information and responses where necessary:

- Trade Unions
- The media
- South West Area Pensions Officers Group (SWAPOG)
- South West Investment Managers (SWIM)
- Local Government Association (LGA)
- CIPFA Pensions Panel

ICT Strategy

The ICT vision for Pensions Administration is to be able to “deliver high quality, efficient and integrated digital services to employers and members” in an increasingly regulated and financially complex environment.

This inevitably requires a step change in the way that the Fund and Employers work together and utilise technology for the benefit of all stakeholders. Specifically designed solutions are needed to achieve a significant degree of self-service, bringing greater efficiency in the wake of growing demand, releasing resources to support the control framework of the digital model and support employers directly at the front end and with higher value service.

Drivers for change

Whilst many of the drivers for change have been known and emerging for some time, demand growth and the financial climate are now the catalysts for greater focus on IT as the Fund and Employers grapple with a number of significant pension changes.

- There has been significant growth in employers and membership bringing with it a commensurate growth in demand, fuelled by the need for information about the Care Scheme and the ongoing downsizing and reorganising of public sector service provision
- The Care scheme itself requires far more data to be maintained about employees, compounded by the necessity to regularly auto enrol opted out members and the data management requirements of the Pensions Regulator
- The membership structure is highly complex with alternative working patterns created almost daily as employers look for increasing flexibility across the workforce.
- The Government Actuaries department will also demand greater granularity of data as its cost sharing mechanism comes into force for future valuations from 2016
- Giving people greater freedoms over their pensions is a new ethos in the private sector and the impacts for public sector schemes are still to be understood.
- In the current financial climate, there is a need to operate as efficiently as possible and reduce the strain on the public purse and the Fund must play its part.
- The needs of employers are changing with many unaware of their complex pensions obligations and requiring the Fund to vary its service offer.
- Finally technology has taken major steps forward over the past decade in particular and the digital economy is now accessible to a wider community through mobile applications development, changing clients expectations about the way they want to engage with the Fund and want the Fund to engage with them

ICT Service Delivery Objectives

ICT is now critical to the daily operations of the Fund Administration and is a key enabler of service improvement, sustainability and good governance. Its objectives can therefore be stated as;

- A. To manage control and make available accurate and timely member data to inform decision making and inform members and stakeholders about their respective benefits and liabilities
- B. To maintain a high level of compliance and Governance standards in the Funds transactional and information management arrangements.
- C. To make this information available via multimedia channels in a secure way to ensure that members and employers are able to access information and services through all available technology
- D. To enable self-service in all communications and transactions between the Fund, its members and Employers
- E. To enable a fully digitised operating environment where all casework is electronically managed and processed
- F. To enable services to be delivered at any location, at any time from any device
- G. To manage technology risk and provide business continuity
- H. To ensure that technology skills are continuously developed and refreshed
- I. To ensure that ICT support arrangements are capable of supporting a highly digitised operating environment and continuously developing efficiency and improvement opportunities
- J. To establish meaningful partnerships with software providers enabling the fund to realise its service delivery ambitions
- K. To establish effective partnerships with stakeholders, employers and other agencies and organisations delivering innovation and service excellence

ICT Improvement Strategy

Whilst the Fund has invested significantly in ICT over the years there is further work that needs to be undertaken in order to enhance service provision and strengthen governance and development of this important area. The ICT Strategy therefor has several strands;

- Maximising the use of existing technology
- Developing new facilities and services
- Building effective partnerships with key partners
- Developing the ICT support function
- Developing Management information
- Investing in core skills
- Ensuring services are tailored to customer needs

Maximising the use of Existing Technology

This has thus far is proved difficult for three reasons; the resourcing difficulties within employers, the priority and resourcing allocated to this within the Fund and the inability of suppliers to focus on support due to the developments required of the CARE scheme. Now that the Care Scheme has been established improving our existing functionality will now take priority, in particular mobilising case management automation, integrating existing work a-rounds into core product, data transfer to and from employers and extending self-service facilities.

Developing new facilities and services

The Fund has identified a number of developments which will enable improved interaction with customers and employers. These include enhancements to the website and its functionality; building connectivity with related service providers (eg AVC) to provide a one stop shop for pensions; improving access channels to better reflect modern communication tools; Implementing a document management system either in conjunction with the Councils own development or with an external supplier; introduce an online actuarial tool enabling employers to better manage their funding position; improving mobility of staff to enable improved localised services; improved sign posting of services and a greater emphasis on self- service.

