Bath and North East Somerset Council

AVON PENSION FUND COMMITTEE

Minutes of the Meeting held

Friday, 26th June, 2020, 2.00 pm

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

Co-opted Voting Members: : Councillor John Cato (North Somerset Council), Councillor Steve Pearce (Bristol City Council), Councillor Toby Savage (South Gloucestershire Council), Charles Gerrish (Academies), William Liew (HFE Employers), Shirley Marsh-Hughes (Independent Member), Pauline Gordon (Independent Member) and John Finch (Independent Member)

Co-opted Non-voting Members: Richard Orton (Trade Unions)

Advisors: Steve Turner and Ross Palmer (Mercer)

Also in attendance: Tony Bartlett (Head of Business, Finance and Pensions), Liz Woodyard (Group Manager for Funding, Investment & Risk), Nathan Rollinson (Assistant Investments Manager), Geoff Cleak (Pensions Manager), Kathryn Shore (Technical and Compliance Advisor) and Carolyn Morgan (Governance and Risk Advisor)

1 WELCOME & INTRODUCTIONS

The Vice-Chair of the Committee, Councillor Shaun Stephenson-McGall welcomed everyone to the meeting and stated that for the duration of the meeting he would be acting as the Chair.

He acknowledged that this was the first meeting attended by Nick Weaver, Chair of the Pension Board and Charles Gerrish, Academies Representative.

2 APOLOGIES FOR ABSENCE AND SUBSTITUTIONS

Apologies had been received from co-opted members Wendy Weston and Councillor John Goddard.

3 DECLARATIONS OF INTEREST

There were none.

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

Alasdair Yule and Elaine Ashley were both present and delivered the Unison joint statement, it is attached as an online appendix to these minutes and a summary is set out below.

Supporting a Fossil Fuel Divestment Policy for Avon Pension Fund.

In September 2019 Unison, along with six other trade unions supported a motion for a "Green New Deal" to build a prosperous zero-carbon society with good green jobs.

This came with 9 key principles:

- a commitment to zero carbon emissions by 2030
- rapidly phasing out all fossil fuels
- large scale investment in renewables
- supporting a just transition to well-paid unionised green jobs
- expanding public democratic ownership
- green integrated transport
- supporting developing countries own climate transitions
- welcoming climate refugees
- preventing displacement.

Pension funds are significant investors in the global economy and therefore hold important significance for how some of these principles can be realised. As the West of England Unison Branches representing over 10,000 members who pay into the Avon Pension Fund, we are committed to seeing the Fund lead by example as an investor in the zero-carbon economy.

We acknowledge the important steps the Fund has taken to account for climate change. This includes; identifying climate change as a long-term risk to the Fund's assets; monitoring the carbon footprint of the Fund; committing to invest 2.5% of its assets in Renewable Infrastructure Funds and investment in a low carbon fund through the "Brunel Pensions Partnership".

In setting a 5-year divestment target that takes account of the costs to the Fund over that period the Fund is best representing the long-term financial interests of scheme members, particularly its younger members.

With this target the Fund will support the rapid phasing out of all fossil fuels. In terms of "The Green New Deal" two other things are important.

One is actively investing in a decarbonised, just and sustainable future - it is not enough to just divest from fossil fuels. The Fund should continue to drive genuine impact by setting up “Green Funds” through the “Brunel Pensions Partnership”, that invest in companies helping to achieve a net zero transition including in emerging sectors such as energy efficiency, renewable energy, energy storage and smart energy systems.

The second important point is a focus on justice, not only intergenerational justice, but in securing justice in terms of equitable distribution of the costs of transition for those working in affected industries. Where possible, the Fund should take it upon itself to try and invest in local economic ventures, in well-paid unionised green jobs to replace those lost in the fossil fuel industry.

Setting a divestment target is a vital next step the Fund should take on the climate emergency, for both its members, and all citizens across the World.

