

Avon Pension Fund Committee

Date: Friday, 22nd September, 2023

Time: 10.00am

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), Wendy Weston (Trade Unions), Pauline Gordon (Independent Member), John Finch (Independent Member) and Jackie Peel (Independent Member)

Co-opted Non-voting Members: Richard Orton (Trade Unions) and Councillor Kate Kelliher (Parish & Town Councils)

Chief Executive and other appropriate officers

Press and Public



Mark Durnford

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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, 22nd September, 2023

at 10.00am 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 complete the green interest forms circulated to groups in their pre-meetings (which will be announced at the Council Meeting) 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 2, A and 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 DEPUTATIONS, 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: 23RD JUNE 2023 (PUBLIC & EXEMPT) (Pages 7 - 22)

8. PENSION BOARD DRAFT MINUTES: 6TH SEPTEMBER 2023 (Pages 23 - 32)

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

9. LOCAL IMPACT PORTFOLIO FRAMEWORK (Pages 33 - 40)

The strategic asset allocation agreed by the Committee includes a 3% allocation to a Local Impact Portfolio. The Investment Panel have considered the proposed framework for managing and monitoring this portfolio and their recommendation is set out in this paper.

10. LGPS CONSULTATION: NEXT STEPS ON INVESTMENTS (Pages 41 - 58)

The government is consulting the LGPS on a range of investment issues, namely asset pooling, levelling up, opportunities in private investments, investment consultancy services and the definition of investments. This covering note is supported by two exempt appendices: 10 a) covers proposed answers to Questions 2-15 of the government consultation, where we believe there is a clear answer for each question: 10 b) addresses Question 1 and provides three very different options for the Committee to consider.

11. ADMINISTRATION PERFORMANCE UPDATE (Pages 59 - 80)

The purpose of this report is to present the Fund's administration performance for the three months to 30 June 2023 vs key performance indicators (KPI's).

12. INVESTMENT STRATEGY AND BRUNEL UPDATE (FOR PERIODS ENDING 30 JUNE 2023) (Pages 81 - 138)

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. APF REBRAND PRESENTATION (Pages 139 - 160)

Our current brand is not fit for a 'digital first' world and as we are currently developing a new member website it is an ideal opportunity to rebrand. A brand is not just a logo but it is also how we communicate with our stakeholder groups.

14. UPDATE ON LEGISLATION (Pages 161 - 166)

The purpose of this report is to update the Pension Fund Committee on the latest position concerning the Local Government Pension Scheme [LGPS] and any proposed regulatory matters that could affect scheme administration.

15. RISK MANAGEMENT PROCESS & RISK REGISTER (Pages 167 - 174)

The purpose of this report is to update the Committee with the quarterly review of the risk register.

16. GOVERNANCE UPDATE (INCLUDING WORKPLANS) (Pages 175 - 202)

Attached to this report is the work plan for the Committee (Appendix 1) and a separate one for the Investment Panel (Appendix 2) and the provisional training programme for 2023 is included as Appendix 3.

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

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BATH AND NORTH EAST SOMERSET

AVON PENSION FUND COMMITTEE

Friday, 23rd June, 2023

Present:- Councillors Paul Crossley (Chair), Shaun Stephenson-McGall (Vice-Chair), Toby Simon and Chris Dando

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), Pauline Gordon (Independent Member), John Finch (Independent Member), Jackie Peel (Independent Member) and Wendy Weston (Trade Unions)

Co-opted Non-voting Members: Councillor Kate Kelliher (Parish & Town Councils)

Advisors: Steve Turner (Mercer), Paul Middleman (Mercer)

Also in attendance: Nick Dixon (Head of Pensions), Liz Woodyard (Group Manager for Funding, Investment & Risk), Nathan Rollinson (Investments Manager), Claire Newbery (Pensions Operation Manager), Carolyn Morgan (Governance and Risk Advisor), Nicky Russell (Technical & Compliance Advisor), Julia Grace (Pensions Valuation Advisor) and Jeff Wring (Director - One West)

1 EMERGENCY EVACUATION PROCEDURE

The Chairman drew attention to the emergency evacuation procedure.

2 APOLOGIES FOR ABSENCE AND SUBSTITUTIONS

Councillor Joanna Wright had sent her apologies to the Committee.

Councillor Toby Simon was present at the meeting virtually via Teams to view the proceedings.

3 DECLARATIONS OF INTEREST

There were none.

4 TO ANNOUNCE ANY URGENT BUSINESS AGREED BY THE CHAIR

There was none.

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

Four members of the public had submitted questions to the Committee. They and their responses are attached as online appendices to these minutes.

Councillor Steve Pearce commented that he was disappointed that the Fund has not been that vocal about how much engagement work it does take part in. He added that he hoped that in the future they would explain their processes in more detail and make the case clear for doing the work that they do.

6 ITEMS FROM COUNCILLORS AND CO-OPTED AND ADDED MEMBERS

There were none.

7 MINUTES: 17TH MARCH 2023

The Committee **RESOLVED** that the minutes of the meeting on 17th March 2023 be confirmed as a correct record and signed by the Chair.

8 PENSION BOARD MINUTES: 23RD MAY 2023

The Committee **RESOLVED** to note the minutes of the Board meeting held on 23rd May 2023.

9 ANNUAL GOVERNANCE REVIEW

The Governance and Risk Advisor introduced the report to the Committee. She explained that they were seeking an amendment to the Terms of Reference (ToR) for the Committee with regard to its quorum.

She stated that the ToR 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'.

She said that the proposed amendment was as follows 'The quorum of the Committee shall be 5 voting members who shall include at least one member **not** from Bath & North East Somerset Council'.

She added that this is to ensure that any decision taken is not just by B&NES members. She informed the Committee that the revised ToR will be put forward for approval by Council in July.

She stated that all members of the Committee are encouraged to undertake training to ensure they can discharge their responsibilities and that 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. She added that 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.

The Committee **RESOLVED** to:

- i) Note the roles and responsibilities of the members, advisors and officers.

- ii) Approve the Terms of Reference of the Committee and Investment Panel.
- iii) Approve the Scheme of Delegation.
- iv) Approve the Governance Compliance Statement, including draft Representation Policy.
- v) Note the amendment to the Training Policy.
- vi) Note the Decision Making Matrix.
- vii) Agree the independent member representation of the Brunel Working Group.
- viii) Agree the substitute of Brunel Oversight Board.
- ix) Agree the member(s) to represent the fund on the Local Authority Pension Fund Forum.
- x) Agree to delegate the drafting of the Annual Report to Council to Officers and the Chair (subject to informal consultation with Committee members prior to the Chair approving the report).

10 ADMIN REPORT & SERVICE IMPROVEMENT PLAN

The Head of Pensions introduced this item to the Committee and highlighted the following sections from within it.

He informed them that work on the rebrand of the Fund had begun and that they were keen to involve Committee members in the project. He added that this would involve a logo and colour scheme change and amendments to the language and tone of voice used in communications to make understanding simpler for members of the Fund.

Charles Gerrish asked officers to be mindful of any colour schemes that might prove challenging to those members with any visual impairments.

The Head of Pensions replied that they were aware of the need to make sure that the website remains as accessible as possible.

William Liew asked if officers had considered engagement with actual members of the scheme on this project.

The Head of Pensions replied that they were looking to engage with stakeholders where possible, especially on climate change matters.

The Chair asked officers to make sure that all Councillors were aware on this ongoing work.

Current state of APF organisation

Service quality is below SLAs agreed with the Pensions Committee, but within the targets set by CIPFA and The Pensions Regulator.

- 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

Councillor Kate Kelliher asked if there was a need to monitor smaller employers in more detail.

The Pensions Operations Manager replied that the SLAs were the same for all sizes of employers.

Wendy Weston referred to page 90 and asked a question relating to retirement cases and the number of active cases completed outside SLA.

The Pensions Operations Manager replied that the chart shown was to indicate the timeframe for when cases have been completed even though they were outside of the SLA.

Jackie Peel asked whether the backlog issues were in terms of standard cases or those of a more difficult nature. She also asked whether the receipt of better Management Information (MI) would improve the backlog issue.

The Pensions Operations Manager replied that there is a degree of the backlog that can be attributed to older, more difficult cases and that whilst these remain the figures are not likely to improve. She added that it was hoped that better MI would improve the figures in some way.

Charles Gerrish referred to Appendix 2, Annex 1 and asked if it was correct that the figure relating to Historic Refund Cases (478) should be the same for December 2022 and March 2023.

The Pensions Operations Manager replied that this was correct and that it was normally a small amount that was involved. She said that the Fund do try to trace the people involved as much as possible. She added that the software used offers no option to change the status.

Improvement objectives - 2025 – what good looks like

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 Online
- 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

Key levers to improve people environment

- 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.

Wendy Weston asked how much pay rates were proposed to increase by.

The Head of Pensions replied that on average they would increase by 8% for those approved roles.

- 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.

The Chair asked how the Fund's vacancy position compared with others.

The Pensions Operations Manager replied that as far as she was aware all were facing similar struggles.

Wendy Weston queried whether a number of staff losses would be to London based Funds.

Nick Weaver commented that he felt that this was most likely as he was aware that they were targeting officers near retirement age and offering towards a 50% uplift in pay. He added that he advocated the Fund build their own team to have a strong future.

Key operational levers to meet service objectives

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

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

Jackie Peel asked what the likely key blockages for the Fund would be not to make its desired progress.

The Head of Pensions replied staff vacancies and any new / unexpected regulations.

Jackie Peel asked if the Fund would be allowed to use consultants to aid their progress at all.

The Head of Pensions replied that this would be a possible option as a backstop position.

The Committee **RESOLVED** to note the service performance for the three months to 31 March 2023.

11 DEATH IN SERVICE POLICY

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

She explained that 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.

She stated that 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.

She informed the Committee that the feasible options to mitigate this risk were (i) captive insurance and (ii) 3rd party insurance and that maintaining the status quo would not manage the risk.

She said that the Actuary is proposing the Fund implements a captive insurance arrangement covering all employers within the Fund and that the Fund already has a similar arrangement for managing ill-health retirement costs for smaller employers.

She added that other LGPS use a range of options within this area of work.

Paul Middleman, Mercer said that this proposed arrangement was reasonable for all employers and considered it to be an optimum solution. He added that the decision would be kept under review.

The Committee, having been satisfied that the public interest would be better served by not disclosing relevant information, **RESOLVED**, 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.

The Committee **RESOLVED** to:

- i) Approve implementing a captive Death in Service arrangement within the Avon Pension Fund and for this to be reviewed after the next valuation
- ii) Note that a consultation with employers will be undertaken before the arrangement is implemented
- iii) Delegate updating the Funding Strategy Statement to include the captive arrangement to Officers.

William Liew abstained from voting.

12 REVIEW OF INVESTMENT STRATEGY & PERFORMANCE

The Investments Manager introduced the report to the Committee. He wished to highlight that the Committee had previously agreed to allocate an initial 3% (~£160m) of fund assets to a local impact portfolio.

He explained that the portfolio will be asset class agnostic but is expected to centre around local affordable housing and renewable infrastructure opportunities. He added that 'Local' in this context refers to the South West region.

He stated that officers are currently developing the governance framework that will specify how investment opportunities are assessed before entry into the portfolio. He added that elements of this portfolio may have to be managed outside of Brunel in which case Mercer would provide suitability advice for any prospective investments.

He informed the Committee that 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.

He said that 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.

Steve Turner, Mercer addressed the Committee and highlighted the following sections from within Appendix 3.

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.

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.

Performance

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.

He informed the Committee that there were no parts of the portfolio that were causing undue concern.

He said that Mercer were working with officers within the Fund on a Risk Management Review, Climate Change Review and the Local Impact Portfolio.

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

13 ANNUAL EMPLOYER UPDATE

The Funding and Valuation Manager introduced this item to the Committee. She explained that the report provides the Committee with a summary of the employer base of the Fund, changes, current issues, funding strategy and covenant work.

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

14 UPDATE ON LEGISLATION

The Technical and Compliance Manager introduced the report to the Committee and highlighted the following areas from within it.

SCAPE Discount Rate

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 rate of 1.7% per annum above CPI, from the previous real rate of 2.4% per annum.

Whilst GAD reviews the actuarial factors to apply to the LGPS (and other public sector schemes), many calculations are currently suspended. These are 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.

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 2nd March 2023 announcing the Government's intention to legislate "at the earliest opportunity" to amend the 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.

Whilst there is potential for the Fund's connection date to be 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.

Charles Gerrish asked if there was any update on the Oasis consultation referred to on page 269.

The Group Manager for Funding, Investment & Risk replied that they had not heard anything further.

William Liew asked if the announcement regarding the SCAPE Discount Rate would add to the backlog problems within the work of the Fund.

The Technical and Compliance Manager replied that it would to some degree as some elements had been suspended for 2 – 3 months.

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

15 GOVERNANCE UPDATE

The Governance & Risk Advisor introduced the report to the Committee and drew their attention to the following sections.

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.

Modern Gov Library

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.

Quarterly Review of Risk Register

Following the quarterly review of the risk register there were no changes made.

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.

The Committee **RESOLVED** to note the Committee & Investment Panel workplans, training programme, service plan & risk register.

The next meeting of the Committee will take place on Friday 22nd September 2023 at 10.00am.

The meeting ended at 12.10 pm

Chair(person)

Date Confirmed and Signed

Prepared by Democratic Services

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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

Wednesday, 6th September, 2023

Present:- Nick Weaver (Chair), Steve Harman (Employer Representative), Tony Whitlock (Employer Representative - via Teams), Stuart Anstead (Employer Representative) and Alison Wyatt (Member Representative)

Also in attendance: Nick Dixon (Head of Pensions), Jeff Wring (Director - One West), 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)

1 EMERGENCY EVACUATION PROCEDURE

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

2 APOLOGIES FOR ABSENCE

Helen Ball and David Yorath had sent their apologies to the Board.

3 DECLARATIONS OF INTEREST

There were none.

4 TO ANNOUNCE ANY URGENT BUSINESS AGREED BY THE CHAIR

There was none.

5 ITEMS FROM THE PUBLIC

There were none.

6 ITEMS FROM MEMBERS

There were none.

7 MINUTES OF PREVIOUS MEETING: 23RD MAY 2023

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

8 BRUNEL / INVESTMENT UPDATE

The Head of Pensions addressed the Board. He stated that over the last 12 months the Fund's performance has been -0.3% which he believed was slightly below the typical Local Authority benchmark. He added that this was mainly due to a 12% property allocation which has not performed well and gilts exposure.

He explained to the Board that the Fund has £5.4 billion worth of assets and that the funding level had improved to around 97% at 30 June 2023, as rising interest rates reduced the present value of future liabilities. Therefore, the Fund is in a strong, robust financial position.

He said that 86% of the Fund's assets had now transferred to Brunel and that the remaining 14% was deemed difficult to transfer and were likely to be allowed to run off into Brunel over the next 3 – 4 years.

He informed the Board that the carbon intensity within the equity portfolio was 40% below the global benchmark. He added though that they were aware of resource constraints within Brunel, in particular regarding Private Markets and Local Impact Investing and that it was vital to have a structure in place to help them to attract the best talent.

He stated that in response to the Government's consultation on pooling that they were broadly in favour of further pooling and would be presenting the Committee with three options later in the month before issuing the Fund's formal response. He added though that the Fund was against being mandated to invest in specific asset categories and should maintain its investment freedom.

He explained that a Climate Review for the Fund was ongoing involving both Brunel and Mercer who were providing an analysis to set out options for the Fund. He added that the review would set out the trade offs to be considered, in particular, the pace of change on net zero -v- investment risk.

He said that Mercer have already advised that to attempt to achieve net zero by 2030 would mean that only 75 global stocks would be available to invest in and this would create a large concentration risk for the Fund.

He said that the analysis was due to be completed by the end of September, consultation with stakeholders would then take place during October & November, with a decision due to be taken by the Committee in December.

Alison Wyatt asked why only 75 investment options would be available to the Fund.

The Head of Pensions replied that the main reason was that if you analyse the value chain of these companies, there would only be this number that could claim to having an actual net zero impact on the planet.

Nick Weaver asked how much risk should be assigned to the Government's consolidation proposals.

The Head of Pensions replied that he felt that there was a material risk to them mandating certain investments. He added however that he was sure that they would be receiving universal feedback that mandating in certain sectors is against the other objectives of the funds and their risk management stance. He said that he was hopeful that lobbying would mitigate this risk to some degree.

Nick Weaver asked what benefits could be gained from further consolidation.

The Head of Pensions replied that deeper pools of talent could be created and that this could enable experts to be identified in different pools to be used across the country.

The Board **RESOLVED** to note the update that had been provided.

9 PENSION BOARD ANNUAL REPORT

The Governance & Risk Advisor introduced this report to the Board. She explained that a few amendments had been made following a draft circulation and a workshop discussion.

She stated that the Pension Board reports annually to Council on the work it has undertaken in the previous twelve months. She added that the report would be taken to Council on 17th November 2023 along with the Pension Committee's annual report to Council.

Steve Harman thanked her for making the amendments as requested and said that he felt that the report now read a lot better.

Tony Whitlock asked if the links within the report would work when published.

The Governance & Risk Advisor replied that she believed they would as all the links are to public documents. She said that this would be checked prior to publication.

Claire Newbery added that the report could be viewed using a different browser to enable the links to work.

Alison Wyatt asked why the figure of £25,500 for Pension Board Recruitment had not been used and what actions were needed for that amount to be allocated.

The Governance & Risk Advisor replied that this amount had been allocated to the budget as potentially two recruitment campaigns for Board members could have been required. She added though that the current members had decided to extend their term of office.

She stated that primarily the costs would have been associated with advertising the posts and printing and mailing information to prospective members.

The Board **RESOLVED** to approve their 2023 Annual Report.

10 ANNUAL REVIEW OF COMMITTEE AND BOARD GOVERNANCE ARRANGEMENTS

The Governance & Risk Advisor introduced this report to the Board. She referred to Appendix 1 – Annual review of Pension Board Governance and said that it was good to see that the majority of the table was green.

She asked for member's assistance in resolving those that had been identified as amber or red and highlighted the areas of Declarations of Interest forms and Training undertaken as matters to be completed.

She stated that there had been no changes to the Board's Terms of Reference (Appendix 2) and that Appendices 3 – 8 had been approved by the Committee earlier in the year.

Alison Wyatt asked if the Scheme of Delegations was benchmarked against those of any other Local Authorities.

The Governance & Risk Advisor replied that it was not. She added that it is agreed by the Senior Management Team with this review taking place every year and then audited every 2 – 3 years.

The Head of Pensions said that he had compared the scheme with some within the private sector and said that they were broadly similar.

The Director, One West added that the scheme was in line with the Council's general principles and has approval from both the Monitoring Officer and Section 151 Officer.

The Pensions Operation Manager assured the Board that various levels of checking do take place as part of the scheme.

The Member Services Manager explained that within the applications that are used as part of their work there are set levels so that only officers of a certain position can carry out such duties.

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

11 CIPFA BENCHMARKING

The Governance & Risk Advisor introduced this report to the Board. She stated that the Fund had taken part in the exercise for the past 15 years as it had been seen as a useful process to carry out. She explained that they were aware that the participation of other Funds had been dropping and that they had taken the decision not to take part in the exercise in 2023 and to consider other options, including using the SF3 data, in relation to gathering information.

She highlighted the following areas from within the report.

Administration Cost Per Member

Previous Year (2020-2021)

£19.62

Average: £20.45

Difference to average: £0.83

Current Year (2021-2022)

£21.17

Average: £35.10

Difference to average: £13.93

Administration Cost Per Member (nearest neighbour in size)

Northamptonshire £26.51

Cambridgeshire £26.00

Cheshire £24.35

Staffordshire £23.47

B&NES £21.17

Administration Cost Per Member (nearest neighbour geographically)

Oxfordshire £42.69

Gloucestershire £26.72

Wiltshire £21.95

West Midlands £21.56

B&NES £21.17

Administration Cost Per FTE

Previous Year (2020-2021)

£48,000

Average: £67,042

Difference to average: £19,042

Current Year (2021-2022)

£44,723

Average: £70,591

Difference to average: £25,868

KPIs (Active Members)

KPI (15 days)	Previous Year (2020-2021)	Current Year (2021-2022)
Retirements (estimates)	76.8%, 726 cases within KPI	48.5%, 670 cases within KPI
Retirements (actual)	84.8%, 570 cases within KPI	81.4%, 770 cases within KPI
Retirements – process and payment	84.8%, 570 cases within KPI	81.4%, 770 cases within KPI

She said that officers were aware that the service was not quite where they want it to be and recognised that investment into it is required.

Steve Harman said that the report showed that it was clear that the admin function of the Fund is underinvested and that this needs to improve to enable its performance levels to rise.

Stuart Anstead asked if officers had assessed where the Fund would be if the Transformation Plan had been completed.

The Governance & Risk Advisor replied that this was not an exercise that had been carried out yet.

Nick Weaver commented that the use of SF3 data will still not be a perfect analysis and suggested that officers compare those figures with the Fund's annual accounts.

The Board **RESOLVED** to note the report and the decision not to take part in the 2023 benchmarking exercise and instead look at alternative options.

12 ADMINISTRATION UPDATE

The Pensions Operations Manager introduced the report to the Board. She emphasised that, whilst it remains a challenging time within the service, she wanted to recognise the work that has been carried out by the teams, particularly regarding the Year End Data.

She explained that demand for the service is increasing, with a high influx of calls and emails. She added that most processes within the service are still carried out manually.

She highlighted to the Board the following areas from Appendix 3 - Administration Service Improvement Plan update Q2 2023.

Key levers to improve people environment

- Improve salaries – Done
- Fill vacant positions - Started
- Leadership & communication – Ongoing
- Organisation, Training, Development, and Career Progressions – Ongoing

Payroll

Q2 UPDATE

- Resourced with 3 full time officers (2 seconded) and 2 casual officers
- Resilience & confidence in ability to maintain payroll services

OBJECTIVES

- Fully resourced
- Robust processes

- MI on workflow – full transparency

ACTIONS

- Review structure of payroll team
- Maintain support from Members Services officers
- Work on backlogs

Leaver process

Q2 UPDATE

- Leaver team in position
- Training rolled out to removed duplication of checking
- Agile review of officer resource to support business needs

OBJECTIVES

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

ACTIONS

- Development of bulk digital processing underway
- Streamline & digitalise 3 key processes
 - Leaver
 - Starter
 - Post changes
- Support & Development
 - Employer training ongoing
 - People training & upskilling ongoing

Management Information (MI)

Q2 UPDATE

- New reports giving better oversight however further development required
- MI being used to make weekly decisions with officer resource

OBJECTIVES

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

ACTIONS

- Ongoing review & development of weekly MI reports
- 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

Q2 UPDATE

- Increase in outstanding cases due to increase in incoming cases
- PI error cases c.1000 cases
- Task force created to deal with increase in email traffic due to ABS campaign

OBJECTIVES

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

ACTIONS

- Weekly cross team meetings to discuss workloads & support
- Operational focus on 2 key areas
 - Retirements
 - Death
- Review options including outsourcing of PI error cases

She stated that the Board should not expect to see an improvement in the performance figures over the next two quarters. She added though that good progress was being made on the Service Improvement Plan.

Tony Whitlock asked how worried the Board should be with the current situation.

The Pensions Operations Manager acknowledged that they should be concerned, but that she would be more worried if there were no plan in place to follow. She added that there was a good management team in place who were focused on achieving better outcomes.

Steve Harman commented that he felt the figures were shocking and was concerned that there were no signs of them improving. He asked if there was anything radical that could be done to aid an upturn in these levels. He proposed that a sum of money be used from within the Fund to allow agency work to assist with clearing the backlog.

The Pensions Operations Manager replied that they are looking at options and have already had a discussion with one consultant. She said that they were not the only Fund to be in this position and that any additional spend would need to be justified.

Nick Weaver said that he acknowledged the frustrations that have been raised and that the Board was right to be concerned. He stated that he was confident in the officer's current approach and the need for the Fund to deliver the service properly, thoroughly and consistently. He suggested a realistic timeline be set for when any improvements could be expected.

The Head of Pensions replied that the detail of the Service Improvement Plan needed to be worked through and that he expected to be in a more positive position in June 2024.

Stuart Anstead said that the outputs of the Service Improvement Plan will need to be acknowledged and show what differences any recruitment and digitalisation has made. He added though that with Birmingham City Council having effectively declared itself bankrupt after issuing a section 114 notice, there is a risk that other Local Authorities could find themselves in a similar position and then there would be the possibility of redundancy processes.

The Director, One West replied that there was a separate governance system in place so the Fund would be insulated against this type of risk. He added that he also expected an improvement in performance over the next 12 months.

Stuart Anstead commented that he was concerned about the possible additional correspondence regarding voluntary redundancy if such a situation did arise. He suggested that support for the service be generated in a managed way through the use of a newsletter.

The Head of Pensions summarised the concerns that had been raised.

- The Board is deeply concerned over the current levels of service
- Officers note core challenges and suggestions from the Board:
 - Recruitment should be accelerated where possible.
 - The improvement plan should set out what outcomes will be achieved and when.
 - The Fund should explore further funding options to raise capacity and the new organisational structure should have resilience embedded.
 - Officers need to be clear in communications with all stakeholders.
- The Board's concerns will be shared with the Pensions Committee

The Board **RESOLVED** to note the service performance for the three months to 30 June 2023.

13 WORKPLAN / TRAINING PLAN

The Governance & Risk Advisor introduced this report to the Board. She highlighted that a second version of the Hyman's LGPS Online Learning Academy (LOLA) had been launched in July 2023. She explained that the training was split into a number of modules covering the CIPFA Knowledge & Skills Framework and there was a timetable for completion of all modules contained in Appendix 2.

The Board **RESOLVED** to:

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

The meeting ended at 11.50 am

Chair(person)

Date Confirmed and Signed

Prepared by Democratic Services

Bath & North East Somerset Council	
MEETING:	AVON PENSION FUND COMMITTEE
MEETING DATE:	22 SEPTEMBER 2023
TITLE:	LOCAL IMPACT PORTFOLIO FRAMEWORK
WARD:	ALL
AN OPEN PUBLIC ITEM	
<p>List of attachments to this report: Appendix 1 – Local Impact Portfolio framework</p>	

1 THE ISSUE

- 1.1 The strategic asset allocation agreed by the Committee includes a 3% allocation to a Local Impact Portfolio. The Investment Panel have considered the proposed framework for managing and monitoring this portfolio and their recommendation is set out in this paper.
- 1.2 The proposed framework includes portfolio specification, implementation routes, decision making, and monitoring. It reflects the highly differentiated opportunity set available in local investing, how conflicts of interest will be managed, and how decisions will be implemented.
- 1.3 Implementation and monitoring of this portfolio falls within the delegations to the Investment Panel.

2 RECOMMENDATION

The Committee:

- 2.1 Agrees the proposed Local Impact Portfolio Framework as set out in this paper.

3 FINANCIAL IMPLICATIONS

- 3.1 Once the portfolio starts to consider specific investment opportunities, the budget for advice, due diligence work and other costs will be brought to Committee.

4 PROPOSED FRAMEWORK

- 4.1 The framework is set out in Appendix 1. Key principles are as follows:
 - a) all assets will be managed by external fund managers, either via Brunel or directly where Brunel is unable to help.
 - b) working through Brunel is the preferred implementation route.
 - c) internal decision making must be flexible, robust and timely so that opportunities are not missed.

4.2 The main aspects of the framework are:

- a) Investment Objectives – the definition of impactful assets, the target return and the benchmark for monitoring performance are unchanged from those agreed as part of the Investment Review in March 2023;
- b) Geographic coverage – to maximise the opportunity set within a ‘local’ footprint, focus will be the South West region with an expectation that some will be within the Avon area (unchanged vs Investment Review in March 2023);
- c) Investment time horizon – initial allocation of 3% is expected to be invested within 5 years;
- d) Portfolio specification – a core/specialist approach provides flexibility in terms of size of investments, access to niche assets, and implementation. There will be a range of returns above and below the aggregate target return.
- e) Implementation options – different routes lead to different governance requirements. Given relatively modest capital to be invested, Brunel managed funds or other 3rd party pooled funds generates a manageable (low/medium) governance burden for the Fund.
- f) Advice – external investment, legal and tax advice will be commissioned as needed on a case-by-case basis. The level of advice will be determined by the implementation route; for investments via Brunel, advice will be required as to the suitability of the investment based on the portfolio specification. For non-Brunel led investments more detailed due diligence will be commissioned by the Fund.
- g) Decision making – the Panel proposes decisions to invest be delegated a named Officer in conjunction with a working group of Panel members and officers. This will ensure timely decision making as opportunities arise.
- h) Portfolio monitoring – will be part of the Investment Panel’s remit to monitor the investment performance of all portfolios. Once capital has been invested, an annual activity and impact report will be published for the Committee and wider stakeholders.

5 INVESTMENT PANEL DISCUSSION

5.1 The Panel discussion focused on the following points:

5.2 **Return objective:** at what point will the returns be able to be assessed given the target of 6.5% over 10-year period? The portfolio will be monitored in line with the other private market portfolios such as the infrastructure portfolio. In the initial years there may negative returns (the j-curve effect) before positive returns emerge after c. 4 years, but this will be dependent on the investment opportunity. Depending on the stage at which the investment is made, there may be a build/development phase and in such cases we would have to consider what other reporting for example in relation to budget and timescales, is needed to demonstrate the investment is on track.

5.3 **Geographic coverage:** we would expect a UK diversified strategy/fund to have at least 15-20% invested within the South West to meet ‘material’ criteria.

