Bath & North East Somerset Council

Improving People's Lives

Avon Pension Fund Committee

Date: **Friday, 23rd June, 2023**
Time: **10.00 am**
Venue: **Kaposvar Room - Guildhall, Bath**

Bath and North East Somerset Councillors: Paul Crossley (Chair), Shaun Stephenson-McGall (Vice-Chair), Toby Simon, Chris Dando and Joanna Wright

Co-opted Voting Members: Councillor Steve Pearce (Bristol City Council), Councillor Mike Drew (South Gloucestershire Council), Councillor Robert Payne (North Somerset Council), Charles Gerrish (Academies), William Liew (HFE Employers), Richard Orton (Trade Unions), Pauline Gordon (Independent Member), John Finch (Independent Member) and Jackie Peel (Independent Member)

Co-opted Non-voting Members: Wendy Weston (Trade Unions), Michael Rumph (Trade Unions) and Cllr John Goddard (Parish and Town Councils)

Chief Executive and other appropriate officers

Press and Public

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NOTES:

1. **Inspection of Papers:** Papers are available for inspection as follows:

Council's website: https://democracy.bathnes.gov.uk/ieDocHome.aspx?bcr=1

2. **Details of decisions taken at this meeting** can be found in the minutes which will be circulated with the agenda for the next meeting. In the meantime, details can be obtained by contacting as above.

3. **Recording at Meetings:-**

The Openness of Local Government Bodies Regulations 2014 now allows filming and recording by anyone attending a meeting. This is not within the Council's control. Some of our meetings are webcast. At the start of the meeting, the Chair will confirm if all or part of the meeting is to be filmed. If you would prefer not to be filmed for the webcast, please make yourself known to the camera operators. We request that those filming/recording meetings avoid filming public seating areas, children, vulnerable people etc; however, the Council cannot guarantee this will happen.

The Council will broadcast the images and sounds live via the internet www.bathnes.gov.uk/webcast. The Council may also use the images/sound recordings on its social media site or share with other organisations, such as broadcasters.

4. **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 Thursdays notice must be received in Democratic Services by 5.00pm the previous Monday.

Further details of the scheme can be found at:

https://democracy.bathnes.gov.uk/ecCatDisplay.aspx?sch=doc&cat=12942

5. Emergency Evacuation Procedure

When the continuous alarm sounds, you must evacuate the building by one of the designated exits and proceed to the named assembly point. The designated exits are signposted. Arrangements are in place for the safe evacuation of disabled people.

6. Supplementary information for meetings

Additional information and Protocols and procedures relating to meetings

https://democracy.bathnes.gov.uk/ecCatDisplay.aspx?sch=doc&cat=13505

Avon Pension Fund Committee - Friday, 23rd June, 2023

at 10.00 am in the Kaposvar Room - Guildhall, Bath

A G E N D A

1. EMERGENCY EVACUATION PROCEDURE

   The Chair will ask the Committee Administrator to draw attention to the emergency evacuation procedure as set out under Note 5.

2. APOLOGIES FOR ABSENCE AND SUBSTITUTIONS

3. DECLARATIONS OF INTEREST

   At this point in the meeting declarations of interest are received from Members in any of the agenda items under consideration at the meeting. Members are asked to indicate:

   (a) The agenda item number in which they have an interest to declare.
   (b) The nature of their interest.
   (c) Whether their interest is **a disclosable pecuniary interest** or an **other interest**, (as defined in Part 4.4 Appendix B of the Code of Conduct and Rules for Registration of Interests)

   Any Member who needs to clarify any matters relating to the declaration of interests is recommended to seek advice from the Council's Monitoring Officer or a member of his staff before the meeting to expedite dealing with the item during the meeting.

4. TO ANNOUNCE ANY URGENT BUSINESS AGREED BY THE CHAIR

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

6. ITEMS FROM COUNCILLORS AND CO-OPTED AND ADDED MEMBERS

   To deal with any petitions or questions from Councillors and where appropriate co-opted and added members.

7. MINUTES: 17TH MARCH 2023 (Pages 7 - 22)

8. PENSION BOARD MINUTES: 23RD MAY 2023 (Pages 23 - 32)

   The Committee are asked to note the minutes of the recent Pension Board meeting.

9. ANNUAL GOVERNANCE REVIEW (Pages 33 - 76)

This report is to remind members of the roles and responsibilities of members, advisors and officers of the Avon Pension Fund and the governance framework for the Fund as a whole.

10. ADMIN REPORT & SERVICE IMPROVEMENT PLAN (Pages 77 - 112)

The purpose of this report is to present the Fund's administration performance for the three months to 31 March 2023 vs key performance indicators (KPI's).

11. DEATH IN SERVICE POLICY (Pages 113 - 132)

One of the risks for employers is the possible increase in liabilities arising when an active member dies as their beneficiary will receive a lump sum and spouse's or partner's pension earlier than would otherwise be the case.

12. REVIEW OF INVESTMENT STRATEGY & PERFORMANCE (Pages 133 - 198)

This paper reports on the investment performance of the Fund and seeks to update the Committee on routine strategic aspects of the Fund's investments and funding level, policy and operational aspects of the Fund.

13. ANNUAL EMPLOYER UPDATE (Pages 199 - 208)

This report provides the Committee with a summary of the employer base of the Fund, changes, current issues and covenant work. This is to be considered in the context of employer risk.

14. UPDATE ON LEGISLATION (Pages 209 - 276)

The purpose of this report is to update the Pension Committee on any proposed regulatory matters that could affect scheme administration.

15. GOVERNANCE UPDATE (Pages 277 - 296)

Attached to this report is the work plan for the Committee (Appendix 1) and a separate one for the Investment Panel (Appendix 2) which set out provisional agendas for forthcoming meetings. The dates for future Committee and Panel meetings are also included.

The Committee Administrator for this meeting is Mark Durnford who can be contacted on 01225 394458.

BATH AND NORTH EAST SOMERSET

AVON PENSION FUND COMMITTEE

Friday, 17th March, 2023

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

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), Richard Orton (Trade Unions), Pauline Gordon (Independent Member), John Finch (Independent Member) and Jackie Peel (Independent Member)

Co-opted Non-voting Members: Wendy Weston (Trade Unions), Michael Rumph (Trade Unions) and Cllr John Goddard (Parish and Town Councils)

Advisors: Steve Turner (Mercer), Paul Middleman (Mercer) and Nick Page (Mercer)

Also in attendance: Nick Dixon (Head of Pensions), Liz Woodyard (Group Manager for Funding, Investment & Risk), Nathan Rollinson (Investments Manager), Geoff Cleak (Pensions Manager), Carolyn Morgan (Governance and Risk Advisor), Nicky Russell (Technical & Compliance Advisor), David Richards (Finance & Systems Manager (Pensions)), Jeff Wring (Director, One West) and Charlotte Curtis (Governance & Risk Officer)

45 EMERGENCY EVACUATION PROCEDURE

The Chairman drew attention to the emergency evacuation procedure.

46 APOLOGIES FOR ABSENCE AND SUBSTITUTIONS

There were none.

The Chairman informed the Committee that Geoff Cleak, Pensions Manager was due to retire soon and asked the Head of Pensions to address them.

Nick Dixon, Head of Pensions said that Geoff had worked for Local Government for 40 years and had been responsible for creating a strong culture of service within the Fund. He added that he will be greatly missed as part of the team.

Geoff Cleak addressed the Committee and said that it had been a pleasure to have worked for the Fund for the last 35 years. He added that he welcomed the commitment and resource that has been given to the Fund during his time.

The Head of Pensions informed the Committee that Claire Newbury, Digital Services Project Manager would become the new Pensions Manager in due course.

47 DECLARATIONS OF INTEREST

There were none.

48 TO ANNOUNCE ANY URGENT BUSINESS AGREED BY THE CHAIR

There was none.

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

Elaine Ashley had submitted the two following questions to the Committee.

Question 1

You state that you support the Engagement rather than an urgent Divestment strategy with Fossil Fuel companies (and presumably also Fossil Fuel investors such as Black Rock). I would like to know what evidence you have to suggest that this strategy is likely to work and what detailed plans you have in place to monitor what progress is being made and at what point you disengage due to lack of progress.

The divestment campaign has been developing for more than 10 years and many bodies have been pursuing a strategy of engagement for many years, even though we have seen some considerable green-washing in the fossil fuel sector, some of which has been very publicly exposed and legally challenged. We have also seen fossil fuel companies continuing with very major plans for continuing expansion and increasing output, when we know that this is disastrous for the future of life of earth, which requires 45% reduction in carbon emissions before the end of this decade, with fossil fuels being the source of the vast majority of those emissions. We have also seen major financial institutions sometimes respond to shareholder pressure one year, only to quietly reverse the changes the following year.

In terms of whether divestment works better than engagement, there is an expert review of a range of evidence that suggests that divestment does work, with further robust evidence published since that review also coming to the same conclusion.
Additionally, one very recent report raises *the risks of failing to divest* very seriously indeed, while another author suggests that '…the financial debate about divestment is as settled as the ethical one…' as a result of research and analysis by Black Rock.

So there would seem to be evidence to show that Engagement does not work and the other there is major expert evidence to show that divestment does work, and, further, that *failure to divest* presents a very major risk. This risk is very high, and increasing all the time, in regard to Avon Pension Fund – although it has done more than many funds to move away from Fossil Fuel investments it still looks as if there is a serious danger of being left behind with stranded assets.

"ABP (Dutch Civil Service fund) are divesting over the next 10 years, while 1,500 asset managers are offloading more than $40 trillion in fossil fuel holdings," says

Shandal (Partner and Managing Director at BCG). "The trend is clearly focused on divestment rather than on engagement."

"Investments in fossil fuel assets need to decline rapidly, because they work against the clean energy transition now and lock in GHG emissions for decades to come, leading to stranded assets in the future (Campiglio *et al.* 2018; Mercure *et al.* 2018; Kreibiehl *et al.* 2 022).

…Together with societal and litigation risks, these technological and policy risks cause a "transition risk" that should be managed to avoid financial instability (Campiglio *et al.* 2018). The bursting of a carbon bubble cannot be ruled out (Griffin *et al.* 2015)." UN Emissions Gap Report 2022

Question 2

How closely are you monitoring the risk of being left with stranded assets of Fossil Fuels that will have to remain in the ground?

The Head of Pensions thanked her for her questions on behalf of the Committee and said that they would reply to the points raised in writing.

50 ITEMS FROM COUNCILLORS AND CO-OPTED AND ADDED MEMBERS

There were none.

51 MINUTES: 16TH DECEMBER 2022

Pauline Gordon advised the Committee that she had emailed the Democratic Services Officer regarding two minor amendments.

With those amendments in mind the Committee **RESOLVED** that the minutes of the meeting on 16th December 2022 be confirmed as a correct record and signed by the Chair.

52 STRATEGIC INVESTMENT REVIEW

The Committee, having been satisfied that the public interest would be better served by not disclosing relevant information, **PROPOSES**, in accordance with the provisions of the Section 100(A)(4) of the Local Government Act 1972 that the public should be excluded from the meeting for this item of business, because of the likely disclosure of exempt information as defined in paragraph 3 of Part I of Schedule 12A of the Act as amended.

53 2023 - 26 SERVICE PLAN AND BUDGET

The Head of Pensions introduced the report to the Committee and highlighted the following points from within it.

- The Ukraine conflict and other global challenges have adversely impacted the Fund in 2022. Markets have experienced elevated volatility, with UK government bonds for example declining in value by c.30%.

- Even though the Fund's portfolio declined by 11% during 2022 to £5,231m, we enter 2023 in a robust financial position with a c.97% funding level.

- Operationally the Fund has had more mixed success during 2022-23. Service performance in aggregate is below required levels, with only 5 of 19 service measures completed within target timescales. This is a result of high staff vacancy rates of c.13%, churn of leavers and joiners, regulatory change, and slow progress in digitising administration.

- Administration Strategy - At its heart is a strategic change programme of projects to meet regulatory needs, raise operational efficiency, and improve member experience. To be implemented over 2023-26, this will raise our capacity and enable us to serve members and employers more effectively over time. The plan is being developed and will be shared in detail with the Committee in June 2023.

- Funding Strategy - The Fund already has captive group-wide insurance for Ill-health retirement given that this can result in significantly liabilities. The main new funding project in 2023 is to explore similar groupwide captive insurance options for Death in Service, at minimal extra cost to employers. Officers will come back to the Committee with a proposal for their approval later in 2023.

- Communications Strategy - Stakeholder engagement: the Fund needs to clearly communicate with key stakeholder groups, e.g. councillors, scheme members, trades unions, etc. on investments and climate change. This will encourage broad feedback and input to influence the Committee's decisions on revised climate targets in September 2023.

- The Fund's overall budget for 2023-24 of £31.9m is £2.1m lower than in the previous year's budget of £34.0m. There are two core budget components:

    - The administration budget of £7.0m for 2023-24 is £1.1m higher than 2022-23.

    - 2023-24 investment fees of £24.9m are £3.2m (11%) lower than the £28.1m of 2022-23. The difference is driven by: asset values lower than 2022-23 budget, raising the proportion of passive equities from 39% to 50%, and changes in portfolio allocations.

Wendy Weston referred to page 139 and asked what sectors were increasing their active membership.

The Pensions Manager replied that there had been quite an increase in part-time workers and these were mainly within Academies / Multi Academy Trusts.

Pauline Gordon asked how our costs relate to other Funds in terms of benchmarking.

The Head of Pensions replied that there is an annual benchmarking report produced and he believed that the Fund was broadly in the middle of the pack in terms of cost per member and cost per asset. He added that most importantly they are looking to improve service levels and then seek to bring down unit costs.

Councillor Paul May asked how the review of pay scales for the Fund is dealt with by B&NES as an overall organisation in terms of its employees.

The Head of Pensions replied that a report would be submitted to the Council's HR and Finance departments for them to advise / approve on how any changes can be implemented alongside other salaries across the Council.

The Director, One West added that the Fund has to work within the same processes as all other areas of the Council. He said that a Hay evaluation and grading scheme will take place as part of this exercise and assured the Committee that all governance procedures will also be followed.

Jackie Peel asked if there is a 'Plan B' if the recruitment of additional staff does not come to fruition as is hoped.

The Head of Pensions replied the Fund is open minded about the option to outsource any functions to consultants / partners as it already does so in some cases. He added though that they were not anticipating the need to do so with regard to the administration of the service.

Richard Orton asked if the figure of £0.4m would be enough to address the salary reviews.

The Head of Pensions replied that they do believe that this figure will be sufficient.

Richard Orton commented that the number of participating employers had decreased from 484 in 2021 to 331 in 2022 and asked if it was known why this had occurred.

The Group Manager for Funding, Investment and Risk replied that it was because many of the Admission Bodies have short term contracts for elements of their outsourcing, catering etc. She added though as Multi Academy Trusts have begun to pool more resources this will have seen a decline in those overall numbers.

Charles Gerrish asked for clarification if the Hay evaluation would cover all market parameters or just the public sector.

The Head of Pensions replied that they will be looking across both the private and the public sectors.

The Director, One West said that this had so far been one of the most extensive analysis that he had seen. He added that Aon were acting on behalf of the Fund and were gathering a deep level of evidence for every role within the Fund.

Charles Gerrish asked if there was to be any regional pay influence.

The Head of Pensions replied that other LGPS such as Somerset, Wiltshire and Gloucestershire have been included in their benchmarking and some of the private sector evidence has been from companies in and around the Bristol area. He added that the competitive dynamics have become more complex now that the majority of employees can work from home.

Wendy Weston referred to Appendix 4 and asked if the reduction in forecast budget for the Pension Board in 2022/23 could be explained.

The Governance & Risk Advisor replied that it had been because a number of meetings and training had taken place remotely over the past year. She added that in the coming years some of these elements would return to being in person and a recruitment exercise was also expected for roles within the Board.

Councillor John Cato referred to Appendix 2a and asked if there was a known completion date target for the 'Review disaster recovery / business continuity plan' and 'Review of Committee Reports'.

The Governance & Risk Advisor replied that officers were in the process of re-prioritising projects and it was anticipated that this programme would be revised by June.

The Committee **RESOLVED** to approve the 3 Year Service Plan and Budget for 2023-26 for the Avon Pension Fund.

54 ACTUARIAL VALUATION 2022 & UPDATED FUNDING STRATEGY STATEMENT

The Group Manager for Funding, Investment & Risk introduced the report to the Committee. She said that it was anticipated that the Actuary will finalise the actuarial valuation report next week, before the 31 March 2023 deadline. She added that this was the first time that Climate Risk had been included within the report.

Paul Middleman, Actuary, Mercer said that the report would consider the impact of Climate Risk under three different temperature scenarios and it draws out how the strategy that the Committee has put in place aligns with those scenarios.

The Committee **RESOLVED** to:

i) Note the outcome of the 2022 actuarial valuation exercise.

ii) Delegate the finalisation of the Funding Strategy Statement to Officers.

55 TREASURY MANAGEMENT POLICY

The Finance & Systems Manager introduced the report to the Committee. He explained that the Committee is asked to approve the Fund's Treasury Management Policy each year and that it was last approved in March 2022.

He added that the Policy closely mirrors the Council's policy set out in the Councils' Annual Treasury Management Strategy.

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

56 PENSION FUND ADMINISTRATION

The Pensions Manager introduced the report to the Committee and highlighted the following areas to them.

KPI's

Incoming case work is generally increasing per quarter and the Fund continues to operate below its desired target of >90% for most case types. Although there has been a marginal improvement overall with previous quarters, generally, KPI benchmarking performance has remained below target.

A complex mix of challenges have contributed to the continued downturn including increased member churn and acceleration of scheme employers providing data monthly.

Once in place, the agreed new Admin Operating Model will embrace available systems technology to bulk process the majority of leavers, reducing the amount of manual intervention.

McCloud

97% of our employers have supplied their data to us including one of the two outstanding Unitary Authorities. We are continuing to chase this unitary and the 13 employers who have not provided the data to us. The team are checking the data and will be shortly contacting employers with any missing information or queries in readiness for the rectification method anticipated to arrive in the summer, delayed from end of the year.

We continue to be in engagement with Aon Consultants in respect of the McCloud project for data Remedy. The McCloud Data scoping group are awaiting guidance from Scheme Advisory Board to enable us to deal with poor/missing data.

i-Connect – Monthly Data Returns

In the last quarter 30 employers have gone live with i-Connect equating to 78% of all active employers now supplying data monthly. A further 14 employers have now been onboarded since the agenda papers have been published.

Recruitment

Recruitment and retention remain a key factor impacting business operations with both member and employer services carrying vacancies (including maternity cover). Overall, the administration is approximately 88% resourced.

The Committee **RESOLVED** to note the Fund performance for the three months to 31st December 2022.

57 UPDATE ON LEGISLATION

The Technical & Compliance Advisor introduced the report to the Committee. She informed them of the two following recent announcements.

CARE Revaluation Date

A short consultation had been issued in February 2023 to move the annual in-service CARE revaluation date from 1 April to 6 April to align with the tax year and reduce the number of members who would potentially breach the annual allowance as a result of the 10.1% CPI increase being awarded.

This change will now come into force from 31st March 2023 and means that the revaluation of CARE will not be taken into account as part of the annual allowance calculation.

Our system provider, Heywood, have said that they are looking to have a procedure in place from May 2023 regarding this.

The change will impact a small number of members that change status between 1st – 5th April which may require some manual calculations from the Admin team. The LGA are due to provide guidance on this matter imminently.

Lifetime / Annual Allowance

It was announced by the Chancellor in the Spring Budget that the Lifetime Allowance would be abolished from 2024.

From April 2023 the Annual Allowance has been increased from £40,000 - £60,000.

Awaiting further information from the Treasury on both matters.

William Liew commented that he was aware that the NHS Pensions Team had already written to their members regarding the CARE revaluation and had updated their website.

The Technical & Compliance Advisor replied that they were awaiting further guidance from the LGA as to whether this was seen as a material impact and then a decision would be made on how this will be communicated to members.

Councillor Chris Dando commented that the Judicial Review (brought by the British Medical Association and the Fire Brigades Union) over the government proposed method of paying for costs incurred by the McCloud Judgment has now been dismissed.

The Committee **RESOLVED** to note the current position regarding the developments that could affect the administration of the fund.

58 RISK MANAGEMENT PROCESS & RISK REGISTER

The Governance & Risk Advisor introduced the report to the Committee. She outlined that a new risk framework had been introduced to assist risk owners to assess the risk and score, this was attached as Appendix 1, a high level matrix showing the distribution of risks by score was attached as Appendix 2 and the complete risk register was attached as Appendix 3.

She stated that following feedback from the Committee and Pension Board members pre-mitigation scores have also been added to the risk register.

She highlighted that the most critical risks were currently:

NR01 – 'Ability to deliver admin service to members and employers within agreed standards' - The current factors impacting this risk are set out in item 13 – Pension Fund Administration report.

NR12 – 'Failure to achieve decarbonisation targets in the required timescales in accordance with climate change priorities' - Government climate policies not moving fast enough or sufficiently enforced.

Councillor Shaun Stephenson-McGall said that he welcomed the changes that had been made to the risk register and thanked officers for their work on it.

The Committee **RESOLVED** to note the report.

59 GOVERNANCE

The Governance & Risk Advisor introduced the report to the Committee. She explained that there is an intention to move the Committee meetings to Friday mornings on the same dates as outlined in the report.

She said that the Committee are being asked to approve the proposal that members study and complete all Hymans Learning Academy modules within twelve months of becoming a Committee member.

The Chairman commented that he would like it to be made sure that any new Committee member receives robust training and induction.

The Committee **RESOLVED** to:

i) Approve the proposal for Committee members to study and complete all Hymans Learning Academy modules within twelve months of becoming a Committee member.
ii) Approve the proposal for Committee members to restudy and repeat the completion of the modules every three years.
iii) Note the Committee & Investment Panel workplans and training programme.

The meeting ended at 11.27 am

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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BATH AND NORTH EAST SOMERSET

PENSION BOARD

Tuesday, 23rd May, 2023

Present:- Nick Weaver (Chair), Helen Ball, Steve Harman and Alison Wyatt

Also in attendance: Nick Dixon (Head of Pensions), Jeff Wring (Director - One West), Liz Woodyard (Group Manager for Funding, Investment & Risk), Anna Capp (Member Services Manager), Claire Newbery (Pensions Operations Manager), Carolyn Morgan (Governance and Risk Advisor), Charlotte Curtis (Governance & Risk Officer) and Yolonda Dean (Employer Services Manager)

47 EMERGENCY EVACUATION PROCEDURE

The Chair welcomed everyone to the meeting and asked the Democratic Services Officer to read out the Emergency Evacuation Procedure.

48 APOLOGIES FOR ABSENCE

Tony Whitlock and Stuart Anstead had sent their apologies to the Board.

49 DECLARATIONS OF INTEREST

There were none.

50 TO ANNOUNCE ANY URGENT BUSINESS AGREED BY THE CHAIR

There was none.

51 ITEMS FROM THE PUBLIC

There were none.

52 ITEMS FROM MEMBERS

There were none.

53 MINUTES OF PREVIOUS MEETING: 8TH DECEMBER 2022

The Board approved the minutes of the previous meeting and they were duly signed by the Chair.

54 PENSION FUND ADMINISTRATION - OVERVIEW & SUMMARY PERFORMANCE REPORT

The Pensions Operations Manager introduced this item to the Board and gave them a presentation. A copy of the presentation will be attached as an online appendix to these minutes and a summary is set out below.

She informed the Board that it had been a tough few months for the team as the Payroll Leader had resigned at the end of March. She said that this required some immediate decisions to be taken which included moving Team Leaders from Member Services across to Payroll.

She explained that seven payrolls take place every month alongside reporting to HMRC, which had all been completed properly and on time in both April and May. She said that a new Team Leader has been recruited and is currently in training. She wished to give thanks to the Member Services Manager and the team for all their work.

The Member Services Manager said that a lot of fast track training was given and that all payments had been made on time.

Steve Harman asked if the new Team Leader could be approached to stay on a permanent basis.

The Pensions Operations Manager replied that they had already been appointed on a permanent basis.

The Chair commented that he felt that this had been a very impressive achievement from everyone involved.

The Head of Pensions addressed the Board.

<u>Current state of APF organisation ….</u>

Service quality is below SLAs agreed with the Pensions Committee:

- 75% of members’ service requests are completed within SLAs
- c.65% was achieved before the office return in Q4 2022 – since when further improvement has stalled

Service quality is limited by 4 key issues:

- high vacancy rate of c.16%
- elevated work load due to increased i-Connect data combined with a complex leaver-joiner process
- performance MI is insufficiently embedded in operational management
- there is limited digitisation with heavy manual processes

We have the ability to address all the above issues.

<u>Improvement objectives ….. - 2025 – what good looks like</u>

Service

- Meet service standards set by CIPFA, plus TPR requirements
- Achieve SLAs agreed with APF Pensions Committee – 90% in 2025
- Easy digital experience – with substantial uptake of My Pension Online2

- All employer data exchanged electronically

Foundations

- Deliver all regulatory changes which benefit members, e.g. - McCloud, Dashboard, GMP
- Transformed digital platforms – for members, employers, APF staff
- MI drives insight and is embedded into operational decisions

People

- Pay rates are competitive for retention & recruitment of required talent
- Vacancy rate within normalised range of 4-8% within 12 months
- New operational structure embedded by year end
- Engaged workforce: keen to learn, keen to serve members

Steve Harman asked where the figure of achieving 90% of our targets comes from and why is it not 100%.

The Pensions Operations Manager replied that the figure was a legacy issue and had always been in place prior to her commencing her role. She added that in her opinion 100% would not truly ever be achievable.

The Head of Pensions added that he felt that 90% was achievable within 2.5 years and that he would be willing to evaluate the position after that time. He then returned to the presentation.

<u>Key levers to improve people environment</u>

- Improve salaries
    - We asked Aon to undertake an independent review of APF salaries comparing all roles vs similar public & private sector organisations. Aon recommended salary increases linked to roles – based on the external comparisons.
    - B&NES HR has approved the principle and aggregate of proposed salary increments. We now move into detailed implementation – with approval of each individual case. We expect salary changes to take effect from the July 2023 payroll.

- Fill vacant positions
    - Sorting Payroll - We have already hired the team leader – who has extensive private sector experience. We need to hire 1 Senior Officer & 1 Officer.
    - Hiring people with experience who can learn quickly and make a difference to service delivery, e.g. Officers & Seniors serving members and employers / Technical Leads.
    - Transformation - We need to hire a Change Programme leader who can drive digital transformation. We also need project leads who can work with the wider APF team.

Helen Ball asked if any consideration had been given to awarding staff bonuses or honorariums.

The Pensions Operations Manager replied that some of these measures had already been put in place.

- Leadership & communication
    - Regular leadership briefings.
    - People understand the APF strategy, how their team fits and how their own role contributes.
    - Input into APF strategy, e.g. climate change & net zero / change priorities.

- Organisation, Training, Development, and Career Progressions
    - New organisation structure to support digital future in place – December 2023.
    - Career development - Training plans / career families for progression.
    - Get the basics right - Clear personal objectives / 121s with line manager / team discussions.

<u>Payroll</u>

- Objectives
    - Fully resourced
    - Robust processes
    - MI on workflow – full transparency

- Actions
    - Recruit SPO & PO June - August 23
    - New TL to take over payroll running - Autumn 23
    - Review & create new processes - December 23
    - Create workflow to manage work - January 24

<u>Leaver process</u>

- Objectives
    - No backlogs > 60 days
    - Meet TPR & regulatory requirements
    - Meet SLA targets set in Admin Strategy (CIPFA) agreed by Pensions Committee

- Actions
    - Consider bulk digital processing to clear backlogs
    - Formation of Leaver Team
    - Streamline & digitalise 3 key processes
      o Leaver
      o Starter
      o Post changes
    - Support & Development - Employer training / People training & upskilling

Management Information (MI)

- Objectives
    - Transparency of work levels
    - Reporting to support pro-active achievement of KPIs and SLAs
    - Agile reporting, weekly, monthly
    - Team productivity

- Actions
    - Business Analyst in place to review reporting needs and develop new reports
    - Working with other funds to understand reporting capability
    - Review of workflows to in-bed new reporting with new processes and responsibilities
    - Create, design, test and deliver new reports

Day-to-day and backlogs

- Objectives
    - Fully resourced & trained team
    - No backlogs > 60 days
    - Self service & digital processes for members & employers
    - Satisfied members
    - Engaged workforce

- Actions
    - Regular weekly/monthly reviews of work – Agile working to focus on changing work loads
    - Operational focus on 2 key areas – Retirements / Death
    - Automate & digitalise processes and consider applying to backlogs
    - Website developments for Employers & Members (self service)

Alison Wyatt asked if there was any mileage in consolidating any work with other Funds.

The Pensions Operations Manager replied that they do meet quarterly with other Funds, but inevitably they will all have a different type of focus.

The Head of Pensions added that he was aware some collaborations are taking place, but felt that the Fund now needs to focus on solving the problems that have now been identified.

Helen Ball asked if the Board could be updated regularly on the Improvement Plan and said that she didn't feel the need to know if the KPIs haven't really changed.

The Head of Pensions and Steve Harman agreed with this proposal.

Change Programme

- 8 projects

- Objectives for each project
- Criteria for prioritising
- Clear delivery plan

- Necessary projects absorb common resources – limiting capacity for transformation.

- Project prioritisation applied

Steve Harman asked why 'Rebrand' had been given a priority of 1.

The Communications and Marketing Manager replied that the current logo of the Fund was difficult to process digitally.

The Head of Pensions added that, as well as the logo change, the rebrand was about changing language and tone of voice used in communication to make understanding simpler for members.

The Pensions Operations Manager added that it was a priority as the website would not be supported from the end of October 2023.

Helen Ball asked if there were any external complications from the KPIs not being achieved.

The Pensions Operations Manager replied that they were not normally any longer than 5 days over their targets and had not felt the need to self-report themselves to the Pensions Regulator or been reported by them. She added that in the circumstances the year end had gone well overall and wanted to take this opportunity to provide a clear and honest account of where we are.

The Board **RESOLVED** to note:

i) The presentation that had been given
ii) The Fund performance for the three months to 31 March 2023.

55 TECHNICAL & COMPLIANCE UPDATE

The Pensions Operations Manager introduced the report to the Board and highlighted the following points from within it.

<u>Pension Taxation</u>

The Spring Budget in March saw a number of changes to the way pensions will be taxed, primarily an increase to the annual allowance, and removal of lifetime allowance charges from 6 April 2023 (and abolishment of the lifetime allowance from 2024/25 onwards).

Whilst the changes to the annual and lifetime allowance are favourable to members, the changes have led to administrative processes and member communications to be updated and may lead to an increasing number of queries in the short-term.

CARE Revaluation

On 9 March 2023 DLUHC published its response to the consultation setting out proposals to change the annual revaluation date for the LGPS from 1 April to 6 April. The response confirmed that the change would take place and on the same day the LGPS (Amendment) Regulations 2023 were laid (coming into effect on 31 March 2023).

Whilst the changes made will have reduced the number of members impacted by the 2022/23 annual allowance charge, the timing of the change had an impact on the administration team given software systems weren't updated prior to the change taking place (thus resulting in a greater level of manual calculations). Communications are also being updated and the team has also dealt with an increased number of queries from members.

The Board **RESOLVED** to note the current position regarding developments that could affect administration of the fund.

56 RISK MANAGEMENT UPDATE - RISK REGISTER

The Governance & Risk Advisor introduced the report to the Board. She explained that following feedback from Pensions Committee and Pension Board members, pre-mitigation scores have also been added to the risk register. She added that the risk register identifies risks which could have a material impact on the Avon Pension Fund in terms of service, value, reputation, or compliance.

She identified to the Board the most current critical risks:

NR01 – 'Ability to deliver admin service to members and employers within agreed standards' The current factors impacting this risk are set out in item 8 – Pension Fund Administration report.

NR12 – 'Failure to achieve decarbonisation targets in the required timescales in accordance with climate change priorities' Government climate policies not moving fast enough or sufficiently enforced.

NR05 – Failure to manage personal data in line with data protection regulations. Following an increase in the number of data breaches caused by enveloping errors and on the advice of Information Governance and Internal Audit the decision has been taken to stop all bulk printing and enveloping while the process is reviewed. Consultation with Information Governance & Internal Audit is also taking place to improve the process for providing members with activation keys for My Pension Online, following two data breaches.

Councillor Paul Crossley asked if officers were comfortable with the risks that have been reduced.

The Governance & Risk Advisor replied that they were and that mitigation was in place regarding them.

Councillor Crossley stated that he believed that the Fund needs to be prepared for challenges in terms of its decarbonisation targets and climate change priorities.

The Board **RESOLVED** to note the report.

57 INVESTMENT AND FUNDING STRATEGY UPDATE

The Group Manager for Funding, Investments & Risk introduced the report to the Board and highlighted the following points from it.

Actuarial Valuation 2022

The average deficit recovery for the Fund has reduced from 13 years in 2019 to 12 years in 2022 which is line with the medium-term target. The funding level has also improved from 94% in 2019 to 96% in 2022.

The discount rate used to value the past service a liability is based on the expected return on the assets relative to CPI. At 31 March 2019 the equivalent discount rate was CPI +1.75% p.a. This was reduced to CPI +1.50% in 2022 due to a fall in investment return expectations. This compares to a best estimate for investment returns of CPI+2.5% which shows the degree of prudence built into the assumptions.

Some smaller employers have had to leave the fund as their final member leaves. Still have around 450 employers and the valuation remains a resource intensive process.

Revised Investment Strategy

The 2022 strategic investment review was undertaken at a challenging time for investment markets. Therefore, the strategic focus re-examined the overall level of return and risk, the role of Risk Management Strategies in the overall policy framework and our net zero/climate targets.

The revised strategic allocation is based on the following:

a) Risk Appetite: The Committee concluded that to maintain as stable as possible employer contributions, increasing returns and therefore risk was not warranted given the funding objective and funding level.

b) Preferred strategic benchmark: The current strategic benchmark allocations between equities, liquid and illiquid growth assets, and fixed income achieves the appropriate balance of risk and return to provide stability of contributions.

c) Diversification: The liquidity analysis concluded that the Fund was nearing its maximum allocation to illiquid assets. Therefore, alternative allocations between equities and other liquid growth assets did not improve the risk and return expectations sufficiently to warrant changing allocations.

The main asset allocation change is the initial target allocation of 3% to Local, Social Impact assets. This would be funded from the 32.5% already held in illiquid assets. The focus of the portfolio will be the South West which is a sufficiently local regional footprint as restricting to the Avon area could be too narrow to have sufficient impact through a diversified portfolio. National opportunities would also be considered to provide greater flexibility to meet the investment objectives.

The Investment Panel will review the Hedging Strategy in July 2023 and the Fund's climate targets are due to be reviewed during September / October 2023 following an engagement exercise with stakeholders.

Steve Harman commented that it was positive to see the funding level had risen to 96% and asked how that compared with other Funds.

The Group Manager for Funding, Investments & Risk replied that historically the Fund would be placed around midway in comparison with others and that she felt this was probably still the case. She added that she was aware that some Funds were achieving funding levels of 110% - 115%, but would be asking them what they were doing to lock in their funding. She said that realistically the Fund would only want to be targeting a 100% funding level.

The Chair asked if the Fund was coping in terms of having enough cash available within it.

The Group Manager for Funding, Investments & Risk replied that the Fund was in a good position in this regard currently as all pre-payments had just come in. She added that annual cash management was becoming more important as they were not always in control of specific draw downs for private market portfolios.

Helen Ball asked what was hoped to be achieved through the Local, Social Impact investing.

The Group Manager for Funding, Investments & Risk replied that they were seeking to achieve an overall positive return for the Fund. She said, for example, that investing could take place in Housing, Climate Solutions and Renewables (Infrastructure). She added that investment would be carried out at arm's length through external managers and that they would report back to the Board on progress in due course.

The Board **RESOLVED** to note:

i) The outcome of the actuarial valuation
ii) The revised investment strategy.

58 PENSION BOARD - TRAINING AND WORK PLAN UPDATE

The Governance & Risk Advisor introduced the report to the Board. She explained that a workshop had been held in March 2023 to look at the Administration Strategy & Service Plan update (including KPIs). She added that officers would look to meet with Board members informally or through workshops in between their scheduled meetings.

She informed members that the SAB's Good Governance Review is expected to include additional knowledge and skills requirements for Committee, Pension Board and Officers. She added that Hymans Robertson have been working with the SAB to develop these requirements and have produced an LGPS Online Learning Academy (LOLA).

She stated that a second version of the Learning Academy will launch in July 2023 and that the training was split into a number of modules covering the CIPFA Knowledge & Skills Framework.

Councillor Paul Crossley asked if the relaunch would result in additional charges to the Fund.

The Governance & Risk Advisor replied that it would not as they pay an annual charge for the licence. She added that currently Board members were asked to refresh their training on a yearly basis and that Committee members were asked to refresh their training every three years.

The Head of Pensions added that any new Committee member would be asked to complete the training within a year and then refresh every three years.

Councillor Crossley stated that he wanted to make the training compulsory for all new Councillors on the Committee.

The Board **RESOLVED** to:

i) Note the workplan & training plan for 2023/24
ii) Note the dates for future meetings.

The meeting ended at 4.03 pm

Chair(person) ....

Date Confirmed and Signed ....

Prepared by Democratic Services

Bath & North East Somerset Council	
MEETING:	**AVON PENSION FUND COMMITTEE**
MEETING DATE:	**23 JUNE 2023**
TITLE:	**FUND GOVERNANCE FRAMEWORK**
WARD:	**ALL**
AN OPEN PUBLIC ITEM	
List of attachments to this report: Appendix 1 – Terms of Reference for Committee and Investment Panel Appendix 2 – Scheme of Delegation Authorisations List Appendix 3 - Scheme of Delegation Schedule Appendix 4 - Governance Compliance Statement Appendix 4a – Representation Policy Appendix 5 – Decision Making Matrix Appendix 6 – Training Strategy Policy	

1 THE ISSUE

1.1 This report is to remind members of the roles and responsibilities of members, advisors and officers of the Avon Pension Fund and the governance framework for the Fund as a whole.

1.2 The Terms of Reference for the Committee and Investment Panel are set out in Appendix 1.

1.3 The Scheme of Delegation (Appendix 2 & 3) sets out how the Committee delegates some of its responsibilities to Officers. The Schedule details the responsibilities delegated, and the authorisation list sets out who is authorised and the limit of transaction they can authorise.

1.4 The draft Governance Compliance Statement is set out in Appendix 4, with the Representation Policy attached as Appendix 4a.

1.5 The Decision Making Matrix (Appendix 5) is attached for noting.

1.6 Members are invited to nominate themselves as the Fund's representative on the Local Authority Pension Fund Forum.

1.7 Members are requested to give delegated powers to Officers and the Chair to draft the Annual Report to Council on Committee activity in the past twelve months.

2 RECOMMENDATIONS

The Committee:

2.1 Notes the roles and responsibilities of the members, advisors and officers

2.2 Approves the Terms of Reference of the Committee and Investment Panel.

2.3 Approves the Scheme of Delegation.

2.4 Approves the Governance Compliance Statement, including draft Representation Policy.

2.5 Notes the amendment to the Training Policy.

2.6 Notes the Decision Making Matrix.

2.7 Agrees independent member representation of the Brunel Working Group.

2.8 Agrees substitute of Brunel Oversight Board.

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

2.10 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).

3 FINANCIAL IMPLICATIONS

3.1 There are no financial considerations as this report is for information only.

4 ROLES & RESPONSIBLITIES

4.1 The members, advisors and officers all have definitive roles and responsibilities within the pension fund's governance structure.

The Committee and Investment Panel:

4.2 The Terms of Reference (ToR) for the Committee, including the Investment Panel, can be found in Appendix 1. One change has been made to the ToR in regard to the quorum of the Committee. The quorum currently reads '*The quorum of the Committee shall be 5 voting members who shall include at least* ***one member from*** *Bath & North East Somerset Council'.* Pre 2019 the quorum was one member **not** from Banes. The change to the TOR was made in 2019 when a proposal was put forward to reduce the number of Banes Councillors on the Committee and so the quorum was changed to ensure there would always be a Banes councillor. However this proposal was rejected by Council but the change to the quorum in the TOR was not reversed. It has now been changed back to read '*The quorum of the Committee shall be 5 voting members who shall include at least one member* ***not*** *from Bath & North East Somerset Council'*. This is to ensure that any decision taken is not just by Banes. The revised TOR will be put forward for approval by Council in July.

4.3 Membership of the Investment Panel reflects best practice and ensures there is a full range of independent expert advice available. The Panel shall comprise up to 6 voting Members of the Committee, 3 of whom shall be B&NES Councillors (including the Chair and Vice-Chair) and 3 of whom shall be the independent members who provide investment expertise to the Panel and continuity over the electoral cycles. Furthermore, the term of the Panel is to be for the full Committee term of 4 years.

4.4 The Committee's role is strategic in nature, setting the policy framework and monitoring compliance within that framework. Due to the wide scope of the Committee's remit, investment issues are delegated to the Investment Panel, (a sub-committee of the Committee) which explores the issues in greater detail before making decisions and/or recommendations to the Committee. The implementation of strategic decisions is delegated to Officers.

4.5 The Fund is a member of Bruenl Pension Partnership and has delegated the management of its asset to Brunel Pension Partnership Ltd. (Brunel) Brunel is responsible for appointing managers to manage the assets within each Brunel portfolio, monitoring the managers and reporting back to the Fund about the performance of each portfolio. The Fund retains responsibility for its legacy portfolios mainly private market assets that will be wound down over time and then transition into Brunel in line with the strategic asset allocation at the time. The Fund will remain responsible for all strategic decisions such as asset allocation and the risk management framework.

4.6 The Chair of the Committee is the the Fund's representative on the Brunel Oversight Board of the Brunel Pension Partnership.

4.7 Committee and Investment Panel meetings are held in open session and, where required, papers are taken in exempt session. Committee workshops are held to discuss strategic issues in greater depth as necessary.

4.8 Non-voting members are given full access to papers, meetings and workshops including internal training sessions.

4.9 Members are encouraged to undertake training to ensure they can discharge their responsibilities. The SAB's Good Governance Review and The Pensions Regulator's (TPR) Code of Practice for public sector pension funds requires greater disclosure of member training and requires all members to attain a satisfactory level of knowledge in order to discharge their duties. As a result all Committee members are required to undergo Hyman's LGPS Online Learning Academy modules within a year of when they are appointed to the Committee and every three years thereafter. This requirement has been added to the Fund's Training Policy. (Appendix 6).

4.10 In addition, the MiFID II (Market in Financancial Instruments Directive) categorises an LGPS fund as a retail client which restricts the Fund's ability to invest in more complex and diversified investments. As a result the Fund has been opted up by its investment managers to 'elective professional client' status. To achieve this status the Fund must on an on going basis satisfy (and provide evidence to) its managers that it has the knowledge and expertise within its governance structure to make decisions around complex investments. Therefore ongoing training of all committee members is crucial to maintaining our elective professional status.

4.11 The Committee Training plan is reviewed at each quarterly Committee meeting. It includes training sessions and workshops to support the Committee agenda as well as wider knowledge and skills and is in addition to TPR Knowledge & Skills Toolkit.

Fund Advisors:

4.12 The guidance on preparing and maintaining an investment strategy statement in support of the LGPS (Management and Investment of Funds) Regulations 2016, regulation 7(2)(a) states "Administering authorities are expected to be able to demonstrate that those responsible for making investment decisions have taken and acted on proper advice and that diversification decisions have been taken in the best long term interest of scheme beneficiaries." Regulation 7(2)(b) states that the Fund must "take and act on proper advice in assessing the suitability of their investment portfolio" and regulation 7(2)(e) states "When making investment decisions, administering authorities must take proper advice and act prudently".

4.13 The principles for effective decision-making for pension funds supports these regulations by setting out best practice standards for decision-making bodies (guidance for LGPS funds provided by CIPFA/CLG).

Principle 1: Effective decision-making - requires that "administering authorities should ensure that decisions are taken by persons or organisations with the *skills, knowledge, advice and resources necessary to make them effectively… and those persons or organisations have sufficient expertise to be able to evaluate and challenge the advice they receive…".*

4.14 All advisory appointments are appointed under a separate procurement process which will follow the Council's procurement policy. National LGPS procurement frameworks are used where possible as it is a more efficient procurement route and the frameworks are closely monitored for value for money and service levels.

4.15 The Fund appoints an Investment Consultant (Mercer) to provide investment advice to the fund to ensure that the Committee and/or Panel have all the relevant information before making a decision. The Committee's agenda determines the advice provided by the consultant in addition to the ongoing monitoring of the Fund's investment strategy and the managers' performance.

4.16 Under the CMA (Competition and Market's Authority) Order 2019, the Fund is required to monitor the investment advice provided by Mercer against strategic objectives set by the fund and to submit a compliance statement annually to the CMA.

4.17 The Fund appoints an Actuary (Mercer) to advise on all actuarial issues and to undertake valuations as required by the Local Government Pension Scheme Regulations 2013. Regulation 62(1) states that "An administering authority must obtain (a) an actuarial valuation" and (b) "a report by an actuary in respect of the valuation".

4.18 The Fund is externally audited annually and the Committee considers the goverenance report submitted by the auditor at the end of the audit. Currently the Council's Corporate Audit Committee approves the Fund's Financial Statement as it forms part of the Council's Financial Statement.

4.19 Internal audit undertakes work annually on different aspects of the pension fund, covering new regulations, high risk projects, fraud, governance and process reviews. The Committee reviews all Internal Audit reports and proposed management actions.

Fund Officers:

4.20 The officers' role within the governance structure is to ensure that all decision-making complies with the regulations, that the Fund fulfils its statutory requirements, and that all information regarding investment, financial and administrative issues is provided to the Committee/Panel. In addition, officers are responsible for implementing Fund policy. The Council's Section 151 Officer is responsible for ensuring that the Fund complies with the financial regulations and that an adequate inspection framework, provided by internal and external audit, is in place. The Council's Monitoring officer is responsible for the legal aspects of the Fund and the Committee.

4.21 The Section 151 Officer has delegated its powers regarding urgent actions to the Director – One West, and these would be exercised having consulted with the Chair of the Committee where possible. For investment policy issues the Director – One West will also consult with the Chair of the Investment Panel where possible.

4.22 The Head of Pensions has been formally recognised as the LGPS senior officer in the council constitution.

4.23 The Funding & Risk Management Group (FRMG) is a group of Avon Pension Fund officers and specialist advisors whose role is to consider in greater detail all strategic and operational aspects of the Risk Management Strategies. Its full role is set out in the Terms of Reference, section 6.

5 SCHEME OF DELEGATION

5.1 In addition to the responsibilities listed in the Council's scheme of delegation, some additional responsibilities for functions specifically related to pension fund activities and the authorisation of transactions are delegated to officers by the Pension Fund Committee.

5.2 The Scheme of Delegation schedule sets out the responsibilities delegated by the Committee to officers and how these operate in practice.

5.3 The Scheme of Delegation authorisation list sets out the job role or person authorised and the limit of transaction they can authorise.

5.4 There have been no changes to the delegations except for updates to current authorised signatory lists and job titles.

6 GOVERNANCE COMPLIANCE STATEMENT

6.1 The LGPS regulations require the Fund to publish a Governance Compliance Statement when there is a material change. There are no changes to the Statement.

6.2 The Representation Policy sets out in more detail how members and employers are represented on the Pension Committee & Pension Board.

7 BRUNEL OVERSIGHT BOARD REPRESENTATIVE

7.1 As one of the 10 clients within the Brunel Pension Partnership, the Fund is represented on the Brunel Oversight Board. As our representative represents both the Committee and Shareholder on the Board, the representative is the chair of the Committee. A substitute will also be agreed at the meeting.

8 BRUNEL WORKING GROUP

8.1 Given the importance of Brunel to the Fund, a working group considers issues arising from Brunel Pension Partnership with Officers such as Reserve matters and Oversight Board papers. This working group will not consider routine investment matters which will be monitored and dealt with by the Investment Panel. Representation from one of the independent members will be agreed at the meeting.

9 NOMINATIONS TO REPRESENT THE FUND AT THE LOCAL AUTHORITY PENSION FUND FORUM (LAPFF) MEETINGS

9.1 The Fund is a member of LAPFF, a collaborative organisation acting on behalf of LGPS funds to promote their long term investment interests and to maximise their influence as shareholders to promote corporate responsibility and high standards of corporate governance amongst the companies in which they invest. LAPFF undertakes significant engagement with companies on governance, environmental and social issues that could materially affect the financial performance of a company. It also advises it members on contentious voting issues and sponsors or supports shareholder resolutions where it believes it is the most effective way to implement change.

9.2 The Forum holds 4 meetings a year. Committee members supported by officers are encouraged to attend these meetings. Members are invited to nominate themselves to represent the fund at these meetings. (there can be up to two member representatives from the Fund attending any meeting).

10 ANNUAL REPORT TO COUNCIL

10.1 As the Avon Pension Fund Committee administers the Avon Pension Fund in accordance with terms of reference set by the Council, it is considered good practice for the Committee to report to Council annually on the work that it has undertaken in the previous twelve months. This report will also include a reference to the future work programme. In addition, the Avon Fund Pension Board will also publish its annual report detailing the work undertaken by the Board during the year, which will be included in the report to Council. Both reports will be published so that they are available for all stakeholders.

10.2 The annual report will be presented to Council at the 23 November 2023 meeting. Committee are asked to give delegated powers to Officers to draft the report which will be circulated to all Committee members for comment before being approved by the Chair.

11 RISK MANAGEMENT

11.1 An effective governance structure, defining clear responsibilities, and ensuring that the decision making body has an adequate level of knowledge and access to expert advice, is a key aspect of the risk management process.

12 EQUALITIES STATEMENT

12.1 A proportionate equalities impact assessment has been carried out using corporate guidelines and no significant issues have been identified.

13 CLIMATE CHANGE

13.1 The Fund is implementing a digital strategy across all its operations and communications with stakeholders to reduce its internal carbon footprint in line with the Council's Climate Strategy. The Fund acknowledges the financial risk to its assets from climate change and addresses this through its strategic asset allocation to Paris Aligned Global Equities, Sustainable Equities and renewable energy opportunities. The strategy is monitored and reviewed by the Committee.

14 OTHER OPTIONS CONSIDERED

14.1 None.

15 CONSULTATION

15.1 The Council's Director of One West has had the opportunity to input to this report and has cleared it for publication.

Contact person	Carolyn Morgan, Governance & Risk Advisor 01225 395240
Background papers	None
Please contact the report author if you need to access this report in an alternative format.	

Bath & North East Somerset Council

AVON PENSION FUND

Appendix 1

(1) AVON PENSION FUND COMMITTEE

Committee Scope

Bath and North East Somerset Council, in its role as administering authority, has executive responsibility for the Avon Pension Fund. The Council delegates its responsibility for administering the Fund to the Avon Pension Fund Committee which is the formal decision-making body for the Fund.

The Avon Pension Fund is a member of the Brunel Pension Partnership (Brunel). Brunel Pension Partnership Ltd (BPP Ltd) who will be responsible for implementing the Fund's Investment Strategy. Most of the Fund's assets have transferred to portfolios offered by Brunel with only less liquid legacy assets remaining under direct management of the Fund. Once Avon's assets are held within a Brunel portfolio, the appointment, monitoring and deselection of managers will be the responsibility of BPP Ltd.

Functions and Duties

To discharge the responsibilities of Bath and North East Somerset Council in its role as lead authority for the administration of the Avon Pension Fund. These include determination of all Fund specific policies concerning the administration of the Fund, the investment strategy and the investing of Fund monies and the management of the Fund's solvency level. In addition, the Committee is responsible for all financial and regulatory aspects of the Fund. At all times, the Committee must discharge its responsibility in the best interest of the Avon Pension Fund.

The key duties in discharging this role are:

1. Having taken appropriate advice determining the following:
   a. the investment strategy and strategic asset allocation
   b. the administration strategy
   c. the funding strategy.
2. Monitoring the performance of the investment strategy, scheme administration, and external advisors.
3. Ensuring that the investment strategy can be delivered by the portfolios offered by BPP Ltd. If not, agree alternative arrangements. In relation to Brunel Pension Partnership:
   a. Monitoring the performance of BPP Ltd in delivering investment services to the Fund. Make representations to the Brunel Oversight Board on matters of concern regarding the service provided by BPP Ltd and the performance of its portfolios.
   b. Monitoring the governance of Brunel Pension Partnership and making recommendations to the Brunel Oversight Board. Terminating the Service Agreement with BBP Ltd.
4. Approving and monitoring compliance of statutory statements and policies required under the Local Government Pension Scheme Regulations.

5. Approving the annual budget and 3-year Service Plan and resource requirements to deliver the work plan.
6. Approving variances to budget within a financial year.
7. Approving the annual budget for the Pension Board subject to the approval of Pension Board's work plan.
8. Commissioning actuarial valuations in accordance with the provisions of the Local Government Pension Scheme Regulations.
9. Making representations to government and responding to consultations as appropriate concerning any proposed changes to the Local Government Pension Scheme.
10. Nominating a representative (and named substitute) from the Committee to represent the Committee on the Oversight Board for Brunel Pension Partnership.

Delegations

In discharging its role, the Committee can delegate any of the above or implementation thereof to the Sub-Committee (referred to as the Investment Panel) or Officers. The current delegations are set out below.

Composition

Voting members (14)	5 elected members from B&NES (subject to the rules of political proportionality of the Council) 3 independent members 1 elected member nominated from each of Bristol City Council, North Somerset Council and South Gloucestershire Council 1 nominated from the Higher and Further education bodies 1 nominated from the Academy bodies 1 nominated by the trades unions
Non-voting members (3)	1 nominated from the Parish Councils Up to 2 nominated from different Trades Unions

The Council will nominate the Chair and Vice Chair of the Committee. The Vice Chair will be the Chair of Investment Panel.

Meetings

Meetings will be held at least quarterly. Meetings will be held in public, though the public may be excluded from individual items of business in accordance with the usual exemption procedures.

Quorum

The quorum of the Committee shall be 5 voting members who shall include at least 1 member not from Bath and North East Somerset Council

Substitution

Named substitutes to the Committee are allowed.

(2) INVESTMENT PANEL

Committee Scope

The role of the Avon Pension Fund Committee Investment Panel shall be to consider, in detail matters relating to the investment of the assets within the strategic investment framework and performance of investment managers in achieving the Fund's investment objectives.

Functions

The Investment Panel will:

1. Review strategic and emerging opportunities outside the strategic asset allocation and make recommendations to the Committee.
2. Review the performance of the investment and risk management strategies
3. Report matters of strategic importance to the Committee.

And have delegated authority for:

4. Monitoring the transition of assets to the Brunel portfolios and allocate assets to the relevant portfolio offered by Brunel
5. Approve and monitor tactical positions within strategic allocation ranges.
6. Approve allocations to emerging opportunities within the strategic allocations.
7. Approve commitments to Brunel's private market portfolios at each commitment cycle to maintain strategic allocations.
8. For the Risk Management Strategies monitor the outcome versus strategic objectives and consider whether any strategic changes are required to manage emerging risks.
9. For assets held outside Brunel:
    a) Implement investment management arrangements in line with strategic policy.
    b) Monitor investment managers' investment performance and make decision to terminate mandates on performance grounds.
10. Monitor the investment performance of the portfolios managed by BPP Ltd and report to Committee on investment matters with specific reference to strategy delivery.
11. Delegate specific decisions to Officers as appropriate.

Composition

The Panel shall comprise a maximum of 6 voting Members of the Avon Pension Fund Committee, of which 3 shall be Bath and North East Somerset Councillors (including the Chair and Vice-Chair of the Committee) and 3 will be the Independent Members.

Note: The appointment of Bath and North East Somerset Councillors to the Panel is subject to the rules of political proportionality of the Council.

Members shall be appointed to the Panel for a full 4-year Committee term.

The Council will nominate the Chair of the Panel.

Panel Meetings

Though called a "Panel", it is an ordinary sub-committee of the Committee. Accordingly, meetings must be held in public, though the public may be excluded from individual items of business in accordance with the usual exemption procedures.

The Panel shall meet at least quarterly ahead of the Committee meeting on dates agreed by Members of the Panel.

Quorum

The quorum of the Panel shall comprise 3 Members, who shall include at least one Member who is not a Bath & North East Somerset Councillor.

Substitution

Substitutes for the Panel must be members of Committee or their named Committee substitute.

Minutes

Minutes of Panel meetings (whether or not approved by the Panel) shall appear as an item on the next agenda of the meeting of the Committee that follows a meeting of the Panel.

(3) BRUNEL OVERSIGHT BOARD REPRESENTATIVE

Committee Scope

Brunel Oversight Board (the Board) is the primary governance body within the Brunel Pension Partnership. Each Fund within the partnership has a representative on the Board and this representative represents the Committee when discharging its duties. The Fund’s representative will be the Committee Chairperson.

Functions

Acting for the administering authorities in their capacity as shareholders in BPP Ltd., the Board has responsibility for ensuring that BPP Ltd delivers the services required to achieve investment pooling across the Brunel Pension Partnership.

Subject to the terms of reference for the Board and the applicable shareholder documentation, the Board’s role is to consider and address relevant matters on behalf of the administering authorities. These include the monitoring and strategic oversight functions necessary to its role, as well as acting as a conduit and focus of shareholder requirements and views.

Consistent with this role, the Board’s duties include reviewing and discussing any matter which it considers appropriate in relation to BPP Ltd including BPP Ltd.’s services, performance, operations, governance, strategy, financing and management.

The main duties of the Board Representative are:

1. To represent the Committee and Shareholder on the Brunel Oversight Board.
2. To ensure that the Committee’s views are communicated to the Board and BPP Ltd.
3. To ensure the Fund’s and shareholder’s interests are protected within Brunel in line with the legal framework within which Brunel operates.
4. To report back to the Committee and Shareholder all relevant issues discussed by the Board and recommendations to the Brunel Client Group and/or the Shareholders.
5. To seek the consensus view of the Committee for Shareholder and Board matters where necessary.
6. To raise issues with the Board at the request of Committee members, the shareholder representative or Head of Pensions.