The Chair thanked them both for the statement on behalf of the Committee and said that he hoped the points they had raised would be covered during the meeting.

He added that the Fund objectives are:

(1) Implement a <2°C aligned portfolio by committing to net zero emissions by 2050 or earlier. This will be achieved by working with Brunel using the results of the industry wide project being undertaken to assess what each 2°C asset portfolio will look like. Expect to review the findings in line with the global stocktake timeline in 2022/23.

(2) Reduce the carbon intensity of the portfolio over time with the aim of being 30% less carbon intensive by 2022.

(3) Invest sustainably to support a ‘just transition’ to the low carbon economy with the aim of investing at least 30% of the total assets in sustainable and low carbon investments by 2025.

(4) Use the Fund’s power as a shareholder to encourage change. Financial markets and companies urgently need to adapt their activities to support the transition to a low carbon economy. Collaboration as part of Brunel Pension Partnership makes our influence more powerful as they manage a £30bn pool of assets. In addition, the Fund will independently support investor led initiatives such as ClimateAction100+ and Institutional Investors Group on Climate Change to increase pressure on companies and governments to align with the Paris goals. If engagement does not work ahead of the Paris Stocktake in 2023, we will consider selective divestment from laggard companies.

6 ITEMS FROM COUNCILLORS AND CO-OPTED AND ADDED MEMBERS

Councillor Sarah Warren, Cabinet Member for Climate Emergency addressed the Committee, a copy of her statement is attached as an online appendix to these minutes and a summary is set out below.

I'm joining you today to thank you for agreeing changes recently to reduce the carbon footprint of the fund, and invest more capital in renewables, ensuring your portfolio is aligned with limiting global warming to below 2 degrees.

As part of Brunel, you are already amongst the leaders in local government pension funds when it comes to divestment from fossil fuels, and have actively lobbied Barclays Bank for a more responsible approach to investment, and EU leaders for a green renewal, so I want to congratulate and thank you for that.

But I have come to ask you to go further. The IPCC's 2018 report into the differences between 1.5 and 2 degrees of warming was stark, and said the following:

100 million more people will be exposed to risk from water scarcity in a 2 degree world, than 1.5. 10 million more, to risk from sea level rise. GDP per capita will be reduced by 13% rather than 8%. The disadvantaged and vulnerable will be in greatest peril. Whole ecosystems will be at greater risk of destruction.

Now coronavirus has changed the world, and it has given us an opportunity that we must seize. The oil and gas sector are currently facing massive writedowns, with a threatened $17bn slash from BP, who, earlier this month, announced 10,000 job cuts. The fossil fuel sector envisages a green recovery, and falling returns. You have a fiduciary duty to the workers of Avon. No one should now be investing in fossil fuels due to the risk of stranded assets.

At current rates of emission, we have 12 years 4 months 28 days until we emit the entire remaining global carbon budget that will take us to 1.5 degrees.

Thank you for the leadership you have shown so far. In these perilous times we need people to step forward and show courage. There is no time to lose. You must now invest 100% of your fund in low carbon and sustainable assets.

The Chair thanked her for the statement on behalf of the Committee.

7 MINUTES - 6TH DECEMBER 2019

The minutes were approved as a correct record.

8 FUND GOVERNANCE FRAMEWORK

The Governance & Risk Advisor introduced the report to the Committee. She explained that the report sets out the roles and responsibilities of members, advisors and officers of the Avon Pension Fund and the governance framework for the Fund as a whole. She added the Scheme of Delegations sets out how the Committee delegates some of its responsibilities to officers and details the responsibilities delegated, and the authorisation list sets out who is authorised and the limit of transaction they can authorise.

