

Avon Pension Fund Committee

Date: Friday, 28th June, 2024

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 Mike Drew (South Gloucestershire Council), Councillor Robert Payne (North Somerset Council), Councillor Fi Hance (Bristol City 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: 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, 28th June, 2024

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 indicate:

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

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

4. TO ANNOUNCE ANY URGENT BUSINESS AGREED BY THE CHAIR

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

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

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

7. MINUTES: 22ND MARCH 2024 (PUBLIC & EXEMPT) (Pages 7 - 26)

8. PENSION BOARD- DRAFT MINUTES: 12TH JUNE 2024 (Pages 27 - 34)

The Committee is asked to note the draft minutes of the meeting of the Pension Board held on 12th June 2024.

9. BRUNEL PRESENTATION - OVERVIEW OF STEWARDSHIP ACTIVITIES / CORPORATE UPDATE

The Committee will receive a presentation from Brunel on this matter at the meeting.

10. INVESTMENT STRATEGY (FOR PERIODS ENDING 31 MARCH 2024) (Pages 35 - 92)

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.

11. FUND GOVERNANCE FRAMEWORK (Pages 93 - 124)

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

12. PENSION FUND ADMINISTRATION - OVERVIEW & SUMMARY PERFORMANCE REPORT (Pages 125 - 158)

The purpose of this report is to present the Fund's administration performance for the three months to 31st March 2024 vs key performance indicators (KPI's).

13. LEGISLATION UPDATE (Pages 159 - 168)

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

14. EMPLOYER EXIT (Pages 169 - 176)

15. GOVERNANCE UPDATE (Pages 177 - 192)

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

Bath and North East Somerset Council

AVON PENSION FUND COMMITTEE

Minutes of the Meeting held

Friday, 22nd March, 2024, 10.00 am

Bath and North East Somerset Councillors: Paul Crossley (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: Councillor Kate Kelliher (Parish & Town Councils)

Also in attendance: Nick Dixon (Head of Pensions), Nathan Rollinson (Investments Manager), Carolyn Morgan (Governance and Risk Advisor), Jeff Wring (Director of One West & Avon Pension Fund), Claire Newbery (Pensions Operations Manager) and Ben Altoft (Website Development Project Manager)

46 WELCOME / EMERGENCY EVACUATION PROCEDURE

The Chair announced that Committee member Richard Orton had sadly passed away. He acknowledged that Richard had worked in Local Government since the 1970s, had supported the Avon Pension Fund Committee for more than 14 years in his role as the Unison Union representative and had also contributed to the Committee during his employment at South Gloucestershire Council prior to this.

The Chair said that they were grateful for his dedication, support and long service to the Committee and that he will be missed by all who had the pleasure of working with him.

The Committee observed a minute's silence to pay their respects to Richard Orton.

The Chair drew attention to the emergency evacuation procedure.

47 APOLOGIES FOR ABSENCE AND SUBSTITUTIONS

Councillor Shaun Stephenson-McGall had sent his apologies to the Committee.

48 DECLARATIONS OF INTEREST

There were none.

49 TO ANNOUNCE ANY URGENT BUSINESS AGREED BY THE CHAIR

There was none.

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

There were none.

51 ITEMS FROM COUNCILLORS AND CO-OPTED AND ADDED MEMBERS

There were none.

52 MINUTES: 15TH DECEMBER 2023

The Committee **RESOLVED** that the minutes of the meeting on 15th December 2023 be confirmed as a correct record and signed by the Chair.

53 PENSION BOARD - DRAFT MINUTES - 20TH FEBRUARY 2024

The Committee **RESOLVED** to note the minutes of the Board meeting held on 20th February 2024.

54 AVON PENSION FUND - NEW MEMBER WEBSITE

The Head of Pensions addressed the Committee and explained that at the end of February the Avon Pension Fund had launched its new website and the refreshed brand logo. He said that this was a beginning of a journey and that feedback on the website would be welcome.

The Website Development Project Manager gave a presentation to the Committee, a summary of which is set out below.

- Why have we developed a new member website?
 - The need to upgrade website platform software – as the current platform will become obsolete and unsupported during 2024.
 - Avon Pension Fund Rebrand
- This provided the opportunity to improve:
 - Accessibility support for assistive technology like screen readers and speech recognition software.
 - Simplify the website structure and navigation (Homepage > Landing Pages > Content Pages).
- What have we done so far?
 - Website launched on 29 February 2024
 - Rebranded ensuring colour and fonts combinations are accessible.

- Updated the platform, adopted a version specifically developed for Local Government.
- Website design based on new APF brand guidelines and Government accessibility recommendations.
- Content rewritten in 'plain English' using an authoring framework and introduced 'tell us' content.
- Secure online forms developed to capture the information needed to validate a member.

Councillor Robert Payne asked if any feedback had been received from users so far.

The Website Development Project Manager replied that feedback links have been put in place on the website and said that around 60 had been received in the last month and acted upon.

William Liew commented that he felt that the new site looked fresh and that he understood why the likely frequent enquiries tabs were at the top of the page above the corporate section, in order to reduce the number of direct contacts made with the Fund. He added that there was one link that he used though that took him to the B&NES website which obviously looks quite different to the new site and appeared to have no back button to use to return to the new site.

The Website Development Project Manager replied that the home page had been designed that way so that the key tasks are seen by members when they arrive there.

Pauline Gordon said that the site looked good. She said she had tried to access the members' section of the site, but as she was not one, she couldn't, this was therefore a good thing and showed a degree of security in place. She said that she did have to manually input her date of birth as the drop-down boxes did not seem to work for her at the time.

The Website Development Project Manager replied that the site is effectively split into two parts, before and after the log-in stage so only certain information will be able to be seen by members post-login.

Jackie Peel said that she had been asked to see how the process works for changing your address or submitting an expression of wish form via the new site. She said that she found it very clear and that there were three options available to change her address.

She explained that she could either login and change the address herself, submit an online form or print off a form to fill in and return by post.

She said that it was just as clear when it came to submitting an expression of wish form and that there were two options available, login and fill in the details herself or print off a form to fill in and return by post. She added that she had provided some additional feedback on this section advising that it appears quite a technical area and suggested whether some further explanatory notes might be of help to members.

She stated that the overall look and feel of the website was brilliant and she would be happy to test further if needed.

The Head of Pensions said that the feedback from all is very welcome and changes will be made where necessary as more is received.

Councillor Toby Simon commented that one of the measures of success for the new website will be to see if the rate of direct enquiries via telephone to the Fund decreases and said that he would like to see a report in around 6 – 9 months that provides that information.

The Head of Pensions agreed and said that the team were working on defining a new set of holistic service measures, including online traffic, number of phone calls etc. so this should be picked up and something that can be relayed to the Committee.

The Committee **RESOLVED** to thank the officers for the update provided and note the progress that has been made.

55 2024-27 SERVICE PLAN & BUDGET

The Head of Pensions introduced this report to the Committee and highlighted the following areas from within Annex 1.

Management Summary

- Global markets were broadly favourable during 2023. The Fund's portfolio value increased by 9% to £5,700m and we enter 2024 in a robust financial position with 97% funding.
- The Fund reviewed its investment strategy and executed material changes in 2023-24: equities are now split 50:50 across active and passive with materially lower fees.
- The Fund has reduced equity hedging from 100% to 50% to raise longer term growth potential.
- The Fund confirmed £175m for Local Impact investing, initiated with a £50m investment in solar farms.
- The new investment strategy confirmed more ambitious climate targets with the Fund's net zero date for its investments brought forward from 2050 to 2045. This target is underpinned by tangible near-term actions for the period 2024-30.
- However, service performance in aggregate remains below required levels with only 5 of 18 service measures completed within target timescales. This is a result of high staff vacancy rates at the start of the period, regulatory changes e.g. McCloud, and the emergence of new challenges such as the Pension Increase issue which had to be promptly resolved.

To address the service challenge, we are driving key areas of action:

- People: the Fund will complete a new organisational structure and continue recruitment to build full capacity of 92 FTEs.

- Digital: we will develop digital communications and improve My Pension Online to enable simpler self-serve and drive operational efficiency.
- Control: we will review internal processes to drive control improvements and reduce operational risks.

Governance

- Good Governance Review (GGR) – The Scheme Advisory Board’s review sets out recommendations to improve governance of LGPS. Statutory guidance necessary for the recommendations to take legal effect is expected to be published this year. The Fund has taken action to comply with draft requirements and during 2024 the Fund will implement any additional requirements from the Scheme Advisory Board’s GGR.
- Knowledge & Skills
 - Both Committee and Board members committed in 2023 to complete Hyman’s Learning Academy modules and this now forms a mandatory part of the Fund’s Training policy.
 - Achieving compliance in line with our policy will be a priority for 2024-25.
- Audit
 - Audit attention is increasing and the 2024-25 Audit Plan will focus on a few critical areas, including Pensions Payroll and Internal Control Framework.

Regulatory Update

Projects for McCloud and the Pensions Dashboard are already in place.

- McCloud regulations came into force in October 2023, with the Fund applying the rules to new cases such as retirements. For the McCloud Remedy (retrospective application to those members who have left or retired) numbers of impacted members still needs to be confirmed and guidance from DHLUC is not yet final. There remains significant work to implement the remedy in full in terms of calculations and communications, which the Fund will complete before the regulatory deadline in Q3 2025.
- For the Pensions Dashboard, the LGA issued draft guidance in November 2023. The required connection date will likely be July-September 2025 and exact staging dates will be published in due course by the Money & Pensions Service. The Fund will comply with all requirements of the Pensions Dashboard.

Budget

The 2024-25 budget of £31.4m is £0.4m (-1%) below the £31.8m budget of 2023-24. The essence of the 2024-27 budget is that reduced investment costs – driven by shifting assets from active to passive and lower assets with managers on performance fees – create headroom for higher investment in administration with additional FTEs required to improve service and controls in the Fund.

Charles Gerrish asked for clarification as to who pays the expenses, was it the Employers, the Fund or the Administration.

The Head of Pensions replied that it was the Fund that pays for everything, although indirectly this comes from Employers. He added that, should expenses rise in line with the proposed budget, contributions from Employers would not increase.

Jackie Peel asked if the current under budget position was likely to lead to a strain on the budget in the coming years.

The Head of Pensions replied by saying that it is the Committee's role to sign off the budget and will therefore have a role in assessing the need in future years. He added that it was a quirk for coming in under budget for this year.

Jackie Peel commented that she noted the intention to increase FTEs to 92 and asked if we benchmark this information with other Funds, is there an ideal number, would this be enough?

The Head of Pensions replied that the current capacity within the Fund was 85 FTE and that 80 FTE were in place at the present time so they are seeking to achieve 85 FTE and then further increase to 92 FTE when possible. He added that that these resources are needed prior to further digitalisation coming to fruition.

The Governance & Risk Advisor added that over the years the Fund has taken part in the CIPFA (Chartered Institute of Public Finance and Accountancy) benchmarking exercise, but said that many funds have now ceased taking part which therefore makes comparing data difficult. She said that all funds take part in completing the SF3 form which collects information on 87 Local Government Pension Scheme funds' income, expenditure, membership, retirements, and other activities allowing for good data comparison.

She explained to the Committee that administrative costs for the Fund were in general in the mid to low end bracket. She said that it was unlikely to find a perfect model for numbers of staff needed as different funds will operate in their own way. She added that the Fund has 450 employers within it, which was quite a high number overall and that this needed to be taken into account.

Wendy Weston referred to the Pensions Increase project and asked for an update on its progress. She also spoke about the Guaranteed Minimum Pension and asked how many members does this affect and how many have so far been rectified.

The Head of Pensions replied that around 1,200 members were affected by the Pensions Increase, 700 have already been rectified, with the remaining 500 to be actioned across the remainder of the year.

The Pensions Operations Manager added that in terms of the Guaranteed Minimum Pension, the data of 14,000 members now differs between us and HMRC and that a deeper data dive would be ongoing until the end of April. She added that pre 1994 information was not available for around 4,000 members.

Councillor Toby Simon said that he would like to see a benchmarking table on the number of staff employed by different funds so that a comparison can be made.

The Governance & Risk Advisor replied that an Annual Report is usually presented to the Committee in September and said that benchmarking data would form part of the report.

The Pensions Operations Manager addressed the Committee and highlighted the following areas from within Appendix 4.

2023 state and what we have achieved.

- Service quality below standards and backlogs:
 - Stabilised service and building enablers for future improvement.
 - Focus on backlog resolution and oldest cases - however service quality remains materially below target standards.
- Vacancy rate:
 - Salary review with Aon complete – market supplements applied.
 - Improved recruitment process (support from Aon & BANES)
 - Key posts recruited for – and temporary positions made permanent.
 - Vacancy rate in Q1 2024 of 9%, down from 16%
- Management Information (MI)
 - Improved MI which is now informing operational decisions
 - Now embedded in day-to-day decisions

New challenges in 2023 and what we have achieved.

- McCloud regulations without full SAB guidance.
 - McCloud regulations adopted and followed from 1 October 2023.
 - Workaround implemented for system issue – now resolved.
- Payroll
 - Stabilised Payroll team - Payroll Manager now appointed.
- Pensions Increase project.
 - 700 members compensated in phase 1 and monthly pensions now correct.
 - 500 members will be resolved in phases 2/3/4 during 2024.

Charles Gerrish asked if the payments made to the 700 members had caused any of them a tax problem, in terms of going above the 40% threshold, and if so, what mitigation can be sought.

The Pensions Operations Manager replied that she was not aware of any such incidents and said that each member had received a breakdown of the payments by individual tax year, which could be supplied to HMRC if necessary.

The Chair asked if any challenges to these payments had yet been received.

The Pensions Operations Manager replied that there had been none as yet, but said that this information would still be reaching some members.

Work in progress

- Service levels have stabilised – but remain well below required standards - though good progress addressing older backlogs and using improved MI.
- Resource constraints prevented Employer website and Bulk processing projects from progressing.
- The Fund continues to build service enablers: people capacity, skills, technology.

Objectives for 2024-27

- Compliant with regulations
- Enablers for future service improvement
- Improve members' service experience
- Greater operationally efficiency

Councillor Joanna Wright asked what the impact would be if the deadline in relation to McCloud was not met.

The Pensions Operations Manager replied that the draft statutory guidance regulations had only been issued in the last week and that they now had to consult on those. She added that a Project Officer has been put in place to oversee this work.

Councillor Wright asked what action would be taken if the deadline for completion was missed.

The Pensions Operations Manager replied that as with any missed deadline the Fund would be required to self-report to the Pensions Regulator. She added that at this stage she did not feel that the deadline would be extended.

She stated that she was proud that the Fund took the regulations head and began implementation from October 2023 and felt they were in a better position than a lot of other funds.

Councillor Mike Drew asked if she felt that the Fund would reach its full staffing capacity within the current structure, and would that be enough to carry out the work required.

The Pensions Operations Manager replied that the planned increase in staff was due to the number of projects that need to be completed over the next 12 months and this would enable staff to transfer between work areas if necessary. She added that she felt that the right level of staffing for the Fund will be achieved.

Strategic Roadmap

- Context
 - During 2024 the Administration team will need to deliver regulatory projects – e.g. McCloud, GMP – along with obligations such as Annual

Benefit Statements - Such projects absorb capacity of experienced resource and limit capacity for transformational change.

- New teams – Business Change, Payroll, Digital Services – will progress digital projects starting in the second half of 2024.
- Focus will be on ‘key member events’ – such as joining the fund, retirement – seeking to drive self-serve to improve member experience and the Fund’s operational efficiency.
- For each event, we will assess the end-to-end process and how we transform the whole process across different systems: Altair, iConnect, My Pension Online, Employer website, etc.

SLA Performance

- Aggregate SLA performance is broadly stable – though we have been challenged with deaths & retirements.
- Plan for SLA improvements over 2024 – 2026.

Nick Weaver commented that he would like to have a bit more of an understanding as to how the work regarding McCloud will affect the roadmap. He asked how many cases have been identified so far where the underpin has kicked in and more money has been paid to them.

The Pensions Operations Manager replied that they were happy now in terms of members that are retiring and the underpin can be applied which is seen as business as usual. She added that work was ongoing and said that around 1 in 5 cases were already receiving higher payments. She said that 20,000 members were in scope and the expectation was that between 500 – 700 would be entitled to receive the underpin.

The Committee **RESOLVED** to approve the 3 Year Plan & Budget 2024-27 for the Avon Pension Fund.

56 PENSION FUND ADMINISTRATION - OVERVIEW & SUMMARY PERFORMANCE REPORT

The Pensions Operation Manager introduced the report to the Committee and asked if they had any questions regarding it.

Jackie Peel referred to the numbers of staff who were off work due to long term sickness and asked if it was likely whether any of them would not return to work and what the process was for considering when these positions should be filled.

The Pensions Operation Manager replied that due process is followed in all such cases and the positions are not able to be backfilled. She added that two members of staff are planning to return soon or have already returned.

Jackie Peel referred to Appendix 1, Annex 1 (Annex 1 Overall Performance by Case Type) and in particular the figures relating to Refund – Quotes. She said that she felt that this was a particularly high number and asked if that was reflected by the low level of SLA achieved.

The Pensions Operation Manager replied that this was due to a capacity issue and that staff were prioritising retirement cases. She added that as of today a large number of those backlog cases have been cleared, with only around 100 remaining outstanding.

Councillor Toby Simon asked if there was a particular reason why performance had dropped in January 2024.

The Pensions Operation Manager replied that they do struggle in this regard as the clock does not stop ticking when waiting for a reply from a member. She added that in terms of McCloud over this time there was not enough guidance in place and there was a software bug that had also had an impact on the service.

William Liew referred to the current SLA targets and questioned whether some should be adjusted to reflect on their achievability.

The Pensions Operation Manager replied that they were cautious about making any such changes and may address the RAG rating in the first instance.

Jackie Peel wished to thank the Pensions Operation Manager and the whole team for the work that they continue to do on behalf of the Fund.

The Committee **RESOLVED** to note the service performance for the period ending 31st December 2023.

57 TREASURY MANAGEMENT POLICY

The Head of Pensions introduced the report to the Committee. He explained that they are asked to approve the Fund's Treasury Management Policy each year and that it was last approved in March 2023. He added that the policy closely mirrors the Council's policy set out in the Councils' Annual Treasury Management Strategy.

Pauline Gordon asked if any changes had been made to the Policy and suggested changes should be highlighted annually.

The Head of Pensions replied that they had reduced the maximum amount that can be put into the CCLA Public Sector Deposit Fund.

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

58 INVESTMENT STRATEGY STATEMENT 2024

The Investments Manager introduced the report to the Committee. He explained that the Investment Strategy Statement (ISS) is being updated to include changes arising from the review of the climate targets and the Equity Protection Hedge which was completed in 4Q23.

He added that the regulations state that the administering authority must consult on the ISS as appropriate and that the Pension Board will review the draft ISS for compliance with the regulations and any feedback will be considered by the Committee in June.

Charles Gerrish referred to section 7.13 of the draft ISS and asked for clarification of what currency was being used in the Qualified Alternative Investor Fund (QAIF) if its regulator is the Central Bank of Ireland.

The Investments Manager replied that currency used is sterling.

Charles Gerrish referred to section 8.7 of the draft ISS and suggested whether some additional information could be included in this section rather than simply stating that the Climate Change Policy can be found by clicking on a link.

The Investments Manager replied that he would look at that section and update it appropriately.

The Committee **RESOLVED** to:

- (i) Approve the draft 2024 Investment Strategy Statement subject to feedback from the Pension Board.
- (ii) Note that the 2024 ISS will be published on the Fund's website.

59 BRUNEL POLICY POSITION: ACTIVITY-BASED EXCLUSIONS

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

- As a continuation of their work on the climate agenda, and ESG more broadly, Brunel propose the adoption and limited use of activity-based exclusions, which can act as a mechanism that enables efficiencies to be gained, allowing time and resources to be deployed on more complex areas of the climate transition.
- The proposed exclusionary criteria are set in reference to industry- standard criteria, with implications for very specific parts of the energy, tobacco and defence sectors.
- The exclusions are intentionally targeted at companies with activities that have no, or very limited, capacity to transition or pivot to alternative industries. The threshold for exclusion across the specified sectors has been set sufficiently high to ensure diversified companies e.g. integrated energy

companies and diversified aerospace and defence companies are not captured. Companies in these sectors remain in scope for investment and will continue to play a pivotal role in delivering the Fund's fiduciary duty.

- Critically, the proposed changes have minimal impact on the Fund's current holdings, with only one small position representing less than 0.1% of total Fund assets affected. Furthermore, the proposed exclusions are largely consistent with those applied by the passive Paris- aligned equity strategy, which the Fund has a 20.5% strategic allocation to.

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 support Brunel's limited use of activity-based exclusions as set out in Exempt Appendix 1.

60 OVER & UNDER PAYMENTS POLICY

The Governance & Risk Advisor introduced the report to the Committee and highlighted the following sections to them.

- The Fund has identified the need to put in place a clear policy to establish the principles of rectification for members where there has been either an overpayment or underpayment of pension benefits.
- Underpayments and Overpayments of benefits can arise due to various reasons. Eg:
 - Control errors such as Pensions Increase not being applied or where short-term spouses pensions are not reduced.
 - Employers providing incorrect data used to put benefits into payments.
 - No or late notification of the death of a member or dependant.
 - Rectification projects such as GMP and McCloud.
- The Fund has worked with Consultants, Aon, to produce the policy. The principles set out in the policy aim to treat all members fairly with a consistent approach to each scenario, whilst giving the Fund discretion to consider individual circumstances.

Wendy Weston asked whether the policy confirmed the current working practices.

The Governance & Risk Advisor replied that a policy was not currently in place, but this does broadly align with our working principles. She added that many scenarios had been considered during the drafting of the policy.

Jackie Peel referred to section 5.6.2 of the policy and said that this was open to a degree of subjectivity as to whether the Administering Authority will / will not seek to

recover the total value of the overpayment. She asked also how this differs with the scenario involving Lump Sums.

The Governance & Risk Advisor replied that they have tried to be as consistent as possible in their approach to this work and would assess each case on its own merits. She said that they would need to establish whether a member could have reasonably known about an overpayment and then would seek to work with the member if repayment is sought.

Jackie Peel said that she felt that the approach was inconsistent.

The Director of One West & APF commented that he took that section of the policy to be more of a principles based judgement and was comfortable with the advice that had been received from AON.

Councillor Toby Simon referred to section 5.9 and said that all efforts should be made to recover what we can in this scenario and to cross reference any relevant regulations.

Councillor Robert Payne asked how unauthorised payments would still be possible.

The Governance & Risk Advisor replied that this can still occur if a claim is made across a certain time period.

The Committee **RESOLVED** to approve the Over & Under Payments Policy.

The policy will be kept under review in light of practical experience to ensure there is a consistent approach.

61 UPDATE ON LEGISLATION

The Pensions Operations Manager introduced the report to the Committee. She informed them that it had been a quiet Quarter in terms of legislation matters. She said that draft statutory regulations and guidance had been received on 4th March in relation to McCloud and that a consultation would now take place with LGPS stakeholders who will have until 12th April to respond.

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

62 GOVERNANCE UPDATE

The Governance & Risk Advisor introduced the report to the Committee and highlighted the following sections to them.

Terms of Reference

One change has been made to reflect decisions regarding the Local Impact Portfolio Framework being delegated to The Head of Pensions in conjunction with the working group.

The formal decision will be taken by the Head of Pensions as an Officer Decision Report via the normal democratic reporting processes within Bath and North East Somerset Council.

The revised TOR will be put forward for approval by Council in May.

Risk Register

Our most critical risks remain:

- NR01 – Ability to deliver admin service to members and employers within agreed standards. The current factors impacting this risk are set out in item 13 – Pension Fund Administration report.
- NR06 – the likelihood of a cyber attack remains a high risk due to the recent high profile attacks in the public domain. The Fund is currently implementing further audit actions around staff awareness and education and will shortly carry out a review of its business continuity plan.
- NR04 – Governance of Fund not in accordance with APF policies. Controls not adequate. Internal Audit continue to assist in checking of internal controls.

Committee Workplan & Training Programme

- Hymans LGPS Online Learning Academy (LOLA) – All members have been contacted and informed whether any modules are outstanding that need to be completed ahead of the 31st March deadline.
- A number of workshops have been arranged in conjunction with the Pension Board as follows.
 - May/June 2024 - TPR General Code of Practice
 - October - Interim Valuation Results
 - November/December 2024 - Admin Strategy
 - TBA - Pensions Dashboard

Councillor Toby Simon commented that he found the Hymans Learning Academy difficult to engage with and asked if any other options had been considered.

The Director of One West & APF replied that he would take those comments on board.

The Head of Pensions said that it is the intention that the Hymans Learning will be complimented by the workshops that are planned.

The Governance & Risk Advisor replied that the Good Governance Review and The Pensions Regulator Code of Practice reference the CIPFA skills and knowledge required for members and Hymans have made sure that their training meets these requirements.

She added that they do recommend that members study modules alongside the plan that is set out to coincide with particular Committee agendas so that they can complete the modules in stages.

Jackie Peel referred to the Risk Register and asked why the likelihood of 'Rare' is not used and whether it could be with regard to NR16 (Cashflow profile is maturing).

The Head of Pensions replied that this was a fair observation, the probability of it occurring was very low and they would consider if amendments were needed in the future.

The Committee **RESOLVED** to:

- (i) Approve the Terms of Reference.
- (ii) Note the risk register.
- (iii) Note the Committee workplan & training programme.

The Chair on behalf of the Committee wished to thank Councillor Steve Pearce for his years of service and wished him well for the future.

The meeting ended at 12.15 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, 12th June, 2024

Present:- Nick Weaver (Chair), Helen Ball, Stuart Anstead and Alison Wyatt

Also in attendance: Liz Woodyard (Group Manager for Funding, Investment & Risk), Anna Capp (Pensions Payroll Manager), Claire Newbery (Pensions Operations Manager), Carolyn Morgan (Governance and Risk Advisor), Nicky Russell (Technical & Compliance Advisor) and Charlotte Curtis (Governance & Risk Officer)

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

The Democratic Services Officer informed the Board that apologies had been received from Steve Harman (Employer Representative), Nick Dixon (Head of Pensions) and Jeff Wring (Director of Financial Services, Assurance & Pensions).

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: 20TH FEBRUARY 2024

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

8 INVESTMENT STRATEGY STATEMENT 2024

The Group Manager for Funding, Investment & Risk introduced the report to the Board. She explained that regulations state that the Investment Strategy Statement (ISS) must be kept under review and revised from time to time, particularly when there is a material change in risk and reviewed at least every three years.

She informed the Board that the latest ISS was reviewed by the Pensions Committee in March 2024 at the conclusion of the investment strategy review.

She highlighted the following changes that have been made to the investment strategy.

- Revised climate targets to support the assets aligning with Net Zero by 2045 – including short to medium targets to reduce emissions and divest (by 2030) from companies that are not aligning with the Paris Agreement.
- Reduction in the Equity Protection Strategy hedge ratio from 100% to 50% - to provide significant downside protect but participate more in rising markets (to reduce the drag on equity returns over the long term).

Stuart Anstead asked if any further comment could be made on the Digital Strategy that was referenced in section 9.1 of the report.

The Group Manager for Funding, Investment & Risk replied that the Pension Fund as a whole was moving to a more online enabled service.

The Pensions Operations Manager added that this was a part of the whole Administration Strategy and explained that this was due to be rewritten later in the year.

The Board **RESOLVED** to agree that the Investment Strategy Statement complies with the LGPS Regulations 2016 and guidance and they had no additional comments for the Avon Pension Fund Committee.

9 PENSION FUND ADMINISTRATION - PERFORMANCE REPORT

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

- Recruitment for the two key posts of Employer Services Manager and Member Service Manager are under way.
- McCloud: Awaiting guidance from the Scheme Advisory Board (SAB) with respect to the application of the McCloud remedy. This is now expected to be issued following the General Election (4th July). Early reporting suggests the fund has c1,000 members that will require the remedy.
- GMP: The fund is in the final stages of reviewing the Mercer closure report for member reconciliation. 5,150 remain outstanding as “stalemate cases” out of a population of 91,369 members, (a reduction of 8,916 previously reported to

the Board in February 2024). The review will aim to be completed in July and we plan to bring recommendations to Board & Committee in September.

- **Process Controls:** The fund is working with an external consultancy company to carry out a piece of work to map and review existing processes and relevant controls. The initial project will review the top 15 processes based on risk. The review is due to complete at the end of June and a full report will be brought to Board in September.

The Chair asked to what extent could officers see Altair taking steps to improve some of the controls or how they will use their best practice guidance to attempt to improve processes.

The Pensions Payroll Manager replied that Heywood's have a core product and that when a new release occurs, the guidance notes relate to that specific moment in time. She added that there is a 'Help' function within the product and that if you know enough about what you are looking for you could find some best practice guidance.

The Chair said that he believed that as they support around 60 Funds they should act as more of a conduit to help finding solutions.

The Pensions Operations Manager commented that she and other officers would be attending an AGM next month and hoped to have further discussions on this matter. She added that previously she had asked for a core leaver form to be created for employers to directly access and was told that it would not be possible as every fund would want different elements included within the form.

Stuart Anstead commented that he would expect there to be a number of possibilities to use AI in some way that would help with processing mainstream tasks.

The Chair referred to GMP and asked that when the analysis takes place for the Fund to consider whether they do implement any possible reductions or simply find a way of identifying / quantifying it, so as to not then pay any beneficiaries and therefore know it is a true cost, rather than the likely upset it would cost if the money were to be removed.

The Pensions Operations Manager said that she was in agreement with that sentiment, but there was still a process for the Fund to go through.

- 2024-year end is ongoing with data being validated from employers. The fund is on track to complete its annual benefit statement obligations for 2024.

The Pensions Operations Manager gave an additional presentation to the Board, a copy of which can be found as an online appendix to these minutes and a summary is set out below.

Re-structure

- 45-day consultation began on 30th May 2024, ends 14th July 2024. New structure to create new teams – Digital Services, Member Contact Team & Payroll.
- Structure will create capacity for the operational teams and support for business change and digital transformation. Increasing from 83 to 94 FTE across APF, overall increase of 11 FTE, 8 within Operations.

The Chair asked how staff were feeling about the proposed changes and the culture behind supporting them through the process.

The Pensions Operations Manager replied that a large team meeting was held to announce the re-structure and ongoing support was available to staff to talk through any issues they may have. She added that Korn Ferry have provided evaluations on the old job descriptions and said that through the process of moving to role profiles a lot of the team were likely to see an increase in pay.

She said that the new structure would also open up more opportunities for promotion.

The Chair asked if staff were willing to make the changes work and understood why they were being proposed.

The Pensions Operations Manager replied that she thought that they were and that messages regarding the changes were included in their monthly updates and have been for some time. She said that it was an important step to take to enable services to be delivered in the future.

The Pensions Payroll Manager added that she felt that the teams are feeling engaged and that there was a sense of positivity overall, especially regarding pay and the formalising of roles.

Helen Ball asked when it would be known how many job vacancies will exist under the new structure.

The Pensions Operations Manager replied that this was likely to be towards the end of 2024.

McCloud – Pensions in-to payment from 1st October 2023 to 31st May 2024

- From 925 normal (from active or deferred) pensions 18 (2%) have had the underpin applied resulting in an annual uplift of £6,735 which equates to £561 monthly.
- From 204 dependant pensions there has been no need to apply the underpin.

SLA – Performance average June 23 to May 2024

- Figures are not improving much which is still due to the backlog of cases.

The Pensions Operations Manager explained to the Board that delays from individual fund members can lead to targets not being achieved and that this is not always within their control.

Stuart Anstead said that he felt that the Fund should be able to stop the clock in these particular scenarios.

Alison Wyatt asked if year end work has an effect on their performance figures.

The Pensions Operations Manager replied that it would not normally have too much of a detrimental effect.

KPI's - cases outstanding under 31 days

- 1,601 as at 2nd June 2024

KPI's - cases outstanding over 31 days

- 734 as at 2nd June 2024

Service performance – plan v's actual

- Good progress being made – deliver sooner if possible.

The Technical and Compliance Manager addressed the Board and provided them with an update on the Pensions Increase.

Phase 1 is complete

- Remediated 801 members using Retro PI process:
- 696 members paid arrears/interest and corrected their monthly pensions going forward (645 LGPS and 51 Teachers).
- 105 members fixed in readiness for 2024 PI.

Lessons learned - Phase 1

- We have improved our knowledge of the PI annual process. Heywood support has been invaluable and effective.
- Communication with the APF Committee, Pension Board, Council and within the APF project team has been constructive.
- We achieved the Phase 1 timeline within the hard deadline imposed by the 2024 PI run.

The Chair asked for clarification on the progress of the supplementary PI issue for lump sums.

The Technical and Compliance Manager replied that they were still awaiting confirmation from Heywood on a system fix, for it was an issue that affected all Heywood users. The Pensions Payroll Manager confirmed that the system fix was in the latest software release and was in the process of being tested.

Future Phases plan

- Population
 - Cases are more complex than Phase 1 and require deeper analysis.
 - Not all of population will require remediation.
- Approach
 - Technical Manager to lead project and will form part of teams BAU project work.
 - Likely to be more resource intensive for manual calculations.
 - Use full end-to-end bulk remediation process where possible – run smaller batches with similar profiles once analysis and any correction work complete.
- Aiming to address all cases by end 2024.

Stuart Anstead asked if checks would take place following manual calculations.

The Technical and Compliance Manager replied that they would.

The Chair said that members of the Board project group would be keen to learn progress in between meeting cycles and would be willing to help further, in terms of pragmatism -v- process.

The Board **RESOLVED** to note the service performance for the period ending 31st March 2024.

10 LEGISLATION UPDATE

The Technical and Compliance Manager introduced the report and highlighted the following points to the Board.

McCloud Judgement

A closed consultation on the draft McCloud Statutory guidance ran between March 2024 and April 2024. Generally, across the sector, a number of concerns have been raised on the issues of administrative burden, communication challenges, and consistency of treatment both within the LGPS and across the public sector. A response to the latest consultation is awaited, now expected to be delayed due to the General Election.