(4) BRUNEL PENSION PARTNERSHIP WORKING GROUP

Committee Scope

This is a group of Committee members whose role is to consider in greater detail any issues arising from Brunel Pension Partnership with Officers, for example Reserve Matters, papers to be discussed at BOB. This will not include routine investment matters which are monitored by the Investment Panel.

Functions

With regard to any matters arising from Brunel Pension Partnership where the Avon Pension Fund have an interest:

a) to consider each matter that will be brought to the Pension Committee and/or Shareholder representative for decisions in due course
b) to provide guidance to the Pension Committee and/or Shareholder Representative in relation to each matter when they are being considered
c) to provide guidance to the BOB representative as required
d) to make recommendations to the Pension Committee regarding general oversight of the pool, as considered appropriate.

Composition

This group will consist of:

a) the BOB Representative,
b) named BOB substitute
c) the Chair and/or Vice Chair if not the BOB representative /substitute
d) an independent committee member.
e) Head of Pensions
f) Group Manager, Funding, Investments and Risk

Quorum

The Working Group shall be quorate if three members are in attendance, with at least 2 that are not fund officers. The Head of Pensions shall chair the Working Group.

Meeting Arrangements

The Working Group shall meet as and when required as determined by the Head of Pensions. Meetings may be via telephone conference.

Key discussions and action points from the Working Group will be recorded and the committee will be updated at the next committee meeting.

(5) OFFICER DELEGATIONS

In addition to the responsibilities listed in the Council's scheme of delegation, some additional responsibilities for functions specifically related to pension fund activities and the authorisation of transactions have been delegated to officers by the Pension Fund Committee. These are set out in the Fund's Scheme of Delegation and include the following:

1. Implementation and day to day monitoring of the administration, investment and funding strategies and related policies.
2. Implementing investments in emerging opportunities within strategic allocations, either to be managed outside Brunel or instruct allocation to Brunel portfolio.
3. Implementing investment management arrangements in line with the strategic policy as follows:
    a. For assets managed outside Brunel, this includes the setting of mandate parameters and the appointment of managers, in consultation with the Investment Panel.

b. For assets managed within Brunel, deciding and instructing the allocation to each Brunel portfolio.

4. Implement the strategic risk management objectives of the Fund and take necessary action to ensure delivery of strategic outcomes. Ongoing consideration of these issues will be undertaken by the Funding and Risk Management Group (see section 6) who will report decisions and ongoing considerations to the Investment Panel.

5. Rebalancing the investment assets to target strategic allocations, when deemed prudent to do so, taking account of tactical allocations approved by the Investment Panel.

6. Representing the Fund on the Brunel Client Group to develop Brunel investment strategies and policies which effectively support the interests of the Fund.

7. Commissioning Elective Services from BPP Ltd and issuing instructions as permitted by the Brunel Service Agreement to BPP Ltd.

8. The appointment of specialist advisors to support the Committee and Officers in discharging their functions.

9. Determining policies that support the investment and funding strategies having taken expert advice.

10. In consultation with the Chair of the Committee, the Head of Pensions will approve the draft Statement of Accounts and Annual Report for audit.

11. Authorising expenditure from the Fund in accordance with the annual budget.

12. Admitting new admitted bodies into the Fund subject to them meeting Fund policy.

13. The Director - One West has authority to dismiss investment managers, advisors and 3rd party providers if urgent action is required (does not refer to performance failures but to their inability to fulfil their contractual obligations or a material failing of the company).

14. The Director - One West has authority to suspend policy (in consultation with the Chairs of Committee and Panel) in times of extreme market volatility where protection of capital is paramount.

15. Under its wider delegated powers, the Director - One West has delegated authority to effectively manage the liabilities of the Fund including the recovery of debt.

16. Exercising the discretions specified in the Local Government Pension Scheme Regulations in connection with deciding entitlement to pension benefits or the award or distribution thereof.

17. The Scheme Advisory Board's (SAB) Good Governance Review recommends that "*Each administering authority must have a single named officer who is responsible for the delivery of all LGPS related activity for that fund (the LGPS senior officer).*" The Head of Pensions has been formally recognised as the LGPS Senior Officer in the Council's constitution at Council Meeting held 21 July 2022.

(6) FUNDING AND RISK MANAGEMENT GROUP

Committee Scope

The Funding and Risk Management Group (FRMG) is a group of Avon Pension Fund officers and specialist advisors whose role is to consider in greater detail all strategic and operational aspects of the Risk Management Strategies.

Functions

In addition, it has specific delegated authority as follows:

1. Agree the operational structures to meet the strategic objectives determined by the Avon Pension Committee
2. Make changes to the structures as needed to ensure strategic outcomes continue to be achieved or to manage emerging risk
3. Implement the strategies including
    a. Counterparty selection
    b. Trigger frameworks
    c. Collateral arrangements
    d. Setting benchmarks
4. Determine the framework for monitoring the strategies and reporting to Panel & Committee

Composition

The Group will consist of the following:

From the Avon Pension Fund:

- Head of Pensions
- Group Manager, Funding, Investments and Risk
- Investment Manager
- Senior Investments Officer
- Other Fund Officers as required (for example Funding Manager, Governance & Risk Advisor)

Advisors

- Investment Consultant or deputy
- Risk Consultant or deputy
- Scheme Actuary or deputy
- Investment Manager as required

Quorum

FRMG shall be quorate if the following are in attendance:

- 2 Pension Fund Officers one of which must be the Head of Pensions or Group Manager, Funding, Investments and Risk
- Risk Consultant or deputy
- Investment Consultant or Scheme Actuary

Meeting Arrangements

FRMG will meet as and when required as determined by the Head of Pensions/Group Manager, Funding, Investments and Risk, but at a minimum quarterly. Meetings will be virtual.

Meetings will be chaired by the Head of Pensions or Group Manager, Funding, Investments and Risk. Key discussion and action points will be recorded, and minutes will be circulated to the Investment Panel. The group will also update the Panel at the following meeting.

Approved by the Avon Pension Fund Committee 23 June 2023

Scheme of Delegations – Authorisations June 2023

The Pension Fund Committee has delegated responsibility for agreeing authorisation of transactions to officers. The Head of Pensions agrees the job role or person authorised and the limits as set out below and in the appropriate schedules.

Authorised Signatory List	Instructions which result in the movement of cash with a value of under £10m can be authorised by one of the signatories. Movement of cash with a value of £10m or more must be authorised by two of the signatories. Legal agreements require two authorised signatories unless the agreement is sealed by Bath & North East Somerset Council. All other instructions of a more routine nature can be signed by only one of the signatories.		Names as per schedule ..\Authorised Signatory List - April 23 (Signed and Certified).pdf
Authorisation of Pension Benefits	Up to £100,000	Up to £150,000	Over £150,000
	Member Services Senior Pension Officers	Member Services Team Leaders (excluding Pensions Payroll TL)	Service Managers or Technical & Compliance Advisor Plus Pensions Operations Manager or Head of Pensions
Authorisation to request AVC payments from Aviva Authorisation to set up new AVC schemes (employers) with Aviva	Individual cases Individual new employers	Officers listed on authorisation list Officers listed as 'Trustees' with Aviva	..\LG authorised signatories Feb 2023.pdf
Authorisation of payments list to be paid via PT-X	Individual cases	Service Managers & Pensions Operations Manager	

Authorisation of PT-X (Payroll Bacs Payments)	All Amounts	Named Pension & Finance Managers not involved in day-to-day processing of Benefits	Names as per schedule ..\Authorisation List for PTX - June 2023.xlsx
Agresso Payments (Invoices & pension related payments)	Limits as per schedule (link)	Head of Pensions Group Manager, Funding, Investments and Risk Payroll Services Manager Director – One West (Pension Board Transactions)	Names as per schedule ..\Agresso Authorisation levels by Costcentre for Annual Governance Review 23.xlsx
Treasury Management transactions (on behalf of Pension Fund)	All amounts	Treasury Management Team on authorised list	Names as per schedule ..\BANES Treasury Management Authorised signatures May 2023.pdf

Scheme of Delegations – June 2023

In addition to the responsibilities listed in the Council's schemes of delegation, some additional responsibilities for functions specifically related to pension fund activities have been delegated to officers by the Pension Fund Committee.

Power of Attorney – Custody Accounts and Investment Managers	The authorisation of Power of Attorney's on behalf of the Pension Fund is delegated to Officers on the Authorised Signatory list.
Termination of Contracts and Investment Managers	The Director – One West has authority to dismiss investment managers, advisors and 3rd party providers if urgent action is required (does not refer to performance failures but to their inability to fulfil their contractual obligations or a material failing of the company).
Debt management	The Director – One West has authority to manage the liabilities of the Fund including the recovery of debt.
Admissions of new bodies	Officers have authority at admit new admission bodies that are guaranteed subject to them meeting Fund policy. If a body is not guaranteed or does not meet Fund policy, approval is required from the Pension Fund Committee
Approval of Pension Fund Accounts	In consultation with the Chair of the Committee, the Head of Pensions has delegated authority to approve the draft Statement of Accounts and Annual Report for audit.
Reports back to the Committee	In all cases where a decision has been delegated to Officers, decisions made will be reported back to the Committee or Panel at the next meeting for information only.
Internal Dispute Resolution Procedure	Members can appeal against decisions made by the employer or the Fund about pension entitlement. This is a two-stage process: Stage 1 – Employer decision - dealt with by the appointed person at the employer organisation. Stage 1 – Fund decision - dealt with by the Fund's Technical & Compliance Advisor. Stage 2 – Employer decision - dealt with by the Fund's Technical & Compliance Advisor. Stage 2 – Fund decision – dealt with by the administering Authority following a review of the case being undertaken by Osborne Clarke.
Death Grants	The decision to pay a death grant to the member's beneficiary:

	- Non contentious cases sign off from the relevant Service Manager plus Pensions Operations Manager - Contentious cases require the third signature of the Head of Pensions
Discretions	Officers are responsible for exercising the Administering Authority discretions specified in the LGPS regulations. Full details of the discretions can be found here https://www.avonpensionfund.org.uk/sites/default/files/DR03-20140627.pdf
Early release of Benefits	The decision to release benefits early for members where their employer no longer exists is delegated to the Administering Authority (Bath & North East Somerset Council)
Strategies & Policies	Officers are responsible for the day to day implementation & monitoring of the investment, funding & administration strategies and related policies with progress reported regularly to the Pension Committee
Strategic Asset Allocation	The Pension Committee has delegated the following to Officers which are reported back to the next Committee or Panel if not discussed prior to the decision:
	Implementing investments in emerging opportunities within strategic allocations, either to be managed outside Brunel or instruct allocation to Brunel portfolio.
	Implementing investment management arrangements in line with the strategic policy as follows: a. For assets managed outside Brunel, this includes the setting of mandate parameters and the appointment of managers, in consultation with the Investment Panel. b. For assets managed within Brunel, deciding and instructing the allocation to each Brunel portfolio. One authorised signatory required to approve instruction.
	Restructuring the risk management strategies as required where sensitive to market prices or technical in nature, having taken expert advice.
	Rebalancing the investment assets to target strategic allocations, when deemed prudent to do so, taking account of tactical allocations approved by the Investment Panel.

	The Director – One West has authority to suspend policy (in consultation with the Chairs of Committee and Panel) in times of extreme market volatility where protection of capital is paramount.
Contracts and Agreements	Officers have authority to enter into contracts on behalf of the pension fund. Where appropriate, agreements are sealed under the Sealing arrangements of Bath & North East Somerset Council. Other contracts are signed by two Officers from the Authorised Signatory list.
	Where an investment is made (i.e. via a pooled fund), Officers have authority to subscribe/redeem units on behalf of the pension fund (notices to be signed by two Officers from the Authorised Signatory list).
	Officers have authority to commission Elective Services from Brunel and issuing instructions as permitted under the Brunel Service Agreement to Brunel Pension Partnership Ltd.
	Officers have authority to appoint specialist advisors to support the Committee and Officers in discharging their functions. Appointments must be in line with the Council's procurement framework and make use of LGPS National Frameworks where available.

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Avon Pension Fund - Governance Compliance Statement

The Local Government Pension Scheme Regulations 2013 (as amended) require the administering authority to prepare a Governance Compliance Statement. This statement should be read in conjunction with the Avon Pension Fund Terms of Reference.

Statutory Governance Principles	**Compliance status and justification of non-compliance**
A - Structure	**Compliant**
a) The management of the administration of benefits and strategic management of fund assets clearly rests with the main committee established by the appointing council.	Bath & North East Somerset Council, as administering authority, has executive responsibility for the Fund. The Council delegates its responsibility for administering the Fund to the Avon Pension Fund Committee (APFC) which is the formal decision making body for the Fund. The committee is subject to Terms of Reference as agreed by the Council, the Council's standing orders and financial regulations including the Codes of Practice. In addition to the responsibilities listed in the Council's scheme of delegation, some additional responsibilities for functions specifically related to pension fund activities and the authorisation of transactions have been delegated to officers by the Pension Fund Committee and these are set out in the Fund's Scheme of Delegation.
b) That representatives of participating LGPS employers, admitted bodies and scheme members (including pensioner and deferred members) are members of either the main or secondary committee established to underpin the work of the main committee.	The APFC consists of 14 voting members, viz: - 5 elected members from Bath & North East Somerset Council - 3 elected members from the other West of England unitary councils - 1 nominated by the trades unions - 1 nominated by the Higher/Further education bodies - 1 nominated by Academy bodies - 3 independent members and 3 non-voting members, viz: - 2 nominated by the trades unions - 1 nominated by the Parish/Town Councils
c) That where a secondary committee or panel has	The Avon Pension Fund has a sub-committee, the Investment Panel, to consider

been established, the structure ensures effective communication across both levels.	matters relating to the management and investment of the assets of the Fund in greater detail. The Investment Panel is made up of members of the main committee. The Panel has delegated powers to take decisions on specific issues and otherwise makes recommendations to the Committee. The minutes of Investment Panel meetings form part of the main committee agenda. The Funding & Risk Management Group (FRMG) has also been set up and is a group of Avon Pension Fund officers and specialist advisors whose role is to consider in greater detail all strategic and operational aspects of the Risk Management Strategies and to make recommendations to the Committee.
d) That where a secondary committee or panel has been established, at least one seat on the main committee is allocated for a member from the secondary committee or panel.	Every member of the Investment Panel is a member of the main committee.
e) The terms, structure and operational procedures relating to the Avon Pension Fund Pension Board have been established	The Board's remit is to assist the administering authority to (i) secure compliance with the LGPS regulations, any other legislation relating to the governance and administration of the Scheme, the requirements imposed by the Pensions Regulator in relation to the Scheme and (ii) ensure the effective and efficient governance and administration of the Scheme. The Pension Board comprises 7 members, 3 employee members, 3 employer members and an independent chairperson. Employer and employee members have voting rights. The Board will publish an annual report to Council containing any recommendations on process or governance. The Board will report any material concerns to the S151 Officer. Board minutes will be circulated to the administering authority (the Pension Committee), S151 Officer and Monitoring Officer. The Board is required to report breaches of law or material (and not actioned) breaches of the Code of Practice

	to the Pensions Regulator. Where any breach of duty is committed or alleged to have been committed by the Administering Authority (the Pension Committee) the Board shall: 1. Discuss the breach or alleged breach that is identified with Pension Committee Chair and the proposed actions to be taken by the Board 2. Enable the Chair of the Committee to review the issue and report back to the Board on the breach 3. The Board will determine action and if sufficiently material will report the breach to the Pensions Regulator or the Scheme Advisory Board as set out in the regulations.
f) The Avon Pension Fund is represented on the governance arrangements of Brunel Pension Partnership.	The Fund has established an FCA regulated company (Brunel) with 9 other LGPS funds which implements the investment strategies of the 10 funds who participate in Brunel Pension Partnership. The Fund allocates its assets to portfolios offered by Brunel in line with the Investment Strategy agreed by the Committee. The Chair of the APFC represents the Avon Pension Fund on the Brunel Oversight Board (BOB). The Group Manager, Funding, Investments & Risk represents the Fund on the Client Group, a practitioner group to support BOB and engage directly with Brunel. Minutes of BOB meetings are included in Pension Fund Committee and Pension Board agendas. A Brunel Working Group, comprising the Chair and Vice Chair of the Committee, the BOB representative (if not the Chair or Vice Chair), an independent member (on the Panel), the Head of Pensions and the Group Manager, Funding, Investments & Risk has been established to consider in detail any issues arising from Brunel Pension Partnership such as reserve Matters.
B – Representation	**Partial Compliance**
a) That all key stakeholders are afforded the	

opportunity to be represented within the main or secondary committee structure. These include:	
i) employing authorities (including non-scheme employers , e.g. admission bodies);	In 2019 The Avon Pension Fund changed the structure of the Committee to represent a wider range of employers by including an Academies representative plus a further independent representative. There are 14 voting members representing employers across the unitary authorities, Higher and Further Education bodies and now Academies, plus 1 non-voting member representing the Parish /Town Councils. Admission Bodies are not formally represented within the committee structure as it is difficult from a purely practical perspective to have meaningful representation from such a diverse group of employers. The appointment of independent members with voting rights was, in part, to provide representation on the committee independent of all the employing bodies. All employing bodies are included in all consultation exercises that the Fund undertakes with its stakeholders. There are arrangements in place for the public, including employing bodies and members of the Avon Pension Fund to make representations to the committee at the committee meetings.
ii) scheme members (including deferred and pensioner scheme members);	There are up to 3 trades union representatives (1 with voting rights and 2 non-voting), nominated by the individual trade unions on the committee. These committee members also represent the deferred and pensioner members.
iii) where appropriate, independent professional observers;	The Fund has not appointed an independent professional observer. The committee has procedures in place to monitor and control risk and there is significant external oversight of the Fund, committee and decision-making process. Furthermore, three members are appointed to the committee independent of the administering authority and other stakeholders to strengthen the independence of the governance process. Lastly the pension fund and its governance processes are scrutinised annually by the external audit.

iv) expert advisors.	The Fund’s investment consultant attends all committee and panel meetings and other expert advisors, such as the Scheme Actuary, attend on an adhoc basis when appropriate.
b) That where lay members sit on a main or secondary committee, they are treated equally in terms of access to papers and meetings, training and are given full opportunity to contribute to the decision-making process, with or without voting rights.	All members of the committee are treated equally in terms of access to papers, meetings and training. Although some members do not have voting rights, they are given full opportunity to undertake training and contribute to the decision-making process. The attached appendix contains the Fund’s full policy on representation
C – Selection and role of lay members	**Compliant**
a) That the committee or panel members are made fully aware of the status, role and function they are required to perform on either a main or secondary committee. b) That at the start of any meeting, committee members are invited to declare any financial or pecuniary interest related to specific matters on the agenda.	The Fund has separate job descriptions for the voting and non-voting members, which set out the role and responsibilities for each position within the committee. These are circulated to the relevant bodies prior to members being appointed to the committee. Declarations of interest is a standing item on every committee agenda.
D – Voting	**Compliant**
a) The policy of individual administering authorities on voting rights is clear and transparent, including justification for not extending voting rights to each body or group on main LGPS committees.	The Fund has a clear policy on voting rights and has extended the voting franchise to non-administering authority employers and scheme member representatives.
E – Training/Facility time/ Expenses	**Compliant**
a) That in relation to the way in which statutory and related decisions are taken by the administrating authority, there is a clear policy on training, facility time and reimbursement of expenses in respect of	The Fund has a clear policy on training and maintains a training log. The costs of approved external training courses are paid by the Fund for all members. All members are invited to workshops organised by the Fund. Expenses are paid in line with the allowances scheme for each employer/stakeholder.

members involved in the decision-making process. b) That where such a policy exists, it applies equally to all members of committees, sub-committees, advisory panels or any other form of secondary forum. c) That the administering authority considers the adoption of annual training plans for committee members and maintains a log of all such training.	See above. The Fund requires new members without prior experience of the Local Government Pension Scheme to attend a customised training course. A formal training plan is t set on an annual basis which is responsive to the needs of the committee agenda. A training log is maintained.
F – Meetings (frequency/quorum)	**Compliant**
a) That an administering authority's main committee or committees meet at least quarterly. b) That an administering authority's secondary committee or panel meet at least twice a year and is synchronised with the dates when the main committee sits. c) That administering authorities who does not include lay members in their formal governance arrangements, provide a forum outside of those arrangements by which the interests of key stakeholders can be represented.	The committee meetings are held quarterly. The Investment Panel meets at least quarterly, synchronised to occur ahead of the main committee meetings. Lay members are included in the formal arrangements.
G – Access	**Compliant**
a) That subject to any rules in the council's constitution, all members of main and secondary committees or panels has equal access to committee papers, documents and advice that falls to be considered at meetings of the main committee.	All members of the committee have equal access to meeting papers and advice.

H - Scope	Compliant
a) That administering authorities have taken steps to bring wider scheme issues within the scope of their governance arrangements.	The terms of reference include all aspects of benefits administration and admissions to the Fund.
I – Publicity	**Compliant**
a) That administering authorities have published details of their governance arrangements in such a way that stakeholders with an interest in the way in which the scheme is governed, can express an interest in wanting to be part of those arrangements.	All statutory documents including the Governance Compliance Statement are made available to the public via the Avon Pension Fund's website or are available on request from the Governance & Risk Advisor. A summary of the governance compliance statement is included in the Annual Report.

Approved by Avon Pension Fund Committee on 23 June 2023

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Avon Pension Fund

Local Government Pension Scheme

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Avon Pension Fund – Representation Policy

Background

The Local Government Act 1972 allows local authorities wide discretion over Committee appointments and delegations and so the issue of representation on the Pensions Committee remains one for local democracy.

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, including representation.

The Scheme Advisory Board's Good Governance review phase 2 report published in November 2019 also made the recommendation that *"Each fund must produce and publish a policy on the representation of scheme members and non-administering authority employers on its committees, explaining its approach to voting rights for each party."*

The terms of reference and composition of the Pension Committee is also set out within Bath & North East Somerset's constitution:

https://democracy.bathnes.gov.uk/documents/g5469/Public%20reports%20pack%2028th-Aug-2020%2015.30%20Constitution.pdf?T=10&Info=1

Representation

The Fund aims to provide the opportunity for all stakeholders to be represented within the committee and Local Pension Board structures.

This policy sets out the Fund's approach to representation of scheme members and non-administering authority employers.

Pension 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.

Key stakeholders are represented as follows:

Unitary Authorities

Bath & North East Somerset Council nominates the Chair and Vice Chair of the Committee plus three further Councillors subject to the rules of political proportionality.

The other three unitary authorities within the Avon Pension Fund area (Bristol, South Gloucestershire & North Somerset) nominate a representative each.

Education Bodies

One representative nominated by Higher & Further education bodies and one nominated from Academy & Multi Academy Trust employers.

Parish Councils

One member is nominated by Parish Councils. This member is a non-voting member.

Trade Unions

Members (active, deferred and pensioner members) are represented by three trade union representatives from each of the main trade union bodies. One member will have voting rights. Voting rights are rotated between the three representatives each year.

Admission Bodies

Admission Bodies are currently not formally represented within the committee structure as it is difficult from a purely practical perspective to have meaningful representation from such a diverse group of employers.

All employing bodies are included in all consultation exercises that the Fund undertakes with its stakeholders.

There are arrangements in place for the public, including employing bodies and members of the Avon Pension Fund to make representations to the committee at the committee meetings.

Independent Members

Three independent members are appointed to the committee independent of the administering authority and other stakeholders to strengthen the independence of the governance process and to provide specialist knowledge of investments, funding and pensions administration.

The existing committee structure consists of:

Voting members (14):	• 5 elected members from Bath & North East Somerset Council • 3 elected members nominated from each of the other West of England unitary councils • 3 independent members • 1 nominated from the Higher/Further Education bodies • 1 nominated from Academy bodies • 1 nominated by the Trades Unions
Non-voting members (3):	• 1 nominated from the Parish Councils • 2 nominated from the Trades Unions

All members of the committee are treated equally in terms of access to papers, meetings and training. Although some members do not have voting rights, they are given full opportunity to undertake training and contribute to the decision making process.

The representation of the Committee was last reviewed in 2019 and will be further reviewed on a regular basis or at least every 3 years.

Pension Board

In accordance with Section 5 of the Public Service Pensions Act 2013 and under regulation 106 of the Local Government Pension Scheme Regulations 2013 (as amended), the Fund has established its Local Pension Board. The role of the Board is to assist the administering authority with compliance with regulations, requirements of the Pension Regulator (TPR) and to ensure effective and efficient governance and administration of the Scheme.

The Board has an advisory role in assisting the Administering Authority by making recommendations about compliance, process and governance. The Board does not have a decision-making role with regard to strategy or policy nor will it ratify or challenge decisions made by the administering authority. Its role is to have oversight of the governance process for making decisions and agreeing policy and assisting the Avon Pension Fund Committee in improving its governance and administrative arrangements.

There will be up to seven Board members comprising three member representatives, three employer representatives and an Independent Chairperson.

Member representatives can be drawn from the membership and are not restricted to Trades Union representatives. Employer representatives should be representative of the employers within the scheme.

No officer or councillor of the administering authority who is responsible for the discharge of any function under the LGPS regulations can be a member of the Board.

In respect of the Chairperson the term independent means having no current employment, contractual, financial or other material interest in either the Council or any scheme employer in the Avon Pension Fund. The Chairperson can delegate to another Board member if unable to attend a meeting.

The Director – One West will represent the Administering Authority as an independent support to the Board and oversee the operation of the Board to ensure it is achieving its terms of reference. They can make recommendations on any changes to Board membership or the terms of reference of the board to Council on an annual basis.

All member and employer representatives have voting rights. The independent chair is a non-voting member.

Avon Pension Fund June 2023

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Appendix 6 - Decision Making Matrix

Area	Task	Pension Committee	Pension Board	Investment Pool	S151 Officer	Director - One West	Senior LGPS Officer	Fund Officers	Advisors
Fund mission, objectives and beliefs	Develop Fund Mission Statement	Oversight	Specific Input	N/A	Notified	Specific Input	Specific Input	Specific Input	Advise
	Agree Fund Mission Statement	Approve	Notified	N/A	Notified	Notified	Recommend	Notified	Notified
	Develop structure of the pension function	Oversight	Specific Input	N/A	Notified	Specific Input	Specific Input	Specific Input	Advise
	Sign off structure	Approve	Notified	N/A	Notified	Notified	Recommend	Notified	Notified
	Develop Fund policy on representation	Oversight	Specific Input	N/A	Notified	Specific Input	Specific Input	Specific Input	Advise
	Recommend to Full Council representation policy	Recommend	Notified	N/A	Notified	Agree	Agree	Notified	Notified
	Develop Fund objectives for Governance, Funding, Investment and De	Oversight	Specific Input	N/A	Notified	Notified	Specific Input	Specific Input	Advise
	Agree Fund objectives for Governance, Funding, Investment and Deliv	Approve	Notified	N/A	Notified	Notified	Recommend	Specific Input	Notified
	Agree Fund investment beliefs	Approve	Notified	N/A	Notified	Notified	Recommend	Specific Input	Advise
Governance functions	Develop and oversee risk management framework	Approve	Oversight	Specific Input	Notified	Notified	Recommend	Specific Input	Advise
	Monitor and oversee the Valuation process	Oversight	Notified	N/A	Notified	Notified	Specific Input	Specific Input	Advise
	Review of Fund covenant arrangements	Oversight	Notified	N/A	Notified	Notified	Specific Input	Specific Input	Advise
	Agree assumptions to be used in valuation exercise	Approve	Notified	N/A	Notified	Notified	Agree	Specific Input	Recommend
	Agree Funding Strategy Statement	Approve	Oversight	N/A	Notified	Notified	Agree	Specific Input	Recommend
	Sign off contribution rates	Oversight	Notified	N/A	Notified	Notified	Agree	Specific Input	Approve
	Sign off valuation results	Oversight	Notified	N/A	Notified	Notified	Agree	Specific Input	Recommend
	Approve adequate systems of internal controls	Approve	Oversight	N/A	Notified	Oversight	Recommend	Specific Input	Advise
	Produce governance compliance statement	Approve	Oversight	N/A	Notified	Specific Input	Recommend	Specific Input	Advise
	Develop business plan (inc. budget)	Specific Input	Specific Input	N/A	Notified	Oversight	Specific Input	Specific Input	Advise
	Agree and sign off business plan	Approve	Oversight	N/A	Notified	Oversight	Recommend	Specific Input	Notified
	Agree and sign off conflicts of interest policy	Approve	Oversight	N/A	Notified	Notified	Recommend	Specific Input	Advise
	Develop administration strategy	Specific Input	Specific Input	N/A	Notified	Notified	Specific Input	Specific Input	Advise
	Agree and sign off administration strategy	Approve	Oversight	N/A	Notified	Notified	Recommend	Specific Input	Advise
	Agree Administration Authority discretionary policies	Approve	Oversight	N/A	Notified	Notified	Recommend	Specific Input	Advise
	Agree and sign off communications policy	Approve	Oversight	N/A	Notified	Notified	Recommend	Specific Input	Advise
	Agree and sign off training strategy	Approve	Oversight	N/A	Notified	Notified	Recommend	Specific Input	Advise
	Agree cyber security policy and associated documents (i.e incident res	Approve	Oversight	N/A	Notified	Notified	Recommend	Specific Input	Advise
	Agree recommendations from Independent Governance Review	Approve	Oversight	N/A	Notified	Notified	Notified	Specific Input	Recommend
	Report breaches of the law	Specific Input	Specific Input	Specific Input	Notified	Specific Input	Specific Input	Specific Input	Advise
	Approval of Terms of Reference for Committee and Pension Board	Approve	Notified	N/A	Notified	Oversight	Recommend	Specific Input	N/A
	Approval of Scheme of Delegation	Approve	Oversight	N/A	Notified	Oversight	Recommend	Specific Input	N/A
	Draft & approval of Committee's annual report to Council	Approve	Notified	N/A	Notified	Notified	Recommend	Specific Input	N/A
	Draft and approval of Pension Board's annual report	Notified	Approve	N/A	Notified	Notified	Oversight	Specific Input	N/A
	Approve report to Council for PC & PB's annual report to Council	Notified	Notified	N/A	Notified	Approve	Recommend	Specific Input	N/A
Fund Delivery	Completion of Year-end exercise/monthly data process	Notified	Oversight	N/A	Notified	Notified	Oversight	Specific Input	N/A
	Annual benefit statement process	Notified	Oversight	N/A	Notified	Notified	Oversight	Specific Input	N/A
	Issue annual allowance pension savings statements	Notified	Oversight	N/A	Notified	Notified	Oversight	Specific Input	Advise
	Develop appropriate key performance indicators (KPIs) - Governance c	Specific Input	Specific Input	N/A	Notified	Specific Input	Specific Input	Specific Input	Advise
	Sign off KPIs	Approve	Notified	N/A	Notified	Notified	Recommend	Notified	N/A
	Manage administrator performance against KPIs (inc. outsourced)	Oversight	Oversight	N/A	Notified	Notified	Specific Input	Specific Input	N/A
	Agree business continuity plans	Notified	Notified	N/A	Notified	Notified	Approve	Specific Input	N/A
	Compile and publish Fund Annual report	Notified	Notified	N/A	Notified	Notified	Approve	Specific Input	Specific Input
	Recommend approval of fund accounts to relevant committee	Notified	Notified	N/A	Recommend	Oversight	Agree	Specific Input	N/A
	Agree anti-pension scam (anti-fraud) policy	Approve	Oversight	N/A	Notified	Oversight	Recommend	Specific Input	Advise
	Agree data improvement plan	Approve	Specific Input	N/A	Notified	Notified	Recommend	Specific Input	N/A
LGPS Investment	Agree asset allocation	Approve	Notified	Specific Input	Notified	Notified	Recommend	Specific Input	Advise
	Agree allocations to new asset classes	Approve	Notified	Specific Input	Notified	Notified	Recommend	Specific Input	Advise
	Agree Investment strategy statement (including RI)	Approve	Oversight	Specific Input	Notified	Notified	Recommend	Specific Input	Advise
	Recommend LGPS Investment pool for Fund to Full Council	Recommend	Notified	Specific Input	Agree	Agree	Agree	Specific Input	Advise
Monitoring and Oversight	Monitor the Fund's Investment performance	Oversight	Notified	Specific Input	Notified	Notified	Specific Input	Specific Input	Advise
	Monitor fund managers ESG and sustainability policies	Oversight	Notified	Specific Input	Notified	Notified	Specific Input	Specific Input	Advise
	Cashflow management	Oversight	Notified	Specific Input	Notified	Notified	Specific Input	Specific Input	Advise
	Treasury Management Policy	Approve	Notified	N/A	Notified	Notified	Recommend	Specific Input	Advise

Approve	Final approval to be given to a decision, usually following formal recommendation
Recommend	Recommendation of formal decision, having sought necessary advice and input from others
Advise	Professional advice
Oversight	Scrutiny of decisions or recommendations
Specific Input	Providing specific input or expertise in relation to recommendations or decisions to be taken
Agree	Agree decisions
Notified	Notified of decisions as part of overall responsibilities, where the decisions may be of interest
N/A	Specific group or individual is not impacted by the recommendations or decisions taken

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Avon Pension Fund
Local Government Pension Scheme
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Web: www.avonpensionfund.org.uk **Tel:** 01225 395100
Email: avonpensionfund@bathnes.gov.uk **Fax:** 01225 395258

Avon Pension Fund – Training Strategy

Introduction

This is the training strategy of the Avon Pension Fund ("the Fund"). It has been established to aid the Pension Committee, Pension Board and Officers understanding of their respective responsibilities in relation to the Fund. This training strategy sets out how these key roles within the Fund will obtain and maintain the necessary knowledge and understanding to fulfil their role.

Objectives

- The Fund's objectives relating to knowledge and understanding are to:
- Ensure the Fund is appropriately managed and those individuals responsible for its management and administration have the appropriate knowledge and expertise;
- Ensures that there is the appropriate level of internal challenge and scrutiny on decisions and performance of the Fund;
- Ensure the effective governance and administration of the Fund; and
- Ensure decisions taken are robust and based on regulatory requirements or guidance of the Pensions Regulator, the Scheme Advisory Board and the Secretary of State for Housing, Communities and Local Government.

CIPFA Knowledge and Skills Framework – Pension Fund Committees

Although there is currently no legal requirement for knowledge and understanding for members of the Pension Committee it is the Fund's opinion that members of the Pension Committee should have no less a degree of knowledge and skills than those required in legislation by the Local Pension Board. As at date of writing, the ongoing SAB 'good governance' project signals a much stronger requirement on Pension Committee members knowledge and understanding.

The CIPFA framework, that was introduced in 2010, covers six areas of knowledge identified as the core requirements:

- Pensions legislative and governance context
- Pension accounting and auditing standards
- Financial services procurement and relationship development
- Investment performance and risk management
- Financial markets and products knowledge
- Actuarial methods, standards and practice.

Under each of the above headings the Framework sets out the knowledge required by those individuals responsible for Fund's management and decision making. This framework is expected to be updated and the training strategy will be reviewed at this time.

CIPFA Technical Knowledge and Skills Framework – Local Pension Boards

CIPFA extended the Knowledge and Skills Framework in 2015 to specifically include Pension Board members, albeit there is an overlap with the original Framework. The 2015 Framework identifies the following areas as being key to the understanding of local pension board members:

- Pensions Legislation
- Public Sector Pensions Governance
- Pensions Administration
- Pensions Accounting and Auditing Standards
- Pensions Services Procurement and Relationship Management
- Investment Performance and Risk Management
- Financial markets and product knowledge
- Actuarial methods, standards and practices.

In 2021, CIPFA revised its Knowledge and Skills framework for Pension Committee, Boards and Senior Officers. The guide confirmed that Administering authorities must maintain effective, ongoing maintenance and development of knowledge, addressing gaps where required and increasing skills as appropriate. The new guide slightly adjusted the named topics for LGPS funds:

- Pensions legislation and guidance and national guidance
- Local governance and pensions procurement, contract management and relationship
- matters
- Funding Strategy and actuarial methods, and financial, accounting and audit matters
- Investments – Strategy, asset allocation, pooling performance and risk management
- Investments – Financial markets and products
- Pensions Administration and Communications.

Links to The Scheme Advisory Board's Good Governance project

In February 2019 the Scheme Advisory Board commissioned Hymans Robertson to consider options for enhancing LGPS governance arrangements to ensure that the Scheme is ready for the challenges ahead and at the same time retains local democratic accountability. Following extensive consultation and engagement with the LGPS community the SAB published 2 reports. The following recommendations from the second report relate directly to the attainment of knowledge and skills;

- Key individuals within the LGPS, including LGPS officers and pensions committee members, to have the appropriate level of knowledge and understanding to carry out their duties effectively.
- A requirement for s151 officers to carry out LGPS relevant training as part of their CPD requirements to ensure good levels of knowledge and understanding.
- Administering authorities must publish a policy setting out their approach to the delivery, assessment and recording of training plans to meet these requirements.
- Relevant professional bodies to produce appropriate guidance and training modules for s151 officers and to consider including LGPS training within their training qualification syllabus.

The findings of the Good Governance Review have yet to be formally adopted in statutory form, however, this Training Strategy recognises the principles behind the recommendations and seeks to embed them into the culture of the Avon Pension Fund.

The Pensions Regulator's E-learning toolkit

The Pensions Regulator has developed an online toolkit to help those running public service schemes understand the governance and administration requirements set out in its code of practice 14 –

Governance and administration of public service pension schemes. The toolkit covers 7 short modules, which are:

- Conflicts of Interests
- Managing Risk and Internal Controls
- Maintaining Accurate Member Data
- Maintaining Member Contributions
- Providing Information to Members and Others
- Resolving Internal Disputes
- Reporting Breaches of the Law.

The modules of the Regulator's toolkit are by their very nature generic, having to cater for all public service pension schemes. While they give a minimum appreciation of the knowledge and understanding requirements set out in the Code of Practice they do not cater for the specific requirements of the individual public service schemes.

As a result the Regulator's toolkit does not cover knowledge and skills requirements in areas such as Scheme regulations, the Fund's specific policies and the more general pension's legislation.

Once TPR has published its new single code of practice we will adjust this training strategy where appropriate to account for any changes.

Pension Committee

Under the constitution of Bath and North East Somerset Council, the Pension Committee has the responsibility "*To discharge the responsibilities of the Council as lead authority for the administration of the Avon Pensions Fund* [1]".

Members of the Committee must, therefore, have an understanding of all aspects of running the Fund and how to exercise their delegated powers effectively.

Members of the Pension Committee require an understanding of:

- their responsibilities as delegated under the constitution of Avon Council as the administering authority for the Fund
- the requirements relating to pension fund investments
- the management and administration of the Fund
- controlling and monitoring the funding level
- effective governance and decision making in relation to the management and administration of the Fund.

There also exists a specific requirement under MiFID II[2], that those making investment decisions, must be able to demonstrate that they have the capacity to be treated as professional investors.

Expectations on Pension Committee Members

The role of Pension Committee member is an important one and there are certain expectations on those undertaking the role. These include:

- A commitment to attend and participate in training events and to adhere to the principles of this Training Strategy
- A commitment to study the online learning academy modules within one year of becoming a committee member and every three years thereafter.

[1] Section 2 : Council Functions Pg 53 (Public Pack)Agenda Document for Constitution, 28/08/2020 15:30 (bathnes.gov.uk)
[2] Markets in Financial Instruments Directive II (2014/65/EU)

- The ability to use acquired knowledge to participate in meetings and to ask questions constructively of the information provided by officers, advisers and others
- Judge the information provided in a fair and open-minded way that avoids pre-determining outcomes
- Operate within the terms of reference for the Pension Committee and the elected member code of conduct.

Local Pension Board

Under the constitution the Local Pension Board is required to provide assistance to Bath & North East Somerset Council as the LGPS Scheme Manager in securing compliance with:

- LGPS Regulations and any other legislation relating to the governance and administration of the LGPS
- requirements imposed in relation to the LGPS by The Pensions Regulator
- the agreed investment strategy
- any other matters as the LGPS regulations may specify.

The role of the Local Pension Board is to provide assistance to the administering authority to ensure that the Fund is well run and complies with its legal responsibilities and best practice. The Local Pension Board does not replace the administering authority or make decisions which are the responsibility of the administering authority.

Local Pension Board members must be conversant with:

- the relevant LGPS Regulations and any other regulations governing the LGPS
- guidance issued by The Pensions Regulator and other competent authorities, relevant to the LGPS
- any policy or strategy documents as regards the management and administration of the Fund
- the law relating to pensions and such other matters as may be prescribed.

Expectations on Local Pension Board members

The training provided to members of Local Pension Boards will ensure that they are familiar with certain legal requirements with they must comply. These are listed below:

- Members must have the capacity to represent employers or scheme members, according to whether they themselves are an employer or scheme member representative
- Members must not have conflicts of interest and must provide the administering authority with any information they require in order to ensure that conflicts do not exist or arise in future
- Have the appropriate level of knowledge and skills to carry out their role.
- Study the Pension Regulator's Public Sector Toolkit

In addition, Local Pension Board members will be expected to demonstrate other attributes, including:

- A commitment to attend and participate in training events and to adhere to the principles of this Training Strategy
- A commitment to study the online learning academy modules within one year of becoming a board member and every year thereafter.
- The ability to use acquired knowledge to participate in meetings and to ask questions constructively of the information provided by officers, advisers and others
- Judge the information provided in a fair and open minded way that avoids pre-determining outcomes
- Operate within the terms of reference for the Pension Board.

Chief Finance Officer (Section 151 Officer)

The Section 151 Officer has the responsibility under s151 of the Local Government Act 1972 for the proper administration of the authority's financial affairs, including those relating to the LGPS Fund.

The Section 151 Officer has delegated specific LGPS related powers to the Director - One West under the constitution of Bath and North East Somerset Council.

It is important therefore that the individual carrying out the role of the Director – One West has an appropriate knowledge of LGPS and pension matters.

The Director – One West should be familiar with:

- The LGPS landscape and the role of the administering authority
- The wider legal and regulatory framework
- Key bodies and organisations
- External Scrutiny
- Employer issues including outsourcing and restructuring
- The role of the actuary
- CIPFA guidance of the role of the Chief Finance Officer in the LGPS
- Fiduciary duties
- Relevant case law
- LGPS funds in a local authority context.

The Section 151 Officer has delegated specific LGPS related powers Director - One West. These include:

- The authority to dismiss investment managers, advisors and 3rd party providers if urgent action is required (does not refer to performance failures but to their inability to fulfil their contractual obligations or a material failing of the company).
- The authority to suspend policy (in consultation with the Chairs of Committee and Panel) in times of extreme market volatility where protection of capital is paramount
- The authority to effectively manage the liabilities of the Fund including the recovery of debt.

Head of Pensions

The Head of Pensions has responsibility for the operation of all aspects of the Fund and has delegated responsibilities in connection with the Council's role as administering authority for the Fund. Furthermore, the Head of Pensions provides expert advice and guidance to the pension committee. It is, therefore, expected that the Head of Pensions retains an exceptional level of knowledge, commensurate with the role.

The Head of Pensions should have an exceptional knowledge of:

- **Pensions legislations:** including LGPS, wider relevant pensions and guidance
- **Pensions governance:** including legal and constitutional matters, relevant legal bodies and performance monitoring
- **Pensions administration**: including administration and communications strategy, best practice in administration delivery and data management and security
- **Funding and actuarial matters: i**ncluding setting funding strategy, employer risk and covenant, valuations and funding reporting and scrutiny
- **Accounting and auditing**: including financial strategy, accounting, financial reporting and audit standards
- **Investment strategy**: including asset allocation, pooling, performance and risk management
- **Financial markets and products knowledge**: including MiFID II, pooling and asset classes
- **Procurement**: Including contract management, SLA's and relationship management.

Other officers responsible for the management and administration of the Fund
All individuals responsible for the management and delivery of the LGPS or who have a decision-making, scrutiny or oversight role require the appropriate training to ensure they are equipped to do their job well.

The knowledge and skills required of staff are set out in their job descriptions, including any formal qualifications required.

The exact nature and level of knowledge required will vary considerably by role.

Fund officers should have a strong understanding of:

- Relevant areas of the LGPS as required for the delivery of their role
- The processes and procedures required to successfully carry out their role
- Any pension fund or Bath and North East Somerset Council policies which apply, for example IT security, data management, equality and diversity.

Participating Employers

The success of the Fund depends on the strength of the relationship between the administering authority and the employers that participate in it. Employers have a range of responsibilities within the LGPS and must employ individuals who have an understanding of those responsibilities.

Employers must be able to identify individuals who have an understanding of;

- Employer discretion policies
- The role of the appointed person and the Internal dispute resolution procedure
- Their responsibilities for starters, leavers and changes to membership as set out in the Fund's administration strategy
- Their responsibilities for collecting and remitting contributions (including additional contributions)
- The reasons for leaving under the LGPS regulations
- Providing information requested by the Fund at year end or as required
- Their responsibilities with respect to outsourcing, staff transfers and reorganisations.

Management and delivery

To achieve these objectives, the Fund will aim for full compliance with the CIPFA Knowledge and Skills Framework (KSF) and the Pension Regulator Code of Practice to meet the skills set within that Framework. Attention will also be given to any guidance issued by the Scheme Advisory board (SAB), the Pensions Regulator and the Secretary of State.

The implementation of this Strategy and the delivery of the accompanying Training Plan will be the responsibility of the Fund's Governance & Risk Advisor. However, each individual with a requirement to attain knowledge and skills under this Strategy has a personal responsibility to ensure they meet the required standards and must fully engage with the process.

Training Needs Assessment

Committee and Board members, and officers covered by this Strategy will undergo a Training Needs Assessment (TNA), either following the adoption of this Strategy or upon commencing their role, whichever is later. The TNA will be used to identify areas of potential strength and weakness and will form of part of developing the Fund's training plan.

Specific TNA's on particular subjects will also be carried out as and when required by the Governance & Risk Advisor and will be used to inform subsequent training requirements.

Level of knowledge and skills required

In developing the training plan, consideration will be given as to the level of knowledge needed for each group of individuals. For example, the committee and board may require only an “awareness” or “general understanding” of some areas while an officer may require “detailed” or “expert” knowledge of the same topic.

The levels of knowledge that will be considered when drawing up the training plan and scheduling training events will be, in ascending order;

For committee and board members:

- An awareness – i.e. recognition that the subject matter exists
- A general understanding – i.e. understanding the basics in relation to the subject matter
- A strong understanding – i.e. a good level of knowledge in relation to the subject matter (but not necessary at detailed level).

For the officers:

- A strong understanding – i.e. a good level of knowledge in relation to the subject matter (but not necessary at detailed level)
- Detailed knowledge – i.e. knowledge of all aspects of the subject matter
- Expert knowledge – i.e. in-depth mastery of all aspects of knowledge in relation to the subject matter.

Measuring the effectiveness of training

Following the delivery of training, each recipient of the training will be required to complete a biennial assessment of knowledge**.** The responses will be marked and the results collated and used to evidence level of understanding.

The Governance & Risk Advisor will also maintain a log of all training events and each individual’s attendance and assessment score.

Timing

Ideally, targeted training will be provided that is timely and directly relevant to the Committee and Board’s activities as set out in the Fund’s business plan.

Approach

This Strategy sets out how the Fund provides training to members of the Pension Committee and Pension Board. The Officers involved in the management and administration of the Fund will have their own team and personal training plans and career development objectives.

- **Induction training** - Pension Committee and Pension Board members will receive induction training to cover the role of the Fund, Pension Board and understand the duties and obligations of Bath and North East Somerset Council as the Administering Authority, including funding and investment matters.

- **Induction training will be arranged by the Governance & Risk Advisor and will be provided prior to the member attending their first committee or board meeting.**

- **External courses** - Additionally, a number of specialist courses are run by bodies such as the Local Government Association, actuarial, governance and investment advisers as well as fund managers. Appropriate courses will be selected by the Governance & Risk Advisor and information circulated to members in advance. Courses will be selected for their relevance to the Training Plan.

- **Conferences** - There are also a number of suitable conferences run annually, which will be brought to members attention where appropriate. Of particular relevance are the LGA Annual Governance

Conference, LGA Fundamentals Training, Pension and Lifetime Savings Association (PLSA) Conference, the Local Government Chronical (LGC) Local Authority Conference, and the Local Authority Pension Fund Forum (LAPFF) annual conference.

- Appropriate conferences will be selected by the Governance & Risk Advisor and information circulated to members in advance. Conferences will be selected for their relevance to the Training Plan.

Additionally, consideration will be given to various training resources available in delivering training to Pension Committee and Pension Board members. These may include but are not restricted to:

- In-house and shared training events such as committee workshops where it improves economy, efficiency and effectiveness;
- Self-improvement and familiarisation with regulations and documents;
- The Pension Regulator's e-learning programme;
- Attending courses, seminars and external events;
- Internally developed training days and pre/post meeting sessions;
- Regular updates from officers and/or advisers;
- Informal discussion and one-to-one sessions;
- Formal presentations;
- Circulated reading material;
- E-learning.

Flexibility

When considering training for members of the Pension Committee and Pension Board it is recognised that individuals may have different learning styles. The Fund will seek, where possible, to ensure flexibility in the manner in which training is provided to support these different learning styles.

Maintaining Knowledge

In addition to undertaking ongoing training to achieve the requirements of the CIPFA knowledge and skills framework Pension Committee and Pension Board members are expected to maintain their knowledge and understanding of topical issues through attendance at internal/external events and seminars where appropriate.

Owing to the changing world of pensions, it will also be necessary to attend ad hoc training on emerging issues or on a specific subject on which a decision is to be made in the near future.

Risk Management

The delivery of this training strategy is at risk in the event of:

- Frequent changes in membership of the Pension Committee or Pension Board
- Poor individual commitment
- Resources not being available
- Poor standards of training
- Inappropriate training plans.

These risks will be monitored, recorded and cross refenced with attendance details and assessment scores by the Governance & Risk Advisor and reported to the Pension Committee and Pension Board if their impact is likely to prevent the Fund from achieving the objectives of this Strategy.

Reporting and compliance

In line with the CIPFA Code of Practice a disclosure will be made in the Fund's Annual Report and Accounts that covers:

- How the Knowledge and Skills framework has been applied
- What assessment of training needs has been undertaken, and
- What training has been delivered against the identified training needs.

Budget and costs

A training budget will be agreed with the Pension Committee and costs fully scoped.

All direct costs and associated reasonable expenses for attendance of external courses and conferences will be met by the Fund, provided that the Governance & Risk Advisor's prior approval is sought before incurring any such expenses (other than routine costs associated with travelling to and from Pensions Board/Committee meetings) and appropriate receipts are sent to the Governance & Risk Advisor evidencing the expenses being claimed for.

Effective date

This strategy comes into effect from June 2022

Review

This strategy will be reviewed every 2 years, and if necessary, more frequently to ensure it remains accurate and relevant.

Last reviewed and amended June 2023

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Bath & North East Somerset Council	
MEETING:	**AVON PENSION FUND COMMITTEE**
MEETING DATE:	**23 JUNE 2023**
TITLE:	**FUND GOVERNANCE FRAMEWORK**
WARD:	**ALL**
AN OPEN PUBLIC ITEM	
List of attachments to this report: Appendix 1 – Performance against SLA & Workload Appendix 2 – TPR Data Improvement Plan Appendix 3 – Service & Transformation Plan	

1 THE ISSUE

1.1 The purpose of this report is to present the Fund's administration performance for the three months to 1 31 March 2023 vs key performance indicators (KPI's).

2 RECOMMENDATION

The Committee:

2.1 Notes the service performance for the three months to 31 March 2023.

3 BUSINESS CONTINUITY

3.1 The Pension team moved back to the Keynsham Civic Centre in October 2022. All full-time staff now work in a hybrid way with a minimum of 2 office days per week. This move supports improved training & development and team working.

4 WORKLOAD & PERFORMANCE

4.1 Appendix 1 provides details of actual APF service performance vs SLAs to 31 March 2023. The Fund is operating below its target of >90% for most case types (Annex 1) and the breakdown in Annex 2 demonstrates a broadly flat performance picture..

4.2 The Fund is starting to implement a service improvement plan which spans 2 years to December 2025. The Fund anticipates a difficult period over the next 6 months before service standards begin to improve.

4.3 From 65% of services meeting SLAs in Q3 2022 to 75% in Q1 2023, we are targeting "90% 2025". Further details are shared in a presentation in Appendix 3.

4.4 Following reduction in the SCAPE discount rate on 30 March 23, we are holding c.800 cases for processing until the GAD[1] releases new factors, expected in June 2023.

4.5 Following the 10.1% inflation increase for pensions, the teams experienced a high level of phone calls from pensioners who received a lump sum in their pension. 300 extra calls were received in the final week of April. The increase

[1] *Government Actuaries Department*

also meant the team had to re-visit c.100 members who left between 31 March and 5 April 2023, to recalculate pension and write to members.

5 RESOURCE RECRUITMENT & TRAINING

5.1 Recruitment and retention remain a key factor impacting business operations with 12 (17%) of 71 FTEs vacant. The service improvement presentation will cover this in further detail with plans to tackle recruitment in 3 phases over the next 12 monthsThe Scheme of Delegation schedule sets out the responsibilities delegated by the Committee to officers and how these operate in practice.

5.2 The Fund also has a high volume of temporary posts due to projects and other business change. As part of the transformation project, a restructure is planned to take place during 2023 to finalise the permanent structure, subject to BANES' approval.

5.3 The Payroll team leader resigned in April and has been successfully filled. However this loss had a significant impact on the Fund as resources were 'borrowed' from other teams to ensure business as usual.

6 YEAR END & VALUATION

6.1 The vast majority of employers submitted year-end data files by the deadline of 30 April 2023. The Fund is now validating and loading data to finalise the year-end process by 30 June, required before completing annual benefit statements for all members.

6.2 Late employer returns will be assessed in the Autumn for penalty fines, with details reported to the Committee in December.

7 ANNUAL BENEFIT STATEMENTS

7.1 The Public Service Pensions Act 2013 requires Funds to produce Annual Benefit Statements by 31 August annually.

7.2 The ABS project is on track, with the Quality Assurance team testing provisional data and finalising the templates.

8 SUMMARY OF FUND MEMBERSHIP DATA QUALITY

8.1 The Fund maintains a Common Data score above 95%. The TPR[2] report summarises an annual view of outstanding cases for the last 12 months, please refer to Appendix 2**.**

9 PROGRESS ON KEY PROJECTS

9.1 The Fund has undertaken a review of all current administration projects. Projects include regulatory change, annual initiatives, and projects to transform the Fund's digital capability. We will use the presentation in Appendix 3 to discuss this in greater detail.

10 MEMBER AVC ARRANGEMENTS – CHANGE OF PROVIDER

10.1 The Fund has moved members to Legal & General as their AVC provider. All existing contracts (with a few exceptions) have been migrated in a phased approach to L&G.

11 BUDGET MONITORING

11.1 The budget outturn for the 2023-24 year was an underspent by £422k.

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[2] *The Pensions Regulator*

	Status (Year End Forecast)	Comment if significant under/over
Administration		• Reduced salaries due to delays in filling vacant posts vs budget. • Partially offset by additional external support.
Governance & Compliance		• Reduced salary spend in Investments due to staff vacancies – which are in the process of being filled.
Pensions Board		• Lower than expected meeting costs in year.
Total		

Key:

	Significant underspend
	On budget (not significantly under or over)
	Significant overspend

12 RISK MANAGEMENT

12.1 The Avon Pension Fund Committee is the formal decision-making body for the Fund, with 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. In addition, it monitors the benefits administration, the risk register and compliance with relevant investment, finance and administration regulations.

13 EQUALITIES STATEMENT

13.1 A proportionate equalities impact assessment has been carried out using corporate guidelines and no significant issues have been identified.

14 CLIMATE

14.1 The Fund is implementing a digital strategy across all its operations and communications with stakeholders to reduce its internal carbon footprint in line with the Council's Climate Strategy. The Fund acknowledges the financial risk to its assets from climate change and addresses this through its strategic asset allocation to Paris Aligned Global Equities, Sustainable Equities and renewable energy opportunities. The strategy is monitored and reviewed by the Committee.

15 OTHER OPTIONS CONSIDERED

15.1 None.

16 CONSULTATION

16.1 The Council's Director of One West has had the opportunity to input to this report and has cleared it for publication.

Contact person	Claire Newbery, Pensions Operations Manager 01225 395247

Background papers	Various statistical documents
Please contact the report author if you need to access this report in an alternative format.	

