

## **Minutes of the Meeting held**

Friday, 21st June, 2019, 2.00 pm

**Bath and North East Somerset Councillors:** Bruce Shearn (Chair), Shaun Stephenson-McGall (Vice-Chair), Chris Dando, Paul May and Manda Rigby

**Co-opted Voting Members:** Councillor Steve Pearce (Bristol City Council), William Liew (HFE Employers), Richard Orton (Trade Unions), Shirley Marsh (Independent Member) and Pauline Gordon (Independent Member)

**Co-opted Non-voting Members:** Wendy Weston (Trade Unions)

**Advisors:** Paul Middleman (Mercer) and Steve Turner (Mercer)

**Also in attendance:** Donna Parham (Interim Director - Finance), Jeff Wring (Service Director - One West), Liz Woodyard (Investments Manager), Geoff Cleak (Pensions Manager), Kathryn Shore (Technical and Compliance Advisor), Carolyn Morgan (Governance and Risk Advisor) and David Richards (Finance & Systems Manager (Pensions))

### **1 EMERGENCY EVACUATION PROCEDURE**

The Democratic Services Officer advised the meeting of the procedure.

### **2 APOLOGIES FOR ABSENCE AND SUBSTITUTIONS**

Apologies were received from Cllr Toby Savage, John Goddard and Mick Rumph. There was no North Somerset representative present, because they would not make nominations to external bodies until 25<sup>th</sup> June 2019.

### **3 DECLARATIONS OF INTEREST**

William Liew declared a non-pecuniary interest as the representative of an employer in the Fund in relation to items 10 (Update on Legislation) and 11 (Approval of Draft FSS for Consultation).

### **4 TO ANNOUNCE ANY URGENT BUSINESS AGREED BY THE CHAIR**

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

The Chair explained that only members of the public who had given the required notice to Democratic Services could address the Committee at today's meeting. The required notice was 2 clear working days for statements and 4 clear working days for

questions. Three members of the public had given the required notice to make statements.

Cllr Carla Denyer (Bristol City Council) made a statement, a copy of which is attached as an appendix to these minutes.

Adrian Shaw made a statement, which is attached as an appendix to these minutes.

Matthew Soames had submitted a written statement, which is attached as an appendix to these minutes.

The Chair thanked them for their statements and said that their comments would be considered by the Committee when they reviewed the investment strategy later in 2019, and that the impact of climate change on the Fund's strategy would be specifically considered as part of the review.

## **6 ITEMS FROM COUNCILLORS AND CO-OPTED AND ADDED MEMBERS**

There were none.

## **7 MINUTES: 22 MARCH 2019**

A Member raised a point of accuracy on the minutes in item 68 (Governance Review), paragraph 2.1a (proposal to reduce the number of B&NES Councillors on the Committee). He said that his group had voted against this proposal, and would like that to be recorded in the minutes. The Committee accepted this amendment, and it was accordingly agreed that the record of the voting on this proposal should read:

“The recommendation was put to the vote and was carried by 5 votes in favour and 2 votes against with one abstention.”

**RESOLVED** that the minutes be approved and signed by the Chair subject to this amendment.

## **8 PENSION BOARD MINUTES: 7TH MARCH 2019**

**RESOLVED** to note the minutes of the meeting of the Pension Board of 7<sup>th</sup> March 2019.

## **9 ROLES AND RESPONSIBILITIES OF THE COMMITTEE**

The Governance and Risk Advisor presented the report. She suggested that the Committee should discuss and vote on each of the recommendations separately.

### 2.1 and 2.2

The Committee noted the roles and responsibilities of the members, advisors and officers and the Terms of Reference of the Committee and the Investment Panel, which had been approved by the Council.

### 2.3 Governance Compliance Statement

The LGPS regulations require the publication of a revised Governance Compliance Statement whenever there is a material change. The draft revised statement in Appendix 2 reflected the revised Terms of Reference agreed by the Council on 21 May 2019. Members were invited to approve the draft.