Codes of Practice / Good Governance

Following on from publication of the General Code of Practice in January 2024, this became effective on 28 March 2024.

Whilst a further consultation on the outcomes of the SAB's Good Governance project was expected in the summer, this may now be delayed due to the General Election.

The Chair asked if the Fund had needed to use consultants to assist them with the Codes of Practice.

The Governance & Risk Advisor replied that they have purchased a checking tool from Hymans. She added that they hope to complete this work by the end of the year if possible.

She also informed the Board that a workshop with Hymans for both Committee and Board members had been arranged for 26th September online.

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

11 GOVERNANCE UPDATE

The Governance & Risk Advisor introduced the report to the Board and highlighted the following areas from it.

Risk Register

No changes to risks or scores.

Workshop

24th October – Interim Valuation (Mercer)

Hymans Learning Academy

All modules should be completed by the end of July.

Board Member Recruitment

The process to recruit new Board members has begun and the closing date for applications is 31st July. Hope to have two new members in place by the Board meeting in September.

The Chair commented that he was pleased to see the Audit Plan in place following the requests for further work to be carried out. He said that it was important to have those assurances in place and asked to be informed if any problems were to occur.

The Board **RESOLVED** to:

- i) Note the workplan & training plan for 2024.
- ii) Note the dates for future meetings.
- iii) Note the risk register.
- iv) Note the audit plan.

The meeting ended at 11.53 am

Chair(person)

Date Confirmed and Signed

Prepared by Democratic Services

Bath & North East Somerset Council	
MEETING:	AVON PENSION FUND COMMITTEE
MEETING DATE:	28 JUNE 2024
TITLE:	INVESTMENT STRATEGY (for periods ending 31 March 2024)
WARD:	ALL
AN OPEN PUBLIC ITEM	
<p>List of attachments to this report:</p> <p>Appendix 1 – Mercer Quarterly Investment Performance Report</p> <p>Appendix 2 – 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 Investment performance over the quarter met the benchmark return however over longer timeframes the Fund is behind the benchmark. Return drivers are discussed in further detail in section 4 of this report.
- 1.3 The Mercer Investment Performance Report at Appendix 1 contains performance statistics for periods ending 31 March 2024. Mercer will present their paper at the meeting.
- 1.4 Key responsible investment updates, including notable Brunel updates and metrics designed to show how the Fund is delivering against its net zero goals, are included in sections 6 and 7 of this report. Appendix 2 summarises the voting and engagement activity undertaken on behalf of the Fund by the Local Authority Pension Fund Forum (LAPFF). The Fund undertakes in-depth carbon analysis on an annual basis and publishes the results in its Annual Responsible Investment Report, which is cleared by Committee in September.

2 RECOMMENDATIONS

The Avon Pension Fund Committee is asked to:

- 2.1 **Note the information set out in the report and appendices.**
- 2.2 **Note the decisions made by the Investment Panel at its 5 June 2024 meeting, namely:**
 - (1) **To appoint Octopus Real Estate to manage a £50m allocation to affordable housing.**
 - (2) **To keep the LDI trigger framework on pause in light of the Fund's liquidity position over the next two years.**

3 FINANCIAL IMPLICATIONS

3.1 The returns achieved by the Fund for the three years commencing 1 April 2023 will impact the next triennial valuation which will be calculated as at 31 March 2025. The returns quoted are net of investment management fees.

4 INVESTMENT STRATEGY

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

4.1 The Fund’s assets were £5,818m on 31 March 2024 and delivered a net investment return of 2.3% over the quarter which was in line with the benchmark. The increase in the value of Fund assets over the quarter reflected strong equity markets, with Brunel’s listed portfolios all positive on an absolute basis, although flat on a relative basis.

4.2 Over 1 year the Fund returned 7.8% in absolute terms and -2.0% in relative terms, where most portfolios underperformed their respective benchmarks. Of the listed equity portfolios, underperformance was most pronounced in the Global Sustainable Equity Portfolio, with Global High Alpha also lagging its benchmark return. Underperformance over this period is attributed to underweight positions in the ‘Magnificent 7’ stocks as well as structural underweights to the energy sector and a bias toward quality and growth stocks, which typically do less well in a higher interest rate environment.

4.3 The main drivers of underperformance over 3 years included the active equity mandates, the equity protection strategy and Overseas Property and Secured Income.

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

Table 1: Fund Investment Returns (Periods to 31 March 2024)

	3 Months	12 Months	3 Years (p.a)
Avon Pension Fund (incl. currency hedging)	2.3%	7.8%	3.2%
Avon Pension Fund (excl. currency hedging)	2.3%	7.1%	3.6%
Strategic benchmark (no currency hedging)	2.4%	9.8%	7.1%

1.1. The liabilities are estimated to have increased by c.0.6% over the quarter. Taken together with the asset return, the funding level stood at 98% at March-31 (c. £107m deficit).

1.2. The Value-at-Risk increased over the quarter to £1,701m (from £1,371m) primarily as a result of the reduction in the equity hedge from 100% to 50%.

B – Portfolio Performance

4.5 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. The Fund’s top 10 equity positions and a brief summary of portfolio level performance can be found below. Further detail for both Brunel and legacy portfolio performance can be found in Section 4 of the Mercer report (Appendix 1).

Table 2: Top 10 Equity Holdings

Security Name	Sector	Country	Value of Holding	% of Fund assets
Microsoft	Information Technology	United States	£84.5m	1.5%
Amazon	Consumer Discretionary	United States	£64.5m	1.1%
Mastercard	Financials	United States	£42.3m	0.7%
Alphabet	Communication Services	United States	£36.8m	0.6%
NVIDIA	Information Technology	United States	£36.2m	0.6%
Novo Nordisk	Health Care	Denmark	£30.1m	0.5%
ASML	Information Technology	Netherlands	£26.9m	0.5%
Taiwan Semiconductor	Information Technology	Taiwan	£26.3m	0.5%
UnitedHealth	Health Care	United States	£25.2m	0.4%
Visa	Financials	United States	£23.7m	0.4%
TOTAL	--	--	£396.5m	6.8%

* Table excludes cash and legacy assets. Estimated aggregate position using Brunel Portfolios

4.6 Listed Markets. Absolute returns were positive reflecting the strength in global equity markets over the period. Global High Alpha returned 9.9%, just 0.1% below the benchmark (MSCI World). The Global Sustainable Equity portfolio returned 9.2%, also 0.1% behind its benchmark (MSCI ACWI). Market sentiment for sustainable investing continued its positive trend that began in Q4 2023 however, over one year to end March 2024, the portfolio remains significantly behind the benchmark. Stock selection, particularly the underweight to 4 of the ‘magnificent 7’, was the main driver of relative performance at a sector level. Both active equity portfolios exhibit a style bias toward ‘quality’ and ‘growth’ stocks, the latter tends to underperform in environments where interest rates are rising. Additionally, the structural underweight to the energy sector has acted as a drag on returns. The Diversified Returns Fund and Multi Asset Credit portfolios both outperformed their respective benchmarks over 1 year, benefitting from improved risk sentiment.

4.7 Private markets. New deal volumes have been growing from recent lows. In infrastructure, despite continued volatility across the political, economic and investment landscapes, infrastructure as an asset remained broadly resilient, feeding through to the Brunel Infrastructure portfolios.

In Secured Income, open-ended long lease property funds have suffered heavy redemptions in recent years from liquidity shocks and investors withdrawing from the sector on liquidity concerns. Our underlying property fund managers continue to dispose of assets to fund these redemptions and more sales are expected over 2024. Despite recent outflows, the property portfolio continues to show strong fundamentals such as rent collection at pre-pandemic levels, low vacancy rates and record high distribution yields. Post period end a final £35m capital call was made by Cycle 3 Secured Income. The Fund's £705m commitment to Secured Income is now fully invested.

4.8 Returns versus the strategic assumptions: Equity and liquid growth assets classes are generally delivering in line or exceeding expected returns based on the 2023 investment strategy review. 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.

5 INVESTMENT PANEL ACTIVITY

5.1 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.

Local Impact Portfolio – Affordable Housing Fund

5.2 The Panel last met on 5 June 2024. Minutes of the meeting will be made available to Committee members in due course. The most substantive item discussed during the meeting was the proposal to appoint Octopus Real Estate as the manager of the Fund's £50m initial commitment to affordable housing. The £50m represents c.30% of the fund's overall allocation to local impact and will be split between a national pooled fund (£40m) and a purpose built co-investment vehicle (£10m), which will invest in affordable housing schemes in the Avon region.

5.3 Following a shortlisting exercise by Officers, Mercer provided full suitability advice on the main fund, the co-investment structure and the sizing of the allocation. The strategy has recently been awarded Mercer's highest research rating of 'A/ESG1'¹.

5.4 Panel voted unanimously in favour of the recommendation to appoint Octopus, citing a number of reasons, including:

- (I) The managers diversified approach to tenure types which include discounted market rents, shared ownership and other forms of regulated Affordable Housing which target low- to middle-income households and key workers.
- (II) A 'direct-let' model of implementation which allows direct oversight of the relationship between tenants and the landlord, thereby reducing reputational risk associated with strategies that use third-party landlords.

¹ A = Strategies assessed as having above average prospects of outperformance

ESG1 = The highest ESG rating is assigned to strategies that Mercer believes to be leaders in integrating ESG and active ownership into their core processes, and provide clear evidence that ESG overall, is core to idea generation and portfolio construction

- (III) Strong environmental and social impact characteristics at both the Firm and Fund level. The Fund itself has adopted a 2040 Net Zero target and leverages the expertise of its retail energy arm to deliver savings to tenants via reduced energy bills.
- (IV) A clear approach to deploying capital locally and the ability to work with local 'Approved Partners' (i.e. Housing Associations, Local Authorities and other third-party developers that operate in the region) to help source and develop a robust pipeline of local opportunities.

5.5 Legal advice is being sought on the terms governing both the national pooled fund and the co-investment vehicle ahead of finalising the Fund's subscription.

Liquidity Analysis & Cash Management

5.6 Panel members considered the Fund's liquidity needs over the next 2 years, taking account of both the net benefit outgo and remaining capital calls arising from the Brunel private markets portfolios.

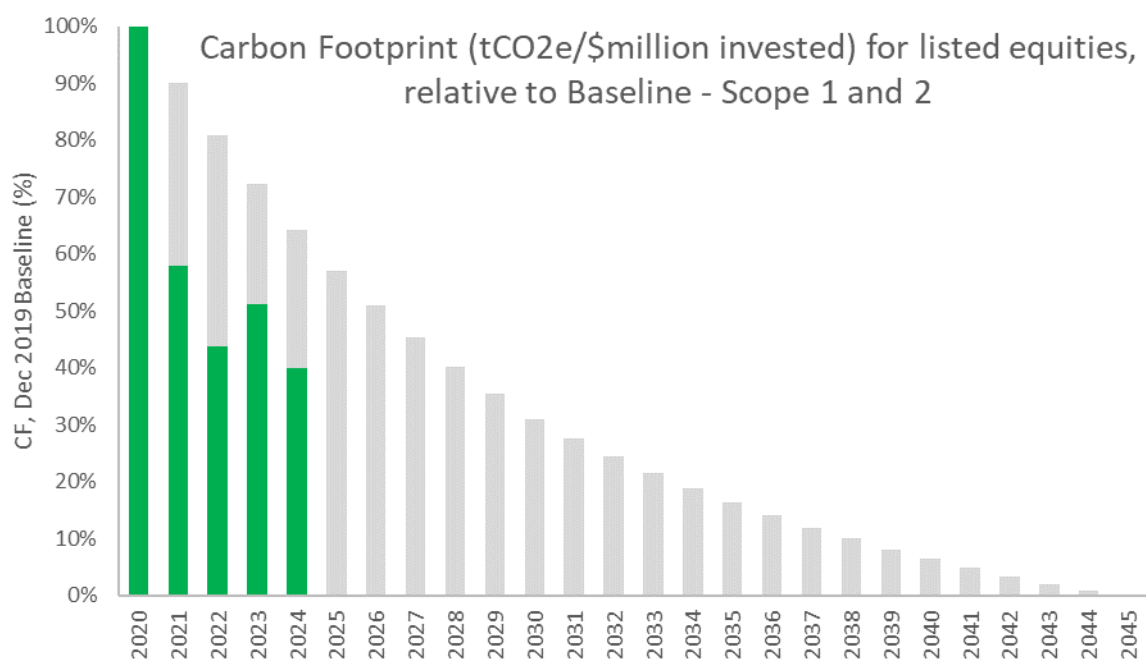
5.7 A key source of liquidity (in addition to existing income generating assets) is the excess cash collateral in the BlackRock QIF that was released following the reduction in the equity hedge. Rather than use this excess collateral to reinstate the LDI trigger framework (which has been suspended since October 2023) and increase the level of liability hedging, Panel agreed to keep the trigger framework on pause so as not to create pressure on the Fund's near-term liquidity position. Instead, any excess liquidity will be invested in money market funds which are generating a yield of 4-5% and offer instant withdrawals. The decision on which cash funds to invest in was delegated to Officers and Mercer.

5.8 The current interest rate and inflation hedge ratios are c.40% and c.22%, respectively. Officers and Mercer are exploring the option of reinstating the inflation triggers in isolation as increasing the inflation hedge is not expected to be as capital intensive as increasing the interest rate hedge further. Currently inflation is significantly above the target hedging levels, therefore no immediate increase in hedging is expected to take place in the event the inflation triggers are reinstated.

Finally, Panel considered possible sources of funding for a dedicated 2% Natural Capital allocation, agreeing that the best source is the existing overseas property portfolio which is currently being wound down. The Committee expressed an interest in Natural Capital at its Climate Workshop last year, recognising its role in helping the Fund achieve its climate targets. Further information on Natural Capital investing will be presented to the Committee in due course.

6 2045 NET ZERO TARGET

6.1 The Fund reviews its progress against its net zero targets annually. The most recent analysis shows the Fund has decreased its carbon footprint (scope 1 & 2) by 60% relative to the 2019 baseline year. Furthermore, it is currently ahead of the proposed decarbonisation pathway to achieve the interim reduction targets of 43% by 2025 and 69% by 2030 as well as to reach net zero emissions by 2045.



6.2 Note the 2030 target has been retained whilst the net zero date was brought forward from 2050 to 2045 following the climate review in 2023. As such, the rate of carbon reduction required from 2030 is greater under the new target trajectory.

6.3 The listed equities portfolio is much more carbon efficient when compared to the wider market (57% below the MSCI ACWI as at December 2023).

6.4 In order to reach the 2030 interim decarbonisation target, the listed equities carbon footprint is required to reduce by a further 22%. The 2025 target has already been achieved.

6.5 On a forward-looking basis progress is likely to rely more heavily on underlying company decarbonisation, including through engagement, than strategic asset allocation changes which have made a significant contribution to decarbonisation progress to date. Therefore, decarbonisation progress is expected to be more challenging to 2030.

6.6 Full analysis including carbon intensity and transition alignment metrics, as well as the proportion of Fund assets invested in climate solutions are included in the Responsible Investment Annual Report, which will be presented to Committee in September. The 2022/23 Report, which articulates some of the critical trade-offs the Fund faces in respect of investment decision making and climate, is available to read here: [Avon PF RI Report](#).

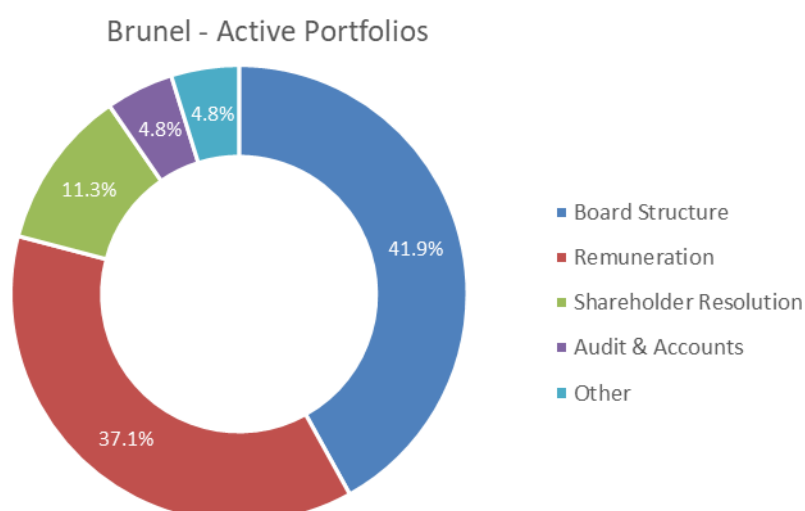
7 QUARTERLY STEWARDSHIP SUMMARY

As a responsible investor, we actively endorse collaborative engagement and seek to use our power as a shareholder to encourage corporate change. Voting and engagement are delegated to the Brunel Pension Partnership for the actively managed equity portfolios and to Legal and General Investment Management (LGIM) for the passive portfolios. The voting records of Brunel and LGIM at company meetings held over the last quarter are summarised in the following table:

Votes cast at company meetings in the quarter to 31 March 2024:

Manager	Quarter to 31 March 2024		
	Number of Meetings	Number of Resolutions	Votes against management recommendation
Brunel/LGIM - Passive Portfolios	128	1805	368
Brunel - Active Portfolios	23	578	62

7.1 The votes against management recommendations will reflect matters where there is concern that the company is not addressing the relevant issue and managing it effectively. The Fund would expect that votes against management should be primarily on the priority areas set out in the Fund's Investment Strategy Statement. An analysis of the issues where votes have been cast against management recommendations is set out below:



7.2 Brunel conduct significant engagement with investee companies on behalf of the Fund. A breakdown of the engagement undertaken over the last quarter is summarised as follows:

Company engagement in the quarter to 31 March 2024:

	Quarter to 31 March 2024	
	Number of Companies	Number of Issues
Brunel - Active Portfolios	220	797

7.3 Further information on Brunel's engagement activity can be found on their website using the following link: [Brunel Website](#)

Voting Activity Spotlight: Shell PLC Shareholder Resolution:

Resolution Details	Management Advice to SH	Brunel Vote	Notes
<p>Shareholder Resolution – Resolution 23</p> <p>Filed by: Follow This</p> <p>Shareholders support the company, by advisory note, to align its medium-term emissions reduction targets covering the GHG emissions of the use of its energy products (Scope 3) with the goal of the Paris Climate Agreement.</p> <p>AGM date 21 May 2024.</p>	<p>Vote AGAINST resolution</p>	<p>Vote FOR resolution</p> <p>Note: not held in LGIM Passive portfolio</p>	<p>Brunel was one of 27 leading investors that backed this resolution alongside Follow This.</p> <p>The resolution was designed to give Shell a shareholder mandate to drive the energy transition.</p> <p>The co-filing demonstrates Brunel’s commitment to tackling the climate crisis at its source.</p> <p>Outcome: the resolution received 18.6% support from shareholders.</p>

7.4 Details of LAPFF lead initiatives and engagement work can be found at Appendix 2.

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 Financial Services, Assurance & Pensions 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.	

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Avon Pension Fund

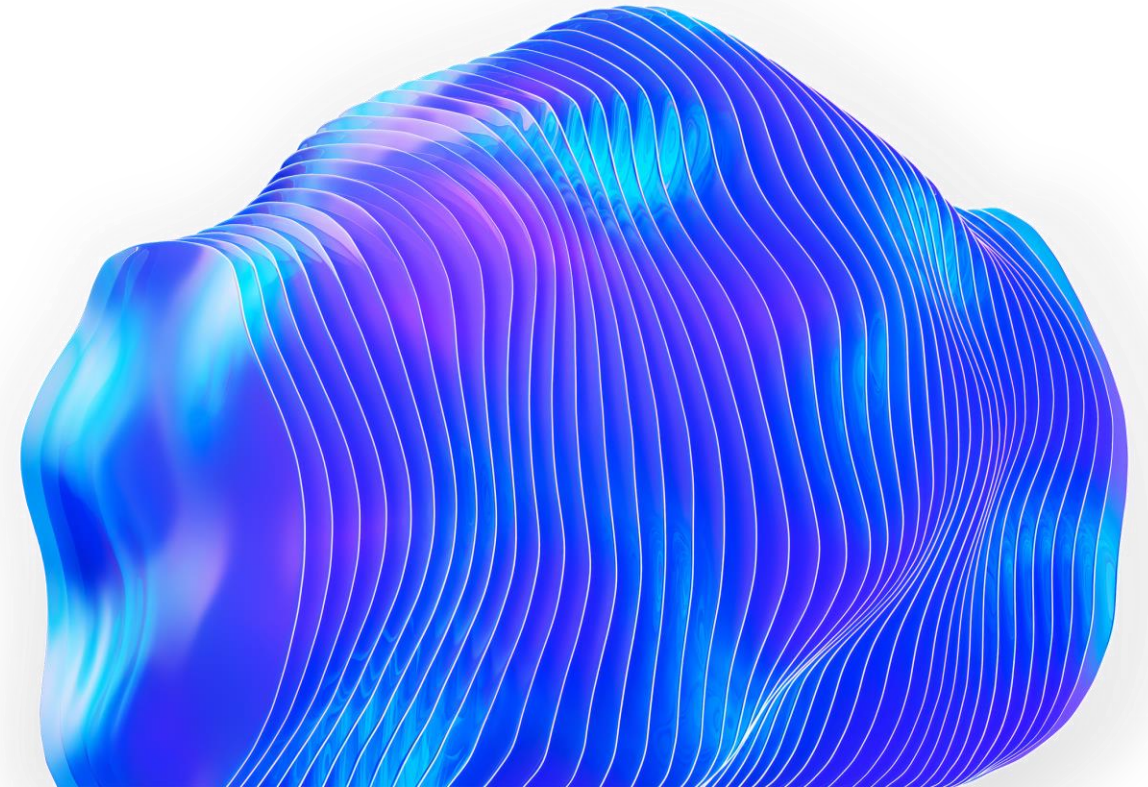
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May 2024

Steve Turner

A business of Marsh McLennan



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Executive Summary



Executive Summary

Market background

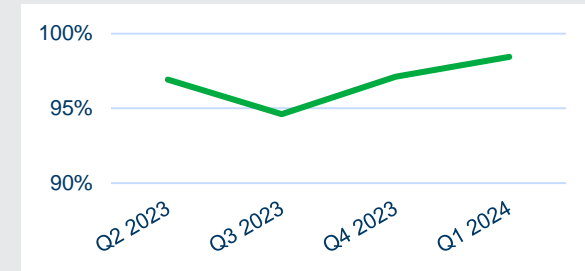
- The first quarter of 2024 was characterised by a repricing of interest rate expectations, especially for developed markets central banks. The timing of potential rate cuts by the US Federal Reserve, ECB and BOE were pushed back to the second half of 2024.
- Despite rising bond yields, equity markets continued to rally driven by AI enthusiasm, strong corporate earnings and resilient earnings.
- Headline inflation in the UK fell to 3.4% in February from 4% in December. Base effects played a significant part in inflation declining, however, food and energy costs are also declining sharply. The Bank of England maintained interest rates at 5.25%.

Mercer market views

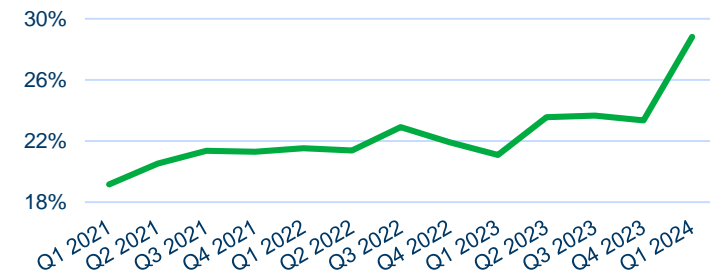
- Our medium term outlook favours growth fixed income and nominal UK government bonds, with a slight overweight to equities (Emerging Market and Japanese equities).
- A global economy landing softly, falling inflation and wage growth, resilient consumer and business balance sheets and the ongoing potential for artificial intelligence (AI) should support equity prices in the near term. However, we are conscious that equity valuations are rich and have rallied a lot in recent months.

Funding level and risk

- The funding level is estimated to have increased over the quarter to c. 98% as the value of the assets rose by more than the estimated present value of the liabilities.
- The funding level is estimated to be c. 4% higher over the year to 31 March 2024 (as illustrated to the right).
- This is despite a move to a lower actuarial discount rate basis (of CPI +2.5%) during the period, which is reflected in the figures from 31 December 2023, and all else equal served to increase the value placed on the liabilities.



- The Value-at-Risk increased over the quarter to £1,701m, and to 29% as a percentage of liabilities.
- Levels have gradually increased since 2020 due to market movements and changes in forward-looking assumptions. For Q1 2024 in particular, VaR has also increased due to the reduction in the coverage of the equity protection strategy (as expected).



Executive Summary

<p>Performance</p>	<ul style="list-style-type: none"> The positive return of Fund assets over the quarter was driven by the Equity portfolios. The Multi-Asset strategies also fared well. The Equity Protection Strategy detracted as expected given underlying market returns, although the impact was partly mitigated by the reduction in the coverage during the quarter. Performance of the Illiquid Growth portfolio was mixed. Underperformance relative to the strategic benchmark over the one year period was in particular due to the active equity funds underperforming and detraction to returns from the Equity Protection strategy as underlying equity returns were positive. Elsewhere underlying relative performance was mixed. The main drivers of underperformance over three years was the active equity mandates, the Equity Protection, Overseas Property and Secured Income. The Currency Hedge had no overall impact on returns over the quarter. It added to returns over the one year period due to the relative strengthening of Sterling, but conversely detracted over three years. Absolute returns compared to the strategic returns modelled at the strategy review in 2023 have been positive for all of the Equity and Liquid Growth assets, but mostly negative for the Illiquid Growth assets. 	<table border="1"> <thead> <tr> <th></th> <th>3 Months (%)</th> <th>1 Year (%)</th> <th>3 Years (% p.a.)</th> </tr> </thead> <tbody> <tr> <td>Total Fund (1)</td> <td>2.3</td> <td>7.8</td> <td>3.2</td> </tr> <tr> <td>Strategic Benchmark (2) (ex currency hedge)</td> <td>2.4</td> <td>9.8</td> <td>7.1</td> </tr> <tr> <td>Relative (1 - 2)</td> <td>-0.0</td> <td>-2.0</td> <td>-3.9</td> </tr> </tbody> </table>		3 Months (%)	1 Year (%)	3 Years (% p.a.)	Total Fund (1)	2.3	7.8	3.2	Strategic Benchmark (2) (ex currency hedge)	2.4	9.8	7.1	Relative (1 - 2)	-0.0	-2.0	-3.9
	3 Months (%)	1 Year (%)	3 Years (% p.a.)															
Total Fund (1)	2.3	7.8	3.2															
Strategic Benchmark (2) (ex currency hedge)	2.4	9.8	7.1															
Relative (1 - 2)	-0.0	-2.0	-3.9															
<p>Asset allocation and strategy</p>	<ul style="list-style-type: none"> A net amount of c. £81m was drawn down to private market portfolios during the quarter, which includes the funding of c. £35m of the £50m commitment to Schroders Greencoat Wessex Gardens; the first mandate to be implemented for the Local / Social Impact portfolio. A c. £50m disinvestment from the Brunel Paris Aligned Equity fund during the period helped to fund these draw downs. 																	
<p>Liability hedging mandate</p>	<ul style="list-style-type: none"> BlackRock was in compliance with the investment guidelines over the quarter. The interest rate and inflation trigger framework was revised and reinstated in October 2023. Following the reinstatement of the framework, several interest rate triggers were hit leading BlackRock to trade up to the target (39% as a % of assets) aggregate interest rate hedge ratio. The inflation hedge ratio was c. 22% as a % of assets at the same date. The trigger framework was subsequently paused whilst a wider review of the Fund's liquidity framework is undertaken. 																	
<p>Collateral position</p>	<ul style="list-style-type: none"> Following the reduction in the equity protection coverage ratio in March, the Fund has adopted an updated collateral monitoring framework reflecting the significant change in exposures within the risk management portfolio. Inclusive of assets within the collateral waterfall and the updated collateral monitoring framework, there was a total interest rate buffer of 7.1% as at 31 March 2024. 																	

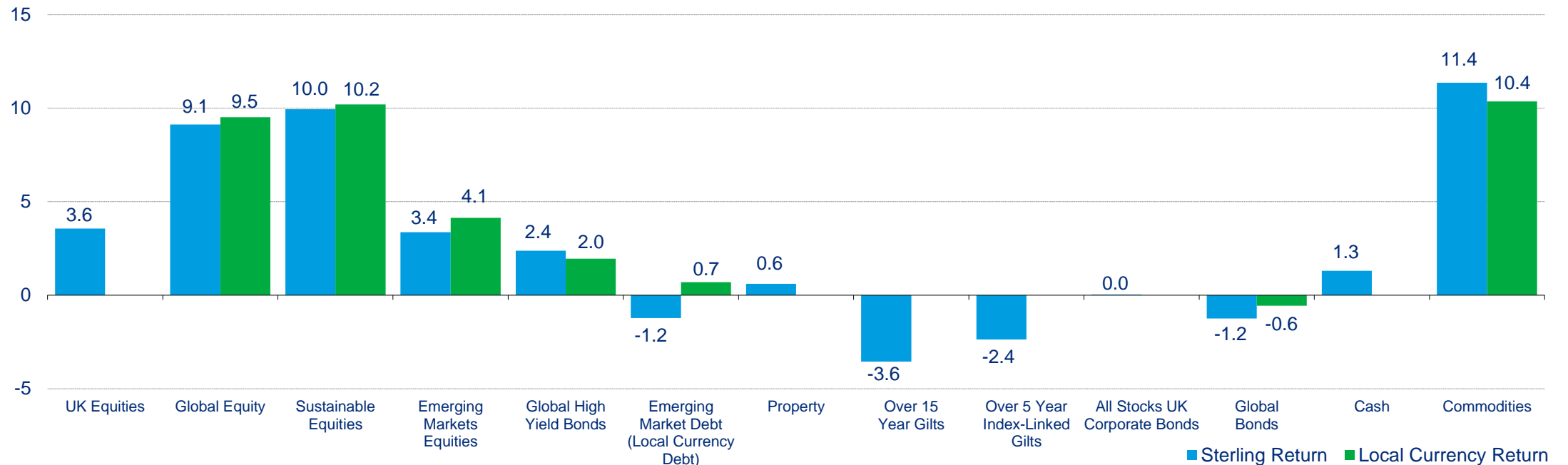
Market Background



Market Background

Return over 3 months to 31 March 2024 (%)

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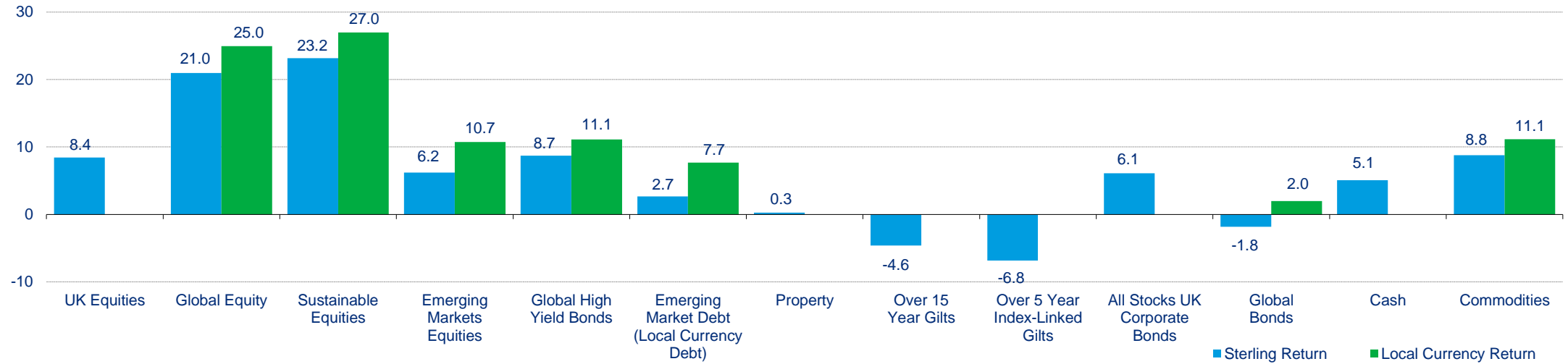


The first quarter of 2024 was characterised by a repricing of interest rate expectations, especially for developed market (DM) central banks. The timing of potential rate cuts by the US Federal Reserve, ECB and BOE were pushed back to the second half of 2024 as growth and inflation data surprised to the upside.

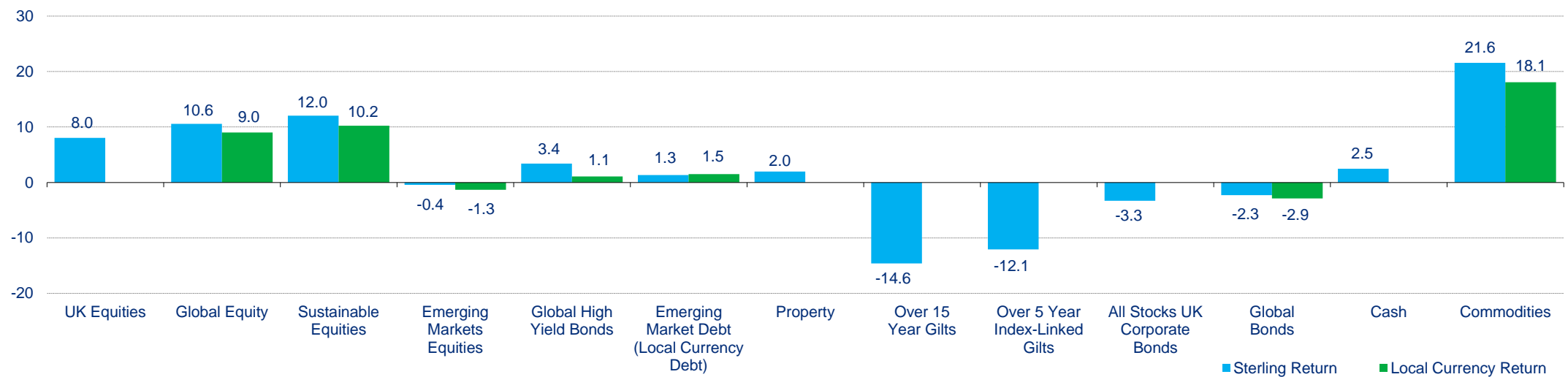
Despite rising bond yields, equity markets continued to rally driven by AI enthusiasm, strong corporate earnings and resilient earnings activity. Japanese equities outperformed its peers on the back of solid earnings growth and a weaker yen. Emerging Market equities were held back by weakness in China, although Chinese equities did rally in the second half of the quarter.