Fund Performance against SLA – KPI's As at 31 March 2023 **Appendix 1**

Annex 1 Overall Performance by Case Type

		Cases Last Quarter – Measured Against SLA				
		Total Processed	**Total Processed in Target**	**Percentage Processed within Target**	**Total Processed within 5 days of Target**	**Percentage Processed within 5 days of Target**
Retirement (from Active)	**Quote - 15 days**	296	228	77.03%	36	89.19%
	Payment - 15 days	233	214	91.85%	5	93.99%
Retirement (from Deferred)	**Quote - 30 days**	52	20	38.46%	11	59.62%
	Payment - 15 days	282	261	92.55%	14	97.52%
Deaths	**Notification - 5 days**	141	125	88.65%	14	98.58%
	Payment - 10 days	106	100	94.34%	6	100.00%
Refund of contributions	**Quote - 10 days**	717	329	45.89%	100	59.83%
	Payment - 10 days	224	161	71.88%	30	85.27%
Deferreds (early leavers)	**30 days**	758	451	59.50%	307	100.00%
Transfers In	**Quote - 10 days**	49	29	59.18%	4	67.35%
	Payment - 10 days	44	27	61.36%	9	81.82%
Transfers Out	**Quote - 10 days**	830	440	53.01%	134	69.16%
	Payment - 10 days	26	19	73.08%	2	80.77%
Estimates	**Member - 15 days**	119	98	82.35%	10	90.76%
	Employer - 15 days	69	60	86.96%	6	95.65%
Divorce	**Quote - 45 days**	64	62	96.88%	0	96.88%
	Actual - 15 days	3	3	100.00%	0	100.00%
Starters	**40 days**	1739	1739	100.00%	0	100.00%
		5752	4366	75.90%	688	87.87%

RAG key	
Red	Less than 75%
Amber	75 - 89%
Green	90 - 100%

Annex 2
Case No's vs Target

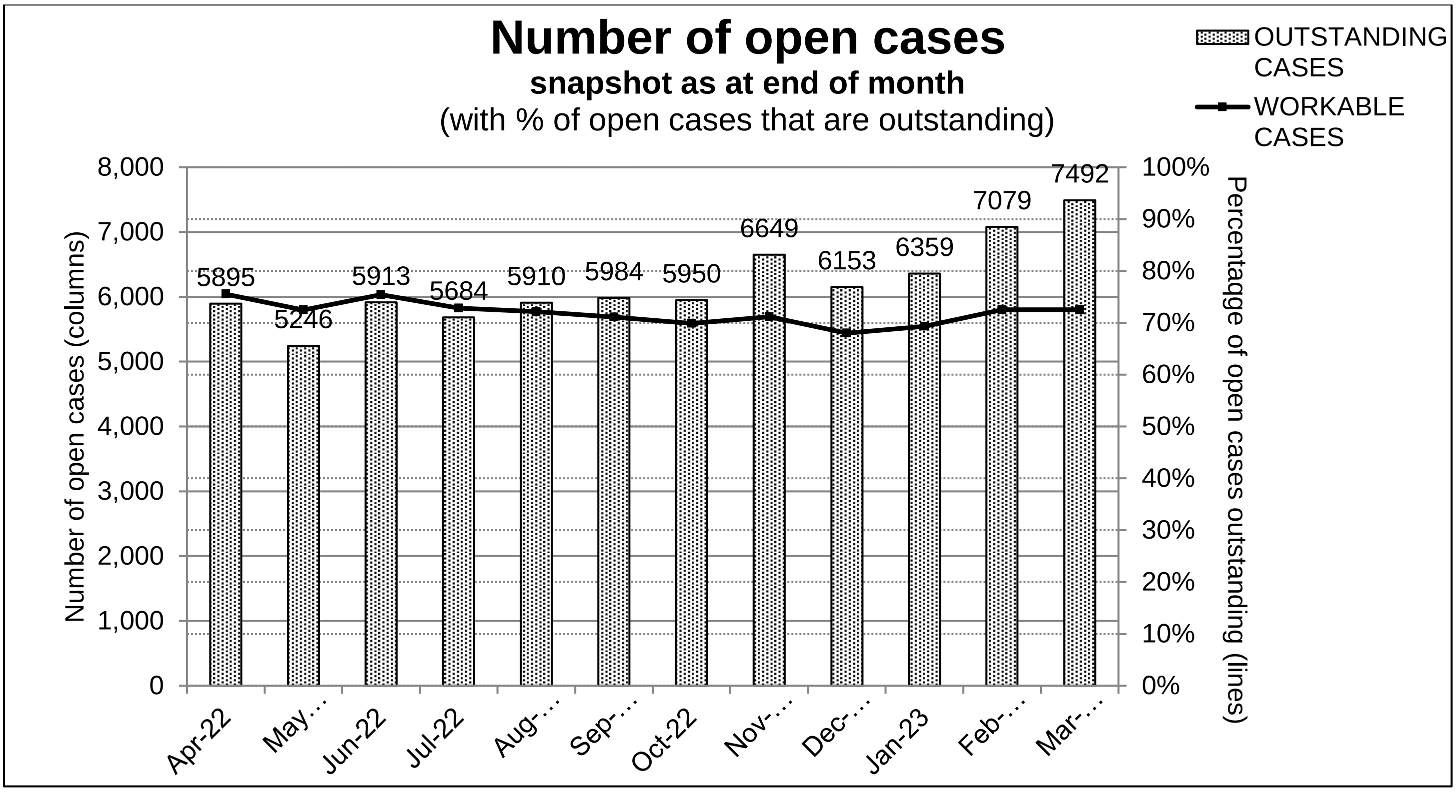
		Tasks Last Quarter							
		Average Days to Process	Actual Days to Process						
			0 - 5	6 - 10	11 - 15	16 - 20	21 - 25	26 - 30	31+
Retirement (from Active)	**Quote - 15 days**	11	96	74	58	36	20	6	6
	Payment - 15 days	7	149	42	23	5	10	3	1
Retirement (from Deferred)	**Quote - 30 days**	23	31	7	1	2	3	3	5
	Payment - 15 days	5	208	32	21	14	7	0	0
Deaths	**Notification - 5 days**	3	125	14	0	0	1	1	0
	Payment - 10 days	5	86	14	6	0	0	0	0
Refund of contributions	**Quote - 10 days**	28	202	127	100	70	39	20	159
	Payment - 10 days	6	111	50	30	19	8	5	1
Deferreds (early leavers)	**30 days**	24	199	75	66	53	27	31	307
Transfers In	**Quote - 10 days**	14	21	8	4	4	5	2	5
	Payment - 10 days	19	12	15	9	3	0	0	5
Transfers Out	**Quote - 10 days**	32	302	138	134	60	108	69	19
	Payment - 10 days	11	18	1	2	4	1	0	0
Estimates	**Member - 15 days**	7	69	10	19	10	5	6	0
	Employer - 15 days	8	47	7	6	6	1	1	1
Divorce	**Quote - 45 days**	18	10	13	12	8	5	7	9
	Actual - 15 days	4	1	0	2	0	0	0	0
Starters	**40 days**	14	854	398	157	1	124	22	3

Annex 3 Trend in Overall Performance

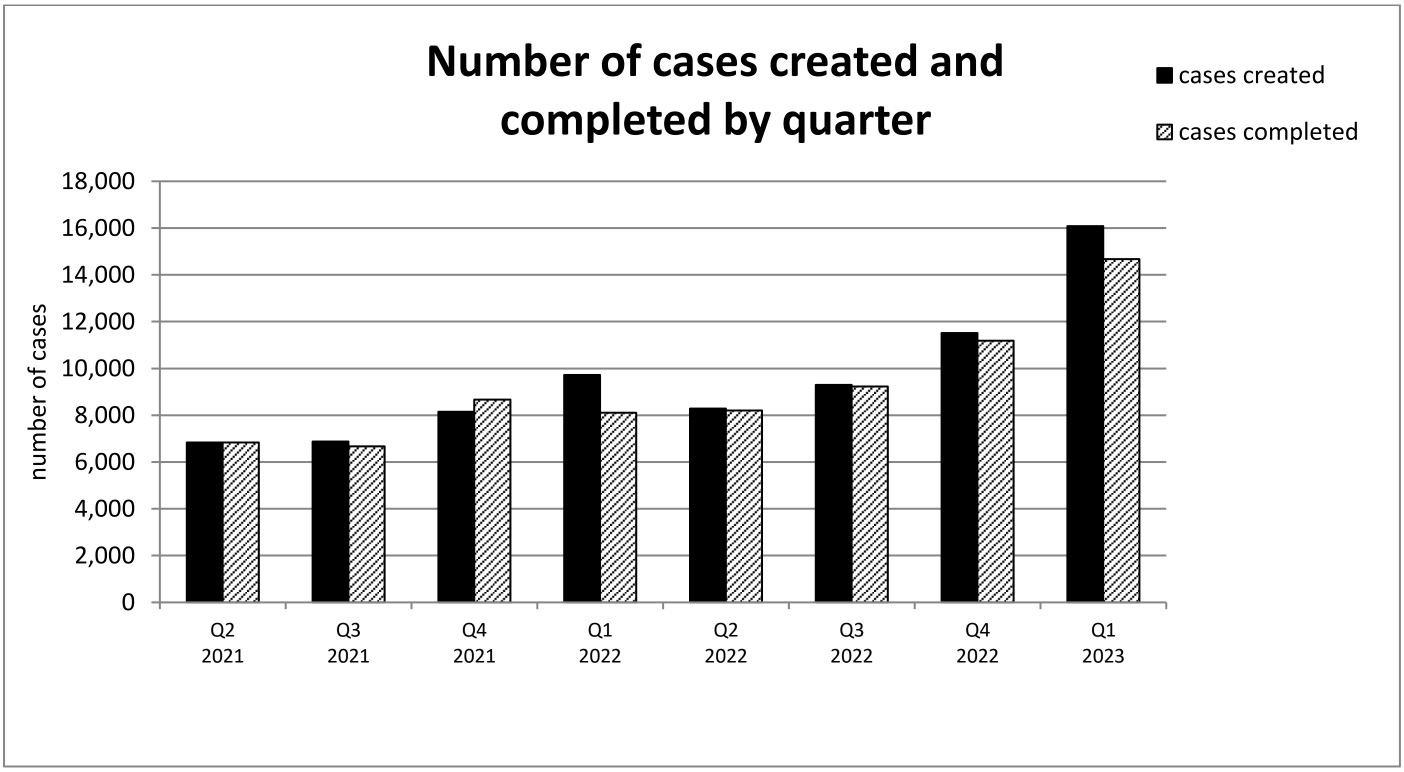
SLA Standards for Processing Admin Tasks						
Work Type	**Target Processing SLA (Old/New)**	**Q2 Apr 22 - Jun 22**	**Q3 July 22 - Sept 22**	**Q4 Oct 22 - Dec 22**	**Q1 Jan 23 - Mar 23**	**Trend**
Retirement (from Active)	**Quote - 5 / 15 days**	62.30%	66.67%	76.37%	77.03%	
	Payment - 5 / 15 days	68.06%	92.00%	94.08%	91.85%	
Retirement (from Deferred)	**Quote - 30 days**	34.78%	50.00%	35.71%	38.46%	
	Payment - 5 / 15 days	75.12%	89.61%	94.31%	92.55%	
Deaths	**Notification - 5 days**	51.43%	81.20%	96.80%	88.65%	
	Payment - 5 / 10 days	66.67%	81.74%	85.45%	94.34%	
Refund of contributions	**Quote - 10 days**	15.76%	13.30%	19.80%	45.89%	
	Payment - 10 days	51.94%	78.33%	83.69%	71.88%	
Deferreds (early leavers)	**Notification - 20 / 30 days**	74.92%	57.17%	72.30%	59.50%	
Transfers In	**Quote - 10 days**	11.03%	32.98%	67.96%	59.18%	
	Payment - 10 days	15.15%	51.79%	63.64%	61.36%	
Transfers Out	**Quote - 10 days**	25.38%	30.37%	56.82%	53.01%	
	Payment - 10 days	24.00%	42.31%	80.56%	73.08%	
Estimates	**Member - 10/15 days**	79.80%	81.19%	90.12%	82.35%	
	Employer - 15 days	70.00%	66.67%	87.50%	86.96%	
Divorce	**Quote - 45 days**	50.00%	85.07%	89.47%	96.88%	
	Actual - 15 days	100.00%	100.00%	50.00%	100.00%	
Starters	**40 days**	100.00%	98.74%	96.41%	100.00%	

RAG key	
Red	Less than 75%
Amber	75 - 89%
Green	90 - 100%

Annex 4



Annex 5



TPR Improvement Plan Data As of 31st March 2023

Annex 1 – TPR Errors by Member Numbers

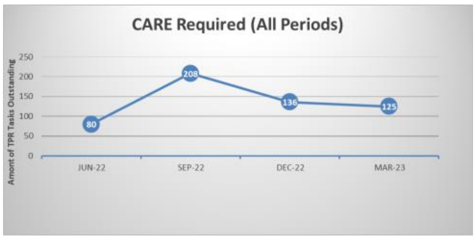
	Dec-22				Mar-23				*Trend
	Member Records	TPR Errors	% Errors	Data Score	Member Records	TPR Errors	% Errors	Data Score	
ACTIVE	39789	286	0.72%	99.28	40235	193	0.48%	99.52	-93
UNDECIDED	6621	236	3.56%	96.44	6064	226	3.73%	96.27	-10
DEFERRED	43825	3822	8.72%	91.28	44310	3718	8.39%	91.61	-104
PENSIONERS	35986	301	0.84%	99.16	36454	308	0.84%	99.16	+7
DEPENDANTS	5479	110	2.01%	97.99	5563	105	1.89%	98.11	-5
FROZEN	5631	1740	30.90%	69.10	6011	1765	29.36%	70.64	+25
TOTALS	**137331**	**6495**	**4.73%**	**95.27**	**138637**	**6315**	**4.56%**	**95.44**	-180

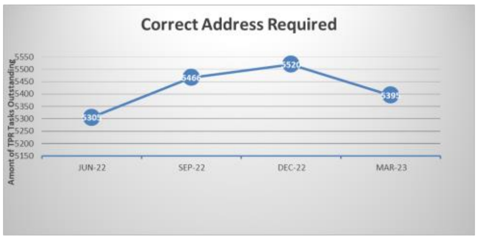
Annex 2 – Outstanding Queries by Type (there may be multiple queries per member)

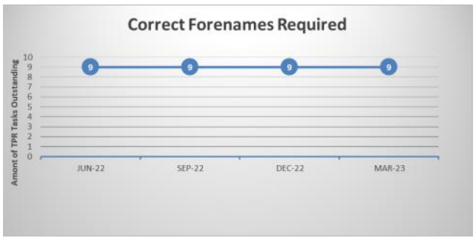
	Dec-22		Mar-23		*Trend
	TPR Errors	%	TPR Errors	%	
Age 75 Exceeded Lgps Eligibility Issue	77	1.17%	70	1.10%	-7
Care Pay For 2014-2015 Required	7	0.11%	3	0.05%	-4
Care Pay For 2015-2016 Required	10	0.15%	4	0.06%	-6
Care Pay For 2016-2017 Required	9	0.14%	3	0.05%	-6
Care Pay For 2017-2018 Required	7	0.11%	7	0.11%	0
Care Pay For 2018-2019 Required	14	0.21%	16	0.25%	+2
Care Pay For 2019-2020 Required	8	0.12%	13	0.20%	+5
Care Pay For 2020-2021 Required	19	0.29%	14	0.22%	-5
CARE pay for 2021-2022 required	62	0.94%	53	0.83%	-9
CARE pay for 2022-2023 required	0	0.00%	12	0.19%	+12
Missing data on leaver form - Escalation	0	0.00%	0	0.00%	0
Casual Hours Data Required	0	0.00%	0	0.00%	0
Correct Address Required	5520	83.97%	5395	84.47%	-125
Correct Forenames Required	9	0.14%	9	0.14%	0
Correct Gender Required	0	0.00%	0	0.00%	0
Correct Hours Format Required	2	0.03%	0	0.00%	-2
Correct Nino Required	157	2.39%	156	2.44%	-1
Correct Title Required Ie Miss Or Mr	2	0.03%	1	0.02%	-1
Data Required From A Previous Employer	22	0.33%	9	0.14%	-13
Date Joined Fund Required	4	0.06%	1	0.02%	-3
Historic Refund Case	478	7.27%	478	7.48%	0
Leaver Form Required	165	2.51%	138	2.16%	-27
Pay Ref Required	0	0.00%	5	0.08%	+5
Correct Surname Required	0	0.00%	0	0.00%	0
Correct FTE Pensionable Salary 16-17 req	2	0.03%	0	0.00%	-2
Grand total	**6574**	**100%**	**6387**	**100%**	

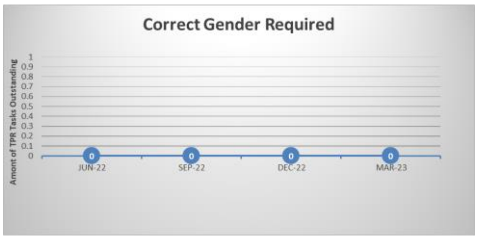
***Trend is influenced by number of errors**

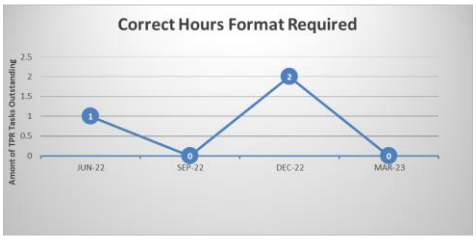
TPR Error Numbers by Error Type

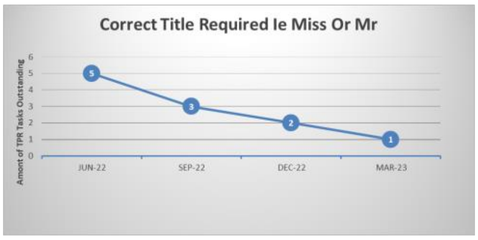


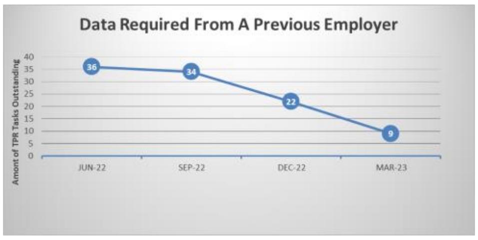




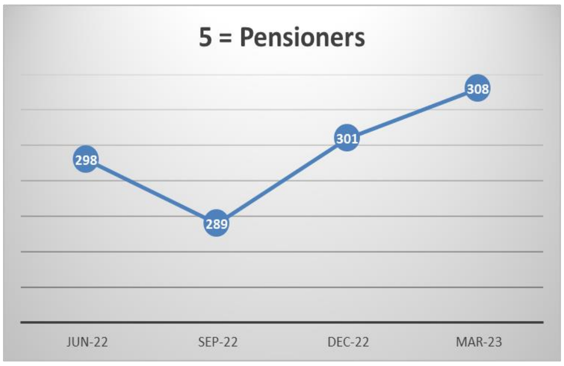


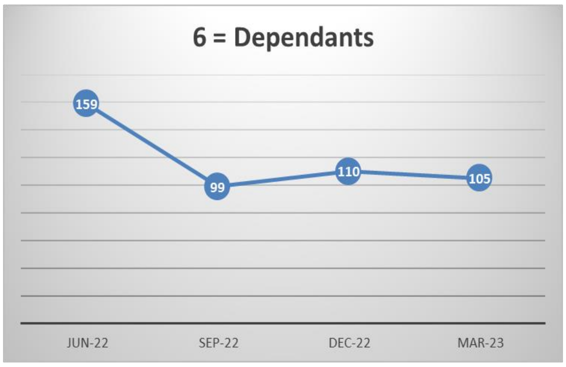


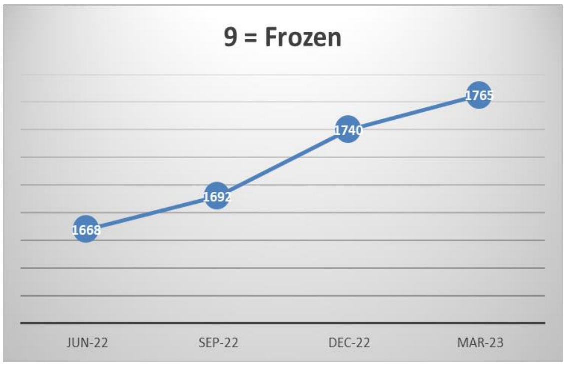




TPR Error Numbers by Status







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Administration Improvement Plan & Change Programme

Service Improvement & Change Programme

Current State & Objectives

People

Service

Change Programme

Current state of APF organisation ….

- **Service quality is below SLAs agreed with the Pensions Committee**
  - c.65% of members' service requests were completed within SLAs in 2021-22 before the office return
  - when we returned to the office in Q4 2022, this improved to 75%, though further improvement has stalled
  - there are material backlogs in most areas

- **Service quality is limited by 4 key issues**
  - high vacancy rate of c.16%
  - elevated work load due to increased i-Connect data combined with a complex leaver-joiner process
  - performance MI is insufficiently embedded in operational management
  - there is limited digitisation with heavy manual processes

- **Payroll has experienced specific challenges – the team leader and key officers resigned**
  - compounded by limited workflow or documented processes

- **Employers**
  - data volume is increasing due to uptake of i-Connect vs quality of data
  - knowledge & understanding among employers is limited – and requires regular training

- **We have the ability to address all the above issues**

Service standards are below SLA and no longer improving

% cases completed within SLA

Service	SLA	Q2 2022	Q3 2022	Q4 2022	Q1 2023
Retirement (active)	Quote - 5 / 15 days	62%	67%	76%	77%
	Payment - 5 / 15 days	68%	92%	94%	92%
Retirement (deferred)	Quote - 30 days	35%	50%	36%	38%
	Payment - 5 / 15 days	75%	90%	94%	93%
Deaths	Notification - 5 days	51%	81%	97%	89%
	Payment - 5 / 10 days	67%	82%	85%	94%
Refund of contributions	Quote - 10 days	16%	13%	20%	46%
	Payment - 10 days	52%	78%	84%	72%
Deferreds	Notification - 20 / 30 days	75%	57%	72%	59%
Transfers In	Quote - 10 days	11%	33%	68%	59%
	Payment - 10 days	15%	52%	64%	61%
Transfers Out	Quote - 10 days	25%	30%	57%	53%
	Payment - 10 days	24%	42%	81%	73%
Estimates	Member - 10/15 days	80%	81%	90%	82%
	Employer - 15 days	70%	67%	88%	87%
Divorce	Quote - 45 days	50%	85%	89%	97%
	Actual - 15 days	100%	100%	50%	100%
Starters	40 days	100%	99%	96%	100%

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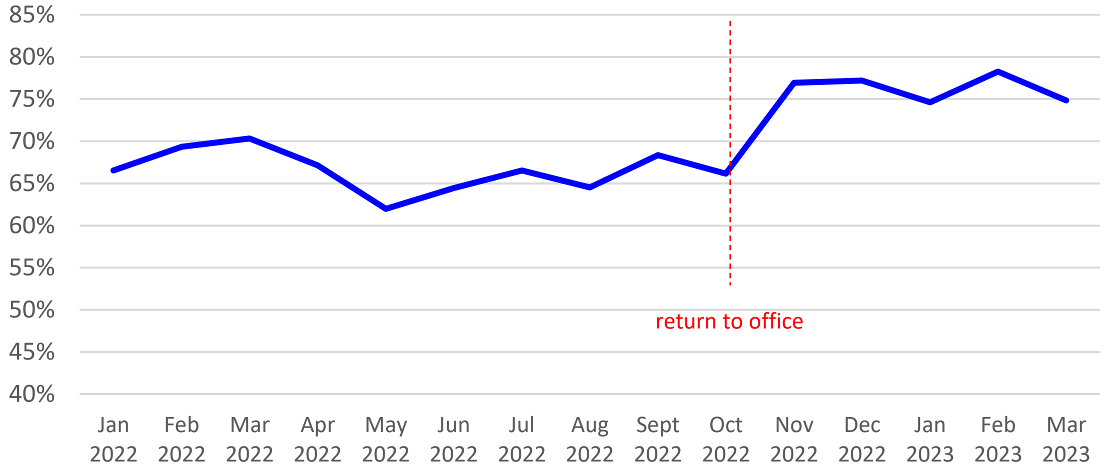
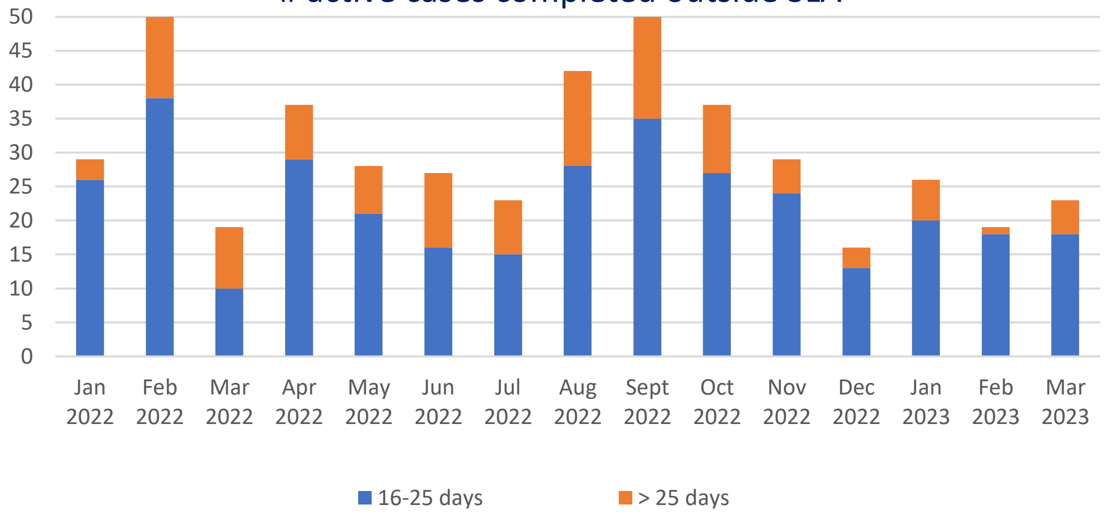
% cases completed within SLA

weighted average across all member services



Retirement Cases

active cases completed outside SLA



Improvement objectives …..

2025 – what good looks like

Service

Transform service experience for members

- Meet service standards set by CIPFA, plus TPR requirements
- Achieve SLAs agreed with APF Pensions Committee – 90% in 2025[1]
- Easy digital experience – with substantial uptake of My Pension Online[2]
- All employer data exchanged electronically

Foundations

Strengthen Core enablers

- Deliver all regulatory changes which benefit members, e.g.
  - McCloud, Dashboard, GMP
- Transformed digital platforms – for members, employers, APF staff
- MI drives insight and is embedded into operational decisions

People

Improve organisation and culture

- Pay rates are competitive for retention & recruitment of required talent
- Vacancy rate within normalised range of 4-8% within 12 months
- New operational structure embedded by year end
- Engaged workforce: keen to learn, keen to serve members

Notes: 1) retirements and deaths at 99%
2) targets to be confirmed before end-2023

Service Improvement & Change Programme

Current State & Objectives

People

Service

Change Programme

People – improve salaries ….

- We asked Aon to undertake an independent review of APF salaries
  - comparing all roles vs similar public & private sector organisations[1]
  - Aon recommended salary increases linked to roles – based on the external comparisons

- The critical pinch point where we can make the biggest impact is in salaries for experienced individuals serving members and employers, e.g. senior pension officers and team leaders

- B&NES HR has approved the principle and aggregate of proposed salary increments
  - We now move into detailed implementation – with approval of each individual case
  - We expect salary changes to take effect from the July 2023 payroll

- Costs are accommodated within the 2023-24 budget agreed by the Pensions Committee

Notes: 1) such organisations included: other LGPS funds, pools, RailPen, USAS, private sector pension schemes

People – identify vacancies

Identify the gaps ….

	assistant pension officer	pension officer	senior pension officer	Team heads Technical leads	Managers	TOTAL
Roles	7	28	27	26	7	95
Vacancies	1	2	6	4	2	15
Vacancy %	29%	7%	22%	15%	14%	16%
Key Gaps						
Payroll		✓	✓			
Member Services			✓			
Employer Services			✓	✓		
Transformation				✓	✓	

Focus on …..

- Sorting Payroll
  - We have already hired the team leader – who has extensive private sector experience
  - We need to hire 1 Senior Officer & 1 Officer
- Hiring people with experience who can learn quickly and make a difference to service delivery, e.g.
  - Officers & Seniors serving members and employers
  - Technical Leads
- Transformation
  - We need to hire a Change Programme leader who can drive digital transformation
  - We also need project leads who can work with the wider APF team to deliver

People – recruit to fill vacancies

- Focus on improved recruitment process
- Working with Aon to elevate position in the market
- Use B&NES recruitment team to support best practices
- Routes to market: Agency, Website, Social
- Underpinned with effective training and development plans

Phase 1:
Jun 23 – Oct 23

- Vacant permanent roles, Priority roles
- Payroll, Member Services, McCloud remedy, Training Officer
- Managers: Change, Digital Services

50%

Phase 2:
Nov 23 – Jan 24

- Structure review & staff consultation
- Ring fenced roles for internal only recruitment
- Vacancies created by new structure (external)

30%

Phase 3:
Feb 24 – Apr 24

- Remaining roles

20%

People – leadership and organisation

Leadership & Communication

- Regular leadership briefings
- People understand
  - APF strategy
  - how their team fits
  - how their own role contributes
- Input into APF strategy, e.g.
  - climate change & net zero
  - change priorities

Organisation

- New organisation structure to support digital future in place – December 2023
  - move from multiple temporary positions and ‘acting up’ to permanent roles
- Career development
  - training plans
  - career families for progression
- Get the basics right
  - clear personal objectives
  - 121s with line manager
  - team discussions

Service Improvement & Change Programme

Current State & Objectives

People

Service

Change Programme

Key operational levers to meet service objectives …..

Operational Priorities

- Payroll: rebuild team and hire to fill vacancies
- Leaver process: fix and simplify
- MI: drive deeper insight and embed operationally
- Backlogs: identify and resolve

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Change Programme

- Digital change & system investment

Current to future state…Payroll & Leaver process

Payroll

CURRENT STATE	OBJECTIVES
2 of 4 post filled (1 on LTS)	Fully resourced
Limited documented processes	Robust processes
No workflow or MI	MI on workflow – full transparency

Leaver process

CURRENT STATE	OBJECTIVES
c.2000 backlog (under 55)	No backlogs > 60 days
2 stage process with work duplication	Meet TPR & regulatory requirements
Increasing workload due to i-Connect and employer trends	Meet SLA targets set in Admin Strategy (CIPFA) agreed by Pensions Committee
	Employers providing timely & accurate data

Current to future state…MI & Backlogs

MI

CURRENT STATE

- Data accuracy
- Clunky to run and requires manual manipulation
- MI doesn't cover all business needs
- Limited reports available for Employer performance

OBJECTIVES

- Transparency of work levels
- Reporting to support pro-active achievement of KPIs and SLAs
- Agile reporting, weekly, monthly
- Employer performance
- Team productivity

Backlogs

CURRENT STATE

- Reduced resource & people allocated to support payroll
- Increased workload - last 3 years
- New legislation creating extra work
- No digitalised processes
- C.5000 cases outstanding

OBJECTIVES

- Fully resourced & trained team
- No backlogs > 60 days
- Self service & digital processes for members & employers
- Satisfied members
- Engaged workforce

Action plan to achieve…

	Q2 2023	Q3 2023	Q4 2023	Q1 2024
Salaries	• Aon review finalised • Revised pay approved	• Changes in monthly pay		
Payroll	• Stabilise – temporary resources • New TL training	• Recruit PO and SPO • New TL take over payroll running	• Review & create new processes	• Create workflow to manage work & report
Organisation	• Design and shape agreed	• Job descriptions complete	• Consultation • Completion	
Leaver process	• Form new leaver team	• Review processes and workflow • People training & upskilling	• Start to apply new processes • Employer training	
MI	• Business analysis & template design	• Collect data • Test & produce reports	• Industrialise process • Embedded in ops management	
Vacancies		• Phase 1	• Phase 2	• Phase 3
Backlogs		• Review BAU and backlogs • Set priorities and targets – Agile workload distribution	• Focus resolution on level-1 services: - retirement - death	• Focus on level-2 services

Service Improvement & Change Programme

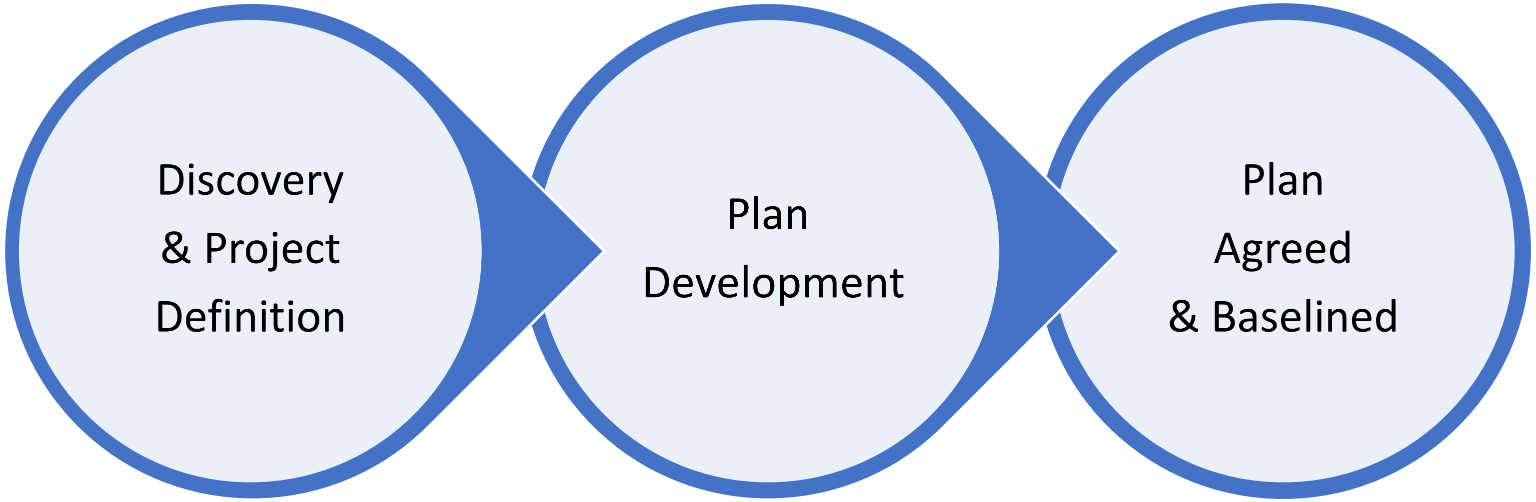
Current State & Objectives

People

Service

Change Programme

We have developed a change programme of 8 projects

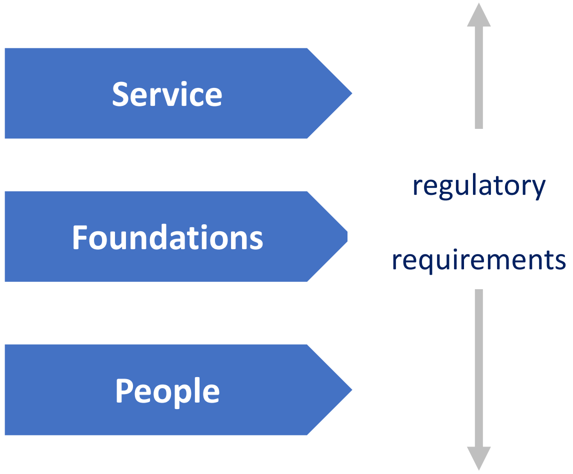


- Clarity of scope – in or out
- Objectives for each project

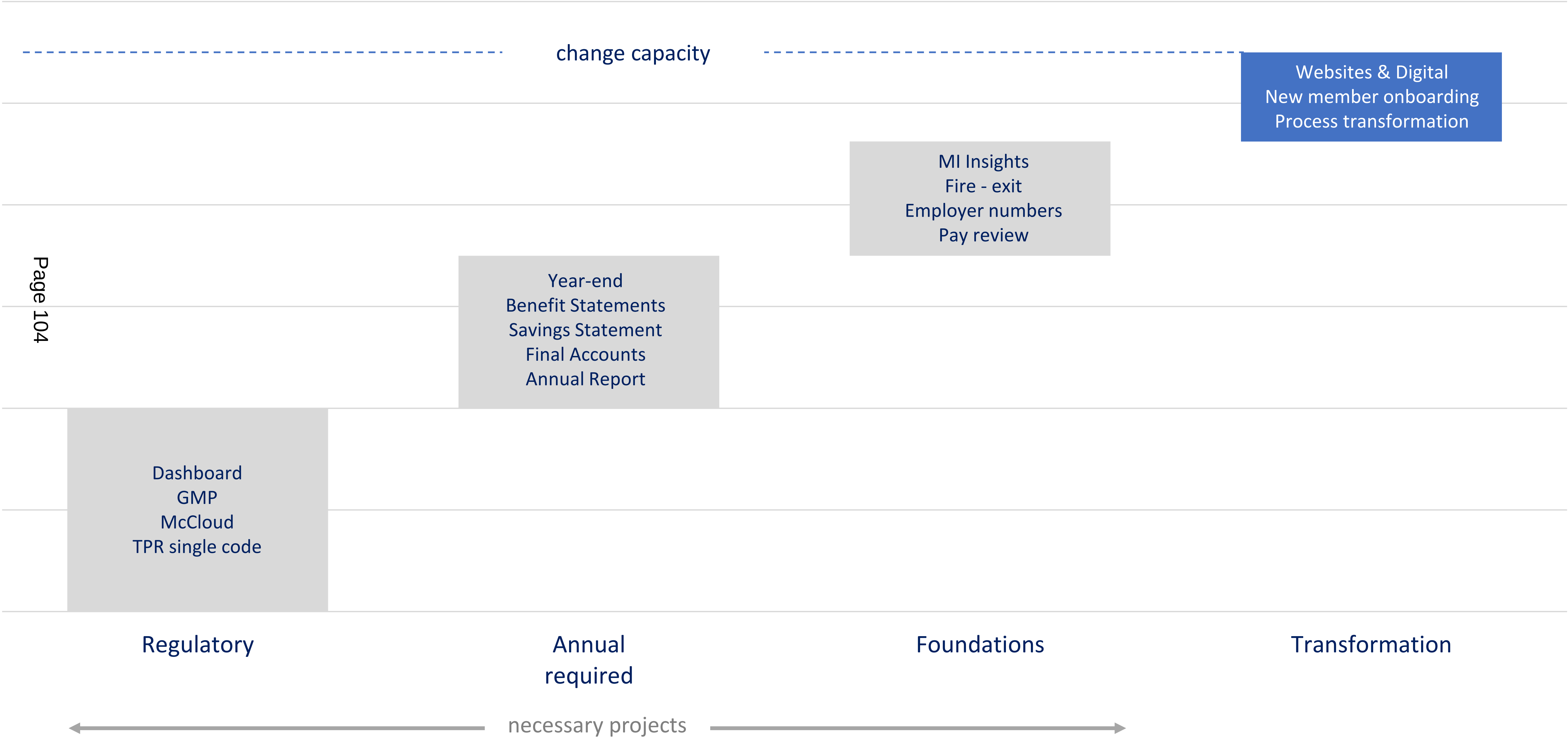
- Criteria for prioritising
- Options: scope, pace of delivery, resource and costs

- Clear delivery plan
- Project management skills – training and toolkit

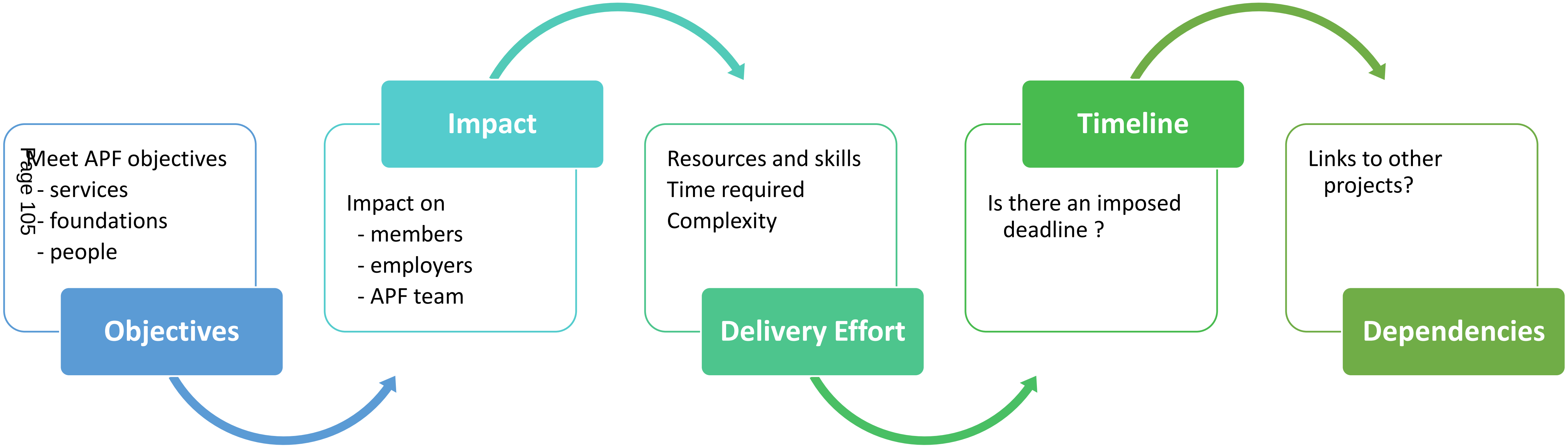
We referenced core objectives – along with regulatory requirements – to inform priorities



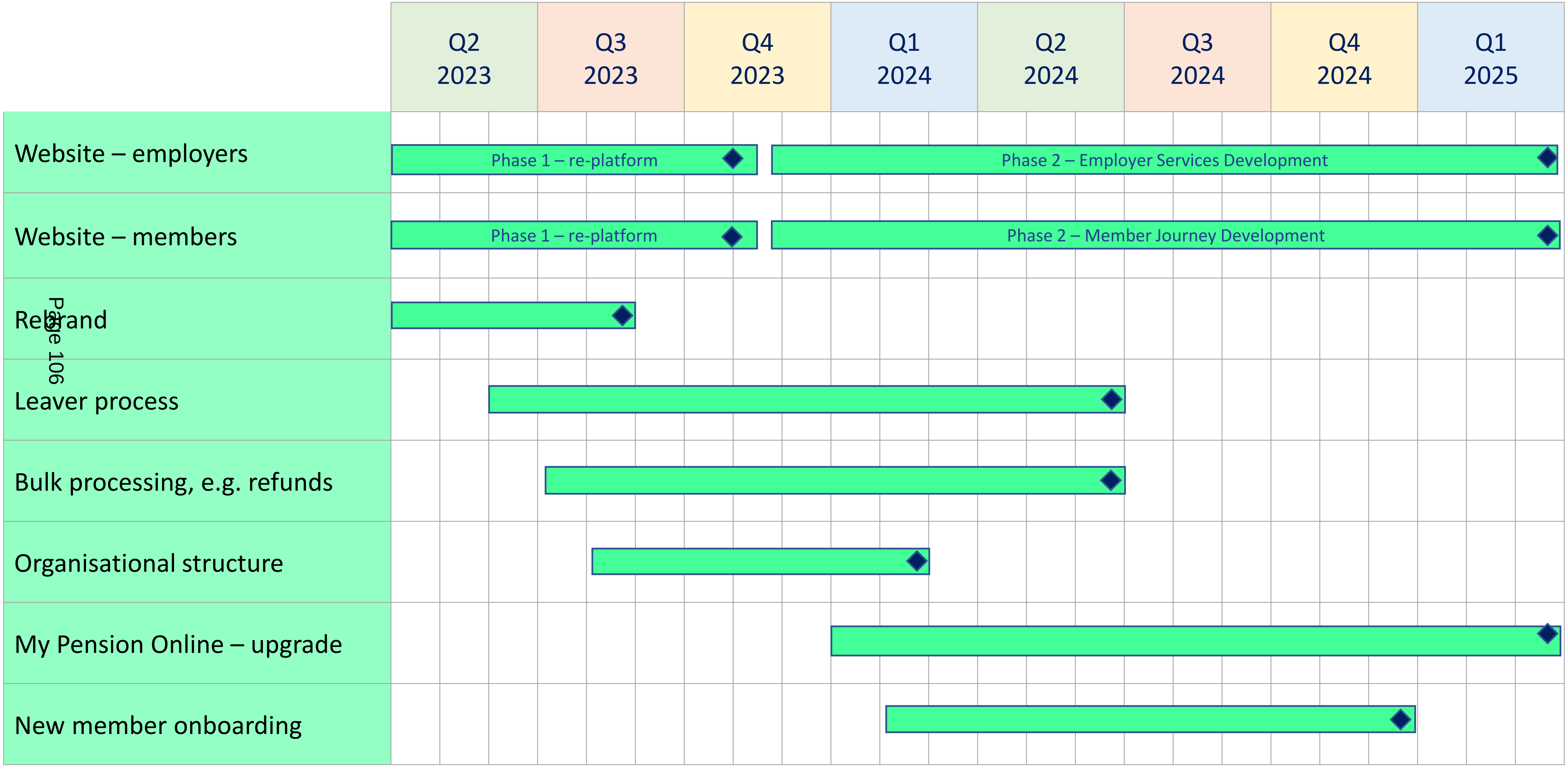
Necessary projects absorb common resources – limiting capacity for transformation



Project prioritisation framework ….

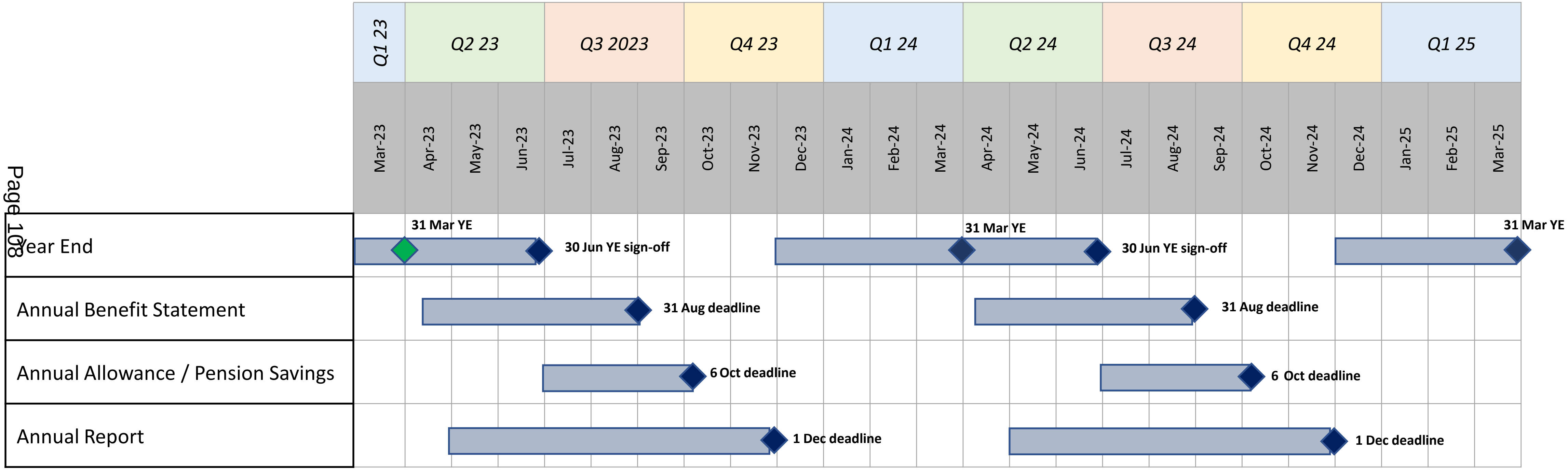


Plan 2023-25 – transformation projects …..



APPENDIX

Plan 2023-25
Obligatory annual projects …..



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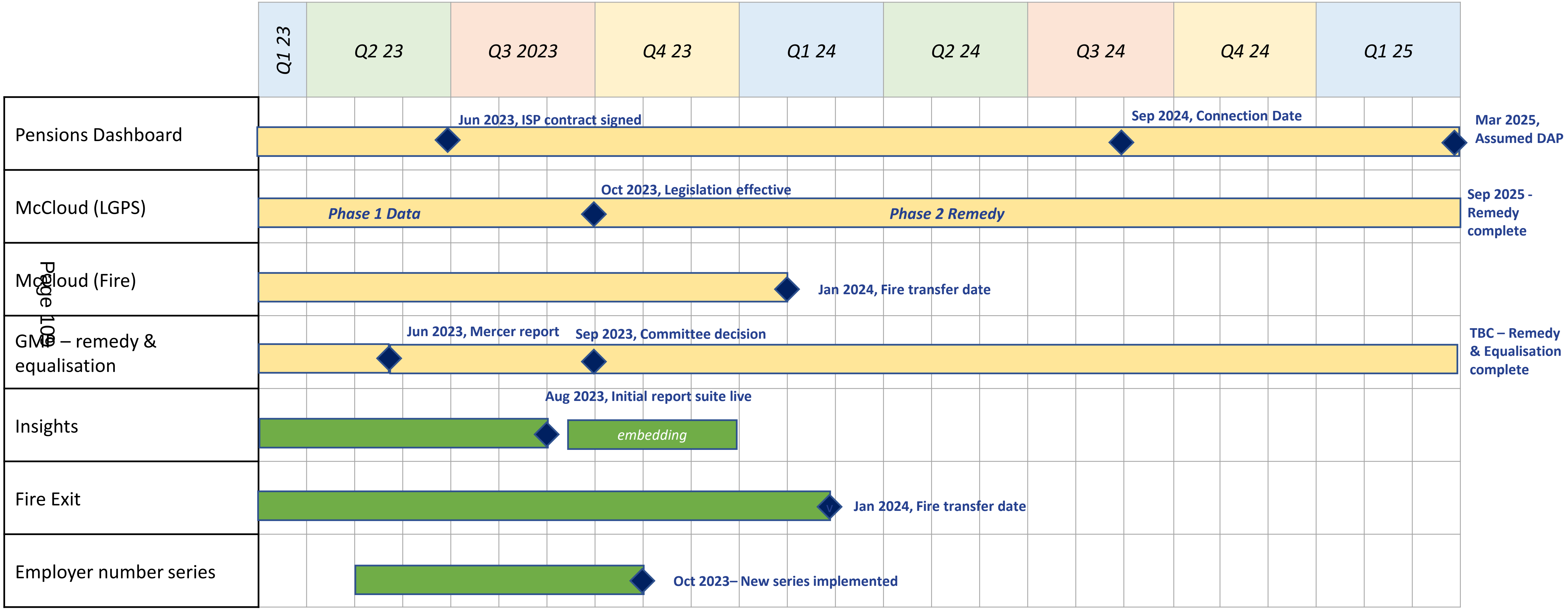
Plan 2023-25
Obligatory regulatory projects and foundations …..



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Bath & North East Somerset Council	
MEETING:	**AVON PENSION FUND COMMITTEE**
MEETING DATE:	**23 JUNE 2023**
TITLE:	**DEATH IN SERVICE POLICY**
WARD:	**ALL**
AN OPEN PUBLIC ITEM	
List of attachments to this report: Exempt Appendix 1 – Mercer report	

1 THE ISSUE

1.1 One of the risks for employers is the possible increase in liabilities arising when an active member dies as their beneficiary will receive a lump sum and spouse's or partner's pension earlier than would otherwise be the case. Although the actuary includes an allowance for 'strain' costs due to Death in Service (DIS) when setting future service contribution rates, the actual strain or indeed saving, is determined by the member's profile which can be far greater (or less) than the allowance assumed by the Actuary.

1.2 If there is a strain, it can significantly increase the liabilities and will feed through into the funding plan at the next valuation. For small employers the higher costs can be difficult to manage especially when they occur close to the employer's exit from the Fund.

1.3 The feasible options to mitigate this risk are (i) captive insurance and (ii) 3rd party insurance. Maintaining the status quo will not manage the risk. The Actuary is proposing the Fund implements a captive insurance arrangement covering all employers within the Fund. The Fund already has a similar arrangement for managing ill-health retirement costs for smaller employers.

1.4 Mercers paper in Exempt Appendix 1 sets out the rationale for such an arrangement and the Committee is being asked to approve implementing a captive arrangement within the Fund.

1.5 Once approved by committee, the Funding Strategy Statement will be updated and a short consultation with employing bodies will be undertaken.

2 RECOMMENDATION

The Committee:

2.1 Approves implementing a captive Death in Service arrangement within the Avon Pension Fund

2.3 Notes that a consultation with employers will be undertaken before the arrangement is implemented

2.3 Delegates updating the Funding Strategy Statement to include the captive arrangement to Officers.

3 FINANCIAL IMPLICATIONS

3.1 There are no extra direct costs as a result of this arrangement as any strain costs are picked up by employers at the subsequent valuation. The captive would aggregate the 'notional premiums' based on the actuarial assumptions and these premiums will be used to meet any future DIS strain costs.

3.2 The costs for advice for this work is provided for in the 2023/24 budget.

4 DEATH IN SERVICE CAPTIVE ARRANGEMENT

4.1 Mercers report in Exempt Appendix 1 sets out the rationale for setting up a captive arrangement in detail.

4.2 A captive arrangement is a cost effective and transparent method of managing this financial risk for smaller employers. However, to ensure the captive arrangement has adequate funds to meet any strain cost that may arise, all employers will be included in the arrangement. As the larger employers determine the

4.3 The captive would work as follows:

(a) Notional average 'premiums' will be paid into a captive fund by all employers, based on same actuarial assumptions. The actuary will monitor the captive and update at each triennial valuation (as they do with the ill health captive arrangement).

(b) The captive is used to meet any strain costs or receive any gains, therefore there is no funding gain or loss on the funding position of employers.

(c) The premium charged will be reviewed each triennial valuation and if excess premiums build up they will be used to offset future adverse experience and/or lower premiums based on the advice of the Actuary. Likewise any excess costs will be recovered via an increase in the premium.

4.4 In the 2022 valuation the average DIS allowance at the overall Fund level was 0.5% of pensionable pay, determined for each individual employer by their member profile. Based on 2022 valuation payroll this is equivalent to £4.14m p.a.

4.5 If only the smallest employers were in the captive, the premium would have to be far higher to cover potential strain costs. Therefore it is proposed that all employers would be included in the captive.

4.6 Alternatives:

The alternatives to a captive arrangement are 3rd party insurance or maintaining the status quo. The main disadvantage of 3rd party insurance is that the spouse's/partner's pension is not normally insurable so the Fund would have to insure a far higher DIS lump sum to cover the costs. The premium would be reset periodically based on experience and demographics which could lead to higher or lower costs. In addition there would be greater governance and admin costs for the Fund. Exempt Appendix 1 covers the 3rd party costs in more detail.

The other alternative is to maintain the status quo. However this will not enable the Fund to manage the risk DIS poses to smaller employers within the Fund.

4.7 Across the LGPS there are different models in place. Some have no arrangement in place (like Avon currently), some pool risks by employer groups and some use captive arrangements. There is no standard approach.

4.8 Having considered the alternatives, officers are recommending that the Fund implements a captive Death in Service arrangement as it is the most efficient approach for the Fund to manage the risk of adverse strain costs for smaller employers.

5 PERIODIC REVIEW OF THE CAPTIVE ARRANGEMENT

5.1 The Fund will review the insurance arrangements at least every 3 years at the time of the triennial valuation. This will include market testing 3rd party prices.

6 FUNDING STRATEGY STATEMENT (FSS)

6.1 The 2022 FSS will be updated to include the Death in Service Captive arrangement. Before it is implemented, employing bodies will be consulted about the change to the FSS. Unless there are significant concerns from employers, the change to the FSS will not revert back to the Committee.

7 RISK MANAGEMENT

7.1 A key risk to the Fund is the inability of an individual employer to meet its liabilities, especially when it ceases to be an employing body within the Fund. The Funding Strategy is designed to manage this risk to ensure the Fund achieves full solvency over an appropriate period. Assessing the strength of an employing body's covenant is also a crucial component in managing the potential risk of default to the Fund and is incorporated in the contribution plans.

8 EQUALITIES STATEMENT

8.1 A proportionate equalities impact assessment has been carried out using corporate guidelines and no significant issues have been identified.

9 CLIMATE CHANGE

9.1 The Fund is implementing a digital strategy across all its operations and communications with stakeholders to reduce its internal carbon footprint. The Fund acknowledges the financial risk to its assets from climate change and addresses this through its strategic asset allocation to Paris Aligned Global Equities and renewable energy opportunities. The strategy is monitored and reviewed by the Committee.

9.2 In terms of the funding strategy, in the 2022 valuation an analysis of different climate change scenarios was undertaken valuation relative to the baseline position assuming that the funding assumptions are played out on a best estimate basis. The analysis considers a projection of the funding levels under the scenarios considered which are designed to illustrate the transition and physical risks over different periods depending on what actions are taken globally on climate change. Further detail is set out in the FSS and the Actuary’s 2022 valuation report.

10 OTHER OPTIONS CONSIDERED

10.1 Are contained in the report.

11 CONSULTATION

11.1 The Council’s Director of One West has had the opportunity to input to this report and has cleared it for publication.

Contact person	Liz Woodyard, Group Manager Funding, Investments and Risk 01225 395306

Background papers	
Please contact the report author if you need to access this report in an alternative format	

Bath & North East Somerset Council

Access to Information Arrangements

Exclusion of access by the public to Council meetings

Information Compliance Ref: LGA-1345535
Meeting / Decision: Avon Pension Fund Committee
Date: 23rd June 2023
Author: Liz Woodyard
Report Title: Death in Service Policy Exempt Appendix Title: Exempt Appendix 1 – Mercer Report

The appendix contains exempt information, according to the categories set out in the Local Government Act 1972 (amended Schedule 12A). The relevant exemption is set out below.

Stating the exemption: 3. *Information relating to the financial or business affairs of any particular person (including the authority holding that information).*

The public interest test has been applied, and it is concluded that the public interest in maintaining the exemption outweighs the public interest in disclosure at this time. It is therefore recommended that the exempt appendix be withheld from publication on the Council website. The paragraphs below set out the relevant public interest issues in this case.

PUBLIC INTEREST TEST

If the Committee wishes to consider a matter with press and public excluded, it must be satisfied on two matters.

Firstly, it must be satisfied that the information likely to be disclosed falls within one of the accepted categories of exempt information under the Local Government Act 1972. Paragraph 3 of the revised Schedule 12A of the 1972 Act exempts information which relates to the financial or business affairs of the organisations which is commercially sensitive to the organisations. The officer responsible for this item believes that this information falls within the exemption under paragraph 3 and this has been confirmed by the Council's Information Compliance Manager.