Building effective business partnerships with Suppliers

A legacy of the way the ICT market has developed in the LGPS world is that there are very few providers and one with a dominant market share. Development when not driven by legislation is by means of consensus forcing a one paced response to demands. If the Fund is to manage its demand pressures effectively, a different relationship needs to be established whereby the Fund can advance its ideas and innovations in partnership with a committed supplier. This may mean that the Fund engages in more development and testing but will be rewarded with a more bespoke product rather than one which is designed by someone else. However it may also mean that the Fund will test the market to ensure that its suppliers are delivering value for money and the innovative solutions demanded of the future

Developing an ICT support function to support ongoing delivery and improvement

ICT is supported in the Fund by a small team whose skills have developed as the system itself has developed. The core team of 3 FTE's is insufficient to support the step change in technology required and to effectively manage supplier relationships a more robust solution is sought. One option would be to grow the team, enhancing it with the necessary skills a further option would be to integrate with the Councils own Finance systems team which would provide wider access to skills and greater resilience. It may be that a combination of both is required

Developing management information

As the fund continues its transformation journey the need for timely and useful management information is a necessity in ensuring effective and relevant service delivery and effective governance in the digital age. Such information in respect of performance, quality and accuracy, permeates all aspects of our service whilst information on demand growth is important in shaping services going forward. Compliance plays an increasingly important part in the need to develop good quality data sets particularly as the The Pensions Regulator sets out its agenda and the cap and collar mechanism has a bigger influence on contribution rates and benefits. Understanding more about the membership structure and performance is key to effectively managing it. The implementation of a fully automated TASK management system will enable comprehensive reporting on Fund and employer performance and revised reporting suites will be devised in line with TPR requirements for presentation to Pension Fund Committee and for Service Level meetings with employers.

Investing in core skills

It is expected that over the next five years the focus of administration will move away from processing data to controlling information flows and customer engagement, requiring a change in some roles and an increase of ICT infrastructure support as systems grow in use and complexity. The Fund will need to continue to invest in these emerging core skills and will need to consider how it can maintain its resilience possibly through greater collaboration and partnership

Ensuring services are tailored to customer needs

Pensions are hugely complex to the extent that most people will need some financial advice at some point in order to maximise their benefit or run the risk of not doing so. Government freedoms also mean that individuals need to consider the totality of their pensions together and this may even impact on career choices, opting in or out and personal relationships. Whilst not overtly stated the direction is clear in that we need to work more closely with other agencies if we are to help individuals navigate this complex path. More importantly though our communication strategies and the tools we use will be crucial to getting that message across.

Key Delivery Stages

The APF is in a strong starting position from which to make further improvements but nevertheless the developments will require a programmed approach over a period of three or more years

The most effective way of delivering the strategy is through a number of structured workstreams as follows

Workstream 1:-

Phase 1 - Putting in place the necessary ICT support structure (April to December 2015)

This will enable all project developments to be properly governed and managed and the emerging operating environment to have the appropriate

control infrastructure; and will include putting in place localised staffing support, contractual review and delivery arrangements

Phase 2 – Investing in Core skills (current & ongoing)

This will primarily support Phase 1 to ensure sufficient system knowledge to support the activities of the administration. There will be ongoing user training as part of the Funds on training programme or project implementations for specific stakeholder groups. It is anticipated that embedded working can take place with our suppliers to enhance systems knowledge.

Workstream 2: – Creating a shared development Agenda with Software Suppliers (current to end 2015)

This will focus on a number of critical areas

- Improving processes within the system administration in particular automating those process which still require excessive intervention (ie; known error list)
- Consolidating the Employer entry portals to a single access channel which caters for all categories of employer and transaction
- Developing the self-service agenda for employers effectively automating processes and removing Fund intervention
- Implementing Document Management System
- Developing online Actuarial tool kit.

Workstream 3: Electronic Delivery of Employer Data (current to end 2016/17)

This will enable the automated transfer of pension's data and facilitate other transactional activity between most employers and the Fund, to update member records on a continuous basis with minimum intervention – currently at 75% expected to achieve 99%

Workstream 4: Developing Website and Members Services (Ongoing to March 2017)

This will involve both enhancements to systems and website to provide a suite of information and functionality delivering more relevant information to users, targeted where possible, greater use of nationally available material such as video and training suites, and greater self-service functionality.

Workstream 5: Developing Operational Processes and Management Reporting (current – Sept 2015)

This workstream will

- Prioritise the Pensions Regulator Improvement plan requirements and then develop reporting data to enable better understanding of the membership mix, workload generation, performance and employer profiling.
- Streamline workflow and Task Management with the aim of guiding Administrators through processes

- Introduce Process Automation
- Remove paper trail
- Redesign and automate management & employer reporting.

A high level implementation roadmap is attached for information showing the key stages of delivery. More information will be made available to employers and members as the workstreams are implemented.

DRAFT

Our performance standards of service to members

This outlines service standards and response times that you can expect from us. Service standards for employers are covered in Service Level Agreements.