Market Background – 1 & 3 Years

Return over 12 months to 31 March 2024 (%)



Return over 3 years to 31 March 2024 (% p.a.)



Funding Level and Risk



Funding Level and Deficit

The Fund's assets returned 2.3% over the quarter, whilst the liabilities are estimated to have increased by c. 0.6%.

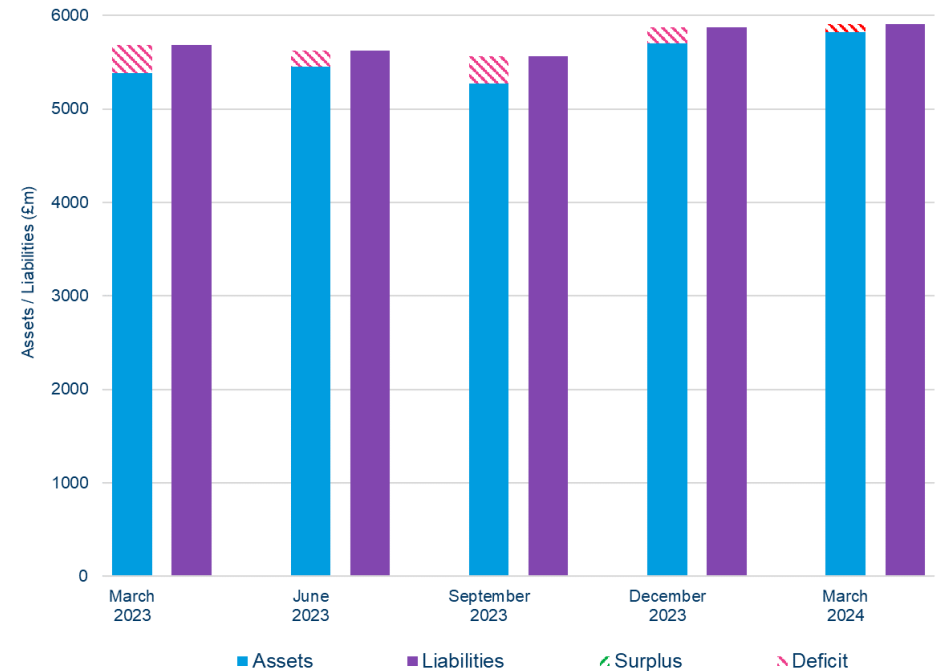
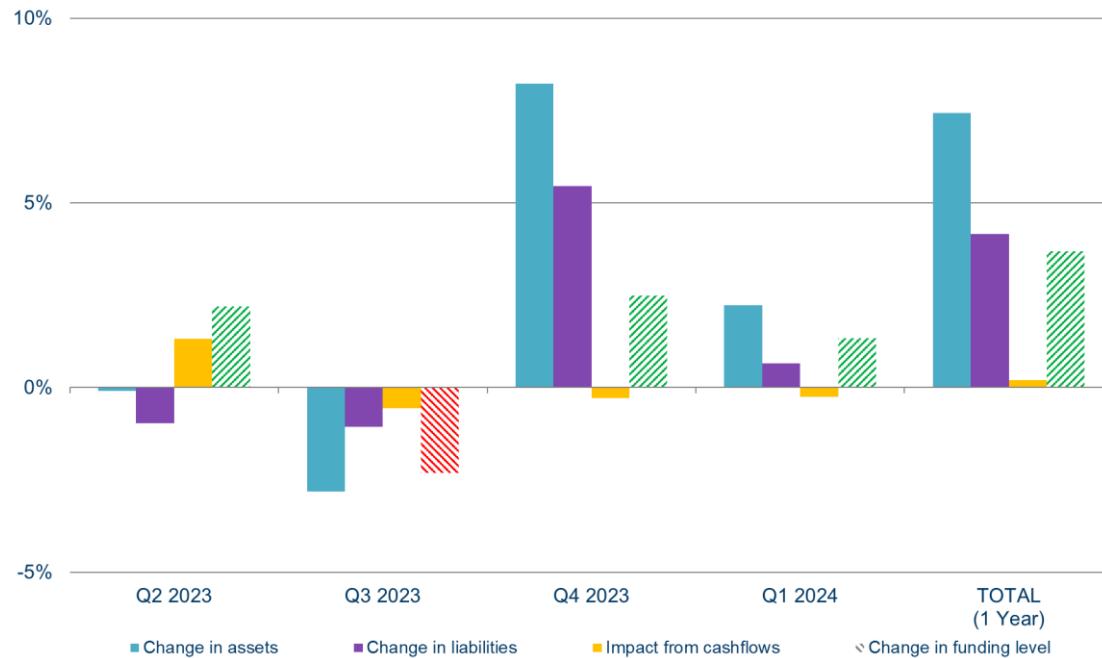
The combined effect of this saw the estimated funding level increase to c. 98%.

The funding level is estimated to be c. 4% higher over the year to 31 March 2024.

The rise in the estimated value of the liabilities shown for Q4 2023 includes the impact of a move to a lower actuarial discount rate basis of CPI + 2.5% (from CPI + 2.8%), which is reflected from 31 December 2023 onwards.

The deficit was estimated to have narrowed over Q1 from c.£170m to c.£92m.

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

Risk Decomposition – 3 Year Value at Risk

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

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31 December 2023

31 March 2024

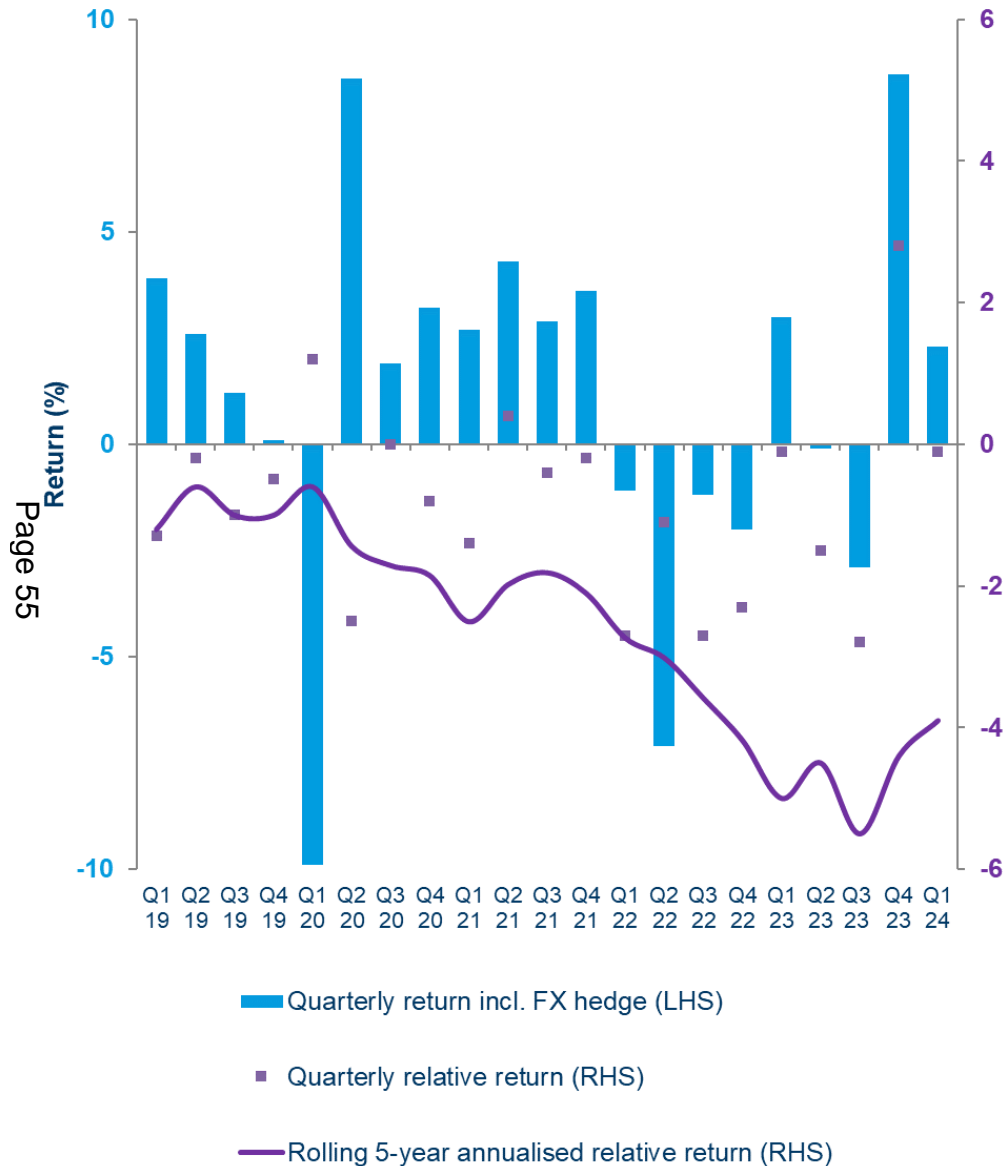


- As at 31 March 2024, if a 1-in-20 'downside event' occurred over the next three years, the funding position could deteriorate by at least an additional **£1.7bn**.
- Each bar to the left of the total represents the contribution to this total risk from the primary underlying risk exposures (interest 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 £332m over the quarter**, due to the rise in the absolute value of the assets, an increase in underlying volatility assumptions and the reduced coverage of the equity protection strategy.
- As a percentage of liabilities, VaR increased to from 23% to 29%.

Performance Summary



Total Fund Performance



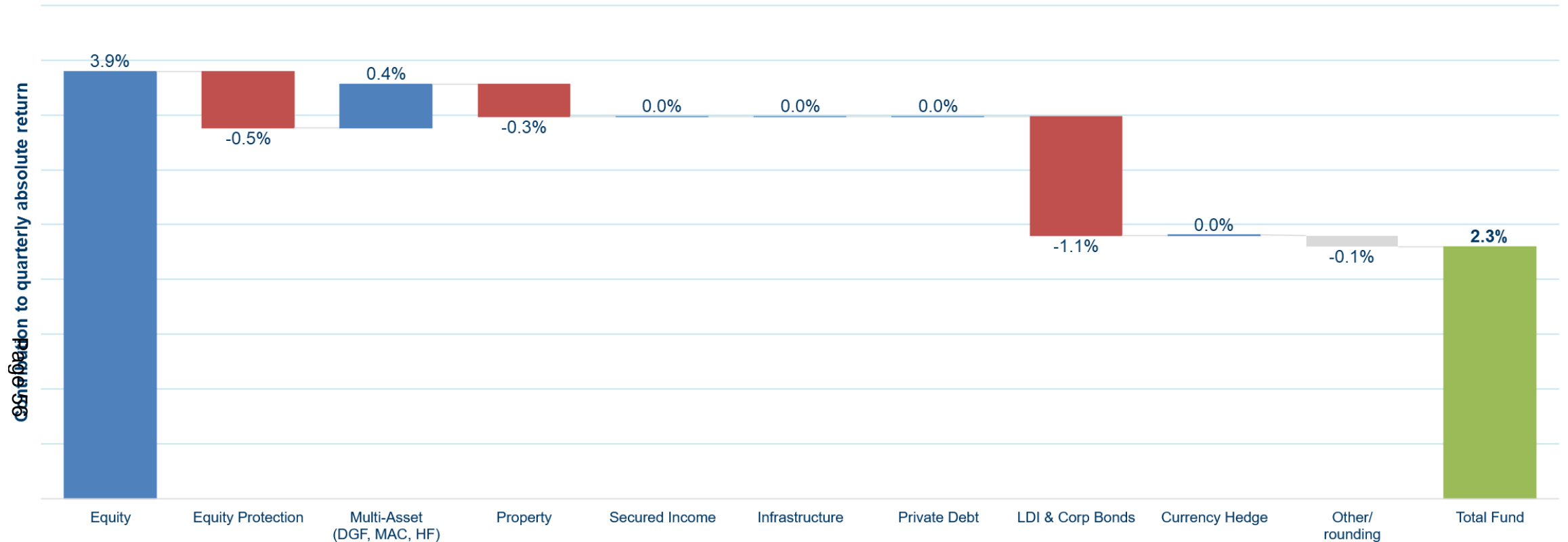
	3 Months (%)	1 Year (%)	3 Years (% p.a.)
Total Fund (1)	2.3	7.8	3.2
Total Fund (ex currency hedge)	2.3	7.1	3.6
Strategic Benchmark (2) (ex currency hedge)	2.4	9.8	7.1
Relative (1 - 2)	-0.0	-2.0	-3.9

Source: Custodian, Mercer estimates. Returns are net of fees. 'Relative' figures may not sum due to rounding.

Commentary

- As illustrated on the next slide, the positive return of Fund assets over the quarter was mainly driven by Equity assets. The Multi-Asset strategies also fared well.
- Relative performance was broadly neutral over the quarter, as the active equity mandates generally performed in line with their benchmarks, whilst the outcomes for the Liquid and Illiquid Growth assets were mixed.
- Underperformance relative to the strategic benchmark over the one year period was in particular due to the active equity underperforming and deduction to returns from the Equity Protection strategy as underlying equity returns were positive. Elsewhere underlying relative performance was mixed.
- The main drivers of underperformance over three years were the active equity mandates, Equity Protection, Overseas Property and Secured Income.
- The Currency Hedge had no overall impact on returns over the quarter. It added to returns over the one year period due to the relative strengthening of Sterling, but conversely detracted over three years.

Total Fund Performance Attribution – Quarter



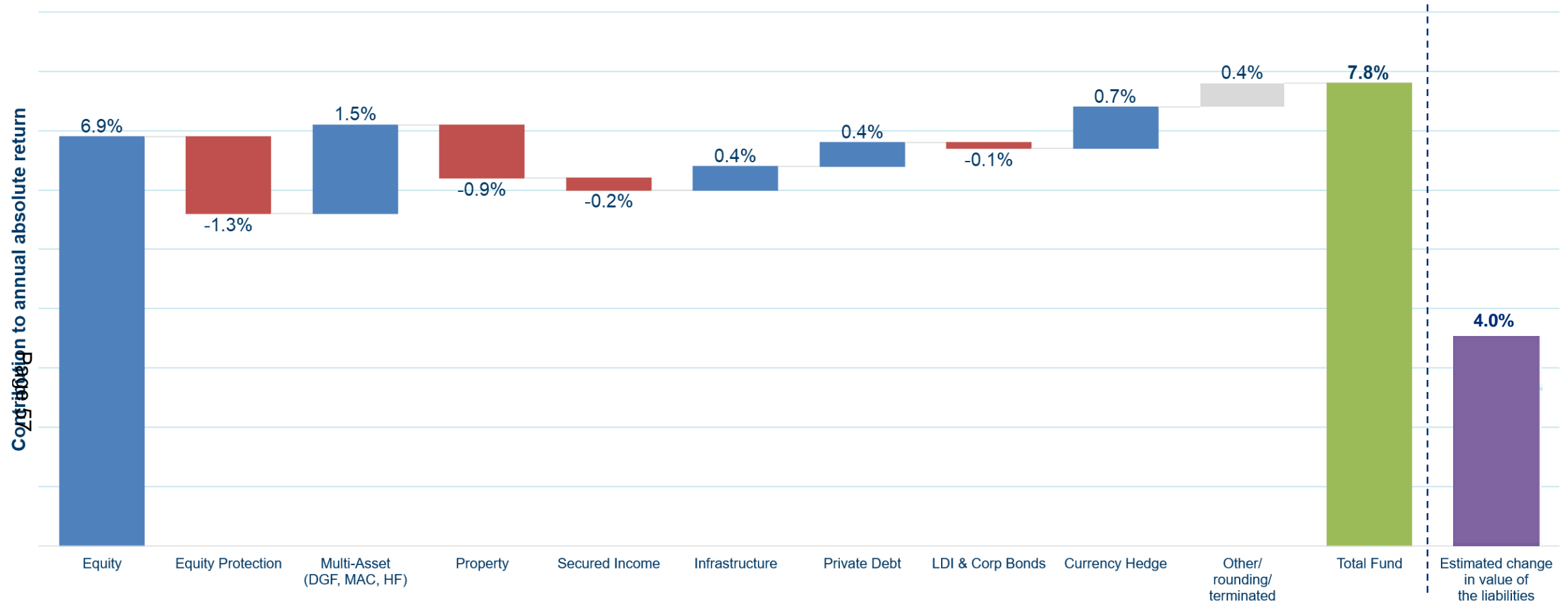
Source: Custodian and Mercer estimates

'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 strong returns on Fund assets over the quarter were driven by the Equity portfolio. Multi-Asset portfolios also contributed, whilst the Alternatives did not have much impact.

The Equity Protection Strategy slightly detracted as expected given underlying positive returns from equity markets, although the impact was partly mitigated by the reduction of the coverage from 100% to 50% of the equity portfolio during the quarter.

Total Fund Performance Attribution – 1 Year



Source: Custodian and Mercer estimates.

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

A significant portion of the rise in the estimated value of the liabilities was driven by a move to a lower actuarial discount rate basis of CPI + 2.5% as at 31 December 2023 versus 30 September 2023, as well as the impact of observed inflation.

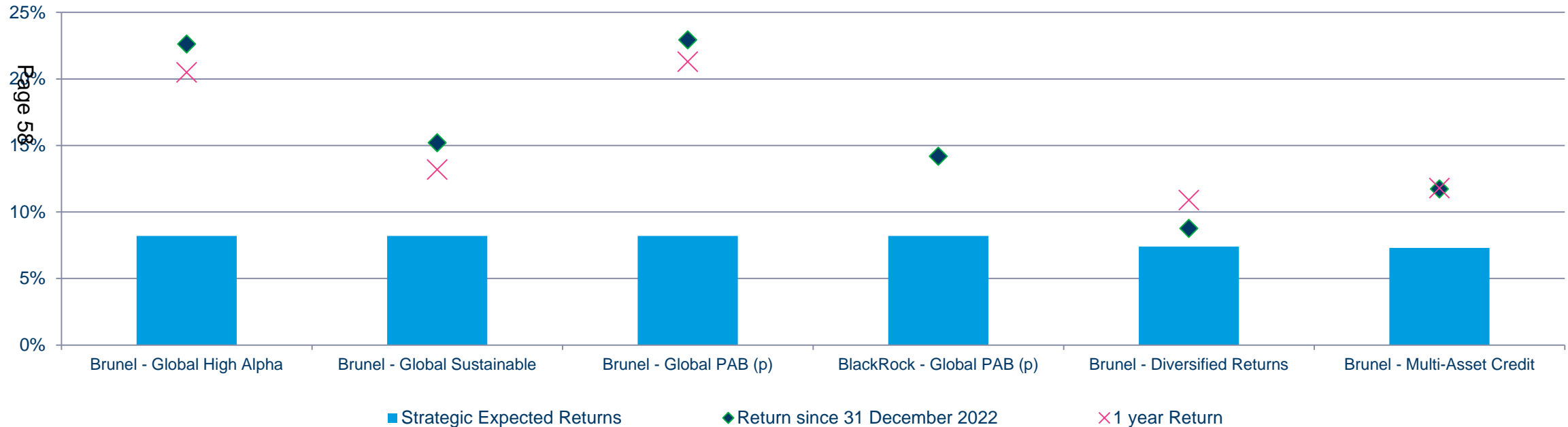
Equity was also the main driver of positive returns over the one year period, with Equity Protection slightly offsetting this as expected.

Multi-Asset, Infrastructure and Private Debt were also positive, whilst Property and Secured Income were negative.

The Currency Hedge contribution was positive due to the strengthening of Sterling.

Performance vs. Expected Strategic Returns

Growth Asset	Brunel Global High Alpha	Brunel Global Sustainable	Brunel / BlackRock Passive Global PAB	Brunel Diversified Returns	Brunel Multi-Asset Credit
Benchmark Allocation	10.5%	10.5%	20.5%	6.0%	6.0%
Commentary	Returns above expectations since December 2022 due to equity market strength. No active management impact over this period.	Returns above expectations since December 2022 due to equity market strength, though mandate has underperformed the benchmark.	Brunel PAB (FTSE index) returns above expectations since December 2022 due to equity market strength. BlackRock synthetic PAB (MSCI index) returns above expectations since May 2023; when exposure was put in place.	Returns above expectations since December 2022, thanks to the absolute returns seen in the past three quarters. Strong Q1 2024 returns were driven by equity exposure, which had been added to over the prior six months.	Returns above expectations since December 2022 thanks to strength in high-yield debt markets.

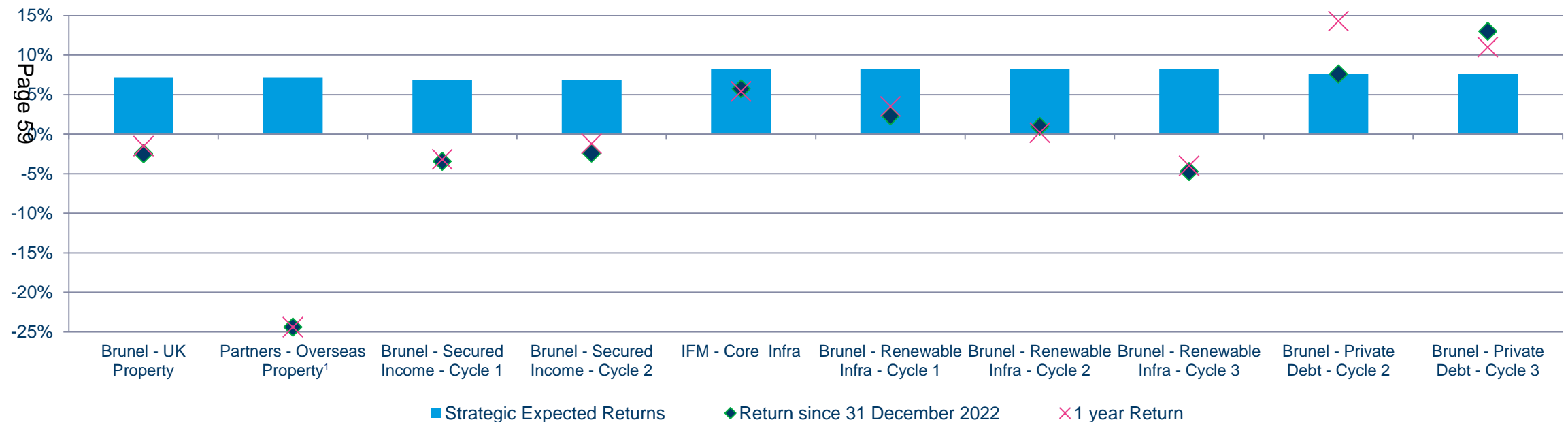


Notes:

We have illustrated the performance of the key mandates within the Fund's investment strategy. Actual returns are from 31 December 2022 to 31 March 2024, except if otherwise stated below. Returns for periods over a year have been annualised. The strategic expected returns are from the 2023 strategy review, which reflect the 10 year mean Mercer Q4 2022 asset model assumptions.

Performance vs. Expected Strategic Returns

Growth Asset	Brunel UK Property	Partners Overseas Property	Brunel Secured Income	IFM Core Infra	Brunel Renewable Infra	Brunel Private Debt
Benchmark allocation	3.5%	3.5%	9.0%	4.0%	5.0%	4.5%
Commentary	Returns below expectations since December 2022 due to the challenges continuing to be seen in Property markets.			Returns slightly below expectations since December 2022. Returns prior to this date, since the mandate's inception, are noticeably stronger.	Returns for all cycles below expectations since December 2022. Mandates are still in the drawdown phase; the first drawdowns were in January 2019, October 2020 and October 2022 respectively. Returns for cycles 1 and 2 are stronger over their since inception periods.	Returns in line with expectations for cycle 2, and above expectations for cycle 2, since December 2022. Mandates are still in the drawdown phase; the first drawdowns were in September 2021 and December 2022 respectively.



Notes:

We have illustrated the performance of the key mandates within the Fund's investment strategy. Actual returns are from 31 December 2022 to 31 March 2024, except if otherwise stated below. Returns for periods over a year have been annualised. The strategic expected returns are from the 2023 strategy review, which reflect the 10 year mean Mercer Q4 2022 asset model assumptions.
¹ Returns are shown up to 31 December 2023, as this is the latest data available.

Mandate Performance to 31 March 2024

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	9.9	10.0	-0.1	20.5	23.1	-2.1	9.6	12.4	-2.5	+2-3	Target not met
Brunel Global Sustainable Equity	9.2	9.3	-0.1	13.2	21.2	-6.6	6.6	10.7	-3.7	+2	Target not met
Brunel Passive Global Equity Paris-Aligned	7.6	7.6	0.0	21.3	21.3	0.0	N/A	N/A	N/A	-	N/A (p)
MSCI World Paris-Aligned (Synthetic)	7.1	7.1	0.0	N/A	N/A	N/A	N/A	N/A	N/A	-	N/A (p)
Brunel Diversified Returns Fund	4.3	2.0	+2.3	10.9	8.1	+2.6	4.9	5.5	-0.6	-	Target not met
Brunel Multi-Asset Credit	2.2	2.3	-0.1	11.8	9.2	+2.4	N/A	N/A	N/A	-	N/A
Brunel UK Property	-1.1	0.4	-1.5	-1.5	-1.0	-0.5	2.1	0.8	+1.3	-	Target met
Partners Overseas Property*	-12.0	2.5	-14.1	-24.4	10.0	-31.3	-6.4	10.0	-14.9	-	Target not met
Brunel Secured Income - Cycle 1	-0.2	0.6	-0.8	-3.2	3.2	-6.2	-1.6	6.7	-7.8	+2	Target not met
Brunel Secured Income - Cycle 2	-0.9	0.6	-1.5	-1.2	3.2	-4.3	2.0	6.7	-4.4	+2	Target not met
Brunel Secured Income - Cycle 3	-1.1	0.6	-1.7	N/A	N/A	N/A	N/A	N/A	N/A	+3	N/A
IFM Core Infrastructure	-0.9	2.5	-3.3	5.4	10.2	-4.4	10.3	7.6	+2.5	-	Target met
Brunel Renewable Infrastructure - Cycle 1	1.0	0.6	+0.4	3.5	3.2	+0.3	7.9	6.7	+1.1	+4	Target not met
Brunel Renewable Infrastructure - Cycle 2	0.0	0.6	-0.6	0.2	3.2	-2.9	8.6	6.7	+1.8	+4	Target not met
Brunel Renewable Infrastructure - Cycle 3	1.1	0.6	+0.5	-4.0	3.2	-7.0	N/A	N/A	N/A	+4	N/A
Brunel Private Debt - Cycle 2	-0.2	2.3	-2.4	14.3	9.2	+4.7	N/A	N/A	N/A	-	N/A
Brunel Private Debt - Cycle 3	3.0	2.3	+0.7	11.0	9.2	+1.6	N/A	N/A	N/A	-	N/A
BlackRock Corporate Bonds	-0.6	-0.6	0.0	6.5	6.5	0.0	-8.1	-8.1	0.0	-	N/A (p)
BlackRock LDI	-4.5	-4.5	0.0	-2.6	-2.6	0.0	-1.7	-1.7	0.0	-	N/A (p)
Equity Protection Strategy	-0.9	N/A	N/A	-3.6	N/A	N/A	-2.8	N/A	N/A	-	N/A

Source: Investment Managers, Custodian, Mercer estimates. Returns are net of fees, unless otherwise stated. Returns are in GBP terms

From this report onwards, relative returns are calculated 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.

Performance for the LDI portfolio is estimated by Mercer based on the change in exposure. These returns are gross of fees.

Performance for MSCI World Paris-Aligned (Synthetic) has been converted to GBP by Mercer, as the associated index is denominated in USD.

*Partners performance is to 30 September 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 Secured Income Cycle 3 investment, which will become more meaningful with the passage of time.

Asset Allocation



Valuation by Asset Class

Asset Class	Start of Quarter (£'000)	End of Quarter (£'000)	Start of Quarter (%)	End of Quarter (%)	Benchmark (%)	Ranges (%)	Relative (%)
Global Equity	709,926	755,210	12.5	13.0	10.5	5.5 - 15.5	+2.5
Global Sustainable Equity	610,460	666,871	10.7	11.5	10.5	5.5 - 15.5	+1.0
Paris-Aligned Equity*	1,450,823	1,517,779	25.4	26.1	20.5	12.5 - 28.5	+5.6
Diversified Returns Fund	357,917	373,170	6.3	6.4	6.0	3 - 9	+0.4
Fund of Hedge Funds**	23,247	23,907	0.4	0.4	-	No set range	+0.4
Multi-Asset Credit	333,224	340,487	5.8	5.9	6.0	3 - 9	-0.1
Property	316,007	299,369	5.5	5.1	7.0	No set range	-1.9
Secured Income	569,156	600,319	10.0	10.3	9.0	No set range	+1.3
Core Infrastructure	230,754	228,645	4.0	3.9	4.0	No set range	-0.1
Renewable Infrastructure	199,456	206,889	3.5	3.6	5.0	No set range	-1.4
Private Debt	197,730	203,367	3.5	3.5	4.5	No set range	-1.0
Local / Social Impact	-	35,085	-	0.6	3.0	No set range	-2.4
Corporate Bonds	183,069	181,886	3.2	3.1	2.0	No set range	+1.1
LDI & Equity Protection	1,366,378	1,340,450	24.0	23.0	12.0	No set range	+11.0
Synthetic Equity Offset*	-1,005,747	-1,090,079	-17.6	-18.7	-	-	-
Other***	213,304	169,037	3.7	2.3	-	0 - 5	+2.3%
Total	5,701,894	5,818,000	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.

*Paris-Aligned 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.

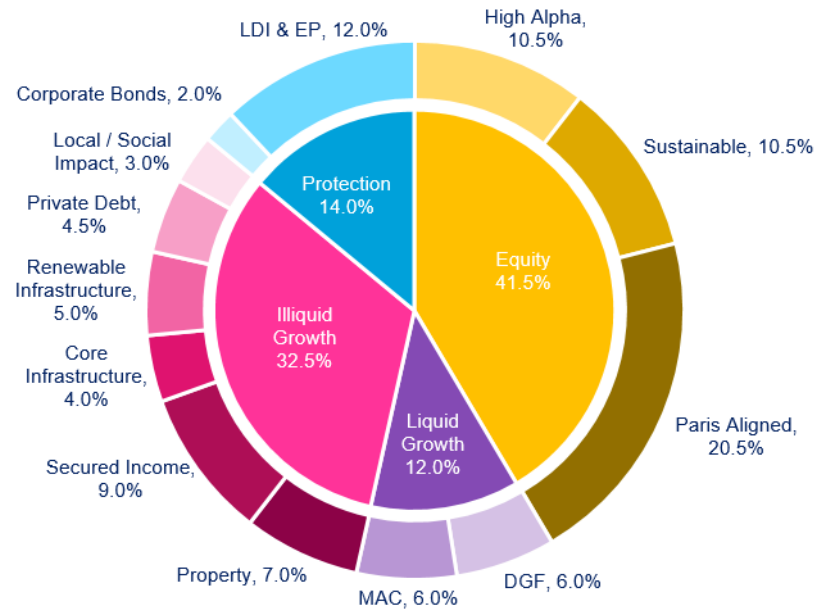
***Valuation includes internal cash, the ETF and currency instruments.