### 2.4 Membership of Investment Panel

B&NES Members are appointed to the Panel by the Political Groups in accordance with the rules of political proportionality. The Groups had appointed Cllrs Bruce Shearn, Shaun Stephenson-McGall and Chris Dando as Members of the Panel. The Committee appointed Shirley Marsh and Pauline Gordon as the remaining Members of the Panel.

### 2.5: Committee Representation on Brunel Oversight Board

The Chair was appointed as the Committee's representative on the Brunel Oversight Board.

### 2.6 Membership of Brunel Working Group

The Chair and Pauline Gordon were nominated as members of the Brunel Working Group.

A Member asked whether it was in accordance with good governance that the Chair should be both the Committee's representative on the Brunel Oversight Board and a member of the Brunel Working Group. The Investment Manager replied that the purpose of the Working Group was to support the Oversight Board representative and act as a sounding board and a channel of communication and it would not have executive powers; she suggested therefore that there was no conflict of interest between the two roles. The two nominations to the Working Group were approved.

### 2.7 Members to represent Fund on Local Authority Pension Fund Forum

Cllr Steve Pearce and Richard Orton were appointed to this role.

It was noted that Wendy Weston would succeed Richard Orton as the voting representative of the Trade Unions for the current year with immediate effect.

#### **RESOLVED:**

1. to note the roles and responsibilities of the Members, advisors and officers;
2. to note the approved Terms of Reference of the Committee and Investment Panel;
3. to approve the Governance Compliance Statement;
4. to agree the membership of the Investment Panel as indicated above;
5. to agree the Brunel Oversight Board representative as indicated above;
6. to agree the membership of the Brunel Working Group as indicated above;
7. to agree the members to represent the Fund on the Local Authority Pension Fund Forum as indicated above;

8. to agree to delegate the drafting of the Annual report to Council to officers and the Chair (subject to informal consultation with Committee Members prior to the Chair approving the report).

## **10 UPDATE ON LEGISLATION**

The Technical and Compliance Advisor presented the report. She drew attention to the consultation responses made on behalf of the Fund.

A Member asked how the Fund was likely to respond to the MHCLG consultation on the LGPS Local Valuation Cycle and the Management of Employee Risk in relation to the proposal that further and higher education corporations would not have an automatic right of admission to the Fund. The Investment Manager replied that the response would be from the Fund's perspective and would use financial metrics to demonstrate the likely long-term impact on the Fund.

A Member referred to the comment in the final paragraph on agenda page 77 about a University seeking to deprive non-academic staff of LGPS membership, and asked whether since the consultation response had been submitted there had been any further evidence of current employers in the Fund trying to do the same. The Investment Manager replied that there was no evidence of this.

**RESOLVED** to note:

1. the current position regarding the developments that could affect the administration of the Fund;
2. the responses sent to the MHCLG consultations on 'LGPS Asset Pooling', 'Fair Deal' and 'Late Retirement Factors'.

## **11 APPROVAL OF DRAFT FSS FOR CONSULTATION**

The Investment Manager presented the report and invited Members to approve the draft Funding Strategy Statement (FSS) 2019 for consultation with employers and the Pension Board. The consultation would conclude in early September, and a revised draft would be presented to the Committee at the 27 September special meeting, when Members would be invited to approve it. Members were invited to delegate to officers, having taken advice from the Actuary, the power to amend the draft FSS as new legislation or guidance was issued.

The Fund's Actuary, Paul Middleman, presented the draft FSS. He said it was a very important document, because what it did essentially was to set employer contribution rates.

He directed Members to paragraph 5.7 of the covering report (agenda pages 89-90), where the major changes from the existing FSS were set out.

He said that a key assumption that has to be made is the discount rate, which is set by the Actuary to reflect the expected overall long-term real investment return with an allowance for prudence. The level of returns that can be expected depends on the

assets held by the Fund, the outlook for those assets and the protection policies the Fund has in place.