The Committee **RESOLVED** to:

(i) Note the roles and responsibilities of the members, advisors and officers
(ii) Approve Terms of Reference of the Committee and Investment Panel
(iii) Approve the Scheme of Delegation
(iv) Approve the Governance Compliance Statement

(v) Agrees the membership of the Investment Panel

- Cllr Shaun Stephenson-McGall, Cllr Bruce Shearn, Cllr Chris Dando, John Finch, Shirley Marsh-Hughes & Pauline Gordon

(vi) Agrees independent member representation of the Brunel Working Group

- Pauline Gordon

(vii) Agrees substitute of Brunel Oversight Board

- Cllr Shaun Stephenson-McGall

(viii) Agrees the member(s) to represent the fund on the Local Authority Pension Fund Forum.

- Cllr Shaun Stephenson-McGall, Cllr Steve Pearce & Richard Orton

(ix) Agrees 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).

9 SERVICE PLAN AND BUDGET 2020 - 23

The Head of Business, Finance and Pensions introduced this report to the Committee. He explained that the Service Plan sets out the Pension Fund's objectives for the next three years and that the three-year budget supports the objectives and actions arising from the plan including work relating to the investment strategy, risk management and compliance and improvements in the administration of the Fund.

He highlighted the following points to the Committee.

- To work with Brunel Client Group and Brunel to ensure efficient transition of assets and full consideration of all investment, financial and governance issues. Ensure Committee and Board kept up to date of progress.

- The need to understand the impact Covid-19 will have on current staff and how they work, projects and new staffing proposals.

- To continue the implementation of the IT strategy to achieve a digital step change in service delivery and to mitigate service demand growth.
- Undertake a structural review of digital IT platform and service delivery.

Shirley Marsh-Hughes asked if there were enough resources in place should the Fund need to outsource any elements of its work.

The Head of Business, Finance and Pensions replied that money has been allocated should the need for outsourcing occur. He added that the current plan was to begin recruiting in July and to appoint two members of staff a month and operate a buddy system to help them once they commence in post.

Councillor John Cato commented that with regard to the tasks listed in Appendix 2a (Administration Strategy) it would be good to have a level of importance to the ones marked as red.

William Liew asked if the Fund would be assessing the impact and subsequent risk of Covid-19 on employers that participate in the scheme.

The Group Manager for Funding, Investment & Risk replied that they would encourage employers to have a dialogue with officers within the Fund to discuss problems. She added that they do monitor them as much as possible.

William Liew asked if the Fund pays into a Pension Protection Fund.

The Group Manager for Funding, Investment & Risk replied that it does not.

Councillor Toby Savage said that he agreed with the earlier comments relating to the RAG rating and would like to understand which reds are worse than others.

The Head of Business, Finance and Pensions replied that the RAG had not been reviewed since May and that the team would work on the document to expand on the information contained within it.

Councillor Paul May asked if the issue of Climate Change would be within the job description of at least one of the new posts that have been mentioned.

The Head of Business, Finance and Pensions replied that they were seeking for one of the posts to be Environmental, Social, and Governance (ESG) / Climate Change specific.

The Committee **RESOLVED** to approve the 3 Year Service Plan and Budget for 2020-23 for the Avon Pension Fund.

10 INVESTMENT PERFORMANCE AND STRATEGY MONITORING

The Assistant Investments Manager introduced this item to the Committee.

Steve Turner, Mercer informed the Committee that most of the losses seen in the investment funding level, due to Covid-19 had been recovered. He added that the funding level fell from c.96% to c.84% over the year to 31 March 2020 and that the deficit was estimated to have increased sharply over the year, from £283m to £863m. He stated that the decline in the funding level was driven by the sharp contraction in market prices experienced at the end of 1Q 2020; steady improvements in the deficit and funding level had been seen up to this point.

Pauline Gordon asked if any figures were available for what the level would have been without the LDI (Liability Driven Investment) in place and whether there had been any opportunities in inflation to increase our hedge.

Steve Turner replied that no calculations have been done so far to see if we would have been better off without the LDI. He added that he felt it was still important to have a clear inflation hedging strategy in the overall portfolio.