5.4 **Decision-making:** This portfolio comes under the remit of the Investment Panel, the Committee having agreed the strategic allocation and framework. The Panel agreed that this portfolio may need more decisions to be made by the fund, especially if investments were made outside Brunel, and discussed 3 options for decision making as shown below.

	Option	Advantages	Disadvantages	Governance process
1.	Delegate decisions to officers	Quick process. Knowledgeable.	PC/IP not involved. No internal challenge.	Would report all decisions to IP. Would require ToR change.
2.	Delegate decisions to Investment Panel	Knowledgeable group, internal challenge to recommendations. Manage elevated risks in a new investment area. Will be responsible for monitoring.	Formal meeting cycle will slow decisions. Less easy to meet at short notice.	Would report all decisions to PC. No change to ToR required.
3.	Delegate to a Working Group of Panel members and officers *	Knowledgeable group, internal challenge to recommendations. Manage elevated risks in a new investment area. Smaller group would be able to meet at short notice. Retain accountability within the Panel. As members of Panel will be responsible for monitoring.	Extra group to support within governance framework.	Would report all decisions to IP. Would require ToR change.

For option 3 the working group would consist of at least 3 panel members including the Chair of the Panel and 1 independent member, plus the Head of Pensions, Group Manager Investments and Investments Manager.

5.5 The Panel agreed that the formal quarterly cycle of panel meetings would not support flexible and agile discussions and decision making. The preferred option to recommend to committee was a working group of Panel members and officers. To clarify the working group would consist of 3 Panel members and 3 officers **with decisions based on the agreed recommendation by the Panel members on the working group.**

5.6 **To enable this to work within the Council's constitution, following the Panel meeting this recommendation is amended as follows.** The delegation will be to a named officer, the Head of Pensions *in conjunction* with the working group. This will enable the working group to fully discuss and come to a recommendation, with the formal decision taken by the Head of Pensions as an Officer Decision Report via the normal democratic reporting processes within Bath and North East Somerset Council. A decision cannot be made without consulting the working group. The framework set out in Appendix 1 includes this amendment. The Scheme of Delegation will be amended accordingly.

5.7 All decisions will be reported back to the Panel at its next meeting.

6 RISK MANAGEMENT

6.1 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.

7 EQUALITIES STATEMENT

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

8 CLIMATE CHANGE

8.1 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.

9 OTHER OPTIONS CONSIDERED

9.1 None.

10 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	Liz Woodyard, Group Manager, Funding, Investments & Risk 01225 395306
Background papers	None
Please contact the report author if you need to access this report in an alternative format.	

Impact Investing Portfolio Framework

1. Investment objectives:

- Invest in assets and investment funds which can generate material local impact and attractive financial returns.
- Target the Fund's objective of c.6.5% returns net of fees over 10-year periods. There will be a range of returns above and below 6.5%, reflecting each asset.
- Due to the heterogenous nature of the proposed impact portfolio, the return target will also serve as the benchmark.

2. Geographic Coverage:

The focus will be the South West region but can invest more widely in the UK if broader investment enables a material (at least 15-20%) SW component. There is an expectation that some of the assets will be within the Avon area but not at the expense of return, impact, or diversification.

3. Capital allocated and investment time horizon:

An allocation of 3% (c.£170m) of Fund assets will be invested, expected to be deployed within 5 years depending on the opportunities which arise.

4. Portfolio Specification and Implementation:

- Core portfolio: this will account for the majority of local impact capital. It includes climate solutions and affordable housing as they address two major regional challenges and can generate attractive returns for the fund.
- Specialist portfolio: this comprises niche investments which are typically higher risk and higher return. Such assets could include SME funding which generates a stronger local economy, employment opportunities, and regeneration.
- Social portfolio: this includes investments such as supported living, housing for the homeless, and schemes to assist offenders gain meaningful employment.

All investments will be managed by 3rd party managers. Implementation will be via Brunel portfolios where possible, or directly into pooled funds where Brunel is not able to provide a portfolio or manage the assets. All fund managers will be required to provide look through reporting of local impact. The Fund will collaborate with other Brunel funds where there is common interest.

A summary of potential investments is shown in the table below:

	Approx. Split	Asset Class	Expected Return	Implementation Route	Indicative fee (bps)
Core	75%	Climate Solutions	7%	Brunel / External Manager	TBC
		Affordable Housing	6-9%	Brunel / External Manager	50-75
Sector Specialist	20%	Sector Specialist 1 (e.g. Local Private Equity / SME Finance)	6% +	Brunel / External Manager	TBC
		Sector Specialist 2 (A.N. Other - assumed return neutral)	x-6%	Brunel / External Manager	TBC
Social Specialist	5%	Social Specialist 1 (e.g. Supported Housing)	6-7%	Brunel / External Manager	75-100

Implementation options – in order of preference

- a. **Brunel management (governance burden LOW)** - Brunel facilitates investments through Brunel portfolios or external funds. The governance around this would be in line with other private market portfolios.
- b. **Pooled funds (governance burden MEDIUM)** - Alternatively some of the opportunities may be wrapped up in a pooled vehicle managed by the external manager in which we could directly hold units (not via Brunel). In this case the governance burden would be higher than if Brunel manages the assets, but not as high as establishing an SPV.
- c. **Special Purpose Vehicle SPV (governance burden HIGH)** – If Avon invests directly into projects managed by an external manager not in a pooled fund (e.g. social housing) then an SPV could be needed to hold the assets. We would need to explore this route only if such investments cannot be held in a pooled vehicle.

5. Advice:

Where Brunel manages the opportunity, Brunel conducts all due diligence and Avon would obtain external advice to confirm it meets our strategic objectives for the portfolio. Our retained consultant should provide this as they do for other portfolios.

For non-Brunel led investments, the Fund will procure its own external advice. As some of these could be niche opportunities, it may be more cost efficient to appoint a specialist advisor to undertake due diligence. Each opportunity should be assessed on a case-by-case basis as to whether the retained consultant or a specialist advisor is best placed to provide due diligence. Tax and legal advice will be procured separately as needed.

6. Decision making:

To ensure flexible and agile decision-making, decisions to invest within this portfolio will be delegated to a named Officer (Head of Pensions) in conjunction with a Working Group consisting of Investment Panel members and officers. This working group will consist of at least 3 panel members including the Chair of the Panel and

1 independent member, plus the Head of Pensions, Group Manager Investments and the Investments Manager. Officers and advisors will provide the due diligence for the working group to consider; decisions taken by the named Officer will be based on the agreed recommendation of the Panel members on the working group.

7. Portfolio monitoring and reporting:

The portfolio will be monitored by the Panel as part of the quarterly investment performance and portfolio monitoring process. The Committee will be informed of any decisions through its quarterly Investment Strategy report.

In addition an annual portfolio report will be prepared for the Committee and wider stakeholders providing an update on activity and the impact of the assets on the local area.

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Bath & North East Somerset Council	
MEETING:	AVON PENSION FUND COMMITTEE
MEETING DATE:	22 SEPTEMBER 2023
TITLE:	LGPS Consultation: Next steps on investments
WARD:	ALL
AN OPEN PUBLIC ITEM	
List of attachments to this report: Exempt Appendix 1 – Draft response to the consultation	

1 THE ISSUE

- 1.1 The government is consulting the LGPS on a range of investment issues, namely asset pooling, levelling up, opportunities in private investments, investment consultancy services and the definition of investments. The deadline for responses is 2 October 2023.
- 1.2 This covering note is supported by two appendices: 10 a) covers proposed answers to Questions 2-15 of the government consultation, where we believe there is a clear answer for each question: 10 b) addresses Question 1 and provides three very different options for the Committee to consider.
- 1.3 Any proposal taken forward may require regulatory changes or further guidance.

2 RECOMMENDATIONS

The Committee:

- 2.1 **Is invited to comment on our proposed responses. And approve that any changes made as a result of comments from Committee members be cleared by the Committee Chair before APF's final response is submitted.**

3 FINANCIAL IMPLICATIONS

- 3.1 There are no financial implications at this stage as it is only a consultation document.

4 CONSULTATION CONTENTS AND BACKGROUND

- 4.1 The consultation brings together the issue of investing more in UK levelling up and venture capital/growth companies and the need to effectively use LGPS asset pools to enable better value for money and scale to invest across the UK.
- 4.2 The consultation embodies the following issues
 - a) Asset pooling
 - b) Levelling up, local impact investing
 - c) Opportunities in private investments
 - d) Investment consultancy services

- 4.3 Consolidation of pension funds is not an issue confined to the LGPS. There is an emerging direction of travel to consolidate smaller schemes, to provide better outcomes and lower costs for members. We do not think gradual consolidation (it was £25bn size pools, now £50bn is targeted) benefits LGPS funds; it merely repeats transition costs over different stages and increases uncertainty for pools and funds alike.
- 4.4 Regardless of whether there is more consolidation or not, LGPS pools and funds need to deepen collaboration and shared arrangements to ensure all LGPS funds have access to expertise and centres of investment excellence.
- 4.5 One risk of further consolidation is the transition period. Managing pools through a consolidation period and the required governance arrangements have not been developed. One benefit of Brunel is that it is large enough to have achieved significant savings and economies of scale yet, having only 10 shareholders, means it has achieved strong client alignment and consensus for its portfolios and strategy. This model will be difficult to replicate for a larger pool so alternative governance arrangements will need to be considered.
- 4.6 The consultation confirms the government's desire for LGPS funds to allocate 5% of assets to levelling up, a further 10% to private investments (possibly) on top of 10% in infrastructure. We do not agree that the government should direct how LGPS assets are allocated, even if only an 'ambition'. Instead asset allocation needs to be considered within the context of each Funds' investment objectives and funding strategy, with investment authority remaining with Pension Fund Committees as part of their overriding fiduciary duties.
- 4.7 Avon's asset allocation already includes 32.5% in private (non-public and less liquid) investments including 10% in infrastructure with a 3% target for local impact. At the last strategic review in March 2023, there was limited headroom to increase the allocation to less liquid assets from a risk perspective and it was agreed to maintain the 32.5% allocation. Hence it is difficult for APF to invest further in less liquid assets.
- 4.8 The consultation proposes additional reporting on levelling up and private assets. This would raise the reporting burden without any tangible benefit at a time when we face increasing reporting requirements across all aspects of the APF. Reporting should be consistent across all assets, to explain how the asset allocation contributes to strategic objectives and progress made rather than additional reporting for government requirements.
- 4.9 The Committee is invited to comment on our proposed responses and any changes made as a result of the comments from members will be cleared with the Committee Chair before APF's final response is submitted.

5 RISK MANAGEMENT

- 5.1 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.

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 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.

8 OTHER OPTIONS CONSIDERED

8.1 None.

9 CONSULTATION

9.1 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 & Risk 01225 395306
Background papers	None
Please contact the report author if you need to access this report in an alternative format.	

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Access to Information Arrangements

Exclusion of access by the public to Council meetings

Information Compliance Ref: LGA-1511758
Meeting / Decision: Avon Pension Fund Committee
Date: 15 th September 2023
Author: Liz Woodyard
Report Title: LGPS Consultation: Next steps on investments
Exempt Appendix Title: Exempt Appendix 1 – Draft response to the consultation

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 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 strategic and financial information about the proposal, which 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 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.

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

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Bath & North East Somerset Council	
MEETING:	AVON PENSION FUND COMMITTEE
MEETING DATE:	22 September 2023
TITLE:	ADMINISTRATION
WARD:	ALL
AN OPEN PUBLIC ITEM	
<p>List of attachments to this report:</p> <p>Appendix 1 – Performance against SLA & Workload</p> <p>Appendix 2 – TPR Data Improvement Plan</p> <p>Appendix 3 – Administration Service Improvement plan update</p> <p>Appendix 4 – Pensions Dashboard project update</p>	

1 THE ISSUE

1.1 The purpose of this report is to present the Fund’s administration performance for the three months to 30 June 2023 vs key performance indicators (KPI’s).

2 RECOMMENDATION

The Board:

2.1 Notes the service performance for the three months to 30 June 2023.

3 PERFORMANCE – CURRENT STATE

3.1 Appendix 1 summarises service performance vs SLAs¹ to 30 June 2023. The Fund is operating materially below its target of >90% for most case types (Annex 1) and there has been material deterioration in members’ service experience during Q2 2023.

3.2 This situation is not acceptable and we are actively addressing the problem.

3.3 To solve the problem, we need to first be clear on root causes, which comprise the following factors:

- People: the vacancy rate in Q2 2023 was high with 13 vacancies (18%)
- Payroll: resignations required staff to be transferred from Member Services to manage Payroll with resulting impacts on members’ service experience.
- Demand: we have experienced a rise of c.80% in case demand vs H1 2022.
- Management Information: timely and accurate MI has been limited and did not facilitate robust weekly decision making.

¹ service level agreements

4 ACTIONS TO ADDRESS CURRENT STATE

4.1 People

- The fund successfully implemented a material market supplement for APF staff in July 2023, with 63 of 71 staff receiving a pay increase. This supports the retention of existing staff and is helping recruitment.
- Aon recruitment recommendations have been implemented with the wider BANES HR team, to support successful recruitment, including a Facebook and LinkedIn campaign.
- In Member Services we have made two new appointments and four roles are now at the shortlisting stage.
- We are also moving to recruit for vacant roles in Payroll, Employer Services, and Training.

4.2 Payroll

- The team leader appointed in April left the fund in July.
- We are starting the recruitment process for both a new Payroll team leader and other officers to administer the payroll process.
- Meantime the temporary Payroll team is working on the core business of monthly payments, deaths cases, and HMRC reporting. Resilience is in place with the temporary team and reassurance can be given to the Board that Payroll for pensioner members is robustly maintained.
- Once the permanent Payroll team is in place, staff can be transferred back to raise capacity in Member Services.

4.3 Demand

- A number of factors are converging to raise case demand which has increased c.80% vs H1 2022:
 - o Annual Benefit Statements have triggered a higher than normal spike in member enquiries via email and telephone.
 - o c.800 cases previously stockpiled due to GAD SCAPE factor changes are now workable and being added to case load.
 - o Work has begun to remedy the Pensions Increase (PI) cases in error, which require recalculation of pensions and arrears. This work must be carried out before the next PI exercise in March 2024 and a project is underway to remedy these errors with their complexity driving material workload.
 - o The pending McCloud remedy regulations are due in September 2023 and planning is ongoing to implement the remedy and required actions from the legislation.
- Rising backlogs of incomplete member requests have raised repeat emails and phone requests to address outstanding cases.
- As a temporary measure before vacancies are permanently filled, a short term targeted task force has been created to address outstanding member enquiries. This has been created by pooling staff from other teams with relevant experience to support member contact.
- Furthermore Geoff Cleak, former Pensions Manager, is now working 3-days in Member Services, answering the phone and responding to member emails.

4.4 Management Information

- MI had been sufficient for reporting purposes, but inadequate for day-to-date management for resource priorities and service management.

- We have now developed deeper MI insight into our performance which is starting to inform operational management.
- MI is being used to review workload and priority cases. Weekly discussions and decisions are being made, led by the Member Services Manager and Operations Manager.
- The data however needs to be more timely to support agile working and decisions, with improvement needed to give us better oversight of work load and performance across all teams including Payroll.

5 YEAR END & VALUATION

- 5.1 All employer data returns have been submitted to the fund and data has been validated and loaded where applicable.
- 5.2 Late and poor employer returns will be assessed in the Autumn for penalty fines, and further details will be supplied in the December report.

6 ANNUAL BENEFIT STATEMENTS

- 6.1 The Public Service Pensions Act 2013 requires Funds to produce Annual Benefit Statements by 31 August annually.
- 6.2 All ABS have been issued by the regulatory deadline, with an increase in digital statements being issued for deferred and active members.
- 6.3 The fund has now begun the Pensions Savings Statement exercise, with an increase in cases vs the 2022 exercise. The fund is on track to meet the regulatory deadline of 6 October 2023 to issue these statements.

7 SUMMARY OF FUND MEMBERSHIP DATA QUALITY

- 7.1 The Fund maintains a Common Data score above 95%. The TPR² report summarises an annual view of outstanding cases for the last 12 months, please refer to Appendix 2.

8 RISK MANAGEMENT

- 8.1 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.

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

- 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

² *The Pensions Regulator*

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.

11 OTHER OPTIONS CONSIDERED

15.1 None.

12 CONSULTATION

12.1 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.	

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	302	149	49.34%	23	56.95%
	Payment - 15 days	165	134	81.21%	27	97.58%
Retirement (from Deferred)	Quote - 30 days	187	97	51.87%	58	82.89%
	Payment - 15 days	320	272	85.00%	18	90.63%
Deaths	Notification - 5 days	103	82	79.61%	24	100%
	Payment - 10 days	105	72	68.57%	3	71.43%
Refund of contributions	Quote - 10 days	118	2	1.69%	7	7.63%
	Payment - 10 days	51	21	41.18%	15	70.59%
Deferreds (early leavers)	30 days	796	332	41.71%	464	100%
Transfers In	Quote - 10 days	44	1	2.27%	1	4.55%
	Payment - 10 days	24	3	12.50%	2	20.83%
Transfers Out	Quote - 10 days	106	37	34.91%	1	35.85%
	Payment - 10 days	11	5	45.45%	11	100%
Estimates	Member - 15 days	233	205	87.98%	12	93.13%
	Employer - 15 days	133	109	81.95%	3	84.21%
Divorce	Quote - 45 days	11	10	90.91%	0	90.91%
	Actual - 15 days	2	1	50.00%	0	100%
Starters	40 days	1241	1225	98.71%	0	98.71%
		3952	2757	69.76%	669	86.69%

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

Annex 2
Case No's vs Target

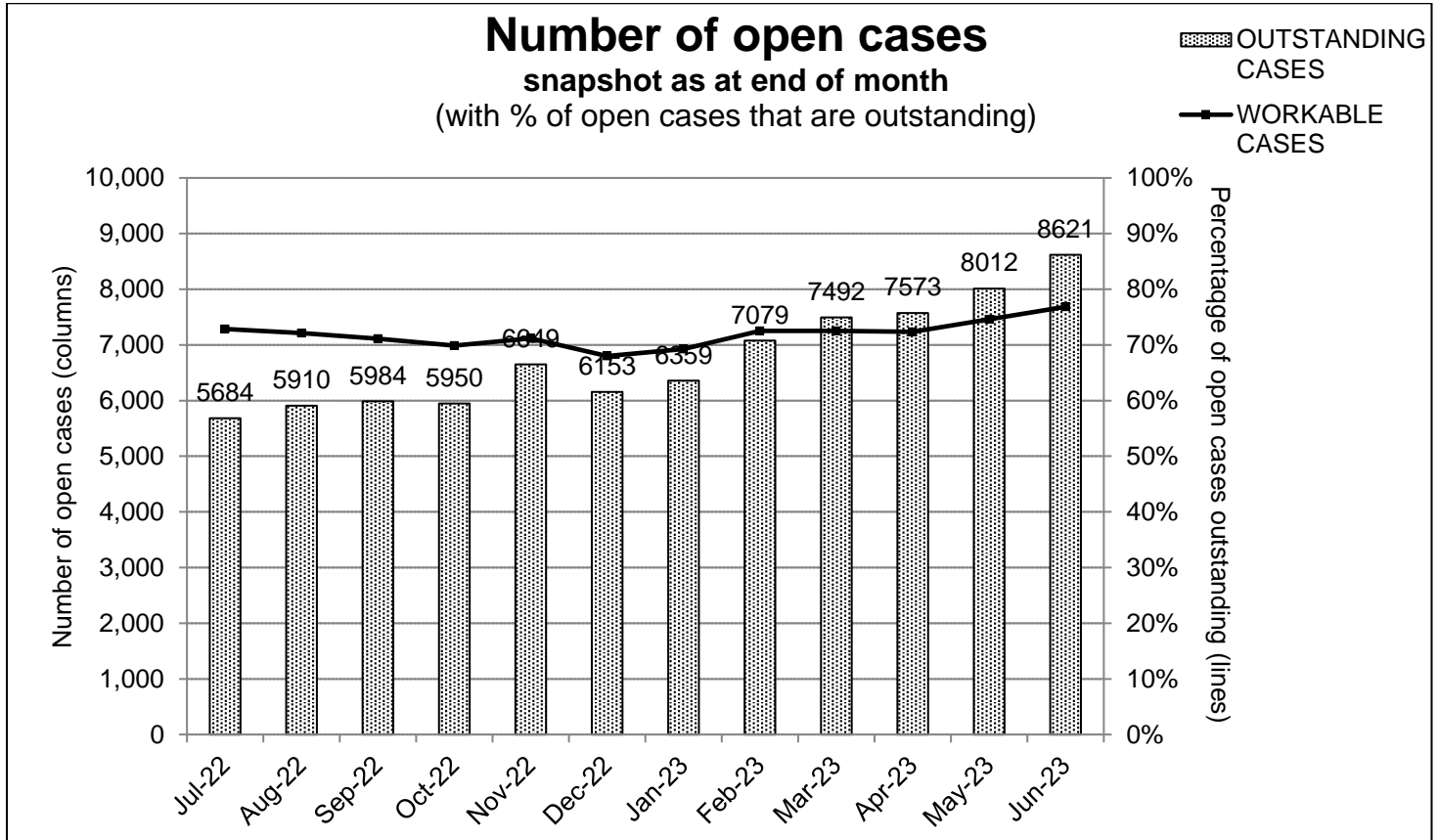
		Tasks Last Quarter							
		Average Days to Process	Actual Days to Process						
			0 - 5	6 - 10	11 - 15	16 - 20	21 - 25	26 - 30	31+
Retirement (from Active)	Quote - 15 days	27	51	31	35	23	23	19	58
	Payment - 15 days	13	74	30	57	27	14	5	20
Retirement (from Deferred)	Quote - 30 days	95	155	21	17	7	11	7	22
	Payment - 15 days	9	155	43	24	18	9	1	17
Deaths	Notification - 5 days	5	64	24	17	5	5	1	6
	Payment - 10 days	10	69	10	3	1	0	0	3
Refund of contributions	Quote - 10 days	51	5	10	7	4	1	2	8
	Payment - 10 days	22	6	2	15	35	12	18	44
Deferreds (early leavers)	30 days	44	128	13	24	39	62	66	464
Transfers In	Quote - 10 days	43	2	0	1	4	1	1	7
	Payment - 10 days	42	1	1	2	4	10	7	27
Transfers Out	Quote - 10 days	20	3	0	1	0	2	0	1
	Payment - 10 days	13	31	8	11	10	25	9	16
Estimates	Member - 15 days	7	155	38	12	12	4	9	3
	Employer - 15 days	8	85	24	0	3	4	5	12
Divorce	Quote - 45 days	33	0	0	0	1	0	0	3
	Actual - 15 days	7	3	3	0	2	0	1	0
Starters	40 days	13	403	313	193	198	20	40	74

Annex 3 Trend in Overall Performance

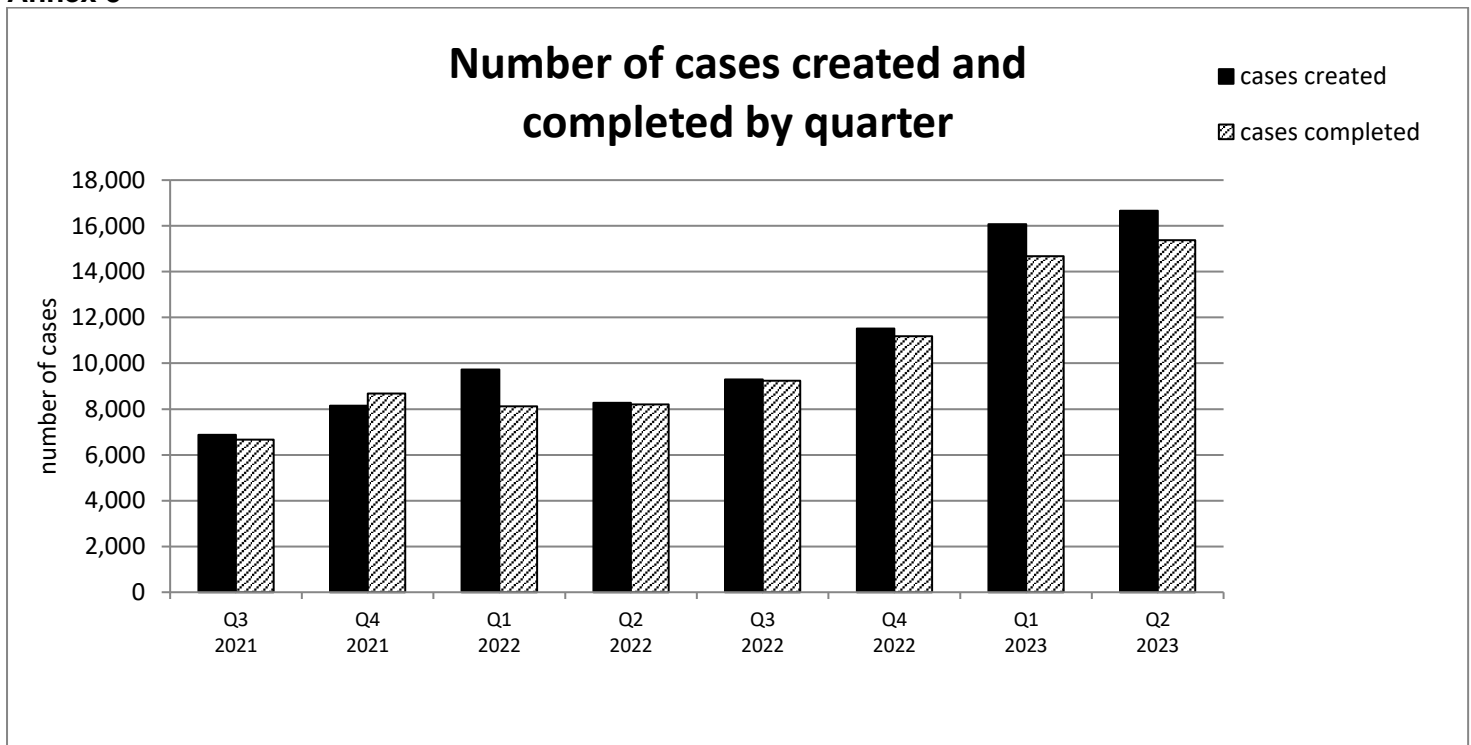
SLA Standards for Processing Admin Tasks						
Work Type	Target Processing SLA (Old/New)	Q3 Jul 22 - Sep 22	Q4 Oct 22 - Dec 22	Q1 Jan 23 - Mar 23	Q2 Apr 23 - Jun 23	Trend
Retirement (from Active)	Quote - 5 / 15 days	66.67%	76.37%	77.03%	49.34%	
	Payment - 5 / 15 days	92.00%	94.08%	91.85%	81.21%	
Retirement (from Deferred)	Quote - 30 days	50.00%	35.71%	38.46%	51.87%	
	Payment - 5 / 15 days	89.61%	94.31%	92.55%	85.00%	
Deaths	Notification - 5 days	81.20%	96.80%	88.65%	79.61%	
	Payment - 5 / 10 days	81.74%	85.45%	94.34%	68.57%	
Refund of contributions	Quote - 10 days	13.30%	19.80%	45.89%	1.69%	
	Payment - 10 days	78.33%	83.69%	71.88%	41.18%	
Deferreds (early leavers)	Notification - 20 / 30 days	57.17%	72.30%	59.50%	41.71%	
Transfers In	Quote - 10 days	32.98%	67.96%	59.18%	2.27%	
	Payment - 10 days	51.79%	63.64%	61.36%	12.50%	
Transfers Out	Quote - 10 days	30.37%	56.82%	53.01%	34.91%	
	Payment - 10 days	42.31%	80.56%	73.08%	45.45%	
Estimates	Member - 10/15 days	81.19%	90.12%	82.35%	87.98%	
	Employer - 15 days	66.67%	87.50%	86.96%	81.95%	
Divorce	Quote - 45 days	85.07%	89.47%	96.88%	90.91%	
	Actual - 15 days	100.00%	50.00%	100.00%	50.00%	
Starters	40 days	98.74%	96.41%	100.00%	98.71%	

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

Annex 4



Annex 5



Annex 1 – TPR Errors by Member Numbers

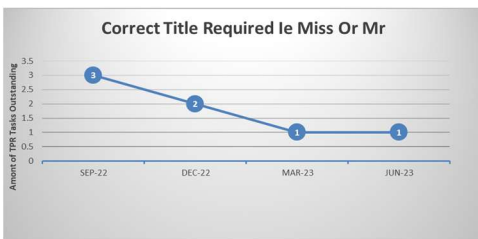
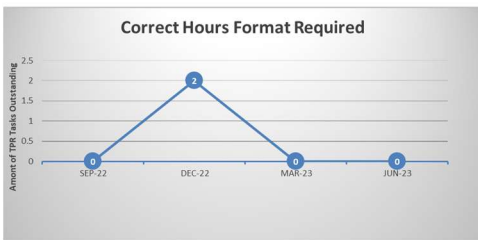
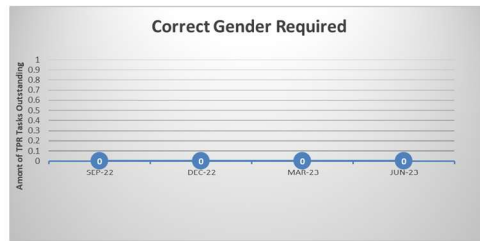
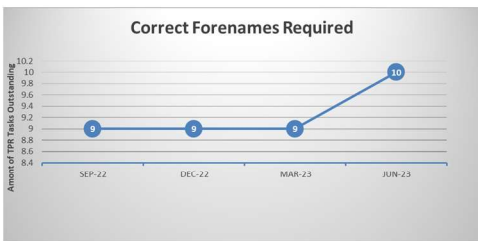
	Mar-23				Jun-23				*Trend
	Member Records	TPR Errors	% Errors	Data Score	Member Records	TPR Errors	% Errors	Data Score	
ACTIVE	40235	193	0.48%	99.52	40979	294	0.72%	99.28	+101
UNDECIDED	6064	226	3.73%	96.27	6294	272	4.32%	95.68	+46
DEFERRED	44310	3718	8.39%	91.61	44512	3696	8.30%	91.70	-22
PENSIONERS	36454	308	0.84%	99.16	36729	485	1.32%	98.68	+177
DEPENDANTS	5563	105	1.89%	98.11	5624	158	2.81%	97.19	+53
FROZEN	6011	1765	29.36%	70.64	5930	1766	29.78%	70.22	+1
TOTALS	138637	6315	4.56%	95.44	140068	6671	4.76%	95.24	+356