The assumption about life expectancy had to be changed to take account of the fact that the rate of improvement had tailed off a little. That would have a 3-4% positive effect on the Fund's liabilities.

There were a number of national issues whose outcomes would need to be incorporated into the FSS when they were clarified, as detailed in paragraph 5.9 of the covering report. They could be incorporated under delegated powers by officers, if the Committee granted these. One of the most significant of these issues is the proposed move from a three-yearly to a four-yearly valuation cycle. He drew the attention of Members to paragraphs in the draft FSS that reflected these issues.

After discussion it was **RESOLVED**:

1. to approve the draft Funding Strategy Statement as set out in Appendix 1 for wider consultation, subject to the insertion of information which can only be included when the actuarial valuation and consultation processes are complete;
2. to delegate power to officers, having taken advice from the Actuary, to amend the draft FSS as new legislation or guidance is issued as appropriate.

## 12 UPDATE ON BRUNEL PENSION PARTNERSHIP

The Investment Manager presented the report.

She said that since the last Committee meeting in March the Brunel Oversight Board (BOB) had met once, in April. There were two matters of particular interest to the Committee. One was a report on governance. Brunel is reviewing the governance arrangements for the whole partnership after 18 months of operation. The review is in large part focussed on technical issues to reflect changes in legislation, FCA regulations, and operational practice now that Brunel is established. The legal officers of the client funds will review the draft proposals, which will go back to BOB in July for comment with the final proposals being considered by BOB in September. Governance arrangements are a special reserved matter, so any changes will require the unanimous approval of the shareholders. The other matter was a review of the Brunel's internal control environment. Because Brunel is an FCA-regulated company, the control environment is quite onerous. Brunel is in the process of developing their control environment and as part of this process the internal auditor had completed audits on different aspects which identified areas that needed to be strengthened. This had been constructive, and would assist Brunel in developing a robust control environment. Progress would be reviewed by BOB in July. The plan for transitioning assets remains on track. The client assurance framework, by which funds in the pool will hold Brunel to account for service delivery, is near to completion.

Before considering exempt appendices 2a, 2b and 3 the Committee, having been satisfied that the public interest would be better served by not disclosing relevant information, **RESOLVED** that the public should be excluded from the meeting for the consideration of exempt appendices 2a, 2b and 3 and that the reporting of this part

of the meeting should be prevented, 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 Schedule 12A of the Act as amended.

After the Committee returned to open session it **RESOLVED** to note:

1. the progress made on the pooling of assets;
2. the updated project plan for the transition of assets.

### **13 ANNUAL REVIEW OF INVESTMENT STRATEGY AND PERFORMANCE**

The Investment Manager introduced this item. She informed the Committee that there would be an investment training session in the morning before the Investment Panel meeting of 2 September for new Committee Members and Panel Members. An invitation would be sent out the following week.

Mr Turner presented the Mercer Annual Investment Review.

A Member suggested that the Fund's communication strategy should be reviewed, as he and other Members were getting lots of emails about the Fund's investment policy. The Investment Manager replied that a new communications manager had been appointed for the Fund, who would start in August.

Responding to a question from a Member the Investments Manager said that the annual report on the Fund's carbon footprint would be available later in the year and presented to the Committee. It would inform the Fund's Investment Strategy.

**RESOLVED** to note:

1. the information set out in the report;
2. the LAPFF quarterly engagement report.

### **14 PENSION FUND ADMINISTRATION - PERFORMANCE INDICATORS FOR YEAR AND RISK REGISTER**

The Pensions Manager presented the report.

Members noted that there during the year 57 employers had joined the Fund and that there were 74 potential new employers in the pipeline, with 38 expected to join in the next six months.

A Member referred to the agenda page 249 (cases measured against SLA) and noted that payments at death were only made within target in 61.76% of cases. He asked whether there was plan to improve performance in this area, as these payments could be critical at a difficult time for the families concerned. The Pensions Manager said that the performance on the table was given against the Fund's own SLA; against the new national standard issued by CIPFA performance would be much better.