Secondly, it is necessary to weigh up the arguments for and against disclosure on public interest grounds. The main factor in favour of disclosure is that all possible Council information should be public and that increased openness about Council business allows the public and others affected by any decision the opportunity to participate in debates on important issues in their local area. Another factor in favour of disclosure is that the public and those affected by decisions should be entitled to see the basis on which decisions are reached.

Weighed against this is the fact that the exempt appendix contains financial information about the organisations which is commercially sensitive and could prejudice the commercial interests of the organisations if released. The exempt appendix also includes the observations and opinions of officers on the financial strength of these organisations.

It would not be in the public interest if advisors and officers could not express in confidence opinions which are held in good faith and on the basis of the best information available.

It is also important that the Committee should be able to retain some degree of private thinking space while decisions are being made, in order to discuss openly and frankly the issues under discussion in order to make a decision which is in the best interests of the Fund's stakeholders.

The Council considers that the public interest has been served by the fact that a significant amount of information regarding the performance of the fund has been made available on these issues – by way of the main report. The Council considers that the public interest is in favour of not holding this matter in open session at this time and that any reporting on the meeting is prevented in accordance with Section 100A(5A)

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

Document is Restricted

Bath & North East Somerset Council	
MEETING:	**AVON PENSION FUND COMMITTEE**
MEETING DATE:	**23 JUNE 2023**
TITLE:	**INVESTMENT STRATEGY AND BRUNEL UPDATE (FOR PERIODS ENDING 31 MARCH 2023)**
WARD:	**ALL**
AN OPEN PUBLIC ITEM	
List of attachments to this report: Exempt Appendix 1 – Brunel Monitoring Dashboard Appendix 2 – Investment Strategy Dashboard Appendix 3 – Mercer Quarterly Investment Performance Report Appendix 4 – Quarterly LAPFF Engagement Report	

1 THE ISSUE

1.1 This paper reports on the investment performance of the Fund and seeks to update the Committee on routine strategic aspects of the Fund's investments and funding level, policy and operational aspects of the Fund.

1.2 Exempt Appendix 1 updates the Committee about Brunel and the wider pool covering delivery of service, performance, governance and risk management aspects of the pool.

1.3 Appendix 2 summarises progress in respect of the investment strategy (including the risk management framework), portfolio performance and responsible investment issues. Despite strong performance from the Fund's listed equity portfolios over the quarter, 1-year and 3-year investment performance remains behind the strategic benchmark driven largely by declines in property valuations and LDI assets. Significant macro headwinds i.e., high inflation and the uncertain economic outlook persist.

1.4 The Mercer Investment Performance Report at Appendix 3 contains performance statistics for periods ending 31 March 2023. Mercer will present their paper at the meeting.

1.5 Section 7 provides an update on the implementation of changes agreed as part of the 2022/23 Strategic Investment Review.

2 RECOMMENDATIONS

The Avon Pension Fund Committee is asked to:

2.1 Note the information set out in the report and appendices.

3 FINANCIAL IMPLICATIONS

3.1 The returns achieved by the Fund from 1 April 2020 will affect the 2022 triennial valuation. Section 4 of this report discusses the trends in the Fund's liabilities and the funding level.

4 BRUNEL UPDATE

4.1 The dashboard of key indicators covering strategic aspects of Brunel is set out in Exempt Appendix 1. It covers all aspects of service delivery, governance, finance and risk. It is updated quarterly to reflect current activity and developments and changes to ratings are highlighted in the commentary. A verbal update will be provided at the meeting.

4.2 **Governance:**

a) The next BOB meeting will be held virtually on 8th June.

b) The Client Group (CG) meets monthly with mid-month update calls as required. Five sub-groups work with Brunel on specific aspects of the services to be delivered. Sub-group activity and output is discussed at each meeting/call.

c) Quarterly performance and KPI reporting are reviewed by BOB consisting of

   (i) RAG reporting on agreed metrics and commentary on action taken by Brunel if there is underperformance or areas of concern for each portfolio

   (ii) Performance of each of the internal teams (Compliance & Risk, Investments, Operations) against their KPIs.

4.3 **Investments:**

a) Brunel now manages £4.6bn (at 31/03/23) of the Fund's assets (86%). This includes £908m in private market portfolios (invested capital).

b) Brunel's quarterly investment performance and stewardship activity reports are included in the Investment Panel meeting agenda; Panel will highlight any issues or areas of concern via its normal investment reporting (covering all our managers) to Committee.

4.4 **Operational/Financial:**

a) Brunel provides BOB with a business update at each meeting which includes high level monitoring of the budget and the transition plan. CG monitors the budget variances in detail on a quarterly basis, raising any issues with BOB.

b) The project to improve investment reporting to clients is in full swing with a new provider appointed. Further refinements to Brunel performance reporting will be implemented over time.

5 INVESTMENT STRATEGY

A – Funding Level and Investment Performance ('Amber' Ratings)

5.1 The Fund's assets increased by £155m in the quarter (3.0%% net investment return) ending March 2023 giving a value for the Fund of £5,384m.

5.2 The liabilities are expected to have risen c.4.7% due to the rise in inflation. The combined effect of this, allowing for cashflows over the period, saw the estimated funding level decrease marginally to c.95%. The deficit was estimated to have widened over the quarter to £268m.

5.3 Manager performance is monitored in detail by the Investment Panel. The Fund's investment return and performance relative to the benchmark is summarised below.

Table 1: Fund Investment Returns (Periods to 31 March 2023)

	3 Months	12 Months	3 Years (p.a)
Avon Pension Fund (incl. currency hedging)	3.0%	-7.3%	6.1%
Avon Pension Fund (excl. currency hedging)	2.4%	-6.2%	6.1%
Strategic benchmark (no currency hedging)	3.1%	-1.3%	11.1%
Currency hedge impact	0.6%	-1.1%	0.0%

B – Portfolio Performance

5.4 Brunel reports on the performance of the assets they manage on behalf of the Fund. The Brunel quarterly performance reports are presented to the Investment Panel. A summary of Brunel portfolio performance can be found in Section 5 of the Mercer report at Appendix 3.

5.5 Positive performance in listed equities and fixed income (including LDI assets) offset the negative performance of illiquid growth assets during the quarter. Property valuations continue to be negatively affected by the higher interest rate environment. The majority of gains in equities were driven by a small number of large-cap growth stocks, which the Fund is broadly underweight. Despite this strong stock selection across the Brunel listed equity portfolios delivered modest outperformance. The Multi Asset Credit (MAC) portfolio outperformed its cash benchmark despite volatility in the sub-investment grade sector sparked by fears around the stability of the banking sector. The Diversified Returns Fund (DRF) ended the quarter flat in absolute terms where short interest rate positioning was the lead detractor. Aggregate Fund underperformance on a 1-year basis is largely attributed to the DRF, MAC and property portfolios, which are benchmarked against cash rates. Pace of capital deployment across the Brunel private market portfolios is currently on track, however a slowdown in deal flow due to higher interest rates and the fallout from the collapse of Silicon Valley Bank may curtail capital calls in the short-term.

5.6 GBP strengthened against the US Dollar over the quarter, with the currency hedge contributing 0.60% to returns. Over the year broad-based Sterling weakness meant the currency hedge detracted 1.1% from returns.

5.7 **Returns versus the strategic assumptions:** Absolute returns for the global equity mandates compared to the strategic returns modelled at the last strategic review have been generally positive, with the exception of the most recently incepted Paris-aligned mandate, due to the timing of its point of inception. The DRF and MAC mandates have fallen short of return assumptions largely due to negative performance versus the cash benchmarks in 2022. Property and Secured Income have been mixed, however all of the infrastructure and private debt assets have outperformed.

6 INVESTMENT PANEL ACTIVITY

6.1 The Investment Panel is responsible for addressing investment issues including the investment management arrangements and the performance of the investment managers. The Panel has delegated responsibilities from the Committee and may also make recommendations to Committee.

6.2 The Panel last met on 8 March. Key discussion points/outcomes from the meeting are listed below:

(I) **Liability Driven Investment** – The Panel discussed regulatory guidance on increased collateral buffers following the 2022 gilts crisis. Post period end, and under delegated authority, the Funding and Risk Management Group (FRMG) implemented a revised collateral framework which saw eligible collateral increase to c.500bps, well in excess of the minimum resilience level of 250bps recommended by The Pensions Regulator. The Panel is undertaking a fundamental review of the Fund's risk management strategies and recommendations will be presented to Committee in September.

(II) **Paris-aligned Equity Solution** – In November 2022 Panel agreed to switch c.£700m of passive market-cap equities into a Paris-aligned equity product pending the outcome of tax and regulatory due diligence by Officers. The derivative-based product has been designed to release liquidity to support other areas of the investments portfolio while expressly supporting the low carbon transition. The switch, which was implemented in May, demonstrates better alignment with the Fund's overarching climate objectives and removes exposure to standard market-cap based indices, which exhibit higher carbon intensity and a lower degree of net zero transition alignment.

7 STRATEGIC INVESTMENT IMPLEMENTATION UPDATE

7.1 **Passive/Active Equity split –** At its last meeting the Committee concluded that a 50/50 split would lessen the exposure to the inconsistency of active management, would provide greater diversification of underlying holdings within the equity portfolio, provide for a more systematic approach to decarbonisation (if invested in Paris Aligned (PAB) Passive fund as proposed), and at the same time meet projected investment returns and climate objectives. In May officers redeemed £300m in aggregate from the Brunel active equity portfolios and invested the proceeds in the Brunel Paris-aligned passive portfolio. Total cost of the transition (inclusive of all frictional trading costs) was in line with the initial estimate of £400k, or 0.13% of total notional traded.

7.2 Committee have agreed to allocate an initial 3% (~£160m) of fund assets to a local impact portfolio. The portfolio will be asset class agnostic but is expected to centre around local affordable housing and renewable infrastructure opportunities. 'Local' in this context refers to the Southwest region. Officers are currently developing the governance framework that will specify how investment opportunities are assessed before entry into the portfolio. Elements of this portfolio may have to be managed outside of Brunel in which case Mercer would provide suitability advice for any prospective investments. All investments are expected to be managed by an external asset manager in order to retain objectivity and to avoid any potential conflicts of interest. Since agreeing the allocation, a number of compelling investment opportunities have arisen which officers are currently reviewing in consultation with multiple other Brunel partner funds. Flexibility around the governance and decision-making process is therefore required to ensure attractive opportunities are not missed.

Further information relating to 'live' investment opportunities and the local impact governance framework will be presented to the Investment Panel and Committee in due course.

8 RESPONSIBLE INVESTMENT ACTIVITY

8.1 **Stewardship Summary**: Brunel have appointed Federated Hermes EOS to provide voting and engagement services on behalf of the Fund. Hermes engaged with 272 companies held by Avon in the Brunel active portfolios on a range of 1034 ESG issues. Environmental topics featured in 34% of engagements, 72% of which related directly to climate change. Social topics featured in 29% of engagements, where conduct and culture, human rights and diversity featured prominently. Of the 30% of Governance related engagements most focussed on executive remuneration and board diversity. Over the last quarter Hermes made voting recommendations at 111 meetings (1,209 resolutions). At 59 meetings they recommended opposing one or more resolutions. 60% of the issues Hermes voted against management on comprised board structure and remuneration. Further information relating to the voting and engagement work undertaken by Hermes on behalf of all Brunel partner funds can be found here.

8.2 This quarter Brunel, alongside several other UK pension schemes, signalled their intent to vote against the reappointment of Shell & BP's chair citing a change in leadership, strategy and a paring back of prior commitments to materially cut oil and gas output. Collectively BP and Shell make the largest contribution to financed emissions across Brunel equity portfolios. The outcome of the vote and any steps taken by the companies in response will be shared in due course. Subsequently, Brunel announced that they would be convening a meeting (via the UK Asset Owner Roundtable forum) of major fund managers following the proxy season over a perceived misalignment between long-term interests and how investment managers are exercising proxy voting at key annual general meetings of European oil and gas majors. Details of the letter issued to all underlying Brunel asset managers can be read here.

8.3 The Fund is a member of 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. LAPFF's activity in the quarter is summarised in their quarterly engagement report at Appendix 4.

8.4 The Fund successfully retained its FRC UK Stewardship Code signatory status for the year ending 31 March 2022. The Report is available to read here.

8.5 **Climate Policy Updates:** During the quarter Brunel published a revised climate policy which prioritises metrics relating to alignment and credibility of alignment over carbon intensity, consistent with the real-world impact sought by IIGCC Net Zero Asset Owners Framework. The Policy can be read in full here.

9 RISK MANAGEMENT

9.1 A key risk to the Fund is that the investments fail to generate the returns required to meet the Fund's future liabilities. This risk is managed via the Asset Liability Study which determines the appropriate risk adjusted return profile (or strategic benchmark) for the Fund and through the selection process followed before managers are appointed. This report monitors (i) the strategic policy and funding level in terms of whether the strategy is on course to fund the pension liabilities as required by the funding plan and (ii) the performance of the investment managers. An Investment Panel has been established to consider in greater detail investment performance and related matters and report back to the committee on a regular basis.

10 EQUALITIES STATEMENT

10.1 A proportionate equalities impact assessment has been carried out using corporate guidelines and no significant issues have been identified.

11 CLIMATE CHANGE

11.1 The Fund is implementing a digital strategy across all its operations and communications with stakeholders to reduce its internal carbon footprint in line with the Council's Climate Strategy. The Fund acknowledges the financial risk to its assets from climate change and is addressing this through its strategic asset allocation to Transition Aligned Equities and renewable energy opportunities. The strategy is monitored and reviewed by the Committee.

12 OTHER OPTIONS CONSIDERED

12.1 None.

13 CONSULTATION

13.1 The Council's Director of One West has had the opportunity to input to this report and has cleared it for publication.

Contact person	Nathan Rollinson, Investments Manager 01225 395357
Background papers	Data supplied by Mercer & SSBT Performance Services
Please contact the report author if you need to access this report in an alternative format.	

Bath & North East Somerset Council

Access to Information Arrangements

Exclusion of access by the public to Council meetings

Information Compliance Ref: LGA-1364496
Meeting / Decision: Avon Pension Fund Committee
Date: 23rd June 2023
Author: Nathan Rollinson
Report Title: Investment Strategy and Brunel Update (for periods ending 31 March 2023) **List of attachments to this report:** **Exempt Appendix 1** – Brunel Monitoring Dashboard Appendix 2 – Investment Strategy Dashboard Appendix 3 – Mercer Quarterly Investment Performance Report Appendix 4 – Quarterly LAPFF Engagement Report

The exempt appendix above contains exempt information, according to the categories set out in the Local Government Act 1972 (amended Schedule 12A). The relevant exemption is set out below.

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<u>PUBLIC INTEREST TEST</u>

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Firstly, it must be satisfied that the information likely to be disclosed falls within one of the accepted categories of exempt information under the Local Government Act 1972. Paragraph 3 of the revised Schedule 12A of the 1972 Act exempts information which relates to the financial or business affairs of the organisations which is commercially sensitive to the organisations. The officer responsible for this item believes that this information falls within the exemption under paragraph 3 and this has been confirmed by the Council's Information Compliance Manager.

Secondly, it is necessary to weigh up the arguments for and against disclosure on public interest grounds. The main factor in favour of disclosure is that all possible Council information should be public and that increased openness about Council business allows the public and others affected by any decision the opportunity to participate in debates on important issues in their local area. Another factor in favour of disclosure is that the public and those affected by decisions should be entitled to see the basis on which decisions are reached.

The exempt appendix contains information on potential future trades by the fund, and includes information on costs and structures that may impact the ability to procure efficiently in the near future. This information is commercially sensitive and could prejudice the commercial interests of the organisation if released. It would not be in the public interest if advisors and officers could not express in confidence opinions or proposals which are held in good faith and on the basis of the best information available.

It is also important that the Committee should be able to retain some degree of private thinking space while decisions are being made, in order to discuss openly and frankly the issues under discussion in order to make a decision which is in the best interests of the Fund's stakeholders.

The Council considers that the public interest has been served by the fact that a significant amount of information regarding the Report has been made available – by way of the main report. The Council considers that the public interest is in favour of not holding this matter in open session at this time and that any reporting on the meeting is prevented in accordance with Section 100A(5A)

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

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Investment Dashboard at 31 March 2023

1. Investment Strategy

	Objective	Commentary	RAG	Trend
1	**Funding level**	• 95% (97% in Q422) • £268m deficit (£141m in Q422)		⇩
2	**Investment Performance**	• Behind strategic benchmark over 1 and 3 years		⇩
	Qtr return	• Strong absolute and relative performance from listed growth assets (particularly Brunel equity portfolios) offset negative impact of illiquid portion of portfolio.		⇧
	1 Year return	• Behind funding objective at -7.3% p.a.		⇔
	3 Year return	• Behind funding objective at 6.1% p.a.		⇔
3	**Risk Management**			
	LDI	• Trigger framework currently suspended • Interest rate hedge ratio c. 30% • Inflation hedge ratio c. 30% • Manager in compliance with investment guidelines		⇔
	EPS	• Since inception the dynamic EPS has detracted value (c. £75.7m in net returns foregone at 31 March 2022) • Strategy reducing volatility by c.25% compared to underlying equity returns since inception		⇔
	FX	• Detracting from returns over 1 year, flat over 3 years		⇔
	Collateral adequacy	• New collateral framework compliant with TPR and BoI guidance • Current collateral buffer of c. 5%		⇔
4	**Rebalancing/ cashflow**	• JPM Hedge Fund wind down on track • (Post Qrtr end) Passive/active equity rebalance complete		⇔

2. Portfolios

	Objective	Commentary	RAG	Trend
1	Brunel Listed Market portfolios	• In Equity portfolios, stock selection beginning to play a larger role than style		⇧
2	**Private Markets Portfolios**			
	Infrastructure (Brunel)	Performance: n/a - portfolio in build-up Capital deployment: • Cycle 1: 73% • Cycle 2: 31% • Cycle 3: 14%		⇔

	Secured Income (Brunel)	Performance: • Underperformed due to underlying movements in gilt prices causing a softening of values. Direction of travel moved to negative • Portfolio still well positioned for current environment with high quality tenant base and inflation linked leases. Capital deployment: • Cycle 1: 100% • Cycle 2: 100% • Cycle 3: 0% (n.b. 24% called in June)		⇩
	Private Debt (Brunel)	Performance: n/a – portfolio in build-up Capital deployment: • Cycle 2: 47% • Cycle 3: 9%		⇔
	UK Property (Brunel)	Performance: • Declining property values driven by higher borrowing costs. NAVs stabilised during Q123		⇩
3	**Legacy portfolios**			
	IFM (infra)	• Mercer supportive of continuing to hold given portfolio's decarbonisation plan. • Currently overweight by ~2%		⇔
	Partners (Intl Property)	• Majority of funds in realisation phase. c.70% of unrealised value held in fund with 2029 contractual expiry.		⇔
	Schroder (UK Property)	• Single closed end debt fund (£12m) due to expire in 2025		⇔

3. **Responsible investing**

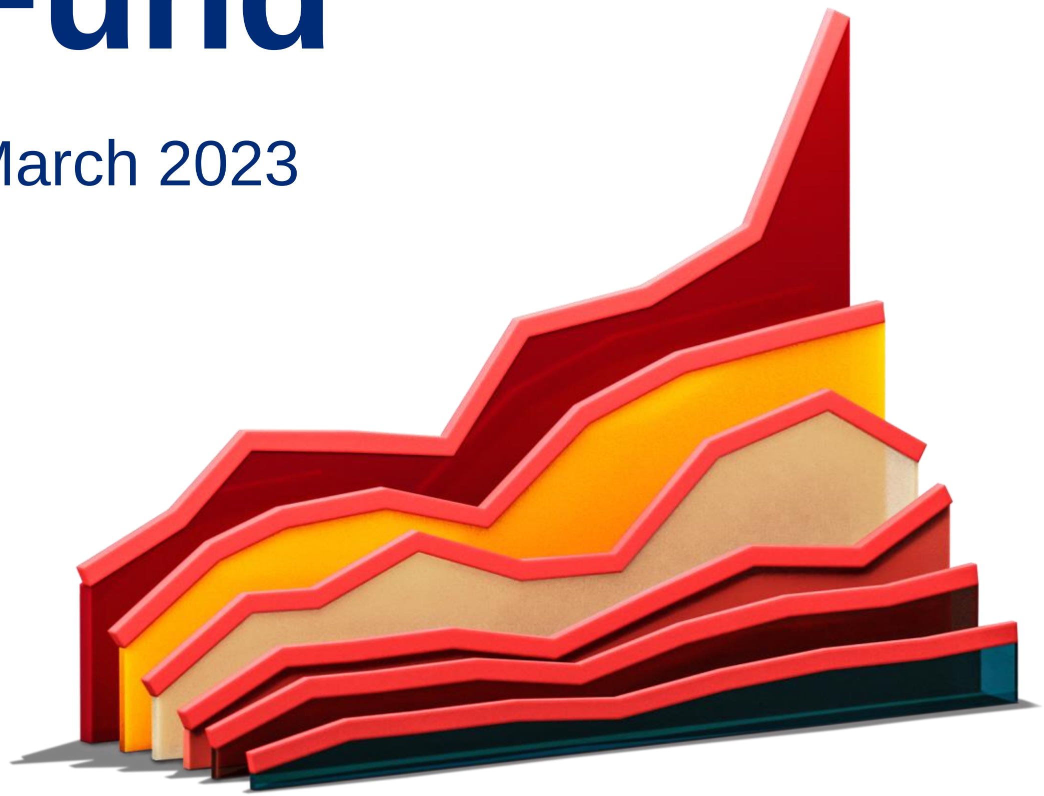
	Objective	Commentary	RAG	Trend
1	**Climate change targets**	• Fund currently reviewing climate targets with recommendations to be presented at Dec-23 Committee		n/a
2	**Equity fund held in Risk Management QIF**	• To replace equities in QIF with transition aligned solution. Panel delegate implementation to Officers Nov 22. ***COMPLETE***		n/a
3	**Local Impact Portfolio**	• Governance framework in development • Officers progressing multiple opportunities to deploy capital		⇧

Mercer

welcome to brighter

Avon Pension Fund

Panel Investment Report Quarter to 31 March 2023



June 2023

Steve Turner
Joshua Caughey

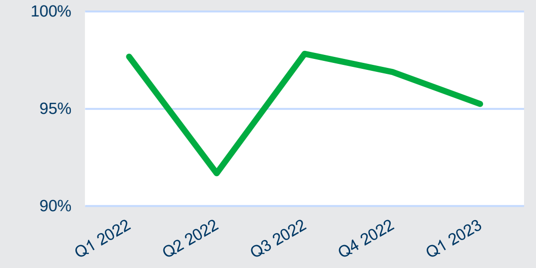
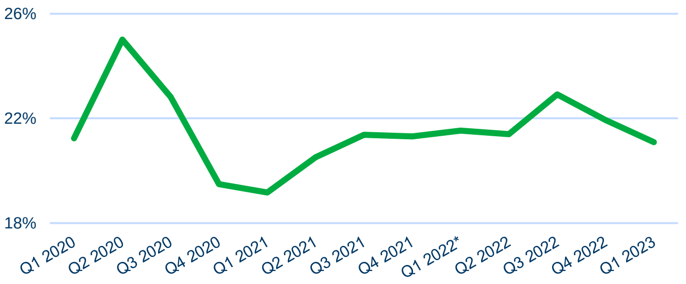
A business of Marsh McLennan

Contents

Executive Summary

1

Executive Summary

Market background	• Resilient growth, receding inflation and expectations of banking distress not becoming systemic for now led to overall positive equity and bond performance over the quarter. • In the UK, changes in market-implied inflation expectations were mixed across the curve, whilst nominal yields generally fell.
Mercer market views	• Our medium term outlook (as at April 2023) is mixed. • We remain slightly negative on equities due to the weak global macroeconomic environment and the resulting drag on corporate profit growth. • We continue to a have a modestly positive view on growth fixed income markets (e.g. Multi Asset Credit).
Funding level and risk	• The funding level is estimated to have decreased marginally over the quarter to c. 95%, as the increase in the estimated value of the liabilities outweighed the increase in the value of assets. • It is estimated to be c. 2% lower over the year to 31 March 2023 (as illustrated to the right).  • The Value-at-Risk increased marginally over the quarter to £1,192m, but fell as a percentage of liabilities to 21.1%. • The reversal in Q4 of the small increase in risk levels during Q3 means that the risk as a proportion of liabilities is broadly unchanged compared to one year ago. • The reduction in risk that can be seen in 2020 was due to the move from a static to dynamic equity protection strategy. 

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Executive Summary

Performance

- The rise in the value of Fund assets over the quarter was driven mainly by a rise in the Equity and LDI assets, as well as a contribution from the Currency Hedge due to the strengthening of Sterling.
- The Multi-Asset contribution was positive overall, whilst Illiquid Growth assets were mixed. The Equity Protection was the largest detractor, in line with expectations.
- Underperformance relative to the strategic benchmark over the one year period to 31 March 2023 is mainly due to underperformance of the Multi-Asset (DGF and MAC), Property and Secured Income mandates.
- The main detractors over the three year period were Equity Protection (though performance is in line with expectations), Overseas Property and Secured Income.

	3 Months (%)	1 Year (%)	3 Years (% p.a.)
Total Fund **(1)**	3.0	-7.3	6.1
Strategic Benchmark **(2)** (ex currency hedge)	3.1	-1.3	11.1
Relative **(1 - 2)**	-0.1	-6.0	-5.0

- The Currency Hedge overlay detracted from returns over the one year period, but the impact has been neutral over three years. It should be noted that the benchmark does not make allowance for the currency hedge.
- Absolute returns for the global equity mandates compared to the strategic returns modelled at the strategy review in 2019 have been generally positive, with the exception of the most recently-incepted Paris-Aligned mandate, due to the timing of its point of inception.
- The Diversified Returns and Multi-Asset Credit mandates have fallen short of expectations, largely due to negative performance versus the cash plus benchmarks in 2022. This was a year, however, where virtually all major liquid asset classes fell in value (except for commodities which have high carbon footprints).
- Property and Secured Income have been mixed, however all of the Infrastructure and Private Debt assets have outperformed.

Asset allocation and strategy

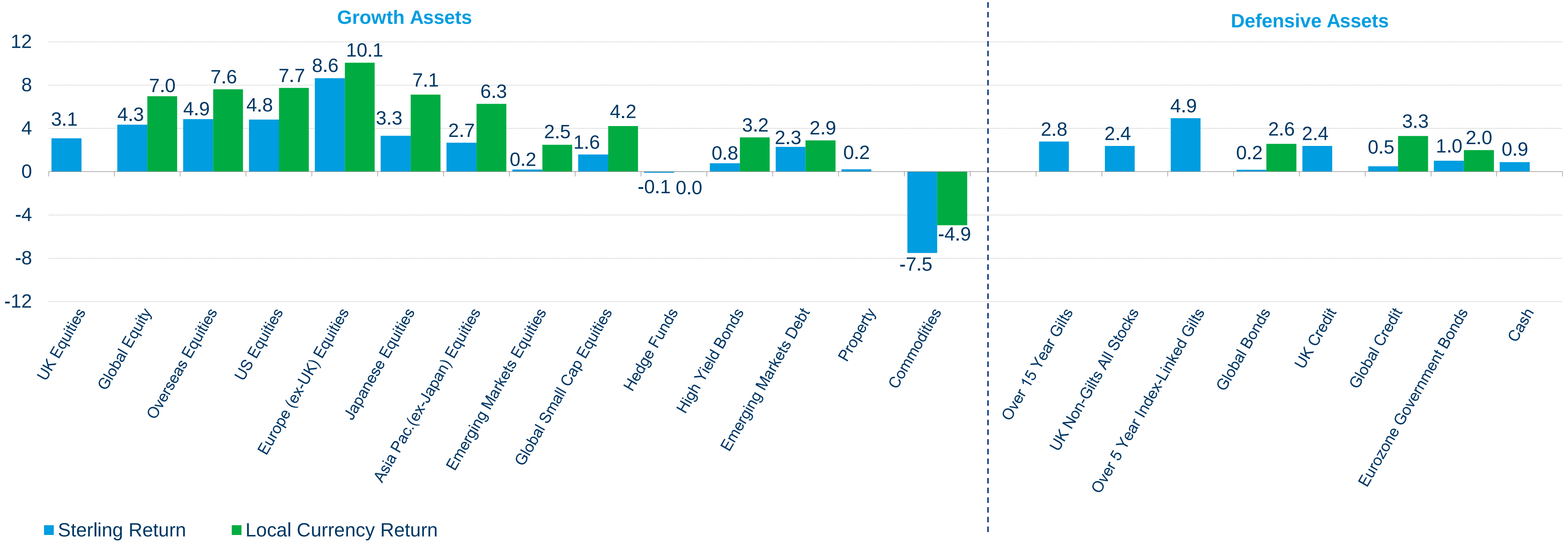
- In January, £150m was disinvested from the IFM Core Infrastructure portfolio for liquidity purposes (and to address the overweight position to this mandate). The majority of this was transferred to the BlackRock ETF to assist with the funding of future capital calls from other parts of the Illiquid Growth portfolio.
- A net amount of c. £12m was drawn down to the Brunel private market portfolios during the quarter.
- As part of the 2023 investment strategy review, it was agreed to move the active/passive split within the Equity portfolio to a 50/50 target split). This was implemented at the start of May through disinvestments of £200m and £100m from Global Sustainable and Global High Alpha respectively, transferred to the Brunel Paris-Aligned mandate.
- Further changes have also been taking place with respect to the use of synthetic exposure within the Equity portfolio. In February, a further £212m of the Equity holdings within the BlackRock QIF was synthesised. Post-quarter end, in May, the rest of the BlackRock Equity holdings were synthesised in order to improve collateral, and the exposure was changed from the MSCI World to MSCI Paris-Aligned index.

Market Background

2

Market Background

Return over 3 months to 31 March 2023 (%)



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Investors welcomed the new year, following the worst year for equity and bond returns for over 150 years. However, the first quarter did not lack headlines. The demise of Silicon Valley Bank (SVB), the second largest US bank failure in history, and UBS's shotgun takeover of Credit Suisse were the major events of the quarter. Developed market central banks continued raising rates through the quarter as overall growth momentum remained robust.

Headline inflation continued to slow in major developed economies, except for the UK, but core inflation remained more elevated than expected. Resilient growth, receding inflation and expectations of banking distress not becoming systemic for now led to overall positive equity and bond performance over the quarter.

Market Background – 1 & 3 Years

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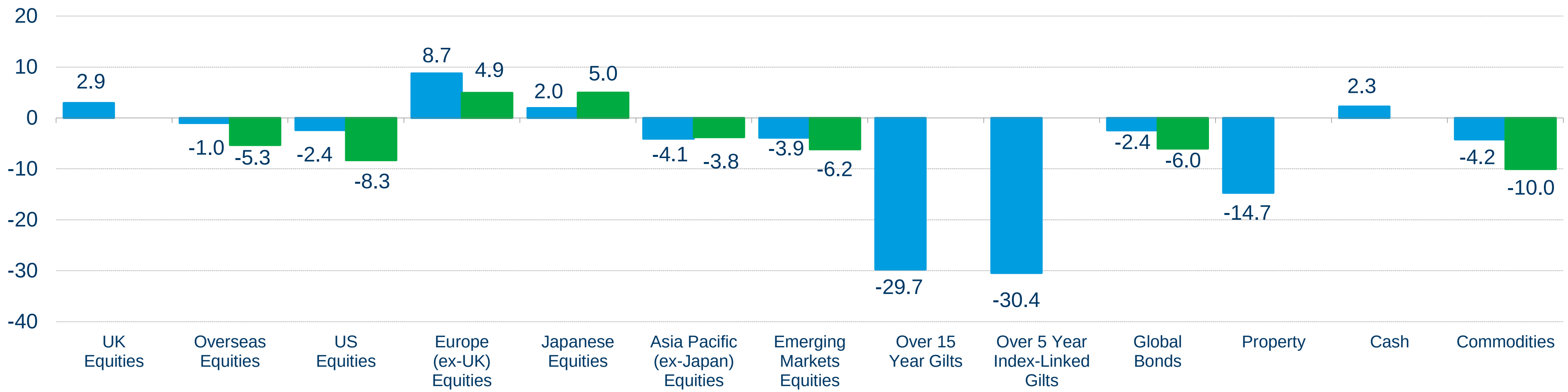
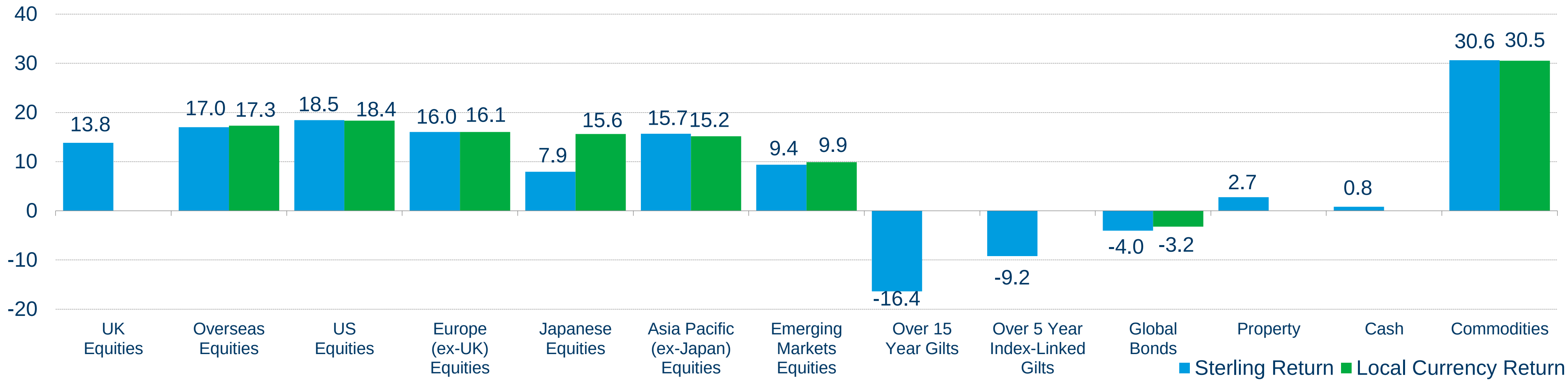
Return over 12 months to 31 March 2023 (%)



Return over 3 years to 31 March 2023 (% p.a.)



Mercer

Source: Refinitiv

Mercer Market Views

3

Market Outlook (April 2023)

Equities rose 5% (GBP) over the quarter despite the headwinds from higher interest rates and the collapse of Silicon Valley Bank (SVB) and Credit Suisse (CS). Technology stocks, which had a dreadful 2022, were among the strongest performing, helped by a decline in US bond yields which fell in the wake of the banking sector challenges. While 10-year US yields fell from 3.8% to 3.5% over the quarter as whole, there were some dramatic moves intra quarter. Yields in the US and elsewhere rose materially in January and February as the Fed and other central banks continued to raise interest rates. Stronger than expected economic growth and stubborn high inflation led to fears that central banks would keep increasing interest rates until mid year or even later. However, the collapses of SVB and CS led to a dramatic rally in government bonds in March with 2-year US yields falling from over 5% to under 4% in a matter of days. Credit markets were mixed over the quarter, rallying early on, before selling off in March.

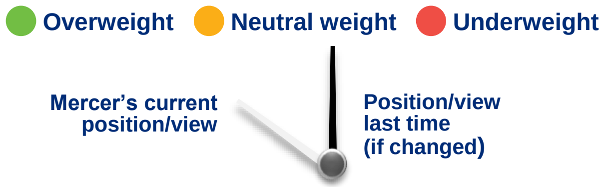
The global economy was much stronger than expected at the start of 2023. At the end of 2022, many expected recession in some parts of the world, on the back of high energy prices in Europe, high interest rates globally and ongoing weakness in China. However, European natural gas prices fell sharply and are now down over 90% from the peak seen in August 2022. Meanwhile the Chinese economy has rebounded on the back of the ending of COVID restrictions, with the service sector especially strong. Finally, the US economy also strengthened with consumption supported by a very strong labour market and somewhat softer inflation.

Inflation remained at high levels although looks to have peaked in major economies. While wage growth remains strong, putting upward pressure on some parts of the inflation basket (i.e. anything where labour costs are a large part of total costs), other drivers have softened materially. In addition to lower natural gas prices, crude oil prices have also fallen and are now much lower than the levels seen last June. Supply chains have continued to normalize and this is helping soften goods price inflation lower, while higher interest rates are supressing rental costs.

We continue to expect weak growth in 2023, with the notable exception of China, which should continue to be supported by the bounce following the end of COVID lockdowns and broadly supportive monetary policy. In the US, Europe and some parts of the world, we expect higher interest rates to weigh on economic activity while a reduction in credit availability following the collapse of SVB could hit certain regions and sectors such as commercial real estate. While several quarters of weak growth creates the possibility of a quarter or two of negative growth we do not expect a hard landing, because of the health of consumer and household balance sheet.

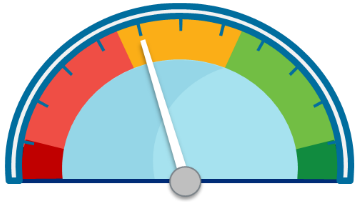
Inflation should fall sharply as past rises in commodity and other prices fall out of YoY comparisons. Core inflation may stay above target well into 2024 because of elevated wage growth. Central banks may soon pause their interest rate hiking cycles to assess the impact of past increases and whether the banking sector problems have slowed growth materially. They are unlikely to cut rates until they are certain wage growth is contained.

We made no changes to our asset class preferences, continuing to prefer growth fixed income assets (high yield, loans and EMD) to defensive fixed income assets and cash. We remain neutral equities. While further declines in inflation should support equities, we think corporate profit growth will be flat or negative in the developed world in 2023, while it remains to be seen how much of a drag the banking sectors issues are. We remain overweight emerging equities (EME), because we expect the economic recovery in China will generate strong economic and corporate profit growth. A generally weak US dollar should also support EME.

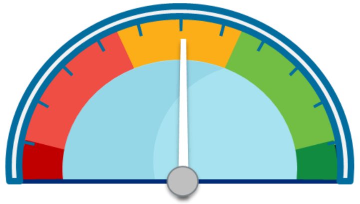


LISTED EQUITIES

GROWTH FIXED INCOME



DEFENSIVE FIXED INCOME



CASH*

** In lieu of cash, investors might consider liquid alpha-oriented strategies with low sensitivity to equity, credit and duration.*

Listed Equities

ASSET CLASS	JANUARY 2023	APRIL 2023	COMMENTARY
Developed Equity	Underweight	Underweight	**The MSCI World Index returned 5.0% in GBP terms over 2023Q1.[1] We have maintained our developed market equity sector position at underweight within the global equities portfolio.** Valuations have deteriorated again over the quarter from already rich levels. This comes alongside a deterioration in the macro environment and increased uncertainty following distress in the western banking system over March. Interest rates have risen substantially over the last year which is adding stress to the system and is weeding out the least sound enterprises. This leaves room for similar future crises and distress to the banking system may still return. Inflation has been coming down but remains elevated which means the monetary tightening cycle may still go beyond what is currently expected. A recession that will end up being worse than our soft landing base case therefore remains a significant risk. Equity markets are sanguine about this, and earnings growth expectations remain optimistic. We believe that after the second strong quarter in a row, valuations offer even less compensation for a less benign scenario than our base case. We prefer to allocate our risk budget to other equity sub-sectors with more compelling valuations such as emerging markets.
Global Small Cap Equity	Neutral	Neutral	**The MSCI Small Cap index returned 1.6% in GBP terms over 2023Q1.[1] We have maintained our small cap equity position at neutral.** Valuations have improved over the quarter, despite positive performance and remain attractive on a historical basis. Small cap balance sheets appear to remain robust. Our base case of a soft landing would be a positive environment for small cap equities given their cyclical exposure. However, we are still wary of the potential downside for the asset class if such a scenario did not occur and a meaningful economic downturn took a hold, as highlighted in the developed equity section. Sentiment for equities as a whole remains bearish and the BofA FMS indicates investors are expecting large cap equities to outperform small cap equities over the coming year.[2] Overall we offset more bearish sentiment and mixed macroeconomic scenarios with attractive valuations, both against small cap's own history and relative to other equity sectors.
Emerging Markets Equity	Overweight	Overweight	**The MSCI Emerging Markets index returned 1.2%% in GBP terms over 2023Q1.[1] We have maintained our positioning for emerging markets at overweight.** Valuations still remain attractive relative to other equity sectors despite some valuation deterioration over the quarter. Emerging markets have many tailwinds over the coming quarter. China's reopening is continuing to gain pace, in conjuncture with our headline macroeconomic view of a soft landing, which would be an additional boon for manufactures and commodity producers in the region. Elsewhere in emerging markets, economies are at different stage of the business cycle to most western economies thanks to EM central banks having acted sooner to get ahead of the curve in terms of monetary tightening. Therefore, EM central banks would have more scope to ease policy if a more prolonged period of economic weakness transpired. According to the BofA fund manager survey for March 2023, investors remain overweight to emerging market equity for the fourth straight month having been underweight for most of 2022.[2] Attractive valuations, bullish sentiment and a more positive macro outlook than in developed countries support our desire to allocate our risk budget to emerging markets versus developed markets.

[1]Source: Bloomberg, Refinitiv as of end of 1Q23
[2] BofA FMS March 2023

Growth Fixed Income

ASSET CLASS	JANUARY 2023	APRIL 2023	COMMENTARY
Global Loans	Underweight	Underweight	**Over 2023Q1, Global Loans returned 0.3%[1]. We have maintained our position at underweight within growth fixed income.** Bank loans have significantly outperformed the other growth fixed income sectors over the course of 2022, as the sector's floating rate profile largely insulated it from sharply higher interest rates. While the headline yield of the loan index appears quite attractive, we note the underlying credit quality of the market has deteriorated quite significantly over the last few years. At current, over 70% of the index is now rated single B or lower, which makes the sector vulnerable to further downgrade activity leading to even wider spreads. For context, the same metric for percentage of index rated single B or lower for global high yield is just 45%. Given rising recessionary risks, we prefer the credit quality available in high yield relative to bank loans at this point in the cycle.
High Yield	Overweight	Overweight	**Global high yield returned 3.0% on a GBP hedged basis in 2023Q1. We have maintained our overweight position within growth fixed income.** Valuations within the asset class remain attractive, in our view, with an index yield over 8.7% and an average bond price below par. The lower average dollar price of the index, which entered 2022 above par, provides ample capital appreciation potential for the asset class going forward. Spread levels remain just slightly wide of longer-term averages, and far off what are typical recession levels. The higher quality make-up of the index is noticeable with 55% of the market rated BB. Solid fundamentals up to this point have supported low default activity and despite macroeconomic pressures, defaults are unlikely to reach recessionary averages over the DAA horizon due to the limited number of upcoming maturities. Overall, we believe investors are getting adequately compensated for risk in high yield rather than in bank loans.
EM Debt (Local Currency)	Neutral	Neutral	**EMD local currency markets rallied through Q1 2023, posting a return of 2.3% in GBP terms. We have maintained our position at neutral/overweight within growth fixed income.** We maintain our preference for Local Currency debt relative to Hard Currency due to more attractive spread valuations, historically cheap EM currencies, the lower duration profile and emerging market central banks generally being ahead of developed peers in their monetary cycle. Global growth continues to face a broader slowdown although pressure is beginning to alleviate, but the timing and the extent of the slowdown will dictate much of the emerging market story over the DAA's time horizon.
EM Debt (Hard Currency)	Neutral	Neutral	**EMD hard currency markets returns were positive during Q1 2023, posting a return of -0.9% in GBP terms. We have maintained our position of a lower conviction neutral allocation within the growth fixed income portfolio.** The index offers an attractive yield but the differential between the IG and HY segment is extremely bifurcated. The persistence of inflation and subsequent upwards pressure on rates, as well as continuing geo-political risks are headwinds, as is the large duration component of the asset class. However, US dollar strength has begun to unwind with the Federal Reserve's hiking cycle expected to slow and potentially begin reversing later in 2023. Sentiment remains vulnerable to the slowdown in global growth, inflation, and the ongoing war in Ukraine.

[1]Source: Bloomberg, Refinitiv as of end of 1Q23

Defensive Fixed Income

ASSET CLASS	JANUARY 2023	APRIL 2023	COMMENTARY
UK Sovereign Fixed Income	Neutral	Neutral	**Over 2023Q1, UK Gilts returned 2.1% in GBP terms[1]. We have maintained our position on the negative side of neutral.** UK 10-year government bond yields fell 29bps to end Q1 at 3.38% after trading in a c.100 basis point (bps) range. Volatility in the gilt markets has been exceptionally high and will likely remain elevated in the near-term. The BoE raised rates twice during the quarter, 50 bps in February and a further 25bps in March. The move followed the inflation report in which headline annual inflation unexpectedly rose to 10.4% when a decline to below 10% had been widely anticipated. The move contrasts with softening pricing pressures in the US and the Eurozone. Whilst the BoE expects inflationary pressures to ease going forward, despite February's surprising inflation uptick, the BoE warned that it might need to tighten further if companies continued to raise product prices. The Bank also raised its outlook for second quarter growth, meaning a (technical) recession may be avoided. The unemployment rate in the three months to January remained unchanged at 3.7%, close to generational lows and indicative of a still tight labour market despite fears about the sluggish state of the UK economy. Total nominal wage growth eased, however, to 5.7%, down from 6.0% the previous month, meaning in real terms, wages fell 3.2%, the steepest drop for almost 14 years.
UK Inflation-Linked Bonds	Neutral	Neutral	**Over 2023Q1, UK inflation-linked bonds returned 4.3% in GBP terms[1], driven primarily by falling real yields, breakevens widened moderately. We have retained our position of being the negative side of neutral in the defensive fixed income portfolio.** Inflation prints in general surprised on the upside after appearing to moderate earlier in the year. The February inflation report showed that annual inflation unexpectedly rose to 10.4% when a decline to below 10% had been widely anticipated. The reversal was largely due to rising food prices; fresh food and non-alcoholic drinks together rose by 18% year on year – the steepest increase for 46 years. Meanwhile, core inflation (excluding energy and food) also reaccelerated, rising by 6.2%. At these levels, the UK market in our view continues to trade as expensive. However, more volatile inflation going forward may make linkers attractive to price insensitive investors as the inflation premium is expected to be a persistent feature of this market. From a technical perspective, UK linkers are likely to continue to be supported by a captive local market seeking to hedge inflation risks in long-dated pension liabilities.
UK Investment Grade Credit	Neutral	Neutral	**UK investment grade credit returned 2.4% in GBP terms during the first quarter of 2023[1]. Although in the neutral range, we maintain a tilt towards IG credit within defensive fixed income.** Credit spreads tightened marginally and credit outperformed equivalent duration government bonds over the quarter, although gains were pared back towards the end of the quarter due to the uncertainty created in the banking sector. Valuations remain above 10-year averages and higher than global IG spreads. All in yields are also attractive based on a 10-year comparison. Corporate fundamentals have generally proved to be relatively resilient. The consensus view is that the problems seen in the banking sector will prove to be exceptions and that the sector as a whole remains in good health, especially for the large, systemically important institutions. However, there remains a risk of a deterioration in corporate earnings and a pick up in downgrades if economic growth remains weak or worsens. Central banks have continued to raise interest rates as inflation remains sticky and it appears that policy makers will continue to prioritise bringing inflation under control. From a supply/demand perspective, quantitative tightening, or the unwinding of central banks' asset purchase schemes, could prove to be a headwind in the form of additional net supply in coming quarters. On the other hand, defined benefit pension schemes in the UK may increase allocations to liquid, high-quality credit as they reduce leverage in their LDI portfolios.

Mercer

[1]Source: Bloomberg, Refinitiv as of end of 1Q23

Global Property Market Outlook

The correction in real estate pricing is likely to continue until some stability in interest rates has occurred. The point at which this is likely to happen has moved out compared to last quarter, as economies have shown stronger than expected resilience during Q4 which is continuing in 2023.

We expect Q1 to continue the trend of negative total returns but not in the magnitude of those experienced in Q4. The next few quarters we also expect to present negative returns as it takes some time for markets to work through a full process of price discovery.

All markets and funds are affected by the negative trend, but in varying degrees. Some markets, notably the UK, appear to be ahead due to greater transparency, while Asian markets represent the greatest laggards. We also see strong variation by sector:

- Logistics remains the most liquid and traded sector; this helps price discovery, which in some markets is taking place at large discount from peak values. Rental growth continues.
- Office assets continue to be challenged with the extension of work from home policies and tenants desiring less space but fundamentals vary by region with the US seeing more negative impacts than in Europe and Asia Pacific.
- Apartments are affected by range of factors, making the outcome most dispersed by market and type but overall occupancy remains strong for quality assets.
- Continued strong occupier and investment demand is helping Niche sectors such as Student Housing and Life Sciences.

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	EUROPE		
Equity	Core/ Core+	Value Add	Oppor-tunistic
Themes	CPI Linkage	ESG refurbs	PE deals
	Occupier income risks	Niche sectors	Aggregation
	Bond-like long lease	High leverage	Spec Development

Attractive value: Real estate's attractive attributes of long-term contractual cash-flows linked to inflation, illiquidity premiums and potential for GDP de-linking should remain at the forefront of investors' minds. The change in paradigm brought by the rapid rise in interest rates, at this point, is directly benefiting real estate debt strategies as well as opportunistic managers who can exploit capital market distress without relying (much) on external finance themselves.

Worst value: We remain cautious on new commitments in the Core/Core+ segments as downward pressure on valuations is playing out in the near-term. However, NOI growth (helped by strong inflation) is an important positive driver to returns and is strong in sectors such as logistics, residential, and several niches.

Disclaimer: For illustration purposes only. The above table presents a simplified perspective at the time of writing this report and is subject to change without notice. All categories offer attractive opportunities and optimal allocations are subject to manager selection. The outlook represented is for new investors with a non-constrained risk budget over a 3 to 5 year investment horizon. 'Unattractive' positions therefore do not imply advice to liquidate existing investments.

Further guidance is available in Mercer's *Global Market Summary: Quarterly Real Estate Report, April 2023*

Very attractive	Attractive	Neutral	Less Attractive	Unattractive	Not applicable

Change from previous quarter in pink [No changes in April 2023]

Funding Level and Risk

4

Funding Level and Deficit

The Fund's assets increased by 3.0% over the quarter, whilst the liabilities are estimated to have increased by c. 4.7% due to the fall in yields and increases in inflation expectations at short maturities.

The combined effect of this, also allowing for expected cashflow over the period, saw the estimated funding level decrease to c. 95%.

The funding level is estimated to be c. 2% lower over the year to 31 March 2023.

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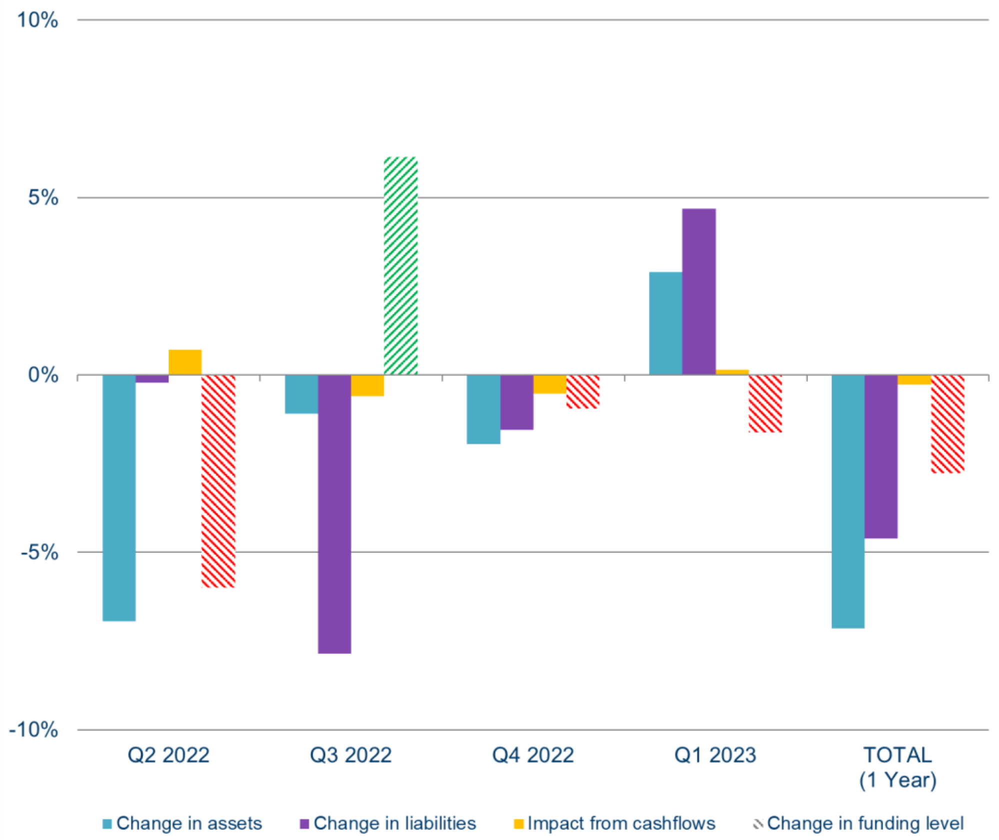
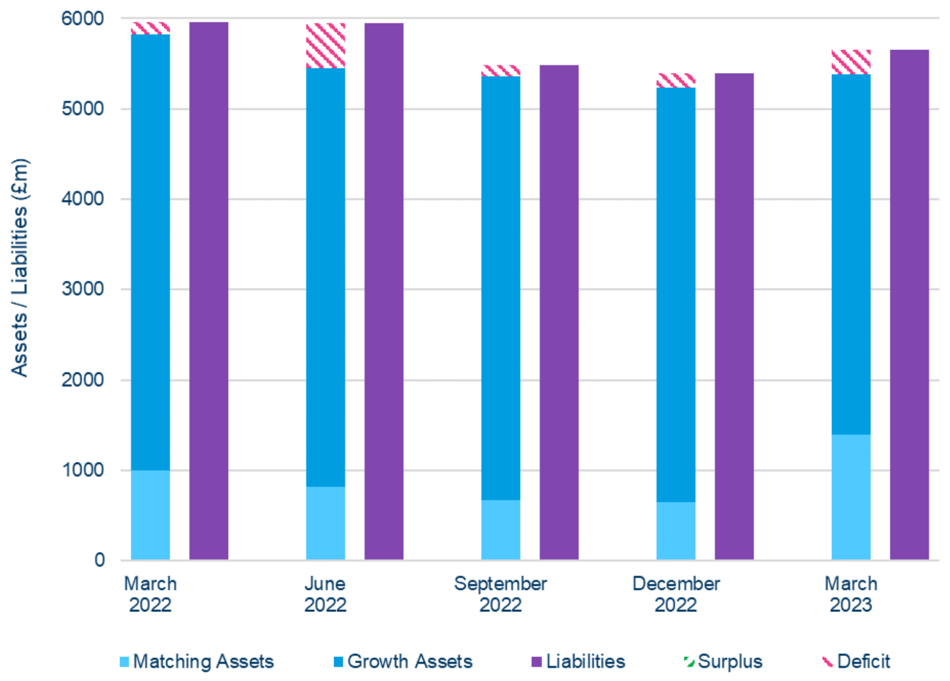


The deficit was estimated to have increased over Q1 to c. £268m:



Liability values are estimated by Mercer. They are based on the actuarial valuation assumptions as at 31 March 2022 and the 'CPI plus' discount basis.
Impact figures are estimated by Mercer.

Risk Decomposition – 3 Year Value at Risk

- The two charts below illustrate the main risks that the Fund is exposed to, and the size of these risks in the context of the change in the deficit position.
- The purpose of showing these is to ensure there is an awareness of the risks faced and how they change over time, and to initiate debate on an ongoing basis around how to best manage these risks, so as not to lose sight of the 'big picture'.
- The final columns show the estimated 95th percentile Value-at-Risk (VaR) over a one-year period. In other words, if we consider a downside scenario which has a 1-in-20 chance of occurring, what would be the impact on the deficit relative to our 'best estimate' of what the deficit would be in three years' time.