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

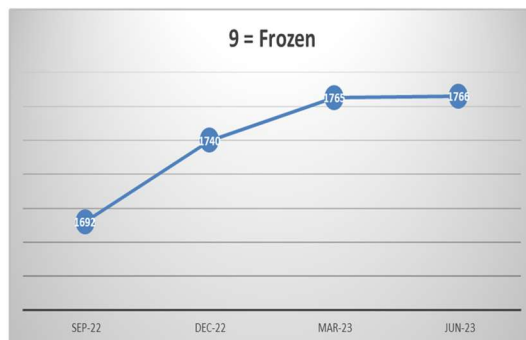
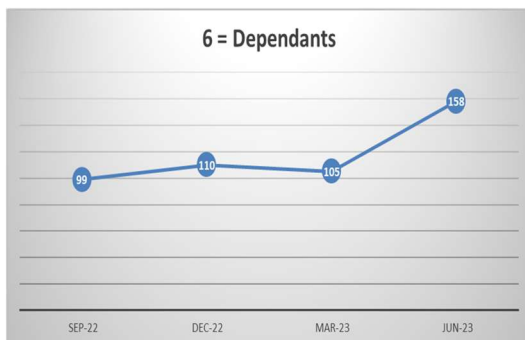
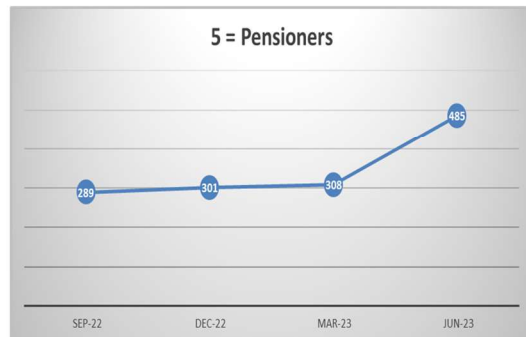
	Mar-23		Jun-23		*Trend
	TPR Errors	%	TPR Errors	%	
Age 75 Exceeded Lgps Eligibility Issue	70	1.11%	79	1.18%	+9
Care Pay For 2014-2015 Required	3	0.05%	3	0.04%	0
Care Pay For 2015-2016 Required	4	0.06%	4	0.06%	0
Care Pay For 2016-2017 Required	3	0.05%	5	0.07%	+2
Care Pay For 2017-2018 Required	7	0.11%	9	0.13%	+2
Care Pay For 2018-2019 Required	16	0.25%	13	0.19%	-3
Care Pay For 2019-2020 Required	13	0.21%	20	0.30%	+7
Care Pay For 2020-2021 Required	14	0.22%	21	0.31%	+7
CARE pay for 2021-2022 required	53	0.84%	54	0.81%	+1
CARE pay for 2022-2023 required	12	0.19%	31	0.46%	+19
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	5335	84.48%	5599	83.93%	+264
Correct Forenames Required	9	0.14%	10	0.15%	+1
Correct Gender Required	0	0.00%	0	0.00%	0
Correct Hours Format Required	0	0.00%	0	0.00%	0
Correct Nino Required	146	2.31%	168	2.52%	+22
Correct Title Required ie Miss Or Mr	1	0.02%	1	0.01%	0
Data Required From A Previous Employer	9	0.14%	3	0.04%	-6
Date Joined Fund Required	1	0.02%	2	0.03%	+1
Historic Refund Case	477	7.55%	476	7.14%	-1
Leaver Form Required	137	2.17%	171	2.56%	+34
Pay Ref Required	4	0.06%	2	0.03%	-2
Correct Surname Required	0	0.00%	0	0.00%	0
Correct Date Of Birth Required	1	0.02%	0	0.00%	-1
Grand total	6315	100%	6671	100%	

*Trend is influenced by number of errors

TPR Error Numbers by Error Type



TPR Error Numbers by Status



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Administration Service Improvement Plan update Q2 2023



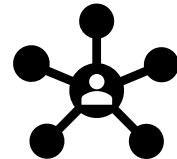
Key levers to improve people environment - Update



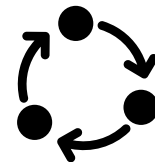
- Improve salaries – Done



- Fill vacant positions - Started



- Leadership & communication – Ongoing



- Organisation, Training, Development, and Career Progressions – Ongoing

Payroll ...

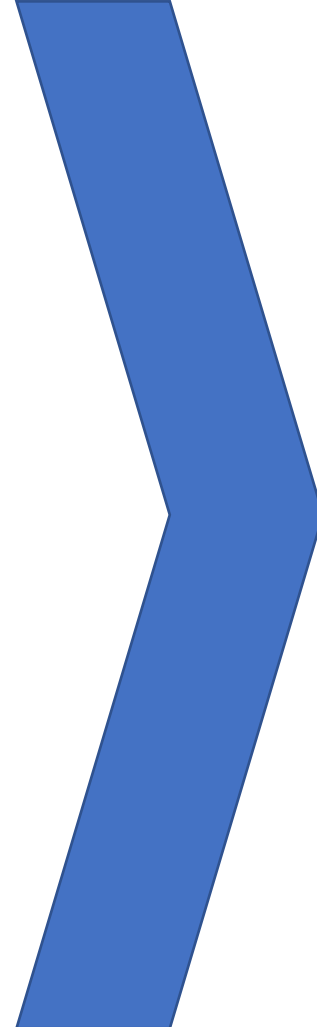
Q2 UPDATE

- New team leader resigned
- Resourced with 3 full time officers (2 seconded) and 2 casual officers
- BAU working well
- Resilience & confidence in ability to maintain payroll services

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OBJECTIVES

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



ACTIONS

- Review structure of payroll team
- Maintain support from Members Services officers
- Work on backlogs
- New process for Mortality screening
- New policy & processes for overpayments
- Create workflow to manage work - January 24
- Workflow reporting - March 24

Leaver process

Q2 UPDATE

- Leaver team in position
- Training rolled out to removed duplication of checking
- Agile review of officer resource to support business needs

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OBJECTIVES

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

ACTIONS

- Development of bulk digital processing underway
- Streamline & digitalise 3 key processes
 - Leaver
 - Starter
 - Post changes
- Support & Development
 - Employer training ongoing
 - People training & upskilling ongoing

Management Information (MI)

Q2 UPDATE

- New reports giving better oversight
- MI being used to make weekly decisions with officer resource
- New report on individual employer performance

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OBJECTIVES

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

ACTIONS

- Ongoing review & development of weekly MI reports
- Review of workflows to embed new reporting with new processes and responsibilities
- Create, design, test and deliver new reports

Day-to-day and backlogs....

Q2 UPDATE

- Increase in outstanding cases due to increase in incoming cases
- PI error cases c.1000 cases
- Operations Manager involved in weekly decisions
- Cases held due to SCAPE rate now workable
- Task force created to deal with increase in email traffic due to ABS campaign

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OBJECTIVES

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

ACTIONS

- Weekly cross team meetings to discuss workloads & support
- Operational focus on 2 key areas
 - Retirements
 - Death
- Review options including outsourcing of PI error cases

Service Improvement Plan – project update

Change Programme Administration			
Key Objectives	Current Phase of project	Completion Date of overall project	Status

Annual Projects			
Year End	YE complete but review and fine assessment still to be done	Jun-23	Complete
Annual Benefit Statement	All active and deferred statements published	Aug-23	Complete
Annual Allowance / Pension Savings	Calculate allowances & review exceptions	Oct-23	In progress
Annual Report	Collation & proof reading	Dec-23	In progress
Regulatory/Foundation			
GMP – remedy & equalisation	Category B members review	May-23	In progress behind schedule
MI & Insights on service levels	User Test & Sign-off	Aug-23	Complete
Employer number series	Testing and communications	Nov-23	In progress
McCloud (Fire)	Legislation published / Pre-legislation Category 1 remedy	Jan-24	In progress
Fire Exit	Initial Planning with WYPF	Jan-24	In progress
Pensions Dashboard	Preparation of data, comms, governance, DAP Admin	Mar-25	In progress
McCloud (LGPS)	Legislation published / Heywood UAT	Sep-25	In progress
Transformation			
Website – employers	Content review, update and upload	Nov-23	On hold
Website – members	Content review, update and upload	Nov-23	In progress behind schedule
Rebrand	Delivery of remaining design assets	Nov-23	In progress
Leaver process - phase 1	New leaver team set up	May-23	Complete
Leaver process - phase 2	Process review - impact and scoping assessment	May-24	In progress
Bulk processing, e.g. refunds	Process review - impact and scoping assessment	May-24	In planning
Organisational structure	Job description preparation	Mar-24	In progress
My Pension Online – upgrade	Scope analysis & recommendation	Mar-25	In progress
New member onboarding	Scope and starter documentation reviewed	Mar-24	In planning

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Item	Details	Action by Fund / Next Steps
<p>Pensions Dashboards Project</p>	<p>KEY AIMS: The Fund must comply with the Pensions Dashboard Regulations 2022, (amended August 23) following guidance issued by the Pensions Dashboard Programme, TPR and PASA with the purpose of connecting to the Dashboard ecosystem by the revised deadline of 31/10/26. <i>Funds will need to connect prior to that date within connection windows (to be supplied in guidance following industry consultation).</i></p> <p>In preparation, the Fund must become compliant with the Standards set out by the Pensions Dashboard Programme and complete our own reviews and projects in advance of our deadline, to connect and remain connected to the Dashboard ecosystem. This will include:</p> <ul style="list-style-type: none"> • The engagement of an Integrated Service Provider to enable connection. Review and agreement of responsibilities and revision of contract with ISP. Connection testing prior to onboarding. • Providing evidence of compliance with all PDP Standards and connection criteria (further compliance criteria and guidance to be published) to the TPR prior to registration and connection. • Backlog minimization, data cleansing and reduction of refund liability as recommended by the PDP. • Completion of data-centric projects • Ensuring BAU admin processes are sufficient to maintain minimal backlog and accurate data quality prior to and following connection. • Increased use of digital and automated processes. • Preparedness for increased admin traffic once Dashboard goes public. • Advance communications with our membership re. Dashboards via website, newsletter etc. 	<p>Work completed and in progress</p> <ul style="list-style-type: none"> • Published Regulations, bulletins from the PDP, LGA, TPR, Heywood and other pensions bodies are analysed along with issued Regulations, Guidance, Calls for Input and Consultation documents, which are responded to. All webinars attended and Heywood are contacted with any current queries. • Data-centric projects affecting Dashboard compliance identified and monitored centrally to ensure completion in advance of Dashboard connection. • Heywoods ISP solution with scheme data reporting will be available once contract is signed. The draft contract and terms of service provision are currently under review. • To become and remain compliant, ongoing member data cleansing is required to ensure data is not only present but correct. Heywoods provision of an integrated data cleansing service is being reviewed with further 3rd party options to be investigated Autumn 23. • Reducing backlogs is a key factor in becoming and remaining compliant. Lead officer is working with Member and Digital Services to address backlogs. Training timetable and cross-team working now in place for Autumn/Winter 23. • Steps to ensure correct levels of resource, support for BAU and annual bulk run events are being worked on under the restructure project. Future budget/staffing consideration: Member-facing staff will face a high increase of administration when the Dashboard goes live. • Work is ongoing with L&G re. reporting on member matching data. Reports will be provided quarterly. • Movement of our fire admin to West Yorkshire will remove firefighter members from the Dashboard project.

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Bath & North East Somerset Council	
MEETING:	AVON PENSION FUND COMMITTEE
MEETING DATE:	22 SEPTEMBER 2023
TITLE:	INVESTMENT STRATEGY AND BRUNEL UPDATE (for periods ending 30 June 2023)
WARD:	ALL
AN OPEN PUBLIC ITEM	
<p>List of attachments to this report:</p> <p>Exempt Appendix 1 – Brunel Monitoring Dashboard</p> <p>Appendix 2 – Investment Strategy Dashboard</p> <p>Appendix 3 – Mercer Quarterly Investment Performance Report</p> <p>Appendix 4 – Quarterly LAPFF Engagement Report</p>	

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 30 June 2023. Mercer will present their paper at the meeting.

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.

5 INVESTMENT STRATEGY

A – Funding Level and Investment Performance (‘Amber’ Ratings)

5.1 The Fund’s assets were £5,455m on 30 June 2023 and delivered a net investment return of -0.1% over the quarter.

5.2 The liabilities are expected to have decreased c.0.7% due to the rise in yields. The combined effect of the movement in asset and liability values over the quarter saw the estimated funding level increase marginally to c.97%. The deficit was estimated to have decreased over the quarter to c.£155m.

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 30 June 2023)

	3 Months	12 Months	3 Years (p.a)
Avon Pension Fund (incl. currency hedging)	-0.1%	-0.3%	3.2%
Avon Pension Fund (excl. currency hedging)	-0.8%	-1.1%	2.9%
Strategic benchmark (no currency hedging)	1.4%	6.4%	7.7%
Currency hedge impact	0.7%	0.8%	-0.3%

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 4 of the Mercer report at Appendix 3.

5.5 Listed equity returns were positive on an absolute basis but struggled to outperform on a relative basis. Although stock selection across portfolios was largely positive a general underweight in large technology stocks weighed on relative performance. The Committee should note that the top-7 global stocks¹ contributed 65% of total global index returns. We believe that the long-term proposition for sustainable stocks remains intact. The passive Paris-aligned index outperformed its active counterparts to produce an absolute return of 5.3% over the quarter. Better than expected corporate earnings, the expectation of more dovish global central bank policy, and a cooling of US inflation helped credit components of the portfolio including the Multi Asset Credit (MAC) portfolio, which delivered an absolute return of 1.8%. Elsewhere, the fund-raising environment for private markets (PM) continues to face challenges with a general slowdown in acquisitions. However, the Fund’s core infrastructure mandate delivered a positive absolute return over the quarter

¹ Apple, Microsoft, Amazon, NVIDIA, Tesla, Alphabet and Meta – dubbed the ‘magnificent seven’

and the pace of deployment within Brunel PM portfolios remains largely on track.

5.6 GBP strengthened against the US Dollar over the quarter, with the currency hedge contributing 0.7% to returns. Over the year GBP has appreciated against the USD and JPY which meant the currency hedge added 0.8% to returns.

5.7 **Returns versus the strategic assumptions:** Equity and liquid growth assets classes are generally delivering in line or exceeding expected returns. Property is below its modelled return and the other private market mandates are largely still in build-up phase or do not have a sufficient track record to properly compare against strategic return assumptions. It should be noted that actual asset returns relate to a relatively short time period (post investment strategy review) so there are limitations at this stage to making direct comparisons with the longer-term strategic assumptions.

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 15 September. A verbal update of key discussion points/outcomes will be provided at the meeting.

7 RESPONSIBLE INVESTMENT ACTIVITY

7.1 **Stewardship Summary:** Brunel have appointed Federated Hermes EOS to provide voting and engagement services on behalf of the Fund. Hermes engaged with 352 companies held by Avon in the Brunel active equity portfolios on a range of 1223 ESG issues. Environmental topics featured in 26% of engagements, 68% of which related directly to climate change. Social topics featured in 25% of engagements, where conduct and culture, human rights and diversity featured prominently. Of the 37% of Governance related engagements most focussed on executive remuneration and board diversity. Over the last quarter Hermes made voting recommendations at 454 meetings (6,430 resolutions). At 302 meetings they recommended opposing one or more resolutions. 68% of the issues Hermes voted against management on comprised board structure and remuneration.

7.2 **Climate Policy Updates:** The Fund will be reviewing its climate objectives as part of the climate workshop taking place in October and will be undertaking a series of engagement sessions including a dedicated ESG member survey in the lead up to the workshop.

8 RISK MANAGEMENT

8.1 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.

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 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.

11 OTHER OPTIONS CONSIDERED

11.1 None.

12 CONSULTATION

12.1 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.	

Access to Information Arrangements

Exclusion of access by the public to Council meetings

Information Compliance Ref: LGA-1530979
Meeting / Decision: Avon Pension Fund Committee
Date: 22 nd September 2023
Author: Nathan Rollinson
Report Title: Investment Strategy and Brunel Update (for periods ending 30 June 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.

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.

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.

Document is Restricted

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Investment Dashboard at 30 June 2023

1. Investment Strategy

	Objective	Commentary	RAG	Trend
1	Funding level	<ul style="list-style-type: none"> 97%. Estimated to be c.6% higher over year to 30 June £155m deficit 		↑
2	Investment Performance	<ul style="list-style-type: none"> Behind strategic benchmark over 1 and 3 years 		↓
	Qtr return	<ul style="list-style-type: none"> Negative quarter of -0.1% protection assets lead detractor 		↓
	1 Year return	<ul style="list-style-type: none"> Behind funding objective at -0.3% p.a. 		↑
	3 Year return	<ul style="list-style-type: none"> Behind funding objective at 3.2% p.a. 		↑
3	Risk Management			
	LDI	<ul style="list-style-type: none"> Trigger framework currently suspended, in process of being reinstated Hedge ratio c.24% due to LDI assets falling relative to other assets Mandate performed as expected. Manager in compliance with investment guidelines 		↔
	EPS	<ul style="list-style-type: none"> Detracted c.1.19% from equity returns over Q2 2023 Currently under review – recommendations to be brought to Dec Panel meeting 		↔
	FX	<ul style="list-style-type: none"> Additive to returns over 1 year, flat over 3 years 		↔
	Collateral adequacy	<ul style="list-style-type: none"> TPR and the Central Bank of Ireland (as the regulator of the QIF) have issued guidance on collateral requirements following significant market volatility in Sept/Oct. FRMG have worked with the manager to ensure collateral 'headroom' and monitoring levels are in line with current best practice. 		↔
4	Rebalancing/cashflow	<ul style="list-style-type: none"> JPM Hedge Fund wind down on track £125m drawn by Secured Income portfolio (funded from cash) £100m redemption from core infra mandate to align with SAA 		↔

2. Portfolios

	Objective	Commentary	RAG	Trend
1	Brunel Listed Market portfolios	<ul style="list-style-type: none"> Equity portfolio underperformance driven by quality, ESG bias, underweight large tech in Q2 23 Credit portfolios benefitting from higher yields and favourable lending conditions 		↑

		• Portfolios benchmarked vs cash+ underperform due to higher interest rates – expected to readjust over time		
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. • Portfolio still well positioned for current environment with high quality tenant base and inflation linked leases. • Cycle 1: 100% • Cycle 2: 100% • Cycle 3: 38%		↔
	Private Debt (Brunel)	Performance: n/a – portfolio in build-up New Commitments: Cycle 2 fully committed Capital deployment: • Cycle 2: 55% • Cycle 3: 30%		↔
	UK Property (Brunel)	• 100% in Brunel preferred funds • Underweight office and retail sectors / overweight industrials and alternatives • Outperformed benchmark SI		↑
3	Legacy portfolios			
	IFM (infra)	• £100m redeemed in 2023 (to settle Oct 2023)		↔
	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		↑

Avon Pension Fund

Committee Investment Report
Quarter to 30 June 2023

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September 2023

Steve Turner
Joshua Caughey

A business of Marsh McLennan



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Executive Summary



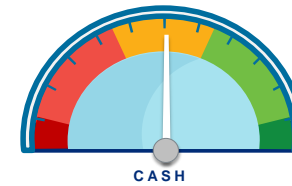
Executive Summary

Market background

- Continued economic resilience and declining inflation (in most regions apart from the UK) led to investor optimism and thus positive performance for risk assets.
- In the UK, market-implied inflation expectations rose over the quarter, and nominal yields generally rose.

Mercer market views

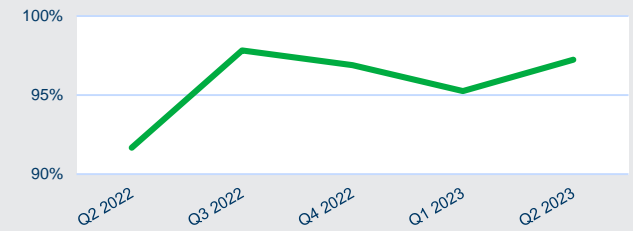
- Our medium term outlook (as at July 2023) is mixed.
- We remain slightly negative on equities due to expectations for flat or negative corporate profit growth in 2023.
- We continue to have a modestly positive view on growth fixed income markets (e.g. Multi Asset Credit) due to attractive credit spreads and yields.



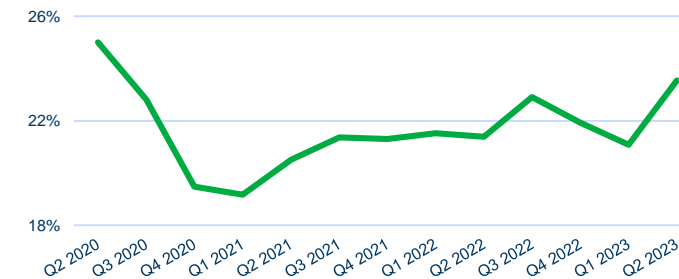
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Funding level and risk

- The funding level is estimated to have increased over the quarter to c. 97%, as the decrease in the estimated value of the liabilities and impact of contributions outweighed the slight negative performance from the assets.
- It is estimated to be c. 6% higher over the year to 30 June 2023 (as illustrated to the right).



- The Value-at-Risk increased over the quarter to £1,321m, and rose as a percentage of liabilities to 23.5%.
- A key driver of this was a rise in underlying forward-looking volatility assumptions for most major asset classes over the period.
- The reduction in risk that can be seen in 2020 was due to the move from a static to dynamic equity protection strategy. Levels have gradually increased since 2020 due to market movements and changes in forward-looking assumptions.



Executive Summary

Performance

- The marginal negative return of Fund assets over the quarter was driven by the Protection assets, although this was largely offset by positive performance from all Growth assets, with the exception of Property. The Secured Income portfolio has also underperformed its benchmark mainly due to the challenges seen in Property markets.
- The Currency Hedge added to returns over the period due to a strengthening of Sterling.

- Underperformance relative to the strategic benchmark over the one year period to 30 June 2023 is mainly due to the underperformance of Property and Secured Income mandates, and the Equity Protection (though performance is in line with expectations).
- The main detractors over the three year period were the Equity Protection, Overseas Property and Secured Income.

	3 Months (%)	1 Year (%)	3 Years (% p.a.)
Total Fund (1)	-0.1	-0.3	3.2
Strategic Benchmark (2) (ex currency hedge)	1.4	6.4	7.7
Relative (1 - 2)	-1.5	-6.7	-4.5

- The Currency Hedge overlay had positive 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 compared to the strategic returns modelled at the strategy review in 2023 have been mostly positive among Equity and the Liquid Growth assets, given that these markets have seen a strong year-to-date, whilst they have been generally negative within the Illiquid Growth assets.
- A key point underpinning these is that it is comparing only a six-month period compared to expectations derived per annum, as the expectations derived from the strategy review were with effect from 31 December 2022.

Asset allocation and strategy

- A net amount of c. £125m was drawn down to the Brunel private market portfolios during the quarter, including the first drawdown to Secured Income – Cycle 3 to the magnitude of c. £107m.
- There were large transitions within the Equity portfolio to implement the agreed tilt towards passively-managed mandates, and the creation of synthetic exposure to the MSCI Paris-Aligned Index was completed during the period.

Executive Summary

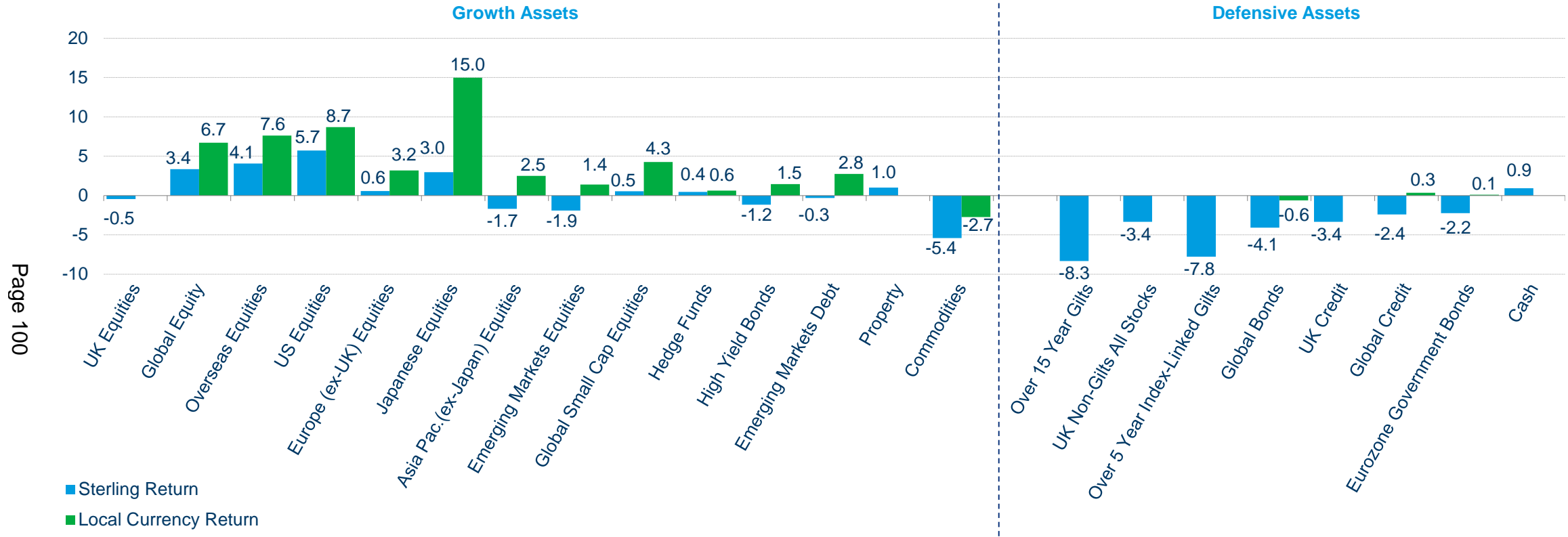
Equity option mandate	<ul style="list-style-type: none">• The equity protection strategy detracted from performance due to a rise in equity markets, exhibiting negative performance of c. 1.2%.• The minimum premium condition on the upside in place with each of the counterparty banks is currently being met across all markets.
Liability hedging mandate	<ul style="list-style-type: none">• BlackRock were in compliance with their investment guidelines over the quarter.• Following a sharp rise in gilt yields over September/October 2022, a number of interest rate triggers were achieved, and the trigger framework temporarily suspended.• Before the suspension, the interest rate hedge ratio rose from c. 10% as at 30 June 2022 to c. 30% as a percentage of assets.• As at 30 June 2023, the Fund's hedge ratios were 29% for interest rates and 24% for inflation as a proportion of assets.• The trigger framework was discussed as part of the wider risk management framework review, and it has been agreed that the triggers to attain up to 40% hedge ratios are to be reinstated.
Collateral position	<ul style="list-style-type: none">• Following the gilt market volatility experienced in October 2022, the collateral adequacy monitoring and the notification thresholds for the Fund were updated.• In February 2023, c. £212m of equities were synthesised to bring collateral headroom within the target 3-4% range, and in May 2023, the remaining pooled equities within the BlackRock portfolio were sold (c. £159m) and the exposure was replaced with the synthetic positions in the MSCI Paris Aligned Index.• Post-quarter end, a further £200m of physical equities are to be synthesised, from the Brunel Paris-Aligned mandate, and replaced with exposure to the MSCI Paris Aligned Index.• Including assets within the collateral waterfall and physical equity that could be synthesised, there was a total interest rate buffer of 5.3% as at 30 June 2023.