Who	Service	Actions / triggers	Timescale
New active members	Transfers in	Acknowledge the member's request for transfer details, calculate the estimated benefits that a transfer value will buy for the member and issue a quotation, following receipt from the member's previous scheme and any additional essential information required from Her Majesty's Revenue and Customs (HMRC)	Within 10 working days
		Request payment of the transfer value, following confirmation from the member that the transfer is to be made	Within 10 working days
		Confirm the actual benefits purchased by the transfer value to the member, following receipt of payment from the member's previous scheme and confirmation (where necessary) of the member's accrued guaranteed minimum pension (GMP) from HMRC	Within 10 working days
Existing active members	Benefit estimates	Issue a quotation, following request	Within 10 working days
	Annual Pension Benefit Statement	Send member statement, provided pay details are received from employers promptly after the close of each financial year and that we hold all of the relevant information Statement sent to the member, either by post (to their last known address) or electronically through "my pension online" via the Fund's website	Annually (by 31 August)

		<p>The statement will show:</p> <ul style="list-style-type: none"> • the estimated current value of their accrued benefits • the value of their prospective benefits at normal pension age • the estimated current value of their death-in-service benefits 	
	Paying extra contributions	Provide information to member wishing to pay extra contributions to buy additional pension benefits (Additional Pension Contributions) following request	Within 10 working days
	Retirements	Send details of the benefits payable and pay the member's tax-free cash lump-sum, following receipt of the information required from the member's employer and/or the member	Within 20 working days
	Deaths	Send initial letter acknowledging death, following receipt of the information required from the late member's employer	Within 5 working days
		Pay the lump-sum death grant, following receipt of Grant of Probate (or other appropriate documentation) or authorisation from two delegated officers	Within 5 working days
	Early leavers	We will send details of the benefit options available, following receipt of information required from the employer	Within 20 working days
	Refunds	Pay a refund following member's request for payment	Within 10 working days
	Transfers out	Issue a quotation (guaranteed for three months) following member's request and confirmation of the member's accrued GMP/State Second Pension from HMRC	Within 10 working days
		Pay the transfer value, once confirmation from the member that the transfer is to be made and all of the information we require to make payment is received	Within 10 working days
	Newsletters	Send, either electronically or by post, a newsletter (Avon Pension News) to members	At least twice a year

Deferred members	Benefit statements	Provide a benefit statement following deferred member's request for details of the current value of their deferred benefits	Within 10 working days
	Annual Pension Benefit Statement	Provide each deferred member with a benefit statement, showing the current value of their preserved benefits, provided we have a current address	Annually (by 31 August)
	Deferred Benefits into Payment	Provided we hold a confirmed address we will write to the deferred member requesting an original birth certificate plus the member's National Insurance number before we send details of the benefits that are due and any options that may be available. If we cannot confirm the address we will make every effort to trace the deferred member	Within 1 month prior to NPA
Pensioner members	Changes in personal details	Update a pensioner's payroll record with any changes to personal details following receiving written notification (by post or email) Due to the nature of payroll administration, such changes may not take effect until a subsequent payroll has been run. Confirmation of changes to bank details will be advised on the next available pay advice	Within five working days
	Newsletter	We will send, either electronically or by post, a newsletter (Avon Pensioner News) to pensioners. This will be sent out with the pension pay advice slips	At least once a year
	Deaths	Acknowledge receipt of a notification of the death of a pensioner and start action to put into payment any dependants' benefits, following notification	Within four working days

Avon Pension Fund Customer Service Charter

The Avon Pension Fund aims to give a consistent level of service to customers, in an efficient, effective and courteous way, no matter how customers contact us.

Our **Customer Standards** apply to all our services and mean that customers can get the responses they need, consistently across the entire Fund. When dealing with enquiries, we will:

- Be helpful, polite and accessible, identifying and addressing any specific needs with sensitivity, tact and diplomacy
- Aim to deal with things as quickly as possible and follow through to deliver what we promise, dealing with any problems that arise
- Ensure that the information we give is timely, accurate and comprehensive
- Ensure we treat our customers fairly
- Use appropriate technology to manage and fulfil our customer requests , recording contact details accurately and securely, and treating communications confidentially
- Where appropriate, provide enquiry references so that details can quickly be recalled, if needed
- Regularly ask for feedback about our customer service – and use this feedback to help shape the services we deliver
- Ensure our services are easy to access, no matter which way we are in contact, as detailed in the table below.

In return we need you, our customer, to:

- tell us clearly and succinctly the nature of your enquiry
- give us the correct information at the right time
- let us know if you no longer require a service, or wish to cancel an appointment we have previously made for you
- inform us of any change to circumstances such as address, status and contact details
- tell us if we exceed your expectations or don't deliver a service to your satisfaction
- treat our staff courteously and politely