Ross Palmer, Mercer added that a decision had been taken in March to reduce the level of inflation hedging due to concerns over potential RPI reform. He added that they are currently recalibrating the liability benchmark for the LDI Strategy with Blackrock and so the old inflation triggers would be kept in place while that work was ongoing. He said that a real return above CPI inflation is what we are looking to achieve.

Steve Turner commented that the drop in the funding level and increase in the deficit over the short period of time was within the overall risk level set within the strategy.

Pauline Gordon asked what was the worst VaR (Value-at-Risk) that had been identified.

Steve Turner replied that the current new strategy is around £1.3bn over a three year period and that the equivalent figure over one year is around £650m.

Ross Palmer added that when you take into account equity protection the figure becomes closer to £1.1bn.

Richard Orton referred to appendix four and commented that it was noted that the transition plan was slightly delayed due to the pandemic. He said that market conditions were shown to be nowhere near stabilising and that it would be difficult to predict over the next two – three months what would happen, especially if a second spike were to occur. He asked how likely it was that any further transition would take place.

The Group Manager for Funding, Investment & Risk replied that the delay was due to the ability to transact in the market at a reasonable cost. She added that Brunel were working within these parameters and would look to take opportunities when they arise. She said that she believed that the current conditions were supportive enough to allow for some of those planned transitions to proceed.

William Liew commented to praise the good advice, robust investment strategy and equity protection implemented by Mercer

The Chair agreed and said the advice received from Mercer and our officers, coupled with the structure of the Committee was a real benefit to the fund.

The Committee **RESOLVED** to note the information set out in the report and its appendices.

11 INVESTMENT STRATEGY STATEMENT

Councillor Martin Fodor, Bristol City Council addressed the Committee, a copy of his statement is attached as an online appendix to these minutes and a summary is set out below.

I'm making this statement in the light of the recent article/letter from APF setting out the Fund's current strategy to deal with fossil fuels and the climate emergency.

My own pension is in the Local Government Pension Scheme and would be back in this fund where it started, if local councillors were offered a pension, but unfortunately we are not. Mine is currently deferred, elsewhere in the Brunel Pensions Partnership family.

For five years I've been making the case for divestment and diversification of the fund to reduce exposure to ever greater risks of stranded assets, and to ensure that the money is put to work to secure an effective transition to the economy and environment we need, not the one where old assets are preventing a just transition of workers and communities.

We know the major local government union Unison actively supports divestment of Avon Pension Fund locally as they have supported calls for this in both 2015 and 2019. All the emerging guidance and warnings point to this action.

I look forward to the Fund giving an update on its climate emergency strategy later in the summer. But action is still too slow. Having slightly lighter weighted investments with a bit less fossil fuel exposure doesn't put the money where its needed for the future. As long as the fund continues to support the fossil fuel majors they don't need to worry about their continued investments in extracting fossil fuels.

The climate breakdown warnings are ever more urgent, and all the local authorities in this area have long declared a Climate Emergency. I therefore attend today to call on this fund committee to ask for an urgent review of the opportunities for positive investment, and the pace of divestment. There are ever more opportunities to put money where it's needed, in renewables, energy efficiency, smart technologies, and energy storage. Engagement should not be an excuse for inaction; it can be achieved with minimal shareholdings not continued support for unsustainable practices.

The Chair thanked him for his statement on behalf of the Committee and said that a meeting of the Avon Pension Fund Committee Investment Panel was due to take place in early August where the issue would be discussed further.

The Group Manager for Funding, Investment & Risk introduced this item to the Committee. She stated that the Investment Strategy Statement (ISS) had been prepared in line with the statutory requirements under the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016 and associated guidance.

She highlighted the following key changes to the ISS:

(i) Updates to reflect the Fund's approach to climate change and the resultant increase in the allocation to sustainable equities and renewable infrastructure and the setting of climate objectives aligning the investment strategy with the Paris Agreement goals.

(ii) The increased strategic allocation to private market assets and the income generative and risk diversification benefits that result.