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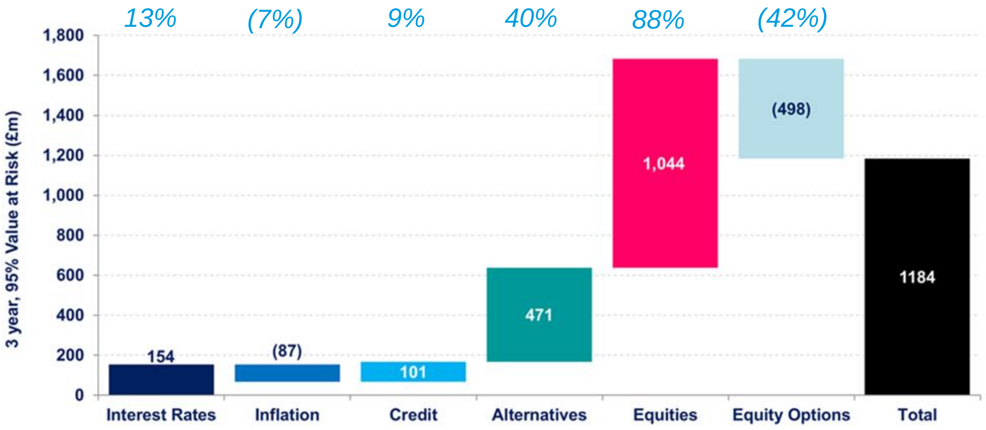
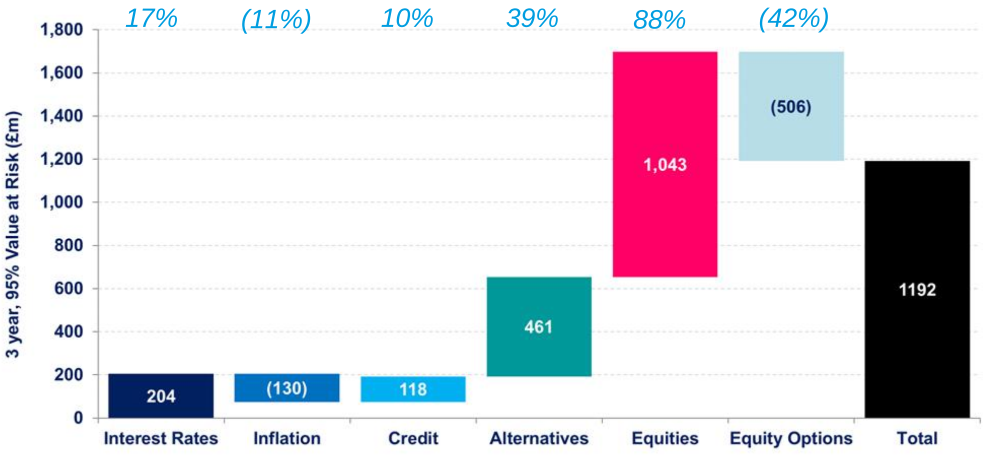
31 December 2022



31 March 2023



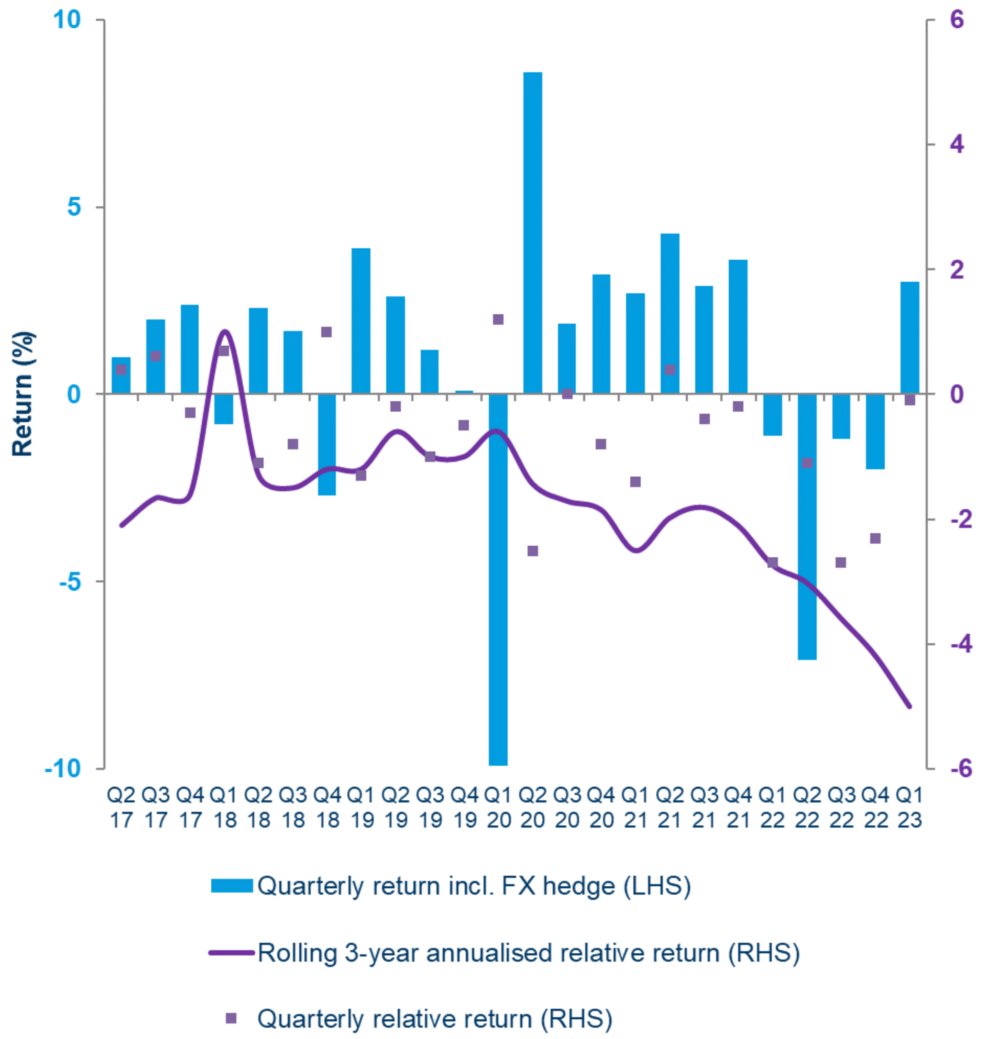
- As at 31 March 2023, if a 1-in-20 'downside event' occurred over the next three years, the funding position could deteriorate by at least an additional **£1.2bn**.
- Each bar to the left of the total represents the contribution to this total risk from the primary underlying risk exposures (interest rates and inflation, changes in credit spreads, volatility of alternative assets and equity markets, and the benefit from equity options).
- Overall **the VaR increased marginally over the quarter**.
- It fell as as a percentage of liabilities to 21.1%.

VaR figures shown are based on approximate liability data rather than actual Fund cashflows, and are based on the strategic asset allocation at the time.
They are therefore illustrative only and should not be used as a basis for taking any strategic decisions.
Cashflows are from the 2019 actuarial valuation, though have been scaled to more closely reflect the 2022 valuation cashflows.

Performance Summary

5

Total Fund Performance



	3 Months (%)	1 Year (%)	3 Years (% p.a.)
Total Fund **(1)**	3.0	-7.3	6.1
Total Fund (ex currency hedge)	2.4	-6.2	6.1
Strategic Benchmark **(2)** (ex currency hedge)	3.1	-1.3	11.1
Relative (1 - 2)	**-0.1**	**-6.0**	**-5.0**

Source: Custodian, Mercer estimates. Returns are net of fees.

Commentary

- As illustrated on the next slide, the rise in the value of Fund assets over the quarter was driven mainly by a rise in the Equity and LDI assets, as well as a contribution from the Currency Hedge due to the strengthening of Sterling. The Equity Protection was the largest detractor, in line with expectations.
- Relative performance in Q1 was mixed. The active equity mandates saw a consecutive quarter of outperformance and Multi-Asset Credit continued to recover. However the Diversified Return mandate, and all of the Illiquid Growth portfolio, underperformed.
- Drivers of underperformance over three years include the Equity Protection strategy (as we would expect given the positive performance from the physical equity holdings), Overseas Property and the Secured Income portfolio.
- The performance of Infrastructure has been a highlight over the three year period, and the High Alpha Equity mandate has returned to positive territory, albeit behind its performance objective.

Total Fund Performance Attribution – Quarter

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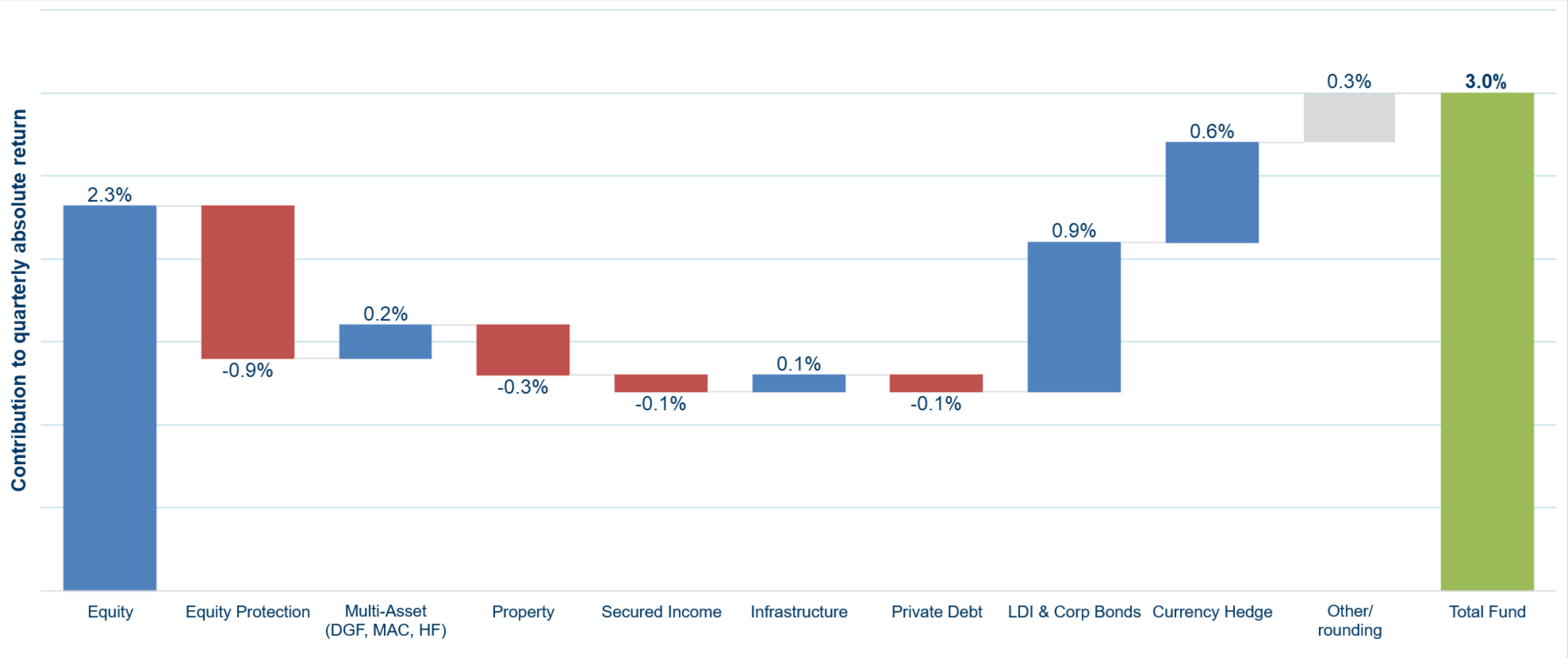
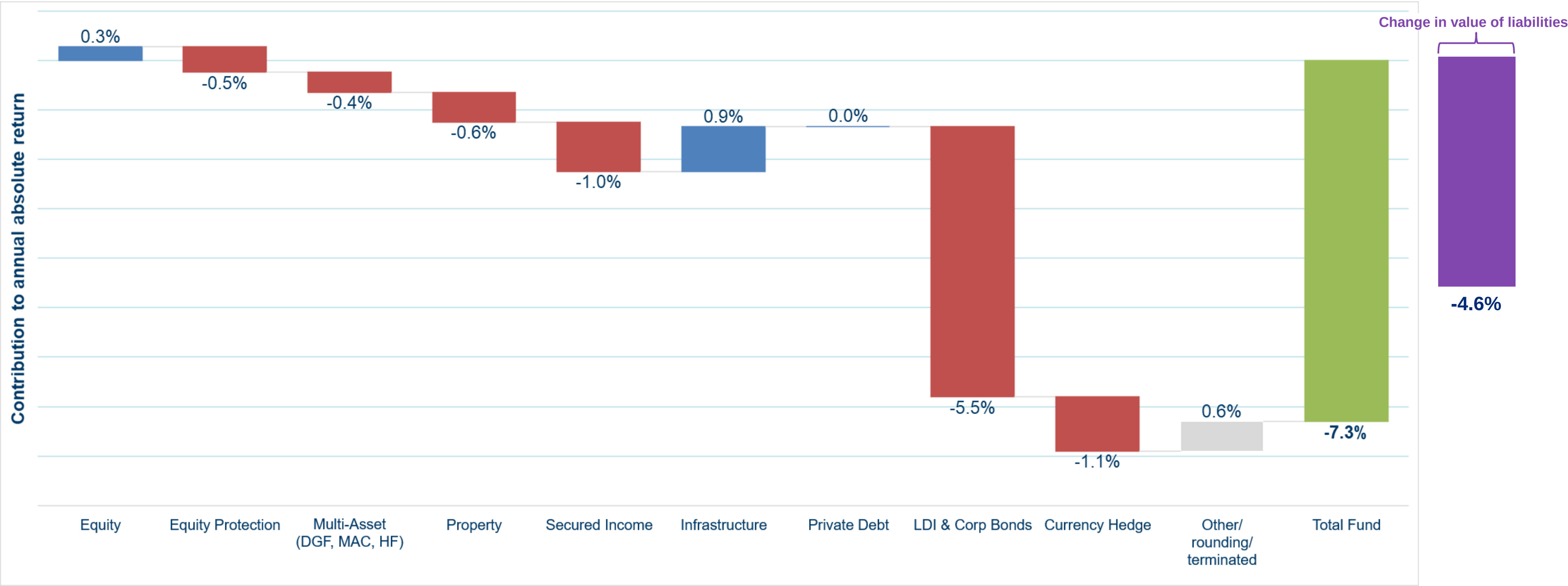


Source: Custodian and Mercer estimates
'Other' contributions to the total can include the relatively small holdings in the ETF, cash, the impact of cashflows and terminated mandates, as well as rounding.

The rise in the value of Fund assets over the quarter was driven mainly by a rise in the Equity and LDI assets as the underlying markets performed positively, as well as a contribution from the Currency Hedge due to the strengthening of Sterling.

The Multi-Asset contribution was positive overall, whilst Illiquid Growth assets were mixed. The Equity Protection was the largest detractor, in line with expectations as the underlying physical equity holdings posted positive returns.

Total Fund Performance Attribution – 1 Year



Source: Custodian and Mercer estimates
'Other' contributions to the total can include the relatively small holdings in the ETF, cash, the impact of cashflows and terminated mandates, as well as rounding.

The negative returns from LDI was the main driver of negative performance over the 1 year period. The Currency Hedge and Secured Income were the next largest detractors.

Infrastructure was a key cushion against losses.

Performance vs. Expected Strategic Returns

	BlackRock Passive Global Equity	Brunel Global High Alpha	Brunel Global Sustainable	Brunel Passive Global PAB	Brunel Diversified Returns	Brunel Multi-Asset Credit
Benchmark allocation	4.0%	12.5%	15.0%	10.0%	6.0%	6.0%
Commentary	Returns above strategic expectations since 2019, but below over the year. Mandate has tracked the underlying market.	Returns above expectations since inception, but below over the year. Active management contribution has been positive since inception (and marginally above the 2% outperformance target).	Returns broadly in line with expectations since inception but below over the year. Active management contribution has been negative since inception (before considering the 2% outperformance target).	Returns below expectations due to equity market weakness since inception.	Returns below expectations due to weakness in growth asset markets since inception.	Returns below expectations due to the negative returns across fixed income markets in 2022.

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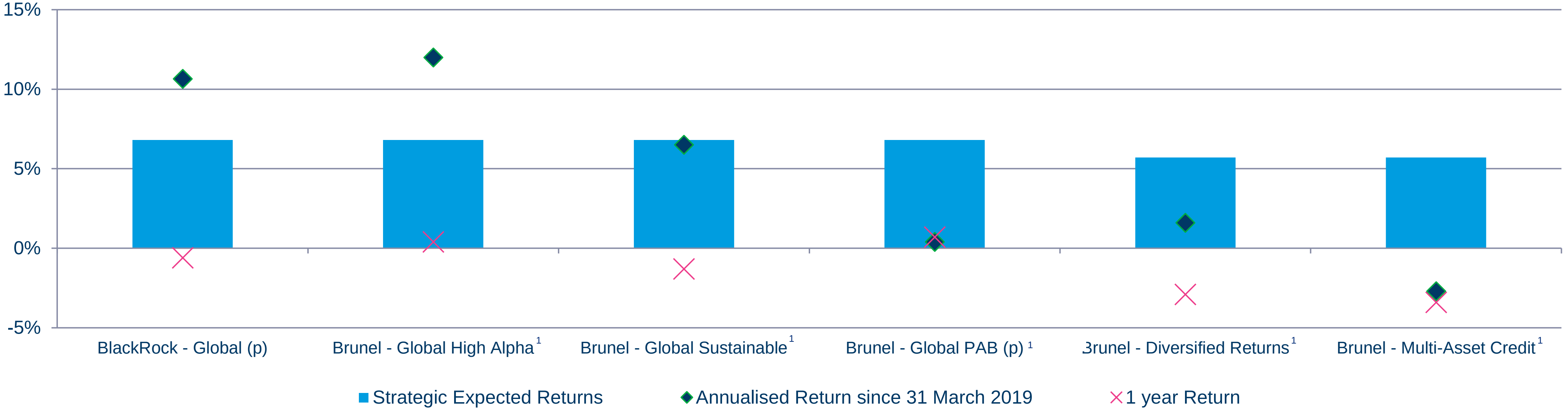

Notes:
We have illustrated the performance of the key mandates within the Fund's investment strategy.
Actual returns are from 31 March 2019 to 31 March 2023, except if otherwise stated below. Returns for periods over a year have been annualised.
The strategic expected returns are from the 2019 strategy review, which reflect the 20 year mean Mercer Q1 2019 asset model assumptions.
[1] Mandate was incepted after 31 March 2019. A list of inception dates can be found in the Appendix.

Performance vs. Expected Strategic Returns

	Brunel UK Property	Partners Overseas Property	Brunel Secured Income	IFM Core Infra	Brunel Renewable Infra	Brunel Private Debt
Benchmark allocation	3.75%	3.75%	10.0%	5.0%	5.0%	5.0%
Commentary	Returns broadly in line with strategic expectations since 2019, but below over the year. This reflects the signs of stress in property markets following the period of strength in 2021 / early 2022.	Returns below expectations. Generally the mandate's longer-term performance is stronger.	Returns below expectations for both cycles since inception. Recent challenges to property markets have eroded returns, hence the negative returns over the year. Mandates are still in the drawdown phase.	Returns above expectations thanks to strong portfolio returns and the continued general resilience of the asset class.	Returns above expectations for both cycles thanks to strong asset returns, especially within the cycle 2 assets (first drawdown in October 2021). Mandates are still in the drawdown phase.	Returns above expectations thanks to asset class resilience, including because of the exposure to inflation.

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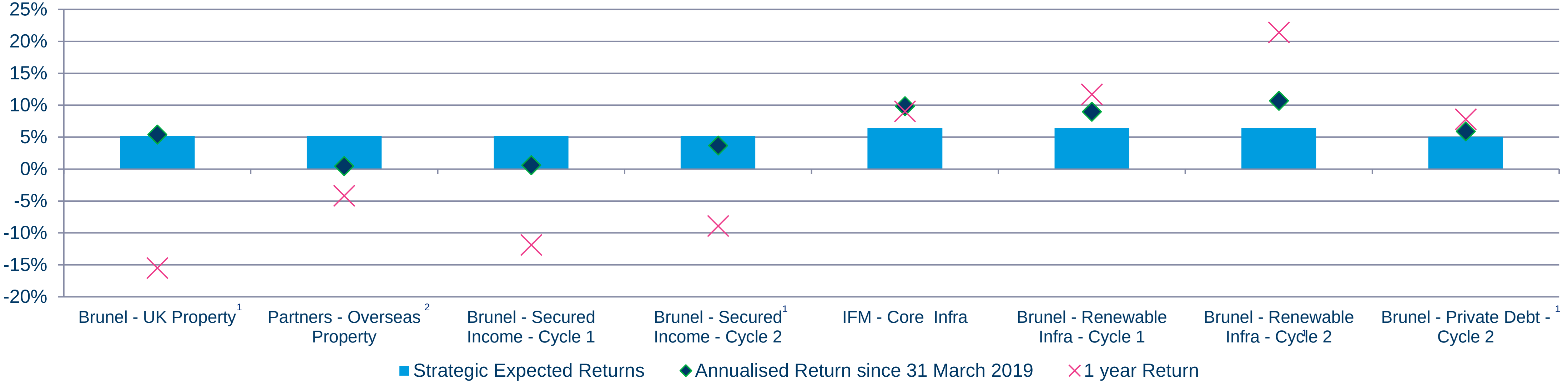

Notes:
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[1] Mandate was incepted after 31 March 2019. A list of inception dates can be found in the Appendix.
[2] Returns are shown up to 31 December 2022, as this is the latest data available.

Mandate Performance to 31 March 2023

Manager / Asset Class	3 Months Fund (%)	3 Months B'mark (%)	3 Months Relative (%)	1 Year Fund (%)	1 Year B'mark (%)	1 Year Relative (%)	3 Year Fund (% p.a.)	3 Year B'mark (% p.a.)	3 Year Relative (% p.a.)	3 Year Performance Target (% p.a.)**	3 Year Performance vs Target
BlackRock Passive Global Equity	5.2	4.8	+0.4	-0.6	-1.0	+0.4	16.7	16.5	+0.2	-	N/A (p)
Brunel Global High Alpha Equity	7.1	4.9	+2.1	0.4	-0.5	+0.9	17.9	17.1	+0.7	+2-3	Target not met
Brunel Global Sustainable Equity	5.5	4.5	+1.0	-1.3	-0.9	-0.4	N/A	N/A	N/A	+2	N/A
Brunel Passive Global Equity Paris-Aligned	6.7	6.8	-0.1	0.7	0.7	0.0	N/A	N/A	N/A	-	N/A (p)
Brunel Diversified Returns Fund	0.1	1.7	-1.6	-2.9	5.3	-7.8	N/A	N/A	N/A	-	N/A
Brunel Multi-Asset Credit	2.7	1.9	+0.8	-3.4	6.4	-9.2	N/A	N/A	N/A	-	N/A
Brunel UK Property	-1.6	-0.2	-1.4	-15.5	-14.4	-1.3	N/A	N/A	N/A	-	N/A
Partners Overseas Property*	-4.8	2.5	-7.2	-4.2	10.0	-12.9	-1.2	10.0	-10.2	-	Target not met
Brunel Secured Income - Cycle 1	-1.2	1.3	-2.5	-11.9	10.1	-20.0	0.8	5.9	-4.8	+2	Target not met
Brunel Secured Income - Cycle 2	-1.8	1.3	-3.1	-8.9	10.1	-17.3	N/A	N/A	N/A	+2	N/A
IFM Core Infrastructure	1.7	2.2	-0.5	9.1	7.4	+1.5	11.7	6.0	+5.4	-	Target met
Brunel Renewable Infrastructure - Cycle 1	-0.5	1.3	-1.8	11.7	10.1	+1.5	8.1	5.9	+2.1	+4	Target not met
Brunel Renewable Infrastructure - Cycle 2	1.0	1.3	-0.3	21.4	10.1	+10.3	N/A	N/A	N/A	+4	N/A
Brunel Private Debt - Cycle 2	-4.2	1.9	-6.0	7.8	6.3	+1.4	N/A	N/A	N/A	-	N/A
BlackRock Corporate Bonds	2.8	2.8	0.0	-21.9	-21.9	0.0	-6.3	-6.3	0.0	-	N/A (p)
BlackRock LDI	3.6	3.6	0.0	-34.8	-34.8	0.0	12.5	12.5	0.0	-	N/A (p)
Equity Protection Strategy	-2.7	N/A	N/A	-2.3	N/A	N/A	-3.8	N/A	N/A	-	N/A

Source: Investment Managers, Custodian, Mercer estimates. Returns are net of fees. Returns are in GBP terms
Relative returns have been calculated geometrically (i.e. the portfolio return is divided by the benchmark return) rather than arithmetically.
A summary of the benchmarks for each of the mandates is given in the Appendix.
Green = mandate exceeded target. Red = mandate underperformed target. Black = mandate performed in line with target (mainly reflecting passive mandates).

Performance for Partners in IRR terms. Performance for IFM is in TWR terms.
Performance of the Equity Protection Strategy is estimated by Mercer based on the change in market value of the options over time, accounting for realised profit/loss upon rolling of the strategy.
*Partners performance is to 31 December 2022, as this is the latest data available.
**Where the outperformance target has not already been incorporated into the benchmark returns shown. See Appendix for further details.

Asset Allocation

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Valuations by Asset Class

Asset Class	Start of Quarter (£'000)	End of Quarter (£'000)	Start of Quarter (%)	End of Quarter (%)	Benchmark* (%)	Ranges* (%)			Relative (%)
Global Equity*	1,363,750	1,416,993	26.1	26.3	16.5	11.5	-	21.5	+9.8
Global Sustainable Equity	751,503	792,531	14.4	14.7	15.0	10	-	20	-0.3
Paris-Aligned Equity	261,256	278,856	5.0	5.2	10.0	5	-	15	-4.8
Diversified Returns Fund	336,229	336,583	6.4	6.3	6.0	4	-	10	+0.3
Fund of Hedge Funds**	33,548	32,638	0.6	0.6	-	No set range			+0.6
Multi-Asset Credit	296,478	304,609	5.7	5.7	6.0	3	-	9	-0.3
Property	351,548	342,961	6.7	6.4	7.5	5	-	10	-1.1
Secured Income	447,365	435,092	8.6	8.1	10.0	0	-	15	-1.9
Core Infrastructure	457,903	313,207	8.8	5.8	5.0	2.5	-	7.5	+0.8
Renewable Infrastructure	148,589	163,699	2.8	3.0	5.0	0	-	7.5	-2.0
Private Debt	130,210	128,903	2.5	2.4	5.0	0	-	7.5	-2.6
Corporate Bonds	166,062	170,711	3.2	3.2	2.0	No set range			+1.2
LDI & Equity Protection	761,631	983,979	14.6	18.3	12.0	No set range			+6.3
*Synthetic Equity Offset**	*-334,455*	*-562,614*	*-6.4*	*-10.8*	-		-		*-10.8*
Other***	59,967	245,723	1.1	4.6	-	0	-	5	+4.6
Total	**5,231,441**	**5,383,885**	**100.0**	**100.0**	**100.0**				

Source: Custodian, Investment Managers, Mercer. Red numbers indicate the allocation is outside of tolerance ranges.
Totals may not sum due to rounding.
*Global Equity includes synthetic exposure via the BlackRock QIF; Synthetic Equity Offset reflects an offsetting value to account for the difference between the exposure to equity markets and the actual mark to market value of the holding.
**Mandate due to be terminated.
***Valuation includes internal cash, the ETF and currency instruments.

The deviation from target for Global Equity is due to the proportion of equity in the synthetic MSCI World index. In May this synthetic exposure was transferred to a MSCI Paris-Aligned benchmark.

*A new benchmark allocation was agreed as part of the 2023 investment strategy review. This will be reflected from the Q2 investment report onwards.

Valuations by Manager

Manager	Asset Class	Start of Quarter (£'000)	Cashflows (£'000)	End of Quarter (£'000)	Start of Quarter (%)	End of Quarter (%)
BlackRock	Global Equity*	676,430		708,487	12.9	13.2
Brunel	Global High Alpha Equity	652,832		698,860	12.5	13.0
Brunel	Global Sustainable Equity	751,503		792,531	14.4	14.7
Brunel	Passive Global Equity Paris Aligned	261,256	-7	278,856	5.0	5.2
Brunel	Diversified Returns Fund	336,229		336,583	6.4	6.3
JP Morgan	Fund of Hedge Funds	33,548		32,638	0.6	0.6
Brunel	Multi-Asset Credit	296,478		304,609	5.7	5.7
Brunel	UK Property	176,514	7,031	180,699	3.4	3.4
Partners	Overseas Property	161,741	-2,490	149,245	3.1	2.8
Brunel	Secured Income – Cycle 1	333,634	-5,688	323,868	6.4	6.0
Brunel	Secured Income – Cycle 2	113,731	-410	111,224	2.2	2.1
IFM	Core Infrastructure	457,903	-150,000	313,207	8.8	5.8
Brunel	Renewable Infrastructure – Cycle 1	96,397	2,235	98,180	1.8	1.8
Brunel	Renewable Infrastructure – Cycle 2	49,460	7,744	57,901	0.9	1.1
Brunel	Renewable Infrastructure – Cycle 3	2,732	4,886	7,618	0.1	0.1
Brunel	Private Debt – Cycle 2	119,080		114,081	2.3	2.1
Brunel	Private Debt – Cycle 3	11,130	3,049	14,821	0.2	0.3
BlackRock	Corporate Bonds	166,062		170,711	3.2	3.2
BlackRock	LDI & Equity Protection	427,177		421,365	14.6	18.3
BlackRock	*Synthetic Equity Offset*	*-334,455*		-562,614	*-6.4*	*-10.8*
Record	Currency Hedging (incl. collateral)	-5,216		25,681	-0.1	0.5
BlackRock	ETF	1,993	125,000	127,088	0.0	2.4
Internal Cash	Cash	96,718	5,209	101,839	1.8	1.9
Total		**5,231,441**	**-3,440**	**5,383,885**	100.0	100.0

Source: Investment Managers, Mercer. Totals may not sum due to rounding.
The cashflow column shows only the cash movements within the asset portfolio. It does not include non-investment cash movements such as employer contributions or pension payments made, however these amounts are included in the 'Internal Cash' start and end balance to reflect the asset value position of the total Fund.
*Global Equity includes synthetic exposure via the BlackRock QIF; Synthetic Equity Offset reflects an offsetting value to account for the difference between the exposure to equity markets and the actual mark to market value of the holding.

Current Topics

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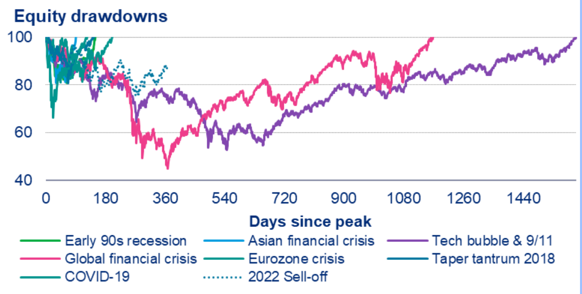
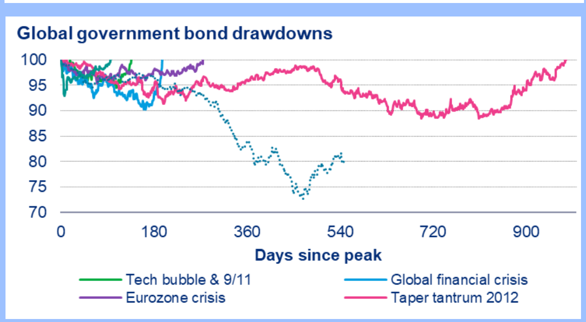
Current Topics

Lessons from Recessions

The market's response to the prospect of recession?

- The charts show the drawdowns in equity and bond markets in previous market crises including the 2022 sell-off.
- Such a sharp simultaneous slowdown for both equities and bonds in a given year as witnessed in 2022 has not been seen in 150 years[1].





Source: Refinitiv, Mercer analysis. Data as of February 12, 2023

Defensive vs Offensive

- Rather than timing the markets with the entire portfolio which requires us to call both top and bottom of the market, profits from those asset classes that hold up during market declines (top) can be taken to buy into a those that have become attractively valued relative to fundamentals (bottom) either through simple rebalancing or more aggressive deployment of dry power and thus magnify returns when markets recover.
- In building all weather portfolios that can protect on the downside, when markets sell off, but which can also participating in a recovery scenario analysis can be a useful tool in identifying the assets classes to play these different roles.

Defensive

	Year of recession		
Asset Class/Scenario	Hard Landing	Overheat	Financial Crisis
Gold			
Global Government Bonds			
Global Inflation-Linked Bonds			
Global Agg Bonds			
Commodities			
Hedge Funds - Macro			

Key	
	<-15%
	-15% to -5%
	-5% to 5%
	5% to 15%
	>15%

Offensive

	Recovery years		
Asset Class/Scenario	Hard Landing	Overheat	Financial Crisis
Hedge Funds - Macro			
Diversified Hedge Funds			
Large Cap equity			
Private Equity			
China Equity (All-share)			
Emerging Market Equity			
Distressed Debt			
Small Cap Equity			
Private Debt			
Listed Infrastructure			
Natural Resource Equity			
Global Credit			
Global Defensive Equity			

Source: Mercer scenarios. Data as of 31/12/2022. The returns shown in the table are the returns for each asset class in the year in the scenario when growth is slowing and turning negative.

Relevance to the Fund

The Fund receives frequent updates on market developments.

The Fund has a diversified portfolio in terms of the different asset classes it accesses, and this was reviewed as part of the 2023 investment strategy review.

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Some recession lessons

The **importance of rebalancing** (backed by empirical evidence)

Markets react ahead of recessions or very quickly in response to unexpected surprises

Markets are equally as **quick to look though a recessions to good news**

There are well documented asset classes that have historically performed strongly when markets recover.

- Different asset classes have worked well in defending portfolios in different market sell offs (so it pays to not rely on any one defensive strategy but to have a number).
- Defending drawdowns (the size of any negative return) is important to long term returns due to the way compound interest works

For more analysis and scheme specific scenarios, please ask your investment consultant

Mercer

[1] Source: Bloomberg, NBER, Jordà-Schularick-Taylor Macrohistory Database, Morgan Stanley Research; Note: Data to 1871. Bond return is long-maturity UST. Data as of December 9, 2022. © 2022 Morgan Stanley.

Current Topics

UK Pension Scheme TCFD Reporting - Peer Group Analysis

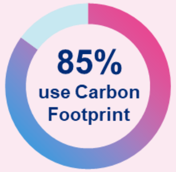
Private sector pension schemes with assets valued at > £5bn as at their first scheme year end date on or after 1 March 2020 were required to report under TCFD requirements within 7 months of the scheme year end date that fell after 1 October 2021. A number of these 'first wave' pension schemes have now published TCFD reports on a publicly available website.

The information in this slide provides a high level summary of the metrics and targets set by the sub-set of 'first wave' schemes for which we have collated data. Whilst this is not a full data set, it is intended to highlight emerging trends across 'first wave' submissions. From 1 October 2022, these 'first wave' schemes (and 'second wave' schemes with assets > £1bn) will need to report against four climate metrics: absolute emissions, emissions intensity, portfolio alignment and an additional climate-related metric.

Absolute Emissions

All of the schemes considered chose Total GHG Emissions as their Absolute metric. 67% of schemes only considered Scope 1 and 2 in their analysis. Data coverage is highest for listed markets and poor for illiquid assets.

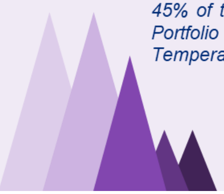
Emissions Intensity



85% of schemes reported Carbon Footprint as one of their Emissions Intensity metrics.
48% of schemes reported WACI with 33% of schemes reporting both metrics.

Additional Climate Metrics

48% of the schemes reported on Data Quality.



45% of the schemes opted for either Portfolio Alignment or Implied Temperature Rise.

12% of schemes reported an engagement metric. One scheme reported Climate Value at Risk

Targets

Some schemes have chosen to set more than one climate-related target, with emissions based targets (and notably scope 1 and 2 emissions) being most popular. 58% of the sampled schemes have set net zero emissions targets at the total portfolio level by 2050 (or earlier). The majority of schemes have set short-term targets against listed equity and credit, driven by data availability. The majority of schemes have set the same target(s) across DB and DC sections within the same trust.

Number of Targets (*including* long term net zero targets):

(Number of schemes shown in brackets)

5 (3) | 4 (4) | 3 (8) | 2 (8) | 1 (10)

Target Measure (*including* long term net zero targets):

(Number of targets shown in brackets)

Emissions (49)
Data Quality (20)
Portfolio Alignment (7)
Engagement on Net Zero (3)
PRA Stress Test (1)
% Investments with ESG Tilt (1)

Intensity Reduction Targets within the next 10 years:

(Number of schemes shown in brackets)

40% - 55% by 2030 (15)
25% - 30% by 2025 (5)
10% - 20% by 2024 (2)

Net Zero Targets by date:

(Number of schemes shown in brackets)

2035 (1) | 2040 (1) | 2045 (1) | 2050 (16)

Relevance to the Fund

The Fund has a Net Zero objective by 2050 or earlier.

It has interim targets to reduce absolute emissions by 43% by 2025 and 69% by 2030, compared to its 2020 levels.

It produced its first TCFD report in 2022.

Credit Suisse & AT1 Bonds

What happened to Credit Suisse?

Credit Suisse (CS) was taken over by UBS for SFr 3bn, less than half its market price as at 17 March 2023.

The takeover was facilitated and encouraged by the Swiss government.

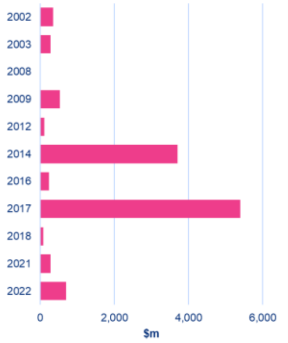
The Swiss central bank has provided:

- SFr 100bn liquidity assistance
- SFr 9bn guarantee for potential losses on CS assets (subject to UBS bearing the first SFr 5bn of losses on certain portfolio of assets).

As part of the takeover, while CS's normal bonds will remain untouched, their SFr 14.7bn AT1 bonds (more later) will be written down to zero.

Credit Suisse fines since 2000:

Total c.$11bn (approx. 3 times price paid by UBS)



What are AT1 Bonds?

Introduced with Basel III following the GFC to help protect bank's capital structures. Banks were encouraged to issue Additional Tier 1 bonds (AT1), which are also called Coco's (Contingent Convertible Bonds).

The idea was to create a buffer of capital between normal bond holders and equities, which could be called upon in a crisis.

In a crisis situation AT1 bond holders would absorb losses before either normal bond holders were called upon (which could cause Lehman-like panic) or before governments/tax payers were called upon.

Banks have issued $275bn of these bonds, according to Bloomberg.

Key considerations

- Recent events offer opportunities given we believe risk of contagion is low
- MAC managers well placed to take advantage of any attractive pricing in AT1 and risky debt
- Secured finance and credit opportunity strategies also well placed

Key takeaways for Buy and Maintain Credit portfolios:

- Buy and maintain credit guidelines have protected clients (AT1s unlikely to be permitted in IG credit mandate)
- Guidelines may vary and many have been in place for a long time – worth reviewing investment guidelines in relation to the financial sector for both pooled and segregated accounts

Relevance to the Fund

A key benefit of the Fund's allocation to a diverse Multi-Asset Credit portfolio is to be able to take advantage of attractive opportunities in more complex and higher yielding credit assets.

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Appendix

Q1 2023 Equity Market Review

Global equity markets returns were positive in January, a continuation of market sentiment witnessed at the end of 2022, as growth equity momentum remained robust, and inflation continued to decline.

Equities retrenched in February when mounting signs of economic resilience were interpreted as requiring more monetary tightening than already priced in.

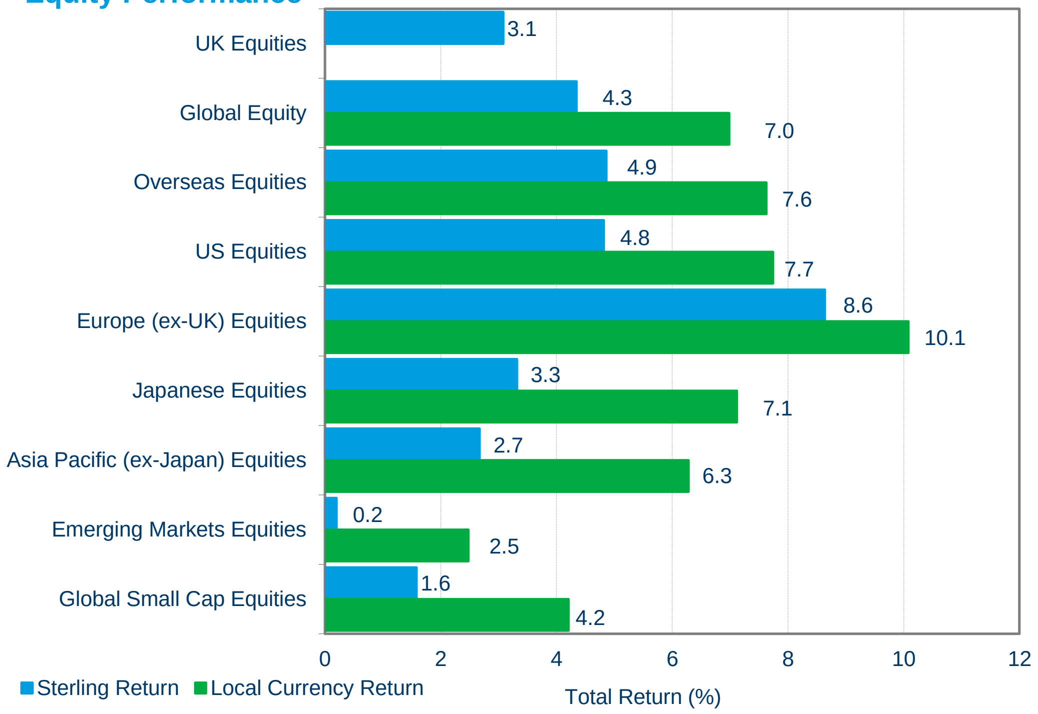
Global Equities returned 7.0% in local currency terms (but 4.3% in sterling terms as the the dollar depreciated versus sterling).

US equities returned 7.7% in local terms, whilst European (ex-UK) equities returned 10.1%. Japanese equities returned 7.1%.

Emerging markets ('EM') equities returned 2.5% in local terms.

Global small cap stocks returned 4.2% in local terms. Small caps underperformed global equities due to exposure to regional US banks and more companies that are reliant on their lending.

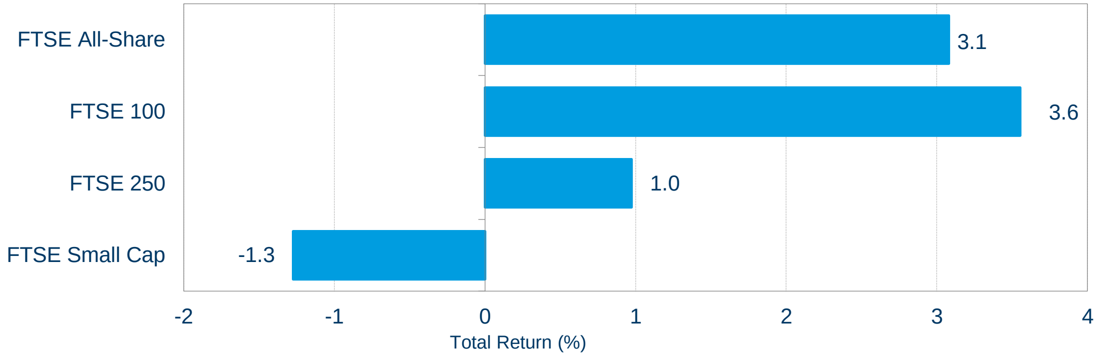
Equity Performance



The **FTSE All Share** index returned 3.1% over the quarter with the large cap **FTSE 100** index returning 3.6%. Large cap equities (All-share and FTSE 100) produced positive returns whilst smaller, more domestically focused, equities (**FTSE 250** and **Small Cap**) produced weaker positive returns or negative returns.

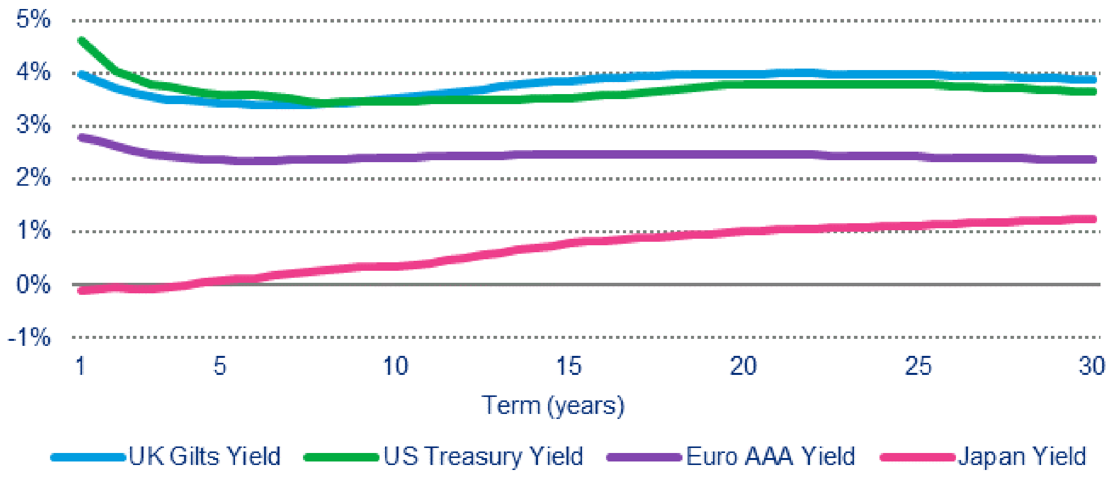
High exposure to financials explains FTSE All Share's significant underperformance of global equities.

FTSE Performance by Market Cap

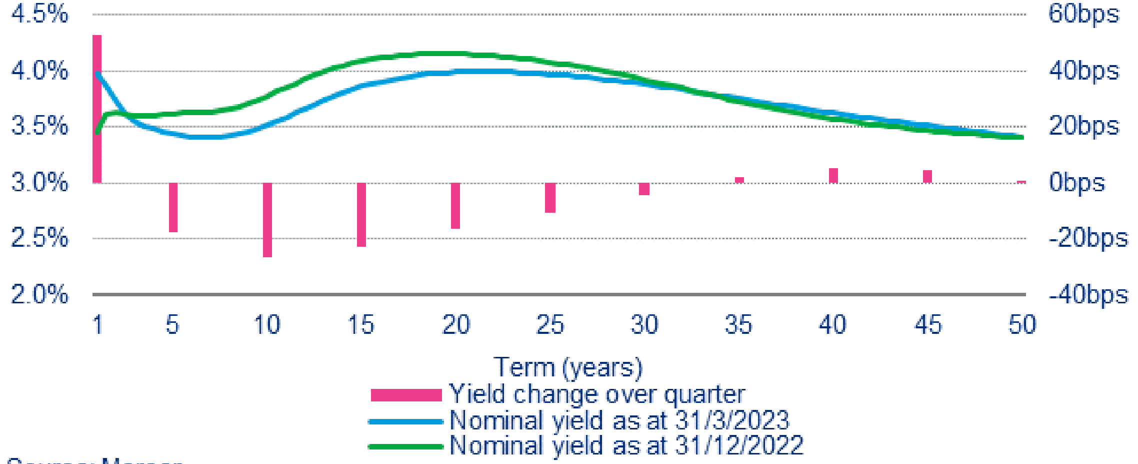


Source: Refinitiv

Q1 2023 Bond Market Review



Source: Mercer and Bloomberg



Source: Mercer

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Government Bond Yields

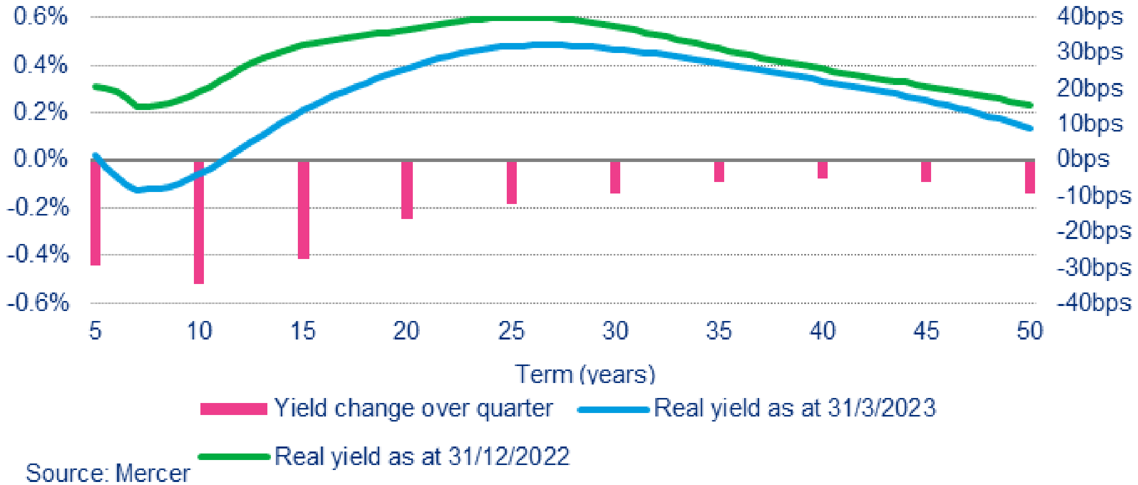
10-year global government bond yields fell over the quarter. In the UK, ultra-short dated gilts (3m-1y) rose sharply, further inverting the curve from short-dated to 10-year tenors. However, yields in the belly of the curve (5-20y) fell more than longer dated gilts (20y+), which steepened this part of the curve.

In the US, the curve remained inverted but steepened marginally over the quarter. 2-year yields in the UK fell 10bps and 40bps in the US. 20-year yields fell by around 21bps in the UK and 35bps in the US.

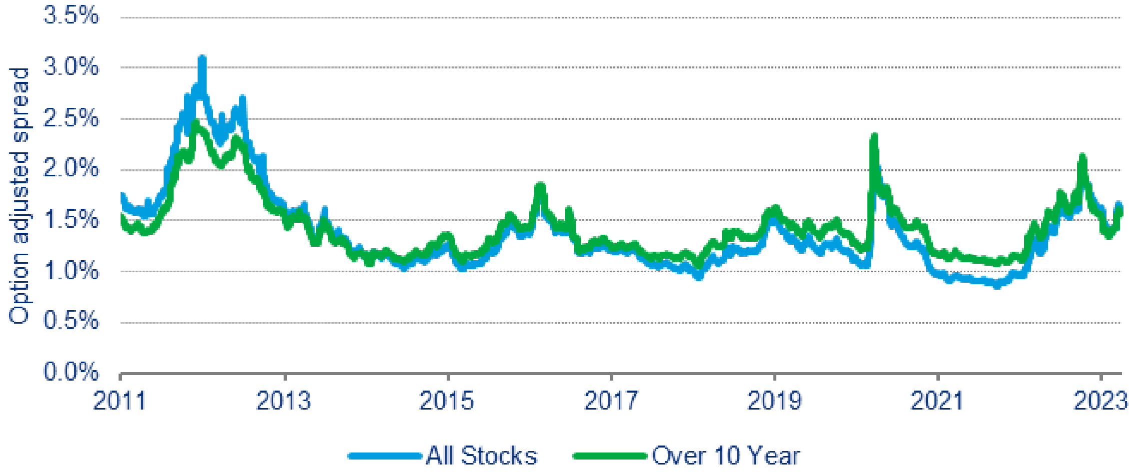
Both the Federal Reserve and the Bank of England raised interest rates over the quarter. However, expectations of future rate hikes have now been significantly cut following the banking sector distress at the end of the quarter.

The German 10-year yield fell around 28bps; the European Central Bank raised rates twice over the quarter but softened their outlook in mid-March.

Q1 2023 Bond Market Review



Source: Mercer



Source: Refinitv

UK Index-Linked Gilt Yields

UK real yields fell across the curve led by the short end. Real yields, for the majority of maturities remain in positive territory. Market based measures of inflation expectations, in the form of breakeven inflation, rose over the quarter. The UK 10-year breakeven rate rose to 3.8%, 16bps higher than at the end of last quarter. Market based measures of inflation expectations for the US remained largely unchanged.

Corporate bonds

Spreads on UK investment grade credit tightened marginally over the quarter. UK credit outperformed equivalent duration government bonds. This was in line with the positive performance seen elsewhere in risk assets such as equities.

Q1 2023 Currency Market Review

Sterling's performance over the quarter was positive, appreciating versus the US dollar, euro and yen. There was no catalyst for Sterling strength rather more a combination of a weak US dollar and a mixed economic picture in the Eurozone and Japan, in addition to extra carry supporting Sterling.

On a 12-months basis, sterling has depreciated considerably versus US dollar and euro but has strengthened versus yen.

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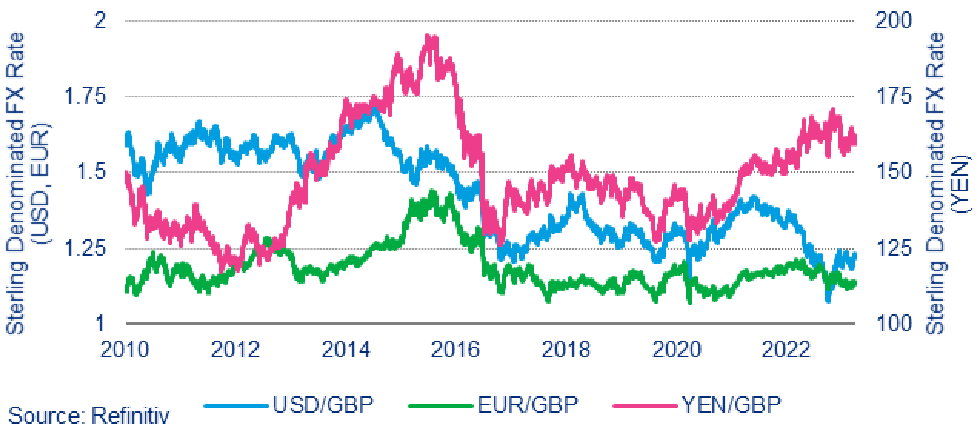
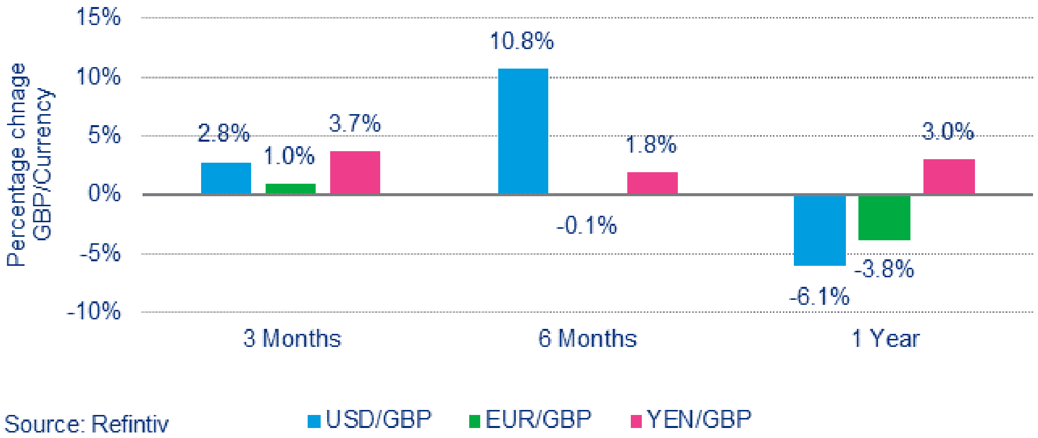
Sterling Denominated FX Rate



Source: Refinitiv

Change in sterling against foreign currencies



Source: Refintiv

Q1 2023 Property

UK property as measured by the MSCI Index increased by 0.2% over the quarter.

Summary of Mandates

Manager	Mandate	Benchmark/Target	Outperformance Target (p.a.)	Inception Date
BlackRock	Passive Global Equity	MSCI World	-	December 2017
BlackRock	Passive Global Equity (Synthetic Exposure)	MSCI World	-	September 2022
Brunel	Global High Alpha Equity	MSCI World	+2-3%	November 2019
Brunel	Global Sustainable Equity	MSCI AC World	+2%	September 2020
Brunel	Passive Global Low Carbon Equity	MSCI World Low Carbon	-	July 2018
Brunel	Passive Global Equity Paris Aligned	FTSE Developed World PAB Index	-	October 2021
Brunel	Diversified Returns Fund	SONIA +3-5% p.a.	-	July 2020
Brunel	Multi-Asset Credit	SONIA +4-5% p.a.	-	June 2021
Brunel	UK Property	MSCI/AREF UK Quarterly Property Fund Index	-	January 2021
Partners	Overseas Property	Net IRR of 10% p.a. (local currency)	-	September 2009
Brunel	Secured Income	CPI	+2%	January 2019
IFM	Core Infrastructure	SONIA +5% p.a.	-	April 2016
Brunel	Renewable Infrastructure	CPI	+4%	January 2019
Brunel	Private Debt	SONIA + 4% p.a.	-	September 2021
BlackRock	Buy-and-Maintain Corporate Bonds	Return on bonds held	-	February 2016
BlackRock	Matching (Liability Driven Investing)	Return on liabilities being hedged	-	February 2016
Record	Passive Currency Hedging	N/A	-	March 2016
BlackRock	Exchange-Traded Fund (ETF)	Bespoke benchmark to reflect total Fund allocation	-	March 2019
Cash	Internally Managed	-	-	-

Market Background Indices

Asset Class	Index
UK Equity	FTSE All-Share
Global Equity	FTSE All-World
Overseas Equity	FTSE World ex-UK
US Equity	FTSE USA
Europe (ex-UK) Equity	FTSE World Europe ex-UK
Japanese Equity	FTSE Japan
Asia Pacific (ex-Japan) Equity	FTSE World Asia Pacific ex-Japan
Emerging Markets Equity	FTSE Emerging
Global Small Cap Equity	MSCI World Small Cap
Hedge Funds	HFRX Global Hedge Fund
High Yield Bonds	ICE BofAML Global High Yield
Emerging Market Debt	JP Morgan GBI EM Diversified Composite
Property	MSCI UK Monthly Total Return: All Property
Commodities	S&P GSCI
Over 15 Year Gilts	FTA UK Gilts 15+ year
Sterling Non Gilts	ICE BofAML Sterling Non Gilts
Over 5 Year Index-Linked Gilts	FTA UK Index Linked Gilts 5+ year
Global Bonds	ICE BofAML Global Broad Market
Global Credit	Bloomberg Capital Global Credit
Eurozone Government Bonds	ICE BofAML EMU Direct Government
Cash	SONIA

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Quarterly
Engagement
Report

January-March
2023

Local
Authority
Pension
Fund
Forum

Say on Climate, Brazil, Volvo, Constellation Brands, Water Stewardship

COMPANY ENGAGEMENTS

Say on Climate

Objective: Despite the financial risks that climate change poses to investors, shareholders do not have a specific vote at AGMs on a company's approach to transitioning to net zero. This is an issue that LAPFF has raised with companies including through a joint letter ahead of the 2022 AGM season. Since then, HM Treasury has established the UK Transition Plan Taskforce, which is developing a 'gold standard' for climate transition plans. A central principle of transition plans is that they should be integral to a company's overall strategy. Yet despite such developments shareholders are generally not given a 'Say on Climate' vote at AGMs to approve their climate plans.