When we are in contact	Our Customer Standard
<p>In Person</p> <p>Whenever we meet, whether you visit us at any of our offices and facilities or if we arrange to come to you.</p>	<p>We will:</p> <ul style="list-style-type: none"> • Offer a welcoming efficient service • Ensure our identity badges are visible at all times • Display opening times and be open when we say (our office opening hours are Monday to Thursday 8.30am to 5pm and Friday 8.30am to 4.30pm) • Provide a safe, tidy and clean environment for you to visit and use • See you on time when you have made an appointment at our offices. If we have to cancel appointments, we will let you know and re-book a mutually agreeable time • Aim to minimise the amount of time you wait to see someone, and; • Keep you informed of current waiting times
<p>By Phone</p> <p>When we need to use the phone.</p>	<p>We will:</p> <ul style="list-style-type: none"> • Publish our contact phone numbers to allow easy access to our most frequently requested services and aim to answer 80% of calls within 45 seconds (15 rings) during service opening hours. • Route enquiries and requests to the most appropriate trained and knowledgeable person/team to deal with your enquiry • Always answer the phone giving our name and department • We will take a message and ensure the right person calls you back if we cannot respond immediately
<p>In Writing (email or letter)</p> <p>Whether you write to us by email, letter or via our online webpage forms.</p>	<p>We aim to:</p> <ul style="list-style-type: none"> • Respond to all written enquiries within 10 working days. This means either: <ul style="list-style-type: none"> ○ A full response to your enquiry, or; ○ If we need to take longer to give a fuller response, we'll tell you why and what the next steps are, or; ○ Some email or web-based requests may be automatically acknowledged immediately and provide information about next steps • Write clearly and concisely, so that information is easy to read and understand • Include a named contact person and phone numbers in our correspondence when appropriate • Use email wherever possible but use another method if it's your preference or a statutory requirement
<p>By web and web-self service</p> <p>We provide many self-serve online services, available to use 24/7.</p>	<p>We will:</p> <ul style="list-style-type: none"> • Make more of our services available online, to use at a time that suits you • Ensure our online services can easily be found on our website, are clear and easy to use • Operate secure online services, where your personal data is safe • Explain clearly how to contact us in other ways if you need support

<p>However you contact us</p> <p>For some specific types of customer request we work to defined business processes or statutory timescales.</p>	<p>Comments, compliments and complaints</p> <p>We welcome feedback about any aspect of the service we provide. You can make a comment, compliment or a complaint by contacting:</p> <p style="padding-left: 40px;">Geoff Cleak Pensions Manager Avon Pension Fund Bath and North East Somerset Council Lewis House Manvers Street Bath BA1 1JG</p> <p>Email: avonpensionfund@bathnes.gov.uk</p> <p>What if your complaint has not been resolved or you're not satisfied with the outcome?</p> <p>If you are not satisfied with any decision affecting you, you have the right to ask for it to be looked at again under the formal complaint procedure, known as the Internal dispute Resolution Procedure (IDRP). More information can be found on our website at: http://www.avonpensionfund.org.uk/customerservice/complaintsprocedure.htm</p> <p>Freedom of Information (Fol) requests</p> <ul style="list-style-type: none"> • We are required to respond within 20 working days
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Schedule of Additional Administration Charges

Avon Pension Fund Schedule of additional charge to employers for Non-Compliance

Most Employers submit accurate data and pay correct pension contributions on time. However when there is **late or inaccurate submission of data or late payment of contributions** the consequent costs to the Fund are met from *all* Employer's contributions which is unfair.

In order to promote efficiency, reduce costs and better target the costs of non-compliance, the following **additional** charges will be made.

Item	Trigger	Additional Charge
Monthly contributions LGPS50 forms	Late submission	£50 per occasion
Monthly Contributions	Late Payment	Interest at base rate plus 1% as per the 2013 LGPS regulations
Year End LGPS51 form and Pensionable Pay data	Late submission or incomplete or poor quality	£250 per occasion plus £100 per month or part <i>thereof</i>
Starter Forms	Submission later than SLA target	£50 per month per electronic notification
Leaver Forms	Submission later than SLA target	£50 per month per electronic notification
Disproportionate work	Any data submissions or actions that create a disproportionate amount of work (*also see below)	£50 per hour of additional work

*Avon Pension Fund is committed to implementing electronic processing and delivery . As these facilities become available and are introduced to Employers, the Fund reserves the right to make additional charges for disproportionate work to those Employers who fail or refuse to adopt them.	£50 per hour of additional work
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*It is currently estimated (for indicative purposes) that the additional work undertaken as a consequence of chasing / processing late submissions of the year end data will be one hour for each month that data is late .
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Bath & North East Somerset Council		
MEETING:	LOCAL PENSION BOARD - AVON PENSION FUND	
MEETING DATE:	5th November 2015	AGENDA ITEM NUMBER
TITLE:	Avon Pension Fund Work Plans	
WARD:	ALL	
AN OPEN PUBLIC ITEM		
<p>List of attachments to this report:</p> <p>Appendix 1 – Investments Workplan to 30 June 2016</p> <p>Appendix 2 – Pensions Benefits Workplan to 31 December 2015</p> <p>Appendix 3 – Committee Workplan to 31 March 2016</p> <p>Appendix 4 – Investments Panel Workplan to 31 March 2016</p> <p>Appendix 5 – Training Programme 2015 - 2017</p>		

THE ISSUE

The purpose of this report to inform the Pension Board of the various work plans of the different elements of the Pension Fund.