(iii) Updated wording around the Fund's risk management strategies, reflecting the extension of its equity protection strategy to encompass emerging market equities and the implementation of its low risk corporate bond strategy.

She added that the regulations state that the administering authority must consult on the ISS as appropriate. The Pension Board will review the draft ISS for compliance with the regulations and a wider consultation will be done with scheme employers. Consultation responses will be considered by the Committee before agreeing the final version at the September 2020 Committee meeting.

Councillor Manda Rigby said that she welcomed the comments made by Councillor Fodor and that she believed that many people were changing their views on how quickly this issue should be progressed. She stated that an inclusive consultation was required and that following that Brunel would need to achieve what the Committee requests.

The Head of Business Finance & Pensions replied that he acknowledged the sentiments that had been raised but said that returns have to be made on the investments that are carried out. He said that 2022/23 gives the Fund an opportunity to reassess its position again but was hopeful for market / Government changes to enable us to deliver a better future.

Councillor Rigby said that she acknowledged the limitations and regulations of the Fund but felt that this was a specific moment in time where an opportunity could be seized to act sooner if possible.

The Head of Business Finance & Pensions replied that consultation was about to begin and that the intention to carry this out as wide as possible and report back to the September meeting of the Committee.

Shirley Marsh-Hughes asked if a section of the statement could contain information on work that has been carried out so far.

The Group Manager for Funding, Investment & Risk that it can be difficult to include detailed information in what is a technically statutory document. She added that she could look to provide this information separately to members in due course.

Richard Orton acknowledged that extensive engagement had been carried out previously but now called for a wider and positive consultation that includes the Trade Unions (GMB, Unison & Unite). He also asked for information to be made available so that members of the public can understand the Fund's view on fossil fuels.

The Group Manager for Funding, Investment & Risk replied that with regard to the consultation they only have a small team which is why they are mindful of its scope. She said that the Unions will be included in the consultation and would work with the team on the communications relating to this. She added that she was aware that there had been a mixed response to the latest newsletter had been issued.

The Committee **RESOLVED** to approve the draft Investment Strategy Statement for consultation, noting that:

(i) The ISS has been prepared in line with the statutory requirements under the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016 and associated guidance.

(ii) The ISS has been updated to reflect changes to the Fund's investment strategy following the 2019/20 investment strategy review.

(iii) A copy of the draft Statement will be published on the Fund's website.

12 PENSION FUND ADMINISTRATION

The Pensions Manager introduced this item to the Committee. He stated that the report informs the Committee of the performance for Fund Administration for the period up to 31st May 2020 and actions undertaken following the Coronavirus outbreak and UK lockdown on 23rd March 2020.

He said that it had obviously been a challenging period but that year end work was almost complete and that the team have been in regular contact with the majority of employers.

He explained that they were waiting to take part in a proposed consultation by the Government on LGPS with regard to the McCloud judgement.

He stated that all risks on the register have been reviewed and updated to reflect the high impact of the Covid-19 outbreak across many aspects of the Fund. He said that a new risk had been added focusing on the sustainability of remote working so that the Fund is able to continue to deliver the service to members and employers.

Shirley Marsh-Hughes asked if any areas of risk were more of a concern over the next 3-6 months.

The Pensions Manager replied that regular reviews were taking place with Service Managers to minimise this but that working in a degree of isolation does slow the process down for the team.

Charles Gerrish asked what impact the change to the furlough scheme would have on employers if they were required to provide larger contributions to it. He also asked how the McCloud judgement would be managed in terms of employers making voluntary additional contributions.

The Group Manager for Funding, Investment & Risk replied first of all with regard to the McCloud judgement and said that employers had to elect to pay extra or not and if they are this would then be reviewed at their next valuation. Those that decide not to at this stage will be required to pay any arrears once a remedy has been agreed.

With regard to furlough she said that there was no specific provision in place but that they were monitoring, especially smaller companies.