Market Background



Market Background

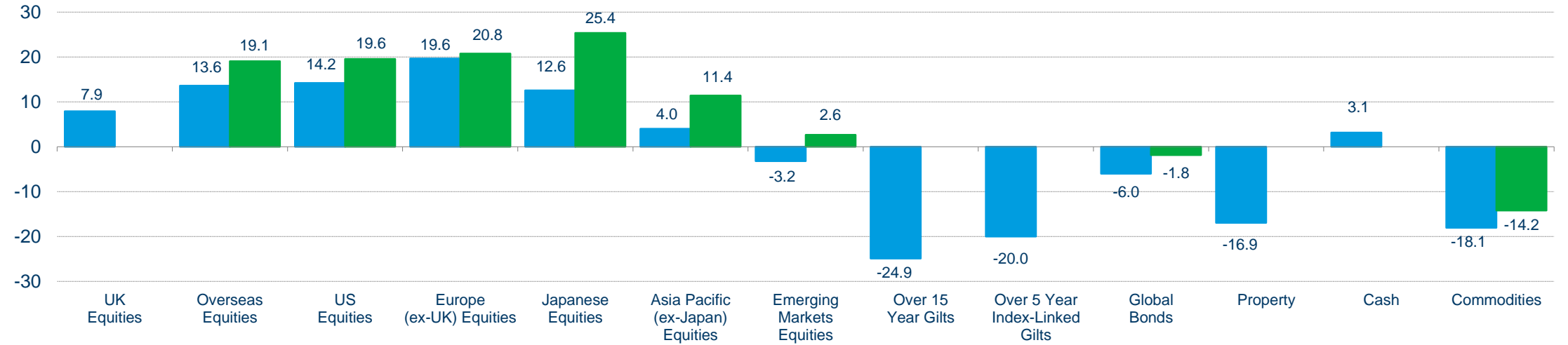
Return over 3 months to 30 June 2023 (%)



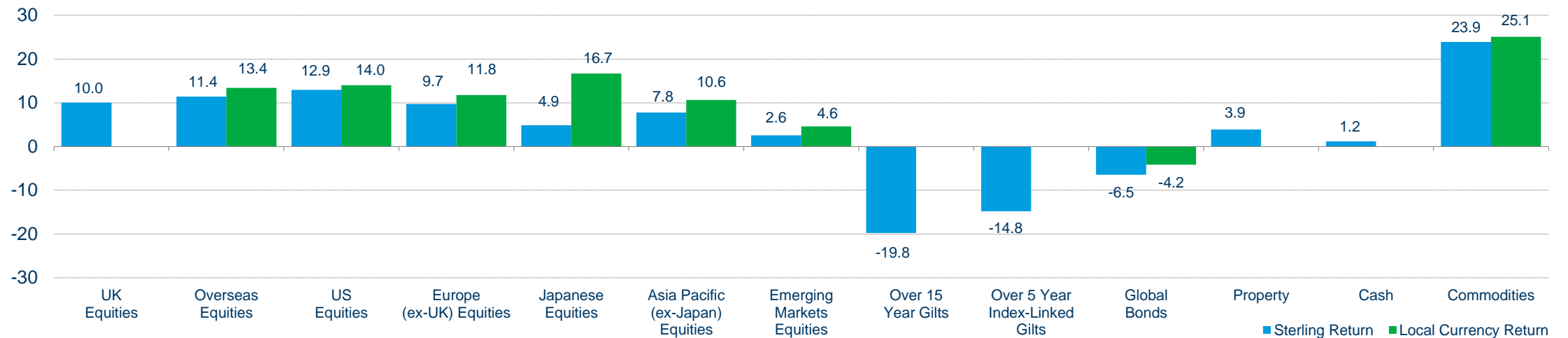
The second quarter of 2023 saw the orderly resolution of the second largest bank failure in US history and further distress among US regional banks, ongoing economic resilience, declining inflation, an equity rally led by eight stocks, and increased geopolitical tensions, including an attempted coup in Russia. Developed market central bank actions were mixed over the quarter, with some deciding to pause hiking interest rates, and others continuing to increase the policy rate, but rhetoric remained hawkish. Headline inflation continued to slow and core inflation fell in most regions apart from the UK. Inflation expectations also continued to decline over the quarter. Overall, this led to investor optimism and thus positive performance for risk assets whereas government bond performance was negative because of increasing rates.

Market Background – 1 & 3 Years

Return over 12 months to 30 June 2023 (%)



Return over 3 years to 30 June 2023 (% p.a.)



Funding Level and Risk



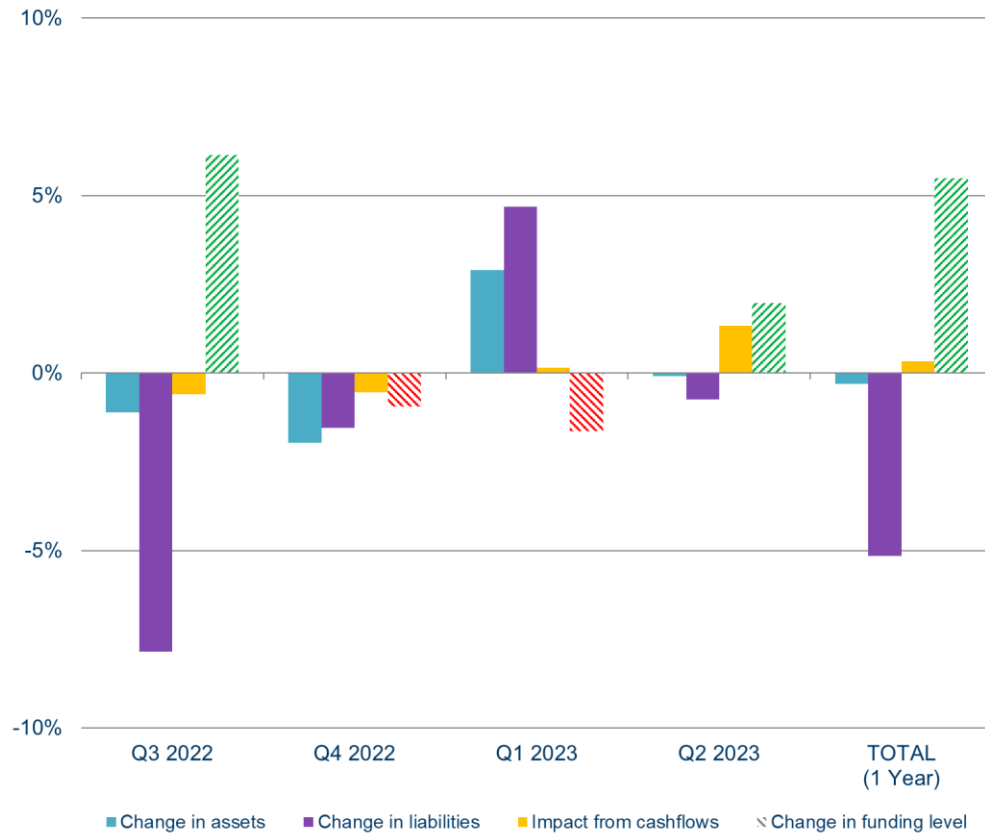
Funding Level and Deficit

The Fund's assets returned -0.1% over the quarter, whilst the liabilities are estimated to have decreased by c. 0.7% due to the rise in nominal yields.

The combined effect of this, also allowing for expected cashflow over the period, saw the estimated funding level increase to c. 97%.

The funding level is estimated to be c. 6% higher over the year to 30 June 2023.

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The deficit was estimated to have decreased over Q2 to c. £155m:



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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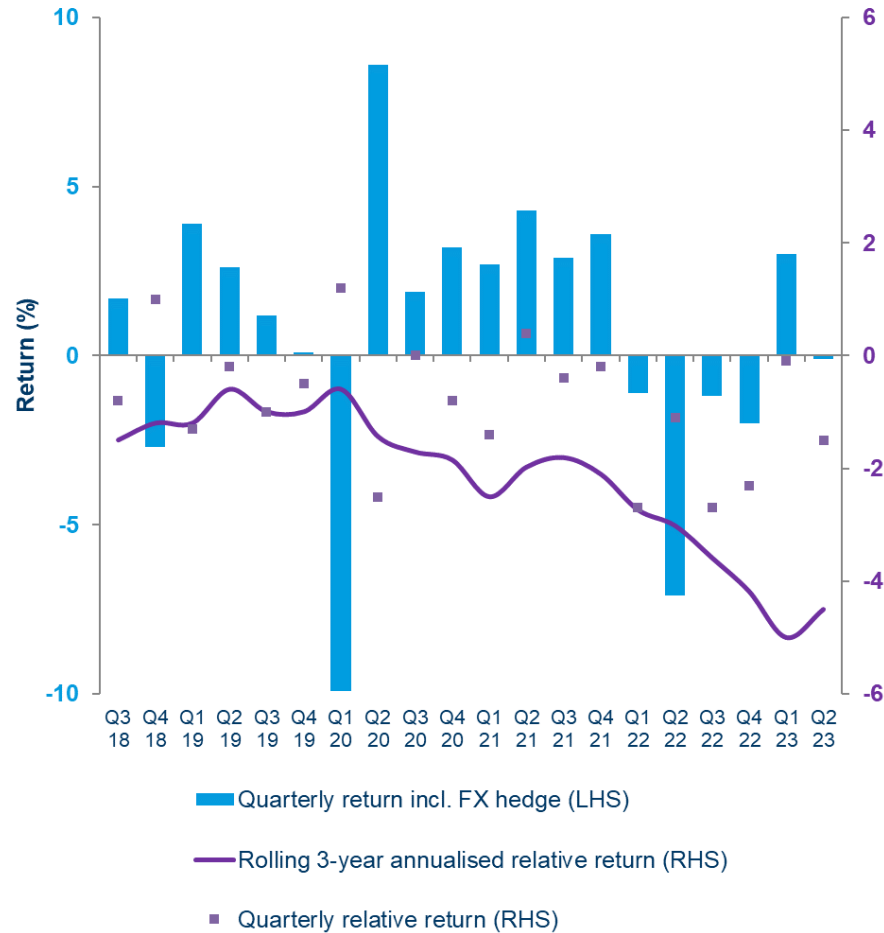


- As at 30 June 2023, if a 1-in-20 ‘downside event’ occurred over the next three years, the funding position could deteriorate by at least an additional **£1.3bn**.
- Each bar to the left of the total represents the contribution to this total risk from the primary underlying risk exposures (interest rates and inflation, changes in credit spreads, volatility of alternative assets and equity markets, and the benefit from equity options).
- Overall **the VaR increased by £129m over the quarter**. A key driver of this was a rise in underlying forward-looking assumptions for volatility (and return) for most major asset classes over the period. Moreover, updating for the 2022 actuarial valuation cashflows and SAA together reinforced the upward movement.
- VaR rose as a percentage of liabilities from 21.1% to 23.5%.

Performance Summary



Total Fund Performance



	3 Months (%)	1 Year (%)	3 Years (% p.a.)
Total Fund (1)	-0.1	-0.3	3.2
Total Fund (ex currency hedge)	-0.8	-1.1	2.9
Strategic Benchmark (2) (ex currency hedge)	1.4	6.4	7.7
Relative (1 - 2)	-1.5	-6.7	-4.5

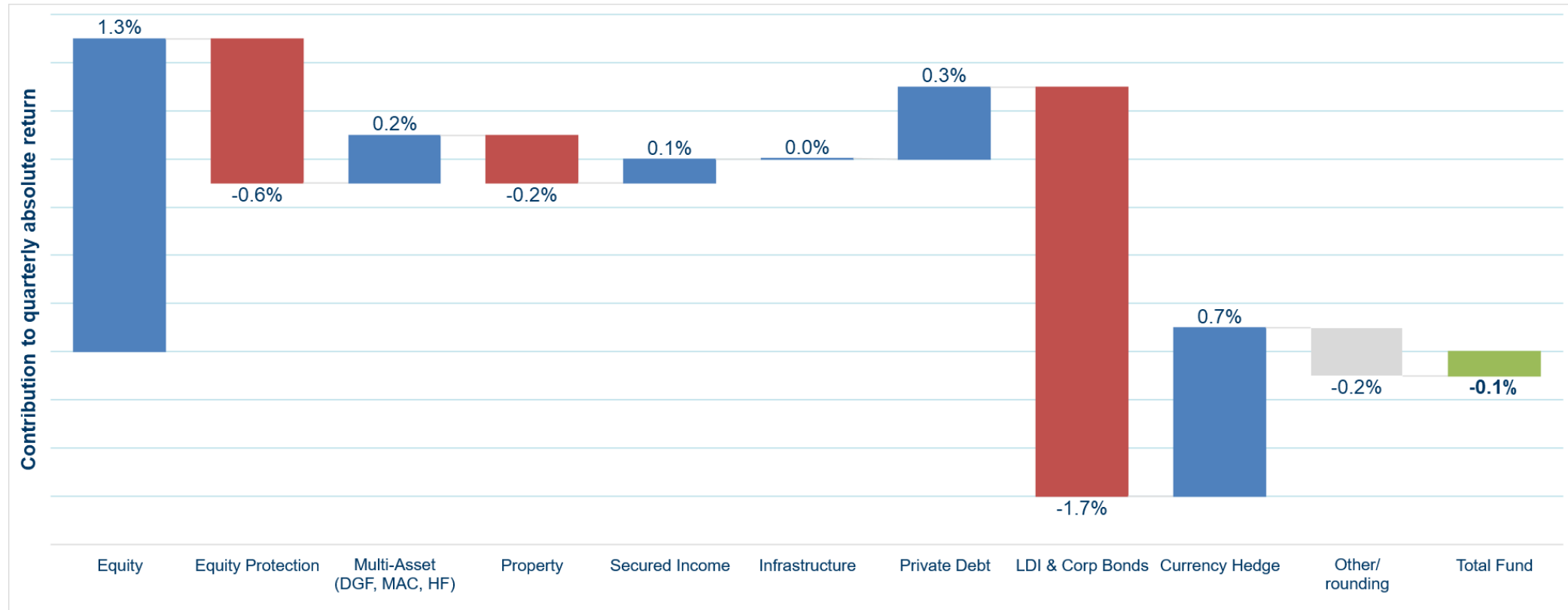
Source: Custodian, Mercer estimates. Returns are net of fees.

Commentary

- As illustrated on the next slide, the marginal negative return of Fund assets over the quarter was driven by the Protection assets, although this was largely offset by positive returns from all Growth assets with the exception of Property.
- Relative performance in Q2 was mostly negative. Sustainable Equity suffered from an underweight to the few large cap companies in which a lot of the equity market rally was concentrated. The Liquid and Illiquid Growth assets underperformed their cash/inflation-plus benchmarks with the Secured Income portfolio underperforming its benchmark mainly due to the challenges seen in Property markets. The only exception was the Private Debt, .
- The main 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 Currency Hedge has added to returns over the period shown due to a strengthening of Sterling.

Total Fund Performance Attribution – Quarter

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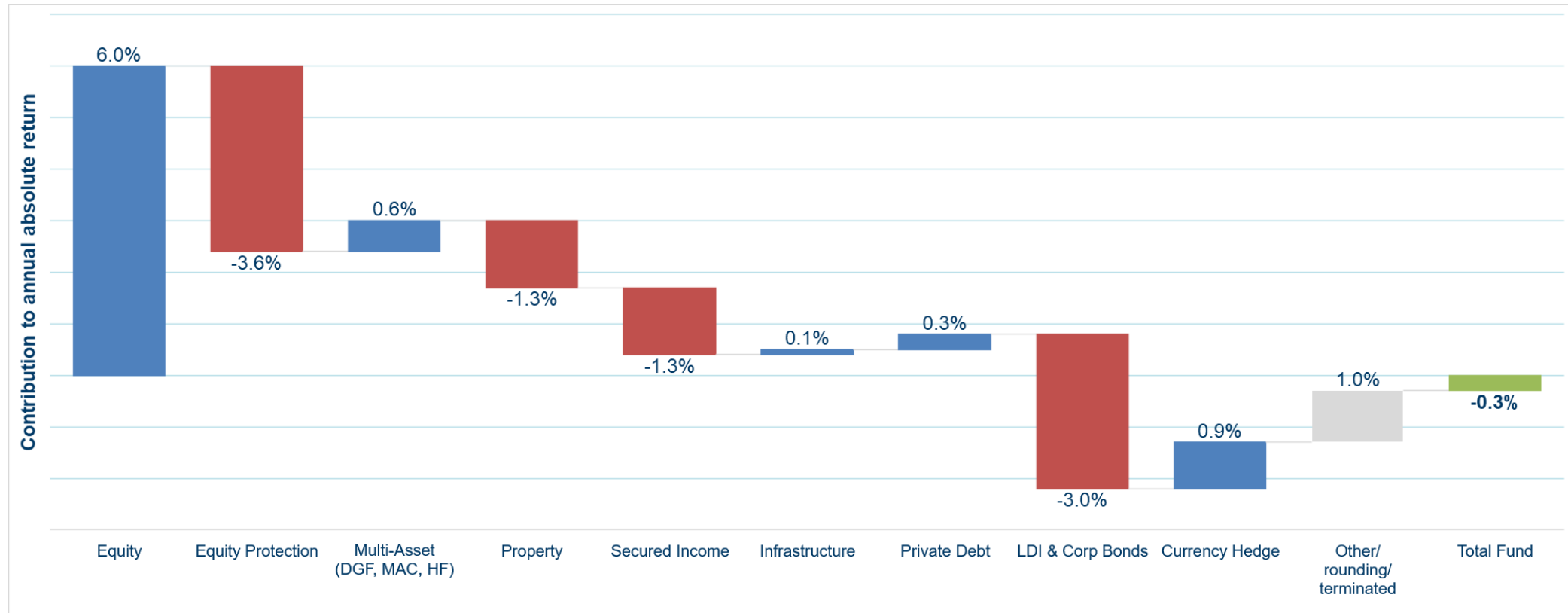
Source: Custodian and Mercer estimates

'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 marginal negative return on the Fund assets over the quarter was driven mainly by the decline in value of the LDI portfolio as nominal yields rose. The Equity Protection detracted, in line with expectations as the underlying physical equity holdings posted positive returns.

All of the broad Growth asset categories contributed to return, except for Property. The Currency Hedge contribution was positive due to the strengthening of Sterling.

Total Fund Performance Attribution – 1 Year



Estimated change in value of the liabilities



-5.2%

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 and the Equity Protection were the main detractors over the 1 year period. Property and Secured Income have also had a difficult year, though all other Growth asset categories contributed positively, especially Equity. The Currency Hedge contribution was positive due to the strengthening of Sterling.

Mandate Performance to 30 June 2023

Manager / Asset Class	3 Months			1 Year			3 Year			3 Year Performance Target (% p.a.)**	3 Year Performance vs Target
	Fund (%)	B'mark (%)	Relative (%)	Fund (%)	B'mark (%)	Relative (%)	Fund (% p.a.)	B'mark (% p.a.)	Relative (% p.a.)		
Brunel Global High Alpha Equity	3.9	4.1	-0.2	16.3	13.8	+2.2	11.1	11.6	-0.4	+2-3	Target not met
Brunel Global Sustainable Equity	0.1	3.4	-3.2	10.2	11.9	-1.5	N/A	N/A	N/A	+2	N/A
Brunel Passive Global Equity Paris-Aligned	5.3	5.3	0.0	16.7	16.7	0.0	N/A	N/A	N/A	-	N/A (p)
Brunel Diversified Returns Fund	1.0	1.8	-0.8	1.1	6.2	-4.8	N/A	N/A	N/A	-	N/A
Brunel Multi-Asset Credit	1.8	2.0	-0.2	7.6	7.3	+0.3	N/A	N/A	N/A	-	N/A
Brunel UK Property	0.4	0.3	+0.1	-19.0	-17.1	-2.3	N/A	N/A	N/A	-	N/A
Partners Overseas Property*	-3.5	2.5	-5.9	-8.9	10.0	-17.2	0.5	10.0	-8.6	-	Target not met
Brunel Secured Income - Cycle 1	0.0	2.0	-2.0	-14.4	8.0	-20.7	0.4	6.6	-5.8	+2	Target not met
Brunel Secured Income - Cycle 2	0.1	2.0	-1.9	-12.7	8.0	-19.2	N/A	N/A	N/A	+2	N/A
IFM Core Infrastructure	0.5	2.3	-1.7	6.1	8.3	-2.0	11.4	6.3	+4.8	-	Target met
Brunel Renewable Infrastructure - Cycle 1	-1.8	2.0	-3.7	5.4	8.0	-2.4	5.1	6.6	-1.4	+4	Target not met
Brunel Renewable Infrastructure - Cycle 2	-2.5	2.0	-4.4	15.7	8.0	+7.1	N/A	N/A	N/A	+4	N/A
Brunel Private Debt - Cycle 2	11.7	2.0	+9.5	16.5	7.2	+8.7	N/A	N/A	N/A	-	N/A
BlackRock Corporate Bonds	-4.1	-4.1	0.0	-16.0	-16.0	0.0	-11.4	-11.4	0.0	-	N/A (p)
BlackRock LDI	-8.0	-8.0	0.0	-17.4	-17.4	0.0	1.9	1.9	0.0	-	N/A (p)
Equity Protection Strategy	-1.2	N/A	N/A	-6.8	N/A	N/A	-5.6	N/A	N/A	-	N/A

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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 March 2023, 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.

Performance is not yet illustrated for Private Market Cycle 3 investments, which will become more meaningful with the passage of time.

Asset Allocation



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*	1,416,993	635,125	26.3	11.6	10.5	5.5 - 15.5	+1.1
Global Sustainable Equity	792,531	589,576	14.7	10.8	10.5	5.5 - 15.5	+0.3
Paris-Aligned Equity*	278,856	1,346,330	5.2	24.7	20.5	12.5 - 28.5	+4.2
Diversified Returns Fund	336,583	339,865	6.3	6.2	6.0	3 - 9	+0.2
Fund of Hedge Funds**	32,638	22,335	0.6	0.4	-	No set range	+0.4
Multi-Asset Credit	304,609	310,208	5.7	5.7	6.0	3 - 9	-0.3
Property	342,961	332,948	6.4	6.1	7.0	No set range	-0.9
Secured Income	435,092	543,334	8.1	10.0	9.0	No set range	+1.0
Core Infrastructure	313,207	314,803	5.8	5.8	4.0	No set range	+1.8
Renewable Infrastructure	163,699	168,655	3.0	3.1	5.0	No set range	-1.9
Private Debt	128,903	158,685	2.4	2.9	4.5	No set range	-1.6
Local / Social Impact	-	-	-	-	3.0	No set range	-
Corporate Bonds	170,711	163,667	3.2	3.0	2.0	No set range	+1.0
LDI & Equity Protection	983,979	1,023,496	18.3	18.8	12.0	No set range	+6.8
Synthetic Equity Offset*	-562,614	-733,621	-10.4	-13.4	-	-	-
Other***	245,723	239,340	4.6	4.4	-	0 - 5	+4.4
Total	5,383,885	5,454,760	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 (at the start of the quarter) and Paris-Aligned (at the end of the quarter) 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.

Valuations by Manager

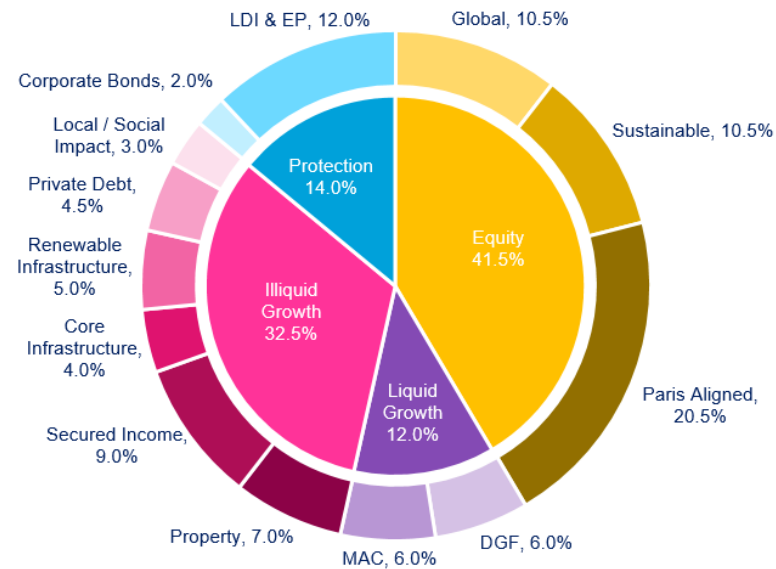
Manager	Asset Class	Start of Quarter (£'000)	Cashflows (£'000)	End of Quarter (£'000)	Start of Quarter (%)	End of Quarter (%)
BlackRock	Global Equity*	708,487	-148,208	-	13.2	0.0
Brunel	Global High Alpha Equity	698,860	-99,930	621,442	13.0	11.4
Brunel	Global Sustainable Equity	792,531	-199,880	589,576	14.7	10.8
Brunel	Passive Global Equity Paris Aligned	278,856	299,993	612,709	5.2	11.2
BlackRock	MSCI Paris-Aligned (Synthetic)*	-		733,621	-	13.4
Brunel	Diversified Returns Fund	336,583		339,865	6.3	6.2
JP Morgan	Fund of Hedge Funds	32,638	-12,038	22,335	0.6	0.4
Brunel	Multi-Asset Credit	304,609		310,208	5.7	5.7
Brunel	UK Property	180,699	-72	181,693	3.4	3.3
Schroders	UK Property	13,018		12,750	0.2	0.2
Partners	Overseas Property	149,245	-798	138,506	2.8	2.5
Brunel	Secured Income – Cycle 1	323,868	-4,123	319,833	6.0	5.9
Brunel	Secured Income – Cycle 2	111,224	-1,422	109,972	2.1	2.0
Brunel	Secured Income – Cycle 3	-	107,034	113,528	-	2.1
IFM	Core Infrastructure	313,207		314,803	5.8	5.8
Brunel	Renewable Infrastructure – Cycle 1	98,180	6,281	102,773	1.8	1.9
Brunel	Renewable Infrastructure – Cycle 2	57,901	1,843	58,427	1.1	1.1
Brunel	Renewable Infrastructure – Cycle 3	7,618	-41	7,456	0.1	0.1
Brunel	Private Debt – Cycle 2	114,081	10,727	138,568	2.1	2.5
Brunel	Private Debt – Cycle 3	14,821	4,979	20,117	0.3	0.4
BlackRock	Corporate Bonds	170,711		163,667	3.2	3.0
BlackRock	LDI & Equity Protection	983,979	148,208	1,023,496	18.3	18.8
BlackRock	<i>Synthetic Equity Offset</i>	-562,614		-733,621	-10.4	-13.4
Record	Currency Hedging (incl. collateral)	25,681	10,000	70,650	0.5	1.3
BlackRock	ETF	127,088		125,687	2.4	2.3
Internal Cash	Cash	101,839	-46,349	55,925	1.9	1.0
Total		5,383,885	76,200	5,454,760	100.0	100.0

Source: Investment Managers, Mercer. Totals may not sum due to rounding.

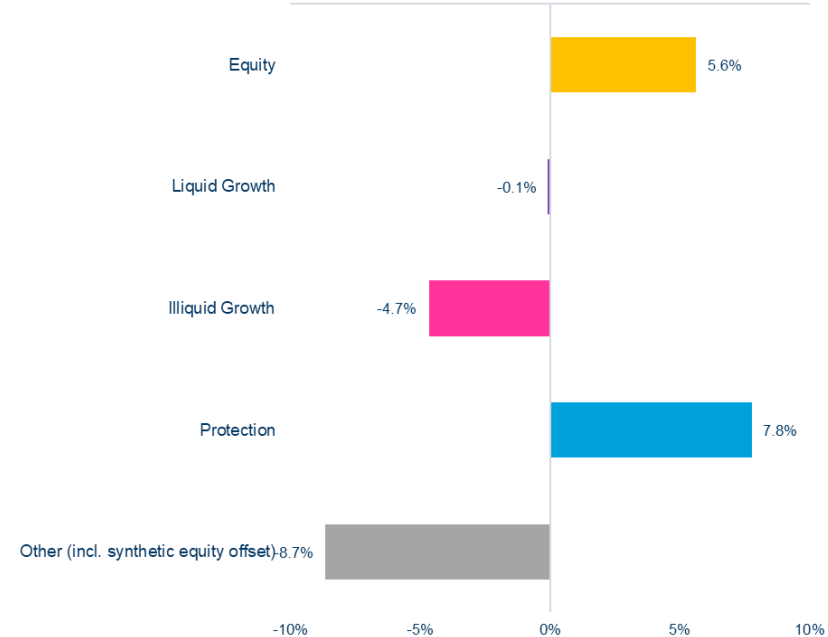
The cashflow column shows only the cash movements within the asset portfolio. It does not include non-investment cash movements such as employer contributions or pension payments made, however these amounts are included in the 'Internal Cash' start and end balance to reflect the asset value position of the total Fund. *Global Equity (at the start of the quarter) and MSCI World PAB 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.

Positioning relative to target

Strategic Asset Allocation (“SAA”)



Relative positioning



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Commentary

- The Plan updated its Strategic Asset Allocation as part of the 2023 Investment Strategy Review. Among other things, specific to the SAA this included agreements to:
 - Tilt the active/passive split for equities from 67/33 to 50/50
 - Introduce an initial target allocation of 3% for a Local/Social Impact portfolio; being funded strategically from the other existing components of the Illiquid Growth portfolio
- The right hand side chart displays the actual relative weights of the key portfolio building blocks compared to the SAA:
 - The overweight to Equity reflects strong recent absolute performance
 - The underweight to Illiquid Growth reflects the fact that most of the portfolios are still drawing down capital, and in particular the plans to fund the new allocation to a Local / Social Impact portfolio are still being developed.
 - The overweight to Protection reflects the collateral boost provided by the synthesising of some of the Equity allocation; meaning that in practice an overweight to this building block is likely persist and is unlikely to trigger any consideration for action, which would continue to be driven more specifically by collateral adequacy requirements.

Appendix

Q2 2023 Equity Market Review

Global equity markets exhibited extremely narrow leadership over the second quarter. Nvidia was the catalyst for a rally in technology stocks. Fewer than 10 stocks made up most of the S&P 500 return through Q2.

Equity markets in the US have looked through the regional banking distress during the quarter. Earnings remained resilient, but analyst expectations point to a decline in the coming quarter.

Global equities returned 3.4% in sterling terms and 6.7% in local currency terms as the dollar depreciated versus sterling.

US equities returned 8.7% in local currency terms, whilst European (ex-UK) equities returns 3.2%, and Japanese equities returned 15.0%.

Emerging markets ('EM') equities returned 1.4% in local terms.