To address this gap, LAPFF, alongside Sarasin & Partners, CCLA, and the Ethos Foundation, wrote to the FTSE All-Share (excluding investment trusts) requesting that boards provide shareholders with the opportunity to support their greenhouse gas emission reduction strategy by putting an appropriate resolution on the AGM agenda.

Achieved: The letter highlighted the importance of the issue with companies across the FTSE All-Share. Some companies responded by stating that they were planning to have an annual Say on Climate vote while others noted that there would be a vote every three years to approve their triennial climate plan. However, most companies said that they did not intend to hold Say on Climate votes, with many outlining their climate plans and noting their engagement with shareholders.

Alongside raising the issue with the companies, the letter received coverage in the press which widened awareness of the role a Say on Climate could play in supporting companies' transition to net zero.

In Progress: Although some companies have committed to Say on Climate votes they are in a minority. LAPFF will continue to engage with companies so that shareholders can express their views specifically about climate strategies – something which will become more important with the introduction of transition plans and as the financial risks of climate change become even clearer.

Rio Tinto

Objective: LAPFF joined Rio Tinto's full year results call ahead of the company's April AGM to understand better how Rio Tinto is integrating environmental, social, and governance considerations into its operations, and issued a voting alert ahead of the April AGM. LAPFF then attended a meeting with Rio Tinto Chair, Dominic Barton.

Achieved: LAPFF was pleased to hear that Rio Tinto has had yet another fatality-free year. It was also good to see that the company has concluded a number of agreements with Indigenous groups and continues to focus on partnerships, co-design, and co-management with affected communities. It would have been useful to have more discussion on community relationships in relation to the company's Oyu Tolgoi, Jadar, and Simandou projects, as well as some of the remaining engineering challenges at Oyu Tolgoi.

On the climate side, Rio Tinto's commitment to making climate a strategic objective is welcome. It appears that more work on Scope 3 emissions is needed. Recognising the importance of Rio Tinto's minerals for a green transition, LAPFF is also keen to hear more from the company on its plans for a just transition. LAPFF probed these issues in more detail in the meeting with Mr. Barton.

In Progress: LAPFF will continue to engage both the company and its affected stakeholders, including workers and community members, to assess progress in both the human rights and climate areas because LAPFF deems this range of engagement and issues financially material.

COMPANY ENGAGEMENTS

McDonald's

Objective: LAPFF has been pushing for McDonald's to publicly disclose the findings of a water risk assessment and physical risk scenario analysis undertaken by the company in 2020. In order for investors to fully understand the water-related risks facing the company, the disclosure should provide information relating to how the findings inform timebound and quantifiable mitigation efforts for key commodities and regions.

Achieved: LAPFF met with McDonald's as part of a coalition of investors to discuss the company's approach to managing environmental risks across its agricultural supply chain. The 2020 water risk assessment used the WRI Aqueduct Water Risk tool to identify high risk areas, but the company has, to date, failed to release the results. LAPFF requested that the company disclose the findings to facilitate a better understanding of the material risks.

McDonald's was also questioned about updating its emissions reduction targets, following the release of the Science-Based Target initiative's (SBTi) FLAG guidance. The company has committed to reducing greenhouse gas emissions (GHG) by 36percent by 2030 from a 2015 base. This is an absolute target that covers Scopes 1, 2 and 3 emissions, the latter including upstream emissions from operational waste and downstream emissions from delivery-related waste and franchisee operations.

To achieve SBTi verification, the new FLAG guidance requires a commitment to eliminate deforestation from agricultural supply chains by 2025, which would require an acceleration of existing commitments.

In Progress: McDonald's has been identified by the Valuing Water Finance Initiative as a company with significant exposure to water-related risks and therefore included the company in the 203 VWFI benchmark. This benchmark will be used by LAPFF to measure company performance and the extent to which disclosure on the issue improves.

Constellation Brands

Objective: LAPFF wanted Constellation Brands to set timebound, contextual targets, goals or policies to address the impacts on water availability in water scarce areas across the sections of the value chain, for which water is most material.

Achieved: LAPFF Executive member John Anzani met with the US-listed beverage manufacturer to discuss its approach to water stewardship. This engagement followed on from an introductory meeting held in 2022 in which the company had committed to undertaking a water risk assessment covering its entire value chain. Constellation Brands subsequently conducted an initial assessment, and as a result highlighted a number of facilities operating in regions of high water stress. LAPFF encouraged the company to set targets that would prevent it from negatively impacting water availability in water-scarce areas across its value chain.

In Progress: As part of the Valuing Water Finance Initiative LAPFF is a co-lead investor for Constellation Brands. The company has been included in the 2023 VWFI benchmark, owing to the impact it has on freshwater resources. This benchmark will be used by LAPFF to measure company performance, with the expectation that a meaningful target is set to help mitigate impact on regions of high water stress.

Volvo

Objective: The acceleration in moving to electric vehicles is being seen globally, as auto manufacturers seek to meet net zero targets and reduce the carbon footprint in the life cycle of their vehicles. In this vein, LAPFF sought to meet some heavy goods vehicle (HGV) manufacturers to discuss their role in this transition.

Achieved: LAPFF met with Volvo to discuss its approach to climate change and a net zero transition. The company provided a promising dialogue, giving an in-depth overview of its approach.

In Progress: As legislation tightens in Europe with the Corporate Sustainability Due Diligence Directive, companies will

COMPANY ENGAGEMENTS

have to do further due diligence on their supply chains and will need to ensure greater oversight of their supply chains. LAPFF continues to impress upon vehicle manufacturers the benefits of transparent reporting and enhanced due diligence, whilst seeking to better understand how companies are managing a just transition.

Pay Letters

Objective: How companies distribute capital and reward both their executive directors and wider workforce is important information for investors. In January, the Financial Times published an article looking at real term pay cuts in the FTSE100 but cited a few companies that had paid wage increases to their lowest pay staff above soaring inflation.

Achieved: LAPFF wrote to BT, Vodafone, and Kingfisher, as companies that provided salary increases for their lowest paid members of staff above that of inflation. LAPFF seeks to better understand the considerations around these increases as well as to discuss executive remuneration in the context of the cost-of-living crisis.

In Progress: Kingfisher has responded to LAPFF's request for engagement and a meeting is being organised for the second quarter of 2023.

Occupied Palestinian Territories

Objective: LAPFF members remain concerned about the investment risks associated with companies operating in the Occupied Palestinian Territories (OPT). LAPFF maintains a position that companies considered to have business activities in this area should commission independent human rights risk impact assessments, given that operating in a conflict zone carries heightened human rights, and consequently, business risks.

Achieved: LAPFF wrote to four companies on its target engagement list which it deems to have not engaged in a meaningful manner (or not engaged at all): Mizrahi Tefahot Bank, Isarel Discount Bank, and Bank Hapoalim. LAPFF wrote to all four regarding voting considerations at their respective 2023 AGMs. The Forum is now in dialogue with Bank Leumi.

In Progress: LAPFF will monitor these engagements and consider voting alerts for LAPFF members accordingly.

Chipotle

Objective: LAPFF has engaged with Chipotle Mexican Grill (Chipotle) on its approach to water stewardship since 2019. The initial engagement objective was met during 2022, with the company undertaking an ingredient level water risk assessment to identify areas of water stress within the supply chain. The risk assessment found that a significant percentage of the company's suppliers operate in areas of high water stress. Given the degree of exposure Chipotle has to water risk, LAPFF now considers it imperative the company utilise the results of this risk assessment to set time-bound and context-based targets for water use, focusing on regions it has identified as water stressed from its operations.

Achieved: During March, LAPFF met with Chipotle to discuss the outcome of its water risk assessment undertaken in 2022. This was a direct response to the resolution co-filed by the Greater Manchester Pension Fund, a LAPFF member fund, in 2020. The company had made some notable progress, including the completion of a water stress evaluation for the current state of its supply chain, forecasting the impact of water stress to 2040, and developing a mitigation roadmap to establish water stewardship throughout its operations.

In Progress: LAPFF is the lead investor for Chipotle as part of the Valuing Water Finance Initiative. During 2023, Chipotle will be benchmarked against peers on its approach to water stewardship. LAPFF will leverage the findings of the benchmark in order to work with the company to develop relevant water use targets and to utilise the results of this risk assessment to set time-bound and context-based targets for water use, focusing on regions it has identified as water stressed from its operations.

Nestlé

Objective: As one of the largest food and beverage companies in the world, Nestlé has a crucial role to play in many parts of its operations, on issues such as the climate crisis, plastics, nutrition, human rights, and a fair and just transition.

Achieved: Chair Paul Bulcke hosted a roundtable with investors in March. He provided a high-level overview of the company's financial and ESG strategies before taking questions from investors. LAPFF asked about the company's approach to reducing Scope 3 emissions, which as demonstrated in its reporting has a large focus on regenerative farming. The company also talked about a fair and just transition in its net zero roadmap, as well as plastics, ShareAction's Healthy Markets campaign (which LAPFF also supports), and executive compensation.

In Progress: LAPFF will continue to monitor Nestlé's progress in these areas and will continue to support ShareAction's Healthy Markets engagement as it progresses.

COLLABORATIVE ENGAGEMENTS

COLLABORATIVE ENGAGEMENTS

SHARE: Amazon

Objective: Amazon has faced criticism in the press for not upholding adequate standards and practices on freedom of association. LAPFF has also heard from Amazon workers on various investor calls about their concerns relating to Amazon's practices on freedom of association. Consequently, LAPFF signed a joint investor letter initiated by Canadian shareholder organisation, SHARE, requesting that Amazon take steps to meet the requests on freedom of association set out in SHARE's shareholder resolution to Amazon's 2022 AGM.

Achieved: LAPFF last year recommended a vote in favour of the SHARE resolution. The company provided what was in LAPFF's view a less than satisfactory response. Notably, in LAPFF's view, the company has completely misconstrued the definition of freedom of association to meet its own interests rather than the standards set out in international labour law. For example, Amazon has cited its compliance with US labour law, which has notoriously poor standards on freedom of association. Over the course of its existence the ILO Committee on Freedom of Association has heard 44 cases against the US and/or individual US states for their laws and practices on this topic.

In Progress: LAPFF's attempts to meaningfully engage with Amazon have failed. In the past, LAPFF has participated in The Big Tent group of investors that have sought meaningful engagement with the company, and LAPFF will seek to continue to engage through this group to obtain progress in this area.

PRI Advance

Objective: LAPFF is pleased to have been selected to join the Principle for Responsible Investment (PRI) Advance working groups for Anglo American and Vale. The initiative is aimed at improving human rights standards in the mining and renewable energy industries.

LAPFF recognises the leverage that collaborative engagements can bring to its own engagements, which are themselves collaborative. Given LAPFF's extensive work over the last few years on mining and human rights, LAPFF's aim is to help create investor leverage to improve human rights performance at Anglo American and Vale. In LAPFF's experience, improved human rights performance create the conditions for sustainable long-term shareholder returns.

Achieved: LAPFF has now participated in the initial meetings for both the Anglo American and Vale groups. These meetings were structured to identify short, medium, and long-term objectives for the engagements with each company.

It was interesting to hear the different ideas and objectives within each of the groups. It is clear that each working group will structure itself quite differently and will be tailored to a given company's characteristics and challenges. However, members of both groups seemed equally enthusiastic and keen to make progress, so LAPFF is optimistic that this initiative will help to improve human rights practices within the mining industry.

In Progress: LAPFF will continue to work with other investor members in each working group to solidify company objectives, engage with the companies selected for the programme, and liaise with stakeholders affected by the companies' operations.

CA100+: General Motors

Objective: LAPFF is a member of the CA100+ transport group which is engaging with the largest emitters from the automotive sector. Road transportation is a major contributor to global emissions, the industry faces tightening regulation on emissions standards and some countries have set dates after which the sales of new petrol vehicles will be banned. As such, investors are seeking to ensure that car companies are managing these risks by setting targets and taking action to shift production to electric vehicles.

Achieved: LAPFF participated in a CA100+ collaborative meeting with General Motors. The meeting covered the impact of the Inflation Reduction Act in the US, GM's targets and how GM is planning on reaching its ambitions. The company plans to have capacity in excess of one million EV units in both North America and China by 2025.

In Progress: LAPFF will continue to engage carmakers on their targets, plans, investment, and delivery of targets as well as their approach to public policy engagement.

Asia Research and Engagement (ARE): MUFG and UOB

Objective: LAPFF continues to support company engagements in Asia's financial markets, focusing on carbon and coal

A General Motors EV1 electric car

COLLABORATIVE ENGAGEMENTS

risks at financial institutions, as well as coal-exposed power companies.

Achieved: LAPFF joined collaborative calls with both Mitsubishi UFJ Financial Group (MUFG) and United Overseas Bank (UOB). ARE's continued dialogue with Asia's financial institutions provides in-depth conversations about company climate approach and provide valuable insight into how the companies are approaching carbon reduction measures.

In Progress: LAPFF will continue to engage through the ARE, with regular meetings being held each quarter.

Initiative for Responsible Mining Assurance (IRMA)

Objective: During engagements with electric vehicle manufacturers on their approach to responsible mineral sourcing and supply chain due diligence, IRMA has come up in conversation with many of these companies. LAPFF sought a meeting with IRMA to discuss their certification standard for industrial scale mine sites.

Achieved: LAPFF met with Aimee Boulanger, IRMA's Executive Director, and Rebecca Burton, IRMA's Director of Corporate Engagement, to discuss IRMA's standard in greater depth. LAPFF was subsequently invited to, and attended, a finance sector deep dive, held in-person at Anglo Americans office.

In Progress: Both of these meetings with IRMA provided insight into the value of greater due diligence at mine sites and how this can be achieved, in particular through effective multi-stakeholder engagement. It has provided talking points and considerations for engagements with a range of industries going forward, including the mining sector and auto-manufacturers which are being engaged by LAPFF.

Valuing Water Finance Initiative (VWFI)

LAPFF Executive member John Anzani facilitated the first VWFI Task Force meeting of the year. LAPFF is a founding member of the initiative and currently co-chairs the initiative. The meeting was attended by institutional investors from around the world to discuss updates and progress of the initiative to date. With both company engagement and benchmarking work streams making good progress, LAPFF is well positioned to be at the forefront of driving positive change in this area in 2023.

Investor Initiative for Responsible Care: EU Commissioner

Objective: LAPFF is a member of the Investor Initiative for Responsible Care a coalition of 138 responsible and long-term investors in the care sector with $4.4 trillion in assets under management. The coalition has been established to address specific investment risks within the sector including around staffing, safety, wages, freedom of association and quality of care. These risks were very apparent in events over the past year at Orpea, the listed French care provider. The group is seeking to engage companies both regarding disclosure but also improving their practices.

Achieved: LAPFF has written to two Real Estate Investment Trusts (REITs) seeking clarification around data and metrics as part of a group initiative to request such information from other care providers and REITs. Alongside engagement with companies, the group has also been engaging public policymakers, including a meeting with the EU Commissioner responsible for care this quarter. The meeting came off the back of a new EU care strategy, and discussions focused on how implementation of the strategy could support the aims of responsible investors in the sector to improve care quality and employment standards to help deliver sustainable returns.

In Progress: LAPFF will continue to participate in the initiative and engage care providers, REITs operating in the sector and where relevant with policymakers.

Follow This

Objective: As an activist investor, Follow This has been filing shareholder resolutions at the oil and gas majors' AGMs since 2016. Having recommended votes in favour of two Follow This resolutions in 2022, at both the Shell and BP AGMs, LAPFF sought a meeting with Follow This representatives to discuss the organisation's ongoing work.

Achieved: LAPFF met with Mark Van Baal, founder of Follow This, to discuss the organisation's plans for development, both in the immediate future and looking further forward.

In Progress: Follow This has published its resolutions for 2023 and will be considered for voting alerts throughout the year.

Market Forces

Objective: LAPFF has met with Market Forces a number of times over the past couple of years. It is an environmental advocacy project which primarily focuses on financial institutions, although it has published guidance for other sectors.

Achieved: After recommending votes in favour of Market Forces' resolutions at Barclays and Rio Tinto AGMs in 2021, LAPFF met with representatives from the organisation to discuss plans for development in 2023.

In Progress: LAPFF will monitor Market Forces' resolutions and work as the year progresses.

Taskforce on Social Factors

LAPFF is a member of the Taskforce on Social Factors that has been established by the DWP. The taskforce chaired by Luba Nikulina from IFM has been established to look at how investors can best address and manage social factors, including by identifying reliable data and metrics.

The main objectives of the Taskforce are to:

- Identify reliable data sources and other resources, which could be used by pension schemes to identify, assess, and manage financially material social risks and opportunities.
- Monitor and report on developments relating to the International Sustainability Standards Board (ISSB) and other international standards.
- Develop thinking around how trustees can identify, assess, and manage the financial risks posed by modern slavery and supply chain issues.

The taskforce was established by DWP

COLLABORATIVE ENGAGEMENTS

Construction workers in Doha, Qata

following a consultation on the issue. LAPFF responded to the consultation highlighting the importance of social factors in our work and outlining some of the engagements that the Forum has undertaken on social issues for over three decades. The taskforce is comprised of people from the industry and, alongside the DWP, includes observers from the Financial Conduct Authority, Financial Reporting Council, HM Treasury and the Pensions Regulator.

30% Investor Club

Objective: LAPFF continues to support the 30% Club Investor Group, a coalition of investors pushing for women to represent at least 30% of boardroom and senior management positions at FTSE-listed companies. The group has extended its remit globally and has been engaging in different markets, encouraging companies to join regional charters and looking at other aspects of diversity in company practices.

Achieved: LAPFF joined two collaborative engagements this quarter, with Otsuka Corporation and Marubeni Corporation. Both are domiciled in Japan, and neither are currently members of the Japanese 30% Club charter. Whilst they have some way to go in their approaches to gender diversity at board and executive level, both companies provided promising outlooks regarding their approach to supporting women throughout their organisations.

In Progress: The Group is continuing to extend its outreach to companies outside of the UK and is looking at regional considerations for other markets. LAPFF is part of the Group's Global Workstream subgroup and will be contributing to engagements throughout the year.

Rathbones Votes Against Slavery

Objective: Rathbones undertakes an annual analysis of compliance by FSTE350 companies with section 54 of the Modern Slavery Act. LAPFF views compliance of this piece of legislation as an indicator of how seriously a company takes modern slavery in its operations. The engagement seeks compliance from those that currently do not meet this standard.

Achieved: LAPFF co-signed letters to 29 companies sent by Rathbones. At the time of publication, this engagement has brought about compliance from 14 of the companies approached, with a number in the process of making changes.

In Progress: LAPFF will monitor compliance levels as the engagement progresses and will join collaborative calls during the year to further explore company approaches to modern slavery.

New York City Comptroller: Migrant Child Labour

Objective: An investigative report published by the New York Times in February 2023 provided evidence that a collection of US companies may be profiting from the use of American suppliers that illegally employ underage migrant

POLICY ENGAGEMENTS

children. Ensuring that companies have controls and processes in place to manage such risks and hold suppliers accountable is an investment imperative for LAPFF.

Achieved: LAPFF co-signed a letter to this group of companies seeking a response and further detail on the allegations around the use of child labour.

In Progress: LAPFF will monitor the response and will support engagements as appropriate.

CONSULTATION RESPONSES

Transition Plan Taskforce

Objective: In 2022, HM Treasury launched the Transition Plan Taskforce (TPT) with the objective of developing the gold standard for climate transition plans. The UK government and the Financial Conduct Authority are involved with the Taskforce with the intention that they will draw on the recommendations to strengthen disclosure requirements.

Done in the right way, transition plan disclosures could enable investors to better understand a company's approach to decarbonising their business model. They are also designed to help companies and investors with regard to developing plans that are integral to company's overall strategy. Given their potential importance, LAPFF responded to a TPT consultation regarding its draft disclosure framework.

Achieved: In LAPFF's previous TPT response, the Forum recommended that just transition implications should be included in the TPT's guidance. It was welcome that just transition issues were included in the draft disclosure framework. LAPFF welcomed this development but considered there to be further scope to integrate these just transition factors across the framework.

LAPFF's response stated that if it was to be a gold standard and in line with UK government policy then transition plans would need to be consistent with a 1.5°C scenario. To ensure consistency and comparability between transition plans, the response also called for a focus on absolute rather than relative emission reductions and greater clarity on definitions of Scope 3 emissions and what is meant and included within the 'value chains' concept.

In Progress: LAPFF will where possible continue to engage with the TPT, including around the issue of further integrating the just transition into its recommendations.

LAPFF WEBINARS

All-Party Parliamentary Group

The LAPFF-supported All-Party Parliamentary Group for Local Authority Pension Funds held a meeting on affordable housing and the LGPS. The meeting came off the back of government calls for the LGPS to increase local investment and the chancellor has stated that the government will consult on requiring LGPS funds to consider illiquid asset investment opportunities. There have also been other calls for the LGPS funds to scale up place-based investment and invest more in social and affordable housing.

To discuss the issues, the speakers at the meeting, chaired by Clive Betts MP, were Cllr John Gray (Vice-Chair, Local Authority Pension Fund Forum); Paddy Dowdall (Assistant Executive Director at Greater Manchester Pension Fund); Helen Collins (Head of Affordable Housing, Savills); and John Butler (Finance Policy Lead, National Housing Federation).

The discussion covered housing investments that LGPS funds were already making as well as some of the barriers to doing more. The meeting highlighted challenges of scaling up investment in affordable or social housing without additional government funding as well as issues around scale and the lack of investible projects.

MEDIA COVERAGE

Water Risk

ESG Investor: Investors Seek to Turn the Tide on Water Risk

Say on Climate

IPE: Investors call for voting on 'Say on Climate'
Pensions Age: LAPFF calls for shareholder vote on greenhouse emissions
ESG Investor: Investors demand 'Say on Climate' at FTSE Listed Firms
Net Zero Investor: Investors demand vote on climate transition plans at FTSE firms
Investment Week: Shell directors sued over 'flawed' climate plan
Lexology: Investors step up pressure on boards to keep pace with climate targets in upcoming AGM season
The MJ: Public sector pension funds call for 'Say on Climate' vote
The Actuary: Public-sector pension funds seek carbon vote
ESG Investor: New Ideas, Better Teamwork in Pursuit of Paris Goals
Local Gov: Public sector pension funds call for 'Say on Climate' vote

LAPFF Executive

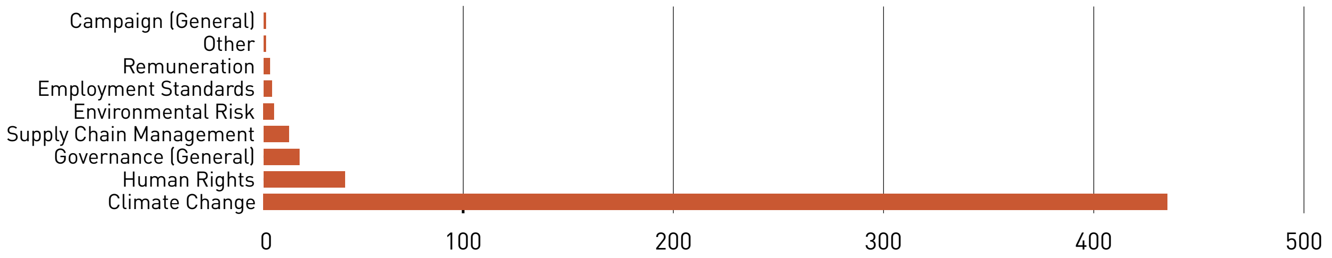
Local Government Chronicle: Rodney Barton receives LGC Investment lifetime achievement award

Social Factors

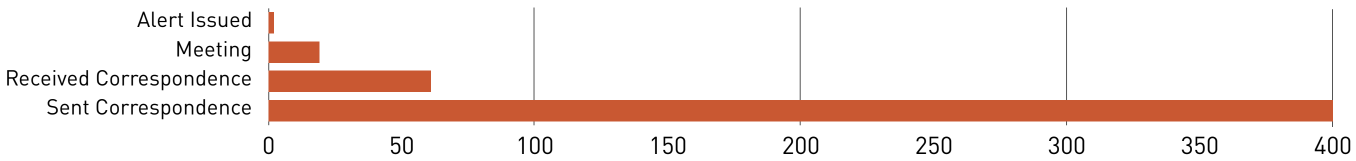
Pensions Age: Taskforce on Social Factors launched with DWP support
Professional Pensions: DWP launches social factors taskforce for industry
ESG Clarity: UK pensions social taskforce launches to address data gap
Pensions and Investments: UK task force sets out to help asset owners with social considerations

ENGAGEMENT DATA

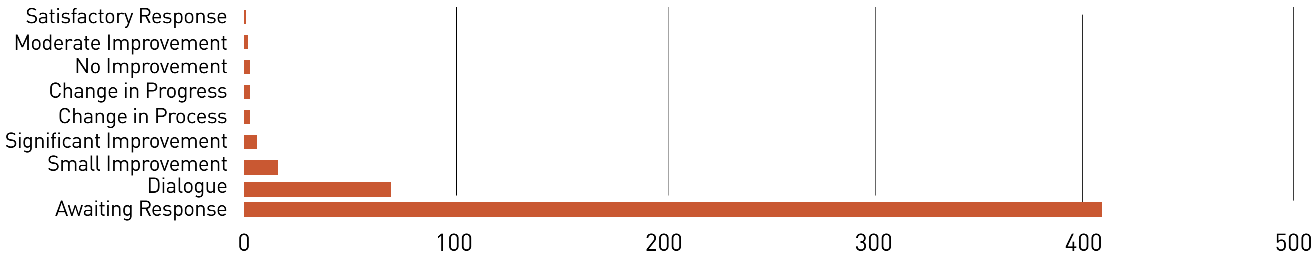
ENGAGEMENT TOPICS



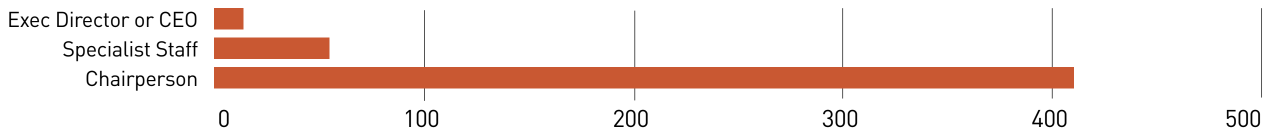
ACTIVITY



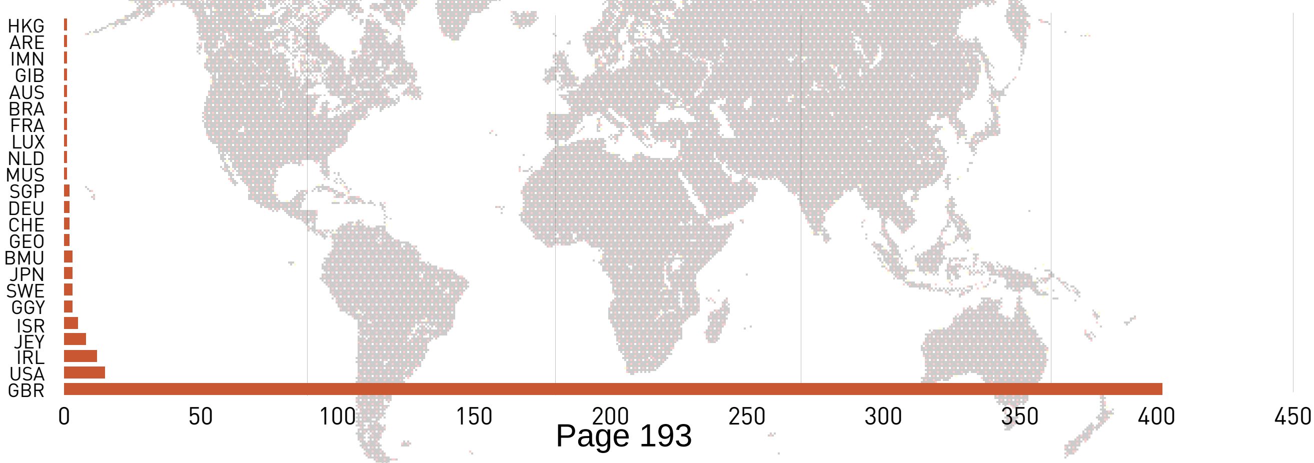
MEETING ENGAGEMENT OUTCOMES



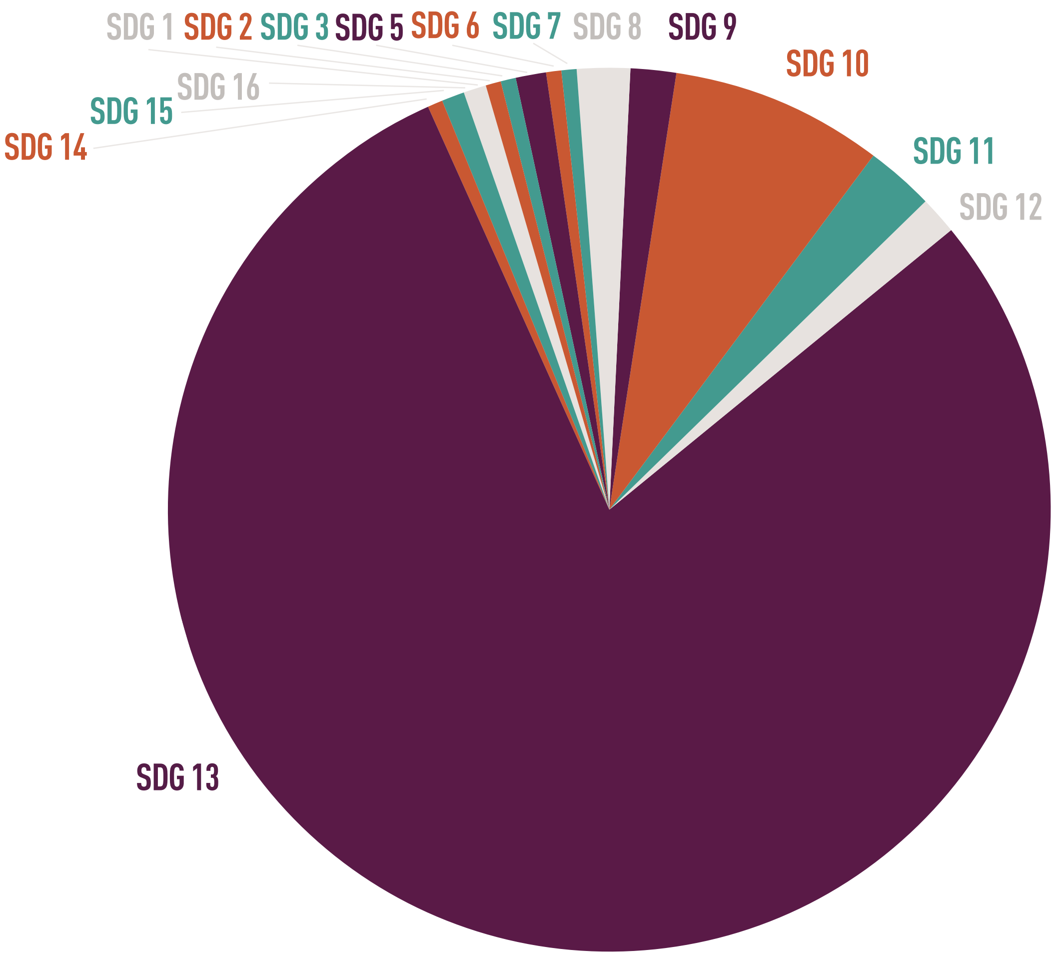
POSITION ENGAGED



COMPANY DOMICILES



ENGAGEMENT DATA



LAPFF SDG ENGAGEMENTS	
SDG 1: No Poverty	1
SDG 2: Zero Hunger	3
SDG 3: Good Health and Well-Being	3
SDG 4: Quality Education	0
SDG 5: Gender Equality	5
SDG 6: Clean Water and Sanitation	4
SDG 7: Affordable and Clean Energy	3
SDG 8: Decent Work and Economic Growth	10
SDG 9: Industry, Innovation, and Infrastructure	9
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SDG12: Responsible Production and Consumption	7
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SDG 15: Life on Land	4
SDG 16: Peace, Justice, and Strong Institutions	4
SDG 17: Strengthen the Means of Implementation and Revitalise the Global Partnership for Sustainable Development	0

COMPANY PROGRESS REPORT

397 companies were engaged over the quarter. This number includes 368 letters sent to the FTSE All Share on presenting a climate transition plan to shareholders for approval at their AGMs. Letters were not sent to investment trusts. Excluding this engagement, LAPFF engaged with 54 companies.

Company/Index	Activity	Topic	Outcome
ADIDAS AG	Sent Correspondence	Human Rights	Awaiting Response
AIA GROUP LTD	Meeting	Climate Change	Awaiting Response
AIRTEL AFRICA PLC	Received Correspondence	Governance (General)	Dialogue
AMAZON.COM INC.	Sent Correspondence	Human Rights	Awaiting Response
ASSOCIATED BRITISH FOODS PLC	Sent Correspondence	Human Rights	Awaiting Response
BANK HAPOALIM B M	Sent Correspondence	Human Rights	Awaiting Response
BANK LEUMI LE-ISRAEL BM	Sent Correspondence	Human Rights	In Dialogue
BARCLAYS PLC	Sent Correspondence	Climate Change	Awaiting Response
BERKSHIRE HATHAWAY INC.	Sent Correspondence	Human Rights	Awaiting Response
BIFFA PLC	Received Correspondence	Governance (General)	Significant Improvement
BRITVIC PLC	Meeting	Campaign (General)	Dialogue
BT GROUP PLC	Sent Correspondence	Remuneration	Awaiting Response
CENTAMIN PLC	Received Correspondence	Governance (General)	Change in Progress
CHIPOTLE MEXICAN GRILL INC	Meeting	Environmental Risk	Small Improvement
CLS HOLDINGS PLC	Sent Correspondence	Governance (General)	Awaiting Response
CONSTELLATION BRANDS INC.	Meeting	Environmental Risk	No Improvement
DIRECT LINE INSURANCE GROUP PLC	Received Correspondence	Governance (General)	Dialogue
DRAX GROUP PLC	Received Correspondence	Environmental Risk	Small Improvement
FORD MOTOR COMPANY	Sent Correspondence	Human Rights	Awaiting Response
FRASERS GROUP PLC	Sent Correspondence	Governance (General)	Awaiting Response
GENERAL MILLS INC	Sent Correspondence	Human Rights	Awaiting Response
GENERAL MOTORS COMPANY	Meeting	Climate Change	Change in Process
GENUIT GROUP PLC	Received Correspondence	Governance (General)	Significant Improvement
GRAFTON GROUP PLC	Received Correspondence	Governance (General)	Significant Improvement
HENNES & MAURITZ AB (H&M)	Sent Correspondence	Human Rights	Awaiting Response
HILL & SMITH PLC	Received Correspondence	Governance (General)	Dialogue
ICADE	Meeting	Employment Standards	Dialogue
ISRAEL DISCOUNT BANK LTD	Sent Correspondence	Human Rights	Awaiting Response
JBS SA	Sent Correspondence	Human Rights	Awaiting Response
JD SPORTS FASHION PLC	Received Correspondence	Governance (General)	Significant Improvement
JTC PLC	Received Correspondence	Governance (General)	Change in Progress
KINGFISHER PLC	Sent Correspondence	Remuneration	Awaiting Response
MARUBENI CORP	Meeting	Diversity Equity and Inclusion	Small Improvement
MCDONALD'S CORPORATION	Meeting	Supply Chain Management	No Improvement
MITSUBISHI UFJ FINANCIAL GRP	Meeting	Climate Change	Dialogue
MIZRAHI TEFAHOT BANK LTD	Sent Correspondence	Human Rights	Awaiting Response
NCC GROUP PLC	Received Correspondence	Governance (General)	Significant Improvement
NESTLE SA	Meeting	Climate Change	Small Improvement
NEXT PLC	Sent Correspondence	Human Rights	Awaiting Response
OTSUKA CORPORATION	Meeting	Diversity Equity and Inclusion	Small Improvement
PEPSICO INC.	Sent Correspondence	Human Rights	Awaiting Response
RIO TINTO PLC	Alert Issued	Climate Change	Dialogue
RPS GROUP PLC	Received Correspondence	Governance (General)	Dialogue
SHELL PLC	Sent Correspondence	Climate Change	Awaiting Response
STANDARD CHARTERED PLC	Sent Correspondence	Climate Change	Awaiting Response
STARBUCKS CORPORATION	Alert Issued	Social Risk	Dialogue
THE KRAFT HEINZ COMPANY	Meeting	Other	No Improvement
TP ICAP GROUP PLC	Received Correspondence	Governance (General)	Significant Improvement
UNILEVER PLC	Sent Correspondence	Human Rights	Awaiting Response
UNITED OVERSEAS BANK LTD	Meeting	Climate Change	Moderate Improvement
VIDENDUM PLC	Received Correspondence	Governance (General)	Change in Progress
VODAFONE GROUP PLC	Sent Correspondence	Remuneration	Awaiting Response
VOLVO AB	Meeting	Environmental Risk	Dialogue
WALMART INC.	Sent Correspondence	Human Rights	Awaiting Response

LOCAL AUTHORITY PENSION FUND FORUM MEMBERS

Avon Pension Fund
Barking and Dagenham Pension Fund
Barnet Pension Fund
Bedfordshire Pension Fund
Berkshire Pension Fund
Bexley (London Borough of)
Brent (London Borough of)
Cambridgeshire Pension Fund
Camden Pension Fund
Cardiff & Glamorgan Pension Fund
Cheshire Pension Fund
City of London Corporation Pension Fund
Clwyd Pension Fund (Flintshire CC)
Cornwall Pension Fund
Croydon Pension Fund
Cumbria Pension Fund
Derbyshire Pension Fund
Devon Pension Fund
Dorset Pension Fund
Durham Pension Fund
Dyfed Pension Fund
Ealing Pension Fund
East Riding Pension Fund
East Sussex Pension Fund
Enfield Pension Fund
Environment Agency Pension Fund
Essex Pension Fund
Falkirk Pension Fund
Gloucestershire Pension Fund
Greater Gwent Pension Fund
Greater Manchester Pension Fund
Greenwich Pension Fund
Gwynedd Pension Fund
Hackney Pension Fund
Hammersmith and Fulham Pension Fund
Haringey Pension Fund
Harrow Pension Fund
Havering Pension Fund
Hertfordshire Pension Fund
Hillingdon Pension Fund
Hounslow Pension Fund
Isle of Wight Pension Fund
Islington Pension Fund
Kensington and Chelsea (Royal Borough of)
Kent Pension Fund
Kingston upon Thames Pension Fund
Lambeth Pension Fund
Lancashire County Pension Fund
Leicestershire Pension Fund
Lewisham Pension Fund
Lincolnshire Pension Fund
London Pension Fund Authority
Lothian Pension Fund
Merseyside Pension Fund
Merton Pension Fund
Newham Pension Fund
Norfolk Pension Fund
North East Scotland Pension Fund
North Yorkshire Pension Fund
Northamptonshire Pension Fund
Nottinghamshire Pension Fund
Oxfordshire Pension Fund
Powys Pension Fund
Redbridge Pension Fund
Rhondda Cynon Taf Pension Fund
Scottish Borders Council Pension Fund
Shropshire Pension Fund
Somerset Pension Fund
South Yorkshire Pension Authority
Southwark Pension Fund
Staffordshire Pension Fund
Strathclyde Pension Fund
Suffolk Pension Fund
Surrey Pension Fund
Sutton Pension Fund
Swansea Pension Fund
Teesside Pension Fund
Tower Hamlets Pension Fund
Tyne and Wear Pension Fund
Waltham Forest Pension Fund
Wandsworth Borough Council Pension Fund
Warwickshire Pension Fund
West Midlands Pension Fund
West Yorkshire Pension Fund
Westminster Pension Fund
Wiltshire Pension Fund
Worcestershire Pension Fund

Pool Company Members
Border to Coast Pensions Partnership
LGPS Central
Local Pensions Partnership
London CIV
Northern LGPS
Wales Pension Partnership

Bath & North East Somerset Council	
MEETING:	**AVON PENSION FUND COMMITTEE**
MEETING DATE:	**23 JUNE 2023**
TITLE:	**ANNUAL EMPLOYER AND COVENANT UPDATE**
WARD:	**ALL**
AN OPEN PUBLIC ITEM	
List of attachments to this report: Appendix 1 – Covenant update	

1 THE ISSUE

1.1 To provide the Committee with a summary of the employer base of the Fund, changes, current issues and covenant work. This is to be considered in the context of employer risk.

1.2 Given the range and number of individual employers in the Fund each posing different levels of risk the Fund has developed a comprehensive framework for monitoring employer risk. This framework helps direct resources where closer monitoring is required and enables the Fund to identify any emerging risks early so that actions can be taken to prevent sub optimal outcomes for the Fund.

1.3 There has been significant progress in reducing employer risk within the Fund over the last 18 months as officers have engaged with employers through the valuation process, aided by the rise in bond yields which has made switching to the Low Risk Funding Basis more affordable.

2 RECOMMENDATION

2.1 The Committee notes the report.

3 FINANCIAL IMPLICATIONS

3.1 The triennial valuation assesses the funding position of the Fund as a whole and sets the contribution rates for individual employers for the following 3 years. The 2022 valuation is the current valuation which sets the contribution rates for 2023-2025. Covenant assessments are used when setting contribution plans for individual employers.

4 REGULATORY AND POLICY ISSUES

4.1 The Pensions Regulator updated their guidance on “Protecting schemes from sponsoring employer distress” on 10 May 2023.

The UK economy has been through significant turbulence recently and increasing inflation, interest rates and fuel / energy prices have impacted businesses in the private and public sector alike. It is therefore important with this continued uncertainty, to understand the financial position and potential future challenges of employers in the Fund. During times of economic challenge, it is even more important to closely monitor the employers' financial position and ability to continue to meet their financial obligations to the Fund.

The Pensions Regulator expects all Funds to have appropriate covenant monitoring in place as part of their integrated risk management framework.

5 EMPLOYER ACTIVITY UPDATE

5.1 There is significant ongoing employer activity as shown in the tables below:

From 1 April 2022 to date 31st March 2023

	@31/03/2022	Joined	Left	@31/03/2023
Scheduled				
Local Authourity	4	0	0	4
Academies	266	10	0	276
Higher and Further education	8	0	0	8
Town and Parish councils	37	0	0	37
Other	6	0	0	6
Admitted				
Admission bodies guaranteed	104	16	21	99
Admission bodies unguaranteed	6	0	2	4
Total	431	26	23	434

From 1 April 2021 to date 31st March 2022

	@31/03/2021	Joined	Left	@31/03/2022
Scheduled				
Local Authourity	4	0	0	4
Academies	255	11	0	266
Higher and Further education	8	0	0	8
Town and Parish councils	35	2	0	37
Other	7	0	1	6
Admitted				
Admission bodies guaranteed	109	16	21	104
Admission bodies unguaranteed	8	0	2	6
Total	426	29	24	431

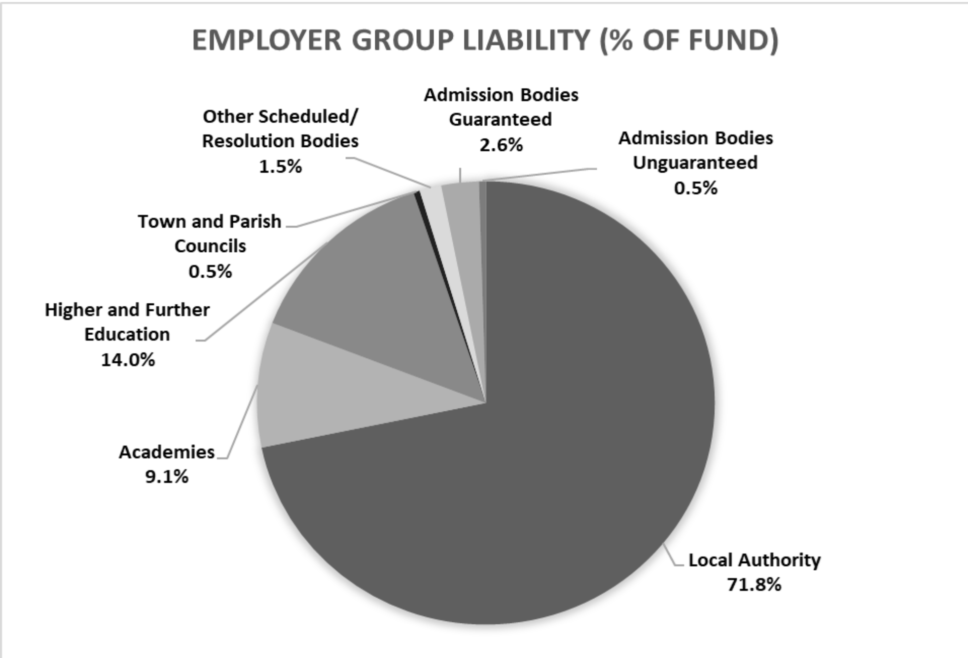
5.2 **Academies**: Academy conversions are steadily continuing, and in a Government White Paper issued in March 2022, plans were announced for all English schools to become part of a Multi Academy Trust (MAT) by 2030. There are approximately 130 maintained schools still to convert to academy status in the geographical area covered by Avon Pension Fund. There continues to be consolidation in the academy employer base with one MAT closure resulting in its academies moving to new MATs and also smaller MATs and single academies are joining larger MATs. The Fund currently has 30 MATs, the largest of which has 30 academies in our Fund.

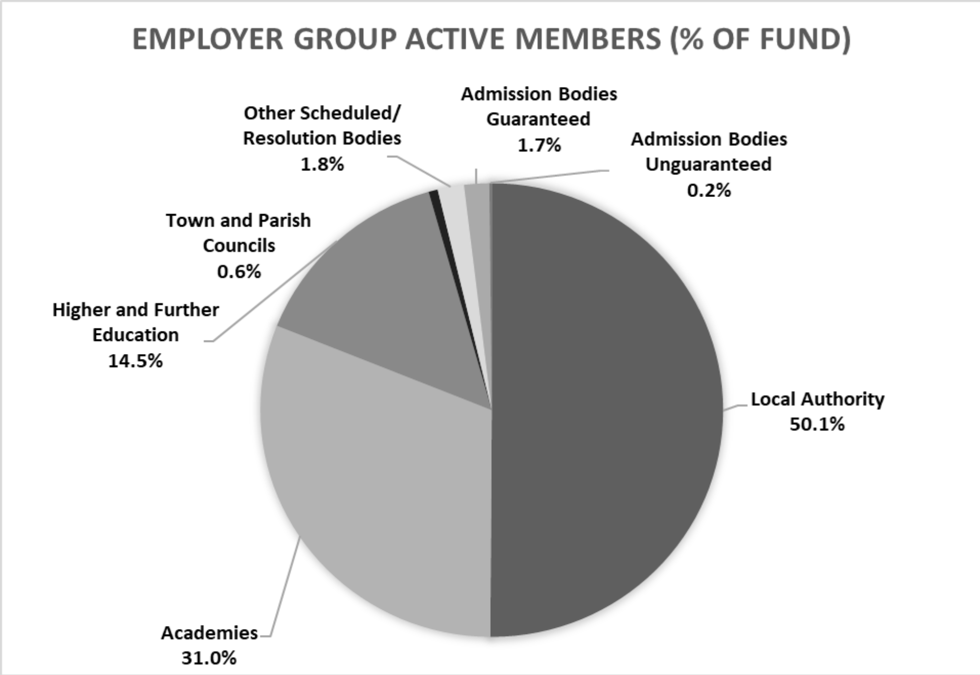
5.3 **Admitted bodies**: All admitted employers joining the Fund are required to have a guarantee in line with the Funds policy. Most admissions are from outsourcings, particularly by MAT's outsourcing catering and cleaning services. These outsourcings are increasing in complexity due to the size of MATs with their numerous schools participating under their contracts. Unitary Authority related admissions also reflect cleaning and catering at maintained schools being outsourced as well as care, leisure, and other outsourced service contracts. This in turn increases the number of exiting admitted employers, when the last member leaves or when the contract is re-let. Therefore, there is considerable upheaval in the continuing treadmill of outsourcings.

5.4 The total number of employers in the Fund is expected to continue to grow. Admissions and exits are processed in accordance with the Regulations and Funding Strategy Statement which are designed to protect the Fund from financial risk.

5.5 The Fund is working with many employers, in a wide range of circumstances, to share information for decision making (including membership data, funding updates and accounting reports for financial statements) whilst ensuring the Fund's policies are communicated clearly and implemented in accordance with the Regulations and Funding Strategy Statement.

5.6 A summary of the liabilities and membership by employer grouping is shown below:





5.7 The table shows how the liabilities in the Fund are distributed. The unitary authorities have tax raising powers as do town and parish councils and the academies are guaranteed by the DfE. The largest group by membership and liabilities of non-guaranteed, non-tax raising bodies is the higher and further education employers; as a result, the Fund prioritises its engagement with these employers to manage the overall risk to the Fund.

5.8 The Fund is at risk from 4 (2022 – 6) unguaranteed admission bodies (admitted to the Fund before guarantees were permitted). Fund Officers actively engage with these employers to manage the risk to the Fund. Covenant work and active engagement has enabled Fund Officers together with the employers to take advantage of the change in corporate bond yields over the last year and move these employers to the more prudent lower risk funding basis. In some cases this has facilitated exit. Of the remaining 4 unguaranteed admission bodies all are now on the more prudent lower risk funding basis and the Fund holds security in the case of two employers to mitigate the risk further.

6 COVENANT ASSESSMENT

6.1 A key risk to the Fund is the inability of an individual employer to meet its liabilities, especially when it ceases to be an employing body within the Fund. The Funding Strategy is designed to manage this risk to ensure the Fund achieves full solvency over an appropriate period. Assessing the strength of an employing body's covenant is also a crucial component in managing the potential risk of default to the Fund.

6.2 Covenant assessment is ongoing work which provides input to the triennial valuation. The assessment framework has been developed using Mercer guidelines along with other best practice including from the Pensions Regulator. Criteria is set for each group of employers to reflect the main factors relevant to their covenant. A summary of the overall covenant process with examples is included in Appendix 1.

7 RISK MANAGEMENT

7.1 An effective governance structure, defining clear responsibilities, and ensuring that the decision making body has an adequate level of knowledge and access to expert advice, is a key aspect of the risk management process.

8 EQUALITIES STATEMENT

8.1 A proportionate equalities impact assessment has been carried out using corporate guidelines and no significant issues have been identified.

9 CLIMATE CHANGE

9.1 The Fund is implementing a digital strategy across all its operations and communications with stakeholders to reduce its internal carbon footprint in line with the Council's Climate Strategy. The Fund acknowledges the financial risk to its assets from climate change addresses this through its strategic asset allocation to Paris Aligned Global Equities, Sustainable Equities and renewable energy opportunities. The strategy is monitored and reviewed by the Committee.

10 OTHER OPTIONS CONSIDERED

10.1 None – report for information only.

11 CONSULTATION

10.1 The Council's Director of One West has had the opportunity to input to this report and has cleared it for publication.

Contact person	Julia Grace, Funding and Valuation Manager 01225 395392
Background papers	None
Please contact the report author if you need to access this report in an alternative format.	

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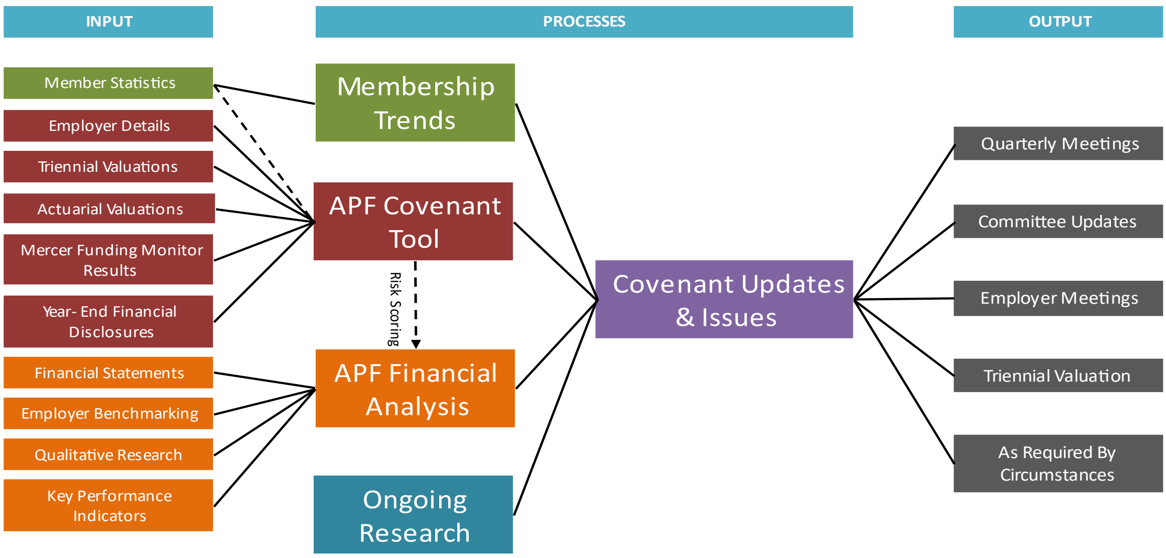
Appendix 1

Overview of Covenant Process



As highlighted in the above diagram, the data "INPUTS" into the Covenant processes are from many sources, whether it be internal data on membership movements or collecting financial statements.

"Membership Trends" looks at the most recent membership data, running a series of tests (primarily looking at trends), and then flagging any concerns such as an accelerated decrease in membership leading to a point where there are no active members and an exit from the Fund.

The "APF Covenant Tool" acts primarily as a database, holding all relevant (internal) information on employers in the Fund. The information is used to identify employers in the Fund who may be 'higher-risk' to the Fund and thus should be reviewed in more detail. This is not an assessment of the employer's financial risk.

The "APF Financial Analysis" differs between employer groups, but is an analysis of an employer's financial position, looking at external data such as financial statements, management accounts, benchmark results and using key performance indicators (KPI) to look for any trends and compare against peers. The Fund's primary focus when looking at this information, and what forms the basis for many of the KPI's, is whether there are any concerns around LGPS affordability in the short, medium, or long-term.

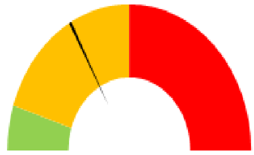
"Ongoing Research" is any further qualitative analysis undertaken, this could be specific to an employer, a sector as a whole, or general macro-economic changes and how certain events may have a bearing on employers in the Fund. These are recorded and then given a risk rating based on how imminent the event is and its severity.

These four processes are updated in the "Covenant Updates and Issues" database, which is a central knowledge hub covering APF Covenant related matters.

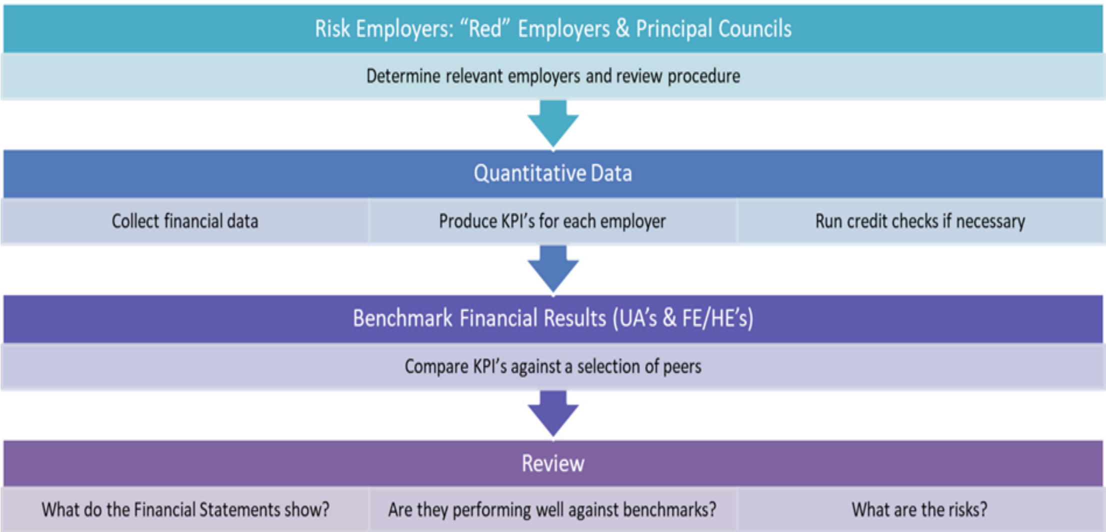
The primary focus of the Fund's covenant work is to ensure employers can maintain their legal obligation and financial ability to support the LGPS now and in the future. At least once a quarter Officers meet to discuss developments of employers in the Fund, any flags identified by the Covenant work and what steps are needed to address concerns. This ensures that Covenant risk is regularly reviewed and Officers are aware of affordability constraints and concerns raised by employers.