Valuation by Manager

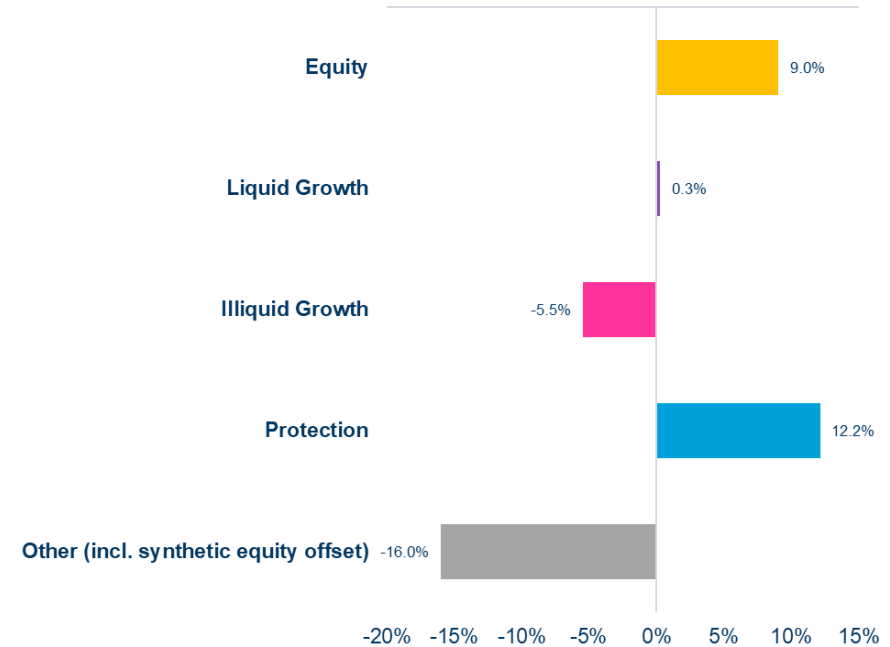
Manager	Asset Class	Start of Quarter (£'000)	Cashflows (£'000)	End of Quarter (£'000)	Start of Quarter (%)	End of Quarter (%)
Brunel	Global High Alpha Equity	656,096	-	720,796	11.5	12.4
Brunel	Global Sustainable Equity	610,460	-	666,871	10.7	11.5
Brunel	Passive Global Equity Paris Aligned	445,076	-50,011	427,700	7.8	7.4
BlackRock	MSCI Paris-Aligned (Synthetic)*	1,005,747	-	1,090,079	17.6	18.7
Brunel	Diversified Returns Fund	357,917	-	373,170	6.3	6.4
JP Morgan	Fund of Hedge Funds	23,247	-	23,907	0.4	0.4
Brunel	Multi-Asset Credit	333,224	-	340,487	5.8	5.9
Brunel	UK Property	180,117	-	178,154	3.2	3.1
Schroders	UK Property	13,263	-365	13,185	0.2	0.2
Partners	Overseas Property	122,626	-	108,030	2.2	1.9
Brunel	Secured Income – Cycle 1	303,032	-6,278	296,092	5.3	5.1
Brunel	Secured Income – Cycle 2	104,171	-1,548	101,660	1.8	1.7
Brunel	Secured Income – Cycle 3	161,953	+42,606	202,568	2.8	3.5
IFM	Core Infrastructure	230,754	-	228,645	4.0	3.9
Brunel	Renewable Infrastructure – Cycle 1	109,393	+2,366	112,995	1.9	1.9
Brunel	Renewable Infrastructure – Cycle 2	77,554	+1,821	79,509	1.4	1.4
Brunel	Renewable Infrastructure – Cycle 3	12,509	+1,633	14,385	0.2	0.2
Brunel	Private Debt – Cycle 2	161,464	-	161,102	2.8	2.8
Brunel	Private Debt – Cycle 3	36,266	+4,833	42,265	0.6	0.7
BlackRock	Corporate Bonds	183,069	-	181,886	3.2	3.1
BlackRock	LDI & Equity Protection	1,366,378	-	1,340,450	24.0	23.0
BlackRock	<i>Synthetic Equity Offset*</i>	-1,005,747	-	-1,090,079	-17.6	-18.7
Record	Currency Hedging (incl. collateral)	74,307	-30,000	46,603	1.3	0.8
BlackRock	ETF	23,222	-20,000	3,354	0.4	0.1
Schroders Greencoat	Wessex Gardens	-	+35,085	35,085	-	0.6
-	Internal Cash	115,315	+2,478	118,635	2.0	2.0
-	Residual Assets	459	-	446	0.0	0.0
Total		5,701,894	-17,379	5,818,000	100.0	100.0

Positioning relative to target

Strategic Asset Allocation (“SAA”)



Relative positioning



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Commentary

- The Plan last updated its Strategic Asset Allocation as part of the 2023 Investment Strategy Review.
- 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 relative outperformance to other parts of the portfolio over the past year.
 - The underweight to Illiquid Growth reflects recent relative underperformance, and the fact that capital is yet to be drawn down to the Local / Social Impact portfolio.
 - 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 to persist and is unlikely to trigger any consideration for action, which would continue to be driven more specifically by collateral adequacy requirements.
- A net amount of c. £81m was drawn down to private market portfolios during the quarter, which includes the funding of c. £35m of the £50m commitment to Schroders Greencoat Wessex Gardens; the first mandate to be implemented for the Local / Social Impact portfolio.

Current Topics



Current Topics

When did you last review your equity portfolio?

Equity Portfolio reviews

- Rightly so, the majority of Officer and Committee's time is spent on the Strategic asset allocation, the split between high level asset classes (equities, fixed income, alternatives). This drives the largest proportion of returns.
- But we have also seen over recent years, particularly with the strong rally in Value equities and the outperformance of the magnificent 7 over 2023, that the **portfolio construction within the equity portfolio can also have a large impact on performance.**
- As LGPS Funds consider moving more assets to the pools (where they haven't already), this offers a **great time to assess the make up of the Fund's equity portfolio.**
- For those who have already moved their equities to the pools, it will also be appropriate as we start to see long term (3 to 5 year) performance come through and also new equity funds be launched.

The investment approach of your equity manager(s) will have a big impact on their performance. Blending complementary approaches together can build more robust portfolios

Active / Passive Split	Style diversification	Sector exposures	Manager quality	Sustainable investment alignment	Mandate sizing
Return targets	Regional exposures	Net Zero alignment	Pooling alignment	Fees	Performance

Relevance to the Fund

✓
The Committee last reviewed the Equity portfolio as part of the 2023 Investment Strategy Review, which covered a number of the themes illustrated.

The last deep dive into portfolio style exposures took place in 2021.

Continued underperformance of the active mandates could be one prompt for an updated deep dive review in the near future.

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Mercer's Equity and Fixed Income Playbooks

Intra-asset class portfolio construction is a key part of investment strategy, ensure it is not ignored to build more robust portfolios. Prior to switching assets to pools is a great time to undertake a review.

01



Even the most skilful managers experience periods of underperformance. Patience and the ability to take a long-term view should be rewarded

02



Bias towards higher quality alpha sources that have shown to be the most repeatable and evidence based

03



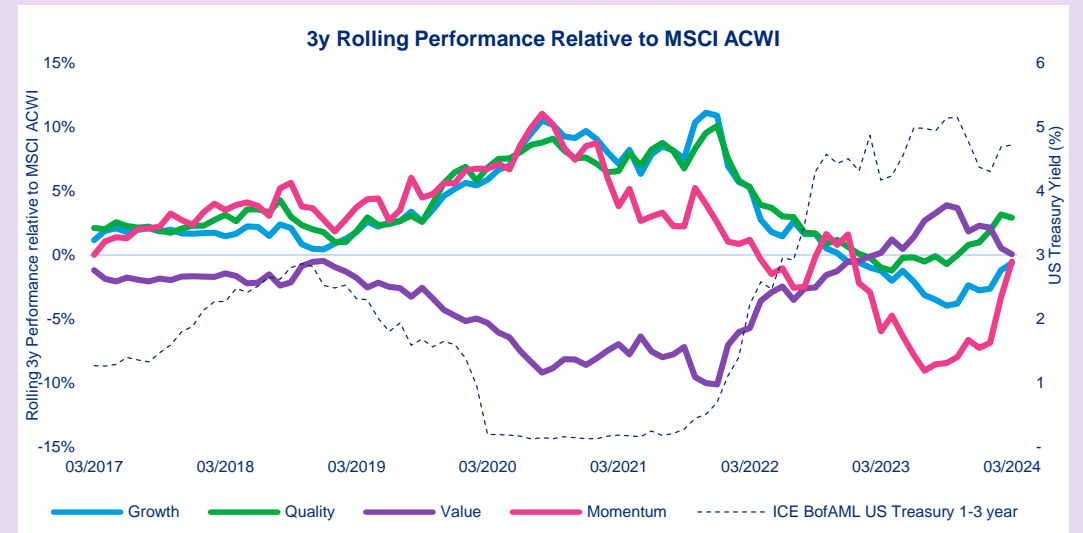
Empower skilled managers with flexibility to exploit market inefficiencies

04



Be mindful of regime shifts, external factors and sustainable factors that have a material impact on client outcomes

Change Coming in 2024?



Growth and Quality stocks struggled in the rising yield environment of 2022 and 2023, a more stable monetary backdrop in 2024 may be more favourable for these styles.

Current Topics

Climate Topics

Incorporating Private Markets in Net Zero Monitoring: Overview

- 1** Challenges with data include lack of standardisation, availability, quality & accessibility.
- 2** Growing number of managers can provide carbon data, with large gap between leaders and laggards.
- 3** While challenges remain overall private market managers are improving.
- 4** Increased data sets allow clients to start increasing monitoring and exploring target setting, but also to engage with managers about expectations.
- 5** IIGCC guidance available for private equity, infrastructure and real estate. Private debt and venture capital on the way.
- 6** Mercer template available for data requests across all private market investments – helps standardise and collate large amounts of data.

IIGCC guidance on Net Zero monitoring is now available for private equity, infrastructure and real estate.

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Importance of scaling climate solutions



Scaling up investment in climate solutions is an imperative for a successful net zero transition.



The total investment required to limit global average temperature rise to 1.5°C above pre-industrial levels between now and 2050 is estimated to range from USD 109 trillion to USD 275 trillion across renewable energy, low carbon transport, energy efficient buildings, electrification of industrial processes and more*



Institutional investors have a key role to play in funding this gap, with a growing number committed to monitoring climate solutions, incorporating them into transition planning and setting targets.

*Green equity exposure in a 1.5°C scenario: Applying climate investment trajectories with green revenues (FTSE Russell, 2022)

Monitoring climate solutions exposures: IIGCC New Guidance

Two primary climate solutions metrics identified in the IIGCC 'Investing in climate solutions: listed equity and corporate fixed income' guidance. The two metrics complement one another: green revenue is backward looking, while green capex is forward looking.



Green Revenues

Revenues from the sale of climate solutions products and services.



Green Capex

- Capital expenditure in new climate solutions technologies and products.
- Green capex is typically reported in financial terms (e.g., USDm, €m, £m) based in last financial year.

Relevance to the Fund



The Fund monitored Green Revenues and Green Capex for the first time in the 2024 ACT report.

In this report a summary of the Fund's private market mandates' decarbonisation positions was also set out. We'd expect this to continue to be enhanced as data availability improves.

Other Recent Governance Announcements

The Pensions Regulator ("TPR") Guidance on Private Markets – Critical success factors

Manager Selection	Strategic Allocation	Manager Access/Pooling	Risk Management	Market Awareness
Ability to identify and select established, highly rated fund managers who bring specialized expertise and talent to the strategy they are implementing.	A strategic allocation to private markets implemented via a long-term portfolio construction plan and sustained commitments to private market partnerships over time for vintage diversification.	Access to highly rated fund managers and the ability to identify emerging fund managers in order to potentially enhance returns and further a program's maturation. Pools are at various stages of offering Private Markets.	Spread risk through diversification: by business stage, fund strategy, industry, geography, manager and time.	Greater alpha potential through active management with high quality managers expected to demonstrate significant value-add.

Others (further details available on request)

- TPR General Code of Practice
- DLUHC: Preparing the Pension Fund Annual Report
- Financial Markets Law Committee: Trustee Fiduciary Duty in the Context of Sustainability
- March budget: Investing in Children's Homes
- Levelling Up Advisory Council: Accelerating Regional Growth

Relevance to the Fund



Officers and the Committee are kept up to date on regulatory developments.

The Fund's private market holdings have been discussed several times in the past couple of years, for which these success factors have been key considerations.

Appendix

Q1 2024 Equity Market Review

Speculation surrounding artificial intelligence (AI), broadly positive corporate earnings and stronger economic activity all drove equities higher over the quarter. Japanese equities also continued to rally on the back of stronger corporate earnings linked to higher nominal growth.

Global equities returned 9.1% in sterling terms and 9.5% in local currency terms as sterling depreciated against the dollar.

US equities returned 10.3% in local currency terms, whilst European (ex-UK) equities returns 9.6%, and Japanese equities returned 18.7%.

Emerging markets ('EM') equities returned 4.1% in local terms.

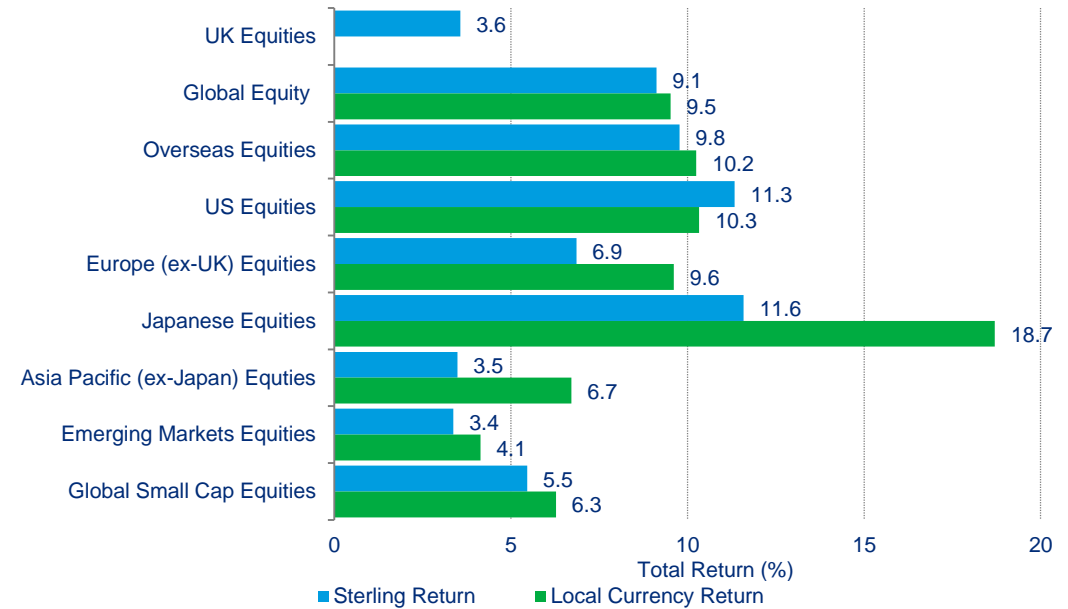
Global small cap stocks returned 6.3% in local terms. Small-cap equities were positive as cyclical assets outperformed during the quarter on expectations that a sharp recession may have been averted.

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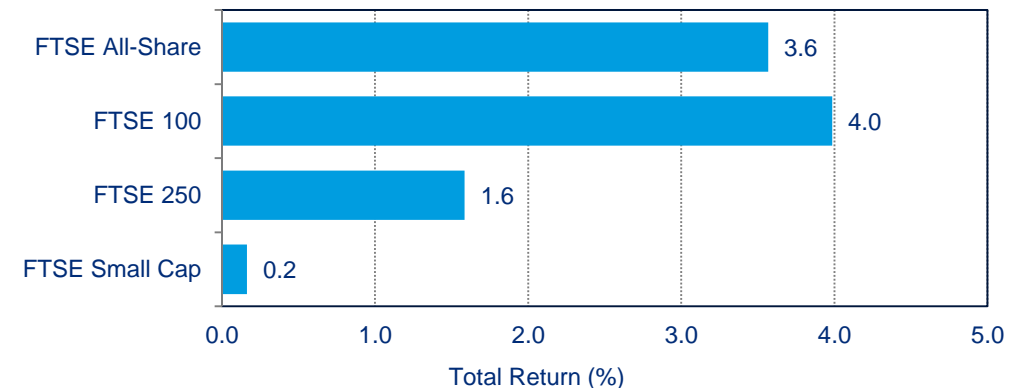
The **FTSE All Share** index returned 3.6% over the quarter with the large cap **FTSE 100** index returning 4.0%. More domestically focused equities (**FTSE 250**) produced positive returns. The **small cap** index produced a positive 0.2% return.

Strong performance in consumer goods and oil & gas supported the UK performance relative to global equities.

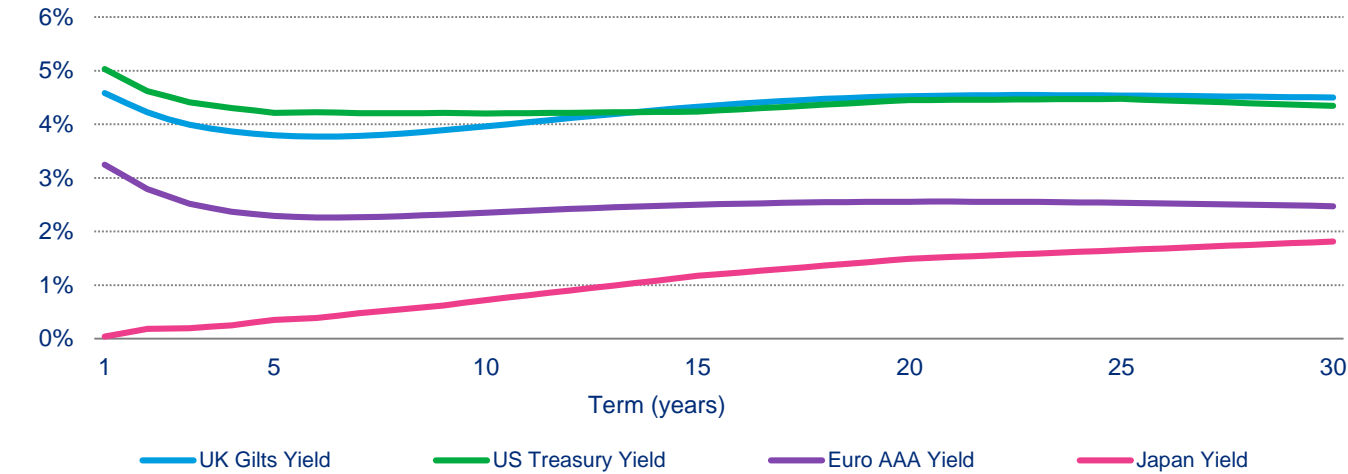
Equity Performance



FTSE Performance by Market Cap

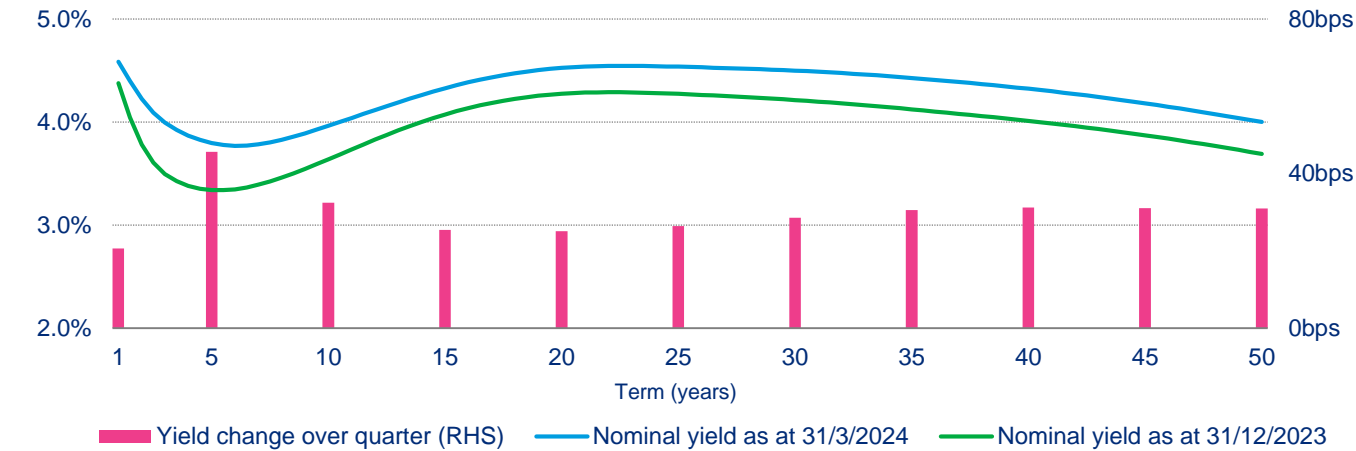


Q1 2024 Bond Market Review



Source: Mercer and Bloomberg

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Source: Mercer

Government Bond Yields

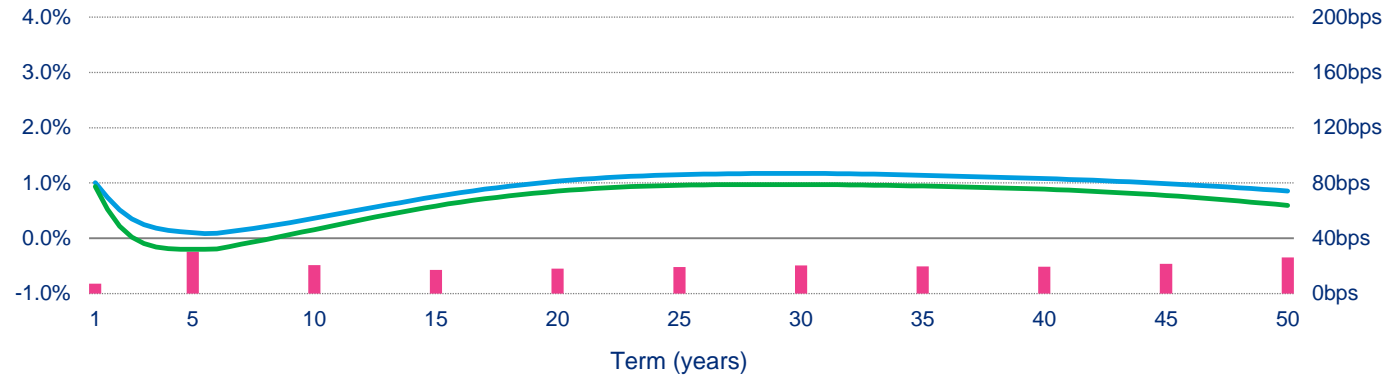
10-year global government bond yields rose over the quarter. The sell-off in bonds was driven by repricing of rate cut expectations, following upside surprises to growth and inflation data.

In the US, labor market resilience and sticky inflation postponed rate cut expectations from March to June 2024, while stubborn service inflation and wage growth in the UK pushed back rate cut timing in the UK to August 2024.

The 10-year benchmark bond yield in the US, UK and Germany rose 32 bps, 40 bps and 28 bps, respectively. Meanwhile, the yield curve across these regions continued to be inverted.

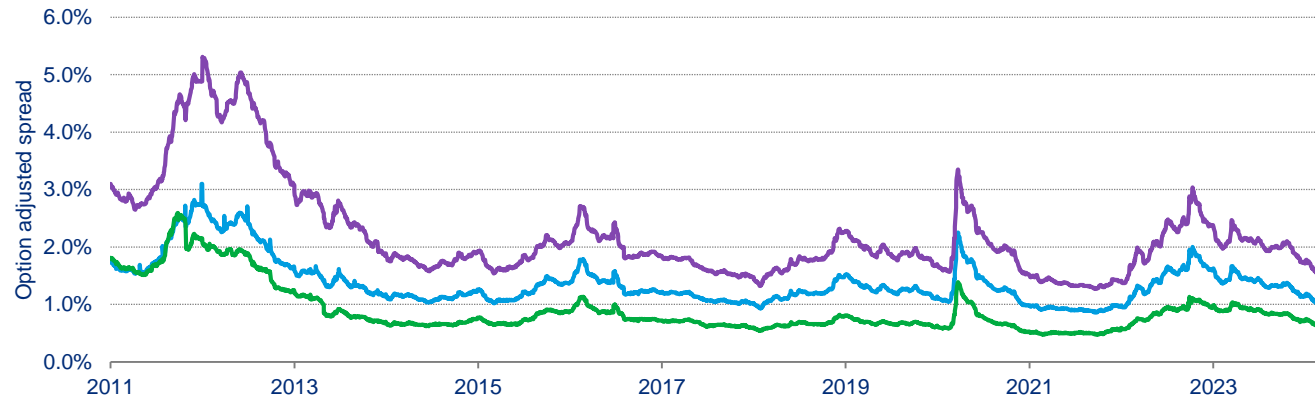
The Bank of Japan however moved in contrast, hiking interest rates for the first time in 17 years, albeit retaining its bond buying plans, this led to 10-year JGB yields ending the quarter below 0.8%.

Q1 2024 Bond Market Review



■ Yield change over quarter (RHS) — Real yield as at 31/3/2024 — Real yield as at 31/12/2023

Source: Mercer



— All Stocks — AA — BBB

Source: Refinitiv

UK Index-Linked Gilt Yields

UK real yields rose across the entire curve over the last quarter, with the 5-year segment witnessing an upside of 26 bps. Concerns of price pressures staying elevated on account of services inflation and resilient wage growth played through. Nevertheless, the BOE expects inflation to decline closer to 2% in the second quarter of 2024. However, UK 10-year breakeven rates finished the quarter at ~3.64% (16bps higher over the quarter).

Corporate bonds

Spreads on UK investment grade credit tightened over the quarter, with spreads on lower rated credit tightening more (25bps) than for higher rated credit (11bps).

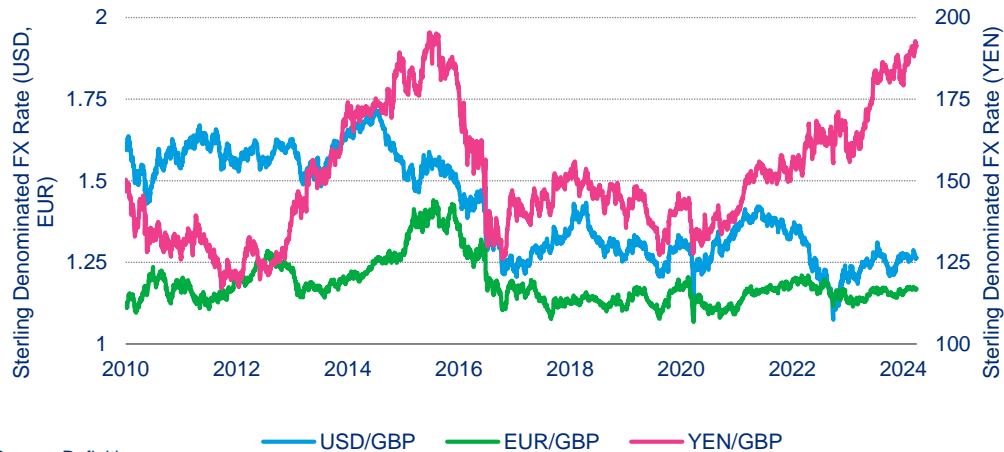
Q1 2024 Currency Market Review

Sterling remained weak against the dollar over the quarter as the dollar appreciated after better-than-expected economic data reduced expectations of a March FOMC rate cut. The US dollar index rose ~3% in the quarter, even though it recorded a 1.7% depreciation on a 12-month basis.

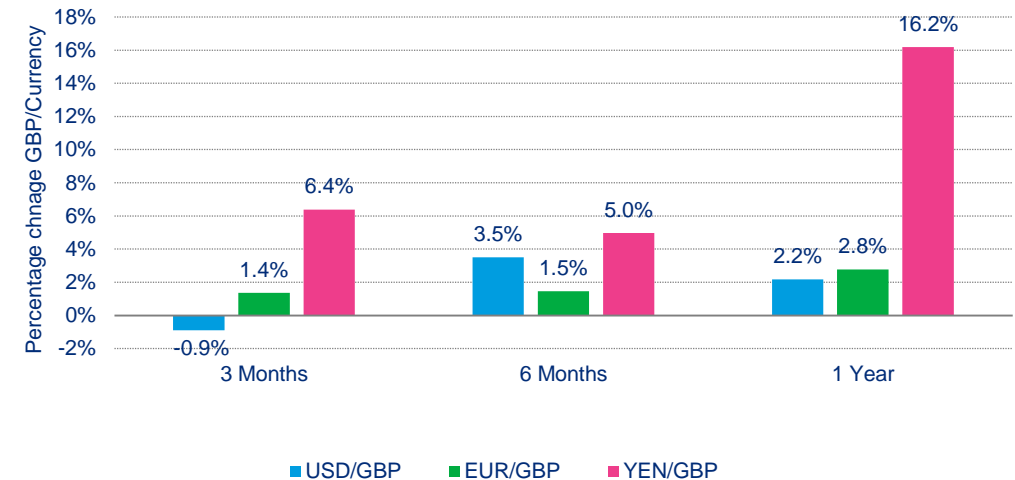
Similarly, against the EUR and JPY, sterling remained under pressure over the first quarter. On a 12-months basis however, sterling outperformed against the yen and marginally versus the dollar and euro.

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Sterling Denominated FX Rate



Change in sterling against foreign currencies



Q1 2024 Property

UK property as measured by the MSCI Index increased by 0.6% over the first quarter of 2024.

Dynamic Asset Allocation (DAA)

Dashboard, Positioning & Outlook for UK constrained Portfolio

UK Economic Outlook

UK equities underperformed global equities (in GBP terms) in the first quarter of the year. The rally in global equities was driven by decent earnings growth and central banks in the developed world broadly confirming that rate cuts remain on the horizon. Growth stocks and AI-linked names outperformed. 10-year UK gilt yields rose 0.4% over the quarter, broadly in line with global bond markets. Higher global bond yields were primarily driven by two consecutive upside surprises in the US inflation. Sterling weakened versus the US dollar however strengthened against most other major currencies. The UK economy slipped into a technical recession at the end of 2023 as the economy shrank 0.1%¹ in Q3 followed by a 0.3%¹ in Q4. The fall in Q4 GBP was driven by a slowdown in consumption due to higher interest rates. Household consumption also fell with the savings ratio ticking modestly higher².

Dynamic Asset Allocation (DAA) Positioning

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Equities

In terms of UK equities, valuations are attractive, however, we think they are attractive for a good reason and given mixed outlook for UK economy we prefer to take risk elsewhere in the equity universe. We remain overweight Emerging Market (EM) equities versus Developed Market (DM) equities. EM economic growth is expected to support corporate profit growth, both within and outside of China. We are neutral on small cap equities, given the current position in the business cycle the global economy currently sits, where small cap equities may be vulnerable if there was any material change in the current economic narrative. However, they are considered attractive on both an absolute and relative valuation basis.

Growth Fixed Income

As per last quarter, we kept a favourable view on Emerging Market Debt (EMD) Local Currency (LC). EMD LC is attractive due to the expectation of declining local yields as central banks cut interest rates. Additionally, EM currencies are expected to strengthen versus the US dollar as they are considered cheap in general and we expect the US dollar to decline. Central banks in countries like Brazil, Poland, Hungary, Chile, and Peru have already been cutting rates in 2023, and this trend is expected to continue and broaden in 2024 as EM inflation declines further. We also retain the same moderately negative view on global high yield, especially when compared with other growth fixed income assets.

Defensive Fixed Income

From a positioning standpoint, we retain our overweight position in UK gilts. Gilts did not enjoy the developed government bond rally to the same extent at the back end of last year leading to more attractive valuations. We retain our underweight real gilts vs nominal gilts, expecting the so-called break-even inflation rates to narrow further as inflation rates come down.

Constrained

Equities	1%
DM ex-UK	-2%
UK	0%
EM	3%
Small Cap	0%

Growth Fixed	0%
EM Debt (LC)	2%
Global HY	-2%

Defensive Fixed	-1%
Nominal Gov ex-UK	-1%
UK Gilts	2%
Real Gov ex-UK	0%
UK Index-Linked Gilts	-2%
IG Credit ex-UK	0%
UK IG Credit	0%

Source: Mercer. For illustrative purposes only. As at April 2024. A constrained portfolio is one that is limited to core asset classes and cannot go underweight cash. Tracking error is the relative risk of the DAA positions. All assets are unhedged.

¹ Office of National Statistics, quarter on quarter growth

² Office of National Statistics

Global Property Market Outlook

- The first half of 2024 is likely to remain challenged with negative data points (whether these are lagged or not). However, as this happens, it becomes crucial to recognize that attractive opportunities are more likely to be had in the early days of market stabilization – when prices are attractive, but sellers still outnumber buyers. We therefore encourage investors not to be spooked by near-term noise but to focus on the medium-term opportunity and long-term benefits of a real estate allocation.
- The global economy continues to be broadly on course for a “soft landing”, supporting the strong occupational fundamentals in most real estate sectors and markets. It is important to recognise that positive rental growth and inflation-driven NOI growth softens the impact from outward yield shift and higher debt costs.
- Core funds are reaching a low point in NAV, and annual returns for core funds have turned the corner. With subscription queues having dissipated across even the strongest of these funds, new capital may be drawn in a matter of months. Buying units at a low basis is a good starting point for a track record. Without making stretched assumptions, managers are predicting double digit fund returns in the 2025 for low-risk real estate.
- For those clients with a higher risk appetite, the opportunity to potentially achieve outsized returns from market dislocations also remains. Managers of value-add and opportunistic funds are seeing attractive repricing opportunities materialise and investors can best take advantage by committing capital to funds able to deploy in the near-term.
- As traditional banks retrench, re-financings mature and the funding gap grows, we also see an opportunity for alternative lenders to deploy capital and potentially generate equity-like returns while occupying a sheltered position in the capital stack. However, with many US funds having raised significant capital, competition can be fierce, and margins have started to come down as managers compete for deals in sectors perceived to be most attractive (such as residential). This makes sourcing channels a critical factor to assess.

Finally, over the longer term, real estate may provide asynchronized returns from liquid investments or other private market asset classes due to the asset class’s inflation-linked qualities and ability to tap into different economic sectors. This remains a fundamental reason to include the real estate in a diversified portfolio.

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Equity

Themes

EUROPE		
Core/ Core+	Value Add	Oppor- tunistic
CPI Linkage	ESG refurb	Niche sectors
UK repriced assets	Secondary locations	Aggregation
Offices	High leverage	Spec Development

Attractive value: With substantially higher interest rates and less bank financing available, real estate debt strategies show highly attractive risk-adjusted returns. Equity investors can also tap into this theme by backing certain opportunistic managers. Strong capital value growth prospects remain for several undersupplied niche sectors across markets.

Worst value: We think that core portfolios has been the bulk of repricing and we have upgraded our view of the US market to reflect this. In the next couple of quarters, we expect the core segments to turn attractive again. With economic growth rates relatively soft and capex budgets hard to defend when prices and liquidity are subdued, value-add remains hard to pull off.

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

Further guidance is available in Mercer’s *Global Market Summary: Quarterly Real Estate Report, April 2024*

Very attractive	Attractive	Neutral	Less Attractive	Unattractive	Not applicable
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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
Schroders Greencoat	Wessex Gardens*	SONIA + 3% p.a.	-	February 2024
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	-	-	-

* The primary performance objective for both of these mandates is a Net IRR of 8% p.a. (GBP). The inflation/cash-plus benchmarks are used by the custodian due to a greater ability to incorporate and the objective has value over the relative short-term, however, over time, comparison against the IRR objective will become more relevant.

Market Background Indices

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

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Quarterly
Engagement
Report

January-March
2024



HSBC, Barclays, Water Stewardship, Luxury Goods

ENGAGEMENTS



BANKS AND CLIMATE:

Barclays and HSBC

Objective: Banks have a significant role to play in addressing climate change, through providing finance to the energy transition and by moving capital away from the fossil fuel sector, as well as using their influence more widely as lenders to support and encourage companies to transition. From the perspective of the banks, financing the energy transition represents a significant and growing business opportunity, while lending to the fossil fuel sector carries with it the risks of “stranded assets” and potential reputational damage.

LAPFF’s objective in engaging with the sector is to see banks developing and implementing clear policies, together with evidence of progress, in the following areas:

- Support for the energy transition through financing activities supporting renewable and clean energy, energy

efficiency and other climate solutions.

- Managing and scaling down exposure to the fossil fuel industry, particularly in regard to long term and new projects and activities.
- A clear commitment to assessing all relevant client businesses on their exposure to climate change, assessment, and support on developing transition plans and activities, including appropriate assessment of key risk areas.