RECOMMENDATION

That the Board

Notes the report and considers the items raised with regards to their future work plan.

FINANCIAL IMPLICATIONS

There are no direct implications related to the Pension Board in connection with this report.

1 REPORT

The purpose of this report is for induction purposes and developing knowledge of the Fund as the Work Plans inform the Pension Board's understanding of its own work plan requirements.

The Head of Business Finance and Pensions will give a verbal update at the meeting of the issues the Pension Board should be taking into consideration.

Work Plans enable members to have a better appreciation of their future workload and the associated timetable. In effect they represent an on-going review of the

Service Plan while including a little more detail. The plans are however subject to change to reflect either a change in priorities or opportunities / issues arising from the markets

The work plans and training plan will be updated with projects arising when these are agreed

The provisional training programme for 2015-17 is also included so that Members are aware of intended training sessions and workshops. This plan will be updated quarterly. It also includes a summary of the work the committee undertakes to meet the requirements of CIPFA's Knowledge and Skills Toolkit.

RISK MANAGEMENT

A risk assessment related to the issue and recommendations has been undertaken, in compliance with the Council's decision making risk management guidance and there are no significant or material risks to report.

EQUALITIES

A proportionate equalities impact assessment has been undertaken and there are no significant issues to report.

CONSULTATION

Report and Issues have been subject to consultation with the S151 Officer and Strategic Director of Resources.

Contact person	Jeff Wring, Head of Audit West 01225 477323
Background papers	
Please contact the report author if you need to access this report in an alternative format	

INVESTMENTS TEAM WORKPLAN TO JUNE 2016

Project	Proposed Action	Committee Report
Member Training	Implement training policy for members (and then officers) in line with CIPFA Knowledge and Skills Framework and Toolkit (when issued). Arrange training sessions as necessary to Ensure that all Committee members stay abreast of the latest developments in the world of local government pensions by being given the opportunity to attend seminars Training programme for new members in place	On-going
Review manager performance	Officers to formally meet managers as part of monitoring process See IP workplan for Panel meetings	Ongoing
Investment strategy & projects	Projects delegated to Panel for implementation or further investigation further. <ul style="list-style-type: none"> • Review of FX hedging programme • Liability hedging – preliminary work to start in 2H14/15 • Use of tactical ranges and “others” • RI Policy Review 	In progress In progress Panel reports 4Q15 Committee 2Q16
Monitoring of employer covenants	Annual monitoring of changes in employers financial position	On-going
Review AVC arrangements	Review choice of investment funds offered for members	4Q15
Review AAF 01/06 & SAS70 reports	Annual review of external providers internal control reports	Annually 3 rd quarter
Investment Forum	To discuss funding and investment strategies and issues	4Q15 as part of Employers Conference
Ill health insurance options	Investigate options for insuring ill-health pension costs for smaller employers	Commenced 2Q15
Establish Pensions Board	Training plan	From July 2015
Document Management System	Create structure for document management system ready for using Council solution or alternative provider	Commence 1Q16 (dependent on corporate solution)
2015 Interim Valuation	As at 31 March 2015; preparatory work 2Q15	Commence 2Q15 Committee workshop 4Q15
2016 Actuarial Valuation	As at 31 March 2016; review Funding Strategy Statement	Preparatory work starts 2Q16
Pooling of investments	Participate in exploring options for pooling	On-going

	Proposals required in 1Q16	
Statement of Investment Principles	Revise following any change in Fund strategy/policies.	On-going
IAS 19	Liaise with the Fund's actuary in the production of IAS 19 disclosures for employing bodies	No report
Final Accounts	Preparation of Annual Accounts	Annually 2 nd quarter

PENSION ADMINISTRATION TEAM WORKPLAN TO 31 December 2015

Project	Proposed Action	Report
Employer Self Service rollout	Employer Self Service roll-out and training of all remaining employers to enable full electronic data delivery. Due completion March 2016	Ongoing
i-Connect software – to update member data on ALTAIR pension database automatically monthly	All Unitary Authorities Live On-boarding and set up of Avon Fire & UWE Market to other employers during 2015/16 once complete.	4Q15 4Q15 Commence 1Q16
Move to Electronic Delivery of generic information to members	Continue to move to electronic delivery to all members (other than those who choose to remain with paper). Campaign to increase the sign up of members to Member Self Service (<i>My pension online</i>)	Ongoing Ongoing
Successfully Implement New Fire Scheme Pension Reform	To follow through Project Plan to effectively implement and communicate the New Fire Scheme. Including staff training & member presentation sessions	Completed Completed
Historic Status 9 Cases (Old member leaver cases with no pension entitlement. Previously untraced)	Identify cases and contact former members (tracing agent) concerning pension refund payment.	Ongoing Completion due 16/17
TPR Requirements	Data Quality Management Control – ensure processes and reporting in place to reflect TPR compliance.	Report to Committee - September 2015
Guaranteed Minimum Pension (GMP) Data Reconciliation Exercise Following cessation of Contracting out section April 2016	Carry out full reconciliation with HMRC records to mitigate risk from holding incorrect GMP liability	Ongoing Report to Committee December 2015
2014/15 Year End Process	Ensure complete data receipt from employers and carry out reconciliation process. Issue member ABS prior to 01/09/2015	Completed
Review Workflow & Data Processing	Implement new Task Workflow Arrangements. Introducing new software – Process Automation	Completion due 4Q15