A Member requested an update on the conversations that Pensions had been having with B&NES about improving the employment package for pensions' staff to make it more attractive in the market place. Officers advised that the conversations were ongoing.

A Member asked when an employer was last fined by the Fund for repeated poor performance in submitting data. The Pensions Manager said that the first response was to offer training and to find out where things had gone wrong. In 2016 there were 100 employers who failed to provide accurate or complete data by year end. In 2018 there were less than 30.

**RESOLVED** to note:

1. membership data, Fund and employer performance for the 3 months to 31<sup>st</sup> March 2019;
2. progress and reviews of the TPR Data Improvement Plan.

## **15 BUDGET AND CASH FLOW MONITORING 2018/19**

The Finance & Systems Manager (Pensions) presented the report.

A Member asked for a breakdown of the £70,000 increase in Brunel management fees referred to in paragraph 4.2 (agenda page 278. The Investments Manager said that she did not have this information immediately available and would reply to the Member after the meeting.

**RESOLVED** to note:

1. the administration and management expenditure incurred for the year to 31 March 2019.
2. the Cash Flow report for the year to 31 March 2019.

## **16 WORKPLANS**

The Governance and Risk Advisor presented the report.

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

The meeting ended at 4.00 pm

Chair(person) .....

Date Confirmed and Signed .....

**Prepared by Democratic Services**

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Avon Pension Fund must respond to the climate crisis we find ourself in, and divest from fossil fuel companies over the next 5 years. I welcome the Fund moving more of its equity to be invested in the Brunel Pensions Partnership's low carbon fund. This is a recognition of the threat climate change poses not just to the Fund's investments, but to people and the planet.

The Fund must therefore recognise that its' holdings in oil and gas companies have helped to create the climate emergency we find ourselves in. Engagement with the fossil fuel companies it is invested in, is no longer an acceptable option in the circumstances we now face.

As a young member of the Avon Pension Fund, I am increasingly worried about the world in which I will retire into. To use my money to actively support an industry which threatens my very future is unacceptable.

Other members of the Fund I speak to are also unhappy the money for our retirement is going towards industries which undermine the planet in which we will retire into. I ask the Pension Fund to listen to its members, and divest its investments currently held in fossil fuel companies. This is an opportunity for the Fund to take bold steps in ensuring it is part of the solution to the climate emergency, and not part of the problem.

Matt Soames  
Member of Avon Pension Fund

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Dear Committee members, I thank you for the opportunity to address you today. I speak as a father and a grandfather, and ex-Avon County employee.

The global climate emergency, ecological degradation, species loss – these are humanity's - our greatest challenges.

Although species extinction is a natural phenomenon (having a natural "background" rate of about one to five species lost per year) scientists estimate that we're now losing species at 1,000 to 10,000 times this background rate. That's literally dozens of species going extinct every day. Dozens! Gone! Never to return! Scientific evidence points indisputably to human industrial activity as the driver of climate change and ecological breakdown.

Now, I know I am speaking to intelligent and informed people. I would be greatly disappointed if you were not already very well acquainted with the facts of the current environmental catastrophe. You and I know this is real! This is happening! The house is burning down around our ears - but it often seems as if our collective response is to open a bottle of wine and see what's on Netflix. No! Now is the time to act decisively and responsibly!

On an individual level, I have "done my bit" for many decades - day-to-day choices - avoiding excess packing, choosing cleaner ways to travel, reusing, repairing, recycling - all of those things! Apart from these, there are overarching changes which we, as concerned citizens must unequivocally demand. One of these changes is the immediate closing down of the oil industry and its subsidiaries.

Each of us can do a little to lessen the impact of human activity on the planet - turning the thermostat down, walking into town rather than driving. Each individual action added together makes a difference.

But, there are human industries that individuals find it almost impossible to affect at the speed with which we need to act. This is both distressing and enormously frustrating.