LAPFF’s priority in the banking sector has been the two UK banks HSBC and Barclays, as they have significant exposure to the fossil fuel sector and are among the world’s largest lenders to the infrastructure and energy sectors.

This quarter LAPFF met with HSBC and has an upcoming meeting with Barclays. LAPFF engaged with both Barclays and HSBC extensively in 2023,

with climate change being a key focus.

It was therefore reassuring to see that both banks have made progress this year, with HSBC publishing its latest transition report in January and Barclays publishing in February 2024 an updated Climate Change Statement covering, in particular, its lending to the fossil fuel industry together with its updated transition plan.

HSBC’s 2024 transition plan was generally very strong, with a clear understanding of climate change and the energy transition, and significant commitment on climate lending and integrated climate assessment in lending.

The company is clearly interested in the potential of financing the energy transition, particularly in Asia where there are very significant lending opportunities. The tone and approach was notably positive, providing some reassurance of the company’s general

ENGAGEMENTS

commitment.

Barclays has faced particular criticism, including from the Forum, for its ongoing lending to the fossil fuel industry and its lack of meaningful policies in this area. This has resulted in calls for consumer boycotts, as well as a shareholder resolution organised by ShareAction. In response to this external pressure, including multiple engagements by LAPFF, the company issued and updated its climate change statement, which goes some way to addressing these concerns. The statement is clearly aiming to show Barclays is taking account of the IEA's (International Energy Agency) net zero energy scenario, which states there is no need for new oil and gas projects if we are to achieve net zero by 2050. Key highlights include:

- A commitment to provide no project finance or other direct finance to oil and gas companies for new upstream oil and gas "expansion" projects or related infrastructure.
- From 2025, a provision that Barclays will only provide financing (new or renewal) by exception for existing upstream oil and gas clients where more than 10% of their total planned oil and gas capital expenditure is for new long lead projects.
- A commitment to withhold financing to new oil and gas clients if more than 10% of their total planned oil and gas capital expenditure is for new upstream projects.
- Requirements for oil and gas companies to commit to reducing their own emissions, including having 2030 methane reduction targets, a commitment to end all routine / non-essential venting and flaring by 2030, and near-term net zero aligned Scope 1 and 2 targets by January 2026.
- Various more specific restrictions for new energy clients engaged in expansion, on-diversified energy clients engaged in long lead expansion, and on unconventional oil and gas, including Amazon and extra heavy oil.
- An expectation for oil and gas clients to produce transition plans or decarbonisation strategies by January 2025.

The statement is a major step forward for the company and helps address some of our key concerns, in particular recognising that financing new oil

and gas exploration infrastructure is unacceptable, given that the IEA has stated such projects are not compatible with achieving net zero. The NGO ShareAction has, as a result, withdrawn its shareholder resolution on climate, which was likely to have attracted significant support from shareholders, including LAPFF.

In Progress: Although the banks have made significant progress on addressing climate risk, LAPFF seeks to encourage further action in the following areas:

- Stronger restrictions on lending to the fossil fuel sector, covering the oil majors and ensuring full compatibility with the limitations on investment in new oil and gas envisaged in the IEA net zero scenario.
- Proper disclosure and analysis of transition plans, so we can be assured the banks are mitigating climate risk and supporting the energy transition, and not being taken in by incomplete or unrealistic transition plans, particularly where companies need to transform more than transition. Caution over the use of expensive, high risk approaches to solving climate risk, such as carbon capture and storage (CCS), both in direct lending exposure and wider analysis of risk.
- Robust commitments to financing the energy transition, involving the deployment of new funds to new projects.

With Barclays, LAPFF would like to see further progress in its climate statement and will be pressing the company to such effect. The current statement is complex and opaque and has many loopholes and exceptions – notably its exclusion of oil majors from any specific restrictions as long as they have a rudimentary transition plan. LAPFF would like significant tightening of the restrictions so that Barclays is not directly or indirectly funding new oil and gas projects. LAPFF also expects to see a steady decline in the actual levels of lending to the sector.

On transition plans Barclays will need to demonstrate it can adequately scrutinise them and hold companies to account where it decides to lend. Transparency around its assessment of oil and gas companies will be crucial. LAPFF will also monitor its involvement in some of the technological so-called climate

solutions which the Forum considers expensive and high risk, such as CCS. LAPFF will pressing these points in an upcoming meeting.

HSBC is better placed to address climate risk and appears to have a broader appreciation of climate change and the profound transformation it entails. LAPFF would still like to see the company strengthen its restrictions over oil and gas lending, backed up by evidence of further action on reduced lending. LAPFF will also monitor the rate of lending to fund the energy transition and HSBC's use and understanding of transition plans.

Alongside engagement with Barclays and HSBC, after a review of the global banking sector LAPFF has decided to expand its activity and has approached five Canadian banks to discuss their transition plans and climate related lending. This included Toronto Dominion, Royal Bank of Canada, Bank of Montreal, Scotia Bank and CIBC. These have been selected because the Canadian banks can be seen as laggards on climate action, with several having increased their lending to the oil and gas industry in recent years. LAPFF has significant holdings in these banks and there is ongoing shareholder activity that can provide a platform for engagement.

CLIMATE

Objective: Decarbonising power needs to be a major contributor to reducing global carbon emissions. Limiting global warming to 1.5C requires a rapid shift away from carbon emitting processes.

LAPFF engaged with Drax this quarter as there are questions about the time scale over which new growth of trees will compensate for the >10MT of CO₂ Drax emits each year. The Forum sought to understand the company's business model, associated risks and sustainability of the supply chain for wood pellets for combustion at Drax Power Station, which are mainly imported, and their cost, considering that gas and renewables offer cheaper alternatives.

Achieved: Since their last AGM the chair has been replaced as expected given his tenure and the Forum is arranging

ENGAGEMENTS

a meeting with the new chair. LAPFF responded to the consultation from the Department of Energy Security and Net Zero on prolonging the subsidy to Drax.

LAPFF's response to the consultation covered the evidence that Drax's supplies of wood are not carbon neutral, nor sustainable as a supply source (being dependent on US imports). Just after the LAPFF submission, BBC Panorama had its second exposé of Drax's activities. Drax claims to source its wood pellets from sustainable sources by way of waste material. However, the BBC investigation showed that not only has Drax been cutting and using whole trees, but that the trees cut were from rare forest wood, rather than managed plantations. .

The consultation also states the DESNZ position that subsidised biomass burning (in the case of Drax, wood), will increase the cost of electricity and displace renewables.

In progress: LAPFF is awaiting a meeting with the new chair and is following government policy in this area closely. In March 2024, the government announced that new gas plants will be needed for intermittent supply of energy when there is insufficient generation from renewables. That would seem to be relevant to the medium to long-term future of Drax.

ABB

Objective: Transport is a major contributor to global carbon emissions. Limiting global warming to 1.5C requires a rapid shift away from internal combustion engine vehicles towards electric vehicles. To support this transition, adequate charging infrastructure is required to overcome charging anxiety. LAPFF sought to understand progress in scaling up charging infrastructure and the challenges of delivering charging points for a charging point producer.

Achieved: LAPFF met with an ABB E-mobility representative to discuss electric charging infrastructure. The Swedish-Swiss company is a major player in charging infrastructure and describes itself as the world's number one in EV charging solutions. The meeting covered the likely trajectory of EV take-up, demand for charging infrastructure, and the use case for different charging



ABB is a Swedish-Swiss multinational corporation headquartered in Zurich, Switzerland

solutions. The engagement covered the impact of regulation in the EU and US, which was starting to increase the requirements on charging, the impact on demand of the price of EVs, future-proofing technology, and how the interoperability of connectors was becoming less of a barrier. The meeting also discussed challenges for charging infrastructure, including around software. At the meeting LAPFF also raised the issue of human rights in its supply chain.

Progress: LAPFF will continue to engage those in the EV charging infrastructure sector given its critical role to the decarbonisation of surface transport. This will cover consistency and coverage of services.

WATER STEWARDSHIP

United Utilities

Objective: Over the past two years, LAPFF has been engaging UK water utility companies on sewage overflows. These engagements have sought to ensure companies are reducing storm overflows and thus reducing the investment risks, including those

associated with reputational damage and regulatory intervention. As the sector has acknowledged that more needs to be done and has started to outline plans, LAPFF's focus has expanded to ensure overflows are being reduced against targets and to look more closely at how companies are seeking to deliver future improvements. At the same time, LAPFF has also been engaging the publicly listed companies on the financial resilience of the sector given the situation at Thames Water.

Achieved: LAPFF met with the chief financial officer at United Utilities to discuss the company's plans for reducing overflows. In October, water utility companies set out their plans under Ofwat's price review process. These plans include investment strategies for improving environmental performance (regulated by the Environment Agency) such as storm overflow reductions. The meeting therefore spent some time discussing United Utilities' investment plans under the price review.

The last round of engagements with water companies included discussion around investment needed in infrastructure. An important area LAPFF wanted to follow up on was delivering value for money and ensuring affordability for customers given the additional investment and higher prices needed. The meeting discussed adaptive planning, supply chain capacity,

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consultation and support for the plans from their customers, and financial assistance for lower income households.

The meeting also discussed gearing levels and implications for United Utilities. This covered the definition of gearing: the traditional debt to equity versus debt to assets, which is used by the regulator, and that the Ofwat definition is less sensitive to increasing debt than the traditional one. The situation at Thames Water was also discussed as was the differences between publicly listed and private equity run firms.

In progress: As additional funding comes into the sector to address storm overflows, LAPFF will engage with water utilities to ensure that plans are being delivered, overflows are being reduced, and the investment represents value for money for shareholders and stakeholders.

Louis Vuitton Shop in Paris France

HUMAN RIGHTS

Luxury goods

Objective: Legislation globally is increasingly incorporating human rights considerations, including potential fines for companies found to have forced labour or other human rights abuses in their supply chains. Managing such human rights risks is a crucial component of sustainable company practices and increasingly a financially material issue for investors, especially in a sector reliant on branding and reputation. There can be a common misconception that paying a premium for luxury items directly translates into better wages and working conditions for workers. However, the luxury goods sector, like many others, is not immune to the challenges and risks associated with human rights violations, such as forced labour, child labour, unsafe working conditions, and inadequate wages, which are prevalent in industries and supply chains worldwide.

Achieved: During the quarter, LAPFF engaged with five luxury goods companies, several of which were new engagements for the Forum. Meetings were held with key industry players: Richemont SA, Kering SA, and Louis Vuitton Moët Hennessy. Prior to these meetings, it was recognised that LAPFF’s requests would need to be varied due to the differing levels of disclosure and transparency regarding human rights programmes, risk management, and supply chain due diligence among the companies. These engagements provided LAPFF with valuable opportunities to initiate dialogues, aiming to establish good relationships and gain a deeper understanding of the companies’ current practices. Moreover, these discussions allowed LAPFF to present an investor’s perspective on why enhanced disclosures are critical, demonstrating a company’s commitment to mitigating legal and reputational risks associated with human rights issues.

In Progress: LAPFF has calls scheduled with Moncler and Burberry for Q2 of



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2024 and will also aim to build upon the initial engagements held with companies in Q1 in the upcoming months to ensure robust human rights risk management is viewed as a company responsibility, but also a key factor in safeguarding the companies' long-term value and reputation. LAPFF will continue to monitor these companies' practices and disclosures, providing feedback and recommendations as necessary to ensure that human rights considerations are being adequately addressed and integrated into their business models and supply chain operations.

MINING & HUMAN RIGHTS

Objective: The financial materiality of human rights impacts and mining cannot be overstated. Continuing its work with mining companies and affected communities, one of the main objectives of LAPFF's work on mining and human rights is to make other investors and stakeholders aware of these financial risks.

Achieved: To this end, LAPFF had its report on its visit to Brazilian communities affected by tailings dams translated into Portuguese. This translation took place on calls from Brazilian investor and community partners who explained that it would help to mobilise Brazilian investors on this issue. A press release of the report was issued during the quarter.

LAPFF also attended the 2024 African Mining Indaba in Cape Town, South Africa this quarter. The Indaba takes place annually in South Africa and brings together the international mining community to discuss mining as it relates to the African context. While it was heartening to hear the attention paid to issues such as health and safety, there were two areas of concern from LAPFF's perspective. First, there were almost no mine workers and no affected community members included in the conference panels. Generally, these voices are heard at an alternative Indaba that takes place alongside the main Indaba. LAPFF pointed conference participants to its reports on mining and human rights



Israeli Armored CAT Caterpillar D9 armored bulldozer in Gaza border Israel

to highlight the financial materiality of human rights for investors. Second, the main line in relation to climate change was renewables plus coal, rather than a discussion about how to move away from coal and a timeline for doing so. Although LAPFF accepts that there must be a managed decline of coal, the emphasis on use of coal and 'clean uses' for coal were a worry. LAPFF also would have expected a clear timeline to transition away from coal. There were discussions about a just energy transition (JET) at the Indaba, but LAPFF would have liked to hear more concrete plans for this transition and more evidence that it is being taken seriously.

In Progress: LAPFF submitted a response to the UN Working Group's consultation on investors and ESG, which included the submission of its reports and work with affected community members. This focus appears to be of interest at the international level, and LAPFF will continue to work with the UN Working Group and other stakeholders to inform best practice on mining and human rights, while linking the work to financial materiality for investors.

COMPANY PRODUCT USE IN CONFLICT ZONES

Caterpillar, RTX Corp, BAE Systems, Lockheed Martin, Thales

Objective: LAPFF sought engagement with several defense and manufacturing companies regarding humanitarian and human rights impacts in high-risk and conflict-affected areas such as Gaza. These engagements are important for companies operating in or providing products and services involved in conflicts have heightened risks and responsibilities when it comes to upholding human rights standards.

LAPFF aims to ensure companies are implementing robust human rights due diligence practices and are adhering to international standards. Failure to do so could leave a company open to reputational damage, erosion of public trust, and legal liabilities.

Achieved: In letters sent to Caterpillar, RTX Corp, BAE Systems, Lockheed Martin and Thales, LAPFF sought to better understand how these companies manage human rights risks associated

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with use of their products, particularly in the context of conflict zones.

LAPFF received responses to these letters RTX Corp, Lockheed Martin, and Caterpillar, who provided links to their respective human rights policies but did not provide substantive responses on the issue. LAPFF will be discussing the issues at an upcoming meeting with BAE, but at the time of writing, Thales has failed to respond to LAPFF's request for engagement.

In Progress: LAPFF is continuing to engage and develop its approach to sectors that operate in conflict-affected and high-risk areas. Through these engagements LAPFF seeks greater transparency around companies' human rights policies, encourages companies to prevent or mitigate human rights violations, and urges compliance with international humanitarian laws and the UN Guiding Principles on Business and Human Rights (UNGPs). Companies have a responsibility to undertake heightened human rights due diligence in high-risk conflict areas.

WORKERS' RIGHTS



Starbucks update headline

Last year, LAPFF recommended a vote in favour of a shareholder proposal at Starbucks, which sought a review of workforce practices at Starbucks and was co-filed by LAPFF member Merseyside Pension Fund. This resolution passed with 52% voting in favour.

Over the past year, LAPFF has

witnessed significant improvement in employment relations at the company. Starbucks and the Workers United Union have begun work on a "foundational framework" which they say will deliver collective bargaining agreements, and a fair process for organising. After a period of friction within the company, LAPFF welcomes a more collaborative approach.

Apple voting alert

LAPFF has been engaging technology companies on their governance and human rights practices for a number of years. LAPFF policy is to encourage companies to adopt human rights policies and management practices in line with the UNGPs, and it believes these policies and practices should be disclosed to shareholders. Technology companies have a great potential impact on human rights, including the rights to privacy and freedom of expression. Their reach is wide, and they are well-known and used globally, so any mis-steps raise operational, reputational, legal, and consequently financial concerns for investors. Given the financial materiality of their human rights practices, LAPFF routinely issues voting alerts for some of these companies, including Apple.

At the company's 28 February 2024 AGM, LAPFF recommended a vote in favour of two shareholder resolutions that received significant shareholder support. These were resolution 6 requesting racial and gender pay gaps reporting which received 30.85% support, and resolution 7 calling for a report on the use of AI, which received 36.49% support. Whilst these resolutions did not pass, the significant investor support for these resolutions provides a clear signal from shareholders.

COLLABORATIVE ENGAGEMENTS

30% Club Investor Group Global Workstream – KKR & Co

LAPFF remains an active member of the 30% Club Investor Group, taking the lead with companies through the

Group's Global Workstream, which aims to increase gender diversity on corporate boards and in senior leadership positions at companies outside of the EU and UK.

Through this workstream, LAPFF met with KKR & Co in January, an American global investment company. LAPFF asked the company questions regarding potential targets on gender diversity, as well as what it might be setting for its portfolio companies. Across the US, it is clear that the ESG backlash and the Fair Admissions v. Harvard case at the US Supreme Court, is causing mounting pressure on companies to stop or reduce DE&I programmes and activities. LAPFF will seek to navigate this environment when engaging with US companies on this issue, and can continue to seek for disclosures such as pay gap reports where companies may be currently cautious to set targets on diversity.

WBA: Calls with Occidental and Equinor over Climate

Objective: The transition to net zero may have a range of positive and negative impacts for workers, communities, supply chains and consumers. The negative impacts, such as loss of employment or loss of a large employer from a local economy, pose risks to company reputations, could lead to operational disruption, and could delay the transition to net zero. Indeed, the decarbonisation of business will require retraining and redeployment of existing skills.

As such, if a climate transition plan is to be credible it will need to consider the social implications of the transition. However, to date, many of the companies that will need to decarbonise have not clearly set out just transition plans or integrated these into climate transition plans. The World Benchmarking Alliance's study of the oil and gas sector found companies falling short on just transition expectations, such as their engagement with stakeholders on the issue, retraining and reskilling workers, and outlining just transition plans. On the back of the study, collaborative engagements have been undertaken seeking to ensure progress in these areas.

Achieved: In the quarter, LAPFF joined calls with Occidental and Equinor. In the meeting with Occidental, the

ENGAGEMENTS

company outlined its approach to the just transition. The company has made a commitment to a just transition and has identified four groups its pathway will support: energy workers, energy-producing communities, communities susceptible to climate impacts and low-income consumers. The company's commitment to a just transition was positive to hear, whilst the meeting also provided investors the opportunity to outline where they wanted to see further progress. Occidental's transition to net zero is reliant on CCS and direct air capture technologies. These are technologies that LAPFF and a growing number of investors have questions about. This approach therefore raises questions not only about the feasibility of net zero plans, but the impact on workers and communities if these technologies are not scalable.

In another meeting as part of the same WBA initiative, LAPFF joined a collaborative call with Norwegian energy company, Equinor. This followed on from a meeting with the company in October last year which explored how Equinor's just transition policy commitment was being implemented. This meeting involved the company's people and organisation team and focused on the workforce dimension to the transition. The details about their approach to the just transition were more granular than provided in some just transition meetings. As Equinor still has progress to make, it was encouraging that they mapped out how the company was developing its just transition plans further. The discussion touched on social dialogue in Norway and its approach in other countries, the consultation process when decommissioning operations, skills training, and its just transition strategy and metrics.

In progress: LAPFF will be closely following oil and gas companies' progress on just transition planning, including engagement with the workforce, metrics and targets, and overarching plans.

Rathbones Votes Against Slavery

The Votes Against Slavery (VAS) initiative, spearheaded by Rathbones, focuses on addressing and reducing modern slavery practices by targeting non-compliant



Cry for help, sewn into a piece of clothing, made in Bangladesh

companies within the UK's FTSE 350 and, starting from 2024, the FTSE AIM markets. This expansion reflects an effort to encompass a broader range of companies, especially considering the significant impact FTSE AIM companies can have through a variety of supply chains.

LAPFF has endorsed this initiative by signing all letters and has committed to further engagements with companies where LAPFF may have larger holdings. This collaborative approach has proved successful in the past, with good success rates across target companies.

Taskforce on Social Factors – Final Guidance

This quarter saw the launch of the final report of the DWP-backed Taskforce on Social Factors at an event with the pensions minister, Paul Maynard MP. The taskforce was chaired by Luba Nikulina, Chief Strategy Officer at IFM Investors, and LAPFF's chair, Cllr Doug McMurdo, was a member of the groundbreaking initiative.

While the focus on social factors in the pensions industry is not as advanced as on climate change, for LAPFF this has been a core area of work since it was founded over 30 years ago. Indeed, LAPFF's response to a DWP consultation that led to the formation of the taskforce highlighted the extensive work LAPFF has undertaken to address social risks. It is therefore a sign of good progress and a notable outcome for LAPFF that after

pushing over the decades for companies and investors to pay due attention to social factors that the taskforce was established and that the guidance has been produced.

The final report highlights why social factors matter to pension funds, fiduciary duties and social factors, data and materiality assessments, and how funds can address social risks. The report makes recommendations to pension fund trustees but also the government on an area that can often pose systemic and market-wide risks. Alongside the main report, DWP published on its website a series of guides, including a quick start for trustees. As the pensions minister emphasised at the launch, social factors are of real importance for pension funds. He also noted that the guide provides practical assistance to the industry in considering and integrating social factors into investment strategies.

CONSULTATION RESPONSES

MEDIA COVERAGE

Water management

Insurance Journal: [Rio Tinto Faces Pressure From Investors Over Water Contamination Claims \(insurancejournal.com\)](#)

Sahm: [Mining Giant Rio Tinto Caught Into Water Nightmare At Two Mines: Report \(alsahm.com\)](#)

Social factors

Pensions Expert: [Start work on social and nature risks now, TPR urges - Law & Regulation - Pensions Expert \(pensions-expert.com\)](#)

Bloomberg Law: [Corporate Investors Target Labor, Political Spending in 2024 \(bloomberglaw.com\)](#)

Climate

Yahoo: [UK banks may be holding too little capital for climate risks, investors tell BoE \(yahoo.com\)](#)

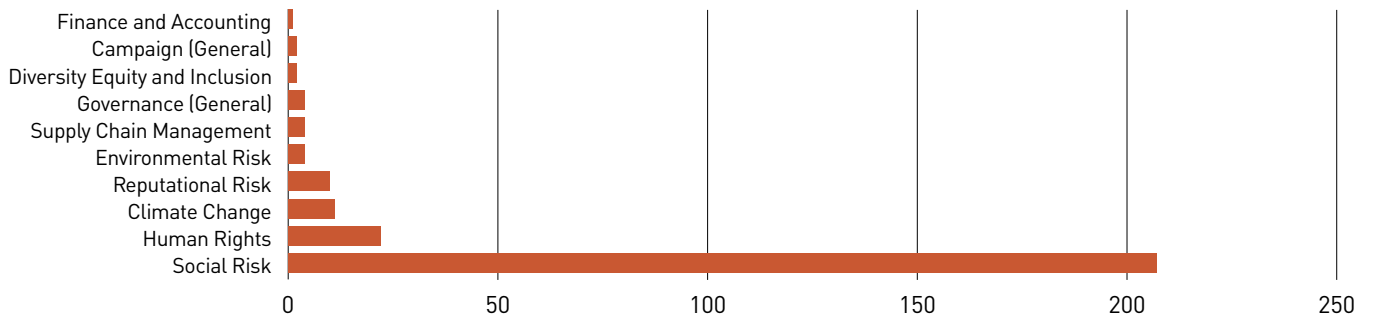
COMPANY PROGRESS REPORT

148 companies were engaged over the quarter. This includes letters signed by LAPFF and sent by Rathbones to companies in the FTSE350 and AIM indexes regarding compliance with s54 of the Modern Slavery Act. Excluding this engagement, 42 were Companies engaged over the quarter. The table below reflects those 42 companies engaged and does not include correspondence related to the Rathbones' Votes Against Slavery engagement.

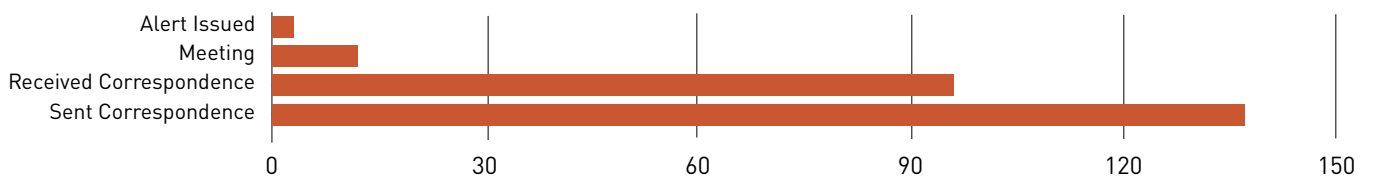
Company/Index	Activity	Topic	Outcome
ABB LTD	Meeting	Campaign (General)	Dialogue
ABBVIE INC	Sent Correspondence	Environmental Risk	Awaiting Response
AP MOLLER - MAERSK AS	Sent Correspondence	Human Rights	Dialogue
APPLE INC	Alert Issued	Human Rights	No Improvement
BAE SYSTEMS PLC	Sent Correspondence	Human Rights	Awaiting Response
BANK OF MONTREAL	Sent Correspondence	Climate Change	Awaiting Response
BANK OF NOVA SCOTIA	Sent Correspondence	Climate Change	Awaiting Response
BURBERRY GROUP PLC	Sent Correspondence	Human Rights	Awaiting Response
CANADIAN IMPERIAL BANK OF COMMERCE	Sent Correspondence	Climate Change	Awaiting Response
CATERPILLAR INC.	Received Correspondence	Human Rights	No Improvement
COMPAGNIE FINANCIERE RICHEMONT SA	Meeting	Human Rights	Change in Process
EQUINOR ASA	Meeting	Climate Change	Small Improvement
FUJITSU LTD	Sent Correspondence	Governance (General)	Awaiting Response
HERMES INTERNATIONAL	Sent Correspondence	Human Rights	Awaiting Response
HSBC HOLDINGS PLC	Meeting	Climate Change	Dialogue
J SAINSBURY PLC	Meeting	Campaign (General)	Dialogue
KERING SA	Sent Correspondence	Human Rights	Awaiting Response
KKR & CO INC	Meeting	Diversity Equity and Inclusion	Dialogue
LENNAR CORPORATION	Alert Issued	Climate Change	No Improvement
LOCKHEED MARTIN CORPORATION	Received Correspondence	Human Rights	No Improvement
LVMH (MOET HENNESSY - LOUIS VUITTON) SE	Meeting	Human Rights	Dialogue
MONCLER SPA	Sent Correspondence	Human Rights	Awaiting Response
NATIONAL GRID PLC	Meeting	Climate Change	Dialogue
NESTLE SA	Meeting	Environmental Risk	Dialogue
OCCIDENTAL PETROLEUM CORPORATION	Meeting	Climate Change	Dialogue
RIO TINTO PLC	Meeting	Environmental Risk	Dialogue
ROYAL BANK OF CANADA	Sent Correspondence	Climate Change	Awaiting Response
RTX CORP	Received Correspondence	Human Rights	No Improvement
SHINHAN FINANCIAL GROUP LTD	Sent Correspondence	Diversity Equity and Inclusion	Awaiting Response
STARBUCKS CORPORATION	Sent Correspondence	Human Rights	Awaiting Response
THALES	Sent Correspondence	Human Rights	Awaiting Response
THE BOEING COMPANY	Sent Correspondence	Governance (General)	Dialogue
THE TORONTO-DOMINION BANK	Sent Correspondence	Climate Change	Awaiting Response
TYSON FOODS INC	Sent Correspondence	Human Rights	Awaiting Response
UNITED UTILITIES GROUP PLC	Meeting	Finance and Accounting	Dialogue

ENGAGEMENT DATA

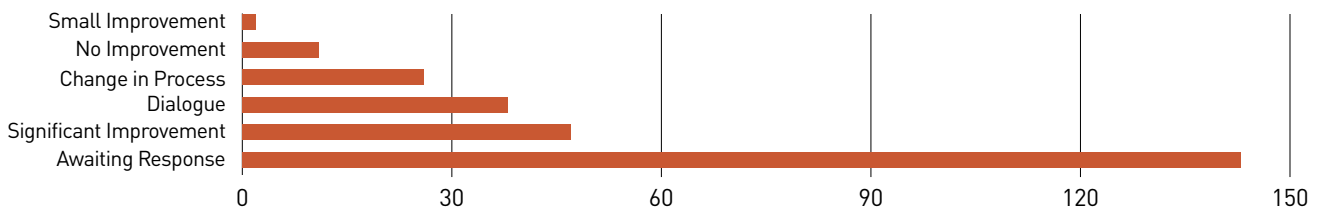
ENGAGEMENT TOPICS



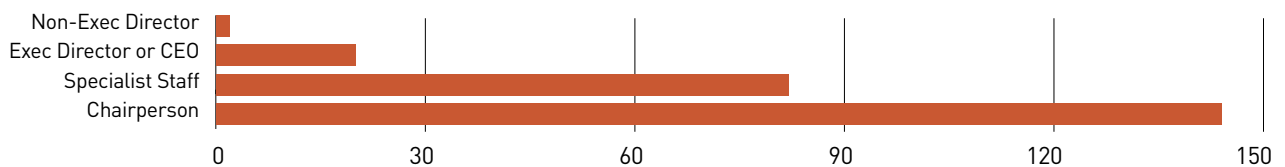
ACTIVITY



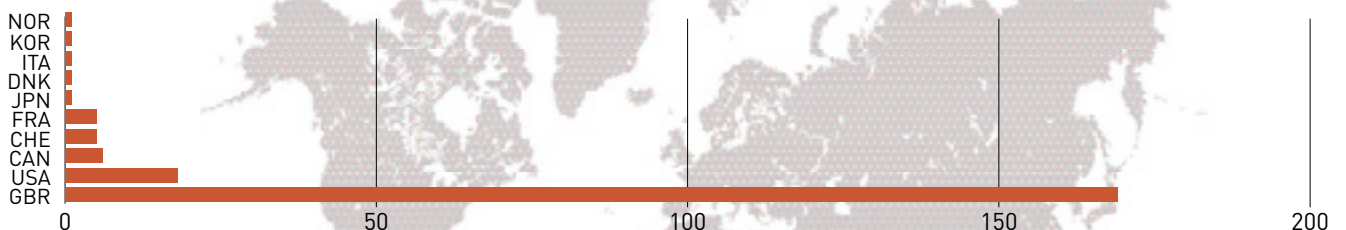
MEETING ENGAGEMENT OUTCOMES



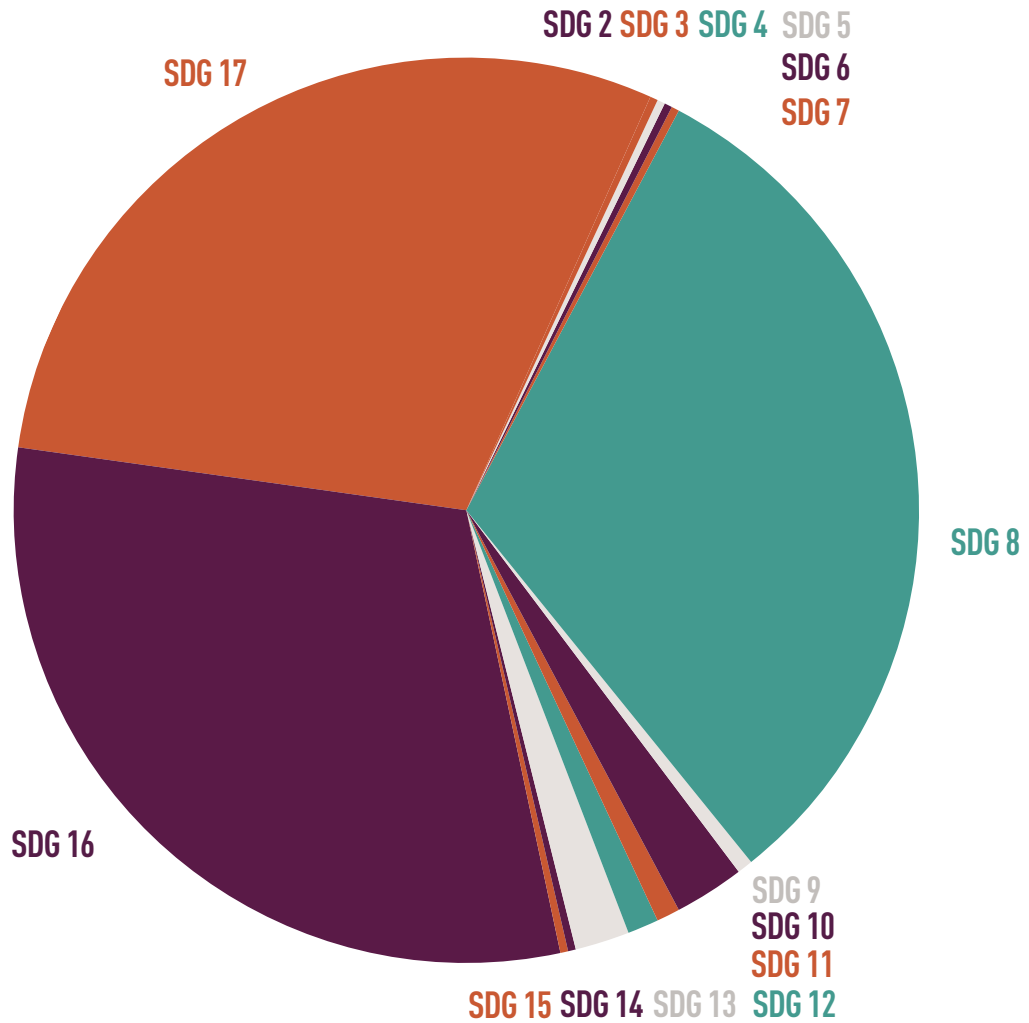
POSITION ENGAGED



COMPANY DOMICILES



ENGAGEMENT DATA



LAPFF SDG ENGAGEMENTS

SDG 1: No Poverty	0
SDG 2: Zero Hunger	1
SDG 3: Good Health and Well-Being	2
SDG 4: Quality Education	0
SDG 5: Gender Equality	2
SDG 6: Clean Water and Sanitation	1
SDG 7: Affordable and Clean Energy	2
SDG 8: Decent Work and Economic Growth	220
SDG 9: Industry, Innovation, and Infrastructure	5
SDG 10: Reduced Inequalities	18
SDG 11: Sustainable Cities and Communities	6
SDG 12: Responsible Production and Consumption	7
SDG 13: Climate Action	13
SDG 14: Life Below Water	2
SDG 15: Life on Land	3
SDG 16: Peace, Justice, and Strong Institutions	213
SDG 17: Strengthen the Means of Implementation and Revitalise the Global Partnership for Sustainable Development	206

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	Pool Company Members
Croydon Pension Fund	Hillingdon Pension Fund	Rhondda Cynon Taf Pension Fund	ACCESS Pool
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	

Bath & North East Somerset Council	
MEETING:	AVON PENSION FUND COMMITTEE
MEETING DATE:	28 June 2024
TITLE:	FUND GOVERNANCE FRAMEWORK
WARD:	ALL
AN OPEN PUBLIC ITEM	
<p>List of attachments to this report:</p> <p>Appendix 1 – Scheme of Delegation Authorisations List</p> <p>Appendix 2 - Scheme of Delegation Schedule</p> <p>Appendix 3 - Governance Compliance Statement</p> <p>Appendix 3a – Representation Policy</p> <p>Appendix 4 – Conflicts of Interest Policy</p> <p>Appendix 5 – Decision Making Matrix</p>	

1 THE ISSUE

- 1.1 This report is to remind members of the roles and responsibilities of members, advisors and officers of the Avon Pension Fund and the governance framework for the Fund as a whole.
- 1.2 The Scheme of Delegation (Appendix 1 & 2) sets out how the Committee delegates some of its responsibilities to Officers. The Schedule details the responsibilities delegated, and the authorisation list sets out who is authorised and the limit of transaction they can authorise.
- 1.3 The draft Governance Compliance Statement is set out in Appendix 3, with the Representation Policy attached as Appendix 3a.
- 1.4 The draft Conflicts of Interest Policy is set out in Appendix 4.
- 1.5 The Decision Making Matrix (Appendix 4) is attached for noting.
- 1.6 Members are invited to nominate themselves as the Fund's representative on the Local Authority Pension Fund Forum.
- 1.7 Members are requested to give delegated powers to Officers and the Chair to draft the Annual Report to Council on Committee activity in the past twelve months.