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Committee Workplan to 31 March 2016

DECEMBER 2015
Review of Investment Performance for Quarter Ending 30 September 2015
Pension Fund Administration – Budget Monitoring 2015/16, Performance Indicators for Quarter Ending 30 September 2015 and Risk Register Action Plan
Report on Investment Panel Activity
Interim Actuarial Valuation 2015
Review options for Ill health insurance for smaller employing bodies
LGPS Pooling of Investments - Update
Workplans
Planned Workshops: Interim Valuation (12 October 2015)

MARCH 2016
Review of Investment Performance for Quarter Ending 31 December 2015
Pension Fund Administration – Budget Monitoring 2015/16, Performance Indicators for Quarter Ending 31 December 2015 and Risk Register Action Plan
Budget and Service Plan 2016/19
Audit Plan 2015/16
Scheme and Admitted Employer update
Managing Liability Risk
Report on Investment Panel Activity
Review of AVC arrangements
Workplans
Planned Workshops: Actuarial policies – admissions, exits, covenant assessment (February 2015)

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INVESTMENT PANEL WORKPLAN to March 2016

Panel meeting / workshop	Proposed agenda
Panel Meeting 8 September 2015	<ul style="list-style-type: none"> • Review managers performance to June 2015 • Managing liabilities – preliminary report • Review of decision to hedge FX exposure
Panel Meeting 18 November 2015	<ul style="list-style-type: none"> • Review managers performance to September 2015 • Framework for allocating to “Other Bonds” and “Other Growth” assets • Use of tactical ranges within strategic asset allocation (flexibility to protect portfolio, take advantage of opportunities) • LDI – follow up
Meet the managers workshop (TBA)	<ul style="list-style-type: none"> • Meet the managers workshop <ul style="list-style-type: none"> ○ Genesis ○ Pyrford ○ RLAM ○ Unigestion
Panel Meeting 1Q16 (TBA)	<ul style="list-style-type: none"> • Review managers performance to December 2015 • AVC Review • Managing liabilities – recommendation to Committee Workshop: Meet the managers

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Committee training programme 2015-17

	Topic	Content	Format	Timing
1	Governance	Overview of governance structure Overview of Fund LGPS Scheme Advisory Board The Pensions Regulator Codes Agenda for June Committee meeting	Committee Workshop	Morning of June 2015 Committee meeting
2	Overview of Fund Strategies	Scheme outline and structure Administration Strategy Communications Strategy Risk Register	Committee Workshop	Morning of 25 September 2015 Committee meeting
3	Actuarial Valuations	Valuation methodology Recap on 2013 valuation 2015 interim valuation outcome LGPS Cost Cap Mechanism	Committee Workshop	½ day October 2015
4	Covenants, admission and exit policies	Covenant assessment process Admission and exit policies and funding basis used	Committee Workshop	½ day in February 2016
5	Investment strategy	Asset allocation & Statement of Investment Principles Investment strategies e.g. active vs. passive Investment management structure Process for appointing managers Monitoring managers and performance measurement Fees	Investment Panel Workshop	Morning of 11 September 2015 Panel meeting (and on adhoc basis)
6	Managing liabilities	Understanding objective Potential solutions Impact on bond portfolio Impact on funding level Proposed framework Recommendation: Objective and proposed framework	Investment Panel meetings Committee Meeting	 June 2016
7	Responsible Investing	Objective and rationale Current policy	Committee Workshop	Morning of June 2016 committee meeting

Training Programme and the CIPFA Knowledge & Skills Framework (2015/16)

Topic	Related CIPFA Knowledge & Skills Framework areas:	Timing
Fund Governance and Assurance	Legislative & Governance, Auditing & Accounting Standards, Procurement & Relationship Management	June committee meeting (through committee paper on responsibilities and new committee training); introductory workshops
Manager selection and monitoring	Investment Performance & Risk Management	Ongoing by Panel in quarterly monitoring of manager performance Annual report to Committee by Investment Consultant (June Committee meeting)
Asset Allocation	Investment Performance & Risk Management, Financial Markets & Products	On-going through monitoring of strategy, Workshops on investing in different assets, strategic allocation e.g. Liability investing
Actuarial valuation and practices	Actuarial Methods, Standards and Practices	Funding update reports quarterly to Committee 2015 interim valuation workshop; covenant and funding policies workshop

Bath & North East Somerset Council		
MEETING:	LOCAL PENSION BOARD - AVON PENSION FUND	
MEETING DATE:	5th November 2015	AGENDA ITEM NUMBER
TITLE:	Work Plan	
WARD:	ALL	
AN OPEN PUBLIC ITEM		
List of attachments to this report: Appendix A – Outline Work Plan		

1 THE ISSUE

- 1.1 The purpose of this report to present the outline of the Work Plan for the Board. Board Members are asked to consider the suggested approach and input into the plan attached at Appendix A.