Councillor John Cato asked if in future editions of the risk register whether any additional metrics or direction of travel could be included.

The Pensions Manager replied that they had only recently switched to this version of the risk register and so the current document was a work in progress and therefore would look to enhance it over forthcoming editions.

The Chair, on behalf of the Committee wished to thank all staff for their work, especially over the past few difficult months. He added that there was a need to ensure that provision is in place for them to continue to work effectively as we move forward.

The Committee **RESOLVED** to note:
(i) The Fund and Employer performance for the period to 31st May 2020.
(ii) The current position regarding the developments that could affect the administration of the Fund.
(iii) The updated Risk Register and actions taken.

13 PENSION FUND BUDGET AND CASH FLOW MONITORING

The Group Manager for Funding, Investment & Risk introduced this report. She explained that the purpose of the report was to inform the Committee of administration and management expenditure incurred against budget for the year to 31 March 2020 and that this information was set out in Appendices 1 and 1A. She added that it also contains the Cash Flow for the year to 31 March 2020 and this information was set out in Appendix 2.

The Committee **RESOLVED** to note:

(i) The administration and management expenditure incurred for the year to 31 March 2020.

(ii) The Cash Flow report for the year to 31 March 2020.

14 TREASURY MANAGEMENT POLICY

The Group Manager for Funding, Investment & Risk introduced this report. She explained that the Committee are asked to approve the Treasury Management policy each year and that the policy proposed for 2020/21 as set out in Appendix 1 was the same as the policy approved in March 2019.

The Committee **RESOLVED** to approve the Treasury Management Policy as set out in Appendix 1.

The Chair thanked all members of the Committee for their attendance and contributions to the meeting and those members of the public that had made statements or who were viewing the meeting via YouTube.

The meeting ended at 4.15 pm

Chair(person) ....

Date Confirmed and Signed ....

Prepared by Democratic Services

June 2020.

West of England Unison Branches Joint-Statement

Supporting a Fossil Fuel Divestment Policy for Avon Pension Fund.

In September 2019 Unison, along with six other trade unions supported a motion for a "Green New Deal" to build a prosperous zero-carbon society with good green jobs.

This came with 9 key principles:

- a commitment to zero carbon emissions by 2030
- rapidly phasing out all fossil fuels
- large scale investment in renewables
- supporting a just transition to well-paid unionised green jobs
- expanding public democratic ownership
- green integrated transport
- supporting developing countries own climate transitions
- welcoming climate refugees
- preventing displacement.

Pension funds are significant investors in the global economy and therefore hold important significance for how some of these principles can be realised. As the West of England Unison Branches representing over 10,000 members who pay into the Avon Pension Fund, we are committed to seeing the Fund lead by example as an investor in the zero-carbon economy.

We acknowledge the important steps the Fund has taken to account for climate change. This includes; identifying climate change as a long-term risk to the Fund's assets; monitoring the carbon footprint of the Fund; committing to invest 2.5% of its assets in Renewable Infrastructure Funds and investment in a low carbon fund through the “Brunel Pensions Partnership”.

We believe the allocation of investments must adopt a long-term horizon, concerned with both the long-term returns that will secure future pension payments, but also the integrity of the economy that underlies it.

Therefore, we are supporting the Fund taking the next step of adopting a target to divest entirely from fossil fuel stocks over a 5-year period. Long term investment in fossil fuels contributes to economic instability by fuelling the climate emergency, and therefore disregards the fiduciary duty for all pension beneficiaries.

In setting a 5-year divestment target that takes account of the costs to the Fund over that period the Fund is best representing the long-term financial interests of scheme members, particularly its younger members.

With this target the Fund will support the rapid phasing out of all fossil fuels. In terms of “The Green New Deal” two other things are important.

One is actively investing in a decarbonised, just and sustainable future - it is not enough to just divest from fossil fuels. The Fund should continue to drive genuine impact by setting up “Green Funds” through the “Brunel Pensions Partnership”, that invest in companies helping to achieve a net zero transition including in emerging sectors such as energy efficiency, renewable energy, energy storage and smart energy systems.