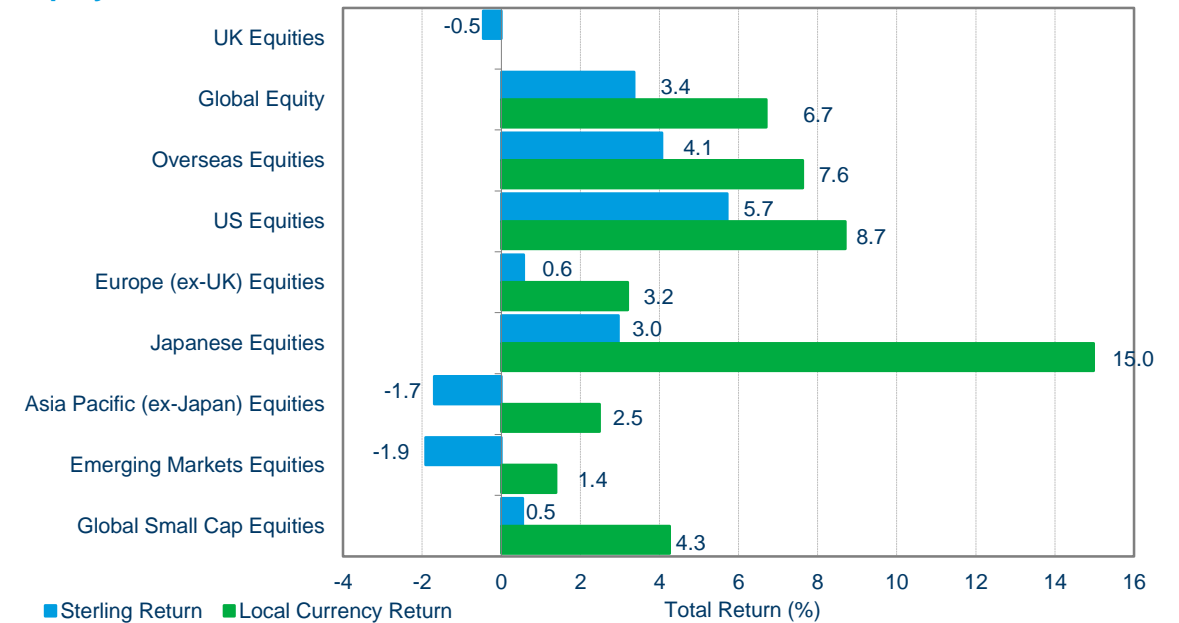
Global small cap stocks returned 4.3% in local terms. Small caps underperformed global equities due to their lack of exposure to the large cap tech stocks which were the main driver of global equity returns this quarter.

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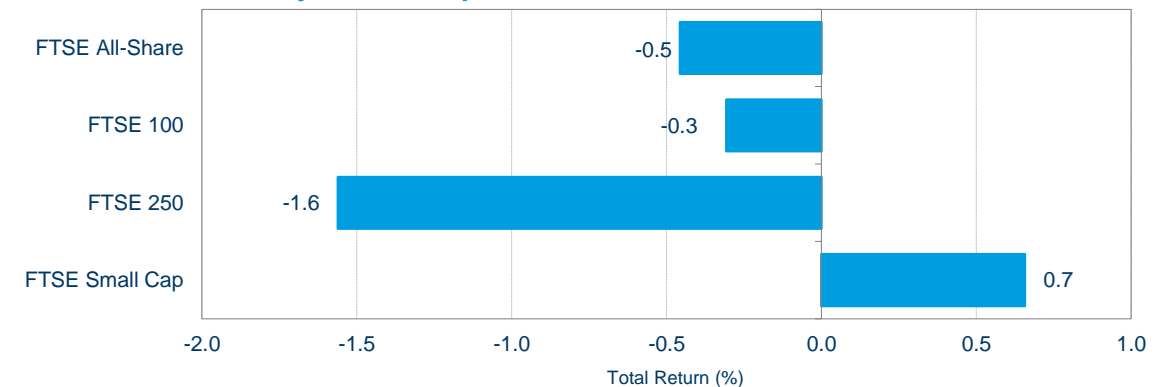
The **FTSE All Share** index returned -0.5% over the quarter with the large cap **FTSE 100** index returning -0.3%. Large cap equities (All-Share and FTSE 100) produced negative returns whilst smaller, more domestically focused, equities (**FTSE 250**) produced worse negative returns. However, the **small cap** index produced a positive 0.7% return.

Poor performance in the basic materials and telecoms sectors were a drag on UK performance relative to global equities.

Equity Performance



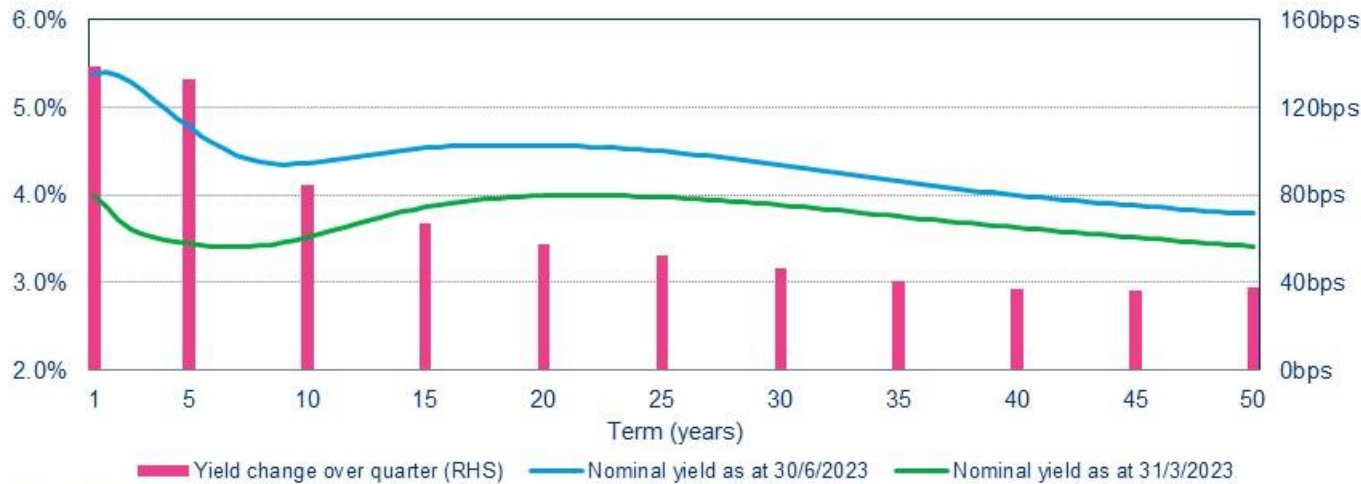
FTSE Performance by Market Cap



Q2 2023 Bond Market Review



Source: Mercer and Bloomberg



Source: Mercer

Government Bond Yields

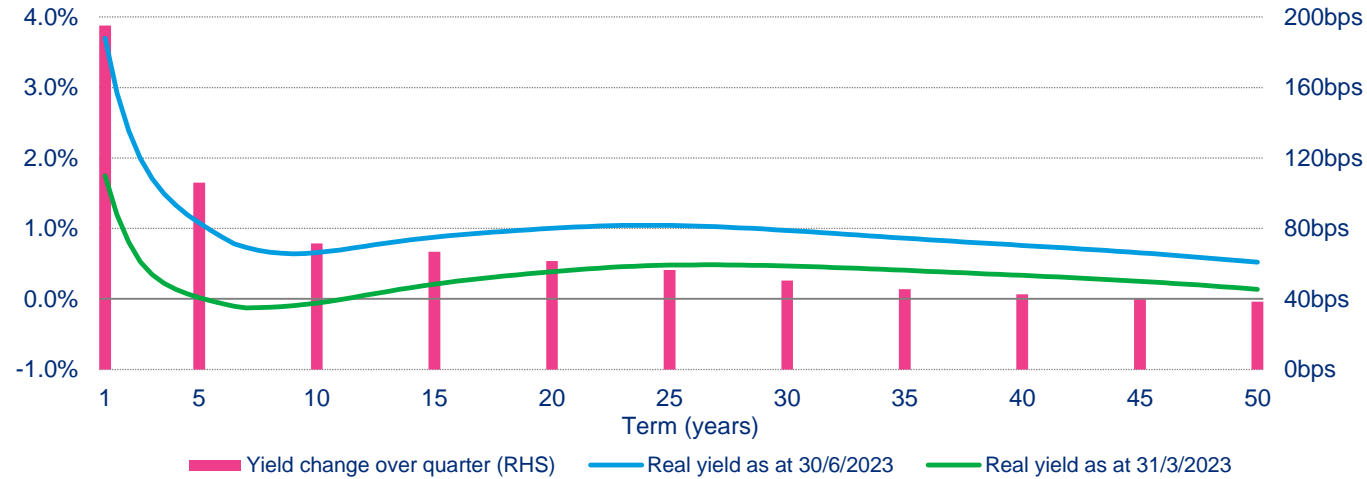
10-year global government bond yields rose over the quarter. In the UK, short-dated gilts rose sharply, further inverting the curve from short-dated to 10-year tenors. The UK is now back at yield levels witnessed during the gilt crisis in September 2022 but the market is considerably less disorderly than in September.

The US, like the UK, saw a further inverting of the curve, as the front end rose more than the long end. 5-year yields rose 130bps in the UK and 58bps in the US. 20-year yields rose by around 69bps in the UK and 27bps in the US.

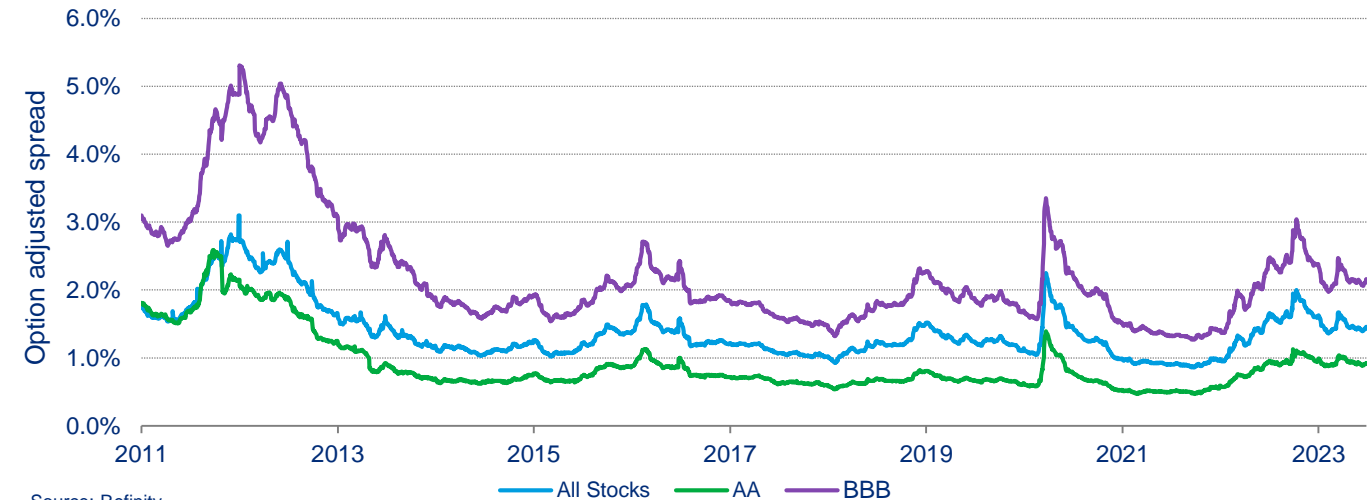
Both the Federal Reserve and the Bank of England raised interest rates over the quarter, while the Fed paused rate hikes at their June meeting but are expected to hike again at their next meeting.

The German 10-year yield rose around 10bps; the European Central Bank raised rates twice over the quarter and continue to reiterate hawkish guidance that they remain committed to increase rates further.

Q2 2023 Bond Market Review



Source: Mercer



Source: Refinitiv

UK Index-Linked Gilt Yields

UK real yields rose across the curve, led by the short end as the Bank of England remained in its hiking cycle. UK inflation remains considerably above target. Real yields, for all 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 3.9%, ~9bps higher than at the end of last quarter. However, this masks some of the volatility witnessed in the quarter, as 10yr breakeven rates fell to 3.5% intra quarter. Market based measures of inflation expectations for the US fell over the quarter.

Corporate bonds

Spreads on UK investment grade credit tightened marginally over the quarter, with spreads on lower rated credit tightening more than for higher rated credit. UK credit outperformed equivalent duration government bonds. This was at odds with the negative performance we saw for UK equities.

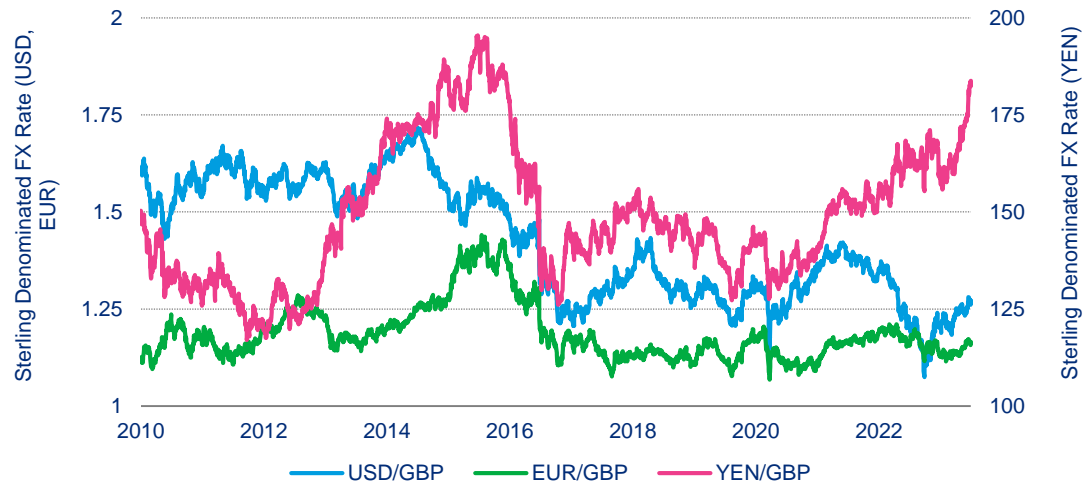
Q2 2023 Currency Market Review

Sterling's performance over the quarter was positive, appreciating versus the US dollar, euro and yen. Sterling strength was driven by a combination of a weak US dollar, economic weakness in the Eurozone, in addition to rising UK rates supporting Sterling versus other currencies, most notably yen.

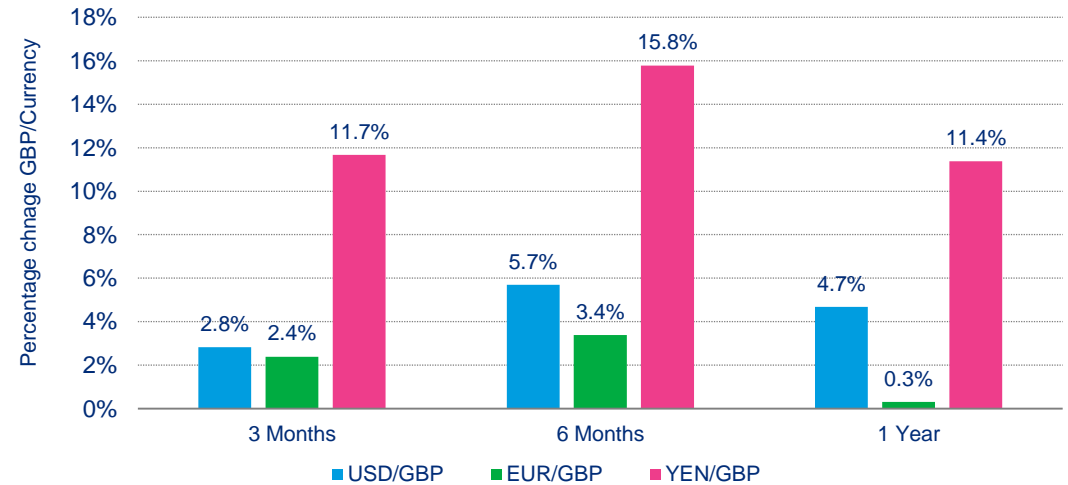
On a 12-months basis, sterling has appreciated considerably versus US dollar and yen but is flat versus euro.

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Sterling Denominated FX Rate



Change in sterling against foreign currencies



Q2 2023 Property

UK property as measured by the MSCI Index increased by 1.0% over the quarter.

Summary of Mandates

Manager	Mandate	Benchmark/Target	Outperformance Target (p.a.)	Inception Date
BlackRock	Passive Paris-Aligned Equity (Synthetic Exposure)	MSCI Paris-Aligned Benchmark	-	May 2023
Brunel	Global High Alpha Equity	MSCI World	+2-3%	November 2019
Brunel	Global Sustainable Equity	MSCI AC World	+2%	September 2020
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 (Cycles 1-3)	CPI	+2%	January 2019
IFM	Core Infrastructure	SONIA +5% p.a.	-	April 2016
Brunel	Renewable Infrastructure (Cycles 1-3)	CPI	+4%	January 2019
Brunel	Private Debt (Cycles 2-3)	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

April-June
2023

Local
Authority
Pension
Fund
Forum

AGM Season, LAPFF Brazil Visit Report, Climate Voting Alerts, BP, Shell

UPDATES

AGM Season

LAPFF is always busy during AGM season, and this year was no different. In addition to attending six AGMs (including the US-based Home Depot's meeting) this quarter, LAPFF drafted a record number of voting alerts. These alerts showcased LAPFF's climate voting alert initiative, for which voting alerts were issued on over 50 climate-related shareholder resolutions.

LAPFF also issued 55 voting recommendations for environmental, social and governance (ESG) resolutions at mining companies and technology companies. These recommendations were prompted by another round of shareholder resolutions at US technology companies covering a range of ESG issues. Notably, Amazon faced 16 resolutions this year, with Alphabet and Meta Platforms each facing 10 and 11 respectively. A couple of LAPFF members even co-filed resolutions on freedom of association and collective bargaining.

LAPFF issued a voting alert for Starbucks this year in support of a shareholder resolution calling for the company to uphold better practices on freedom of association and collective bargaining. This resolution was supported by a whopping 52 percent of the shareholder vote. There were a

number of shareholder resolutions on this topic at US AGMs this year, and LAPFF anticipates more during the 2024 season.

Oil and gas companies and banks were a further area of focus for LAPFF this AGM season. LAPFF supported the Follow This resolutions at BP and Shell. The resolution received nearly 15 percent support at BP and over 20 percent support at Shell. LAPFF also raised concerns about HSBC's approach to human rights and engaged extensively with Barclays.

Drax's rhetoric and practices on climate have been a particular concern for LAPFF over the last few years. Consequently, LAPFF Vice Chair, Cllr Rob Chapman, attended the Drax AGM on the back of a LAPFF voting alert that raised significant concerns about the company's climate practices and reporting in this area.

It is interesting to note that while many ESG resolutions, and in particular socially oriented resolutions, gained traction this year, the so-called 'anti-ESG' resolutions aimed at questioning the value of ESG issues in relation to financial performance, appeared to lose ground. LAPFF will continue to issue voting alerts throughout the year as appropriate.

LAPFF Report on Visit to Brazil

As reported previously, LAPFF Chair, Cllr Doug McMurdo, visited communities devastated by the Mariana tailings dam collapse of 5 November 2015 and the Brumadinho tailings dam collapse of 25 January 2019 during the summer of 2022. The Mariana dam is owned by Samarco, which is a joint venture between BHP and Vale. The Brumadinho dam is wholly owned by Vale. LAPFF also visited Conceição do Mato Dentro to see Anglo American's Minas Rio tailings dam, which has not collapsed but about which surrounding community members have concerns.

The report of LAPFF's findings from this visit has now been made public. A related video is also available.

The report flags a host of human rights and environmental concerns that have yet to be addressed in the wake of the Mariana and Brumadinho disasters. Apart from issues related to housing, health, and livelihoods, the impact on cultural rights was a prominent problem for affected community members to whom LAPFF spoke throughout the visit. Among the range of environmental impacts noted in conversations with affected community representatives, severe concerns about water quality and availability arose consistently. There were underlying concerns about the companies' failure to engage meaningfully and effectively with all communities affected by all three of the companies' mining operations.

Cllr McMurdo also met with company



"I knew the visit would be difficult, but I wasn't prepared for the scale of devastation I saw nearly seven years on from the Mariana collapse and three and a half years on from the Brumadinho collapse. Seeing it with my own eyes was a wake up call – investors must do more! It was truly heartbreaking. My main concerns were the issues around water quality and availability and the apparent lack of communication between the companies and the communities. I can't see how there can be meaningful progress until this communication gap is rectified, but it is a tall order. I am also now more convinced than ever that this is an issue of financial materiality."

LAPFF Chair, Cllr Doug McMurdo

VOTING ALERTS

representatives and Brazilian investors during his visit. Vale Chair, José Penido, spent two days showing Cllr McMurdo two resettlement areas in Mariana and the site of the dam collapse at Brumadinho. Cllr McMurdo met with staff at Samarco to understand better how the collapse had happened and measures the company is taking to rectify the problems. JGP Asset Management then organised a meeting of LAPFF, Brazilian investors, and Vale to discuss a sustainable way to rectify the outstanding reparations work. BHP declined to make a representative available to meet with LAPFF in Brazil.

It was clear to LAPFF from these meetings that the companies need to do a better job of communicating to both communities and investors the steps they are taking to address human rights and environmental concerns.

CLIMATE VOTING ALERTS

Objective: Due to the scale of the investment risks and as part of a continued focus on mitigating climate risks, LAPFF has been issuing a series of dedicated climate change voting alerts. These alerts recommend voting positions on climate-related shareholder resolutions with the aim of ensuring companies properly address the climate risks they face. The alerts covered companies in different sectors and centred on climate topics that LAPFF engages on, including transition plans, adequate targets, lobbying, and a just transition.

Achieved: Over the quarter, LAPFF issued climate alerts covering over 50 resolutions with half receiving the backing of 20 percent or more shareholder votes. The scale of support highlights the support for climate action among responsible investors and delivered a strong message to companies on the need for credible climate action policies and plans.

Resolutions focused on climate transition plans did well. Almost half (48 percent) of shareholder votes backed a resolution at Quest Diagnostics and over a third at Raytheon Technologies (37 percent), and JPMorgan Chase (35 percent). Similar resolutions received significant support at Lockheed Martin (33 percent), Wells Fargo (31 percent), Mosaic Company (30 percent) and Bank of America (28 percent).

Several resolutions focused on emission targets, including targets that cover all emission scopes, absolute emission reductions targets and Paris aligned targets. There were significant votes on the issue at Public Storage (35 percent), Valero Energy (32 percent), Chubb Limited (29 percent), TotalEnergies (29 percent) and Berkshire Hathaway (23 percent).

Shareholder requests for reports into alignment of direct and indirect lobbying activity with climate goals gained significant backing by shareholders. Cenovus board supported the shareholder proposal which received backing of 99 percent of shareholder votes. Lobbying resolutions were also strongly supported in spite of board opposition at Paccar (46 percent), Coterra Energy (37 percent), Wells Fargo (32 percent) and Amazon (24 percent).

This year also saw shareholder resolutions on just transition reporting, a topic which LAPFF has focused on over the past few years. The just transition resolution at BorgWarner received 31 percent of shareholder votes, 27 percent at Amazon and 16 percent at Marathon Petroleum.

In Progress: LAPFF will continue to issue climate voting alerts to support resolutions aligned with LAPFF engagement objectives. LAPFF also intends to follow up with the companies where there were significant votes in favour of shareholder resolutions to understand how the board intends to respond.

MINING VOTING ALERTS

Objective: LAPFF issued voting alerts this quarter for Rio Tinto, Anglo American, Glencore, and Vale. The aim of these voting alerts was to draw attention to both the companies and investors that there is still significant work to do on both human rights and decarbonisation in respect of creating shareholder value for investors.

Achieved: Three of the resolutions for which LAPFF recommended oppose votes at Rio Tinto were related to executive remuneration and the re-election of the sustainability committee chair. These resolutions received the highest number

of oppose votes from voting shareholders. The sustainability committee chair is scheduled to step down later in the year because she reached her nine-year limit on the board. However, LAPFF has opposed her re-election since 2021 because she has been in this role since before the company's destruction of Juukan Gorge in 2020. LAPFF also recommended opposing Anglo American's remuneration implementation and policy reports, which received oppose votes at the AGM of over five and four percent respectively.

In addition to issuing voting alerts for Rio Tinto and Anglo American, LAPFF attended the AGMs of these two companies. As with the Rio Tinto sustainability committee chair, the Anglo American sustainability committee chair received a high oppose vote (over six percent). However, unlike his Rio Tinto counterpart, he was not present at the AGM. The Anglo American chair also received an oppose vote of over three percent. LAPFF was quite surprised and disappointed when he requested that people asking questions at the meeting do so only in English, especially given that a number of affected community members had travelled from South America to attend the AGM and ask questions.

The Vale and Glencore AGMs were in Brazil and Switzerland, respectively, so LAPFF was not able to attend. Nearly 22 percent of votes opposed and abstained on Vale's annual report (the vast majority abstaining); LAPFF had recommended an oppose vote on this report in relation to its coverage of the Mariana and Brumadinho tailings dam collapses. LAPFF recommended a vote in favour of the shareholder resolution on climate at Glencore, which received nearly 30 percent support from voting shareholders.

In Progress: LAPFF will continue to engage all of these companies on both their human rights and environmental practices on the basis that improved practice in these areas will set the conditions for sustainable shareholder returns.

COMPANY ENGAGEMENTS



The headquarters of Tesla Motors

TECHNOLOGY VOTING ALERTS

Objective: LAPFF has issued voting alerts largely supporting ESG shareholder resolutions filed at technology companies over the last few years and did so again this year. In LAPFF's experience, US companies do not have a culture of engaging with investors in the way that UK and Australian companies do. Therefore, while voting alerts are part of an engagement escalation strategy in most markets, LAPFF often issues voting alerts as an initial point of engagement with US companies with which it deems there are ESG or financial concerns. LAPFF continues to have concerns about corporate governance and social practices at large US technology companies.

Achieved: LAPFF issued voting alerts for Amazon, Tesla, Meta Platforms, and Alphabet, supporting shareholder resolutions on platform content and improved corporate governance practices, among others.

In Progress: Prior to issuing voting alerts, LAPFF sends the draft alerts to the target companies for comment. If the companies comment, LAPFF includes the company comments in the alert issued to its members. However, none of the technology companies receiving voting alerts provided comments or responses to LAPFF. LAPFF continues to seek ways to engage these companies meaningfully in relation to the issues of concern to LAPFF.

COMPANY ENGAGEMENT MEETINGS

Shell

Objective: LAPFF has been seeking a meeting with the new CEO given concerns about the company's climate transition strategy under the previous CEO. Instead, Shell offered a meeting with the Chair, Sir Andrew Mackenzie.

Achieved: After a difficult start to the meeting, the tone and content of the engagement improved, and there was a more refreshing and open conversation about the challenges of decarbonisation. For that reason, and because Sir Andrew is relatively new, and was appointed after the deficit 2021 Climate Transition Plan, LAPFF recommend voting for his re-election and against the incumbent NEDs that were appointed prior to him.

In Progress: LAPFF noted at the AGM that Sir Andrew indicated that Shell would be presenting a new Climate Transition Plan before the 2024 AGM; the Forum will be engaging further on that plan. Of particular interest is the extent of disclaimers in the Transition Plan itself and in the Annual Report's reference to the Transition Plan. We therefore have the conclusion that the Transition Plan is not reliable enough to be included for strategic purposes in the Annual Report, the requirements for which have legal thresholds of reliability.

BP

Objective: LAPFF sought a meeting with the CEO to better understand BP's decision to move down its 2030 reduction targets.

Achieved: LAPFF had a cordial meeting and gained some explanations of BP's thinking, with further research and engagement in this area to follow.

In Progress: Further contact and engagement with the company is ongoing.

HSBC

Objective: LAPFF's aim in engaging with HSBC is to ensure the company continues to show leadership in climate and addresses the human rights concerns arising from the increasing integration of Hong Kong into mainland China. While

HSBC has made substantial progress on climate, certain aspects of its strategy need strengthening, in particular over the assessment of credible transition plans when lending. HSBC also faces growing human rights challenges from the increasing integration of Hong Kong into mainland China and has faced criticism for blocking the accounts of activists and the payment of pensions to those leaving Hong Kong. This point relates to shareholder proposals to split the UK and Hong Kong businesses, which have been strongly opposed by management but would be one approach to easing human rights concerns.

Achieved: LAPFF met with the Senior Independent Director to discuss its concerns. On the issue of the company split LAPFF explained that it is prepared to support the company for now, but this issue does link with broader human rights concerns over strategy and involvement in mainland China.

As a result of this meeting, LAPFF decided to issue a voting alert, recommending voting against the report and accounts as the human rights disclosures were inadequate and a broader strategy in response to the changes in Hong Kong is needed. Climate disclosure too could be improved, in particular around credible transition plans.

In Progress: The company has invited LAPFF to a follow up meeting to focus on human rights. LAPFF will seek to explore further with HSBC how it can manage the challenge of having substantial retail operations in Hong Kong now that it is under effective direct control of mainland China, while maintaining a progressive international reputation. LAPFF has also been invited to have further discussion with the company on climate finance and reporting.

Barclays

Objective: The aim of meeting with Barclays was two-fold. The first objective was to ensure continued progress on climate related disclosure and investment, including challenging the company on fossil fuel investments. The second objective was to seek to improve governance, noting CEO appointments have been a long-term issue for the company.

COMPANY ENGAGEMENTS



Headquarters of Barclays Bank in Canary Wharf

Achieved: LAPFF was offered a very late meeting with the Chair, where it expressed its concerns primarily over governance. The discussion centred on why the Financial Conduct Authority (FCA) investigation reached a different conclusion to that of the Board a year earlier, and what that might mean for the analysis and judgement of the Board. Recent press allegations had further heightened our concerns, with suggestions that the Board could have known more. LAPFF was considering issuing a voting alert recommending abstaining on the election of the Chair. However, in light of further discussions with the Chair, the alert was withdrawn.