And this is why I am addressing you today. Dear committee members. You can do this for me. You can do this for each one of us. You can take action in a powerful and effective way, on our behalf.

I ask you, Avon Pension Fund committee, please - stop investing our pension fund in the fossil fuel industry. Make this bold, moral decision, for us and with us, to preserve and serve the precious life of earth.

Thank you.

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## Statement to Avon Pension Fund Committee meeting, 21 June 2019

### Subject: Fossil Fuel divestment and diversification

Speaker: Cllr Carla Denyer, reserve APF committee member and Bristol councillor

In December 2015 councillors on Bristol City Council voted unanimously in favour of ‘fossil free’ pensions. The motion was also supported by Bristol UNISON, which has 5,000 members working at Bristol City Council and hundreds of community organisations. The motion required the Mayor and the Council’s representative on the Avon Pension Fund to work towards divestment from fossil fuel investments.

We were promised a report on the implications, although many of us actually just wanted to get on with divestment.

Three and a half years later, the climate crisis we face has become even clearer, as has the financial argument for divestment – fossil fuels are rapidly becoming stranded assets that cannot be used.

**As the instigator of the Bristol ‘Climate Emergency’ motion last November I’m delighted that over 100 other UK councils have now passed similar motions – including Bath & North East Somerset and North Somerset.** The signs are clear, following last year’s IPCC report into the **severe environmental impacts** of even 1.5° C of global warming, and the subsequent reports into the **economic impacts**, that we now need to press for action, and our representatives support this.

**Managing our local government pension fund is essential to show that we meant what we said –** to put our money where our mouths are. This means consciously investing our fund, making it work for our future, not dragging out the past.

The 2015 motion was drafted to ask this Pension Fund to **divest from fossil fuels gradually over a period of 5 years**, diversifying into energy efficiency, renewables and energy storage - to help build the smart energy economy we are aiming for, not support the one we’re leaving behind. It followed advice from the Governor of the Bank of England to beware of stranded assets as fossil fuel reserves lose their value and the majority have to stay in the ground. **3 and a half of those 5 years have now passed – we are running out of time.**

**Meanwhile around the world other organisations are getting on with divestment** – investment houses, universities, oil fortunes like the Rockefeller family and the Norwegian Sovereign Wealth Fund, and pension funds. The sums building our new economy this way now top £8 billion. Moving funds systematically over 5 years increases their value and will help create jobs and skills in the new economy to retrofit our homes, power our city with clean energy, and help our businesses thrive and export. It fits well with the fiduciary duties of the fund managers to ensure secure, long term returns and build prosperity.

While APF now invests through the Brunel Pensions Partnership, APF still has the power to decide to move out of fossil fuels and has not done so. It has declared environmental and social policies, and backs some low carbon funds. However the ‘low carbon fund’ does NOT exclude carbon intensive stocks, it just weights the fund to be low carbon overall\*. APF has chosen to adopt a policy of

'engagement' with the fossil fuel industry. Rather than divestment, the idea is monitoring and talking to the fossil fuel companies. **Has that engagement borne any fruit so far? How many more decades will you wait for the fossil fuel companies to change their spots?**

Later this year there will be another divestment and diversification motion in Bristol, once again with active support of our staff in Bristol UNISON, calling for Avon Pension Fund to join other local authority funds in undertaking a **just transition to cleaner energy** by getting our staff pensions out of fossil fuels and into the sectors **working for all our future**.

Members of Avon Pension Fund: many of you are the self-same councillors of Bristol, Bath & North East Somerset and North Somerset who declared a Climate Emergency, though that may have been before some of you were elected. Either way, I ask that when you make your financial decisions on this committee, please think of the points I've made here, the commitments your Councils have made to tackle the Climate Emergency, and the importance of preserving a habitable planet for your children to live on.

\* See Share Action/Unison Analysis of ISS of the LGPS administration authorities, **enclosed**.