The second important point is a focus on justice, not only intergenerational justice, but in securing justice in terms of equitable distribution of the costs of transition for those working in affected industries. Where possible, the Fund should take it upon itself to try and invest in local economic ventures, in well-paid unionised green jobs to replace those lost in the fossil fuel industry.

Nationally, the Government in power will influence the opportunities of the Fund to invest in a zero-carbon economy that maintain the ability of the Fund to provide decent pensions into the future. As a Trade Union supporting the “Green New Deal” Unison will press for a just transition to secure new training and skills to create good green jobs.

In the interim, setting a divestment target is a vital next step the Fund should take on the climate emergency, for both its members, and all citizens across the World.

(due to be submitted to the Avon Pension Fund Investment Panel on 26th June 2020)

Speech to Avon Pension Committee – Friday 26th June 2020

Hello – I'm Sarah Warren, Cabinet Member for Climate Emergency at Bath and North East Somerset Council. I'm joining you today to thank you for agreeing changes recently to reduce the carbon footprint of the fund, and invest more capital in renewables, ensuring your portfolio is aligned with limiting global warming to below 2 degrees.

As part of Brunel, you are already amongst the leaders in local government pension funds when it comes to divestment from fossil fuels, and have actively lobbied Barclays Bank for a more responsible approach to investment, and EU leaders for a green renewal, so I want to congratulate and thank you for that.

But I have come to ask you to go further. The IPCC's 2018 report into the differences between 1.5 and 2 degrees of warming was stark, and said the following:

100 million more people will be exposed to risk from water scarcity in a 2 degree world, than 1.5. 10 million more, to risk from sea level rise. GDP per capita will be reduced by 13% rather than 8%. The disadvantaged and vulnerable will be in greatest peril. Whole ecosystems will be at greater risk of destruction.

The climate science is advancing all the time, the evidence mounting that change is happening faster than predicted. Following Australia's fires in the New Year, we've just seen the driest spring on record in the UK, whilst Siberia bakes in average temperatures this year more than 5 degrees above the long term average. The exceptional weather records stack up month on month. We'll soon see an ice free Arctic, with incalculable global impacts, and exponential rise in exceptional and disastrous weather events.

Now coronavirus has changed the world, and it has given us an opportunity that we must seize. The oil and gas sector are currently facing massive writedowns, with a threatened $17bn slash from BP, who, earlier this month, announced 10,000 job cuts. The fossil fuel sector envisages a green recovery, and falling returns. You have a fiduciary duty to the workers of Avon. No one should now be investing in fossil fuels due to the risk of stranded assets.

You have looked at investment scenarios and portfolio returns under 2, 3 and 4 degrees of warming. Projected portfolio returns under the 2 degree scenario are coloured a hopeful green in your background information. But I would argue that the outlook is bleak, for both investment returns, and society, even at 1.5 degrees. The empty supermarket shelves at the start of the pandemic have illustrated the fragility of our complex food supply chains here in the UK. Just how much would it take to disrupt them completely? Remember that all projections to date of climate impacts have been over-optimistic. At current rates of emission, we have 12 years 4 months 28 days until we emit the entire remaining global carbon budget that will take us to 1.5 degrees.

Thank you for the leadership you have shown so far. In these perilous times we need people to step forward and show courage. There is no time to lose. You must now invest 100% of your fund in low carbon and sustainable assets.

Statement from Councillor Martin Fodor, Bristol City Council

Avon Pension Fund meeting, June 26th
re: Item 11 Investment Strategy Statement (pp153- 177)

I'm making this statement in the light of the recent article/letter from APF setting out the Fund's current strategy to deal with fossil fuels and the climate emergency.

My own pension is in the Local Government Pension Scheme and would be back in this fund where it started, if local councillors were offered a pension, but unfortunately we are not. Mine is currently deferred, elsewhere in the Brunel Pensions Partnership family.