2 RECOMMENDATIONS

The Committee:

- 2.1 Approves the Scheme of Delegation.
- 2.2 Approves the Governance Compliance Statement, including draft Representation Policy.
- 2.3 Approves the Conflict of Interest Policy

- 2.4 Notes the Decision Making Matrix.
- 2.5 Notes the roles and responsibilities of the members, advisors and officers
- 2.6 Agrees independent member representation of the Brunel Working Group.
- 2.7 Agrees substitute of Brunel Oversight Board. Chair of Inv Panel
- 2.8 Agrees the member(s) to represent the fund on the Local Authority Pension Fund Forum.
- 2.9 Agrees to delegate the drafting of the Annual Report to Council to Officers and the Chair (subject to informal consultation with Committee members prior to the Chair approving the report).

3 FINANCIAL IMPLICATIONS

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

4 ROLES & RESPONSIBILITIES

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

The Committee and Investment Panel:

- 4.2 The Terms of Reference (ToR) for the Committee, including the Investment Panel were last updated and approved by Committee in March 2024 and was approved by Council on 16th May.
- 4.3 Membership of the Investment Panel reflects best practice and ensures there is a full range of independent expert advice available. The Panel shall comprise up to 6 voting Members of the Committee, 3 of whom shall be B&NES Councillors (including the Chair and Vice-Chair) and 3 of whom shall be the independent members who provide investment expertise to the Panel and continuity over the electoral cycles. Furthermore, the term of the Panel is to be for the full Committee term of 4 years.
- 4.4 The Committee's role is strategic in nature, setting the policy framework and monitoring compliance within that framework. Due to the wide scope of the Committee's remit, investment issues are delegated to the Investment Panel, (a sub-committee of the Committee) which explores the issues in greater detail before making decisions and/or recommendations to the Committee. The implementation of strategic decisions is delegated to Officers.
- 4.5 The Fund is a member of Brunel Pension Partnership and has delegated the management of its asset to Brunel Pension Partnership Ltd. (Brunel) Brunel is responsible for appointing managers to manage the assets within each Brunel portfolio, monitoring the managers and reporting back to the Fund about the performance of each portfolio. The Fund retains responsibility for its legacy portfolios mainly private market assets that will be wound down over time and then transition into Brunel in line with the strategic asset allocation at the time. The Fund will remain responsible for all strategic decisions such as asset allocation and the risk management framework.
- 4.6 The Chair of the Committee is the the Fund's representative on the Brunel Oversight Board of the Brunel Pension Partnership.
- 4.7 Committee and Investment Panel meetings are held in open session and, where required, papers are taken in exempt session. Committee workshops are held to discuss strategic issues in greater depth as necessary.

- 4.8 Non-voting members are given full access to papers, meetings and workshops including internal training sessions.
- 4.9 Members are encouraged to undertake training to ensure they can discharge their responsibilities. The SAB's Good Governance Review and The Pensions Regulator's (TPR) General Code of Practice for public sector pension funds requires greater disclosure of member training and requires all members to attain a satisfactory level of knowledge in order to discharge their duties. As a result all Committee members are required to undergo Hyman's LGPS Online Learning Academy modules within a year of when they are appointed to the Committee and every three years thereafter. This requirement forms part of the Fund's Training Policy.
- 4.10 In addition, the MiFID II (Market in Financial Instruments Directive) categorises an LGPS fund as a retail client which restricts the Fund's ability to invest in more complex and diversified investments. As a result the Fund has been opted up by its investment managers to 'elective professional client' status. To achieve this status the Fund must on an on going basis satisfy (and provide evidence to) its managers that it has the knowledge and expertise within its governance structure to make decisions around complex investments. Therefore ongoing training of all committee members is crucial to maintaining our elective professional status.
- 4.11 The Committee Training plan is reviewed at each quarterly Committee meeting. It includes training sessions and workshops to support the Committee agenda as well as wider knowledge and skills.

Fund Advisors:

- 4.12 The guidance on preparing and maintaining an investment strategy statement in support of the LGPS (Management and Investment of Funds) Regulations 2016, regulation 7(2)(a) states "Administering authorities are expected to be able to demonstrate that those responsible for making investment decisions have taken and acted on proper advice and that diversification decisions have been taken in the best long term interest of scheme beneficiaries." Regulation 7(2)(b) states that the Fund must "take and act on proper advice in assessing the suitability of their investment portfolio" and regulation 7(2)(e) states "When making investment decisions, administering authorities must take proper advice and act prudently".
- 4.13 The principles for effective decision-making for pension funds supports these regulations by setting out best practice standards for decision-making bodies (guidance for LGPS funds provided by CIPFA/CLG).
- Principle 1: Effective decision-making - requires that "administering authorities should ensure that decisions are taken by persons or organisations with the skills, knowledge, advice and resources necessary to make them effectively... and those persons or organisations have sufficient expertise to be able to evaluate and challenge the advice they receive..."*
- 4.14 All advisory appointments are appointed under a separate procurement process which will follow the Council's procurement policy. National LGPS procurement frameworks are used where possible as it is a more efficient procurement route and the frameworks are closely monitored for value for money and service levels.
- 4.15 The Fund appoints an Investment Consultant (Mercer) to provide investment advice to the fund to ensure that the Committee and/or Panel have all the

relevant information before making a decision. The Committee's agenda determines the advice provided by the consultant in addition to the ongoing monitoring of the Fund's investment strategy and the managers' performance.

- 4.16 Under the CMA (Competition and Market's Authority) Order 2019, the Fund is required to monitor the investment advice provided by Mercer against strategic objectives set by the fund and to submit a compliance statement annually to the CMA.
- 4.17 The Fund appoints an Actuary (Mercer) to advise on all actuarial issues and to undertake valuations as required by the Local Government Pension Scheme Regulations 2013. Regulation 62(1) states that "An administering authority must obtain (a) an actuarial valuation" and (b) "a report by an actuary in respect of the valuation".
- 4.18 The Fund is externally audited annually and the Committee considers the governance report submitted by the auditor at the end of the audit. Currently the Council's Corporate Audit Committee approves the Fund's Financial Statement as it forms part of the Council's Financial Statement.
- 4.19 Internal audit undertakes work annually on different aspects of the pension fund, covering new regulations, high risk projects, fraud, governance and process reviews. The Committee reviews all Internal Audit reports and proposed management actions.

Fund Officers:

- 4.20 The officers' role within the governance structure is to ensure that all decision-making complies with the regulations, that the Fund fulfils its statutory requirements, and that all information regarding investment, financial and administrative issues is provided to the Committee/Panel. In addition, officers are responsible for implementing Fund policy. The Council's Section 151 Officer is responsible for ensuring that the Fund complies with the financial regulations and that an adequate inspection framework, provided by internal and external audit, is in place. The Council's Monitoring officer is responsible for the legal aspects of the Fund and the Committee.
- 4.21 The Section 151 Officer has delegated its powers regarding urgent actions to the Director of Financial Services, Assurance & Pensions, and these would be exercised having consulted with the Chair of the Committee where possible. For investment policy issues the Director of Financial Services, Assurance & Pensions will also consult with the Chair of the Investment Panel where possible.
- 4.22 The Funding & Risk Management Group (FRMG) is a group of Avon Pension Fund officers and specialist advisors whose role is to consider in greater detail all strategic and operational aspects of the Risk Management Strategies. Its full role is set out in the Terms of Reference, section 6.

5 SCHEME OF DELEGATION

- 5.1 In addition to the responsibilities listed in the Council's scheme of delegation, some additional responsibilities for functions specifically related to pension fund activities and the authorisation of transactions are delegated to officers by the Pension Fund Committee.
- 5.2 The Scheme of Delegation schedule (appendix 1) sets out the responsibilities delegated by the Committee to officers and how these operate in practice.

- 5.3 The Scheme of Delegation authorisation list (appendix 2) sets out the job role or person authorised and the limit of transaction they can authorise.
- 5.4 Following recommendations in a recent internal audit a number of minor changes to the schedule and authorisation lists have been made to clarify roles, responsibilities and processes.

6 GOVERNANCE COMPLIANCE STATEMENT

- 6.1 The LGPS regulations require the Fund to publish a Governance Compliance Statement setting out how it complies with a number of statutory governance principles. There are no significant changes to the statement apart from a few minor editorial changes.
- 6.2 The Representation Policy sets out in more detail how members and employers are represented on the Pension Committee & Pension Board. Officers have reviewed the representation of employers and members and do not recommend any changes at this time.

7 CONFLICTS OF INTEREST POLICY

- 7.1 This policy sets out how conflicts of interest are identified, managed and mitigated by all those involved in managing, overseeing or advising the Fund. The policy was first approved in 2022 and a couple of changes have been made to the Pooling section to reflect the current voting arrangements for Brunel.

8 BRUNEL OVERSIGHT BOARD REPRESENTATIVE

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

9 BRUNEL WORKING GROUP

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

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

- 10.1 The Fund is a member of LAPFF, a collaborative organisation acting on behalf of LGPS funds to promote their long term investment interests and to maximise their influence as shareholders to promote corporate responsibility and high standards of corporate governance amongst the companies in which they invest. LAPFF undertakes significant engagement with companies on governance, environmental and social issues that could materially affect the financial performance of a company. It also advises its members on contentious voting issues and sponsors or supports shareholder resolutions where it believes it is the most effective way to implement change.
- 10.2 The Forum holds 4 meetings a year. Committee members supported by officers are encouraged to attend these meetings. Members are invited to nominate themselves to represent the fund at these meetings. (there can be up to two member representatives from the Fund attending any meeting).

11 ANNUAL REPORT TO COUNCIL

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

11.2 The annual report will be presented to Council at the 21 November 2024 meeting. Committee are asked to give delegated powers to Officers to draft the report which will be circulated to all Committee members for comment before being approved by the Chair.

12 RISK MANAGEMENT

12.1 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.

13 EQUALITIES STATEMENT

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

14 CLIMATE CHANGE

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

15 OTHER OPTIONS CONSIDERED

15.1 None.

16 CONSULTATION

16.1 The Council's Director of Financial Services, Assurance & Pensions has had the opportunity to input to this report and has cleared it for publication.

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

Scheme of Delegations – Authorisations June 2024

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

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

Authorisation of PT-X (Payroll Bacs Payments)	All Amounts	Named Pension & Finance Managers not involved in day-to-day processing of Benefits	Names as per schedule Authorisation List for PTX - April 2024.xlsx
Agresso Payments (Invoices & pension related payments)	Limits as per schedule (link)	Head of Pensions Group Manager, Funding, Investments and Risk Claire? Payroll Services Manager Director – One West (Pension Board Transactions)	Names as per schedule Agresso authorisation levels 03.05.2024.xlsx
Treasury Management transactions (on behalf of Pension Fund)	All amounts	Treasury Management Team on authorised list	Names as per schedule BANES Treasury Management Authorised signatures May 2023.pdf

Scheme of Delegations – June 2024

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

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

	Stage 2 – Fund decision – dealt with by the administering Authority following a review of the case being undertaken by Osborne Clarke.
Death Grants	The decision to pay a death grant to the member’s beneficiary: <ul style="list-style-type: none"> - Non contentious cases sign off from the relevant Service Manager plus Pensions Operations Manager - Contentious cases require the third signature of the Head of Pensions
Discretions	Officers are responsible for exercising the Administering Authority discretions specified in the LGPS regulations. Full details of the discretions can be found here https://www.avonpensionfund.org.uk/sites/default/files/DR03-20140627.pdf
Early release of Benefits	The decision to release benefits early for members where their employer no longer exists is delegated to the Administering Authority (Bath & North East Somerset Council)
Strategies & Policies	Officers are responsible for the day to day implementation & monitoring of the investment, funding & administration strategies and related policies with progress reported regularly to the Pension Committee
Strategic Asset Allocation	The Pension Committee has delegated the following to Officers which are reported back to the next Committee or Panel if not discussed prior to the decision:
	Implementing investments in emerging opportunities within strategic allocations, either to be managed outside Brunel or instruct allocation to Brunel portfolio.
	Implementing investment management arrangements in line with the strategic policy as follows: <ul style="list-style-type: none"> a. For assets managed outside Brunel, this includes the setting of mandate parameters and the appointment of managers, in consultation with the Investment Panel. b. For assets managed within Brunel, deciding and instructing the allocation to each Brunel portfolio. One authorised signatory required to approve instruction.
	Restructuring the risk management strategies as required where sensitive to market prices or technical in nature, having taken expert advice.

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

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Avon Pension Fund - Governance Compliance Statement

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

Statutory Governance Principles	Compliance status and justification of non-compliance
A - Structure	Compliant
<p>a) The management of the administration of benefits and strategic management of fund assets clearly rests with the main committee established by the appointing council.</p> <p>b) That representatives of participating LGPS employers, admitted bodies and scheme members (including pensioner and deferred members) are members of either the main or secondary committee established to underpin the work of the main committee.</p>	<p>Bath & North East Somerset Council, as administering authority, has executive responsibility for the Fund. The Council delegates its responsibility for administering the Fund to the Avon Pension Fund Committee (APFC) which is the formal decision making body for the Fund. The committee is subject to Terms of Reference as agreed by the Council, the Council's standing orders and financial regulations including the Codes of Practice. In addition to the responsibilities listed in the Council's scheme of delegation, some additional responsibilities for functions specifically related to pension fund activities and the authorisation of transactions have been delegated to officers by the Pension Fund Committee and these are set out in the Fund's Scheme of Delegation.</p> <p>The APF Committee consists of 14 voting members:</p> <ul style="list-style-type: none"> - 5 elected members from Bath & North East Somerset Council - 1 elected member nominated from each of Bristol City Council, North Somerset Council and South Gloucestershire Council - 1 nominated by the trades unions - 1 nominated by the Higher/Further education bodies - 1 nominated by Academy bodies - 3 independent members <p>and 3 non-voting members:</p> <ul style="list-style-type: none"> - 2 nominated by the trades unions - 1 nominated by the Parish/Town Councils

c) That where a secondary committee or panel has been established, the structure ensures effective communication across both levels.

d) That where a secondary committee or panel has been established, at least one seat on the main committee is allocated for a member from the secondary committee or panel.

e) The terms, structure and operational procedures relating to the Avon Pension Fund Pension Board have been established

The Avon Pension Fund has a sub-committee, the Investment Panel, to consider matters relating to the management and investment of the assets of the Fund in greater detail. The Investment Panel is made up of members of the main committee. The Panel has delegated powers to take decisions on specific issues and otherwise makes recommendations to the Committee. The minutes of Investment Panel meetings form part of the main committee agenda. The Funding & Risk Management Group (FRMG) has also been set up and is a group of Avon Pension Fund officers and specialist advisors whose role is to consider in greater detail all strategic and operational aspects of the Risk Management Strategies and to make recommendations to the Committee.

Every member of the Investment Panel is a member of the main committee.

The Board's remit – set out in its formal Terms of Reference – is to assist the administering authority to

- (i) secure compliance with the LGPS regulations, any other legislation relating to the governance and administration of the Scheme, the requirements imposed by the Pensions Regulator in relation to the Scheme and
- (ii) ensure effective and efficient governance and administration of the Scheme.

The Pension Board comprises 7 members – 3 employee members, 3 employer members and an independent chairperson. Employer and employee members have voting rights.

The Board publishes an annual report to Council containing any recommendations on process or governance. The Board reports any material concerns to the S151 Officer.

Board minutes are circulated to the administering authority (the Pension Committee), S151 Officer and Monitoring Officer. The Board is required to report breaches of law or material (and not actioned) breaches of the Code of Practice

- f) The Avon Pension Fund is represented on the governance arrangements of Brunel Pension Partnership (BPP)

to the Pensions Regulator.

Where any breach of duty is committed or alleged to have been committed by the Administering Authority (the Pension Committee) the Board shall:

1. Discuss the breach or alleged breach that is identified with Pension Committee Chair and the proposed actions to be taken by the Board
2. Enable the Chair of the Committee to review the issue and report back to the Board on the breach
3. The Board will determine action and if sufficiently material will report the breach to the Pensions Regulator or the Scheme Advisory Board as set out in the regulations.

The Fund has established an FCA regulated company (Brunel) with 9 other LGPS funds which implements the investment strategies of the 10 funds who participate in BPP. The Fund allocates its assets to portfolios offered by Brunel in line with the Investment Strategy agreed by the Committee.

The Chair of the APFC represents the Avon Pension Fund on the Brunel Oversight Board (BOB). The Group Manager, Funding, Investments & Risk represents the Fund on the Client Group, a practitioner group engaging directly with Brunel.

Minutes of BOB meetings are included in Pension Fund Committee and Pension Board agendas.

A Brunel Working Group, comprising the Chair and Vice Chair of the Committee, an independent member (on the Panel), the Head of Pensions and the Group Manager, Funding, Investments & Risk has been established to consider in detail any issues arising from Brunel Pension Partnership such as reserve Matters.

B – Representation	Partial Compliance
<p>a) That all key stakeholders are afforded the opportunity to be represented within the main or secondary committee structure. These include:</p> <ul style="list-style-type: none"> i) employing authorities (including non-scheme employers , e.g. admission bodies); ii) scheme members (including deferred and pensioner scheme members); iii) where appropriate, independent professional observers; iv) expert advisors. <p>b) That where lay members sit on a main or secondary committee, they are treated equally in terms of access</p>	<p>There are 14 voting members representing employers across the unitary authorities, Higher and Further Education bodies and Academies, plus 1 non-voting member representing the Parish /Town Councils. Admission Bodies are not formally represented within the committee structure as it is difficult from a purely practical perspective to have meaningful representation from such a diverse group of employers. The appointment of independent members with voting rights was, in part, to provide representation on the committee independent of all the employing bodies. All employing bodies are included in all consultation exercises that the Fund undertakes with its stakeholders.</p> <p>There are also arrangements in place for the public, including employing bodies and members of the Avon Pension Fund to make representations to the committee at the committee meetings.</p> <p>There are up to 3 trades union representatives (1 with voting rights and 2 non-voting), nominated by the individual trade unions on the committee. These committee members also represent the deferred and pensioner members.</p> <p>The Fund has not appointed an independent professional observer. There is significant external oversight of the Fund, committee and decision-making process. Furthermore, three members are appointed to the committee independent of the administering authority and employers to strengthen the independence of the governance process. And the pension fund and its governance processes are scrutinised annually by external audit. The Fund's investment consultant attends all committee and panel meetings and other expert advisors, such as the Scheme Actuary, attend on an ad hoc basis when appropriate.</p> <p>All members of the committee are treated equally in terms of access to papers, meetings and training. Although some members do not have voting rights, they</p>

<p>to papers and meetings, training and are given full opportunity to contribute to the decision-making process, with or without voting rights.</p>	<p>are given full opportunity to undertake training and contribute to the decision-making process.</p> <p>The attached appendix contains the Fund's full policy on representation.</p>
<p>C – Selection and role of lay members</p>	<p>Compliant</p>
<p>a) That the committee or panel members are made fully aware of the status, role and function they are required to perform on either a main or secondary committee.</p> <p>b) That at the start of any meeting, committee members are invited to declare any financial or pecuniary interest related to specific matters on the agenda.</p>	<p>The Fund has separate job descriptions for the voting and non-voting members, which set out the role and responsibilities for each position within the committee. These are circulated to the relevant bodies prior to members being appointed to the committee.</p> <p>Declarations of interest is a standing item on every committee agenda.</p>
<p>D – Voting</p>	<p>Compliant</p>
<p>a) The policy of individual administering authorities on voting rights is clear and transparent, including justification for not extending voting rights to each body or group on main LGPS committees.</p>	<p>The Fund has a clear policy on voting rights and has extended the voting franchise to non-administering authority employers and scheme member representatives.</p>

E – Training/Facility time/ Expenses	Compliant
<p>a) That in relation to the way in which statutory and related decisions are taken by the administering authority, there is a clear policy on training, facility time and reimbursement of expenses in respect of members involved in the decision-making process.</p> <p>b) That where such a policy exists, it applies equally to all members of committees, sub-committees, advisory panels or any other form of secondary forum.</p> <p>c) That the administering authority considers the adoption of annual training plans for committee members and maintains a log of all such training.</p>	<p>The Fund has a clear policy on training and maintains a training log. Costs of approved external training is paid by the Fund. All members are invited to workshops organised by the Fund. Expenses are paid in line with the allowances scheme for each employer/stakeholder.</p> <p>See above.</p> <p>The Fund requires new members without prior experience of the Local Government Pension Scheme to attend a customised training course. A formal training plan is agreed on an annual basis which is responsive to the needs of the committee agenda. A training log is maintained.</p>
F – Meetings (frequency/quorum)	Compliant
<p>a) That an administering authority’s main committee or committees meet at least quarterly.</p> <p>b) That an administering authority’s secondary committee or panel meet at least twice a year and is synchronised with the dates when the main committee sits.</p> <p>c) That administering authorities who does not include lay members in their formal governance arrangements, provide a forum outside of those arrangements by which the interests of key stakeholders can be represented.</p>	<p>The committee meetings are held quarterly.</p> <p>The Investment Panel meets at least quarterly, synchronised to occur ahead of the main committee meetings.</p> <p>Lay members are included in the formal arrangements.</p>

G – Access	Compliant
a) That subject to any rules in the council's constitution, all members of main and secondary committees or panels has equal access to committee papers, documents and advice that falls to be considered at meetings of the main committee.	All members of the committee have equal access to meeting papers and advice.
H - Scope	Compliant
a) That administering authorities have taken steps to bring wider scheme issues within the scope of their governance arrangements.	The terms of reference include all aspects of benefits administration and admissions to the Fund.
I – Publicity	Compliant
a) That administering authorities have published details of their governance arrangements in such a way that stakeholders with an interest in the way in which the scheme is governed, can express an interest in wanting to be part of those arrangements.	All statutory documents including the Governance Compliance Statement are made available to the public via the Avon Pension Fund's website or are available on request from the Governance & Risk Advisor. A summary of the governance compliance statement is included in the Annual Report.

Draft to be approved by Avon Pension Fund Committee on 28 June 2024

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Avon Pension Fund

Local Government Pension Scheme

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Avon Pension Fund – Representation Policy

Background

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

The Fund is required under the regulations to publish a Governance Compliance Statement which demonstrates the extent to which the Fund complies with best practices in pension fund governance, including representation.

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

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

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

Representation

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

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

Pension Committee

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

The Council has delegated responsibility for the Fund to the Avon Pension Fund Committee (the Committee) which is the formal decision-making body for the Fund. The Committee's role is strategic in nature, setting policy framework and monitoring implementation and compliance within that framework.

Key stakeholders are represented as follows:

Unitary Authorities

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

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

Education Bodies

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

Parish Councils

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

Trade Unions

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

Admission Bodies

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

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

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

Independent Members

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

The existing committee structure consists of:

Voting members (14):	<ul style="list-style-type: none">• 5 elected members from Bath & North East Somerset Council• 3 elected members nominated from each of the other West of England unitary councils• 3 independent members• 1 nominated from the Higher/Further Education bodies• 1 nominated from Academy bodies• 1 nominated by the Trades Unions
Non-voting members (3):	<ul style="list-style-type: none">• 1 nominated from the Parish Councils• 2 nominated from the Trades Unions

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

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

Pension Board

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

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

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

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

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

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

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

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

Avon Pension Fund June 2024

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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.

Avon Pension Fund, Local Government Pension Scheme administered by Bath & North East Somerset Council.

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.

¹ Section 5(5)

² Chapter 7

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 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 that 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 only require a simple majority.

- 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. 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](#).

Area	Task	Pension Committee	Pension Board	S151 Officer	Director Fin Systems, Assurance & Pensions	Head of Pensions	Fund Officers	Advisors
Mission Objectives Beliefs	Mission Statement	Approve	Informed	Informed	Consult	Accountable	Consult	Consult
	Recommend representation policy to full Council	Approve	Informed	Informed	Consult	Accountable	Consult	
	Objectives for Governance, Funding, Investments	Approve	Informed	Informed	Consult	Accountable	Consult	
	Investment beliefs inc. climate change	Approve	Informed	Informed	Consult	Accountable	Consult	Consult
Governance	Risk management framework	Approve	Consult	Informed	Consult	Accountable	Consult	Consult
	Valuation - annual & triennial - inc. assumptions & contributions	Approve	Informed	Informed	Consult	Accountable	Consult	Consult
	Funding Strategy Statement	Approve	Oversight	Informed	Consult	Accountable	Consult	Consult
	Adequate systems of internal controls	Approve	Oversight		Consult	Accountable	Consult	
	Governance compliance statement	Approve	Oversight		Consult	Accountable	Consult	
	Business plan (inc. budget)	Approve	Oversight	Informed	Consult	Accountable	Consult	
	Conflicts of interest policy	Approve	Oversight		Consult	Accountable	Consult	Consult
	Administration strategy	Approve	Consult	Informed	Consult	Accountable	Consult	Consult
	Discretionary policies	Approve	Oversight		Consult	Accountable	Consult	
	Training strategy	Approve	Consult		Consult	Accountable	Consult	Consult
	Cyber security policy inc. incident response plan	Approve	Consult	Informed	Consult	Accountable	Consult	Consult
	ToR for Committee and Pension Board	Approve	Consult	Informed	Consult	Accountable	Consult	
	Scheme of Delegation	Approve	Oversight	Informed	Consult	Accountable	Consult	
	Committee's annual report to Council	Approve	Informed	Approve	Consult	Accountable	Consult	
	Covenant arrangements	Approve	Informed	Informed	Informed	Accountable	Consult	Consult
	Treasury Management Policy	Approve	Informed	Informed	Informed	Accountable	Consult	
	Report regulatory breaches	Informed	Consult	Informed	Informed	Approve	Accountable	
Pension Board's annual report	Informed	Approve	Approve	Consult	Accountable	Consult		
Control	Finalise fund accounts	Informed	Informed	Approve	Consult	Accountable	Consult	
	Recommend fund accounts to relevant Council Committee	Approve	Informed	Approve	Consult	Accountable	Consult	
	Agree anti-pension scam (anti-fraud) policy	Approve	Informed	Informed	Consult	Accountable	Consult	Consult
	Fund Annual report	Approve	Informed	Informed	Consult	Accountable	Accountable	
	Completion of Year-end exercise	Informed	Informed		Informed	Approve	Accountable	
	Annual benefit statement process	Informed	Informed		Informed	Approve	Accountable	
	Issue annual allowance statements	Informed	Informed		Informed	Approve	Accountable	
	Set target service standards	Approve	Consult		Consult	Accountable	Consult	
	Manage fund vs service standards, Reporting, Actions	Approve	Consult		Consult	Accountable	Consult	
	Procure admin system provider	Informed	Consult	Informed	Approve	Accountable	Consult	
	Agree business continuity plans	Informed	Informed	Informed	Informed	Approve	Accountable	
Organisation Structure of pension service	Oversight	Consult	Informed	Approve	Accountable	Consult		
Investments	Agree Investment strategy statement (including RI)	Approve	Oversight	Informed	Consult	Accountable	Consult	Consult
	Agree asset allocation	Approve	Informed		Consult	Accountable	Consult	Consult
	Agree allocations to new asset classes	Approve	Informed		Consult	Accountable	Consult	Consult
	Appoint fund manager outside Brunel, e.g. local impact	Consult	Informed		Consult	Approve	Accountable	Consult
	Appoint fund actuary / investment advisor	Consult	Informed		Consult	Approve	Accountable	
Oversight	Monitor the Fund's Investment performance	Informed	Informed		Informed	Accountable	Consult	Consult
	Monitor fund managers' ESG and sustainability policies	Informed	Informed		Informed	Accountable	Consult	Consult
	Monitor cashflow management	Informed	Informed	Informed	Informed	Accountable	Consult	Consult

Approve	Approval of a decision following recommendation
Accountable	Recommendation of decision - with advice & input from others
Consult	Active input sought
Informed	FYI
Oversight	Scrutiny of decisions or recommendations
	No role

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Bath & North East Somerset Council	
MEETING:	Avon Pension Fund Committee Meeting
MEETING DATE:	28 June 2024
TITLE:	PENSION FUND ADMINISTRATION Overview & Summary Performance Report
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 – Pensions Increase Project Update</p> <p>Appendix 4 – Administration 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 31st March 2024 vs key performance indicators (KPI’s).

2 RECOMMENDATION

The Committee:

- 2.1 Notes the service performance for the period ending 31st March 2024.

3 PERFORMANCE –

- 3.1 Appendix 1 summarises service performance vs SLAs¹ to 31st March 2024.
- 3.2 It should be noted that we have focused on resolving older and more complex cases in recent months, which has reduced backlogs of < 30 days’ duration. Over time reduced backlogs should feed into improved SLA performance.
- 3.3 The Fund is operating materially below its SLA target of >90% for KPI cases. Annex and Annex 2 illustrate cases completed within/outside of the SLA.
- 3.4 Service levels remain stable, and no deterioration has occurred, though service levels remain below where they need to be. An up-to-date position as at 30th May 2024 will be shared at the meeting. Annex 5 illustrates the quarterly workflow of all KPI and non-KPI cases.
- 3.5 The following are key updates to be shared with the committee that impact the service and performance.

¹ service level agreements

People:

- We continue to recruit to our existing structure and have appointed 10 new staff to date in 2024.
- We have 4 open vacancies in the current structure including for the Employer Services Manager and Member Service Manager.
- 2 of the 3 officers on long term sick have returned to work and are being supported with a phased return.
- From 30 May 2024 APF entered a 45-day consultation period with all staff for an organisational re-structure which will take effect on 1 August. The new structure will increase overall FTE's from 83 to 94. A verbal update on the re-structure will be given at the meeting.

McCloud:

- We are still awaiting guidance from the Scheme Advisory Board (SAB) with respect to the application of the McCloud remedy. This is now expected in June 2024, once receive we will plan and implement the remedy project.
- Work is no longer being stockpiled due to McCloud as guidance for Club transfers has now been published.
- Due to a 2023 bug in Altair we continue to review member data. Early reporting suggests the fund has c.1,000 members requiring remedy.
- Further data will be presented to the Committee at the meeting on the application of the remedy. This will be in respect of retirements since 1 October 2023 when regulations came into force.

GMP

- The fund is in the final stages of reviewing the Mercer closure report for member reconciliation.
- c.5,000 cases (vs 14,000 reported in Q1 2024) are outstanding as "stalemate cases" out of a population of 91,000 members. The review will complete during Q3 2024 and we plan to bring recommendations to Board & Committee in September as the project progresses.

Pension Increases:

- A presentation will be given to the Board and Committee on progress in correcting historic errors - with c.700 cases addressed in Phase-1 during Q1 2024 and c.500 cases to be addressed during the remainder of 2024.
- PI was successfully processed for 2024 and paid in the April payroll run. Errors were identified at the provisional stage and rectified to ensure PI ran in live without issue.
- Due to an error with the software supplementary PI was not run, affecting all Heywood LGPS clients. A fix is due in the next software update and, subject to testing in June, we plan to pay supplementary PI in July.

Payroll:

- 46 cases with overpaid short to long term pensions and 3 ill health cases have been reviewed and remedied.

- Ongoing pensions have been corrected and any overpayments have been reviewed and the fund has agreed not to pursue any overpayments.

Process Controls:

- The fund is working with an external consultancy to map and review existing processes and relevant controls.
- The initial project will review the top 15 processes based on risk. The review is due to complete at the end of June and a full report will be brought to Committee in September with a verbal update in June.

Procurement

- The fund is reviewing procurement options for an ISP (integrated service provider) for the pensions dashboard via the LGPS Framework.
- We are currently taking procurement advice from BANES for the planned procurement of our core software product, plus additional elements including employer data and payroll.

4 YEAR END & VALUATION

- 4.1 2024-year end is ongoing with data from employers being validated.
- 4.2 The fund is on track to complete annual benefit statements for 2024.

5 SUMMARY OF FUND MEMBERSHIP DATA QUALITY

- 5.1 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.
- 5.2 Missing Care pay cases continue to be reviewed and case workload is reducing.