1. The "higher-risk" employers in the Fund are identified from the "APF Covenant Tool" process, where each employer is reviewed against set variables based on internally held data. This test allocates each employer with a "score" indicating the level of risk they pose to the Fund. Those who are categorised as "red" employers (scoring more than 4) are reviewed more thoroughly alongside the FE/HE's (unguaranteed) and the UA's (on account of their size). An example of the test is below:

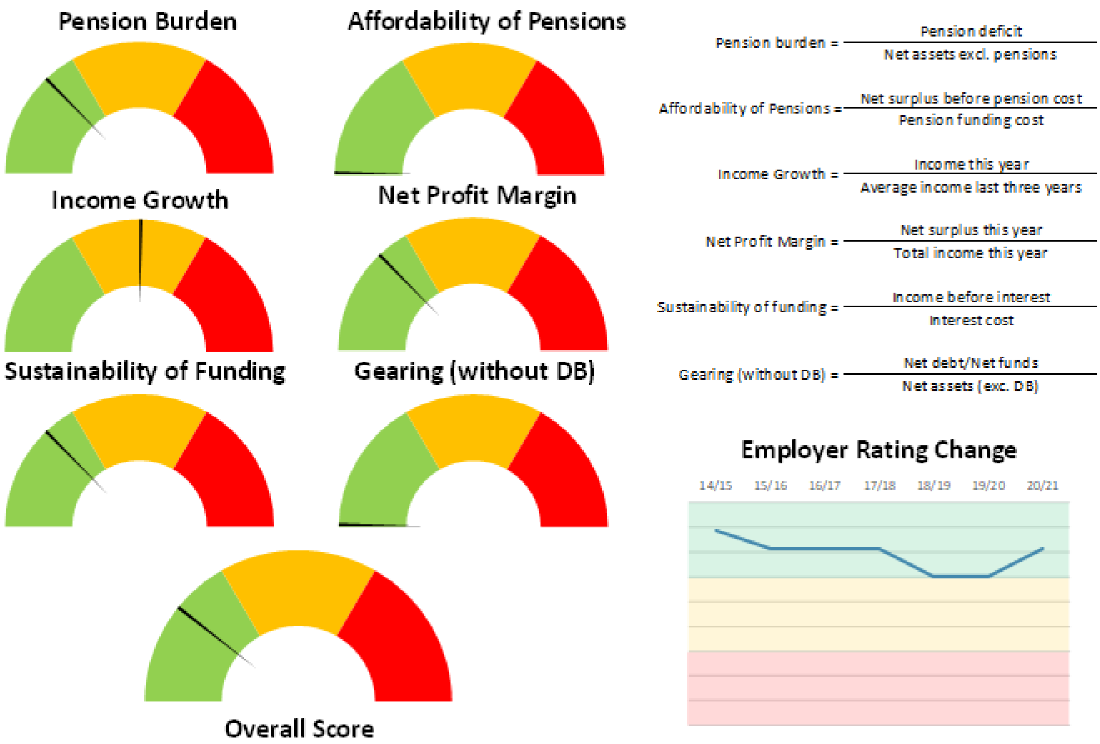
Scoring Factors	Variable	Score	Employer	Test Employer	
Funding level less than	80%	1	Funding Level	36.00%	1
Funding deficit more than	£500,000	2	Deficit/ (Surplus)	£697,000	2
No Guarantor/ Tax (toll) Raising powers/ or concerns about guarantee		3	Guarantor	DfE	0
If above true, no Security		2	Security	N/A	0
Active members are less than or equal to	3	1	Members	38	0
					3



2. The higher risk employers then progress through the steps outlined below:



3. Following guidance from the Actuary, the benchmarking process has been created focusing on a selection of key performance indicators. Below is an example of the benchmarking, with the dials showing how an employer's performance compares against their peers:



4. In addition to the benchmarking, which provides an indication of an employer's financial health, the Fund also looks for other trends in the financial statements, investigating any areas of concern (asking for supplementary information if necessary), and looking at how and why figures have changed. This ensures that the Fund has a good understanding of its employers and draws out any potential affordability concerns.

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Bath & North East Somerset Council	
MEETING	**AVON PENSION FUND PENSION COMMITTEE**
MEETING	**23 JUNE 2023**
TITLE:	**TECHNICAL AND COMPLIANCE UPDATE**
WARD:	**ALL**
AN OPEN PUBLIC ITEM	
List of attachments to this report: Appendix 1 – Current matters affecting LGPS Administration	

1 THE ISSUES

1.1 The purpose of this report is to update the Pension Committee on any proposed regulatory matters that could affect scheme administration. An updated list is attached as appendix 1.

2 RECOMMENDATION

The Committee is asked to:

2.1 Note current position regarding developments that could affect administration of the fund.

3 THE REPORT

The table below summarises key regulatory updates since the last meeting.

Item	Latest Position	Relevant Links	Action by Fund / Next Steps
McCloud Judgment	On 30 May 2023 DLUHC issued draft regs and a further consultation which is due to close on 30 June, which asks for view on issues like aggregation, flexible retirement and excess Teachers service. The Government has issued its response to the October 2020 consultation in relation to the proposed remedy. This response confirms that a further consultation will take place in the near future that will request comment on the draft regulations. SAB guidance on dealing with incomplete/inconsistent data has been released. The High Court has dismissed the Judicial Review (brought by the British Medical Association and the Fire Brigades Union) over the government's proposed method of paying for costs incurred by the McCloud Judgment. It is expected both will appeal this ruling.	https://www.gov.uk/government/consultations/local-government-pension-scheme-amendments-to-the-statutory-underpin/outcome/amendments-to-the-local-government-pension-scheme-statutory-underpin-government-response https://lgpslibrary.org/assets/gas/ew/McC_data_v1.0.pdf https://www.bailii.org/ew/cases/EWHC/Admin/2023/527.html#para253	The Fund to continue work on collating, analysing and validating data from employers in relation to implementing the remedy. Any delays in the relevant stages may have administrative implications given the time available to respond/progress may be shortened. The inclusion of certain Teachers in relation to the LGPS remedy will also add to the administrative burden and further guidance awaited on how to deal with such cases.
Pension Taxation	The Spring Budget in March saw a number of changes to the way pensions will be taxed, primarily an increase to the annual allowance, and removal of lifetime allowance charges from 6 April 2023 (and abolishment of the lifetime allowance from 2024/25 onwards).	https://www.gov.uk/government/publications/spring-budget-2023	Whilst the changes to the annual and lifetime allowance are favourable to members, the changes have led to administrative processes and member communications to be updated, and may lead to an increasing number of queries in the short-term.
SCAPE Discount Rate	On 30 March 2023, the Chief Secretary to the Treasury issued a written ministerial statement that announced that the Superannuation Contributions	https://questions-statements.parliament.uk/written-statements/detail/2023-03-30/hcws697	Whilst GAD reviews the actuarial factors to apply to the LGPS (and other public sector schemes), many calculations are currently suspended. These are

	Adjusted for Past Experience (SCAPE) discount rate had been reduced to a rate of 1.7% per annum above CPI, from the previous real rate of 2.4% per annum.		mainly CETV's for transfers (including refund / transfer outs) and divorce. This has implications for the administration team in terms of both member communications, and resource management for when the suspension is lifted.
CARE Revaluation	On 9 March 2023 DLUHC published its response to the consultation setting out proposals to change the annual revaluation date for the LGPS from 1 April to 6 April. The response confirmed that the change would take place and on the same day the LGPS (Amendment) Regulations 2023 were laid (coming into effect on 31 March 2023).	https://www.gov.uk/government/consultations/annual-revaluation-date-change-in-the-local-government-pension-scheme-lgps/outcome/government-response-to-annual-revaluation-date-change-in-the-local-government-pension-scheme-lgps	Whilst the changes made will have reduced the number of members impacted by the 2022/23 annual allowance charge, the timing of the change had an impact on the administration team given software systems weren't updated prior to the change taking place (thus resulting in a greater level of manual calculations). Communications are also being updated and the team has also dealt with an increased number of queries from members.
Pension Dashboard	The Pension Dashboard Programme gathers pace with developments in a number of areas. The main development saw the Pensions Minister, Laura Trott make a statement on 2 March 2023 announcing the Government's intention to legislate "at the earliest opportunity" to amend scheme's connection deadlines, to allow more time to deliver the complex dashboards infrastructure. It's not clear yet which schemes (including the LGPS) will be given an extension and how long this may be. Further details are expected prior to the summer recess.	https://questions-statements.parliament.uk/written-statements/detail/2023-03-02/hcws594	Whilst there is potential for the Fund's connection date to the delayed, in the absence of any confirmation for the LGPS, the Fund is continuing its preparations towards meeting the necessary Pensions Dashboard requirements and awaits further guidance from central bodies e.g. LGA in relation to what action LGPS Funds should be considering.

4 FINANCIAL IMPLICATIONS

4.1 The administrative and management costs incurred by Avon Pension Fund are recovered from the employing bodies through the employer's contribution rates.

4.2 Any other specific financial implications will be reported as appropriate.

5 RISK MANAGEMENT

5.1 The Avon Pension Fund Committee is the formal decision-making body for the Fund, with 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. In addition, it monitors the benefits administration, the risk register and compliance with relevant investment, finance and administration regulations.

6 EQUALITIES STATEMENT

6.1 A proportionate equalities impact assessment has been carried out using corporate guidelines and no significant issues have been identified.

7 CLIMATE CHANGE

7.1 The Fund is implementing a digital strategy across all its operations and communications with stakeholders to reduce its internal carbon footprint in line with the Council's Climate Strategy. The Fund acknowledges the financial risk to its assets from climate change and is addressing this through its strategic asset allocation to Paris Aligned Global Equities, Sustainable Equities and renewable energy opportunities. The strategy is monitored and reviewed by the Committee.

8 CONSULTATION

8.1 The Council's Director of One West has had the opportunity to input to this report and has cleared it for publication.

Contact person	Nicky Russell, Technical and Compliance Manager 01225 395389
Background papers	LGA Bulletins SAB Meeting Minutes National Technical Group Meeting Minutes
Please contact the report author if you need to access this report in an alternative format.	

List of current developments affecting or expected to affect Scheme Administration – 6 June 2023

The hyperlinks below can be used to navigate to each section as required. A hyperlink is also included in each section to return to this page.

Organisation	Item	Details	Status
HMT / DLUHC	**Public Sector Exit Payments Cap / Consultation on Further Reform to Exit Payments** ***back to contents***	**Previous Update:-** **On 17 October 2022** SAB issued its response to the HMT consultation on a new controls processed for high exit payments (that was issued in August as referenced below) impacting central government (not local government) bodies (including academies). The response can be found here. **On 15 August 2022** The government published a consultation on the reform of the Civil Service Compensation Scheme 2017 (which has been ongoing since 2017). These proposals do not apply to local government and further details from DLUHC are still awaited on whether exit payments will be limited for LGPS members. **On 8 August 2022 HMT** published a consultation on a new administrative control process for public sector exit payments over £95,000 and amendments to the process for special severance payments. HMT is seeking views on the proposed guidance and whether it meets the policy intent. The guidance is intended to apply to “Central Government” bodies and therefore does not include local authorities. It does however apply to academies. The consultation closes on 17 October 2022 and further details can be found here. **On 12 May 2022** Statutory guidance on the making and disclosure of Special Severance Payments by Local Authorities in England was published and can be found here. **November 2021 -** It’s expected that a new consultation in relation to the Public Sector Exit Payments Cap will be released in early 2022. However, unlike the previous exit cap, there won’t be single set of regulations from HMT that will apply and there will be different solutions across the Public Sector, including for the LGPS. Statutory guidance in relation to “special severance” payments that apply to local authorities is expected soon following the consultation that ended in August. **On 2 July 2021,** following a request for data from local authorities in April 2021, MHCLG published its first summary of exit payment data covering 2019-20 and 2020-21. Initial indications	**No Further Updates**

Organisation	Item	Details	Status
		are that the average exit payment made in 2020-21 across local authorities was £26,000 including pension strain. Further details can be found here. **Also, on 2 July 2021,** Although not directly linked to the exit payments cap, MHCLG commenced a consultation on statutory guidance in respect of “special severance” payments that apply to local authorities i.e. over and above statutory entitlements. The consultation ended on 13 August 2021 and an outcome is awaited. A copy of the LGA’s response to the consultation can be found here. **On 9 April 2021,** MHCLG wrote to chief financial officers, of councils and combined authorities, letting them know about a new requirement to provide data on exit payments. Councils will be asked to provide data on all redundancy payments, pension strain payments and other special payments made in consequence of an exit for 2014/15 to 2020/21 by the end of May 2021. The data will be used to inform delivery of the Government’s policy to end excessively high exit payments in the public sector. **On 12 February 2021,** HMT published the Exit Payment Cap Directions 2021 disapplying parts of the Restriction of Public Sector Exit Payment Regulations 2020 with immediate effect, meaning the exit cap no longer applies to exits that take place on or after 12 February 2021. HMT expects employers to pay the additional sums that would have been paid, had the exit cap not applied in respect of employees who left between 4 November 2020 and 11 February 2021. On 25 February 2021, The Restriction of Public Sector Exit Payments (Revocation) Regulations 2021 were made and laid before parliament and will come into force on 19th March 2021. These regulations confirm the effect of the disapplication Directions made on the 12th February 2021 but are not retrospective. Despite this revocation, the Government remains committed to implementing reforms to public sector exits which will have the aim of ending excessive payments and bringing practice more in line with the private sector. We understand that MHCLG plans to introduce further changes to exit payments following the recent MHCLG consultation on reforming local government exit pay, however, they will consult again on any further reforms to exit payments before any changes are made. The Government has not confirmed when the exit cap or further reforms will be introduced but we understand an exit cap may be in force later in 2021.	

Organisation	Item	Details	Status
		On 22 December 2020, three requests for Judicial Reviews of the Restriction of Public Sector Exit Payment Regulations 2020 were given permission to proceed. These requests contest the regulations on a number of grounds, including their effect on the LGPS regulations. It is expected the requests will be heard towards the end of March 2021. MHCLG has confirmed that these hearings will affect the timing of LGPS regulation changes. The LGA understand that these proceedings will prevent any direction by the Pensions Ombudsman on this matter until they are complete although they are seeking clarification on this. **On 16 Nov 2020**, APF obtained legal advice on the best course of action to take in the interim period, until the LGPS regulations are amended to accommodate the cap. As a result of that advice we have taken the decision to offer a member who exceeds the 95k cap the option of taking immediate payment of fully reduced benefits or the option to defer their benefits for payment at a later date. This is also in line with the Government and Scheme Advisory Board recommendations. We have also adopted a partial change in the factors used to calculate pension strain costs following a formal recommendation from our Actuary. New processes are now in place to deal with any cases that arise going forward. **On 30 Oct 2020**, SAB published its legal advice together with a commentary for LGPS administering authorities and scheme employers, which can be found as follows:- https://www.lgpsboard.org/index.php/structure-reform/public-sector-exit-payments **On 28 Oct 2020**, a letter was sent from Luke Hall, the Local Government minister, to all LGPS administering authorities in respect of the implementation of the £95k cap from 4th November recommending a course of action to take in the interim period which is that LGPS members caught by the 95k cap, who would normally be forced to take a fully unreduced pension under regulation 30(7), should be able to elect to receive an immediate but fully reduced pension or, if they do not so elect, a deferred pension plus a lump sum equal to the capped strain cost. **On 15 October 2020**, the legislation implementing the £95k cap on exit payments was signed and therefore will come into force on 4 November 2020. This means that the £95k cap will come into force in advance of the changes to LGPS regulations proposed by MHCLG in the further reform consultation, which will amend the LGPS regulations to provide for the payment of reduced pensions in whole (as is the current provision) and in part. As such, from 4 November	

Organisation	Item	Details	Status
		2020 up to the enactment of the MHCLG further reform proposals, which is expected in early 2021, there is a position of legal uncertainty. This is due to the apparent discrepancy between the obligations on scheme employers under the Cap Regulations to limit strain cost payments, and the requirement for administering authorities to pay unreduced pensions to qualifying scheme members under existing LGPS regulations. The SAB has requested the views of Counsel on the risks of challenge to administering authorities and the obligations of scheme employers during this period of legal uncertainty. **On 7 September 2020**, MHCLG launched a consultation on changes to the Local Government Pension Scheme (LGPS) and Discretionary Compensation Regulations. The consultation covers the required changes to compensation and pension regulations to implement both the £95K exit payment cap as well as public sector exit payments further reform proposals issued by HMT in 2016. The latter proposals were left to individual departments to implement rather than being via central HMT Directions, currently no other part of the public sector has any 'live' proposals to enact the further reform proposals. The MHCLG consultation closes on the 9 November and APF are in the process of formulating a response. At this stage there have been no proposals to implement an exit payment recovery process that was also consulted on in 2015. **On 21 July 2020**, HM Treasury published the Governments response to the consultation on restricting exit payments in the public sector. This was followed by the publication of draft regulations which include a list of employers who will be covered by the cap, which is set at a total of £95,000. Exit payments include redundancy payments, severance payments, pension strain costs and other payments made as a consequence of termination of employment. The Regulations will need to be approved by both houses of parliament and will come into force 21 days after that process is complete. We understand it is the intention that the cap will be in force for the end of the 2020 calendar year. This will affect LGPS members in England and Wales who currently qualify for an unreduced pension because of redundancy or efficiency retirement. It will also apply to members whose employer agrees to the early release of their benefits without actuarial reduction, apart from ill health retirement which is excluded. If the cap is breached, then the member may have to take a reduced pension. MHCLG is looking at options to introduce choice to allow members in this position to opt for a deferred pension instead. We also expect the introduction of a standard strain cost calculation so that the cap will apply equally to members across the country. We are expecting a consultation on changes required to the LGPS regulations imminently.	

Organisation	Item	Details	Status
		Background:- The government first consulted on plans to cap exit payments in the public sector in 2015. On 10 April 2019, HMT launched a consultation called 'Restricting exit payments in the public sector: consultation on implementation of the regulations'. The key points in this latest consultation were as follows:- • No change from the earlier proposal that the maximum exit payment will be £95,000. • The cap will apply to a wide range of public sector employers, including employees of councils in England and Wales, fire authorities, police forces, academies and maintained schools. • The £95,000 cap will include the value of any early retirement strain payments, and it is envisaged that the ability to take an unreduced early retirement pension will therefore be severely restricted in some cases. • Certain employers in the LGPS e.g. Universities and Colleges appear not to be covered which will means members would be treated differently within the LGPS depending on their employer on exit. • As previously indicated, there will be provisions for the cap to be waived in some circumstances. However, the tone of the consultation makes clear that any waiver is expected to be the exception rather than the norm. It was expected that MHCLG will run a separate consultation, which will cover amongst other things the agreement and implementation of a common costing methodology and factors for strain payments. HMT received approximately 600 responses, one of which was from APF, and it was expected that they would publish their response in the autumn of 2019 and look to introduce the cap no sooner than 1 April 2020.	

Government	McCloud Judgment ***back to contents***	Latest Updates:-	Updated
		On 30 May DLUHC published a consultation and draft regulations concerning the McCloud remedy. The consultation closes on 30 June 2023. The consultation seeks views on proposals on non consulted issues such as aggregation, flexible retirement, excess Teacher's service. This follows the Government's response published in April 2023. **On 6 April 2023** DLUHC published their response to the 2020 consultation on amendments to the underpin. Given developments since 2020, whereby issues have arisen that haven't been consulted upon, a further consultation will be issued by DLUHC in the near future, seeking views on these issues (e.g. compensation interest, excess teacher service etc.), alongside issues from the original consultation where a final decision has yet to be taken (e.g. aggregation, flexible retirement) and also on the draft regulations themselves, which will come into force on 1 October 2023 (backdated to 1 April 2014). Alongside the response in collaboration with the Scheme Advisory Board, DLUHC published a member factsheet summarising the remedy. With effect from **6 April 2023** the Public Service Pension Schemes (Rectification of Unlawful Discrimination) (Tax) Regulations 2023 became effective, although only have practical effect once the LGPS Regulations setting out the remedy come into force. To assist administering authorities determine what action they need to take in relation to these Regulations the LGA issued a guide in March 2023 setting out commentary and further guidance. **On 3 March 2023** the Scheme Advisory Board issued guidance to administering authorities setting out what options administering authorities should consider if they are unable to collect the data required to implement the McCloud remedy, or where the data available is deemed to not be accurate. Following on from the comment below, a survey was issued by the Teachers' Pension Scheme, requiring assistance from administering authorities, in relation to the group of teachers who will be retrospectively eligible for LGPS membership as part of the McCloud remedy in the Teachers' Scheme. The Fund responded before the survey closed on 30 April.	

		Previous Updates: The SAB hope to issue their data issues guidance to assist administering authorities by **the end of February 2023**. On **6 February 2023** The Public Service Pension Schemes (Rectification of Unlawful Discrimination) (Tax) Regulations 2023 were laid and become effective from 6 April 2023. In **January 2023,** with regard to the retrospective eligibility for the LGPS for Teachers as referred to below, the DfE is to begin contacting relevant schools to confirm employment status of members during the remedy period. On **6 January 2023** the LGA responded to the HMRC consultation below. A copy of their response can be found here. On **14 December 2022** HMT made the Public Service Pensions (Exercise of Powers, Compensation and Information) Directions 2022 which came into effect on 19 December 2022. The Directions set out how certain powers in the Public Service Pensions and Judicial Offices Act 2022 must be exercised e.g. linked to the payment of compensation/interest etc. The making of the Directions enables relevant departments to start consulting on regulations. On **24 November 2022** HMRC launched a consultation on how pension tax will apply to members protected by the McCloud remedy in order to seek views on draft legislation – The Public Services Pension Schemes (Rectification of Unlawful Discrimination) (Tax) Regulations 2023 – which would become effective from 6 April 2023 (with some provisions having retrospective effect). Not all provisions within the draft legislation cover the LGPS given the legislation covers all public service pension schemes and the LGPS remedy is very different. The draft legislation (relevant to the LGPS) includes annual allowance treatment, individual/fixed protection for lifetime allowance considerations, and comment in a number of areas in relation to benefit adjustments and It has been confirmed that the implementation of the McCloud remedy in the Teachers Pension Scheme (TPS) will have implications for the LGPS given that some teachers will be retrospectively eligible for LGPS membership during the period 1 April 2015 to 31 March 2022.	

		Eligibility would be for those teachers who had a part-time employment, in addition to a full-time employment, given the part-time role would not have been pensionable in the TPS legacy scheme. In such cases the member would have been enrolled into the LGPS. An administrative process, for dealing such cases, will be needed and the LGA will work together with the DfE and DLUHC on this matter. SAB are currently working on guidance for Funds to follow in situations where data provided by employers is incomplete/inconsistent. It has been confirmed that this guidance will take precedent over any subsequent guidance issued by DLUHC. Legal input is also being sought as part of this process. In addition, it is now expected that the timescales referred to in the July update below from DLUHC, prior to the Regulations coming into force on 1 October 2023, may slip further back, thus reducing the time for stakeholders to respond and prepare for implementing the Regulations accordingly. **On 27 July 2022** on behalf of DLUHC, LGA issued an update to administering authorities and software suppliers in England and Wales. This confirmed that: • The Government's response to the 2020 consultation would be published later in 2022. • The SAB would resume McCloud Implementation Groups • DLUHC would publish an updated version of draft regulations implementing the McCloud remedy, reflecting new powers of the Public Sector Pensions and Judicial Offices Act 2022, technical feedback and changes in policy. A further period of consultation would take place in early 2023 with regulations being made later in 2023 and coming into force on 1 October 2023. • Statutory guidance on the implementation of McCloud will also be issued in 2023 following consultation. **On 22 March 2022,** a letter from Teresa Clay, Head of Local Government Pensions at DLUHC was forwarded to administering authorities setting out DLUHC's recommendations on how the impact of the McCloud Judgment should be taken into account as part of the 31 March 2022 actuarial valuation. The recommendations were in line with the treatment already incorporated into the 2019 valuation outcomes for the Avon Fund and hence no significant changes in approach/outcome are expected in 2022.	

		On 10 March 2022 the Public Sector Pensions and Judicial Offices Bill received Royal Assent. The next stage in the process will therefore be for Regulations for each of the Public Sector Schemes to be released together with a consultation on draft guidance to assist Funds in implementing the remedy. Both are currently expected prior to parliamentary recess in the Summer. Further details of Bill itself, can be found here. **On 9 March 2022** the amendments proposed in the House of Commons were considered and passed by the House of Lords and the Bill now awaits Royal Assent. **On 22 February 2022** the Bill reached report stage and subsequently had its third reading with the final list of amendments being debated (see Responsible Investment Section). **On 18 February 2022,** further amendments to the Bill were laid from a number of parties albeit only those relating to McCloud (or those laid by the government) were expected to be passed given the importance of the Bill to be passed by 31 March. **On 27 January 2022,** the Public Sector Pensions and Judicial Offices Bill entered Committee Stage. **On 21 January 2022,** in advance of moving to Committee Stage in the House of Commons, the Government tabled further amendments to the Public Sector Pensions and Judicial Offices Bill. As expected, the key amendment in relation to the LGPS was to extend the scope of the remedy (by redefining "remediable service") to those members not in pensionable service on 31 March 2012 but in service before then. Other amendments relevant to the LGPS extended the types of schemes where pensionable service would not count as a disqualifying break, and to allow the final regulations to make provisions in a number of areas, namely in relation to transfers in, pension credits and debits, Teachers qualifying for the LGPS and also compensation and interest payments. **On 7 January 2022** whilst not impacting the LGPS at present, a Judicial Review claim submitted by the Police Superintendents' Association (PSA) in relation to the consultation process in relation to the McCloud Judgment conducted by HM Treasury in the summer 2020 was	

		dismissed, although some of the grounds of the claim were ruled arguable and the Judge ruled that there had been legal errors in the decision making process following the consultation. The full judgment can be found here. The PSA has since announced it will seek leave to appeal to the Court of Appeal. **On 6 December 2021,** Following the Committee and Report Stages, the Public Sector Pensions and Judicial Offices Bill got its third reading in the House of Lords to complete its passage through the House and subsequently got its first reading in the House of Commons on **7 December 2021,** followed by its second reading on **5 January 2022.** **On 11 October 2021,** The Public Sector Pensions and Judicial Offices Bill moved to Committee Stage. The Report stage will take place on 29 November 2021. It is now expected that any amendments made by the Government in relation to the LGPS and how the remedy will be implemented will emerge at the House of Commons Committee Stage. Funds have also been encouraged to collect data on all members who were active on/before 31 March 2012, not just those on 31 March 2012 given the potential for scope to change as part of the amendments referred to above. Further details on the timing, and the Bill itself, can be found here. Once the Bill eventually receives Royal Ascent, Regulations for each of the Public Sector Schemes will be released. This is expected in Spring 2022. There will also be a consultation in Spring/Summer 2022 on draft guidance to assist Funds in implementing the remedy. **On 8 October 2021** the Fire Brigades Union and the Local Government Association issued a Memorandum of Understanding and Framework setting out a mechanism to handle "Immediate Detriment" cases emerging from the McCloud Judgment in relation to the Firefighter Schemes in a consistent manner. Whilst this does not immediately impact the LGPS, there will be an impact on the Fund's available resource in the short-term whilst such cases are considered, which will need to be managed. **On 7 September 2021,** The Public Sector Pensions and Judicial Offices Bill got its second reading in the House of Lords.	

		On 19 July 2021, The Public Sector Pensions and Judicial Offices Bill got its first reading in the House of Lords. The Bill makes provision to rectify the unlawful age discrimination identified by the McCloud Judgment. Chapter 3 of Part 1 of the Bill confirms which members will be in scope in the LGPS and what service is 'remediable'. Enabling legislation will allow for scheme regulations to be changed to formally implement the McCloud remedy. The second reading of the Bill will take place in the House of Lords on 7 September 2021. **On 13 May 2021,** MHCLG published its Written Ministerial Statement setting out the government's high level objectives on how the remedy to the McCloud Judgment will be applied. The statement can be found here. **On 8 October 2020** APF issued their response to the consultation which was included as an appendix to this report at the December meeting The SAB response to MHCLG's consultation is available to view in the following location:- http://lgpsboard.org/images/PDF/letters/SAB_FINAL_MCCLOUD_RESPONSE.pdf The notes from the SAB meeting in August advised that their response would include representations to allow the LGPS regulations to be on the statute book ahead of those of the unfunded public service pension schemes, where the coming into force date is expected to be Spring 2022. LGPS remedy regulations will not have to wait for changes in primary legislation so different timescales should be possible. Getting LGPS McCloud regulations in place sooner will give all parties more opportunity to put processes in place before they come into effect in 2022. The Board also agreed that work should commence on central guidance on how the regulations are to be applied and how individual cases of poor or missing member data should be handled. **On 16 July 2020**, MHCLG published a consultation on amendments to the statutory underpin which are designed to remove age discrimination from the LGPS, see link here. In summary, the consultation proposes that qualifying members, all who were active in 2008 scheme on 31st March 2012 and accrued benefits in the 2014 scheme without a disqualifying break, would be protected by the application of a revised underpin which will be applied retrospectively for those who have already left the scheme. The consultation runs until 8th October 2020 and we are currently in the process of formulating a response.	

		At the SAB meeting in February, the Board agreed to create two working groups to help implement the outcome of the McCloud judgment for the LGPS. These will be a small policy group to help MHCLG consider areas of policy not determined by HMT and a larger implementation group made up of practitioners, member representatives, actuaries, software providers and employers. They will consider the challenges of implementing and communicating the scheme changes. Due to differences in LGPS transitional protection, MHCLG are planning to undertake an LGPS specific consultation on the regulatory changes required to address McCloud. We are expecting the consultation to begin late June / early July 2020. **Background:-** The McCloud/Sargeant cases concern the transitional protections provided to older members of the judges and firefighter pension schemes following their reform in 2015 as part of the public sector pension scheme changes. In December 2018, the Court of Appeal found the transitional protections to be unlawful on the grounds of age discrimination. In June 2019, the Supreme Court denied the Government's request for an appeal and as such the case was returned to an Employment Tribunal for remedy. In July 2019, the Chief Secretary to the Treasury announced in a written statement that 'the government believed that the difference in treatment will need to be remedied across all public sector schemes, including the LGPS'. As such, the SAB agreed to establish two working groups, one to assist MHCLG in considering any areas of policy not centrally determined and the second to consider the challenge of implementing and communicating any changes. A consultation, including draft legislation, is expected in the Spring, although there is likely to be a need for changes in primary legislation that may take some time. You can find a dedicated 'Cost Management' page on the SAB website as follows:- http://lgpsboard.org/index.php/structure-reform/mccloud-page	

SAB	LGPS Cost Management Process ***back to contents***	Latest Updates:-	Updated
		On 30 March 2023 the Chief Secretary to the Treasury issued a written ministerial statement that announced that the Superannuation Contributions Adjusted for Past Experience (SCAPE) discount rate had been reduced to a real rate of 1.7% per annum above CPI, from the previous real rate of 2.4% per annum. This change has direct implications on all public sector schemes given it's used by GAD to set actuarial factors (alongside setting employer contribution rates in the unfunded schemes). Some member calculations are currently suspended whilst factors are reviewed, which will have administrative implications for LGPS Funds. At the same time a response to the June 2021 consultation on the methodology for deriving the SCAPE discount rate was also published. This confirmed that the rate will continue to based on long term gross domestic product (GDP) growth figures with an aim to review the rate every four not five years going forwards in line with the scheme valuation cycle. **On 10 March 2023** the applications for the Judicial Review (referred to below) in relation to the cost cap Mechanism were dismissed by the High Court in both claims after the judge ruled that the Government's decision to include the McCloud remedy in the cost to be compared against the target cost, was not unlawful. Whilst the judge refused permission to appeal, it's expected that both unions will apply for permission to appeal directly to the Court of Appeal. The full judgment can be found here. The Scheme Advisory Board has requested its legal advisor, Eversheds, to provide summary comment on the judgment. **On 6 March 2023** the Scheme Advisory Board submitted its response to DLUHC's consultation on reforms to the SAB scheme cost management process (which operates independently of, and prior to, HMTs directed cost management process. Given DLUHC had taken on many of the points previously raised by the Board to better align the SAB and HMT processes, the response was generally supportive of the DLUHC approach being taken.	
		Previous Updates:- **On 31 January 2023** The Judicial Review (brought by the British Medical Association and the Fire Brigades Union) over the government proposed method of paying for costs incurred by the	

McCloud Judgment began. The outcomes of this review may have implications for the LGPS and the outcomes of the 2016 cost management process that were announced in 2022.

On 30 January 2023 DLUHC published a consultation setting out proposed updates to the SAB cost management process for the LGPS. This follows from GADs report into the HMT cost management process and the resulting policy and legislative changes that followed (see July 2022 comment below). The proposed changes that are being consulted on are:

- A requirement to undertake the LGPS Scheme Valuation on a 4 yearly cycle rather than 3, thus bringing it into line with other public service schemes. (N.B. This doesn't change the requirement to undertake individual LGPS Fund valuations on a triennial basis.)
- Incorporating more flexibility if the SAB decide to make recommendation on costs.
- Ensuring the SAB is consulted on the technical accuracy of any changes in regulations that may be needed to incorporate the new "economic check" mechanism into the updated HMT cost management process, prior to implementation.

The consultation ends on 24 March 2023.

A response to the consultation in June 2021 in relation to potential changes to the SCAPE discount rate is expected in the near future. As referenced below, any changes would impact the LGPS given it is used by GAD to produce actuarial factors e.g. early retirement etc. and therefore there will be administrative/communication implications of any changes once they come into effect.

On 13 July 2022 – HMT laid The Public Service Pensions (Employer Cost Cap and Specified Restricted Scheme) Regulations 2022, which became effective from 3 August 2022.

The new Regulations follow on from the review undertaken by HMT in 2021 where three changes were announced (see 4 October update below). The new regulations implement a change to the corridor in which scheme costs must remain before corrective action is taken and amend this corridor from 2% to 3%. The intention is that all three changes will be in place for the 2020 cost cap valuation.

On 4 July 2022, The Fire Brigades Union and British Medical Association were given permission to judicially review the Government's decision to include the cost of the McCloud remedy in the 2016 cost control valuations. Whilst the case will look at the Firefighters' and NHS Pension

		Schemes, the outcomes may have implications for the LGPS and other public sector pension schemes given the approach followed. **On 29 June 2022** GAD published the results of the first cost cap valuation for the LGPS in England and Wales. The valuation calculated the cost cap cost of the scheme using HM Treasury's valuation directions, as at 31 March 2016. As referred to above, the cost cap rate included the McCloud remedy costs. The report concluded that the cost cap rate for the LGPS in England and Wales was 14.6%, which was 1.2% below the target cost. This means that that no changes to benefits or member contributions would be required as there was no breach of the 2% corridor. **On 15 December 2021,** six trade unions (the Public and Commercial Services Union, The Fire Brigades Union, the GMP Union, the Royal College of nursing, Unite and the POA Union) filed for a joint judicial review to prevent the Government imposing the cost of the McCloud remedy on their members. The outcomes of this review may have implications for the LGPS if upheld. **On 4 November 2021,** the FBU has issued a formal letter before claim for Judicial Review proceedings against the Government with regard to the inclusion of the McCloud Judgment in the 2016 cost management process. This is likely to be heard in the middle of next year. If upheld, there may be implications for the LGPS. Further details can be found here. **On 15 October 2021,** the SAB published the outcomes of its own 2016 valuation cost management process (following confirmation from HMT on the cost control directions). Full details of the process can be found here and confirmed that there would be no change to benefits emerging from the process once allowance for the McCloud Judgment had been taken into account. However, the SAB has formally commented now that it will still be seeking to review Tier 3 ill-health benefits and employee contributions for the low paid in the future, outside of the cost management process. DLUHC, SAB, GAD will be considering how the revised principles of the HMT process will apply to SAB's own process in readiness for the 2020 valuation assessment being undertaken.	

		On 7 October 2021, HMT published the Public Service Pensions (Valuations and Employer Cost Cap) (Amendment Directions) 2021 which allow public sector schemes to conclude their 2016 valuations by setting out how they will carry out the cost control element of these valuations. **On 4 October 2021,** HMT responded to the consultation on the cost control mechanism. The response can be found here and confirmed that: • The mechanism would be changed so that it only covers the reformed schemes. • The corridor would be widened from 2% to 3%. • There would be the introduction of an "economic check" so that when the corridor is breached, a further check of broader economic conditions would be carried out before any breach would be implemented. Whilst not directly addressing concerns raised by LGPS stakeholders (in particular with regard to how the economic check will be carried out for the LGPS), there is an acknowledgement from HMT to discuss these further and agree the appropriate way these changes can be introduced (alongside consideration of how the changes will impact the SAB cost management process, and also how similar changes can be affected in Scotland and Northern Ireland). A response to the consultation on the methodology used to set the SCAPE discount rate is still awaited. **On 19 August 2021,** the SAB published its response to the consultation on the cost control mechanism. The response can be found here Similarly, LGA published its response to the consultation on the discount rate, which can be found here. **On 24 June 2021** a Written Ministerial Statement was laid which announced the publication of two consultations. The first was about proposed reforms to the cost control mechanism and covered 3 main areas: • A change to the mechanism so that it only covers the reformed schemes. • A widening of the corridor from 2% to 3%. • The introduction of an "economic check" so that when the corridor is breached, a further check of broader economic conditions would be carried out before any breach would be implemented.	

		The second consultation was about the discount rate used in valuations of unfunded public service pension schemes and potential changes to the SCAPE methodology used. Whilst primarily impacting the other public sector schemes (given the SCAPE discount rate is used to determine contribution rates) any changes would impact the LGPS given it is used by GAD to produce actuarial factors e.g. early retirement etc. Both consultations closed on 19 August 2021. We understand that this is to be one of the main topics of discussion at the meeting of the SAB which took place on 10 May 2021 and await further information of the outcome of these discussions. **At the SAB meeting in November,** the Board was reminded of the decision it took when it last met in August to un-pause its own cost cap arrangement until HM Directions including proposals on how McCloud costs are going to be taken into account are published over the coming months. Members were also advised that the Government Actuary's Department is undertaking a review of the cost cap arrangement but that it is unlikely to have any impact on the outstanding 2016 cost cap process or the forthcoming 2020 process. The Government announced updates on the 2016 valuation and cost control mechanism for the unfunded public sector pension schemes advising that the cost control element of the 2016 valuations will now be completed incorporating the cost of implementing the McCloud remedy. There will be no reduction to member benefits as a result of completing the 2016 valuation if the cost ceiling is breached. However, if the cost floor is breached, this will be honoured by implementing increases in benefit accrual and/or reductions in member contributions backdated to 1 April 2019. **The notes from the SAB meeting in August** advise that, unlike the HMT arrangement, there is no compulsion on SAB to include McCloud costs in their cost management arrangement. However, it was agreed that no decision should be taken until the HMT Direction, on how McCloud costs are to be considered, is published early next year. In principle, the Board agreed that the LGPS cost cap arrangement should be un-paused in the same way as the HMT arrangement, but no action should be taken until more details are known.	

		At the National Technical Group in October, MHCLG further updated that once the McCloud remedy is agreed, the value of scheme member benefit is likely to increase for many members. The cost control mechanism was designed to include the cost of these and they will be included in the completion of the cost control process. How best to do this in the LGPS will be decided once the remedy details are decided. **On 16 July 2020** the Government made an announcement confirming that the cost control mechanism pause will be lifted, and the cost control element of the 2016 valuations process will be completed for all public service pension schemes. The objective would be to complete the process by next year, taking into account the cost of the proposals to remedy age discrimination as set out in the McCloud consultations which were published that same day. The SAB are currently considering its position on the SAB employer cost cap process now that the proposals to rectify age discrimination for the LGPS are available. **In April 2020** four unions including the FBU and the GMB filed court proceedings against the Government claiming that the pause in the cost control mechanism is unlawful. The unions are arguing for an improvement in member benefits as a result of the valuation results. **On 17 October 2019** GAD issued a formal request for valuation data as at 31 March 2019 as part of the cost management process that is due to be carried out in 2020. APF data was submitted to GAD ahead of the deadline of 18 November 2019. **On 14 May 2019** SAB published an advice note covering the implications of McCloud/Cost Cap in relation to the 2019 fund valuations. **Background:-** One of the Board's statutory duties, under the regulations, is to introduce and maintain a process to manage costs in the scheme alongside the process introduced by HM Treasury for all public service schemes. You can find a dedicated 'Cost Management' page on the SAB website as follows:- http://lgpsboard.org/index.php/structure-reform/cost-management	

		In September 2018, SAB members were provided with a summary of the statement regarding the scheme valuations for all of the public service pension schemes, including the LGPS, which showed that the cost cap floor had been breached and as a result member benefits would need to be improved. SAB therefore put together a working group responsible for agreeing a package of benefit changes to return the scheme to its total target cost, while also looking at employee contributions at the lower end. It was intended that the resultant package would be put to the full SAB for agreement to ensure that scheme changes could be on the statute book by April 2019. However, in January 2019 the Government announced a pause in the cost management process for unfunded public sector schemes due to uncertainty caused by the McCloud court ruling on elements of the 2015 scheme reforms. In February, SAB learned that this applied equally to the LGPS and as such it had no option but to pause its own cost management process pending the outcome of McCloud. As a result there were no changes to benefits planned in respect of the cost cap and instead this situation would be reviewed once McCloud was resolved.	

SAB	**Good Governance in the LGPS** ***back to contents***	**Previous Updates:-** A consultation on the recommendations outlined in the Good Governance report is expected in the early 2023. Alongside the main recommendations it is expected that the consultation will also cover a requirement for administering authorities to formulate and implement a formal workforce strategy policy. **On 15 February 2021,** the Scheme Advisory Board published Good Governance: Phase 3 Report which was produced by the Hymans Robertson project team. The Phase 3 report, link here, provides further details on some of the recommendations that were included in the Phase 2 Report. The Board agreed that the Chair should submit the Board's Good Governance Action Plan, link here, to the Local Government minister for consideration. **At the SAB meeting in August 2020**, Hymans updated the Board that draft papers on how the recommendations set out in the Phase II report are to be implemented, will be completed by the end of September 2020. The Board will consider these drafts when it meets in November 2020. If approved, the Board will then consider the process and timing of implementation. **In April 2020**, a virtual meeting of the chairs of the SAB and its two committees was held and it was agreed that Hymans work on Phase III of the Good Governance project should proceed on a limited basis due to COVID-19. They should continue to prepare papers for the SAB's consideration based on discussions already undertaken with the implementation group. However, they should avoid engaging with members of the implementation group, or local government in general at this time. **In February 2020**, the Board agreed that an implementation group, comprising the two former working groups, should be established immediately to prepare a detailed implementation plan for consideration at their next meeting. **In November 2019**, a draft Phase II report into the findings of both working groups was made available to the Board who considered it and agreed that it should be published with comments invited from scheme stakeholders. The report made recommendations for new standards of governance and administration and proposed how they could be measured and assessed independently. The recommendations covered the areas below:	**No Further Updates**

- general governance
- conflicts of interest
- representation
- skills and training
- service delivery for the LGPS function
- compliance and improvement

You can find the report as follows:-

http://lgpsboard.org/images/PDF/HymansRobertson_GoodgovernanceintheLGPS_Phase-II_November2019.pdf

Comments on the phase II report were invited to be sent and APF issued a response to this in January 2020 concluding that overall, we were still unsure of the specific problems attempting to be addressed through some of the proposals. It seemed that another layer of governance was being added because there are some local issues around the effectiveness of Local Pension Boards or Fund Administrations. Maybe the Pension Regulator could intervene and deal with these issues as demonstrated in its own recent engagement report. Within the recommendations there were still a lot of 'shoulds' or 'coulds' whereas regulation and a definitive set of standards monitored by the Pension Regulator would be more effective.

In April 2019, Hymans launched the Good Governance Project Survey to capture as many views as possible from those working within the LGPS with the findings forming the basis for a report which was presented to the SAB in July 2019, you can find the report as follows:-

http://lgpsboard.org/images/PDF/GGreport.pdf

Work to develop a detailed plan then began and two working groups were established, one to focus on defining good governance outcomes and the guidance needed to clearly set them out and the other to focus on options for the independent assessment of outcomes and mechanisms to improve the delivery of those outcomes.

Background:-

		Previously known as the separation project which was developed to identify the potential benefits of further increasing the level of separation between the host authority and scheme manager role. In November 2018, the project was awarded to Hymans Robertson and was also re-named to "Good Governance in the LGPS" which better reflected the aims and ambitions of the project to enhance the delivery of the function within local authority structures.	

SAB	**Tier 3 Employers** ***back to contents***	**Previous Updates:-** **At the SAB Meeting in May 2020**, members were advised that the working group set up to take this work forward has not been able to meet but discussions with MHCLG are being progressed. **At the SAB Meeting in Jan 2019**, the Board was advised that the work of the third tier employers' project working group had been put on hold due to competing priorities. **In Sept 2018**, a final version of the Aon report was published and can be found as follows:- http://lgpsboard.org/images/PDF/Tier_3_employers_in_the_LGPS_FINAL.pdf **At the SAB meeting in Jun 2018**, Aon presented members with a summary of the final draft report. The Board was anxious to point out that the report makes no attempt to make any recommendations, instead, it outlines a range of issues raised by stakeholders and how they envisage these concerns being resolved. The Board agreed that the report should be published and that a small working group of Board members will be established to review the concerns expressed by third tier employers in the report and the ways in which they could be resolved. The working group will be tasked to report back to the Board later in the year with a set of recommendations for further consideration. Once approved, scheme stakeholders will be given the opportunity to comment on the Board's recommendations before any formal approach is made to MHCLG Ministers for changes to the scheme's regulations or guidance. **Background:-** As part of its work plan for 2016/17, SAB wanted to identify the potential funding, legal and administrative issues and liabilities relating to admitted and scheduled bodies that do not benefit from local or national tax-payer backing (Tier 3 employers). The work was split into two concurrent phases: 1) The Board was to work with LGPS administering authorities to gather data regarding the number, membership, liabilities and covenants of these employers.	**No Further Update**

		2) Separately the Board appointed Aon to assist it in further analysis in this area. You can find a dedicated 'Tier 3 Employers' page on the SAB website as follows:- http://lgpsboard.org/index.php/structure-reform/tier-3-employers	

DLUHC	**Consultation on Fair Deal** ***back to contents***	**Previous Updates** **On 19 October 2022** the SAB Chair wrote to the DLUHC minister Paul Scully to request an update on the Fair Deal policy and whether the policy was under active consideration. A response to the letter is awaited. **On 10 December 2019,** a representative from MHCLG provided the following update to the LGPS National Technical Group "The analysis of consultation response has been completed. Officials have started to draft the government response but the content of that is still conditional on some further ministerial decisions that will need to be taken once the new government is formed". **Background:-** In Jan 2019, MHCLG launched a policy consultation and draft regulations on 'Fair Deal – strengthening pension protection' in the LGPS. The consultation contained proposals to strengthen the pension protections that apply when an employee of a LGPS employer is compulsorily transferred to the employment of a service provider. The proposed amendments to the LGPS Regulations 2013 would, in most cases, give transferred staff a continued right to membership of the LGPS. These changes are intended to bring the LGPS in line with the government's October 2013 Fair Deal guidance that applies in relation to transfers from central government. MHCLG received around 79 responses, one of which was from APF.	**No Further Updates**

HMT	**Written Ministerial Statement on Survivors Benefits** ***back to contents***	**Previous Update:-** **On 26 August 2022** the SAB Chair wrote a letter to Paul Scully, the new DLUHC minister, recommending reform of the LGPS rules on death grants and survivor benefits to address current discrimination and to "future proof" Scheme benefits against future legal challenges. **In July** 2022 Following regulatory changes in Scotland in relation to survivor benefits, in July 2022 guidance has now been issued by the LGA to administering authorities in Scotland on how to implement the regulatory changes. Guidance from DLUHC on what action administering authorities should take is expected to emerge in the coming months (perhaps following conclusion of the remedial work being undertaken / consulted on in relation to McCloud). Any required action to deal with these cases e.g. Goodwin etc. could have further administrative resource implications for the Fund. **On 20 Jul 2020**, the Chief Secretary to the Treasury made a written statement on public service pensions, survivor benefits for opposite–sex widowers and surviving male civil partners. The statement was in relation to a Teachers Pension Scheme Employment Tribunal case where male survivors of female scheme members remain entitled to a lower survivor benefit than a comparable same-sex survivor and confirmed that government believes that this difference in treatment will also need to be remedied in those other public service pension schemes, where the husband or male civil partner of a female scheme member is in similar circumstances. We await guidance from MHCLG on what action administering authorities in England and Wales should take.	**No Further Update**

DLUHC	**Consultation on LGPS Local Valuation Cycle and the Management of Employer Risk** ***back to contents***	**Previous Updates:** **On 1 November 2022,** although not directly linked to the consultation below, the Scheme Advisory Board issued a statement in relation to the employer contributions emerging from the 2022 actuarial valuation exercise requesting that administering authorities and employers have regard to desirability of long-term stability in pension contributions when considering reductions in employer contributions emerging from the valuation would be desirable. **On 27 May 2021,** following a judicial review, a High Court Judge rejected the claim that challenged the lawfulness of the LGPS regulations introduced in 2020 that extinguished a contractors' right to Local Government Pension Scheme "exit credits" with retrospective effect. Full details of the ruling can be found here. One of the recommendations from the ruling was for Funds' policies to not explicitly rule out the payment of an "exit credit" on the sole basis that risk sharing arrangements with the letting employer existed. **In April 2021,** the Fund published its updated Funding Strategy Statement (FSS) following a consultation exercise with employers to outline proposed changes to the FSS to allow for the regulatory changes referred to below linked to employer flexibilities. The updated FSS can be found here. **On 2 March 2021**, MHCLG published statutory guidance to assist LGPS administering authorities and scheme employers in implementing and operating the regulations on employer flexibilities introduced in September 2020. More detailed guidance prepared by the Scheme Advisory Board, to be read in conjunction with MHCLG's statutory guidance, was published on 22 February 2021. MHCLG are defending two claims for judicial review challenging the 2020 amendment to the LGPS Regulations on the payment of exit credits. The claimant in the Northants case was granted permission by the court on 12 November to proceed to a full hearing and the case is listed to be heard in March. **On 2 December 2020,** the secretariat to the SAB emailed pensions managers for comment on a draft guide to employer flexibilities. This was prepared by the SAB in conjunction with	**No Further Updates**

		representatives from administering authorities and scheme employers. The purpose of the guide is to provide operational and practical assistance to administering authorities and employers when implementing employer flexibilities introduced by the Local Government Pension Scheme (Amendment) (No. 2) Regulations 2020. APF issued a response on 7 January 2021. **On 26 Aug 2020**, MHCLG published a second partial response to this consultation covering greater flexibility on employer exit payments and the ability to review employer contributions between valuations. The LGPS (Amendment) (No.2) Regulations 2020 provided for the changes and came into effect from 23 September 2020. A working group has been established by MHCLG to prepare statutory guidance, to accompany the regulations, to assist with the necessary revisions required to Funding Strategy Statements A further response will be made by MHCLG in relation to the other proposals in the consultation (changes to the local fund valuation cycle, interim valuations and the status of further education, sixth form college and higher education corporations in England and Wales) in due course. **On 27 Feb 2020**, MHCLG published a partial response to this consultation covering the proposals on exit credits only. MHCLG will submit a further response to the other proposals covered by this consultation in due course. The response confirms that the majority of respondents supported the proposal to allow administering authorities to take account of an employer's exposure to risk when calculating an exit credit. The Local Government Pension Scheme (Amendment) Regulations 2020 giving effect to these proposals were laid in Parliament and came into force on 20 March 2020. **Background:-** In May 2019, MHCLG launched a 12 week consultation on policy proposals to amend the rules of the Local Government Pension Scheme 2013 in England and Wales. It covered the following areas: 1. Amendments to the local fund valuations from the current three year (triennial) to a four-year (quadrennial) cycle	

		2. A number of measures aimed at mitigating the risks of moving from triennial to quadrennial cycles 3. Proposals for flexibility on exit payments (Update - Resolved following second partial response to consultation in Aug 2020 and Amendment Regulations in Sept 2020). 4. Proposals for further policy changes to exit credits (Update - Resolved following partial response to consultation in Feb 2020 and Amendment Regulations in Mar 2020). 5. Proposals for policy changes to employers required to offer LGPS membership MHCLG received around 280 responses, one of which was from APF.	

HMT	**Equalisation of GMPs in public service pension schemes** ***back to contents***	**Previous Updates:-** Following discussions between MHCLG and GAD, MHCLG are now liaising with HMT to determine how retrospective adjustments to CETV payments should be applied in public sector schemes and further guidance is awaited on this specific matter. A consistent approach is preferred. **On 20 November 2020,** the High Court ruled that trustees who do not equalise a member's GMP benefits at the time of calculating a cash equivalent transfer value (CETVs) have committed a breach of duty. Defined benefit schemes providing GMPs should revisit historic CETVs made in the past 30 years and top them up where necessary. The judgment does not force organisations to actively correct all pensions transfers; however, employers may look to do so to avoid legal proceedings from members affected. We await further guidance from MHCLG and GAD on how GMP equalisation will be achieved in the LGPS. **Background:-** **On 26 October 2018**, Mr Justice Morgan handed down judgment in Lloyds Banking Group Pensions Trustees Limited v Lloyds Bank PLC, HBOS PLC, Angela Sharp, Judith Cain, Susan Dixon, Secretary of State for Work and Pensions and HMT. The High Court has held that schemes must equalise the discriminatory effects of GMPs and that this can be achieved using several methods. At the time, HMT confirmed that the judgement "does not impact on the current method used to achieve equalisation and indexation in public service pension schemes".	**No Further Updates**

HMT	**Indexation of GMPs in public service pension schemes** ***back to contents***	**Previous Updates:-** **On 23 March 2021,** the Government published its response to the consultation on Guaranteed Minimum Pension (GMP) Indexation in Public Service Pension Schemes (PSPS). The response concludes that the Government has decided to discount conversion as a long-term policy solution and make the interim solution the permanent solution for GMP indexation in PSPS. This approach will mean that PSPS will be directed to provide full indexation to those members (including survivors) with a GMP (or inherited GMP in the case of a survivor), reaching State Pension age (SPa) beyond 5 April 2021. The accompanying HM Treasury Direction (issued under section 59A of the Social Security Pensions Act 1975), implementing the decision, has been updated. The updated direction commenced on 6 April 2021 and applies in England, Scotland and Wales. **On 21 December 2020,** the LGA and the LGPC submitted a joint response to the consultation setting out their view that they do not consider an extension of full indexation until April 2024 to be enough time, and that they believe it should either be extended for as long as possible, potentially until April 2030, or be made the permanent solution. Their main reason for this response being that the administrators of public service pension schemes are currently undertaking large programmes of work which are unlikely to be completed much before April 2030. A government response on the consultation is expected by April 2021. **On 7 October 2020,** the government published a written ministerial statement and consultation on how it proposes to ensure it continues to meet these past commitments to public service employees regarding the full indexation of public service pensions, including for any related GMP element for members of public service pension schemes. The consultation, which closes on 30 December 2020, considers the policy options available to the government and proposes to extend the interim solution until at least April 2024 or to make it a permanent solution. A link to the consultation can be found as follows:- https://www.gov.uk/government/consultations/public-service-pensions-guaranteed-minimum-pension-indexation-consultation	**No Further Update**

		In Feb 2020, HMRC published a newsletter on GMP equalisation. HMT are working with MHCLG to assess if GMP equalisation must apply to LGPS members' benefits and will notify administrators of the outcome in due course. **Background:-** On 6 April 2016, the government introduced the new State Pension (nSP). The reformed system simplified pension provision but removed the mechanism that enabled those public servants in 'contracted-out' employment between 1978 – 1997 to have their Guaranteed Minimum Pension (GMP) fully price protected. On 1 March 2016, the government announced that public service pensioners reaching SPa after 5 April 2016 and before 6 December 2018, would have the GMPs earned in public service fully indexed by the public service pension scheme. The government then launched a consultation to consider whether public service pension schemes should pay full indexation on GMP earned while a member of a public service pension scheme, for someone who reaches SPa after 5 December 2018. In Jan 2018, HMT published its response to the consultation directing that the "interim solution" between 6 April 2016 and 5 December 2018 be extended for a further two years and four months. This will cover those members of public service schemes with a GMP who reach state Pension Age on or after 6 December 2018 and before 6 April 2021. During this period, the government will investigate the possibility of an alternative long-term methodology, known as "conversion".	

Government	**Pension Schemes Bill** ***back to contents***	**Previous Updates:-** **In November 2021,** following on from the Pension Schemes Act 2021, the Occupational and Personal Pension Schemes (Conditions for Transfers) Regulations 2021 were laid and came into effect from 30 November 2021. The regulations introduce further legal restrictions on a member's statutory right to transfer and further guidance and draft documentation has since been produced by TPR and the LGA to assist administering authorities with fulfilling their duties to ensure the requirements set out on the regulations are met. **On 11 February 2021**, the Pension Schemes Act 2021 received Royal Assent and the provisions within the Act will come into force when the Secretary of State makes regulations for them to do so. The Act paves the way for the creation of Pensions Dashboards and the introduction of new powers for TPR concerning employer debt. It also introduces a requirement to assess, manage and report on climate related risks and extra conditions that members must satisfy before they are able to transfer out their LGPS benefits. The provisions of the Act that will affect the LGPS in the main are:- Climate risk reporting On 27 January 2021, the Government launched a consultation on regulations entitled 'Taking action on climate risk: improving governance and reporting by occupational pension schemes' which ran until 10th March 2021. The scope of the regulations do not include the LGPS however regulations are expected from MHCLG to substantially mirror the requirements set out in this document with a consultation on such regulations expected in the near future. Pensions Dashboards Administering authorities should take action to improve data quality to ensure that they are ready to supply the right information to the dashboards once they are live. Transfers out We are waiting for secondary legislation to fill in the detail of the extra conditions members must satisfy before they are able to transfer out their LGPS benefits.	**No Further Update**

		On 7 Oct 2020, the Pension Schemes Bill, which started in the House of Lords and was introduced into the House of Commons on 16 July 2020, had its Second Reading and is due have two days in Public Bill Committee on 3 and 5 November. **On 19 Dec 2019**, the Queen announced, in her speech, that the Government will reintroduce the Pension Schemes Bill which has been introduced in the House of Lords with the second reading on 28 January 2020. The Bill will now move to committee stage. **On 14 Oct 2019**, the Queen confirmed, in her speech, that a new Pension Schemes Bill will be introduced and will:- • strengthen TPR's powers • provide a framework to support pensions dashboards and • introduce regulations covering the right to a pension transfer.	