For five years I've been making the case for divestment and diversification of the fund to reduce exposure to ever greater risks of stranded assets, and to ensure that the money is put to work to secure an effective transition to the economy and environment we need, not the one where old assets are preventing a just transition of workers and communities. The deception of major companies who claim to be supporting this while lobbying against it has been one problem.
In 2015 Bristol City Council's Mayor wrote to the fund to challenge it on divestment after committing to action by the council itself.

So many other investors and funds have taken action before and since then that I am ever more impatient. We know the major local government union Unison actively supports divestment of Avon Pension Fund locally as they have supported calls for this in both 2015 and 2019. All the emerging guidance and warnings point to this action.

The Fund has said that its portfolios are aligned with the Paris Agreement ambition to limit global warming to below 20C. it goes on to add that it will:

1. Reduce carbon exposure:

We aim to be 30% less carbon intensive than our benchmark by 2022 by reducing our carbon exposure across all our equity holdings. We already invest £490m in Low Carbon global equities. As such our equity portfolio is 22% less carbon intensive than a mainstream portfolio, reducing the potential financial impact from assets with a higher exposure to carbon.

2. Invest sustainably:

We aim to invest at least 30% of our portfolio in sustainable and low carbon assets by 2025 or earlier. We are doubling our allocation to renewable energy infrastructure projects such as clean energy and social infrastructure projects, to £225m or 5% of our assets. In addition, we are investing at least £450m or 10% of assets in companies that are responding positively to the challenges of climate change, environmental sustainability or making a positive commitment to social well-being.

3. Engage:

We use our influence as part of the £30bn Brunel Pension Partnership to encourage change in the wider industry. Engaging collaboratively as a pool amplifies our voice in persuading companies and fund managers to adapt their business models to align with the Paris Agreement. For example, as part of Brunel we recently co-filed the first shareholder resolution at a European bank, calling for Barclays to phase out lending to non-Paris *aligned companies. We also lobbied BlackRock on its climate change position and actively voted against the management of Exxon Mobil and BHP Billiton on climate related disclosures.*

It also support investor led initiatives such as ClimateAction100+ and Institutional Investors Group on Climate Change to increase pressure on companies and governments to align with the Paris goals. In 2023, ahead of the Paris Stocktake, the fund says it will review the effectiveness of its engagement strategy and consider whether selective divestment is necessary.

I applaud these initiatives and look forward to the Fund giving an update on its climate emergency strategy later in the summer. But action is still too slow. Having slightly lighter weighted investments with a bit less fossil fuel exposure doesn't put the money where its needed for the future. As long as the fund continues to support the fossil fuel majors they don't need to worry about their continued investments in extracting fossil fuels.

The climate breakdown warnings are ever more urgent, and all the local authorities in this area have long declared a Climate Emergency. Paris commitments are too slow to achieve the changes scientists ever more urgently warn us are needed. Over 1000 fund members and local people have signed a petition calling for action to get out of fossil fuels.

Last year announcements by the Brunel Pensions Partnership made some people think it was divesting. But it actually gave funds two more years notice before it looks to assess whether any action will be taken. It's helpful that the partnership is a voice for change across the sector. Its '*Policy, Evidence and Persuasion and Products'* approach are useful. But despite the development of new Products this is still not enough.

I therefore attend today to call on this fund committee to ask for an urgent review of the opportunities for positive investment, and the pace of divestment. There are ever more opportunities to put money where it's needed, in renewables, energy efficiency, smart technologies, and energy storage. Engagement should not be an excuse for inaction; it can be achieved with minimal shareholdings not continued support for unsustainable practices.

Please listen and act now. Don't find out you need to catch up when it's too late for the fund and the members and communities depending on it for a viable future. Please commit to be an agent of change, not a follower

Cllr Martin Fodor
Bristol City Council
Redland ward Green Party councillor