6 RISK MANAGEMENT

- 6.1 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.
- 6.2 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.

7 BUDGET MONITORING

The budget outturn for the 2023-24 year was an underspend of £503k.

	Status (Year End Outturn)	Comment if significant under/over
Administration Governance & Compliance		Reduced salaries expenditure due to delays in filling vacant posts against budget in Benefits team. This has been partially offset by external support brought in and a reduction in Avon Fire administration recharge.
Pensions Board		Small underspend due to recruitment of new board members commencing slightly later in April 2024 (2024-25 year).

Key:

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

8 EQUALITIES STATEMENT

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

9 CLIMATE

9.1 The Fund is implementing a digital strategy across all its operations and communications with stakeholders to reduce its internal carbon footprint in line with the Council's Climate Strategy. The Fund acknowledges the financial risk to its assets from climate change 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.

10 OTHER OPTIONS CONSIDERED

10.1 None.

11 CONSULTATION

11.1 The Council's Director of Financial Services, Assurance & Pensions 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.	

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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
Death Notification	5 Days	150	69	46.0%	57	84.0%
Death - Act/Def/Pen - Payment	10 Days	99	79	79.8%	6	85.9%
Retirement (Active) - Quote	15 Days	494	142	28.7%	53	39.5%
Retirement (Active) - Actual	15 Days	248	201	81.0%	17	87.9%
Retirement (Deferred) - Quote	30 Days	578	132	22.8%	61	33.4%
Retirement (Deferred) - Actual	15 Days	400	221	55.3%	33	63.5%
Divorce - Quote	45 Days	67	39	58.2%	7	68.7%
Divorce - Actual	15 Days	1	1	100.0%	0	100.0%
Refund - Quotes	10 Days	888	409	46.1%	49	51.6%
Refund - Actual	10 Days	374	41	11.0%	45	23.0%
Deferred Benefits	30 Days	603	167	27.7%	89	42.5%
Transfer In (Active) - Quote	10 Days	79	18	22.8%	3	26.6%
Transfer In (Active) - Actual	10 Days	29	10	34.5%	2	41.4%
Transfer Out (Active/Deferred) - Quote	10 Days	140	12	8.6%	4	11.4%
Transfer Out (Active/Deferred) - Actual	10 Days	18	18	100.0%	0	100.0%
Employer Estimate - Quote	15 Days	50	42	84.0%	4	92.0%
Member Estimate - Quote	15 Days	219	188	85.8%	12	91.3%
Joiner	40 Days	3079	3007	97.7%	4	97.8%

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

Annex 2

Case No's vs Target

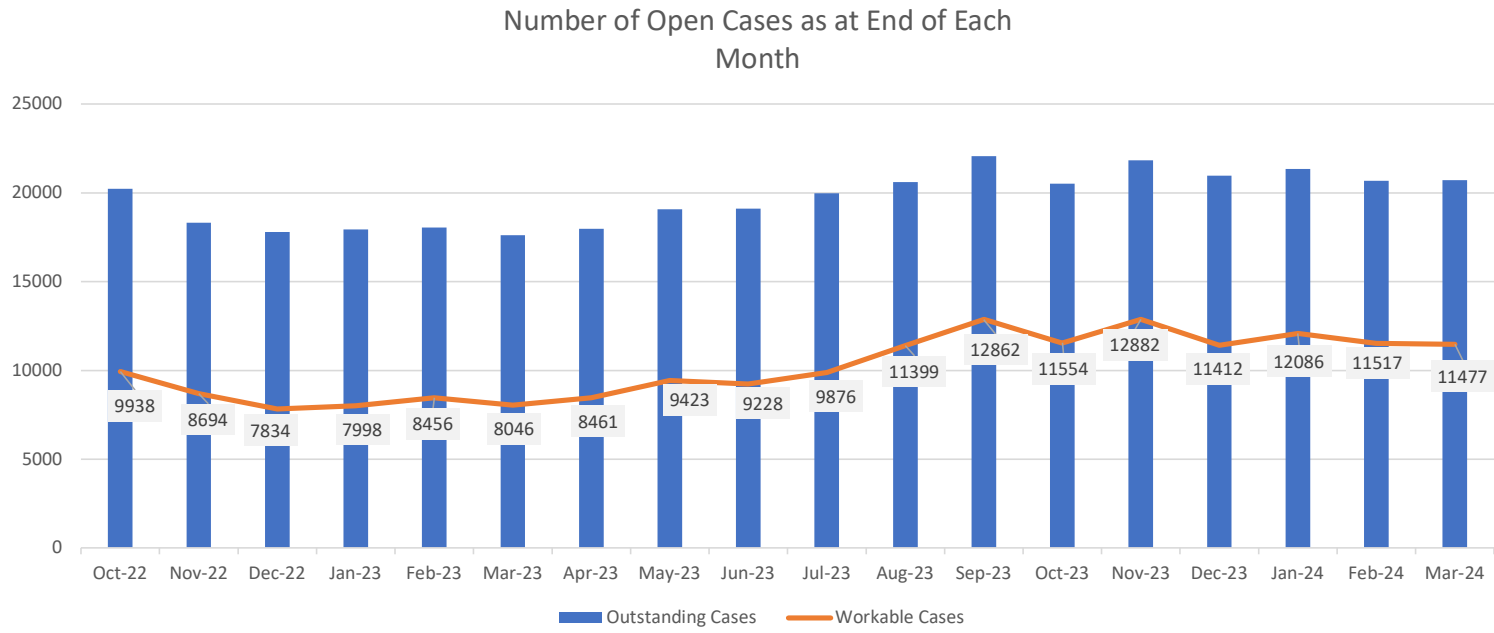
		Tasks Last Quarter										
		Actual Days to Process										
		Average Days to Process	0 to 5	6 to 10	11 to 15	16 to 20	21 to 25	26 to 30	31 to 40	41 to 45	46 to 59	60+
Death Notification	5 Days	6	69	57	16	4	2	1	0	1	0	0
Death - Act/Def/Pen - Payment	10 Days	9	64	15	6	8	0	2	2	0	2	0
Retirement (Active) - Quote	15 Days	27	54	55	33	53	38	17	41	24	37	142
Retirement (Active) - Actual	15 Days	17	106	74	21	17	11	7	5	2	1	4
Retirement (Deferred) - Quote	30 Days	35	24	14	23	20	21	30	61	48	139	198
Retirement (Deferred) - Actual	15 Days	17	93	65	63	33	26	30	62	8	15	5
Divorce - Quote	45 Days	29	2	6	4	0	1	7	11	8	7	21
Divorce - Actual	15 Days	34	1	0	0	0	0	0	0	0	0	0
Refund - Quotes	10 Days	71	255	154	49	77	65	39	11	1	12	225
Refund - Actual	10 Days	33	14	27	45	42	21	21	78	40	56	30
Deferred Benefits	30 Days	50	48	14	37	21	23	24	89	41	74	232
Transfer In (Active) - Quote	10 Days	24	11	7	3	6	1	2	12	4	9	24
Transfer In (Active) - Actual	10 Days	38	6	4	2	0	5	2	4	0	3	3
Transfer Out (Active/Deferred) - Quote	10 Days	44	8	4	4	6	8	6	5	6	18	75
Transfer Out (Active/Deferred) - Actual	10 Days	33	14	4	0	0	0	0	0	0	0	0
Employer Estimate - Quote	15 Days	15	15	16	11	4	1	2	1	0	0	0
Member Estimate - Quote	15 Days	8	117	47	24	12	3	1	3	3	1	8
Joiner	40 Days	4	530	629	373	463	800	170	42	4	13	55

Annex 3 Trend in Overall Performance

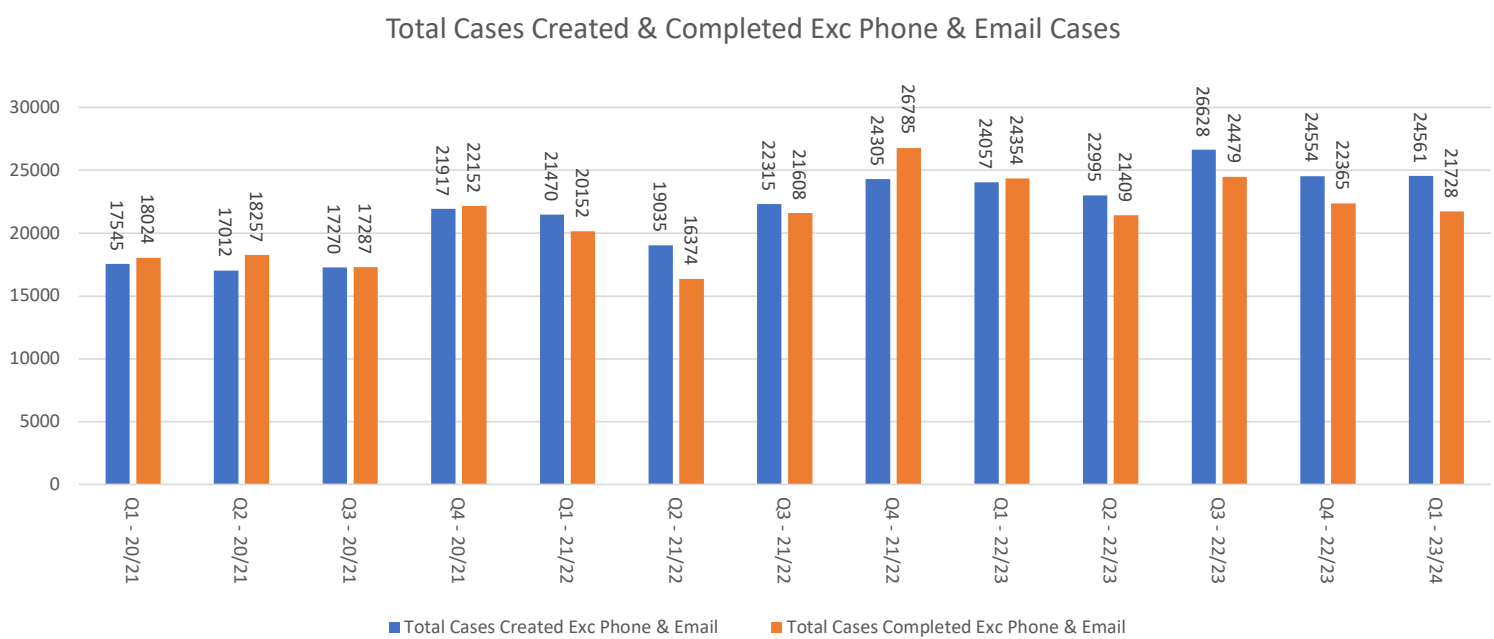
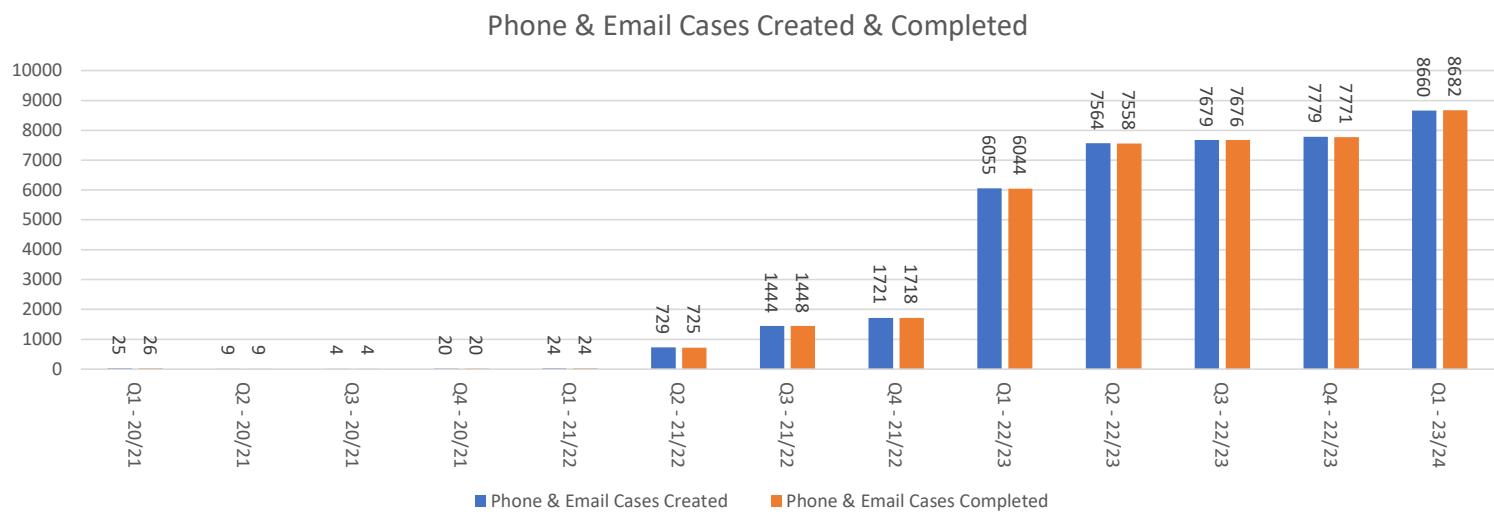
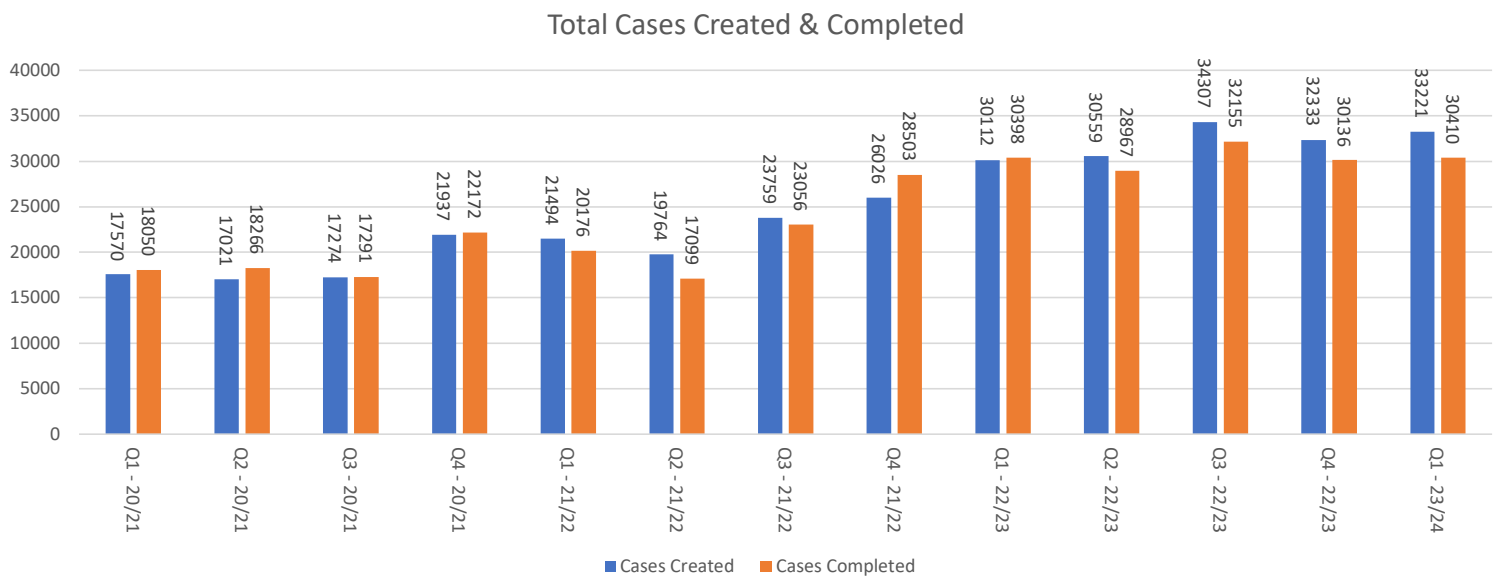
Work Type	Target Processing SLA	Q2	Q3	Q4	Q1	Trend
		Apr-23 to Jun-23	Jul-23 to Sep-23	Oct-23 to Dec-23	Jan-24 to Mar-24	
Death Notification	5 Days	73.8%	57.1%	75.0%	46.0%	
Death - Act/Def/Pen - Payment	10 Days	65.3%	72.5%	79.7%	79.8%	
Retirement (Active) - Quote	15 Days	44.0%	52.1%	27.7%	28.7%	
Retirement (Active) - Actual	15 Days	62.5%	75.1%	74.4%	81.0%	
Retirement (Deferred) - Quote	30 Days	70.1%	49.8%	30.1%	22.8%	
Retirement (Deferred) - Actual	15 Days	66.9%	71.4%	81.3%	55.3%	
Divorce - Quote	45 Days	90.9%	80.2%	88.2%	58.2%	
Divorce - Actual	15 Days	50.0%	0.0%	100.0%	100.0%	
Refund - Quotes	10 Days	1.7%	33.1%	11.3%	46.1%	
Refund - Actual	10 Days	29.4%	49.0%	64.7%	11.0%	
Deferred Benefits	30 Days	39.4%	54.0%	31.2%	27.7%	
Transfer In (Active) - Quote	10 Days	2.3%	23.5%	24.0%	22.8%	
Transfer In (Active) - Actual	10 Days	12.5%	40.0%	20.7%	34.5%	
Transfer Out (Active/Deferred) - Quote	10 Days	33.3%	32.8%	17.6%	8.6%	
Transfer Out (Active/Deferred) - Actual	10 Days	45.5%	51.4%	85.7%	100.0%	
Employer Estimate - Quote	15 Days	82.4%	55.3%	65.5%	84.0%	
Member Estimate - Quote	15 Days	87.1%	92.0%	86.5%	85.8%	
Joiner	40 Days	99.3%	98.6%	99.1%	97.7%	

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

Annex 4



Annex 5



Annex 1 – TPR Errors by Member Numbers

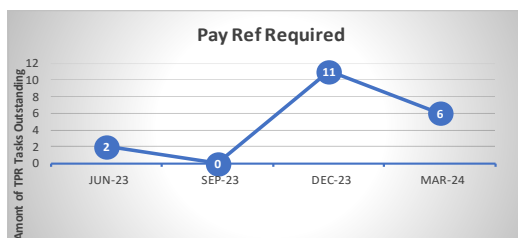
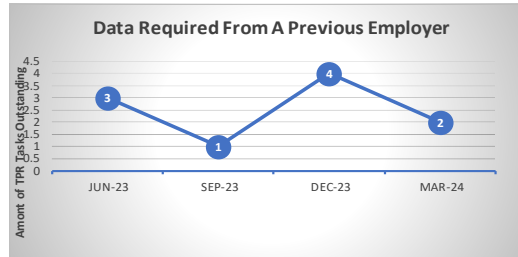
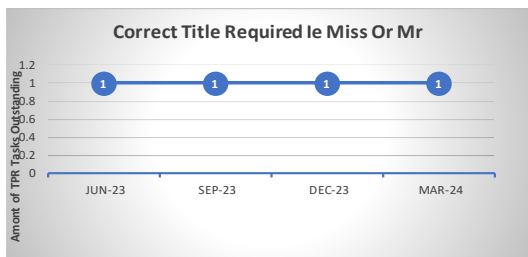
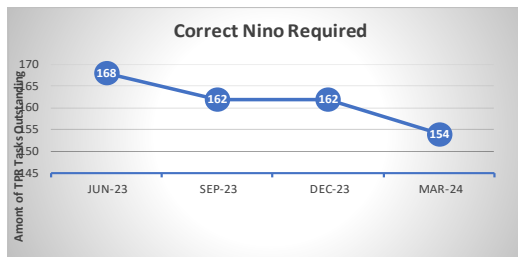
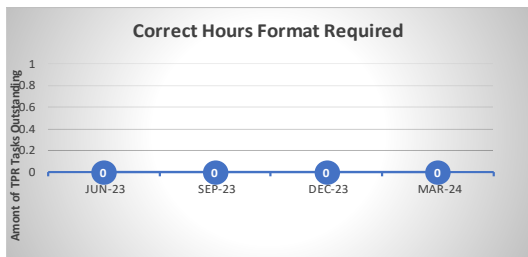
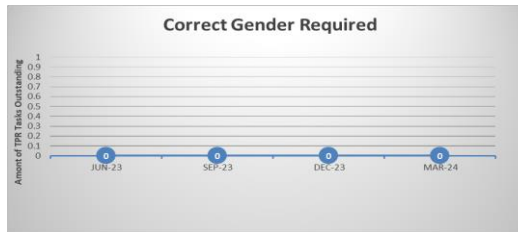
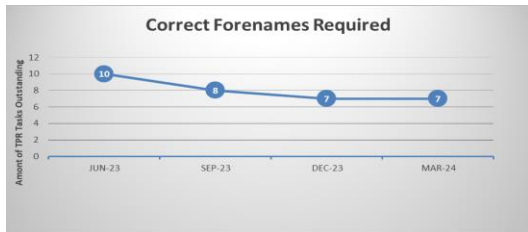
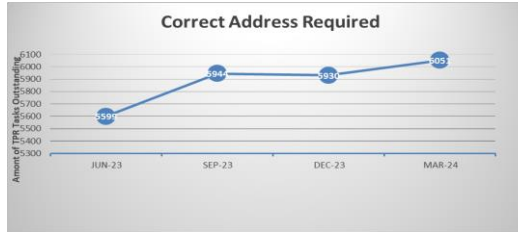
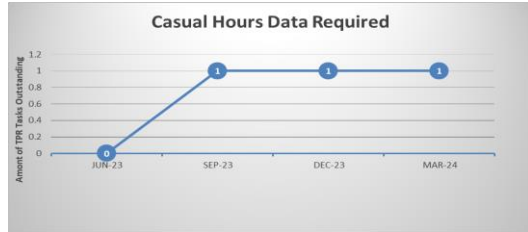
	Dec-23				Mar-24				*Trend
	Member Records	TPR Errors	% Errors	Data Score	Member Records	TPR Errors	% Errors	Data Score	
ACTIVE	40952	144	0.35%	99.65	40643	108	0.27%	99.73	-36
UNDECIDED	6995	144	2.06%	97.94	6972	97	1.39%	98.61	-47
DEFERRED	45006	4052	9.00%	91.00	44516	4118	9.25%	90.75	+66
PENSIONERS	36788	468	1.27%	98.73	36085	482	1.34%	98.66	+14
DEPENDANTS	5354	138	2.58%	97.42	5158	136	2.64%	97.36	-2
FROZEN	7267	1870	25.73%	74.27	7657	1924	25.13%	74.87	+54
TOTALS	142362	6816	4.79%	95.92	141031	6865	4.87%	95.13	+49

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

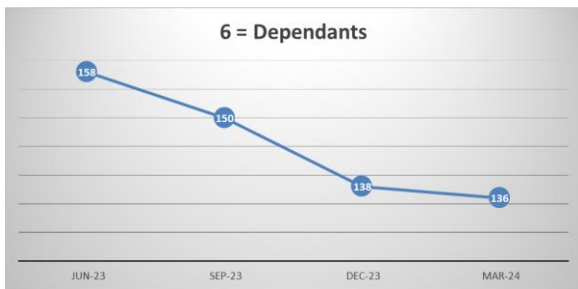
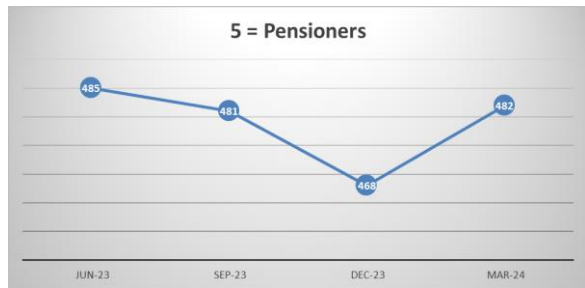
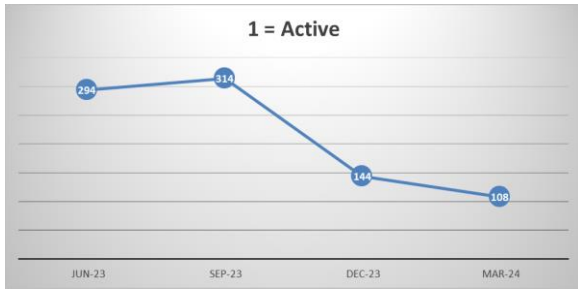
	Dec-23		Mar-24		*Trend
	TPR Errors	%	TPR Errors	%	
Age 75 Exceeded Lgps Eligibility Issue	93	1.36%	106	1.54%	+13
Care Pay For 2014-2015 Required	1	0.01%	0	0.00%	-1
Care Pay For 2015-2016 Required	3	0.04%	0	0.00%	-3
Care Pay For 2016-2017 Required	2	0.03%	0	0.00%	-2
Care Pay For 2017-2018 Required	2	0.03%	2	0.03%	0
Care Pay For 2018-2019 Required	3	0.04%	1	0.01%	-2
Care Pay For 2019-2020 Required	6	0.09%	3	0.04%	-3
Care Pay For 2020-2021 Required	10	0.15%	6	0.09%	-4
CARE pay for 2021-2022 required	20	0.29%	12	0.17%	-8
CARE pay for 2022-2023 required	19	0.28%	6	0.09%	-13
CARE pay for 2023-2024 required	0	0.00%	1	0.01%	+1
Casual Hours Data Required	1	0.01%	1	0.01%	0
Correct Address Required	5930	87.00%	6050	88.13%	+120
Correct Forenames Required	7	0.10%	7	0.10%	+0
Next of Kin Address Required	0	0.00%	18	0.26%	+18
Correct Hours Format Required	0	0.00%	0	0.00%	0
Correct Nino Required	162	2.38%	154	2.24%	-8
Correct Title Required ie Miss Or Mr	1	0.01%	1	0.01%	0
Data Required From A Previous Employ	4	0.06%	2	0.03%	-2
Date Joined Fund Required	4	0.06%	1	0.01%	-3
Historic Refund Case	474	6.95%	474	6.90%	0
Leaver Form Required	63	0.92%	14	0.20%	-49
Pay Ref Required	11	0.16%	6	0.09%	-5
Correct Surname Required	0	0.00%	0	0.00%	0
Correct Date Of Birth Required	0	0.00%	0	0.00%	0
Grand total	6816	100%	6865	100%	

*Trend is influenced by number of errors

TPR Error Numbers by Error Type



TPR Error Numbers by Status



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Pensions Increase update

June 2024

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Your pension, your future

Phase 1 is complete

Phase 1

2024 PI

- Remediated **801** members using Retro PI process: –
 - **696** members paid arrears/interest and corrected their monthly pensions going forward (**645** LGPS and **51** Teachers).
 - **105** members fixed in readiness for 2024 PI.
- Modest increase in member calls and emails. Response to date has been largely neutral.
- Short-term pensions (**46**) and Tier 3 Ill-health cases (**7**) corrected manually – no arrears due. *(Note: Included non-PI cases).*

POPULATION	Monthly Arrears (£)	SUPP PI Arrears (£)	Interest (£)	Total Paid (£)	Numbers
LGPS	547,977.07	62,003.72	45,569.74	655,550.53	645
Teachers	100,050.45	-	8,619.64	108,670.09	51
TOTAL	648,027.52	62,003.72	54,189.38	764,220.62	696

- 2024 Pension Increase successfully run.
- APF team used Provisional PI runs to identify and clear errors arising on both Admin and Payroll systems.
- Future Phase cases - errors already identified.
- Retirement cases held until after 2024 PI run were processed by Member Services with Quality Assurance team support.
- Member Services training completed to address root cause member Admin record date anomalies emanating from benefit processing.

Lessons learned - Phase 1



- We have **improved our knowledge** of the PI annual process. Heywood support has been invaluable and effective.
- **Communication** with the APF Committee, Pension Board and Council, and within the APF project team has been constructive.
- We achieved the Phase 1 **timeline** within the hard deadline imposed by the 2024 PI run.
- We underestimated the time needed for **payroll** updates, testing and live execution putting pressure on the APF project team. Project plan lacked contingency for the issues that we encountered.
- **Additional checks** on initial Altair data will be done to surface interface record issues earlier.

Future phases plan

Population

- Cases are more complex than Phase 1 and require deeper analysis.
- Not all of population will require remediation.

Approach

- Technical Manager to lead project and will form part of teams BAU project work.
- Use full end-to-end bulk remediation process where possible – run smaller batches with similar profiles once analysis and any correction work complete.
- Payroll query and tracing case work started. Other categories will be addressed as resource permits and decisions on process have been made.

Aiming to address all cases by end 2024.

Population	Number	APF Resource
Payroll queries	118	Payroll
Suspended from outset (tracing)	92	Data Control
GMP	150	Technical/ GMP project
Other record issues	84	Technical
Deaths	32	Technical
2024 PI run & payroll reconciliation	15	Technical
TOTAL	491	

Notes:

- Maximum number. After review some may not need remediation.
- Total LGPS PI cost is expected to be within the original £1.5m estimated at the outset of project. We expect there will be no aggregate actuarial impacts but there may be some impacts on the individual employer level.
- Interest outstanding for some manually corrected cases to be calculated and paid during future phases.

Project costs – Phase 1

Category	Description	Cost to Fund
645 LGPS members	Pension increase remediation – Arrears and interest paid	£655,550
51 Teachers	Pension increase remediation – Arrears and interest paid	Nil cost to Fund £109k billed to BANES
Total Cost		£655,550

Project costs – Future Phase estimate

Category	Description	Cost to Fund
Future LGPS members	Pension increase remediation – Arrears and interest to pay	£656,000

Administration Update June 2024

Claire Newbery

Pensions Operations Manager

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Your pension, your future

Agenda



- Restructure update
- McCloud Remedy
- Workflow inc KPI's

Re-Structure



- 45-day consultation began on 30th May 2024, ends 14th July 2024
- New structure to create new teams – Digital Services, Member Contact Team & Payroll
- Structure will create capacity for the operational teams and support for business change and digital transformation
- Increasing from 83 to 94 FTE across APF, overall increase of 11 FTE, 8 within Operations
- No increase to overall budget of £31m (£2m saving on investment costs)
- 60 officers slotted in-to roles
- 28 officers ring-fenced (to migrate staff from 2 to 4 teams) increase of 20.7 to 22 FTE's
- 2 deleted posts

McCloud – Pensions in-to payment from 1st October 2023 to 31st May 2024

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Type of Pension	Number of cases	Number underpin applied	Percentage	Total annual uplift	Total monthly uplift
Normal (from active or deferred)	925	18	2%	£6,735	£561
Dependant	204	0	0%	£0	£0

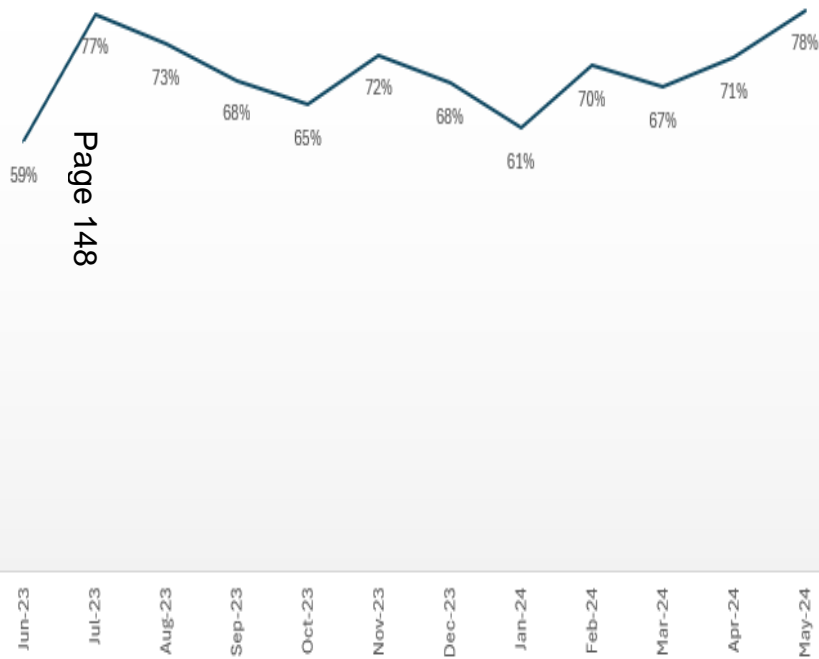
Highest under-pin	£1,127
Lowest under-pin	£11