In Progress: LAPFF expects to follow up with the Chair shortly and will further discuss governance, seeking reassurances and identifying any possible actions. LAPFF will also follow up with Barclays on climate action and disclosure, in particular the rate of wind down of fossil fuel lending.

Rio Tinto

Objective: LAPFF was outspoken about Rio Tinto's destruction of Juukan Gorge and has been engaging consistently with communities around the world affected by the miner's activities. Although LAPFF met briefly with Rio Tinto's new Chair, Dominic Barton, at the 2022 Rio

Tinto AGM, it had not met with him one-on-one. LAPFF's aim was to have a meaningful meeting with him and ensure that the company is being overseen by an effective chair.

Achieved: LAPFF Chair, Cllr Doug McMurdo, met with Mr Barton toward the end of March to discuss the company's on-going transformation in the wake of Juukan Gorge. The meeting was cordial, and Mr Barton was receptive to LAPFF's thoughts and observations. LAPFF also met with community representatives from the US, Serbia, and Madagascar to hear about their experiences with Rio Tinto. Shortly after meeting Mr Barton, Cllr McMurdo attended the Rio Tinto AGM and posed a question about how the company is seeking to improve its social license to operate.

The morning of the AGM, LAPFF also met with Vicky Peacey, the new head of Rio Tinto and BHP's joint venture, Resolution Copper, in Arizona. Having met with a community representative from Arizona, it was helpful to hear about Resolution Copper's view on the project's developments and its perceptions of community concerns about the project.

In Progress: In addition to continued community concerns about Rio Tinto's engagement with them on social and environmental matters, LAPFF continues to question the company's approach

to social and environmental impact assessments. LAPFF's view is that these impact assessments need to be more methodologically rigorous, independent, and more reflective of concerns raised by affected stakeholders critical of the company's operations.

Anglo American

Objective: LAPFF's main objective in engaging with Anglo American this quarter was to obtain the company's views on its report from LAPFF's time in Brazil visiting communities affected by Anglo American's Minas Rio mine. However, as a member of the PRI Advance group on Anglo American, LAPFF also sought to work with the other group members to establish a relationship with the company through that forum.

Achieved: Anglo American engaged significantly with LAPFF in relation to the Brazil report. Part of the engagement included a meeting with operational staff familiar with Minas Rio and with community concerns in relation to the mine and its tailings dam. The company's insights and contributions were extremely useful, and LAPFF was able to include many of them in the Brazil report.

LAPFF also attended the Anglo American AGM after having met community members from Peru, Colombia, and one of the Brazilian community members it had met during its visit. LAPFF's AGM question was whether the board would commit to visiting community members affected by Anglo American's operations during its visits to various Anglo American project sites throughout the year. The Anglo American Chair, Stuart Chambers, stated that the board would make this commitment.

Toward the end of the quarter, LAPFF joined with lead investors, Morgan Stanley and Schroders, to meet with Anglo American through the PRI Advance initiative. The company representatives appeared to welcome the engagement. LAPFF asked about the company's perceptions of why affected community members did not want to meet with local management at Anglo American sites.

In Progress: LAPFF was surprised at the Chair's request that AGM participants ask

COMPANY ENGAGEMENTS

their questions in English given the effort and expense made by the community members in traveling to the UK to attend the AGM. In the PRI Advance meeting, LAPFF asked whether the company would be willing to re-think this requirement at the next AGM. LAPFF will also seek to engage the chair about this decision.

BHP

Objective: LAPFF was pleased that BHP began to respond to LAPFF's request for engagement in relation to Brazil given that the company did not grant a meeting with BHP Brazil during LAPFF's visit. LAPFF's aim was to meet with the company to discuss further its approach to non-operated joint ventures and its community engagement approach, as well as developments in Brazil.

Achieved: The company provided helpful comments on LAPFF's report about its visit to Brazil and offered a meeting to discuss the UK litigation pertaining to the company's activities in relation to the Samarco tailings dam collapse. Samarco is a joint venture between Vale and BHP, with BHP being the non-operating joint venture partner.

In Progress: LAPFF will continue to try to engage meaningfully with BHP, including in relation to its role in the reparations for the Mariana communities in Brazil affected by the Samarco tailings dam collapse.

Vale

Objective: An ongoing area of engagement with Vale has been the time it has taken for affected community members to be resettled following the destruction of their homes in the tailing dam disasters. Alongside gaining assurances regarding the resettlement process, LAPFF sought to engage the company on other findings in the report from LAPFF's time Brazil.

Achieved: LAPFF met with representatives from the company. Whilst still slow, the company indicated that progress was being made regarding the resettlement process. LAPFF heard how the company was continuing to seek to learn from what happened to improve its practices and that the changes occurring were in part due to engagement it has had with



B&Q DIY store, Kingfisher plc

LAPFF. The meeting also discussed the importance of investors spending time with NGOs and communities, as LAPFF did in its visit to Brazil.

In progress: LAPFF will continue to follow the progress of the resettlement projects and engage on issues highlighted in LAPFF's report, including dam safety and water quality.

Kingfisher

Objective: Kingfisher was cited in a Financial Times article as providing above inflation wage increases for its lowest paid staff, in contrast to the vast majority of FTSE100 companies. LAPFF sought a meeting to understand the company's approach to remuneration and employee engagement, particularly in the context of a cost-of-living crisis.

Achieved: LAPFF met with Kingfisher in April, when company representatives provided an overview of its efforts around employee engagement and where it had provided support for its employees, looking at benefits as well as salary increases. Overall, Kingfisher described steps it was taking business-wide in this context.

In Progress: LAPFF continues to monitor company remuneration, looking at both CEO and employee pay.

Bank Leumi

Objective: As a part of the Forum's engagement with companies considered to be active in the Occupied Palestinian Territories, LAPFF has sought a meeting with Bank Leumi, an Israeli bank, to encourage the company to undergo an independently led human rights impact assessment, and to better understand the company's approach to human rights in its financing decisions.

Achieved: LAPFF met with representatives from the bank, who were open to dialogue. The Forum pointed out areas it believed disclosures could be enhanced around human rights and how the company managed such risks in its investment decisions. Whilst the company talks about human rights in its reporting, it does not provide any detail on its risk management protocols when looking at investment decisions, and how it manages potential direct and indirect adverse human rights impacts.

In Progress: LAPFF continues to push companies for meetings to discuss their approaches to human rights risk management in relation to the Occupied Palestinian Territories.

COMPANY ENGAGEMENTS



Garment factory workers in Myanmar

Home Depot

Objective: The Home Depot was reported to have alleged links to forced labour in its polyvinyl chloride (PVC) supply chain in the 'Built on Repression' report produced by Sheffield Hallam University. Alongside members from the Investor Alliance on Human Rights Uyghur Working Group, LAPFF met with the company in December and subsequently asked a question at the company's AGM in May.

Achieved: At the AGM, LAPFF asked the company if it would commit to undertaking a mapping of its supply chain in higher-risk areas such as Xinjiang, and whether it would undertake an independently led human rights impact assessment on its PVC supply chain. The company provided a general response on its supply chain due diligence but did not commit to either of LAPFF's requests.

In Progress: Alongside the other investors involved in the engagement, LAPFF will be seeking to organise another call with

the company to further discuss its global supply chain due diligence with a focus on its PVC supply chain and Uyghur forced labour.

Next

Objective: Myanmar has been under an extended state of emergency and fraught with a variety of human rights issues since the military coup in February 2021. The Ethical Trading Initiative posted guidance last September for companies in the country's garment sector, with many choosing to exit the country having exhausted efforts to leverage positive human rights outcomes. Next is one of just a few companies still operating in the country, so LAPFF wanted to understand why the company has chosen to stay.

Achieved: LAPFF Executive member, Sian Kunert, met with Next to discuss its position in the country and what it was doing in the context of human rights risk management and due diligence. Sian asked the company representatives if they thought that Next was doing something different from its peers that allowed it to stay in the country and to respect

workers' and community members' human rights in doing so. Whether it was safe to carry out audits in the country was also probed. LAPFF requested increased disclosure of child labour concerns and remediation practices.

In Progress: LAPFF will continue to monitor the company's response to the ongoing coup in Myanmar and potential labour rights issues that may arise and affect its approach to human rights.

Adidas

Objective: Adidas is another company that maintains operations in Myanmar. It was also subject to a letter from the US House Select Committee on the Chinese Communist Party regarding supply chain links to cotton produced with Uyghur forced labour. As with Next, LAPFF was keen to understand why Adidas has decided to maintain operations in the country.

Achieved: LAPFF met with Adidas to discuss these supply chain issues in the context of the company's approach to human rights risk management in its

COLLABORATIVE ENGAGEMENTS

global supply chains. LAPFF Executive member, Sian Kunert, asked questions about the development of the company's human rights policy, its decision to remain in Myanmar, and on its due diligence regarding Uyghur forced labour in its supply chains, which the company provided comprehensive answers to.

In Progress: It is unclear whether Adidas' response to the House Select Committee is something that will be made public. LAPFF will continue to monitor how the company chooses to publicise its supply chain practices, as well as continuing to monitor labour rights issues in both Myanmar and Xinjiang.

COLLABORATIVE ENGAGEMENTS

Toyota – CA100+

Objective: Transportation is a major cause of carbon emissions and therefore a strategically important sector to decarbonise. It is also a sector in the middle of significant transition, as technology advances and regulations and public policies make EVs more price competitive. Those companies not making the shift and seeking to slow the passage of environmental laws and regulation are therefore creating investment risks associated with not staying within 1.5 degrees of warming and being left behind by competitors shifting to EVs. One company of concern about its lobbying alignment and its plans and targets for moving to electric vehicles has been Toyota. Through the CA100+ transportation group, LAPFF has been seeking to ensure these risks are properly addressed.

Achieved: This quarter LAPFF signed on to a letter to Toyota organised by NYC Office of the Comptroller and Domini Impact Investments, which called on the company to align its strategy and lobbying activity to a 1.5 degree scenario.

Concern about Toyota's lobbying activity led to a shareholder resolution, calling for an annual review and report on the impact on Toyota caused by climate-related lobbying activities and the alignment of their activities with the goals of the Paris Agreement. As part of its climate voting alerts LAPFF supported

the resolution.

During the quarter, LAPFF also met with the company as part of the collaborative engagement. The meeting covered proposed US regulations and the company's likely position towards it. The company outlined capital expenditure on EVs, its plans for EV production, and discussed the challenges around battery sourcing.

In Progress: LAPFF will continue to engage with Toyota, and other carmakers, to ensure that plans for EV production are aligned to a 1.5 degree pathway and also ensure alignment of public policy positions with the Paris agreement.

Welltower – IIRC

Objective: LAPFF is a member of the Investor Initiative for Responsible Care (IIRC), a coalition of 138 responsible and long-term investors in the care sector with \$4.4 trillion in assets under management, coordinated by UNI Global Union. The initiative aims to address investment risks associated with employment and care standards within the social care sector. The initiative not only engages with care providers, but also Real Estate Investment Trusts to ensure that they are supporting operators meet expectations on such standards. As part of the initiative, LAPFF wrote to Welltower, a US-based REIT, seeking a meeting. LAPFF also requested the company provide information including on exposure levels and oversight mechanisms.

Achieved: As the company had not responded to requests for a meeting and information, LAPFF decided to issue a voting alert. As set out in LAPFF's policy guide, investee companies are expected to engage with shareholders and LAPFF expects boards to keep in touch with shareholder opinion. Given the lack of engagement from the company and the potential investment risks, LAPFF recommended voting against the chair of the company. In total 6.9 percent of shareholders voted against the chair, which although a minority position does indicate some concern from shareholders with the chair of the company.

In Progress: LAPFF will continue to participate in the IIRC and will follow up

with Welltower to engage on the potential social risks facing the REIT.

National Grid – CA100+

Objective: LAPFF's aim in engaging National Grid is to ensure that the company remains at the forefront of the energy transition. LAPFF is one of the co-leads at CA100+ on National Grid. Despite a positive superficial impression, detailed analysis reveals substantial issues – gaps in disclosure and transition plans, particularly on climate lobbying and a just transition, continuing involvement in gas distribution without a clear long term transition plan for it, and growing delays in connecting to the grid in UK, affecting the roll out of clean energy in the UK.

Achieved: Several meetings as part of LAPFF's leadership of the group have been held with the company, giving it the chance to explain its concerns and suggest best practice. The company has acknowledged some of LAPFF's comments, particularly on climate lobbying, and shortly before the AGM announced that it would publish a comprehensive review of its climate lobbying activities, a key demand of LAPFF and other CA100+ members. The company has publicised a policy proposal for addressing the delays in grid connection, which is broadly sensible, and a welcome development. In our meeting with the Chair, she acknowledged some of our concerns over strategy communication, and therefore LAPFF will expect to see further improvement on this in the coming year.

In Progress: LAPFF's focus is on understanding the company's broader long-term strategy and the assumptions behind it, in particular the role it sees for domestic gas. Continuing support for gas may explain much of its reluctance to embrace Net Zero more fully. Improved strategic disclosure would help address this, including a more balanced discussion of the use of low carbon gas, and the Company's own plans or vision for improving grid connections (ideally with targets) rather than passing the blame to regulators. These areas will form the focus on LAPFF ongoing engagement with the company over the coming year.

COLLABORATIVE/STAKEHOLDER ENGAGEMENT



National Grid gas distribution operations

Vale and Anglo American - PRI Advance

Objective: LAPFF continued to engage with both the Vale and Anglo American groups through the PRI Advance initiative on human rights. Both groups are in the process of establishing their engagement strategies, and LAPFF’s aim is to contribute its knowledge from its own engagements with both companies to these engagement strategies, and to the engagements themselves.

Achieved: The Vale group held a meeting to establish its engagement strategy, and the Anglo American group held its first meeting with the company. Anglo American appeared to be very receptive to a meeting with the group, and the meeting was cordial. LAPFF contributed content to the questions posed at the meeting.

In Progress: LAPFF has been asked to become a lead investor in the Vale group given its work in Brazil and has accepted this invitation. It will continue to work with both the Vale and Anglo American

groups to engage the companies and push for meaningful human rights improvements.

30% Club Investor Group

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 met with Sanwa Holdings and Kamigumi Co in April. Although neither company is currently a member of the Japanese 30% Club Charter, both companies provided information around their company wide, and senior level diversity efforts.

In Progress: The Group has continued to extend its outreach to companies outside of the UK, with LAPFF set to lead on

engagements through the Group’s Global Workstream subgroup.

STAKEHOLDER ENGAGEMENT

OECD Forum on Responsible Supply Chains

Objective: LAPFF was asked to present at a side event of the OECD Forum on Responsible Supply Chains. The aim of the presentation was to share LAPFF’s learning from its visit to Brazil and, more broadly, its engagement with stakeholders affected by mining operations. It was also useful to engage with the other panellists to understand their work and perspectives better.

Achieved: LAPFF was approached by a number of event participants after its presentation. These participants stated that they were impressed with LAPFF’s work in this area and wanted to learn more about LAPFF’s experience.

In Progress: LAPFF is continuing to engage with these contacts and others made through them to explore

STAKEHOLDER ENGAGEMENT

opportunities to develop this work stream further.

Mining Communities and Workers

Objective: Communities affected by mining operations always approach LAPFF in the run up to mining company AGMs. LAPFF's aim in meeting with them is to listen to the communities' experiences in order to understand better any operational, reputational, legal, and/or financial risks associated with its members' investments. This information then feeds into questions LAPFF poses at company AGMs and company meetings.

Because LAPFF has been engaging with these communities for a number of years now, much of the engagement is focused on updates from community members about mining impacts. However, there are sadly always new communities and new concerns arising from community experiences. LAPFF is keen to learn about the perspectives of these new communities too.

LAPFF also meets with trade union representatives and hears from workers at investee companies where possible to inform its engagements with these companies.

Achieved: LAPFF met with community representatives from the US, Serbia, Madagascar, Papua New Guinea, Mexico, Peru, Colombia, and Brazil to hear about their experiences with Rio Tinto, Anglo American, and Vale. LAPFF also virtually attended a 'pre-AGM' meeting hosted by ShareAction and IndustriALL in relation to Glencore where trade union leaders and community members from a range of countries reported their concerns about Glencore's practices.

LAPFF attended a webinar to hear about the Amazon shareholder resolution on freedom of association and collective bargaining. There were Amazon workers on the call who spoke about their experiences and views about Amazon's work place practices. This webinar informed the content of LAPFF's voting alert for Amazon.

In Progress: LAPFF is continuing to meet with representatives of all of these communities on a regular basis to obtain updates for company engagements. In LAPFF's experience, the companies are



Uyghur activists and other supporters gathered on Parliament Square

receptive to the information conveyed. The ultimate goal, though, is to ensure that company practice on human rights and the environment meets community needs so that it can create the conditions for more sustainable shareholder returns.

Uyghur Forced Labour in Green Technology Supply Chains

Objective: This year, the Modern Slavery and Human Rights Policy and Evidence Centre (Modern Slavery PEC) announced a project to explore and uncover links between the climate crisis and modern slavery globally. Within this, Anti-Slavery International, Sheffield Hallam University and the Investor Alliance for Human Rights are examining Uyghur forced labour in the production of green technology, such as electric vehicles and solar panels. The project aims to provide guidance on how investors can address the risk of Uyghur forced labour and other affected peoples in green technology holdings.

Achieved: LAPFF took part in an initial consultation process for the project, looking at the Forum's understanding of forced labour in these sectors. LAPFF subsequently joined a two-day workshop alongside other investors and NGOs, taking an in-depth look at the challenges investors face in addressing these risks, engagement barriers and information gaps, before looking at potential avenues to move forward.

In Progress: LAPFF is engaging with electric vehicle manufacturers on a range of issues, inclusive of human rights, and will raise these relevant supply chain issues in engagements with such manufacturers.

CONSULTATION RESPONSES

UN Working Group on Business and Human Rights

Objective: The UN Working Group on Business and Human Rights ran a consultation this quarter on extractives, human rights, and the just transition. LAPFF has been working heavily in all three of these areas so was keen to share its views and experiences.

Achieved: LAPFF submitted a consultation response that expressed support for good human rights and environmental due diligence legislation and emphasised the need for improved stakeholder engagement by extractive companies. LAPFF welcomed the opportunity to respond, appreciating the consultation's recognition that both state and business actors have imperatives to act effectively on these issues. LAPFF's response called for mandatory reporting on climate plans to cover just transition factors, including stakeholder mapping and free, prior and informed consent (FPIC), and for boards to regularly engage with stakeholders and undertake FPIC in good faith.

WEBINARS/MEDIA

In Progress: LAPFF will continue to look for opportunities to respond to consultations when it believes it can contribute helpfully based on its engagement and policy experience.

LAPFF WEBINARS

All-Party Parliamentary Group

In early April, the LAPFF-supported APPG on Local Authority Pension Funds held a meeting with LGPS minister, Lee Rowley MP, accompanied by a senior civil servant from the Department for Levelling Up, Housing and Communities.

The meeting focused in large part on the proposed consultations on LGPS pooling and investment in illiquid assets. The minister indicated the government's preference would be for a voluntary approach to both issues and stated that the pooling consultation would be published in the coming months. On the matter of TCFD reporting, because the department received so many responses to its consultation, it was suggested that reporting requirements may not come into force until the following financial year.

The APPG also met at the end of June to discuss the LGPS and investment in illiquid assets. In the 2023 Budget, the government stated that it would: "Consult on requiring LGPS funds to consider investment opportunities in illiquid assets such as venture and growth capital, thereby seeking to unlock some of the £364 billion of LGPS assets into long-term productive assets."

On the back of the proposed consultation, the meeting heard from the Karim Palant (director of External Affairs) and Garry Wilson (chairman) of the British Private Equity & Venture Capital Association (BVCA) who highlighted the opportunities of such investment. The meeting also heard from Andrew Williamson of Cambridge Innovation Capital on the growth of venture capital. Sian Kunert, Head of Pensions at East Sussex Pension Fund and LAPFF Executive member, outlined what her fund was already doing and the opportunities and challenges of investing in illiquid assets.

LAPFF/IndustriALL Garment Workers Webinar

LAPFF again partnered with IndustriALL to host a webinar on the importance of concluding negotiated, binding agreements rather than relying on voluntary, business-driven standards to reduce both human rights risk and business risk. The webinar was chaired by LAPFF Vice Chair, Cllr John Gray, and included speakers from Due Diligence Design, Aviva Investors, IndustriALL Global Union, and the Bangladesh Garment & Industrial Workers Federation (BGIWF).

MEDIA COVERAGE

Climate

Financial Times: [Only 5% of FTSE100 companies have 'credible' climate transition plans, says EY](#)

Reuters: [UK's LAPFF recommends vote for BP climate activist resolution at AGM](#)

CNBC: [Oil major BP braces itself for shareholder revolt after scaling back its climate targets](#)

Minuto Mais [Portuguese]: [BP to quell shareholder anger after climate strategy flip](#)

Reuters: [Shell shareholders urged by LAPFF to back climate activist's resolution](#)

Syndicated in Canada's [Financial Post and Globe and Mail](#)

The Times: [Climate backlash from Shell investors](#)

The MJ: [Shell hits back after council fund criticism](#)

Offshore Technology: [LAPFF urges Shell shareholders to back climate resolution](#)

Net Zero Investor: [Shell's upcoming AGM showcases the challenges for shareholder activism](#)

CNBC: [Oil giant Shell braces for shareholder revolt over climate plans](#)

Reuters: [Analysis: Shell faces tense shareholder meeting as profits and climate collide](#)

Capital Monitor: [How investors voted on climate change at Big Oil AGMs](#)

Plastics

Business Green: [Investors sound alarm over weak corporate plastic pollution policies](#)

Mining and Human Rights

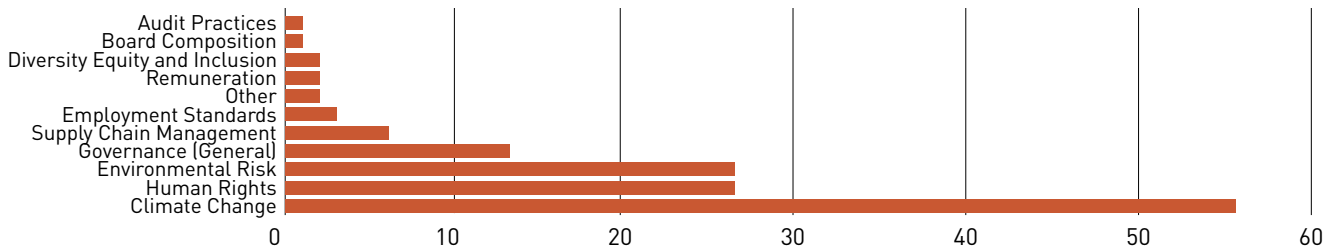
Daily Mail: [BHP blasted over clean-up of deadly mine disaster](#)

Legal Future: [Supreme Court will not hear appeal on largest-ever group action](#)

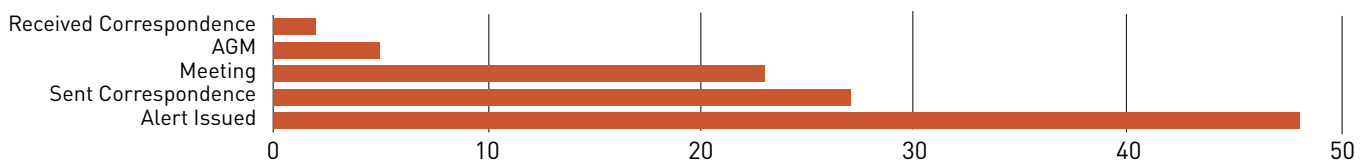
The Times: [Mindful miner Jakob Stausholm is trying to dig Rio Tinto out of a hole](#)

ENGAGEMENT DATA

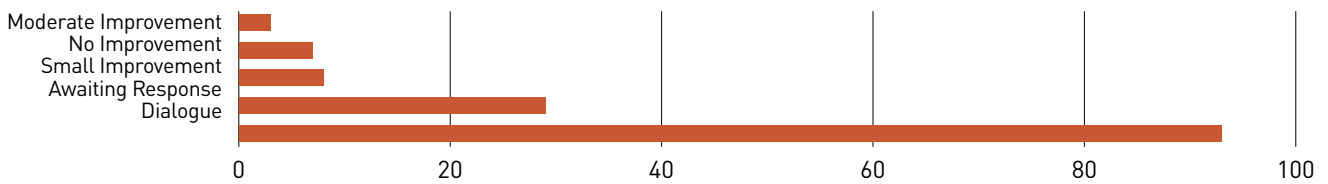
ENGAGEMENT TOPICS



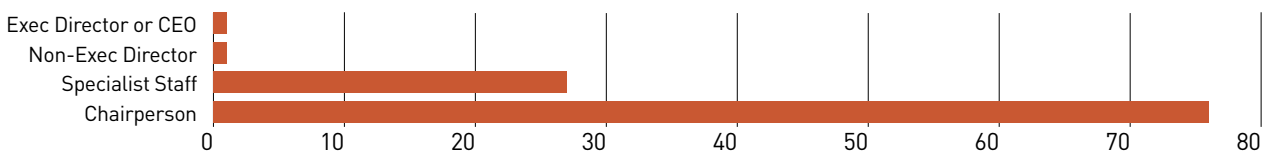
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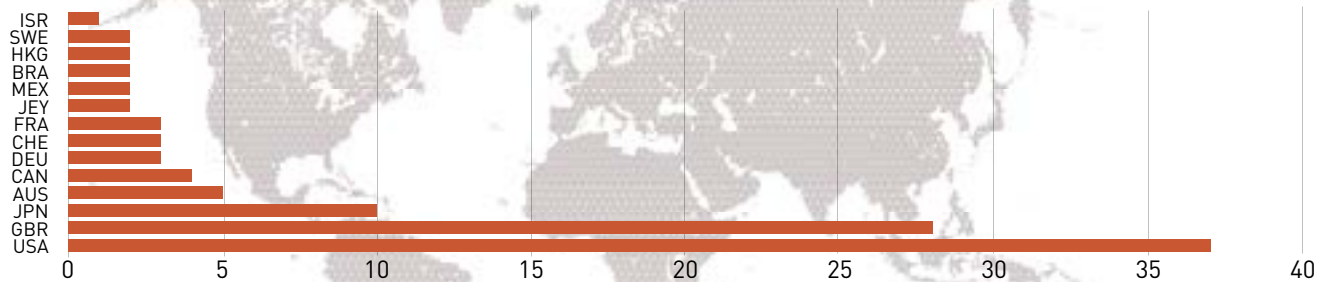
MEETING ENGAGEMENT OUTCOMES



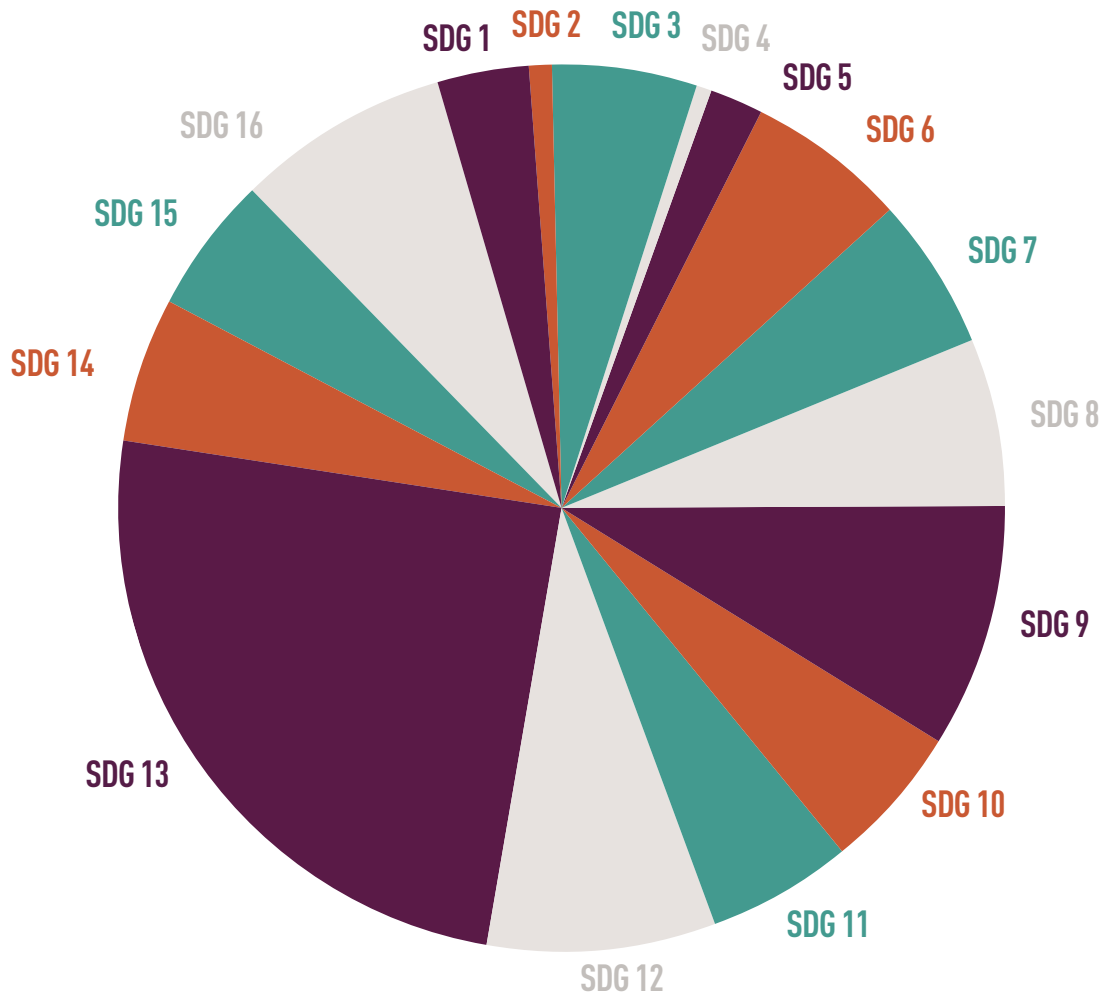
POSITION ENGAGED



COMPANY DOMICILES



ENGAGEMENT DATA



LAPFF SDG ENGAGEMENTS

SDG 1: No Poverty	10
SDG 2: Zero Hunger	3
SDG 3: Good Health and Well-Being	16
SDG 4: Quality Education	1
SDG 5: Gender Equality	6
SDG 6: Clean Water and Sanitation	18
SDG 7: Affordable and Clean Energy	16
SDG 8: Decent Work and Economic Growth	19
SDG 9: Industry, Innovation, and Infrastructure	26
SDG 10: Reduced Inequalities	16
SDG 11: Sustainable Cities and Communities	16
SDG 12: Responsible Production and Consumption	25
SDG 13: Climate Action	74
SDG 14: Life Below Water	16
SDG 15: Life on Land	15
SDG 16: Peace, Justice, and Strong Institutions	23
SDG 17: Strengthen the Means of Implementation and Revitalise the Global Partnership for Sustainable Development	0