2 RECOMMENDATION

That the Board

- 2.1 Notes the report and endorses the work plan outlined in Appendix A.

3 FINANCIAL IMPLICATIONS

- 3.1 There are direct implications related to the Pension Board in connection with this report, however until the Work Plan is finalised these are difficult to estimate. A further report on the budget for the Pension Board is recommended to be considered at the next meeting of the Board.

4 REPORT

- 4.1 In developing a work plan the Board should reflect the need to maintain a balance between building the knowledge and understanding of the LPB Members in its first year and delivery of the statutory obligations of the Board.
- 4.2 In doing so, consideration should be given to the style of the meetings, training/briefing sessions given outside of the formal meeting, the length and frequency of meetings and the cyclical nature of topic areas.
- 4.3 Currently it is proposed that the board should meet formally no more than four times a year with a briefing session either before or as part of the meetings. This

will be kept under review as often informal workshop sessions can prove a successful alternative to delivering the objectives of individual topic areas rather than through a formal meeting.

- 4.4 The length of meetings should not be excessive in line with any recognised good practice and in considering this the board should be cognisant of its need to absorb and interpret often large volumes of complex information and continue to perform effectively. Therefore agenda's for each meeting should therefore plan with this context in mind.
- 4.5 Taking the above issues into account Year 1 of the Board should be viewed as developmental, often receiving reports or briefings as overview to help understand their future role on individual topics. Examples of this are today's agenda where several reports were given as background but would not be expected to appear as regular items in the future.

4.6 As outlined at the Board's meeting in July the focus of the Board is on several key themed areas –

- a) Administration – Management of the Fund, Benchmarking/VFM, Compliance**
- b) Investments – Strategy, Policy Development & Actuary Valuations**
- c) Governance – Roles, Responsibilities & Decision Making**
- d) Independent Assurance - Audit & Risk Management**

4.7 In detail the Chair of the Board has suggested the following approach –

Strategy

Based on LGPS and the Pension Regulator's (TPR) guidance on the role of Pension Boards it would seem appropriate that the Pension Board's business focus should be around:

- a) Its own training, knowledge and understanding
- b) Avoiding any conflicts of interest
- c) Ensuring its own statutory compliance
- d) Checking fund governance
- e) Reviewing fund risks and internal systems and controls
- f) Checking fund external advisors/service providers and their internal controls
- g) Reviewing fund member record keeping
- h) Checking fund contributions
- i) Reviewing fund administration
- j) Benchmarking fund performance and Value for Money (VFM)
- k) Fraud prevention
- l) Employer and member communications
- m) Complaints and dispute resolution
- n) Reporting regulatory breaches

And more specifically on the latter,

1) Identifying any areas of financially material breaches/ areas of regulatory non-compliance that need remediation action such as

Things that might not be done to statutory timescales by the Fund or employers or members, for example repeated processes:

- late contributions by employers
- excessively late transfers in/out
- issuing ABS late
- late first pension payments

Things done on time (or late) but potentially done incorrectly – for example

- incorrect contributions
- incorrect transfers
- incorrect benefit calcs

Things not often done but should be and reviewed – for example

- Data checking, cleansing and validation
- Data backups and security checks
- Checking the resilience of the fund website and external e-links
- Disaster recovery planning exercises

2) Identifying the underlying causes of fund non-compliance and helping ensure rectification plans are being carried out to agreed timescales – for example in relation to:

- Risk management
- Data quality - common/conditional
- IS/IT issues
- Staff error
- Resource shortage

2. Just as important to its scrutiny role described above the Pension Board should also,

3) Wherever possible undertake joint training and demonstrate it has a positive role in helping the fund deliver good-best practice relative to other LGPS funds for example by reviewing the results of annual external benchmarking surveys by:

- DCLG/ONS (fund statistics)
- National LGPS Scheme Advisory Board (governance/performance)
- The Pensions Regulator (governance/risk/training)
- CIPFA (benefits administration)
- WM-State Street (investments)
- Other Pension Board commissioned benchmarking surveys

and then if appropriate making recommendations to improve the fund's performance in specific areas.

Fund business cycles

3. The Pension Board also needs to take account of and work with the Pension Fund's cyclical annual and triennial business and actions within its Business Plan. Some of these items have been included on the draft forward look of Pension Board business (see Appendix). Other items need prioritizing and then may need to be included/excluded from 2015-17 work plan.