TPR	**Codes of Practice** ***back to contents***	**Previous Update:-** **On 24 August 2021,** TPR published its interim response to its consultation on the New Code of Practice which ran from 17 March 2021 to 26 May 2021. The main areas of concern from respondents focussed on Unregulated Investments and the requirements for schemes to carry out an "own risk assessment". Further details can be found here. It's not expected that the New Code will become effective before Summer 2022. **On 17 March 2021,** TPR launched its New Code of Practice consultation. The consultation closed on 26 May 2021. The draft new code consolidates (with updates and amendments) most of the existing codes of practice, including the public service code of practice 14, into a new online code providing a single up-to-date and consistent source of information. The other codes will be consolidated into the single code at a later date, subject to further consultation. **On 17 March 2021,** TPR launched its New Code of Practice consultation. The consultation closed on 26 May 2021. The draft new code consolidates (with updates and amendments) most of the existing codes of practice, including the public service code of practice 14, into a new online code providing a single up-to-date and consistent source of information. The other codes will be consolidated into the single code at a later date, subject to further consultation. **On 1 September 2020**, TPR confirmed that it intends to launch the formal consultation on a single Code of Practice in late 2020 or early 2021. **Background:-** The Pensions Regulator announced changes to existing codes of practice. The content of the 15 current codes of practice will be combined to form a single shorter code. The changes will reflect the Occupational Pension Schemes (Governance) (Amendment) Regulations 2018. Codes most affected by these regulations will be addressed first, and this includes Code of Practice 14 (public sector schemes). Schemes will need to demonstrate that they have an effective governance system within 12 months of the date the updated codes are published.	**No Further Update**

DWP	State Pension Age Review ***back to contents***	Latest Update **On 30 March 2023** DWP published its 2023 review of the State Pension Age as referred to below. In short, the review confirms that the rise to age 67 between 2026 and 2028 is still appropriate, however, the Government does not intend to change existing legislation that increases the State Pension Age to age 68 (over the period 2037 to 2039). Instead, the Government plans to have a further review within two years of the next Parliament where the timing of a rise to age 68 will be considered further. This report must be published no later than 29 March 2029.	Updated
		Previous Update:- **On 9 February 2022** DWP launched a call for evidence to gather views, which will feed into Baroness Rolfe's report. The call for evidence closes on 25 April 2022 and will seek views from the public, and all interested parties, on a number of topics including intergenerational fairness, changes in working patterns / workplace, sustainability and affordability, what metrics should be taken into account and how these can differ depending on the circumstances, and also what notice periods should apply for any changes. **On 14 December 2021** the DWP launched its second review of State Pension Age to consider if the current rules are still appropriate based on latest life expectancy and other evidence. The latest review will need to be published by 7 May 2023. Independent reports from the Government Actuary and Baroness Neville-Rolfe have also been commissioned as part of the review.	

HMT	**Consultation on the Increase to the Normal Minimum Pension Age (NMPA)** ***back to contents***	**Previous Update:-** **On 24 February 2022** the Finance Act 2022 received Royal Assent. Clause 10 relates to the changes to the Normal Minimum Pension Age although as noted below, it remains to be seen how DLUHC intend to amend the LGPS Regulation to introduce a protected pension age. **On 17 January 2022** HMRC published its latest newsletter which sets out further information about the plans to increase the normal minimum pension age from 55 to 57 on 6 April 2028. LGPS administering authorities have already begun to amend their processes in relation to transfer value requests to reduce the likelihood that cases needed to be revisited in the future when changes to the LGPS regulations arising from the NMPA increase are confirmed. **On 4 November 2021** The Finance Bill 2021-22 was published setting legislating for the tax charges announced in the budget and formally confirming that the increase to the Normal Minimum Pension Age (NMPA) from 55 to 57 will go ahead in 2028 As referenced previously, the issue of whether LGPS members will be able to receive payment of benefits between 55 and 57 via the LGPS Regulations has been raised with DLUHC (formerly MHCLG) by LGA and a response is awaited. **On 14 September 2021** a Technical Consultation in relation to the draft legislation published in July 2021 closed. **On 20 July 2021,** HMT published their response to the consultation on implementing the increase to the normal minimum pension age. The response can be found here. On the same day HMRC published a policy paper and draft legislation which will be introduced as part of the next Finance Bill. This can be found here. Though the Finance Act 2004 will provide for protected pension ages, it will be up to	**No Further Update**

		MHCLG whether to allow LGPS members to receive payment of benefits between 55 and 57 via the LGPS Regulations. This issue has been raised with MHCLG by LGA and a response is awaited. **On 19 April 2021,** the Local Government Pension Committee (LGPC) responded to the consultation on increasing the normal minimum pension age (NMPA). You can read the LGPC response on the non-scheme consultations page of www.lgpsregs.org. **On 11 February 2021**, HMT published Increasing the normal minimum pension age: consultation on implementation. The consultation, which closes on the 22 April 2021, re-confirms the Government's commitment to increasing the NMPA and seeks views on the implementation of the rise in NMPA and protections for pension scheme members. It proposes that members who have a right under the scheme rules to take benefits before age 57 at the date of the consultation will be protected from the increase in NMPA. **Background:-** In 2014, the Coalition Government consulted on increasing the normal minimum pension age (NMPA) from 55 to 57 from 6 April 2028 as part of the Freedom and choice in pensions consultation.	

DWP	Pensions Dashboard ***back to contents***	**Latest Updates:-** **On 30 March 2023** TPR held a webinar covering data preparation duties and setting out the steps schemes need to take to ensure their data is accurate, complete, up to date and digitally accessible. **On 29 March 2023** PASA updated its Data Matching Guidance (last issued in August 2022) and also issued new guidance on communicating with savers who enquire about dashboards. **On 22 March 2023** GAD published a blog to assist administrators to set the right questions when deciding what matching data to use within the dashboard, and also to reiterate the importance of data quality, and the need for regular reporting and cleansing. **On 2 March 2023** the Pensions Minister, Laura Trott made a statement announcing the Government's intention to legislate "at the earliest opportunity" to amend scheme's connection deadlines, to allow more time to deliver the complex dashboards infrastructure. It's not clear yet which schemes (including the LGPS) will be given an extension and how long this may be. Further details are expected prior to the summer recess. TPR has confirmed it will write to those schemes affected by the announcement to confirm new deadlines. It has also published updated guidance and a checklist to help schemes focus on what work they should be undertaking now. They will also produce a "content toolkit" with key messages for administering authorities to use in communications. **On 14 February 2023** the LGA issued its response to the compliance and enforcement policy consultation.	Updated
		Previous Updates:-	

		On 14 February 2023 PASA published its combined response to both the PDP consultation on draft mandatory design standards setting out how data must be presented to ensure a consistent and good user experience on dashboards and also the Financial Conduct Authority's (FCA) consultation on the proposed regulatory framework for operators of pensions dashboards. **On 30 January 2023** the National LGPS Frameworks messaged LGPS administering authorities to request volunteers to act as founders for two new frameworks – one of which would be for Integrated Service Providers (ISPs) and Member Data Services. The framework would launch later in 2023. **In January 2023** the PDP published a video setting out what protections are in place for consumers to ensure dashboards are safe and secure **On 12 December 2022** guidance on how to defer connection to Pensions Dashboards was published by DWP. Whilst a deadline for applications of 11 December 2023 is in place, DWP have asked for any requests to be submitted as soon as possible. **On 1 December 2022 –** the FCA published a consultation (closing on 16 February 2023) on the regulatory framework for dashboard operators. It is proposed that operators will be able to offer savers additional services (e.g. investment advice / modellers etc.) but will need to meet rigorous conduct standards before doing so. **In December 2022** following the 16 November publication of suite of standards referred to below, PDP published its approach to the governance of these standards and a corresponding consultation. **On 24 November 2022** TPR launched a consultation on its draft dashboards compliance and enforcement policy covering how it intends to ensure occupational pension schemes comply with their dashboard duties and how it will deal with non-compliance (including third parties). The consultation closes on 24 February 2023 and can be found here.	

		On 21 November 2022 The Pensions Dashboard Regulations 2022 were made and came into force from 12 December 2022. The LGA will be publishing an LGPS specific guide early in 2023 to help administering authorities implement pensions dashboards. **On 21 November 2022** the PDP published updated statutory guidance on early connection. This will apply to administering authorities if their integrated service provider (ISP) asks them to connect early to reduce number of clients connecting in the same window. **On 16 November 2022** following a consultation in July/August, the PDO published the suite of standards which will need to be formally approved by the Secretary of State in the coming weeks. This formal approval can only take place once the legislation is in force. The November 2022 suite of standards will set out mandatory requirements that pension providers and schemes, and potential dashboard providers, will need to follow. **On 15 November 2022** the The Pensions Dashboard Regulations 2022 were debated in the House of Commons and House of Parliament and approved by MPs and Peers. **On 26 October 2022** the PDP published its latest progress report, which can be found here. **In October 2022** the PDP also published an update in relation to early participants, and also two explanatory videos with regard to data quality and also differences between “find” and “view” data. **On 17 October 2022**, the DWP published draft guidance on applying to defer the staging deadline (noting the LGPS deadline has already been delayed to 30 September 2024) **On 17 October 2022,** the DWP also laid a draft of The Pensions Dashboard Regulations 2022 before each House of Parliament following the response to the consultation which was issued on 15 July 2022. The regulations can be made if each House approves the draft by a resolution.	

		On 17 October 2022, the DWP also responded to the 28 June consultation referred to below confirming that schemes will be given 6 months' notice of the point at which dashboards will be made available to the public alongside enabling MaPS and TPR to share information. **On 31 August 2022,** the LGA responded to the standards and guidance consultation and a copy of the response can be found here. The main areas of focus in the response covered: • Responsibilities for schemes when a 3rd party ISP is used. • Ensuring references to McCloud reflect LGPS differences to other public sector schemes. • Mandatory data inputs, alongside making it clear frozen refunds excluded (see comment below). • Timescales and Complaints **In August 2022** The Pension Administration Standards Association (PASA) published guidance on Value Data requirements for Funds to consider and also updated it's guidance on Data Matching Conventions. **On 3 August 2022** DWP confirmed that frozen refunds will be out of scope for initial dashboards because they are not considered to be member benefits. LGA have expressed disappointment to DWP and will keep them updated on any potential issues this creates for LGPS Funds. **On 19 July 2022** the PDP launched a consultation on dashboard standards and guidance and a call for input on design standards. Both will close on 30 August 2022. The standards detail how pension schemes and dashboard providers must meet their dashboard duties (in 6 areas), whilst the guidance provides further requirements schemes must have regard to (in 3 areas). The design standards call for input (on required layouts / messaging etc.) will be followed by a consultation. **On 15 July 2022** Guy Opperman MP, Pensions Minister, confirmed that the Government will support the Pensions Dashboards (Prohibition of Indemnification) Bill, which is a private members bill sponsored by Mary Robinson MP. The Bill will prohibit trustees and managers of	

		occupational and personal pension schemes from being reimbursed out of scheme assets for any penalties imposed on them under the dashboard regulations. The Bill has now had its second reading in the House of Commons. **On 14 July 2022** the DWP responded to the consultation on the draft Pensions Dashboards Regulations alongside publishing a summary of the key policies (reflecting the consultation response). It is expected that DWP will lay Regulations before Parliament in the autumn. The key areas emerging from the response that impact the LGPS are: • **Staging Deadline –**The staging date for the LGPS and all other public service pension schemes has been deferred from 30 April 2024 to 30 September 2024. • **Value Data –** The draft Regulations provide some flexibility in timescales for updating value data for existing and new members. • **Matching –** Regulations will be amended to clarify what Schemes must do when they return a possible match. • **Management Information/Reporting –** It is now clear what information administering authorities must provide on request to the Money and Pensions Services, the Pension Regulator or the Financial Conduct Authority. • **AVC Data –** DWP expect data to be made available to dashboards by providers. Schemes will also be required to provide annual income figures alongside pot values. • **Normal Pension Age –** references to NRA will simply change to “retirement age” given some schemes don’t’ reference NRA in their annual statements. **On 4 July 2022** the Pension Administration Standards Association (PASA) published the Dashboard Accuracy Data Guidance highlighting the importance of regularly testing data for accuracy. **On 28 June 2022**, the DWP launched a further consultation on pension dashboards (supplementing the consultation on the draft regulations which ran until 13 March 2022 – see below). The latest consultation focusses on two key areas – providing clarity on the Dashboard	

		Available Point (DAP) and also allowing the Money and Pensions Service and the Pensions Regulator to share information about dashboards with each other: LGA responded to the consultation on **19 July 2022** and a copy of the response can be found here **On 27 April 2022** The PDPs latest progress report was published setting out a review of activity over the previous 6 months and outlook for the next 6 months. **On 8 March 2022** the LGA published its response to the DWP consultation and a copy can be found here. This response has raised concerns about the implications for Funds having to implement the McCloud Judgment alongside ensuring they meet any requirements of the PDP given the staging date proposed for the LGPS of 30 April 2024. The Fund have also submitted a response to this consultation and this will be added to the website in due course. **On 1 February 2022** the Pensions Dashboards Programme (PDP) appointed Digidentity to deliver the interim identity service. This is part of the central digital architecture that will drive pensions dashboards. **On 31 January 2022** DWP launched a consultation on the draft Pensions Dashboards Regulations. The consultation closed on 13 March 2022. Since the previous update a number of other publications have been released by PDP: • On 15 December 2021 PDP confirmed three potential dashboard providers have been selected to take part in the initial development of the ecosystem. Further comments from PDP, published on 11 January 2022 on the dashboard providers market can be found here.	

		- On 25 January 2022 the PDP published a report from Ipsos Mori on their research undertaken on the attitudes of dashboard users, their circumstances, behaviours and views of the dashboard concept, together with PDPs own summary of the findings. - The PDPs November Newsletter / progress report was also published. **On 16 December 2021** the PLSA published an A to Z industry guide which identifies 26 key issues that need to be resolved to make the initial pensions dashboards a success. **In October 2021,** there were a number of developments and publications. - The Pensions Dashboards Programme issued a summary of the key themes emerging from its Staging Call for Input that was issued in July 2021, which had just over 60 respondents. The summary can be found here. - It was announced that draft regulations on pension dashboards are expected to be published by the end of 2021 / early 2022. These regulations will set out more details of what data will need to be supplied, how it will need to be supplied and what standards will have to be met. - The PDP also published its latest progress report on 26 October 2021, which can be found here, and which recommends Schemes act now to prepare for the dashboard before legislation requires it. The Fund has now appointed a dedicated officer to oversee the Fund's ongoing responsibilities in relation to the development of the Pensions Dashboard. **On 5 July 2021,** LGA published its response to the Pensions Dashboards Programme Staging Call for Input. You can read the LGPC response here. **On 1 July 2021,** TPR published its results from the Public Service Governance and Administration Survey 2020-21, which can be found here. Section 4.10 focussed on Pension Dashboards.	

		On 13 April 2021, the Pensions Dashboards Programme (PDP) issued an invitation to tender for a supplier to provide the digital architecture for pension dashboards. The chosen supplier will provide the main parts of the digital architecture. This will include the pension finder service, the consent and authorisation service and the governance register. **In March 2021**, the Pensions Administration Standards Association (PASA) published guidance on how to start getting ready for pensions dashboards. This is the first of a series of releases of PASA guidance for UK pension schemes, trustees and providers on how to start getting ready for pensions dashboards, see link here. **On 15 December 2020**, the Pensions Dashboard Programme (PDP) published the key data standards which will underpin pensions dashboards. Data standards provide a common language to describe the pensions information that will be found and displayed on the dashboards. Pension schemes will need to make sure that their data is consistent with the standards, so that members can access this through the dashboards. With onboarding to dashboards expected from 2023, the PDP urges all schemes to start preparing their data now. **On 28 October 2020**, the Money and Pensions Service (MaPS) published their second Pensions Dashboards Programme progress update report, see link here. The report includes updates on: • the Pension Dashboards Programme's (PDP) high level activity plan • resourcing to deliver next phases of the programme • market engagement to help finalise digital architecture requirements • refining requirements for identity verification • setting up a working group to ensure consumer focus • reviewing feedback. The timetable in the report reveals that the PDP expects the dashboard to be available to retirement savers for the first time in 2023.	

		In April 2020, MaPs published two papers:- • Pensions Dashboards Data Definitions – Working Paper (which lists the set of data items that could be included in the dashboards data standards. • Pensions Dashboards Data Scope: Working Paper (which looks at options for achieving early breadth of coverage and confirms that initial dashboards will only include information that is already available on annual statements to enable the maximum number of pension schemes to onboard at an early stage. MaPS requested formal feedback on these papers throughout July and August and are currently reviewing the responses received and will give a summary in the autumn. **Background:-** The Pensions Dashboard is an online service which would allow people to see information from multiple pensions all in one place. Following a feasibility study, conducted by DWP, to explore the options for delivering the Pensions Dashboard, the Government launch a consultation in Dec 2018 setting out the findings of the study and their recommendations for dashboards. In April 2019, the government published its response to the consultation outlining the key details of their plan including:- • Legislation to compel pension providers to make consumers' data available on the dashboard • Staged onboarding of schemes with the majority of schemes participating within 3 to 4 years • The inclusion of state pension data • A commitment to multiple dashboards, with a non-commercial dashboard being overseen by the Money and Pensions Service (MAPS).	

		MAPS will lead the delivery of the initial phase of the pensions dashboards and will bring together a delivery group made up of stakeholders from across the industry, consumer groups, regulators and government. The DWP advises the pensions industry to get ready, in the next three to four years, to submit data. Compulsion will require primary legislation and the Pensions Minister, Guy Opperman, has indicated his Department's intention to include a Pensions Bill in the next Queen's Speech for this.	

Government	**Divorce, Dissolution and Separation Act 2020** ***back to contents***	**On 25 June 2020**, the Divorce, Dissolution and Separation Act 2020 received royal assent and will, in the main, come into force on a date to be appointed by Government. The Act will revise the legal process in England and Wales for married couples to obtain divorces and for civil partners to dissolve their civil partnership. It will also update terminology: terms such as "decree nisi", "decree absolute" and "petitioner" will be replaced with "conditional order", "final order" and "applicant".	**No Further Update**

Government	Levelling Up	Latest Update:-	Updated
	back to contents	As part of the Spring Budget delivered on 15 March 2023, and following on from the "Edinburgh Reforms" announced below, the Government announced it will consult on plans to require LGPS Funds to consider investment opportunities in illiquid assets such as venture and growth capital. Also announced in the budget was a challenge to LGPS Funds to move further and faster on the consolidation of "listed" assets by March 2025, and reference to a potential move to a smaller number of larger LGPS pools (in excess of £50bn). Further details are expected as part of the consultation on the pooling guidance that is expected in the coming months.	
		Previous Update:- **On 9 December 2022**, the Chancellor announced a set of reforms to drive growth and competitiveness in the financial services sector, known collectively as the "Edinburgh Reforms". The package, consisting of 30 measures, are divided into four categories – a competitive marketplace promoting effective use of capital, sustainable finance, technology and innovation, and consumers and business. The statement also confirmed that the Government would be consulting on asset pooling in "early 2023" (as previously expected) and also consulting on a requirement for LGPS Funds to consider investment opportunities in illiquid assets such as "venture and growth capital". **On 27 April 2022**, the Chair of the SAB wrote to the Minister (Kemi Badenoch MP) setting out the SAB's response to the Government's White Paper that was published in February 2022. A copy of the letter can be found here. **On 2 February 2022**, the UK Government published its white paper on Levelling Up, setting out the Government's plans to spread economic opportunities more equally across the UK. The plans are wide-ranging, with the intention to address six drivers of spatial disparity across "missions". The paper outlines the role of institutional investment in the Levelling Up agenda as providers of capital.	

		Specifically for the LGPS, the paper notes the progress to date with increasing investment in infrastructure, from <£1bn in 2016 to £21bn in 2021, largely through the asset pools. As part of the proposals, individual LGPS funds will need to publish their plans to target up to 5% of their assets being invested in “local” projects. Full details can be found on p162 of the white paper, available at the link below. It is expected a consultation will follow later in the year. [Levelling Up the United Kingdom - GOV.UK (www.gov.uk)] The white paper also includes details (p420) of a mission to narrow the gap in Healthy Life Expectancy (HLE) between local areas where it is highest and lowest by 2030, and by 2035 increase the HLE by 5 years. Any improvements in life expectancy will ultimately impact pension schemes, including the LGPS, given some benefit payments will be made for longer, notwithstanding any corresponding increases in state pension age.	

SAB	Responsible Investment ***back to contents***	Latest Update:-	Updated
		On 24 April 2023 following on from the guidance issued in November 2022, the TPR issued new guidance to ensure pension schemes minimise the risks associated with liability driven investments (LDI). On **6 April 2023** the Scheme Advisory Board issued a tender for an expert in Islamic finance to examine the legal structure of the LGPS from a Sharia perspective. This is in line with the legal advice received by the Board in February 2022. On **4 April 2023** TPR published a review of climate-related disclosures by occupational pension schemes. Whilst not LGPS related directly, the observations set out from reporting in the private sector will nonetheless be useful for LGPS Funds ahead of TCFD reporting being implemented in the future. On **30 March 2023** in response to an increasing number of Freedom of Information (FOI) requests being received by LGPS Funds in relation to responsible investment policies, the Scheme Advisory Board issued a statement (found on its website) advising Funds of their duty to be open and honest about their policies but recognising there may be occasions where cost, commercial sensitivity, or other considerations may outweigh the public interest in releasing the requested information. Funds should refer to guidance from the Information Commissioners Officer, and their own legal / FOI advisors where appropriate.	
		Previous Update:- On **9 February 2023** Client Earth launched the first ever derivative action in the High Court in England and Wales against the board of directors of Shell for failing to manage the material and foreseeable risks posed to the company by climate change. The claim is supported by a number of institutional investors, including the London CIV, who have sent a letter of support to Client Earth. This support follows a letter issued by the CIV to Shell in October 2022 for which no response was received. **At the end of November 2022**, a number of regulators issued a package of guidance and statements for liability driven investment (LDI) managers and investors to address the instability in the gilt market after the September “mini budget”. LGPS Funds with leveraged LDI portfolios	

		should ensure they have reviewed the guidance with their investment adviser and are taking appropriate steps to meet regulatory expectations. The initial statement was from National Competent Authorities (NCAs), which regulate LDI funds in the country in which their provider is based. This was followed by a statement from the Financial Conduct Authority (FCA) directed at LDI asset managers and guidance from the Pensions Regulator (TPR) for trustees of occupational DB schemes who have leveraged LDI investment allocations. The overarching theme from all the regulators is that an appropriate yield buffer is deemed to be 3-4% and this needs to be accompanied by robust governance to withstand stressed market conditions. The FCA plans to maintain a supervisory focus on market participants to ensure vulnerabilities identified are addressed and intends to publish a further statement on good practice towards the end of the first quarter of 2023. On **18 November 2022** the SAB response submitted a response to the consultation which can be found here. **On 1 September 2022** DLUHC launched a consultation seeking views on proposals to require LGPS administering authorities in England and Wales to assess, manage and report on climate-related risks, in line with the recommendations of the Taskforce on Climate-related Financial Disclosures (TCFD). The consultation runs for 12 weeks until 24 November 2022. **In June 2022,** the SAB published a response to the 17 April letter from the UK Lawyers for Israel reiterating that whilst the primary purpose of LGPS Funds is to ensure pensions are paid, Funds do take human rights issues seriously and should frame their ESG policies in line with statutory guidance. The full statement can be found on the BDS page on the SAB website **On 11 May 2022,** the Government legislative programme was laid out in the Queen's Speech. The programme also includes a Boycotts Divestment and Sanctions Bill (the same that was announced in the 2021 Queen's Speech). The Bill can be found here.	

		On 17 April 2022, following on from the meeting took that took place in January 2022 between the SAB Chair and representatives of the LAPFF and the SAB secretary with Michael Lynk, a letter was sent to the SAB Chair from the UK Lawyers for Israel. **On 10 March 2022,** the Public Service Pensions and Judicial Offices Bill received Royal Assent, thereby allowing the responsible authority (i.e. the Secretary of State in England and Wales) to issue guidance to LGPS administering authorities to instruct them not to make investment decisions that conflict with the UK's foreign and defence policy. There's no immediate action for administering authorities as guidance/direction from DLUHC will need to be issued first (which will be subject to a 12 week consultation process). Further details can be found on the BDS page on the SAB website. **On 28 February 2022** In light of events in Ukraine and the sanctions being imposed on Russia by the UK government, LGPS Funds were advised by SAB to consider the implications for their investment portfolios. A follow-up note was issued by the SAB on **4 March 2022** providing further details to Funds and a subsequently letter from the Secretary of State Rt Hon Michael Gove MP was issued to all LGPS Committee Chairs on **9 March 2022.** **On 8 June 2021,** DWP published regulations in parliament to require schemes with £5bn or more in assets, and all authorised master trusts, to report on how they will manage their climate risk from October this year, alongside Guidance for trustees of occupational schemes. These requirements do not however apply to the LGPS. MHCLG will be consulting on regulations which will require similar levels of risk assessment and reporting later this year. **On 28 April 2021**, Cllr Phillips, Chair of the SAB, announced the launch of the online A-Z guide to Responsible Investment (RI) at the Local Authority RI Seminar. The guide provides a glossary of RI terms, organisations, standards and legislation indexed by its classification (what it is), category (where it fits in Environmental, Social and Governance (ESG)) and status (in the context of the LGPS legislative framework) with related LGPS specific case studies. **On 3 March 2021**, the newly established Responsible Investment Advisory Group (RIAG) met for the first time. It discussed a wide range of responsible investment related issues, including	

		MHCLG's proposals for Task Force on Climate-related Financial Disclosures (TCFD) reporting within the LGPS and the response to the LGPS All Party Parliamentary Group's inquiry into a "Just Transition". The main role of the group will be to advise the Scheme Advisory Board (SAB) and the Investment Committee on all matters relating to responsible investment. It will also be responsible for assisting the SAB in developing and maintaining the online Responsible Investment A to Z website. **At the SAB Meeting in February 2021**, the Board was advised that work on preparing the responsible investment A to Z website continues. The first milestone, a working version of the website, has been reached and work will now commence on populating the underlying database with relevant items. The aim remains for the website to go live towards the end of March. The Board also agreed membership of the new Responsible Investment Advisory Group (RIAG) as recommended by the investment, governance and engagement committee. The first meeting of the RIAG is scheduled for early March. **At the SAB Meeting in May 2020,** members were advised that work on preparing an A-Z guide to Responsible Investment will continue over the summer. As agreed in February the guide will not at this stage include any reference to fiduciary duty. The aim is to have a final draft for wider consultation ready to be considered by the Board by mid-August. **On 11 May 2020,** SAB issued a statement on the Supreme Court boycotts judgement as follows:- 'The SAB welcomes the clarity brought by the judgement of the Supreme Court in the case of R (on the application of Palestine Solidarity Campaign Ltd and another) Appellants) v Secretary of State for Housing, Communities and Local Government (Respondent). In seeking to restrict the outcome as well as the considerations taken account of by an LGPS administering authority when developing its responsible investment policy, the government has been judged to have overstepped its powers. It is the Board's view that Responsible Investment policy decisions belong at the local level reflecting: the need to pay pensions both now and in the future; local democratic accountability and the views of scheme members; and that outcomes of policy developments should not be subject to restrictions based on unrelated matters'. **On 24 February 2020,** the SAB issued a statement thanking all those who responded to the request for comments on Part 1 of the Responsible Investment draft guidance. They advised that responses have been generally positive, however, some respondents have raised concerns	

		around the issue of fiduciary duty in the context of the LGPS and, in particular, the role and responsibilities of elected members responsible for making investment decisions. The Board is also aware that the issue of fiduciary duty was discussed during the recent case in the Supreme Court involving the Palestine Solidarity Campaign and MHCLG that could shed some light on how the fiduciary duty test applies to investment decision makers in the LGPS. More recently, the government has introduced amendments to the Pension Schemes Bill which potentially could have a significant impact on the way in which investment strategy statements are prepared on issues like ESG and climate change. For these reasons, the view is taken that it would be imprudent at this stage to offer any definitive advice or guidance on how the fiduciary duty test applies to investment decision makers in the LGPS. The Board has therefore decided to take stock until it has had the opportunity to evaluate the judgement handed down by the Supreme Court and when more is known about the government's position on the proposed climate change provisions in the Pension Schemes Bill. Notwithstanding this decision, the Board is mindful that there are matters outside of fiduciary duty where advice and information would continue to be helpful. The Board has therefore decided to restructure the proposed guidance to explain and clarify the terminology associated with responsible investment and provide investment decision makers with a range of information, case studies and tools to help them meet the challenges associated with responsible investment. The revised document will be circulated in draft to scheme stakeholders for comment in the normal way. This change of direction will not preclude the Board from addressing the issue of fiduciary duty as a separate issue once the Supreme Court judgement in the foreign boycott case has been handed down and when there is more certainty about the government's proposals under the Pension Schemes Bill. **On 3 January 2020,** APF issued their response to the consultation. **Background:-** **At the meeting of the Scheme Advisory Board on the 6th November 2019,** approval was given for the first part of guidance on responsible investment to be published for consultation.	

		The aim of this first part of RI guidance is to assist and help investment decision makers to identify the parameters of operation within scheme regulations, statutory guidance, fiduciary duty and the general public law and the scope for integrating ESG policies as part of investment strategy statements. The Board wished to make it clear that there is no intention to prescribe the extent to which ESG policies must be adopted as this must clearly remain a matter for local consideration and agreement in accordance with MHCLG's statutory guidance. The Board also agreed that work should commence on drafting part two of the guidance, the aim of which is to provide investment decision makers with a toolkit they can use to further integrate ESG policies as part of their investment strategy. As part of the consultation on part one of the guidance, consultees were also invited to submit details of case studies that evidence the successful adoption of ESG policies, in particular, those focused on the risks associated with climate change. Consultees were also invited to suggest other matters that should be included in the part two guidance. The aim will be to have prepared a working draft of the part two guidance in time for it to be considered by the Board when it next meets in February 2020.	

Government	**Academies Consolidation and Guarantee** ***back to contents***	**Latest Updates:-** A working group has been established (involving DLUHC, LGA, GAD, representatives of the actuarial firms and administering authorities) to prepare an updated guidance document for academies participating in the LGPS which will provide an overview (non-Fund specific) of an academies obligations, common terminology, pooling, actuarial approaches/calculations etc.	**Updated**
		Previous Updates:- On **14 October 2022** following the ministerial statement in July 22, the DFE published an updated version on its policy paper on the academy guarantee. With regard to the Oasis consultation referred to below, it is understood that DLUHC have now taken legal advice and a response to this consultation is now expected before the end of the year. **On 21 July 2022** The DFE made a written ministerial statement confirmation an extension of the guarantee that the closure of an academy trust will not lead to any outstanding LGPS liabilities reverting to the Fund. The guarantee was first introduced in 2013 and now includes an increased annual ceiling of £20m.It provides academy trusts with Government backing for certain pension costs. **On 9 December 2021** DLUHC started a second consultation on the proposed consolidation of academies within the Oasis Multi-Academy Trust into one LGPS Fund. Oasis currently participates in 16 LGPS Funds, including the Avon Fund. The previous consultation took place in June 2021. The current consultation closes on 17 February 2022 and the Avon Fund will be responding to this. Should agreement be reached for the consolidation to proceed, this is likely to have a number of implications for the Funds involved in transferring the individual Oasis academies to the single-fund including administration, investment, funding and governance. There may also be implications for any precedent set as part of this case with regard to other Multi-Academy Trusts looking to consolidate in a similar manner.	

| Government | Pensions Taxation

back to contents | Latest Updates:

The Spring Budget on 15 March 2023 announced a number of major changes to the taxation of pension benefits. These changes came into effect from 6 April 2023 when the Finance (No.2) Bill 2022/23 was published on 23 March 2023. A summary of the key changes is set out below:
• Increasing the annual allowance (£40,000 to £60,000) and money purchase annual allowance (£4,000 to £10,000).
• Increasing the adjusted income level for the tapered annual allowance (from £240,000 to £260,000) and the minimum tapered annual allowance (from £4,000 to £10,000).
• Abolishing lifetime allowance charges for benefit crystallisation events occurring on or after 6 April 2023.
• Changing the taxation of any lifetime allowance excess lump sum to be at marginal rate not 55% with similar changes to serious ill-health / death benefit lump sum payments.
• Allowing members to accrue new benefits/join new schemes/transfer without losing enhanced/fixed protection (where applied for prior to the budget).

Alongside the above changes it was confirmed that the maximum tax-free lump sum available to member would remain the same. Given that the Lifetime Allowance itself won't be abolished until 2024/25 (through a further Finance Bill), administering authorities will still need to undertake checks in the 2023/24 year albeit charges will be different/not applicable and don't need to be reported.

Whilst positive changes for members (albeit a relatively small proportion of the overall LGPS membership given the benefit profile), the changes have meant a number of amendments to administering authority process and communications, and may result in additional queries from members in the short-term.

On **9 March 2023** DLUHC published its response to the consultation referred to below setting out proposals to change the annual revaluation date for the LGPS from 1 April to 6 April. The response confirmed that the change would take place and on the same day the LGPS (Amendment) Regulations 2023 were laid (coming into effect on 31 March 2023).

Whilst the changes made will have reduced the number of members impacted by the 2022/23 annual allowance charge, the timing of the change has had an impact on administering | Updated |

		authorities and software suppliers, with further guidance being provided by the LGPC on how administering authorities should apply the changes whilst software systems are updated.	
		Previous Updates:- On **10 February 2023** a consultation was published by DLUHC to consult on changes to the LGPS Regulations 2013 to give effect to the change in the annual revaluation date from 1 April to 6 April. Given the timescales involved for any changes to be implemented, this consultation will only run for 2 weeks to 24 February 2023. On **5 December 2022** the Department for Health and Social Care published a consultation to amend the NHS Pension Scheme in England and Wales in order to bolster the workforce and retain senior doctors. One of the areas included in the consultation was a change to the CARE revaluation date to 6 April (from 1 April) to reduce the number of members impacted by the 2022/23 annual allowance charge. The consultation closed on 30 January 2023. On **26 September 2022**, A report was published setting out commentary on the impact of pension tax rules on NHS consultants and GPs. The report includes commentary on the current issue of high inflation and how this could see many more members being subject to an annual allowance tax charge for 2022/23 given the way revaluations in CARE benefits are currently applied. It is understood that this issue in particular is being considered further, and any change to the process for applying such revaluations is likely to have implications for LGPS members too. Further updates are expected in due course. On **20 July 2022**, HMRC launched a technical consultation on draft legislation aiming to resolve a tax relief anomaly that affects pension scheme members who earn less than the personal allowance. The legislation proposed placing a duty on HMRC from 2024/25 onwards to make top-up payments directly to eligible members. Eligible members will be those who pay into a scheme using a “net pay arrangement” and whose total taxable income is less than the personal allowance. As the LGPS uses net pay arrangements (which impacts the tax relief on their pension contributions), a proportion of LGPS members would be eligible for the top-up payments being proposed.	

		The consultation closes on 14 September and follows an earlier call for evidence back in 2020 **On 15 March 2022** the LGA issued its response to HMRC's consultation on The (Draft) Registered Pension Schemes (Miscellaneous Amendments) Regulations 2022 with regard to extending the deadlines for Scheme Pays. The changes that will emerge as a result of these regulatory updates will apply in certain situations where annual allowance calculations for previous years are to be retrospectively amended. Administering Authorities have been provided with guidance from LGA setting out what steps/action need to be undertaken. **On 24 February 2022** The Finance Act 2022 received Royal Assent. Within the Act: • Clause 9 related to the reporting deadlines for members notified of a change in their pension input amount for a past pension input period, • Clause 11 provides HM Treasury with the power to make regulations to address impacts as a result of implementing the McCloud remedy. Such regulations would have retrospective effect and may differ across public service pension schemes. The final published Act will contain more detail about the above provisions and how LGPS administering authorities are impacted. **On 18 February 2022** HMRC published a consultation on The (Draft) Registered Pension Schemes (Miscellaneous Amendments) Regulations 2022 with regard to extending the deadlines for Scheme Pays. Such changes are in addition to those emerging from the Finance Act 2022 (see above). The consultation closes on 15 March 2022.	

Government	**Stronger Nudge** ***back to contents***	**Latest Updates:** With effect from **1 June 2022**, the Occupational and Personal Pension Schemes (Disclosure of Information) (Requirements to Refer Members to Guidance etc) (Amendment) Regulations 2022 (SI 2022/30) have been introduced – known as the "Nudge Regulations". The Nudge Regulations are being introduced by the Government to ensure that individuals are made aware of Pension Wise guidance as part of making decisions about their Defined Contribution (DC) pension savings e.g. retirement / transfer etc. The Regulations therefore apply to LGPS Funds given the existence of members with AVC funds. Administering Authorities will therefore need to offer to book an appointment with Pension Wise for members as part of the application process for taking in-house AVCs (and also when a member over age 50 enquiries about transferring their AVCs to another defined contribution arrangement). The LGA guide to the stronger nudge requirements can be found here.	**No Further Update**

<table>
<tr><th>Government</th><th>FE Colleges

back to contents</th><th>Latest Updates:

On **29 November 2022**, following the review being undertaken by the ONS, as referred to below, the ONS has reclassified colleges and their subsidiaries into the central government sector. The response to the consultation can be found here.

Although the consultation response confirms the reclassification, it confirms no impact on the LGPS and further details are still awaited in relation to additional covenant assurances/guarantees for Further Education employers. FE employers will also now be removed from the separate consultation on the eligibility of FE and Higher Education employers (in particular Post 1992 Universities) in the LGPS and whether the LGPS needs to be offered to support staff.</th><th>Updated</th></tr>
<tr><td></td><td></td><td>**Previous Updates:**

A review is currently underway by the Office of National Statistics (ONS) to review the sector classification of Further Education Corporations, Sixth Form College Corporations and Designated Institutions in England. Such bodies are currently classed as “Private Sector”. The outcome of this review could reclassify them as “Public Sector” as is already the case in Wales, Scotland and Northern Ireland. Such a move is likely to have implications for the LGPS given the covenant of such bodies would improve should a guarantee be subsequently provided, similar to that provided for academies.

Whilst the outcomes of the review are awaited (currently expected in December 2022), in anticipation of a change being made the Government Actuary’s Department is looking to collate data in relation to employers that may be reclassified given that any change in the underlying covenant may have an impact on the contribution outcomes to emerge from the 31 March 2022 actuarial valuation for some employers</td><td></td></tr>
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Bath & North East Somerset Council	
MEETING:	**AVON PENSION FUND COMMITTEE**
MEETING DATE:	**23 JUNE 2023**
TITLE:	**GOVERNANCE (INCLUDING WORKPLANS & RISK REGISTER)**
WARD:	**ALL**
AN OPEN PUBLIC ITEM	
List of attachments to this report: Appendix 1 – Committee Work plan Appendix 2 – Investments Panel Work plan Appendix 3 – Training Programme Appendix 4 – Service Plan Monitoring Appendix 5a – Risk Register Appendix 5b – Risk Framework Appendix 5c – High Level Matrix	

1 THE ISSUE

1.1 Attached to this report is the work plan for the Committee (Appendix 1) and a separate one for the Investment Panel (Appendix 2) which set out provisional agendas for forthcoming meetings. The dates for future Committee and Panel meetings are also included.

1.2 The provisional training programme for 2023 is included as Appendix 3.

1.3 The quarterly monitoring report for the Service Plan is also attached as Appendix 4. This covers a high level overview of all non administration projects including progress to date.

1.4 The risk register along with the risk framework and high level matrix are attached as Appendix 4.

2 RECOMMENDATION

2.1 That the committee notes the Committee & Investment Panel workplans, training programme, service plan & risk register.

3 FINANCIAL IMPLICATIONS

3.1 There are no financial considerations to consider. The cost of the LGPS Online Learning Academy licences is within the budget already agreed

4 THE REPORT

4.1 **Workplans**

a) The purpose of the work plans is to provide members with an indication of their future workload and the associated timetable. In effect they represent an on-going review of the Service Plan. The plans are however subject to change to reflect either a change in priorities or opportunities / issues arising from the markets/regulations.

b) The service plan monitoring (Appendix 4) currently includes ongoing projects outside of Administration. The Administration Improvement Plan projects will be added to the service plan monitoring from September 2023.

4.2 **Modern Gov Library**

4.3 The decision has been made to suspend use of the Modern Gov library until its effectiveness can be reviewed. In the meantime all monitoring reports will form part of the main committee reports

4.4 **Training Programme**

a) The provisional training programme for 2023 is also included so that Members are aware of intended training sessions and workshops. The plan will be updated quarterly.

4.5 **Hymans LGPS Online Learning Academy (LOLA)**

- In order to meet the additional knowledge and skills requirements of SAB's Good Governance Review the Fund has introduced Hymans LGPS Online Learning Academy (LOLA).
- Committee members have agreed to complete all training modules within twelve months of becoming a Committee member and repeat the completion of the modules every three years.
- A second version of the learning academy will launch in July 2023. The training is split into a number of modules covering the CIPFA Knowledge & Skills Framework.
- The modules are set out below:
    - Committee Role & Pensions Legislation
    - Pensions Governance
    - Pensions Administration
    - Pensions Accounting and Audit Standards
    - Procurement & relationship Management
    - Investment Performance & Risk Management
    - Financial Markets & Products
    - Actuarial Methods, Standards & Practices
    - Current Issues
- The schedule for completion of the modules is contained within the training programme (Appendix 3) for members who have not already completed the previous version.

5 FUTURE MEETING DATES

5.1 Pension Committee meetings as currently scheduled:

2023
23 June 22 September 15 December

5.2 The provisional dates for the Investment panel meetings are:

2023

14 July 08 September 01 December

6 RISK REGISTER

6.1 The Fund has in place a documented risk management policy setting out the Fund's approach to risk, process for review and update of the risk register. It also sets out the roles and responsibilities of all those involved in the management of risk within the Fund including the role of the Pension Board and Pension Committee.

6.2 The risk framework to assist risk owners to assess the risk and score is attached as appendix 1.

6.3 A high level matrix showing the distribution of risks by score is attached as appendix 2.

6.4 The complete risk register is attached as appendix 3.

- The risk register identifies risks which could have material impact on the APF in terms of service, value, reputation, or compliance. It also sets out mitigating actions.
- The risk register is reviewed quarterly by APF management and reported to the Pension Committee and Pension Board every quarter.
- All risks are also reviewed quarterly or when there has been a material change to the risk.
- Risks fall into the following categories, owned by the relevant member of the APF management team:

Category of Risk	Risk Owner
Administration	Pensions Manager
Regulatory	Technical & Compliance Advisor
Governance	Governance & Risk Advisor
Employers (Funding)	Funding & Valuation Manager
Employers (Data)	Employer Services Manager
Investments	Investments Manager
Finance	Finance & Systems Manager

6.5 All risks are linked to the relevant Fund strategy documents and how they are reported to Pension Committee and Pension Board.

7 QUARTERLY REVIEW OF RISK REGISTER

7.1 Following the quarterly review of the risk register there were no changes made.

7.2 The most critical risks are currently:

- NR01 – 'Ability to deliver admin service to members and employers within agreed standards' The current factors impacting this risk are set out in item 10 – Pension Fund Administration report.
- NR12 – 'Failure to achieve decarbonisation targets in the required timescales in accordance with climate change priorities' Government climate policies not moving fast enough or sufficiently enforced.

- NR05 – Failure to manage personal data in line with data protection regulations. Following an increase in the number of data breaches caused by enveloping errors and on the advice of Information Governance and Internal Audit the decision has been taken to stop all bulk printing and enveloping while the process is reviewed. Consultation with Information Governance & Internal Audit is also taking place to improve the process for providing members with activation keys for My Pension Online, following two data breaches.

8 RISK MANAGEMENT

8.1 Forward planning and training plans form part of the risk management framework.

9 EQUALITIES STATEMENT

9.1 A proportionate equalities impact assessment has been carried out using corporate guidelines and no significant issues have been identified.

10 CLIMATE CHANGE

10.1 The Fund is implementing a digital strategy across all its operations and communications with stakeholders to reduce its internal carbon footprint in line with the Council's Climate Strategy. The Fund acknowledges the financial risk to its assets from climate change and is addressing this through its strategic asset allocation to Paris Aligned Global Equities, Sustainable Equities and renewable energy opportunities. The strategy is monitored and reviewed by the Committee.

11 OTHER OPTIONS CONSIDERED

11.1 None.

12 CONSULTATION

12.1 The Council's Monitoring Officer and Section 151 Officer have had the opportunity to input to this report and have cleared it for publication.

Contact person	Carolyn Morgan, Governance and Risk Advisor 01225 395240
Background papers	None
Please contact the report author if you need to access this report in an alternative format.	

Appendix 1

Committee Workplan	**Mar-23**	**Jun-23**	**Sep-23**	**Dec-23**
Governance				
Pension Board minutes				
Governance Update (workplans & Risk register)				
Review of Risk Register				
Roles & Responsibilities of the Committee, Governance Compliance Statement				
Internal Audit Plan & Reports				
Approval of Committee’s Annual Report to council & PB Annual Report for noting				
Update on Legislation				
Administration & Budget				
Administration – performance indicators				
Budget & Cash flow Monitoring (as needed)				
Budget and Service Plan				
Treasury management Policy				
Review of Admin Strategy				
Investments & Funding				
Agree Investment Strategy				
Approve Investment Strategy Statement				
Review of Investment Strategy & Performance				
Brunel Corporate update (presentation by Brunel)				
Annual Responsible Investing Report				
Annual Review of Risk Management Strategies				
Annual Employer Update				
Interim valuation Results / Section 13				
FRC Stewardship Code				
Approve FSS (after consultation) for Death in service policy				
2022 valuation outcome& final FSS				
Noting of Final Accounts 2022/23				
CMA Order Compliance (for Investment Consultant)				

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Appendix 2

Investment Panel Workplan	**Feb-23**	**Jul-23**	**Sep-23**	**Nov-23**
Quarterly monitoring Items				
Review performance & RM Framework				
Annual Items				
Annual Risk Management review				
Strategic items				
Update on Brunel's revised Climate Policy				
Review of LDI triggers given new liability benchmark (post 2022 valuation)				
Low risk corporate bond strategy – updated benchmark outcome (post 2022 valuation)				
LDI Review				
Local Impact Portfolio				
TCFD Statement				
Update on 2022 Stocktake project				
Training Session (TBA)				

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Appendix 3
Committee Training Plan

Type of training	Date	Content	
Workshop	28th Feb 2023	Investment Strategy Review	
Workshop	16th June 2023	Induction - Admin & Governance	
Workshop	21st June 2023	Induction - Investment & Funding	
Workshop	21st June 2023	Induction - Brunel & Climate Change	

Hymans Learning Academy	Title of Module	Date to be completed	Time Commitment
Introduction	• An Introduction to LGPS Online Learning Academy	Jul-23	
Module 1 – Committee Role and Pensions Legislation	• An Introduction to Pensions Legislation • Role of Elected Members on Committee (podcast)	Jul-23	22 minutes
Module 2 – Pensions Governance	• LGPS Oversight Bodies – DLUHC • LGPS Oversight Bodies – TPR • Business Planning • LGPS Governance	Aug-23	40 minutes
Module 3 – Pensions Administration	• Introduction to Administration • Additional Voluntary Contributions • Policies and Procedures	Sep-23	56 minutes
Module 4 – Pensions Accounting and Audit Standards	• Pensions Accounting and Audit Standards	Sep-23	11 minutes
Module 5 – Procurement and Relationship Management	• Public Procurement	Sep-23	11 minutes
Module 6 – Investment Performance and Risk Management	• Introduction to Investment Strategy • LGPS Investment Pooling • Performance Monitoring • Responsible Investment	Dec-23	49 minutes
Module 7 – Financial Markets and Product Knowledge	• Introduction to Financial Markets and Product Knowledge • Investment – MiFiD II	Dec-23	17 minutes
Module 8 – Actuarial Methods, Standards and Practices	• Introduction to Funding Strategy • LGPS Actuarial Valuations – Process • LGPS Valuation – Technical • Employers	Mar-24	1 hour
Current Issues	• Understanding Cost Sharing • Understanding McCloud • Pensions Dashboard • Understanding Goodwin • Introduction to Cyber Risk • GAD Section 13 • Climate Change and TCFD	ongoing	

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Appendix 4 - Service Plan Monitoring 2023			
Key Objectives	**Tasks**	**Completion Date**	**Status**
Funding Strategy			
Death in Service Insurance	Implement captive arrangement; include in FSS after consulting employers	Sep-23	**In progress**
Governance			
Annual review of governance arrangements	Review ToR of Committee and Investment Panel	Jun-23	**In progress**
	Review Governance Compliance statement	Jun-23	**In progress**
	Review register of interest forms	Jun-23	**In progress**
	Review scheme of delegation	Jun-23	**In progress**
	Review Conflicts of Interest Policy	Jun-23	**Complete**
	Review Training Strategy Policy	Jun-23	**Complete**
	Review Policy on Committee Representation	Jun-23	**Complete**
	Review Decision Making Matrix	Jun-23	**In progress**
Good Governance Review	Review any new requirements from Good Governance review once published eg - Workforce Plan	Awaiting regulation	**In planning**
TPR SCOP requirements	Gap analysis & action plan for new requirements	Awaiting regulation	**In planning**
Reporting to Avon Pension Fund Pension Board and Fire Service Pension Board	Support Board, education and training needs as required	Ongoing	**In progress**
Annual governance review for Pension Board	Review all items on governance checklist	Sep-23	**In planning**
Training Plan for Committee & Board members	Plan annual training programme for members	Mar-23	**Complete**
	Induction Training for new PC/PB members	Dec-23	**In progress**
Review of Committee Reports	Continue to review report content & Modern Gov Library	TBA	**On hold**
Contract Retenders	Investment Advisor Contract	Sep-23	**In progress**
Finance			
iConnect Project to improve process for reconciliationn of contributions	Set up new reconcilation process	TBA	**In progress**
	Plan requirements of moving more employers to simplified LGPS50 form dependent on iconnect project; 2023 project	Dec-23	**In planning**
Final Accounts	Prepare accounts to meet B&NES internal deadline; update regulatory requirements	May-23	**Complete**
Investments			
Review of Hedging Strategies including LDI	Assess how contributing to reduction in risk; IP review Mercer recommendations in July 23; any changes to strategy to Sept PC.	Sep-23	**In progress**
Review Climate targets	Using 2022 data analyse fund and set new targets; PC workshop in October; PC decision Dec 23	Dec-23	**In progress**

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Appendix 5a - Risk Register

Number	Function	Risk	Impact	Pre Mitigants: Impact	Pre Mitigants: Likelihood	Pre Mitigants: Score	Mitigating Actions / Control Framework	Post Mitigants: Impact	Post Mitigants: Likelihood	Post Mitigants: Score	Post Mitigants: Previous score	Post Mitigants: Trend
NR01	Admin	Ability to deliver service to agreed standards	Poor member outcomes and/or breach of regulations.	Critical	Almost Certain	25	- KPIs & complaints monitored and acted on - plan to digitise will improve self-serve & ops efficiency - actions to improve staff recruitment & retention	High	Likely	16	15	↓
NR12	Investments	Failure to achieve decarbonisation targets	Government climate policies not moving fast enough or sufficiently enforced Significant reputational and financial risks to value of investments	Critical	Almost Certain	25	- ISS/RI Policy embedded by the Fund - Brunel's climate change policy and approach to investing - use of professional advice - IIGCC developing investment framework for climate risk - policy advocacy	High	Likely	16	9	↓
NR05	Governance	Failure to manage personal data per regulations	Personal data corrupted, compromised or illegally shared Fines and reputational damage.	Critical	Almost Certain	25	- One West is Data Protection Officer for Fund and advises re. data protection - record of processing and privacy notice set out how data is managed - processes in place re. data breaches and protection - regular officer training.	High	Possible	12	12	→
NR10	Investments	Failure to earn investment returns	Scheme cannot meet liabilities and employer contributions could rise.	Critical	Likely	20	- diversified asset allocation - professional and independent investment advice - risk management strategy supports funding strategy - FRMG & Investment Panel monitor performance and risk - periodic strategic investment review	High	Possible	12	15	↑
NR14	Investments	LDI leverage	Managers withdraw from the market LDI strategy may have to be unwound Inability to raise hedge ratio.	High	Likely	16	- maintain collateral at prudent level with materia buffer vs risks - set hedge ratio at level that can be adeqautely collateralised	High	Possible	12	15	↑
NR11	Investments	Brunel fails to deliver client objectives re. service delivery	Affects Fund's ability to achieve investment objectives	Critical	Possible	15	- Brunel governance framework - robust performance reporting - Avon-Brunel working group	High	Possible	12	12	→
NR06	Governance	Cyber attack	Fund is unable to operate Members do not receive pension payment on time.	Critical	Almost Certain	25	- disaster recovery plan in place - business continuity plan - B&NES cyber security policy and system defence	Critical	Unlikely	10	8	↓
NR08	Funding	Employers unable to meet financial obligations to Fund	Financial cost to other employers in the Fund.	High	Possible	12	- policies on employer financial stability set out in FSS & ISS - covenant framework - quarterly review and mitigating action	Medium	Possible	9	12	↑
NR07	Funding	Employers not comply with regulatory responsibilites	Poor member data Fines and greather scrutiny by TPR. Employer liabilities incorrect if data is incorrect.	Critical	Likely	20	- management of employers set out in admin strategy/MOU - employer KPIs recorded and monitored vs TPR standards - employer training	Medium	Possible	9	9	→
NR09	Investments	Operational risks of investment managers, custodian and other investment suppliers	Loss of assets Inability to trade is assets inaccessible	High	Possible	12	- duediligence and audits of partners - controls embedded in investment management agreements - diversification across different asset managers - quarterly service & risk review with Brunel and suppliers	Medium	Possible	9	12	↑
NR16	Finance	Cashflow profile is maturing	Not enough cash in bank to meet pension payments.	Critical	Almost Certain	25	- monthly monitoring & forecast of cashflow - prudent cash buffer - tradeable assets can be swiftly sold	High	Unlikely	8	10	↑
NR17	Finance	Late / incorrect contributions from employers	Cashflow shortfalls, employer funding deficits / default, TPR breach.	Medium	Possible	9	- monthly reconciliations of contributions - management reviews and action. - Mercer funding monitor tool. - larger employers pre pay contributions.	Low	Possible	6	6	→
NR03	Governance	Pension Committee cannot operate effectively	Delays in decision making for the Fund Failure to meet MIFID & TPR regulations.	Medium	Almost Certain	15	- representation of PC set out in Fund's representation policy - knowledge requirements in Training Policy - compliance vs regulations defined in Compliance Statement - decisions responsibilities set out in decision matrix	Medium	Unlikely	6	6	→
NR04	Governance	Governance of Fund not in accordance with APF policies Controls not adequate	Fines for non-compliance Disciplinary issues and reputational risk	Medium	Likely	12	- internal and external audits - APF officers undertake training re. APF's codes of practices	Medium	Unlikely	6	6	→

NR13	Investments	Treasury investments	Loss of capital or income on cash Delayed return of principle or investment income	Medium	Possible	9	- adopt B&NES Treasury management policy - due diligene on banks - diversificastion across multiple suppliers - consultation with treasury management advisors.	Medium	Unlikely	6	6	→
NR02	Regs	Regulatory changes	Breach of regulations Poor member outcomes Increased workloads for officers	Low	Possible	6	- regulatory changes monitored via LGA and professional advisors - officers attend SWAPOG/Tech Group - regulatory projects included in service plans - officers respond to consultations.	Low	Unlikely	4	4	→

Appendix 5b

Assessment of Likelihood

1	Rare	0 – 5% probility
2	Unlikely	6 – 20% probility
3	Possible	21 – 50% probability
4	Likely	51 – 80% probility
5	Almost Certain	81 – 100% probability

Assessment of Impact

		Service/Operational	Assets	Legal Obligations	Project	Duty of Care – Clients & Staff
1	Negligible	Minimal disruption not impacting on an important service which can be resolved	Capital loss potential up to 1% of assets	Litigation, claims or fines Services up to £10k Corporate £25k	Minimal impact on APF delay < 1 month	Minimal or no impact on Services Duty of Care requirements.
2	Low	Brief disruption of important service /service area	Capital loss potential up to 5% of assets	Litigation, claims or fines Services up to £25k Corporate £50k	Some impact on APF delay < 3 months	Consideration required re. Duty of Care unlikely to have adverse impact meeting overall requirements.
3	Medium	Major effect to an important service area	Capital loss potential up to 15% of assets	Litigation, claims or finesx Services up to £50k Corporate £100k	Adverse impact on APF significant slippage > 3 months	Duty of Care issues may have impact meeting requirements.
4	High	Complete loss of an important service area	Capital loss potential up to 25% of assets	Litigation, claims or fines Services up to £125k Corporate £250k	Significant impact on APF major delay of 6+ months	Significant impact on meeting Duty of Care responsibilities.
5	Critical	Major loss of whole service	Capital loss potential > 25% of assets	Litigation, claims or fines Services up to £250k Corporate £500k	Complete failure of project extreme delay > 12 months	Not meeting legal responsibilities placing individuals at risk.

Overall Score

		1	2	3	4	5
		Rare	Unlikely	Possible	Likely	Almost Certain
5	Critical	5	10	15	20	25
4	High	4	8	12	16	20
3	Medium	3	6	9	12	15
2	Low	2	4	6	8	10
1	Negligible	1	2	3	4	5

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Appendix 5c

IMPACT

PROBABILITY

	NEGLIGIBLE	LOW	MEDIUM	HIGH
ALMOST CERTAIN	0	0	0	0
LIKELY	0	0	0	2
POSSIBLE	0	1	3	4
UNLIKELY	0	1	3	1
RARE	0	0	0	0

CRITICAL
0
0
0
1
0

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