COMPANY PROGRESS REPORT

LAPFF engaged 84 companies during the quarter

Company/Index	Activity	Topic	Outcome
ADIDAS AG	Meeting	Supply Chain Management	Moderate Improvement
ALPHABET INC	Alert Issued	Human Rights	Dialogue
AMAZON.COM INC.	Alert Issued	Human Rights	Dialogue
AMEREN CORPORATION	Alert Issued	Climate Change	Dialogue
ANGLO AMERICAN PLC	AGM	Human Rights	Dialogue
ASSOCIATED BRITISH FOODS PLC	Received Correspondence	Human Rights	Dialogue
BANK LEUMI LE-ISRAEL BM	Meeting	Human Rights	No Improvement
BANK OF AMERICA CORPORATION	Alert Issued	Climate Change	Dialogue
BARCLAYS PLC	Meeting	Climate Change	Dialogue
BERKSHIRE HATHAWAY INC.	Alert Issued	Climate Change	Dialogue
BHP GROUP LIMITED (AUS)	Meeting	Human Rights	Small Improvement
BORGWARNER INC	Alert Issued	Climate Change	Dialogue
BP PLC	Alert Issued	Environmental Risk	Dialogue
BRIDGESTONE CORP	Meeting	Board Composition	Small Improvement
CENOVUS ENERGY INC	Alert Issued	Climate Change	Dialogue
CENTERPOINT ENERGY INC	Alert Issued	Climate Change	Dialogue
CENTRICA PLC	Sent Correspondence	Social Risk	Awaiting Response
CHEVRON CORPORATION	Alert Issued	Climate Change	Dialogue
CHUBB LIMITED	Alert Issued	Climate Change	Dialogue
CK HUTCHISON HOLDINGS LTD	Sent Correspondence	Environmental Risk	Awaiting Response
COMCAST CORPORATION	Alert Issued	Climate Change	Dialogue
COSTAR GROUP INC	Alert Issued	Climate Change	Dialogue
COTERRA ENERGY INC	Alert Issued	Climate Change	Dialogue
DBS BANK LTD	Meeting	Climate Change	Dialogue
DOLLARAMA INC	Alert Issued	Climate Change	Dialogue
DRAX GROUP PLC	AGM	Governance (General)	Dialogue
E.ON SE	Sent Correspondence	Social Risk	Awaiting Response
EDF (ELECTRICITE DE FRANCE) SA	Sent Correspondence	Social Risk	Awaiting Response
ELECTRIC POWER DEVELOPMENT CO	Alert Issued	Climate Change	Dialogue
ENBRIDGE INC	Alert Issued	Climate Change	Dialogue
EXXON MOBIL CORPORATION	Alert Issued	Climate Change	Dialogue
GLENCORE PLC	Alert Issued	Human Rights	Dialogue
GRUPO MEXICO SA DE CV	Sent Correspondence	Human Rights	Dialogue
GSK PLC	Sent Correspondence	Climate Change	Awaiting Response
HENNES & MAURITZ AB (H&M)	Sent Correspondence	Human Rights	Awaiting Response
HONEYWELL INTERNATIONAL INC.	Sent Correspondence	Environmental Risk	Awaiting Response
HSBC HOLDINGS PLC	Alert Issued	Governance (General)	Dialogue
IBERDROLA SA	Sent Correspondence	Social Risk	Awaiting Response
IDEX CORPORATION	Sent Correspondence	Climate Change	Awaiting Response
IMPERIAL OIL LIMITED	Alert Issued	Climate Change	Dialogue
JPMORGAN CHASE & CO.	Alert Issued	Climate Change	Dialogue
KAMIGUMI CO LTD	Meeting	Diversity Equity and Inclusion	Small Improvement
KELLOGG COMPANY	Meeting	Other	No Improvement
KINGFISHER PLC	Meeting	Employment Standards	Moderate Improvement
LINDT & SPRUNGLI AG	Sent Correspondence	Environmental Risk	Awaiting Response
LOCKHEED MARTIN CORPORATION	Alert Issued	Climate Change	Dialogue
MARATHON PETROLEUM CORPORATION	Alert Issued	Climate Change	Dialogue
MARKEL CORPORATION	Sent Correspondence	Climate Change	Awaiting Response
META PLATFORMS INC	Alert Issued	Human Rights	Dialogue
MITSUBISHI UFJ FINANCIAL GRP	Alert Issued	Climate Change	Dialogue
NATIONAL GRID PLC	Alert Issued	Climate Change	Dialogue
NEW YORK COMMUNITY BANCORP INC	Alert Issued	Climate Change	Dialogue
NEXT PLC	Meeting	Supply Chain Management	Small Improvement
NIKE INC.	Sent Correspondence	Human Rights	Awaiting Response
NINTENDO CO LTD	Sent Correspondence	Environmental Risk	Awaiting Response
PACCAR INC.	Alert Issued	Climate Change	Dialogue
PENNON GROUP PLC	Sent Correspondence	Environmental Risk	Awaiting Response
PUBLIC STORAGE	Alert Issued	Climate Change	Dialogue

COMPANY PROGRESS REPORT

QUEST DIAGNOSTICS INCORPORATED	Alert Issued	Climate Change	Dialogue
RAYTHEON TECHNOLOGIES CORP	Alert Issued	Climate Change	Dialogue
RIO TINTO GROUP (AUS)	AGM	Human Rights	Dialogue
ROCHE HOLDING AG	Sent Correspondence	Environmental Risk	Awaiting Response
SANOFI	Sent Correspondence	Environmental Risk	Awaiting Response
SANWA HOLDINGS CORP	Meeting	Diversity Equity and Inclusion	Small Improvement
SEVERN TRENT PLC	Sent Correspondence	Environmental Risk	Awaiting Response
SHELL PLC	AGM	Climate Change	No Improvement
SOUTHERN COMPANY	Alert Issued	Climate Change	Dialogue
SUMITOMO MITSUI FINANCIAL GROUP	Alert Issued	Climate Change	Dialogue
TESLA INC	Alert Issued	Human Rights	Dialogue
THE GOLDMAN SACHS GROUP INC.	Alert Issued	Climate Change	Dialogue
THE HOME DEPOT INC	AGM	Human Rights	No Improvement
THE MOSAIC COMPANY	Alert Issued	Climate Change	Dialogue
THE TJX COMPANIES INC.	Sent Correspondence	Environmental Risk	Awaiting Response
THE TRAVELERS COMPANIES INC.	Alert Issued	Climate Change	Dialogue
TOKYO ELECTRIC POWER CO INC	Alert Issued	Climate Change	Dialogue
TOTALENERGIES SE	Alert Issued	Climate Change	Dialogue
TOYOTA MOTOR CORP	Meeting	Climate Change	Small Improvement
UNITED UTILITIES GROUP PLC	Sent Correspondence	Environmental Risk	Awaiting Response
VALE SA	Meeting	Environmental Risk	Dialogue
VALERO ENERGY CORPORATION	Alert Issued	Climate Change	Dialogue
VOLVO AB	Sent Correspondence	Human Rights	Dialogue
WELLS FARGO & COMPANY	Alert Issued	Climate Change	Dialogue
WELLTOWER INC	Alert Issued	Governance (General)	Dialogue
WH GROUP LTD	Sent Correspondence	Climate Change	Awaiting Response

LOCAL AUTHORITY PENSION FUND FORUM MEMBERS

Avon Pension Fund	Environment Agency Pension Fund	Lincolnshire Pension Fund	Swansea Pension Fund
Barking and Dagenham Pension Fund	Essex Pension Fund	London Pension Fund Authority	Teesside Pension Fund
Barnet Pension Fund	Falkirk Pension Fund	Lothian Pension Fund	Tower Hamlets Pension Fund
Bedfordshire Pension Fund	Gloucestershire Pension Fund	Merseyside Pension Fund	Tyne and Wear Pension Fund
Berkshire Pension Fund	Greater Gwent Pension Fund	Merton Pension Fund	Waltham Forest Pension Fund
Bexley (London Borough of)	Greater Manchester Pension Fund	Newham Pension Fund	Wandsworth Borough Council Pension Fund
Brent (London Borough of)	Greenwich Pension Fund	Norfolk Pension Fund	Warwickshire Pension Fund
Cambridgeshire Pension Fund	Gwynedd Pension Fund	North East Scotland Pension Fund	West Midlands Pension Fund
Camden Pension Fund	Hackney Pension Fund	North Yorkshire Pension Fund	West Yorkshire Pension Fund
Cardiff & Glamorgan Pension Fund	Hammersmith and Fulham Pension Fund	Northamptonshire Pension Fund	Westminster Pension Fund
Cheshire Pension Fund	Haringey Pension Fund	Nottinghamshire Pension Fund	Wiltshire Pension Fund
City of London Corporation Pension Fund	Harrow Pension Fund	Oxfordshire Pension Fund	Worcestershire Pension Fund
Clwyd Pension Fund (Flintshire CC)	Havering Pension Fund	Powys Pension Fund	
Cornwall Pension Fund	Hertfordshire Pension Fund	Redbridge Pension Fund	
Croydon Pension Fund	Hillingdon Pension Fund	Rhondda Cynon Taf Pension Fund	Pool Company Members
Cumbria Pension Fund	Hounslow Pension Fund	Scottish Borders Pension Fund	Border to Coast Pensions Partnership
Derbyshire Pension Fund	Isle of Wight Pension Fund	Shropshire Pension Fund	LGPS Central
Devon Pension Fund	Islington Pension Fund	Somerset Pension Fund	Local Pensions Partnership
Dorset Pension Fund	Kensington and Chelsea (Royal Borough of)	South Yorkshire Pension Authority	London CIV
Durham Pension Fund	Kent Pension Fund	Southwark Pension Fund	Northern LGPS
Dyfed Pension Fund	Kingston upon Thames Pension Fund	Staffordshire Pension Fund	Wales Pension Partnership
Ealing Pension Fund	Lambeth Pension Fund	Strathclyde Pension Fund	
East Riding Pension Fund	Lancashire County Pension Fund	Suffolk Pension Fund	
East Sussex Pension Fund	Leicestershire Pension Fund	Surrey Pension Fund	
Enfield Pension Fund	Lewisham Pension Fund	Sutton Pension Fund	

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Bath & North East Somerset Council	
MEETING:	AVON PENSION FUND COMMITTEE
MEETING DATE:	22 SEPTEMBER 2023
TITLE:	APF REBRAND PRESENTATION
WARD:	ALL
AN OPEN PUBLIC ITEM	
List of attachments to this report: Appendix 1 – APF Rebrand	

1 THE ISSUE

1.1 Our current brand is not fit for a ‘digital first’ world and as we are currently developing a new member website it is an ideal opportunity to rebrand. A brand is not just a logo but it is also how we communicate with our stakeholder groups.

2 RECOMMENDATIONS

2.1 The Committee notes the brand report and proposed new brand.

3 FINANCIAL CONSIDERATIONS

3.1 This project has been budgeted for in the general communications and marketing budget for 2022/2023 & 2023/2024.

4 REPORT – APF REBRAND

Why rebrand:

4.1 Our main aim with the rebrand is “to make our branding more digital-friendly and accessible for all stakeholders, so we Can effectively communicate our ethos, goals and key messaging”.

a) The new branding will support the Fund’s digital transformation project and in particular the new member website.

b) This is vital for the necessary channel shift, allowing members to self-serve, moving enquiries from p and telephone to our developing online platforms.

4.2 The current brand features a logo which consists of the sea-stag from the old Avon County crest, and purple from the old Avon Treasury, neither of which exist anymore. The APF need brand fit for a ‘digital first’ world:

a) The stag logo is not fit for purpose digitally.

b) We need to drive uptake of our digital services including My Pension Online and communicate online. This will save money, cut our carbon impact, and help us to increase service Levels.

c) The website platform is reaching end of life, which represents a unique opportunity.

d) Accessibility can be considered with the development of a new brand.

Work undertaken so far:

- 4.3 The first phase of the rebranding project involved key stakeholder interviews, an all-staff survey (45 responses) and a staff brand discovery workshop.
- 4.4 From three initial visual brand options presented by the agency, one was chosen to develop further. Pension Committee representatives were present at this selection meeting in June 2023.
- 4.5 Selected the most fitting tagline and messaging pillars
- 4.6 Brand guidelines document has been signed off, which will allow the development of branded assets/templates.
- 4.7 Work on a detailed tone of voice/‘writing for Avon Pension Fund’ document being undertaken internally. We want our Tone of voice to be: Simple; Welcoming and Matter of fact
- 4.8 Started process of implementing tone of voice and accessibility guidance on current member website content.
- 4.9 Rebrand presentations delivered to Pension Board and APF staff.

Next steps:

- 4.10 The next steps in the rebrand delivery process are:
 - a) **22 September 2023** - Deliver rebrand presentation to Pension Committee.
 - b) **October / November 2023** - Update all APF documents with the new brand, including Altair Word documents, re-writing some copy for frequently used documents.
 - c) **November 2023** - Branding templates, PowerPoint etc. delivered.
 - d) **Early December** - Prepare updates to APF email signatures and share brand guidance with APF staff. Communications to employers and members begin.
 - e) **Mid December** - ‘Brand in action’ presentation delivered to the Pension Committee.
 - f) **2024 Q1** - Member website & rebrand launch - the new branding should feature on all documents, especially external.

5 RISK MANAGEMENT

- 5.1 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.

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 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.

8 OTHER OPTIONS CONSIDERED

8.1 None.

9 CONSULTATION

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

Contact person	Jason Morel, Communications and Marketing Manager 01225 39 5391
Background papers	N/A
Please contact the report author if you need to access this report in an alternative format.	

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Avon Pension Fund

Introducing your new brand



Bright Butler

Avon Pension Fund

Why rebrand?



Eager not to repeat past mistakes



Current challenges

- Heavy technical language
- Long documents, e.g. 12-page letter for new members
- Brand clutter and confusion



Common sense objectives

- Build on our heritage
- Simple honesty

Page 147

- Focus on: what we communicate
 - how we speak – tone of voice
 - plain English
 - visual identity
 - colour schemes

**Applied
consistently**

online
letters
guides
forms

Objective



To make our branding more digital-friendly and accessible for all stakeholders, so we can effectively communicate our ethos, goals and key messaging.

Discovery process

We've conducted a deep dive into your brand core, positioning and identity.



What we heard...

interviews

“Our duty is to provide safe and secure pensions.”

“We have a positive story to tell. Need to be more proactive.”

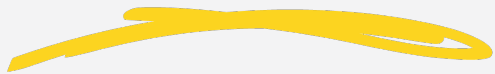
“The colour is quite dated and backward looking.”

“The sea stag isn’t that meaningful to anyone – Avon doesn’t exist anymore.”

“[We need] a clear identity... Visually memorable that stands out, e.g. for recruitment.”

“We need a root and branch overhaul – simple, and fresh.”

Avon Pension Fund



Your pension, your future

Avon Pension Fund



Your pension, your future


Posters

**It's now even easier
to check your pension.
Go online today!**

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Let us know how you get on...

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Avon Pension Fund
Your pension, your future

www.avonpensionfund.co.uk

**Whatever stage
you are in life,
we're there
for you**



Go online today to find out more...

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**Whatever stage
you are in life,
we're there
for you**

Go online today to find out more...

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Avon Pension Fund
Your pension, your future

www.avonpensionfund.co.uk

Social media posts

 **Avon Pension Fund**
@AFF Follow

Lorem ipsum dolor sit amet, consectetur adipiscing elit, sed diam nonummy nibh euismod tincidunt.



2:30 PM · 29 Nov 2021

5 Retweets 25 Likes ●●●

5 5 25

 Add another tweet

 **Avon Pension Fund**
@AFF Follow

Lorem ipsum dolor sit amet, consectetur adipiscing elit, sed diam nonummy nibh euismod tincidunt.



2:30 PM · 29 Nov 2021


5 Retweets 25 Likes ●●●

5 5 25

 Add another tweet

 **Avon Pension Fund**
@AFF Follow

Lorem ipsum dolor sit amet, consectetur adipiscing elit, sed diam nonummy nibh euismod tincidunt.



2:30 PM · 29 Nov 2021

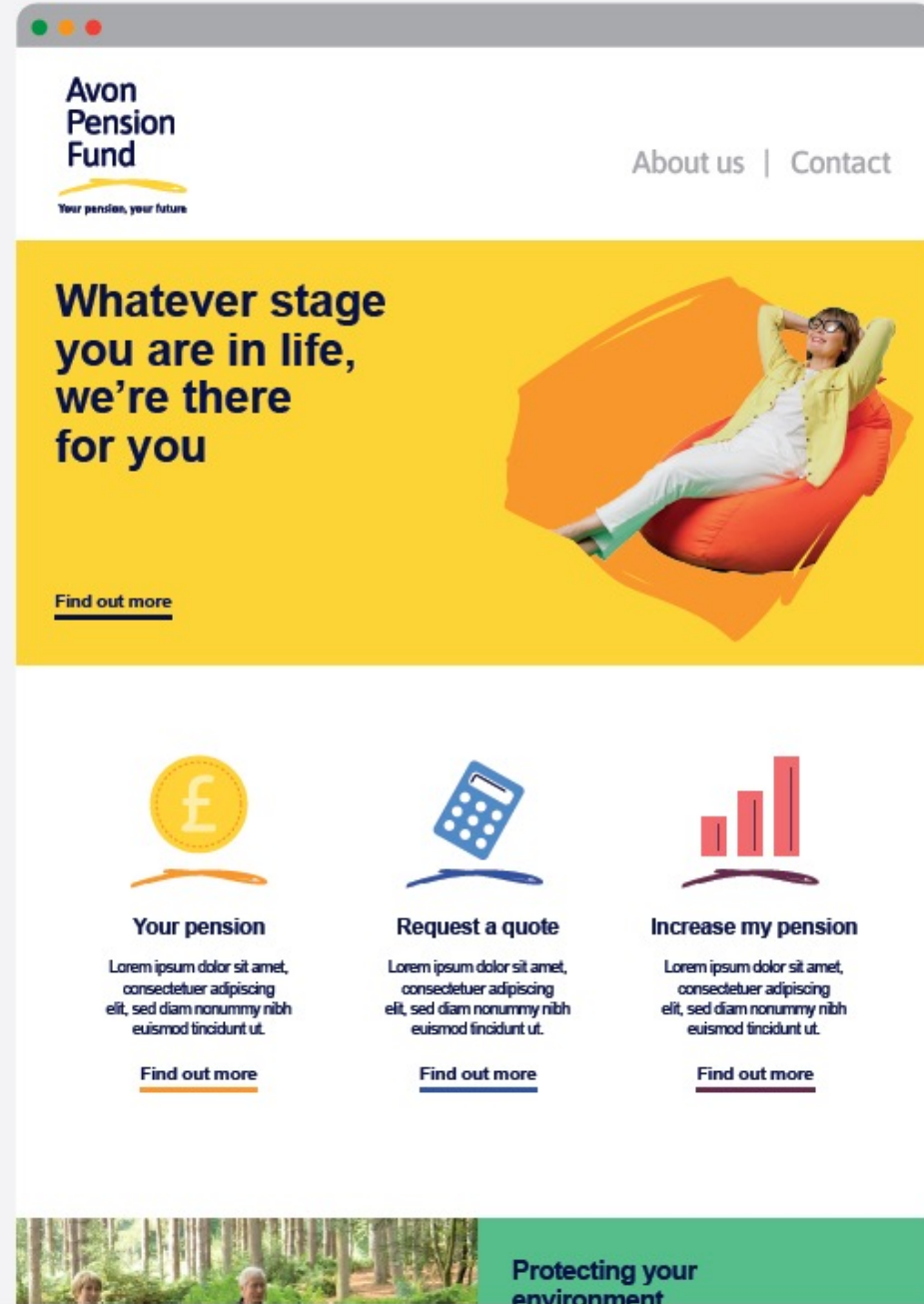
5 Retweets 25 Likes ●●●

5 5 25

 Add another tweet

Marketing email

Page 154



The image shows a marketing email layout for Avon Pension Fund. At the top left is the Avon Pension Fund logo with the tagline "Your pension, your future". To the right are links for "About us" and "Contact". The main section has a yellow background with the text "Whatever stage you are in life, we're there for you" and a photo of a woman relaxing on a red beanbag chair. Below this is a "Find out more" link. The middle section features three columns: "Your pension" with a pound coin icon, "Request a quote" with a calculator icon, and "Increase my pension" with a bar chart icon. Each column has a "Find out more" link. The bottom section has a green background with the text "Protecting your environment" and a photo of people in a forest.

Avon Pension Fund
Your pension, your future

About us | Contact

Whatever stage you are in life, we're there for you

[Find out more](#)

Your pension
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[Find out more](#)

Request a quote
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[Find out more](#)

Increase my pension
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[Find out more](#)

Protecting your environment

Avon Pension Fund

Tone of voice



Tone of voice

Simple

Easily comprehensible
Avoiding jargon and technical talk
Explaining any absolutely necessary industry terms
Keeping sentences / paragraphs concise, relevant and jargon-free

Welcoming

Warm and friendly
Relatable, acknowledging common experiences and demonstrating understanding of what's important to the audience

Matter of fact

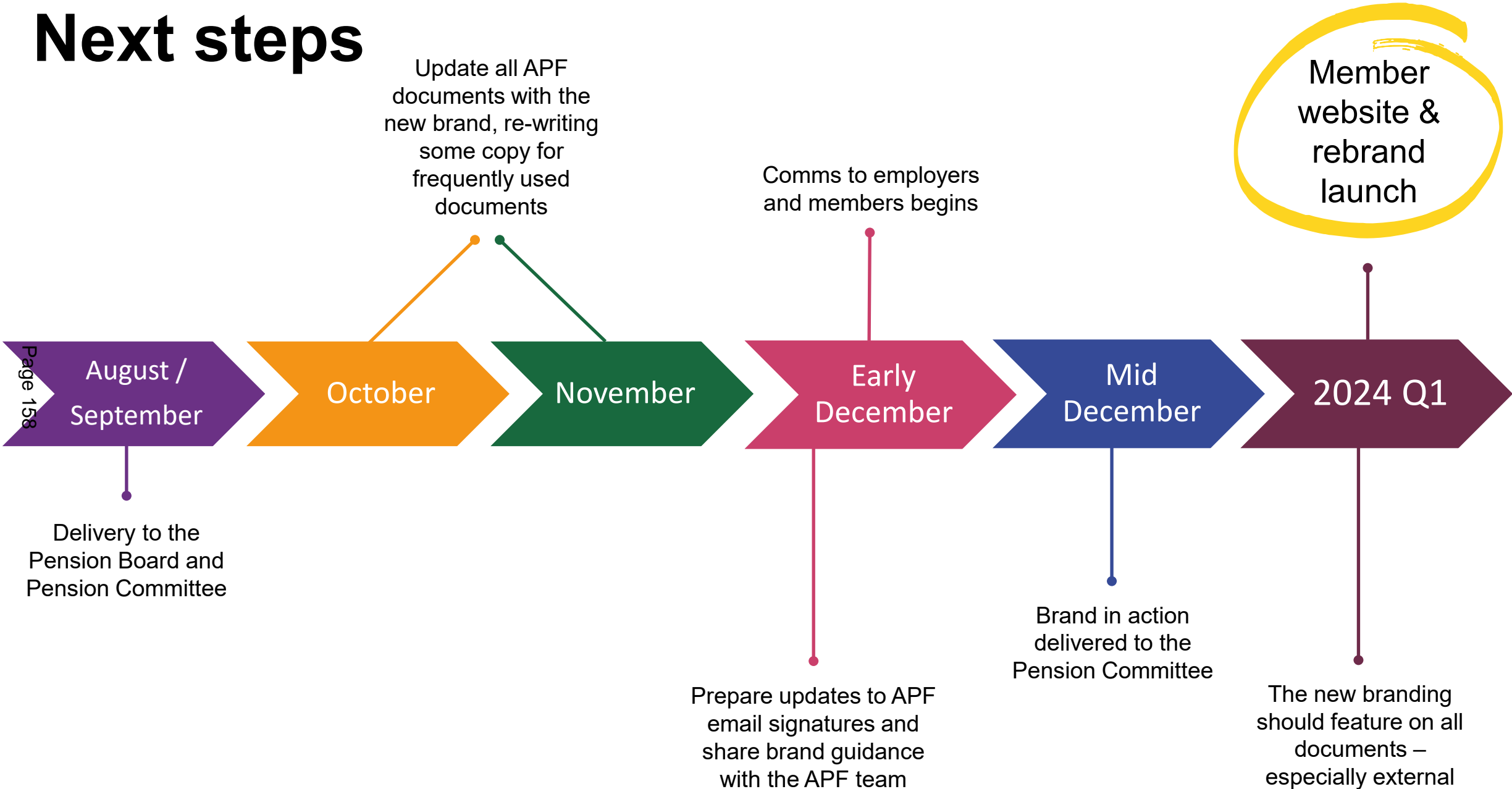
Focus on facts
Remaining neutral
Engagement over emotion
Discussing serious matters evenly

Avon Pension Fund

What's next?



Next steps



Avon Pension Fund

Any questions?



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Bath & North East Somerset Council	
MEETING	AVON PENSION FUND COMMITTEE
MEETING DATE:	22 SEPTEMBER 2023
TITLE:	UPDATE ON LEGISLATION
WARD:	ALL
AN OPEN PUBLIC ITEM	
List of attachments to this report:	

1 THE ISSUE

- 1.1 The purpose of this report is to update the Pension Fund Committee on the latest position concerning the Local Government Pension Scheme [LGPS] and any proposed regulatory matters that could affect scheme administration.

2 RECOMMENDATION

The Committee is asked to:

- 2.1 Note the current position regarding the developments that could affect the administration of the fund.

3 FINANCIAL IMPLICATIONS

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

4 THE REPORT

- 4.1 The table below provides a summary of the main regulatory updates since the last meeting, including brief comment on what the implications are for the Fund and what the next steps will be.

5 RISK MANAGEMENT

5.1 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.

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 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.