Annual cycle items:

- Pension Board Governance
- Pension Board Work Plan
- Pension Board Annual Training Plan
- Pension Board Annual Report

Pension Fund governance:

- Review/input to the Governance Compliance Statement
- Annual review of the Fund's declarations of interest (all committees)
- Annual review of external advisor appointments/process and internal SLAs
- Annual review of fraud risk prevention and mitigation measures
- Review of the fund draft annual report and audited accounts

Fund risk management

- Review of fund risk register and its use by Committee and officers
- Input to annual internal and external auditing plans
- Consider/comment on draft internal and draft external audit reports

Regulatory Compliance

- Pension Board commissioned external reviews
 - Fund compliance with TPR Code 14
 - Fund compliance with other TPR codes (e.g. data quality)
- Annual review of Fund delegations and internal controls
- Annual review of employers' compliance (vis member data and contributions)
- Annual review of reported breaches and actions taken

Fund performance

- Review quarterly stewardship reports by officers and by external advisors/suppliers
- Input to the fund annual external benchmarking plan (DCLG, SAB, TPR surveys, CIPFA, WM)
- Pension Board plan for externally commissioned benchmarking exercises
- Review and comment on the Fund's and Pension Board's commissioned benchmark reports
- Annual review VFM of Fund administration strategy – costs v LGPS/Defined Benefit average via benchmarking
- Annual review VFM of Fund investment strategy - returns v costs v LGPS/Defined Benefit average via benchmarking

Member records and communications

- Annual review/input to the Fund administration strategy
- Annual review of the Fund communications strategy

- Annual review of Fund website
- Review the timeliness of issuance of Annual Benefit Statements (ABS) for active/deferred
- Annual review of application of Fund and employers discretions policies
- Annual review of Fund complaint handling and IDRPs case outcomes

2016 triennial valuation cycle items

- Review the actuarial training provided, the rationale for the key assumptions used, and the range of liability reducing options considered and used
- Review/comment on the timing of finalising the Funding Strategy Statement
- Review of contribution setting, employer risks, and funding covenant implementation
- Review/comment on process/timing of reviewing the Fund’s future investment strategy

4.8 In developing the Work Plan the views of the Board are vital in informing the nature, frequency and cyclical nature of items. The Board is therefore requested to consider the agenda items presented today and the suggestions made in this report with a view to further refining the current plan.

4.9 An outline of the Work Plan is attached at Appendix 1 and will continue to be worked on and re-presented at each meeting as the year progresses using the comments and feedback of the Board, Officers and other stakeholders such as the Pension Fund Committee to inform its contents.

5 RISK MANAGEMENT

5.1 A risk assessment related to the issue and recommendations has been undertaken, in compliance with the Council's decision making risk management guidance and there are no significant or material risks to report.

6 EQUALITIES

6.1 A proportionate equalities impact assessment has been undertaken and there are no significant issues to report.

7 CONSULTATION

7.1 Report and Issues have been subject to consultation with the S151 Officer and Strategic Director of Resources.

Contact person	Howard Pearce, Chair of Pension Board Jeff Wring, Head of Audit West, 01225 477323
Please contact the report author if you need to access this report in an alternative format	

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APPENDIX A – Draft Work Plan Year 1 - Avon Pension Fund – Local Pension Board

Meeting -	30th July	5th November	18th February	19th May	27th July
Proposed Items:	Appointment of Chair & Board	Avon Pension Fund Committee Minutes	Regular Updates – - Conflicts of Interest - Training Plan - Work Plan - Avon Pension Fund Committee Minutes - LGPS Developments	Regular Items – - Conflicts of Interest - Training Plan - Work Plan - Avon Pension Fund Committee Minutes - LGPS Developments	Regular Items – - Conflicts of Interest - Training Plan - Work Plan - Avon Pension Fund Committee Minutes - LGPS Developments
	Terms of Reference	LGPS Developments & Updates	Compliance Report	Compliance Report	Compliance Report
	Role of Pensions Board	Training Plan	Statement of Investment Principles – Annual Review	Communication Plan – Annual Review	Annual Report of Avon Pension Fund
	Code of Conduct & Conflicts of Interest	Conflicts of Interest	Pension Board KPI's	Admin Authority Discretions – Annual Review	Benchmarking – Annual Review
	Training Plan & Work Plan	Regulatory Breaches	Avon Pension Fund Risk Register Review	TOR & Pension Board Policies – Annual Review	Avon Pension Fund Risk Register
	Avon Pension Fund Committee Minutes	Review of Avon Pension Fund	Pension Board Budget 2016/17	Draft Annual Report of Board	Final Annual Report of Board

APPENDIX A – Draft Work Plan Year 1 - Avon Pension Fund – Local Pension Board

		Annual Report 2014/15, Financial Statements & Summary of Audit Reports			
		Administration Strategy			
		Administration Performance Report			
		Compliance Report			
		Avon Pension Fund Work Plans			
		Work Plan			