8 OTHER OPTIONS CONSIDERED

8.1 None.

9 CONSULTATION

9.1 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	

Item	Latest Position	Relevant Links	Action by Fund / Next Steps
<p>McCloud Judgment</p>	<p>May 2023 saw DLUHC publish a consultation and draft regulations concerning the McCloud remedy, covering new approaches included in the 2020 consultation to better align them with the other public service schemes (around aggregation, other public service membership and flexible retirement) together with new areas covering excess teachers service, compensation and interest terms. A response to the consultation was issued by the LGA in June.</p> <p>In May, a further consultation on the Public Service Pension Scheme (Rectification of Unlawful Discrimination) (Tax) (No.2) Regulations 2023 was launched with further guidance being published by HRMC in June. The LGA also issued a response to this consultation. These Regulations were laid on 17 August 2023 and will become effective on 14 September 2023.</p>	<p>https://www.gov.uk/government/consultations/mccloud-remedy-in-the-lgps-supplementary-issues-and-scheme-regulations/mccloud-remedy-in-the-lgps-supplementary-issues-and-scheme-regulations</p> <p>https://lgpslibrary.org/assets/cons/lgpsew/20230530_LR.pdf</p> <p>https://www.gov.uk/government/publications/the-public-service-pension-schemes-rectification-of-unlawful-discrimination-tax-no-2-regulations-2023</p> <p>https://www.gov.uk/government/publications/the-public-service-pension-schemes-rectification-of-unlawful-discrimination-tax-no-2-regulations-2023/guidance-on-the-public-service-pension-schemes-rectification-of-unlawful-discrimination-tax-no-2-regulations-2023</p> <p>https://www.legislation.gov.uk/uksi/2023/912/contents/made</p> <p>https://lgpslibrary.org/assets/cons/nonscheme/20230522_McCloud_tax_No2_CR.pdf</p>	<p>The LGA response to the consultation highlighted the administrative complexities associated with the remedy, impacting both administration teams and software providers, whilst also highlighting concerns on the timescales for statutory guidance to be provided before 1 October 2023. Delays in the relevant stages may have administrative implications given the timescales involved.</p> <p>The Fund to continue work on validating data from employers and will shortly be receiving high level training on the remedy.</p> <p>Once the remedy has been implemented, the HMRC guidance will also need to be followed to ensure the correct tax treatment is applied. Again, this will have administrative implications given the potential complexity of certain situations.</p>
<p>LGPS Cost Management Process</p>	<p>In May 2023, a written ministerial statement has been published by HMT confirming that only reformed scheme design will be included in the cost control mechanism.</p> <p>Also in May, DLUHC has published its response to the consultation on the SAB cost management process, thereby better aligning the process to the HMT process and also providing greater flexibility to SAB to make recommendations. The underlying LGPS Regulations were also laid reflecting the changes arising from the consultation.</p>	<p>https://questions-statements.parliament.uk/written-statements/detail/2023-05-15/hcws771</p> <p>https://www.gov.uk/government/consultations/local-government-pension-scheme-changes-to-the-scheme-advisory-board-cost-management-process</p> <p>https://www.legislation.gov.uk/uksi/2023/522/introduction/made</p>	<p>Given no changes to benefits/employee contributions arise from these latest updates, there isn't any immediate impact on the administration team.</p>
<p>SCAPE Discount Rate</p>	<p>Following on from the change to the SCAPE Discount Rate announced on 30 March 2023, the Government Actuary's Department has been releasing updated factors over the quarter for use in member calculations.</p>		<p>As the factors have been released on a staged basis, (with certain calculations being suspended until new factors are released), this has led to additional work for the administration team in processing member calculations and dealing with queries.</p> <p>In addition, the Actuary has recently provided updated early retirement strain cost factors for implementation (reflecting the new early retirement factors issued by GAD). These will be implemented with effect from 1 September 2023.</p>

Pension Schemes Bill	A review of the Occupational and Personal Pension Schemes (Conditions for Transfers) Regulations 2021 has been undertaken to see how effective the policy has been in preventing pension transfer scams. The review was published in June. Further work to be undertaken by DWP, industry and TPR, to see whether the Regulations need to be amended.	https://www.gov.uk/government/publications/conditions-for-transfers-regulations-2021-review-report	Whilst improving the transfer experience for members, any amendment in Regulations is likely to have implications on transfer value processes operated by the administration team.
Pensions Dashboard	<p>The main development in the Pensions Dashboards Programme saw the Pensions Minister, Laura Trott, publish a written ministerial statement in June confirming that DWP has laid draft Pension Dashboard (Amendment) Regulations 2023 but that the phased staging timeline had been removed. Instead, a single connection deadline of 31 October 2026 has now been set. The Regulations were laid formally in July and became effective on 9 August 2023.</p> <p>A separate staging timeline will now be set out in connection guidance.</p> <p>In light of the above development, further guidance has been issued by a number of parties – TPR, PASA etc.</p> <p>Generally speaking, despite the reset, schemes are expected to continue their preparations in relation to the governance/data requirements for meeting the connection deadline.</p>	<p>https://questions-statements.parliament.uk/written-statements/detail/2023-06-08/hcws836</p> <p>https://www.legislation.gov.uk/ukxi/2023/858/contents/made</p> <p>https://www.thepensionsregulator.gov.uk/en/trustees/contributions-data-and-transfers/dashboards-guidance/failing-to-comply-with-pensions-dashboards-duties</p> <p>https://www.pasa-uk.com/pasa-releases-updated-dashboards-data-accuracy-guidance/</p>	A separate update will be provided on this item in the administration report in relation to what actions have/are being taken by the Fund.
Levelling Up Stage Pooling	In July, DLUHC have issued a consultation on a number of investment related proposals for the LGPS covering pooling, levelling up, private equity, investment consultancy services and technical definitions.	https://www.gov.uk/government/consultations/local-government-pension-scheme-england-and-wales-next-steps-on-investments	This consultation, and the impact on the Fund, will be considered further by the investment team.
Responsible Investment	<p>In June, the Government published its Economic Activity of Public Bodies (Overseas Matters) Bill, which will have prevent administering authorities from making investment decisions “influenced by political or moral disapproval of foreign states” except in certain circumstances.</p> <p>In June, it was also confirmed that the implementation of climate reporting obligations for LGPS Funds would be delayed until at least 2024 (first reports being produced by December 2025 in relation to 2024/25).</p> <p>The SAB has appointed Amanah Associates to provide expert advice on a range of issues around Sharia compliance in the LGPS.</p>	<p>https://publications.parliament.uk/pa/bills/cbill/58-03/0325/220325.pdf</p> <p>https://lgpsboard.org/images/Responses/LetterfromMinister_ClimateRiskReporting15062023.pdf</p>	These updates, and the impact on the Fund, will be considered further by the investment team.
Academies	In May, the DFE published their policy for guaranteeing outsourcing arrangements for academy trusts in England (and sets out which employees would be covered) thereby providing assurance to administering authorities (including in relation to agreeing pass-through arrangements with Academy Trusts).	https://www.gov.uk/government/publications/academies-and-local-government-pension-scheme-liabilities/dfc-local-government-pension-scheme-guarantee-for-academy-trusts-pensions-policy-for-outsourcing-arrangements	Whilst the guarantee should reduce the potential for unfunded liabilities to emerge in the Fund, there may be additional work in the short-term for teams to update calculation processes/communications (which could lead to additional queries from employers).
Pension Taxation	The Finance (No.2) Act 2023 has now received Royal Assent in July, thereby delivering the tax changes announced in the Spring Budget. Following this, HMRC issued a consultation, which formally sets out its approach to abolishing the Lifetime Allowance from 1 April 2024 onwards.	<p>https://www.legislation.gov.uk/ukpga/2023/30/contents/enacted</p> <p>https://www.gov.uk/government/publications/abolishing-the-pensions-lifetime-allowance</p>	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.

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Bath & North East Somerset Council	
MEETING:	AVON PENSION FUND COMMITTEE
MEETING DATE:	22 SEPTEMBER 2023
TITLE:	Risk Management Process & Risk Register
WARD:	ALL
AN OPEN PUBLIC ITEM	
<p>List of attachments to this report:</p> <p>Appendix 1 – Risk Register</p> <p>Appendix 2 – Risk Framework & Summary</p>	

1. THE ISSUE

1.1. The purpose of this report is to update the Committee with the quarterly review of the risk register.

2. RECOMMENDATION

2.1. That the Committee notes the report.

3. FINANCIAL IMPLICATIONS

3.1. There are no direct implications related to the Committee in connection with this report.

4. REPORT – RISK MANAGEMENT PROCESS & RISK REGISTER

4.1. 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.

4.2. The risk framework introduced to assist risk owners to assess the risk and score is attached as appendix 2.

4.3. Following feedback from Committee and Pension Board members pre mitigation scores have also been added to the risk register.

4.4. A high level matrix showing the distribution of risks by score is attached as appendix 2.

4.5. The complete risk register is attached as appendix 1.

- 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

5. QUARTERLY REVIEW OF RISK REGISTER

5.1. Following the quarterly review of the risk register, the following changes were made:

5.2. NR06 – the likelihood of a cyber attack has been increased from unlikely to likely due to the recent high profile attacks in the public domain. The Fund is seeking further re-assurances from Heywood on system security.

5.3. NR02 – due to a couple of regulatory risks, the impact has been increased from low to medium and the likelihood from unlikely to likely. This is to reflect the impact of the McCloud remedy on the administration and the possible impact of the pooling consultation on the Fund.

5.4. NR12 – failure to achieve decarbonisation targets has been reduced from High to Medium impact given the increased alignment of the portfolio with current carbon targets.

5.5. NR14 – LDI leverage. The likelihood has been reduced from possible to unlikely as there is now increased collateral buffer within QIF, therefore possible to withstand significant increase in leverage.

5.6. NR01 – Ability to deliver admin service to members and employers within agreed standards – this is the most critical risk and is already an issue. Current factors impacting this issues and measures to address it are set out in item 11 – Pension Fund Administration report.

6. EQUALITIES

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.

1 OTHER OPTIONS CONSIDERED

1.1 None

2 CONSULTATION

2.1 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	

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Number	Function	Risk	Impact	Pre Mitigants			Mitigating Actions / Control Framework	Post Mitigants				
				Impact	Likelihood	Score		Impact	Likelihood	Score	Previous score	Trend
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	likely	20	10	↓
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	16	→
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	12	→
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	→
NR02	Regs	Regulatory changes	Breach of regulations Poor member outcomes Increased workloads for officers Changes to pooling could undermine delivery of investment strategy	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.	medium	likely	12	4	↓
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	Medium	likely	12	16	↑
NR08	Employers 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	9	→
NR07	Employers Data	Employers do not comply with regulatory responsibilities	Poor member data Fines and greater 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 as assets inaccessible	High	Possible	12	- due diligence 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	9	→
NR14	Investments	LDI leverage	LDI strategy may have to be unwound if insufficient collateral 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 adequately collateralised	High	Unlikely	8	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	8	→
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 diligence on banks - diversification across multiple suppliers - consultation with treasury management advisors.	Medium	Unlikely	6	6	→

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Appendix 2 - Risk Framework

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	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
3	Medium	Major effect to an important service area	Capital loss potential up to 15% of assets	Litigation, claims or fines Services up to £50k Corporate £100k	Adverse impact on APF significant slippage > 3 months	Duty of Care issues may have impact meeting
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
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.

Assessment of Likelihood

1	Rare	0 – 5% probability
2	Unlikely	6 – 20% probability
3	Possible	21 – 50% probability
4	Likely	51 – 80% probability
5	Almost Certain	81 – 100% probability

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

Risk Summary

IMPACT

		NEGLIGIBLE	LOW	MEDIUM	HIGH	CRITICAL
PROBABILITY	ALMOST CERTAIN	0	0	0	0	0
	LIKELY	0	0	2	1	1
	POSSIBLE	0	1	3	3	0
	UNLIKELY	0	0	3	2	0
	RARE	0	0	0	0	0

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Bath & North East Somerset Council	
MEETING:	AVON PENSION FUND COMMITTEE
MEETING DATE:	22 SEPTEMBER 2023
TITLE:	GOVERNANCE UPDATE (INCLUDING WORKPLANS)
WARD:	ALL
AN OPEN PUBLIC ITEM	
<p>List of attachments to this report:</p> <p>Appendix 1 – Committee Work plan</p> <p>Appendix 2 – Investments Panel Work plan</p> <p>Appendix 3 – Training Programme</p> <p>Appendix 4 – Service Plan Monitoring</p> <p>Appendix 5 – Terms of Reference</p> <p>Appendix 6 – Conflicts of Interest Policy</p>	

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) and the provisional training programme for 2023 is included as Appendix 3.
- 1.2 The quarterly monitoring report for the Service Plan is also attached as Appendix 4. This now incorporates the administration change programme projects.
- 1.3 A couple of amendments have been made to the committee's Terms Of Reference and the Conflicts of Interest policy

2 RECOMMENDATION

- 2.1 That the committee:
- 2.2 Notes the Committee & Investment Panel workplans, training programme and service plan.
- 2.3 Notes the correction to the Committee's Terms of Reference
- 2.4 Notes the amendment to the Conflicts of Interest Policy

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 and now includes the Administration Change Programme

4.2 Training Programme

- a) The provisional training programme for 2023 is also included as Appendix 3, so that Members are aware of intended training sessions and workshops. The plan will be updated quarterly.

4.3 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	2024
22 September 15 December	22 March 28 June 20 September 13 December

5.2 The provisional dates for the Investment panel meetings are:

2023
08 September 01 December

6 TERMS OF REFERENCE (TOR)

6.1 Following a recent audit it was brought to officers' attention that a clause should have been removed from the TOR.

6.2 This was previously in section 5.17. The clause read as follows *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.*

6.3 The Council Constitution was updated last year to reflect that the Director One West is the LGPS designated senior officer and therefore this sentence was removed from the TOR.

7 CONFLICTS OF INTEREST POLICY

7.1 The Fund's conflicts of interest policy has been updated to reflect how internal conflicts of interest should be treated for the Fund's officers. A paragraph has added on the last page of the policy.

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
Workshop	19th October 2023	Climate Change Workshop

Hymans Learning Academy	Title of Module	Date to be completed	Time Commitment
Introduction	<ul style="list-style-type: none"> An Introduction to LGPS Online Learning Academy 	Jul-23	
Module 1 – Committee Role and Pensions Legislation	<ul style="list-style-type: none"> An Introduction to Pensions Legislation Role of Elected Members on Committee (podcast) 	Jul-23	22 minutes
Module 2 – Pensions Governance	<ul style="list-style-type: none"> LGPS Oversight Bodies – DLUHC LGPS Oversight Bodies – TPR Business Planning LGPS Governance 	Aug-23	40 minutes
Module 3 – Pensions Administration	<ul style="list-style-type: none"> Introduction to Administration Additional Voluntary Contributions Policies and Procedures 	Sep-23	56 minutes
Module 4 – Pensions Accounting and Audit Standards	<ul style="list-style-type: none"> Pensions Accounting and Audit Standards 	Sep-23	11 minutes
Module 5 – Procurement and Relationship Management	<ul style="list-style-type: none"> Public Procurement 	Sep-23	11 minutes
Module 6 – Investment Performance and Risk Management	<ul style="list-style-type: none"> Introduction to Investment Strategy LGPS Investment Pooling Performance Monitoring Responsible Investment 	Dec-23	49 minutes
Module 7 – Financial Markets and Product Knowledge	<ul style="list-style-type: none"> Introduction to Financial Markets and Product Knowledge Investment – MiFiD II 	Dec-23	17 minutes
Module 8 – Actuarial Methods, Standards and Practices	<ul style="list-style-type: none"> Introduction to Funding Strategy LGPS Actuarial Valuations – Process LGPS Valuation – Technical Employers 	Mar-24	1 hour
Current Issues	<ul style="list-style-type: none"> 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		
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Key Objectives	Current Phase of project	Completion Date of overall project	Status
Change Programme Administration			
Annual Projects			
Year End	YE complete but review and fine assessment still to be done	Jun-23	Complete
Annual Benefit Statement	All active and deferred statements published	Aug-23	Complete
Annual Allowance / Pension Savings	Calculate allowances & review exceptions	Oct-23	In progress
Annual Report	Collation & proof reading	Dec-23	In progress
Regulatory/Foundation			
GMP – remedy & equalisation	Category B members review	May-23	In progress behind schedule
MI & Insights on service levels	User Test & Sign-off	Aug-23	In progress behind schedule
Employer number series	Testing and communications	Nov-23	In progress
McCloud (Fire)	Legislation published / Pre-legislation Category 1 remedy	Jan-24	In progress
Fire Exit	Initial Planning with WYPF	Jan-24	In progress
Pensions Dashboard	Preparation of data, comms, governance, DAP Admin	Mar-25	In progress
McCloud (LGPS)	Legislation published / Heywood UAT	Sep-25	In progress
Transformation			
Website – employers	Content review, update and upload	Nov-23	On hold
Website – members	Content review, update and upload	Nov-23	In progress behind schedule
Rebrand	Delivery of remaining design assets	Nov-23	In progress
Leaver process - phase 1	New leaver team set up	May-23	Complete
Leaver process - phase 2	Process review - impact and scoping assessment	May-24	In progress
Bulk processing, e.g. refunds	Process review - impact and scoping assessment	May-24	In planning
Organisational structure	Job description preparation	Mar-24	In progress
My Pension Online – upgrade	Scope analysis & recommendation	Mar-25	In progress
New member onboarding	Scope and starter documentation reviewed	Mar-24	In planning

Governance			
Annual review of governance arrangements	Review ToR of Committee and Investment Panel	Jun-23	Complete
	Review Governance Compliance statement	Jun-23	Complete
	Review register of interest forms	Jun-23	In progress behind schedule
	Review scheme of delegation	Jun-23	Complete
	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	Complete
Good Governance Review	Review any new requirements from Good Governance review once published eg - Workforce Plan	Mar-24	In planning
TPR SCOP requirements	Gap analysis & action plan for new requirements	Mar-24	In planning
	Review disaster recovery / business continuity plan	Mar-24	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 progress
Training Plan for Committee & Board members	Plan annual training programme for members	Mar-23	In progress
	Induction Training for new PC/PB members	Dec-23	In progress
Review of Committee Reports	Continue to review report content & Modern Gov Library	Dec-23	On hold
Contract Retenders	Investment Advisor Contract	Sep-23	In progress
Finance			
iConnect Project to improve process for reconciliation of contributions	Set up new reconciliation process	Apr-24	In progress
	Plan requirements of moving more employers to simplified LGPS50 form dependent on iconnect project; 2023 project	Dec-23	In progress

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, and governance; IP review Mercer recommendation in July 23; any changes to dstrategy to Sept PC.	Dec-23	In progress
Review Climate targets and set new targets	Using 2022 data analyse fund and set new targets; PC workshop in October; PC decision Dec 23	Dec-23	In progress
Funding Strategy			
Death in Service Insurance	Implement captive arrangement; include in FSS after consulting employers	Sep-23	In progress

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

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.

(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 Council 20 July 2023

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Avon Pension Fund

Local Government Pension Scheme

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Avon Pension Fund – Conflicts of Interest Policy

Background

This policy sets out how Bath and North East Somerset Council (the “Council”) will identify, manage and mitigate potential conflicts of interest that may arise in carrying out its role as the administering authority for the Avon Pension Fund (the “Fund”).

The Council recognises that its dual role as both an employer participating in the Fund and the body legally tasked with its management can produce the potential for conflicts of interest. Furthermore, those individuals involved in managing, overseeing or advising the Fund may, from time to time, find that they face competing incentives, financial or otherwise, as a result of their professional or personal circumstances.

In addition, members of the committee who are a representative of an employer or stakeholder group may also have conflicts of interest between their role as committee member and the view or stance of their employer/ stakeholder group they represent.

It is important, therefore, that these potential conflicts are managed in order to ensure that no actual or perceived conflict of interest arises and that all the Fund’s employers and scheme members are treated fairly and equitably.

Objectives

- To ensure that those involved in the operation of the Fund fulfil their duties under public law to act solely in the interests of the Fund’s employers and scheme members.
- To provide confidence to scheme members, employers, regulators or any other interested parties that those responsible for the Fund are fully committed to identifying, managing and monitoring conflicts of interest.
- To minimise the risk to the Fund that conflicts of interest arise that prejudice good decision making or any other aspect of the good management of the Fund.
- To promote openness, transparency and a commitment to the Seven Principles of Public Life in all aspects of the Fund’s business.

Application of this policy

This policy applies to all members of the Avon pension committee, local pension board, section 151 officer, Director – One West and officers who carry out functions on behalf of the Pension Committee and any third parties providing advice or services to the Fund.

Every individual covered by this policy must take individual responsibility for the management of potential conflicts of interest.

The **Governance & Risk Advisor** will be responsible for ensuring that this policy is adhered to and that any processes for managing conflicts of interest are followed.

In any situation where the Governance & Risk Advisor may have a potential or actual conflict of interest, the responsibility for ensuring that this policy is adhered to and that any relevant processes are followed shall lie with the Monitoring Officer for Bath and North East Somerset Council.

Defining conflicts of interest

The Fund has adopted the definition of conflict of interest defined in The Public Service Pensions Act 2013¹;

“conflict of interest”, in relation to a person, means a financial or other interest which is likely to prejudice the person's exercise of functions as a member of the board (but does not include a financial or other interest arising merely by virtue of membership of the scheme or any connected scheme).

In addition to this policy there are other legal requirements which are also relevant to the Fund's management of conflicts of interest, these include;

- Regulation 108 of The LGPS Regulations 2013, which places duties on The Council, as the administering authority to the Fund, to be satisfied that Local Pension Board members do not have conflicts of interest on appointment to, or whilst a member of, the Board.
- The Localism Act 2011² requires elected members to comply with their own authority's code of conduct and to declare pecuniary interest and interests other than pecuniary interests.
- The 'Seven Principles of Public Life', also known as the 'Nolan Principles', with which any holder of public office is also expected to comply. These are;

Selflessness Holders of public office should act solely in terms of the public interest.

Integrity Holders of public office must avoid placing themselves under any obligation to people or organisations that might try inappropriately to influence them in their work. They should not act or take decisions in order to gain financial or other material benefits for themselves, their family, or their friends. They must declare and resolve any interests and relationships.

Objectivity Holders of public office must act and take decisions impartially, fairly and on merit, using the best evidence and without discrimination or bias.

Accountability Holders of public office are accountable to the public for their decisions and actions and must submit themselves to the scrutiny necessary to ensure this.

Openness Holders of public office should act and take decisions in an open and transparent manner. Information should not be withheld from the public unless there are clear and lawful reasons for so doing.

Honesty Holders of public office should be truthful.

Leadership Holders of public office should exhibit these principles in their own behaviour. They should actively promote and robustly support the principles and be willing to challenge poor behaviour wherever it occurs.

Managing conflicts of interest

The Council recognises that its dual role as both an employer participating in the Fund and the body legally tasked with its management can produce the potential for conflicts of interest to arise in certain areas. It is

¹ Section 5(5)

² Chapter 7

important that these potential conflicts are managed in order to ensure that no actual or perceived conflict of interest arises and that all the Fund's employers and scheme members are treated fairly and equitably.

These areas are considered in more detail below.

Contribution setting for employers

The setting of employer contribution rates must be done in a way that is fair and transparent. No employer or individual should be in the position to unduly influence the contribution setting process.

The Fund achieves this in the following ways:

- The Funding Strategy Statement sets out the Fund's approach to all funding related matters including the setting of contribution rates. This policy is set with regard to the advice of the Fund Actuary and is opened to consultation with all Fund employers before being formally adopted by the Pension Committee. The approach to contribution setting is based on specific employer characteristics such as its time horizon, strength of covenant and risk profile. This approach ensures consistency across all employers and removes the possibility of any employer receiving more, or less, favourable treatment.

Delivering the LGPS function for all employers

All employers within the Fund are entitled to receive the same high-quality service and support from the Fund. Equally, the expectation on employers in respect of their obligations under the LGPS are the same for all employers. There should be no perception that the Council receives more favourable terms with regards to the service received from, or the obligations expected to, the Fund.

- The Fund's administration strategy sets out the way in which the Fund works with its employers and the mutual service standards expected. The policy details how the Fund will assist employers to ensure that they are best placed to meet their statutory LGPS obligations. On occasions where an employer's failure to comply with required processes and standards has led to the Fund incurring additional cost, the policy also provides for that cost to be recovered from the employer in question. This policy has been opened to consultation with all the Fund's employers and is operated in a consistent fashion across all the employer base.
- The pension fund is run for the benefit of its members and on behalf of all its employers. It is important therefore that the Fund's budget is set and managed separately from the expenditure of the Council. Decisions regarding pension fund resource are approved by the Pension Committee on recommendation from the Head of Pensions.

Investment decisions

The primary investment objective of the Fund is to ensure that over the long term there will be sufficient assets to meet all pension liabilities as they fall due. Investment decisions have an impact on all employers within the Fund and so should reflect the long-term requirements of the Fund.

- The Investment Strategy Statement sets out how the Fund's money will be invested in order to meet future liabilities and contains the Fund's investment objectives and the asset classes in which it will invest. It also contains the Fund's approach to assessing environmental, social and governance risks and how it will act as a responsible asset owner with regard to engagement and voting shares for companies in which it is invested. The Statement also explains the Fund's approach to investments which deliver a social impact as well as a purely financial return.
- The Investment Strategy Statement is a statement of the beliefs, objectives and strategies pertaining to pension fund investments and is separate to and distinct from any policies that apply to the Council, any other employer or stakeholder group. For example, the local authorities within the Fund may have particular strategies regarding tobacco investment as a consequence of their public health duties. This should remain distinct from the Fund's investment strategy, as set by the Pension Committee and which is operated on behalf of all Fund employers. A similar situation arises in respect of a local authority's policy regarding matters such as investment in local housing

or other infrastructure within the Avon area, which remain distinct from the policies and strategies of the Pension Fund.

- From time to time the Council may pursue certain climate related goals, for example a commitment to being carbon neutral by a certain date. Actions taken in pursuit of these goals may impact on members and employees of the Council in certain ways, for example members and staff may be required to pursue low carbon travel options when travelling on Council business. Where this is the case, members and employees carrying out work related to the management of the Fund will be subject to the same policies as all other Council members or staff, insofar as they reflect operational matters. However, decisions in respect of Fund investments are made by the Pension Fund Committee on behalf of all employers in the Fund and as such will be made independently of any such Council or scheme employer policies and strategies, though the Committee could independently reach the same outcomes.
- All investment decisions are taken in accordance with the Investment Strategy Statement, following appropriate professional advice. No person with a conflict of interest relating to a particular investment decision may take part in that decision.
- The Fund invests its assets in a wide range of investments across the world. Inevitably, some of the businesses it invests in may be regulated by one or more of the scheme employers. Any conflict of interest between the Fund and the scheme employers is mitigated as far as reasonably practicable. Fund officers responsible for the operation of the Fund are a separate team in the Council and separated from all other employing bodies and they will act for, and represent the views of, the pension fund and not an employer and will adhere to pension fund policies at all times.
- Selection and management of the investment portfolios have been delegated to Brunel Pension Partnership (Brunel) and the Fund only directly manages a few legacy pooled funds. Decisions regarding the legacy portfolios are the responsibility of the Committee. The Fund is not involved in the decisions regarding the selection of individual companies in the Brunel managed portfolios. Neither does the Fund direct voting decisions concerning companies held within its portfolios as this is delegated to Brunel.

Standards and behaviours

It is important that those managing the Fund adhere to the highest standards of public office.

- The Bath and North East Somerset Council Code of Conduct for Members applies to all members or voting co-opted members of the Council. In addition, the code has been adopted to apply to all members of the Pension Committee and Local Pension Board. The policy (<http://vm-civ-mgov/documents/s67874/Code%20of%20Conduct%20and%20Interest%20rules.pdf>) sets out the Council's approach to;
 - Standards of behaviour
 - Registration of members' interests
 - Disclosable pecuniary interests
 - Sensitive interests
 - Gifts and hospitality

Pooling

The Council is one of 10 equal shareholders in the Brunel Pension Partnership ("BPP"). The shareholders, as LGPS administering authorities, also purchase investment management services from BPP. The nature of this relationship has the potential to lead to conflicts of interest that must be managed. The following mechanisms are in place.

- The interests of the shareholders of BPP and those of any specific administering authority may not always be aligned. To ensure that the interests of the shareholders and of those procuring services from BPP are both protected it is important there is appropriate separation between the two

functions. The Shareholder Agreement sets out the obligations and rights for each party in the pool and the Service Agreement sets out the services to be provided to each client. Included are processes for resolving disagreements and conflicts between the differing parties. The governance arrangements that include committee representatives and officer representatives is designed to reach consensus across the pool on all matters where possible.

- BPP has its own conflicts of interest policy, contained within the Service Agreement (specifically Schedule 7 (Manager's Conflicts of Interest Policy)) signed by all 10 client funds. This document contains the key principle that "Brunel should not provide services in a manner that will advance one client's interest over another's". The policy sets out how BPP manages potential conflicts of interest through the various mechanism, which are summarised below;
 - Training staff on the types of conflicts which may arise, including providing examples of such potential conflicts
 - Adopting specific policies on potential conflict situations that may arise through the possession of inside information, such as its Market Abuse & Insider Information Policy, Personal Account Dealing Policy and Gifts & Entertainment Policy
 - Requiring all staff to disclose conflicts immediately upon becoming aware of them
 - Setting out clear roles and responsibilities, both in relation to the Policy and the processes described within it
 - Maintaining a register of staff external interests to allow potential conflicts to be identified and avoided before they arise
 - Maintaining a register of instances of conflicts as they arise
 - Carrying out a rigorous assessment of any potential conflicts that are identified and adopting appropriate measures, including escalation where required, to avoid or minimise any actual conflicts, always putting clients' interests first
- It is important that no administering authority has undue influence on decisions made by Brunel. In order ensure this is the case the service agreement requires that BPP must act in the interest of the Pool as a whole and may not favour any individual or group of clients over the rest. The Shareholders Agreement requires that certain key decision must be carried with agreement from eight of the ten constituent client funds. Some decisions must be carried unanimously.
- There is a provision within the Service Agreement for individual client funds to contract separately for service from BPP. This might occur where a client wishes to access an asset class that no other funds require. In reaching such agreements BPP must recognise its obligation to act in the interest of all Pool members and so may not enter into such an arrangement where there may be a conflict of interest with other constituent clients or where doing so may lead to a detrimental service being provided to the Pool as a whole.
- Given the nature of the LGPS the likelihood exists that individuals with particular skills may move from employment with an administering authority to BPP or the other way around. This is perfectly appropriate, and the transfer of knowledge can be beneficial to all parties. However, it is important that there is no suggestion that any individual is in a position to influence unduly the recruitment or remuneration setting processes. This is managed by ensuring that all recruitment to BPP and to the constituent clients is carried out through a robust, open, competitive recruitment process involving HR professionals. Furthermore, key shareholder decisions such as those relating to remuneration policy must be carried unanimously by the ten clients. This ensures that no one individual has the ability to influence policy in those areas unduly.

Third parties

- The Fund requires its professional advisors, suppliers and any other third-party providing advice or services to have in place conflict management plans which set out how those firms will;

- declare any potential conflict of interest that exists on appointment;
- communicate with the Administering Authority on any conflicts of interest that arise during the course of the contract;
- put in place processes that will manage those conflicts.

Officers

- The Conflicts of Interest Policy applies to all employees within the Avon Pension Fund. All officers, including senior managers, are required to:
 - declare any potential conflict of interest that exists on employment;
 - communicate with the Administering Authority on any conflicts of interest that arise during the course of their employment.
- In addition to this policy, officers must adhere to the Council's Employee Code of Conduct that can be found [here](#).