Average under-pin	£374
Median under-pin	£168

Workflow & MI



SLA – Performance average June 23 to May 2024



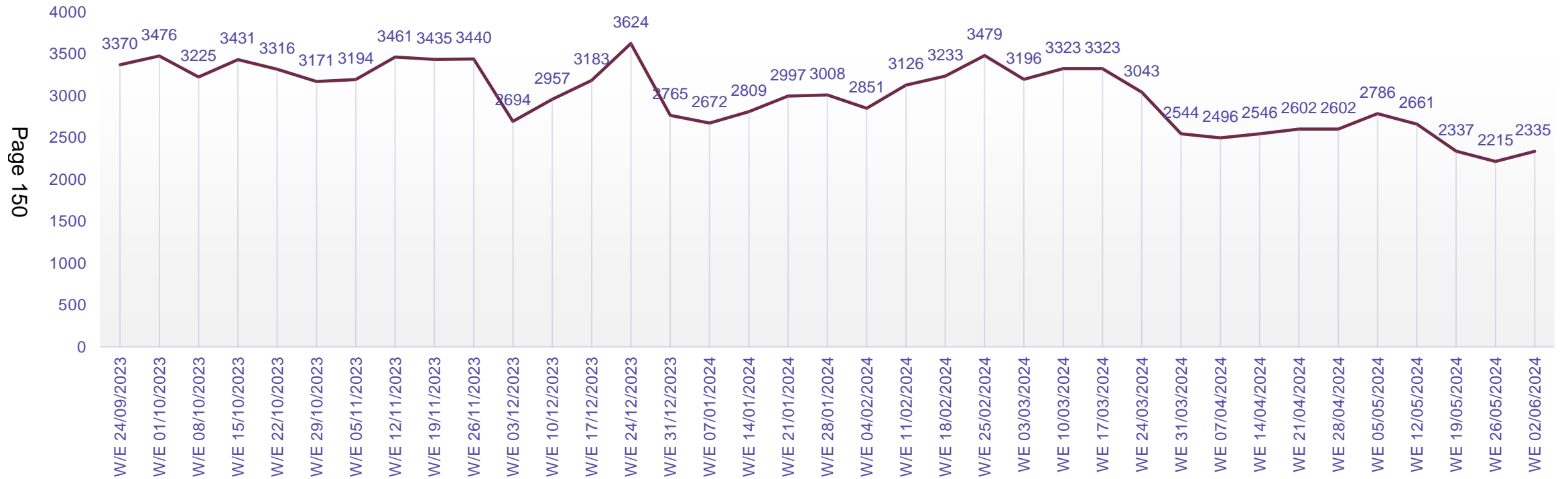
KPI Category	Jun-23	Jul-23	Aug-23	Sep-23	Oct-23	Nov-23	Dec-23	Jan-24	Feb-24	Mar-24	Apr-24	May-24	Cases Created Jul-23 to May-24
Death Notification	25%	25%	59%	68%	74%	64%	92%	57%	20%	61%	46%	31%	554
Death - Act/Def/Pen - Payment	76%	67%	87%	47%	77%	79%	84%	76%	68%	77%	100%	69%	493
Retirement (Active) - Quote	58%	72%	37%	37%	30%	25%	39%	32%	37%	33%	31%	30%	1,601
Retirement (Active) - Actual	64%	86%	60%	91%	68%	73%	83%	77%	76%	75%	95%	77%	935
Retirement (Deferred) - Quote	83%	97%	62%	36%	34%	28%	38%	17%	30%	29%	36%	57%	1,915
Retirement (Deferred) - Actual	54%	78%	71%	50%	90%	83%	73%	52%	33%	66%	75%	66%	1,212
Divorce - Quote	N/A	82%	100%	92%	100%	67%	84%	39%	78%	73%	59%	66%	288
Divorce - Actual	N/A	0%	N/A	N/A	100%	N/A	N/A	100%	N/A	N/A	N/A	N/A	8
Refund - Quotes	0%	24%	24%	25%	5%	26%	15%	31%	66%	29%	22%	77%	2,933
Refund - Actual	50%	19%	62%	89%	72%	93%	37%	12%	31%	49%	84%	85%	944
Deferred Benefits	50%	72%	64%	44%	34%	73%	35%	35%	50%	45%	62%	67%	2,790
Transfer In (Active) - Quote	0%	50%	6%	50%	0%	9%	19%	20%	17%	13%	3%	6%	398
Transfer In (Active) - Actual	N/A	50%	56%	67%	18%	54%	50%	0%	29%	30%	100%	33%	103
Transfer Out (Active/Deferred) - Quote	N/A	45%	41%	0%	22%	4%	29%	14%	17%	17%	16%	14%	957
Transfer Out (Active/Deferred) - Actual	N/A	44%	40%	0%	55%	94%	100%	100%	100%	90%	73%	100%	102
Employer Estimate - Quote	74%	67%	100%	79%	60%	54%	50%	93%	89%	69%	65%	100%	227
Member Estimate - Quote	78%	99%	98%	81%	83%	92%	88%	94%	99%	91%	66%	94%	625
Joiner	82%	98%	98%	98%	96%	99%	99%	93%	100%	97%	100%	100%	12,035

Weighted Average	59%	77%	73%	68%	65%	72%	68%	61%	70%	67%	71%	78%	
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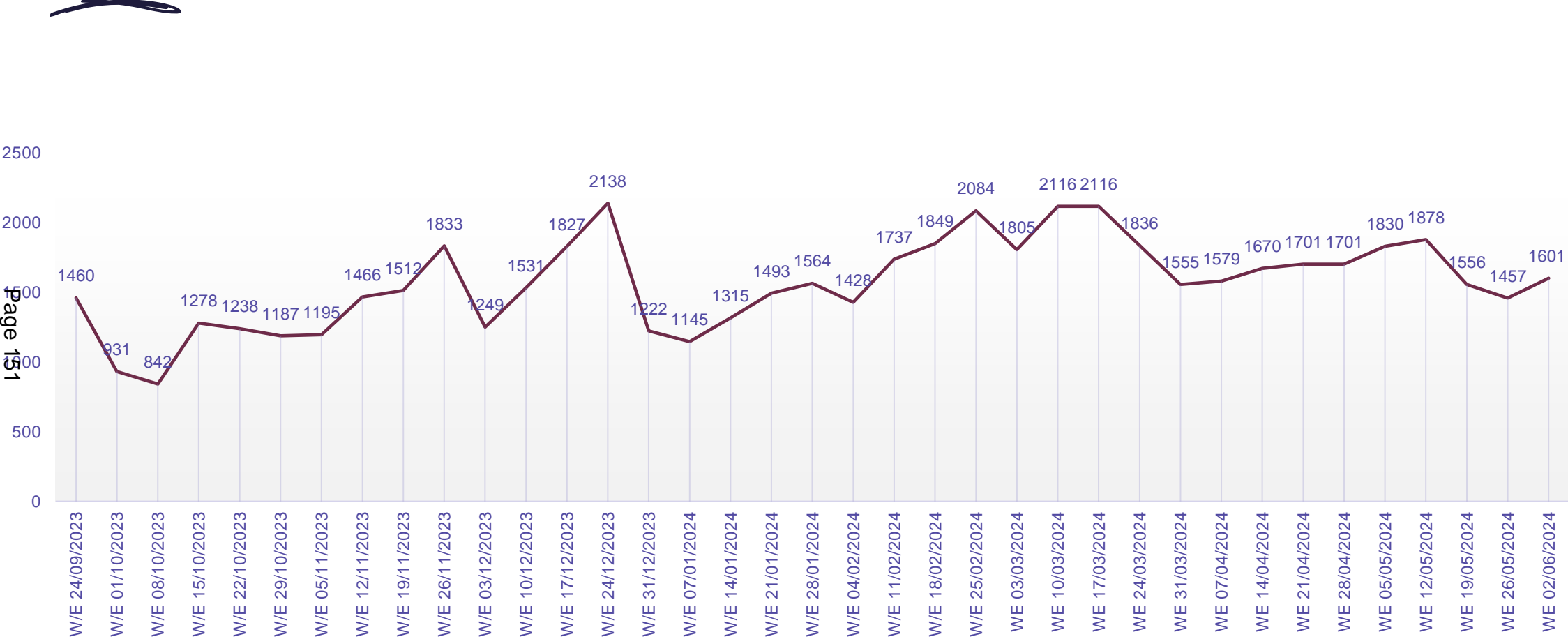
KPI completion by days as a percentage April & May 2024

		Tasks Current Quarter									
		Actual Days to Process									
		0 to 5	6 to 10	11 to 15	16 to 20	21 to 25	26 to 30	31 to 40	41 to 45	46 to 59	60+
Death Notification	5 Days	35%	95%	98%	100%						
Death - Act/Def/Pen - Payment	10 Days	67%	83%	88%	94%	97%	99%	100%			
Retirement (Active) - Quote	15 Days	13%	23%	30%	39%	48%	54%	71%	75%	83%	100%
Retirement (Active) - Actual	15 Days	51%	70%	80%	86%	93%	96%	97%	97%	98%	100%
Retirement (Deferred) - Quote	30 Days	3%	7%	11%	17%	30%	38%	60%	67%	84%	100%
Retirement (Deferred) - Actual	15 Days	37%	53%	63%	71%	81%	87%	98%	98%	100%	
Divorce - Quote	45 Days	18%	24%	28%	34%	36%	38%	52%	56%	70%	100%
Divorce - Actual	15 Days	-	0%	0%	0%	0%	0%	0%	0%	0%	100%
Refund - Quotes	10 Days	35%	45%	75%	85%	90%	91%	92%	93%	93%	100%
Refund - Actual	10 Days	54%	81%	85%	91%	92%	93%	95%	95%	98%	100%
Deferred Benefits	30 Days	13%	36%	54%	59%	63%	65%	68%	69%	72%	100%
Transfer In (Active) - Quote	10 Days	2%	4%	5%	5%	7%	9%	15%	17%	49%	100%
Transfer In (Active) - Actual	10 Days	60%	60%	60%	80%	100%					
Transfer Out (Active/Deferred) - Quote	10 Days	6%	9%	12%	13%	15%	17%	23%	26%	36%	100%
Transfer Out (Active/Deferred) - Actual	10 Days	81%	81%	100%	100%						
Employer Estimate - Quote	15 Days	41%	55%	68%	73%	91%	91%	91%	91%	100%	
Member Estimate - Quote	15 Days	37%	48%	63%	74%	80%	81%	90%	91%	93%	100%
Joiner	40 Days	17%	22%	25%	32%	77%	97%	100%			

KPI's - Total outstanding cases

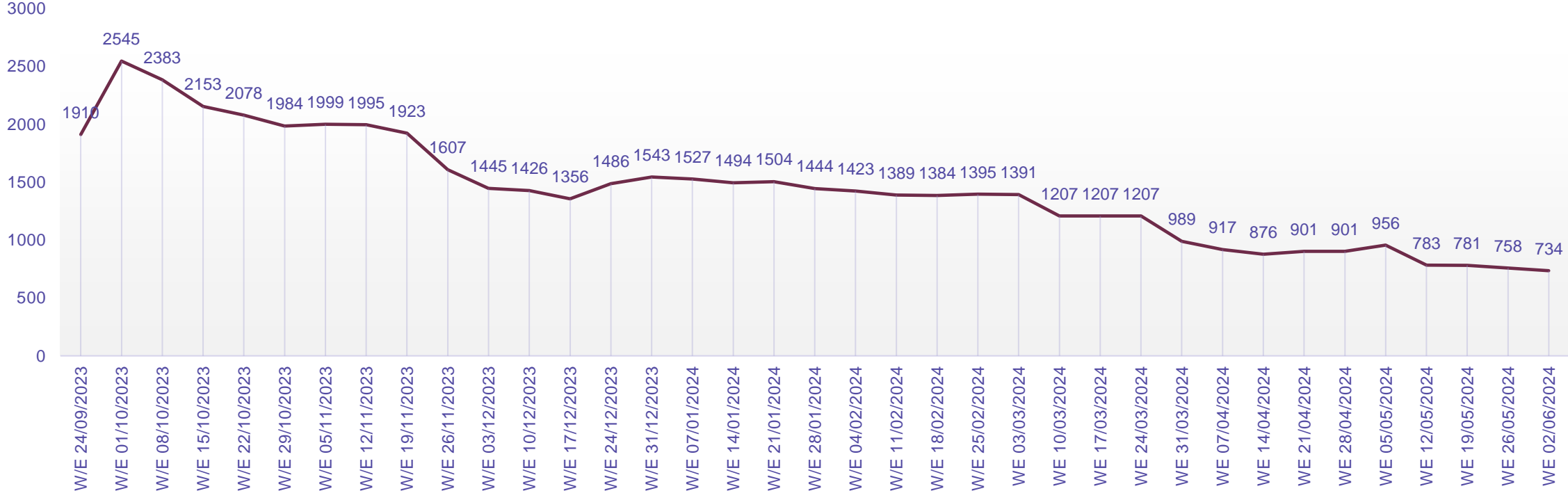


KPI's - cases outstanding under 31 days



KPI cases outstanding over 31 days

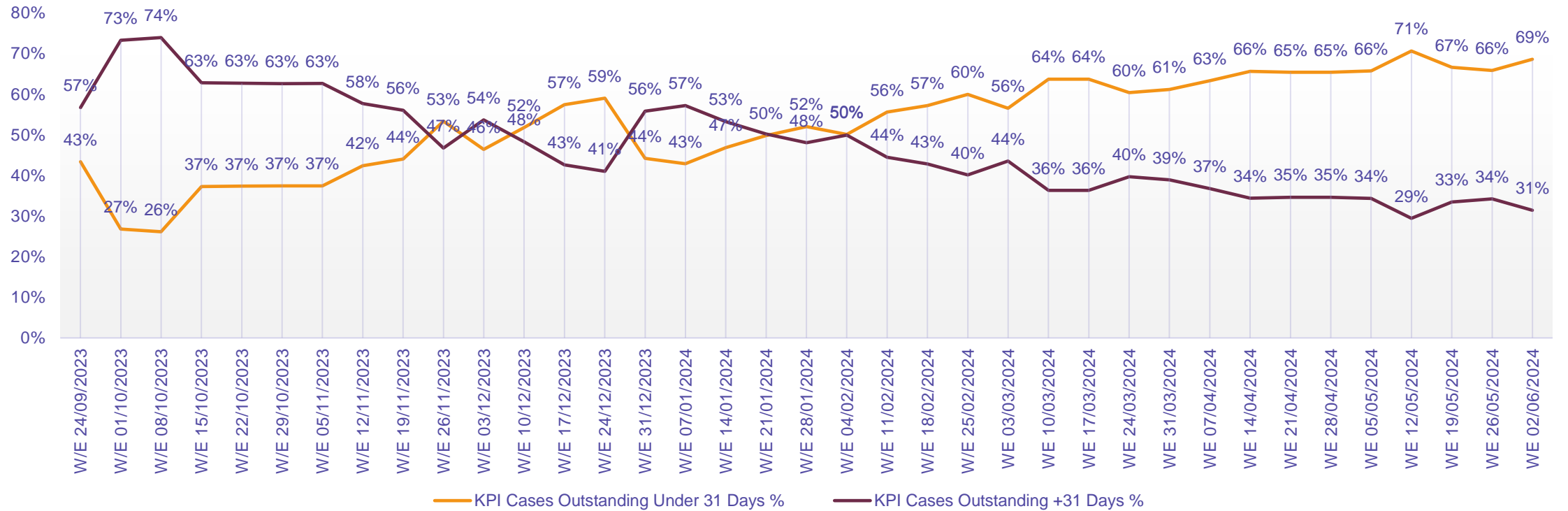
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KPI's – Cases by age

Outstanding KPI Tasks by Age %

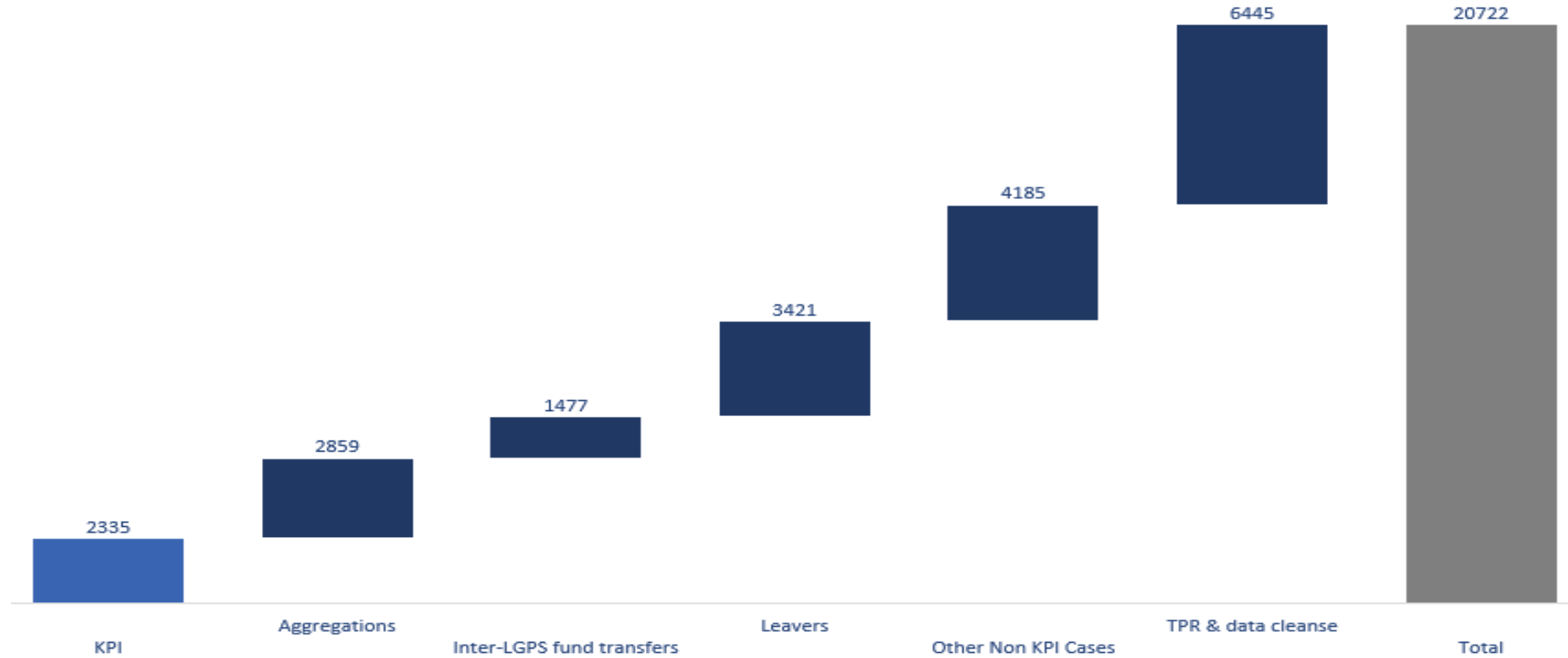
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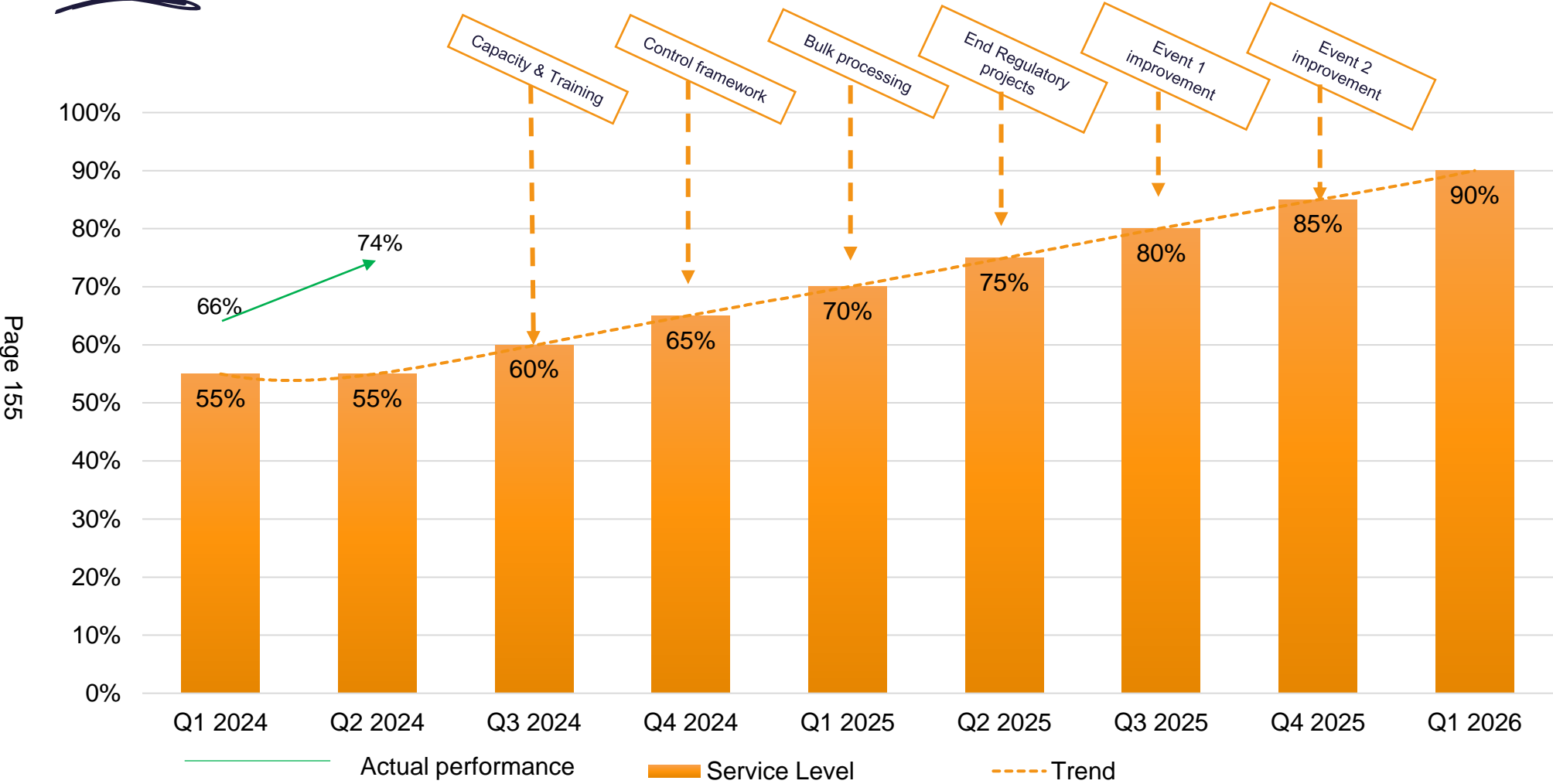
All cases KPI & Non-KPI

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- Interfund tranfers to be included in KPI's wef June 2024



Service performance – plan v's actual



Thank you



If you have any questions please contact:

Claire Newbery

Pensions Operations Manager

Claire_Newbery@bathnes.gov.uk

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Your pension, your future

Bath & North East Somerset Council		
MEETING	AVON PENSION FUND COMMITTEE	
MEETING	28 June 2024	Agenda Item Number
TITLE:	Update on Legislation	
WARD:	All	
AN OPEN PUBLIC ITEM		
List of attachments to this report: Appendix 1 – Latest position of regulatory changes		

1 THE ISSUES

- 1.1 The purpose of this report is to update the Pension 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 Financial Services, Assurance & Pensions has had the opportunity to input to this report and has cleared it for publication.

Contact person	Nicky Russell – Technical and Compliance Manager; Tel 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	

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APPENDIX 1

Item	Latest Position	Relevant Links	Action by Fund / Next Steps
<p>McCloud Judgment</p>	<p>A closed consultation on the draft McCloud Statutory guidance ran between March 2024 and April 2024. Generally, across the sector, a number of concerns have been raised on the issues of administrative burden, communication challenges, and consistency of treatment both within the LGPS and across the public sector. A response to the latest consultation is awaited.</p> <p>Aside, ongoing work continues in relation to the Teachers' excess service element of the judgment, the impact on pension taxation and also around the level of communication needed for the 2024 Annual Benefit Statements.</p>	<p>https://www.gov.uk/government/publications/pensions-schemes-newsletter-158-april-2024</p> <p>https://www.youtube.com/watch?v=970W5cupZ18</p>	<p>The administration team are processing business as usual cases to be compliant with the McCloud regulations although they still are having to be vigilant as subsequent issues have been found with calculations following the release of further software versions.</p> <p>Systems and Quality Assurance are still working through the system issues which were identified by the software provider since switching on the McCloud functionality in October 2023. These are being fixed in bulk and will ensure that the scope of the McCloud Remedy is accurate, in terms of population and cost.</p> <p>There remains a lot of work for the team to undertake to implement the remedy in full both in terms of calculations and communications before August 2025. The team will continue to rely on central support and external advisory support as part of this process given the complex nature of some elements of the remedy.</p>
<p>Codes of Practice / Good Governance</p>	<p>Following on from publication of the General Code of Practice in January 2024, this became effective on 28 March 2024.</p> <p>Whilst there aren't any definitive timescales set out by the Regulator in relation to public service pension schemes, there is a general expectation for Funds to have considered the Code and</p>	<p>https://www.thepensionsregulator.gov.uk/en/document-library/code-of-practice</p>	<p>The Fund has established a workplan to consider what action needs to be taken to ensure the requirements of the General Code will be met. A toolkit has been used to identify key areas for review.</p>

	<p>assessed what work will be required to adhere to the Code over the next few months.</p> <p>Whilst a further consultation on the outcomes of the SAB's Good Governance project was expected in the summer, this may now be delayed due to the General Election.</p>		
Pensions Dashboard	<p>Guidance issued by the DWP in March 2024, accompanied by a Written Ministerial Statement sets out further details of the staged timetable and confirms 31 October 2025 as the target staging date for public service pension schemes.</p> <p>Alongside the above, a consultation has been run by the FCA relating to guidance for firms intending to offer dashboards for customers, PDP have issued updated Data Standards and DWP have issued updated Deferred Connection guidance.</p> <p>In addition, further guidance/communications have been issued by the Pensions Dashboards Programme via blogs and regular updates.</p>	<p>https://www.gov.uk/government/publications/pensions-dashboards-guidance-on-connection-the-staged-timetable</p> <p>https://hansard.parliament.uk/Comm/2024-03-25/debates/24032527000019/PensionsDashboard</p> <p>https://www.fca.org.uk/publications/consultation-papers/cp24-4-further-consultation-regulatory-framework-pensions-dashboard-service-firms</p> <p>https://www.pensionsdashboardsprogramme.org.uk/standards/data-standards/</p> <p>https://www.gov.uk/government/publications/pensions-dashboards-guidance-on-deferred-connection</p> <p>https://www.pensionsdashboardsprogramme.org.uk/category/news/blogs/</p> <p>https://www.pensionsdashboardsprogramme.org.uk/pur/</p>	<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.</p>
Pension Taxation	<p>The Lifetime Allowance was formally abolished with effect from 6 April 2024 via the Finance Act 2024. Two new limits – the Lump Sum Allowance (LSA)</p>	<p>https://www.legislation.gov.uk/ukpga/2024/3/contents/enacted</p>	<p>Whilst the removal of the LTA is beneficial to members, there are a number of practical considerations that the administration team</p>

	<p>and the Lump Sum and Death Benefit Allowance (LSDBA) are now in force.</p> <p>To support administering authorities implement the changes, given the complexities that can emerge, the LGA published a guide in March 2024. This was subsequently updated in May 2024 to provide further guidance on how Pension Commencement Excess Lump Sums (PCELS) may be treated in the absence of a consultation on the long-term policy for the LGPS.</p> <p>Further publications continue to be released by HMT and HMRC setting out the implications of the LTA abolition in terms of taxation of lump sum benefits, treatment of any protections and also transitional arrangements and reporting requirements. In particular a consolidated FAQ document has been published. The Pensions Tax Manual has also been updated.</p>	<p>https://lgpslibrary.org/assets/gas/uk/Abolition%20of%20the%20lifetime%20allowance%20v2.2.pdf</p> <p>https://www.gov.uk/government/publications/pensions-schemes-newsletter-159-april-2024/lifetime-allowance-lta-abolition-frequently-asked-questions</p> <p>https://www.gov.uk/hmrc-internal-manuals/pensions-tax-manual/updates</p>	<p>are having to take into account when implementing the changes. The member website and other documents need to be re-drafted for the changes to the LTA, so that communications to members are clear and accurate.</p> <p>Whilst the central guidance produced is helpful, there remains a lot of work to be undertaken by the Technical Team in this area. Member queries are expected to emerge, which will also require resource to manage.</p>
<p>Cost Management / Section 13</p>	<p>The Scheme Advisory Board will soon publish the final report of its cost management assessment process following on from the HMT process which concluded recently. In line with the HMT conclusions that were published in March 2024, SAB have commented that they don't expect to be recommending any changes to Scheme Benefits.</p> <p>Although not directly linked to the LGPS, in April, the Court of Appeal upheld the High Court's decision to dismiss the judicial review brought against the Treasury (by the British Medical Association and the Fire Brigades Union) in</p>	<p>https://www.gov.uk/government/news/gad-completes-2020-actuarial-valuations</p> <p>https://www.bailii.org/cgi-bin/format.cgi?doc=/ew/cases/EWCACiv/2024/355.html</p>	<p>Further publications will be considered accordingly once released.</p>

	<p>relation to the inclusion of McCloud costs as member costs in the Treasury's cost control mechanism. The FBU is seeking permission to appeal in the Supreme Court.</p> <p>Aside, the Government Actuary's Department has begun liaising with Funds in relation to its Section 13 report on the 2022 actuarial valuation. The report is expected to be published in the autumn.</p>		
Levelling Up / Pooling	<p>On 15 May 2024, the local government minister Simon Hoare MP wrote to all Pension Committee Chairs and administering authority S151 officers in England setting out questions in relation to pooling progress and LGPS efficiencies, including governance.</p>	<p>https://lgpsboard.org/images/PDF/letters/240515Efficiencies_LGPS_Ministerial_Letter.pdf</p>	<p>A response to the letter will be considered accordingly by the Fund and if still required (due to the General election) it will be submitted prior to the 19 July deadline.</p>
Responsible Investment	<p>Following on from publication of the report prepared by Amanah Associates for the Scheme Advisory Board in relation to Sharia Law, advice from Counsel in relation to the report has been produced.</p> <p>The Economic Activity of Public Bodies (Overseas Matters) Bill had reached the House of Lords Committee stage but dissolution of parliament on 30 May has meant this won't go any further for the moment. The LGA have produced a technical briefing in relation to the Bill.</p>	<p>https://lgpsboard.org/images/LegalAdviceandSummaries/20240306_SA_BSummary_LydiaSeymourCounsel_legaladviceonShariaLawandtheLGPS.pdf</p> <p>https://publications.parliament.uk/pa/bills/cbill/58-03/0325/220325.pdf</p> <p>https://www.local.gov.uk/parliament/briefings-and-responses/economic-activity-public-bodies-bill-committee-stage-house-lords</p>	<p>These updates, and the impact on the Fund, will be considered further by the investment team as the position develops and any recommendations emerge.</p>
Academies	<p>The Education and Skills Funding Agency (ESFA) published in April 2024 new best practice guidance for Academies covering key areas including an overview of the LGPS, Valuations, the DfE</p>	<p>https://www.gov.uk/government/publications/academy-trust-financial-management-good-practice-guides/local-government-pension-scheme-lgps</p>	<p>The Fund will make existing/new academies aware of the latest best practice guidance to assist with their understanding any decision making in relation to the LGPS participation and obligations to the Fund.</p>

	<p>guarantee, pooling, conversions and transfers and LGPS engagement.</p> <p>The ESFA also updated its guidance relating to the guarantee in May.</p>	<p>https://www.gov.uk/government/publications/academies-and-local-government-pension-scheme-liabilities</p>	
<p>Annual Report Guidance</p> <p>Page 165</p>	<p>Joint guidance produced by SAB, DLUHC and CIPFA was published in March 2024 to assist LGPS funds in the preparation and publication of the pension fund annual report and to ensure consistency of reporting across funds. SAB published a follow-up explainer document in April 2024 highlighting where significant changes have emerged.</p> <p>Whilst applying to 2023/24 annual reports, compliance in full with the requirements will be on a best endeavours basis for 2023/24 depending on the disproportionate effort/cost involved in updating prior content.</p> <p>The guidance will be reviewed at the end of 2024.</p>	<p>https://lgpsboard.org/images/Guidance/Annual%20Report%20Guidance%202024.pdf</p> <p>https://lgpsboard.org/images/Annual%20report%20guidance%202024%20explainer%20final.pdf</p>	<p>Where possible, the Fund will look to comply in full to the new guidance and work has already started on the structure of the report.</p>

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Access to Information Arrangements

Exclusion of access by the public to Council meetings

Information Compliance Ref: LGA-1906096
Meeting / Decision: Avon Pension Fund Committee
Date: 28 th June 2024
Author: Julia Grace
Exempt Report Title: Employer Exit

The exempt report 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 report 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 report contains financial information about the organisations which is commercially sensitive and could prejudice the commercial interests of the organisations if released. The report also includes the observations and opinions of officers on the financial strength of these organisations. 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 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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Bath & North East Somerset Council	
MEETING:	AVON PENSION FUND COMMITTEE
MEETING DATE:	28 June 2024
TITLE:	GOVERNANCE UPDATE
WARD:	ALL
AN OPEN PUBLIC ITEM	
<p>List of attachments to this report:</p> <p>Appendix 1 - Risk Register</p> <p>Appendix 2 – Risk Register Framework and High Level Summary</p> <p>Appendix 3 – Committee Workplan</p> <p>Appendix 4 – Training Programme</p> <p>Appendix 5 – Service Plan Monitoring</p>	

1 THE ISSUE

- 1.1 Attached to this report is:
- 1.2 The risk register which has been reviewed and is attached as Appendix 1 & 2.
- 1.3 The workplan for the Committee is attached as Appendix 3 and the provisional training programme for 2024 is included as Appendix 4.
- 1.4 The quarterly monitoring report for the Fund’s service plan is attached as Appendix 5.

2 RECOMMENDATION

- 2.1 That the committee:
 - 2.1.1 Notes the risk register
 - 2.1.2 Notes the Committee workplan & training programme
 - 2.1.3 Notes the service plan monitoring

3 FINANCIAL IMPLICATIONS

- 3.1 There are no financial considerations to consider.

4 THE REPORT

5 RISK REGISTER

5.1.1 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.

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

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

5.1.4 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

5.2 Quarterly Review of Risk Register

1.1. The quarterly review of the risk register has taken place and there have been no changes to risks or scores.

1.2. The most critical risks remain:

- NR01 – Ability to deliver admin service to members and employers within agreed standards. The current factors impacting this risk are set out in item 13 – Pension Fund Administration report.
- NR06 – the likelihood of a cyber attack remains a high risk due to the recent high profile attacks in the public domain. The Fund is currently implementing further audit actions around staff awareness and education and will shortly carry out a review of its business continuity plan.

- NR04 – Governance of Fund not in accordance with APF policies
Controls not adequate. Internal audit continue to assist in checking of internal controls.

6 Workplans & Training Plan

6.1 Committee Workplan

- a) The workplan for the Committee for the year ahead is attached as Appendix 3. 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.

6.2 Training Programme

The provisional training programme for 2024 is also included as Appendix 4, so that Members are aware of intended training sessions and workshops. The plan will be updated quarterly.

6.3 Hymans LGPS Online Learning Academy (LOLA)

- 6.3.1 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).
- 6.3.2 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.
- 6.3.3 The training is split into a number of modules covering the CIPFA Knowledge & Skills Framework.
- 6.3.4 The modules are set out below:
- a. Committee Role & Pensions Legislation
 - b. Pensions Governance
 - c. Pensions Administration
 - d. Pensions Accounting and Audit Standards
 - e. Procurement & relationship Management
 - f. Investment Performance & Risk Management
 - g. Financial Markets & Products
 - h. Actuarial Methods, Standards & Practices
 - i. Current Issues
- 6.3.5 The schedule for completion of the modules is contained within the training programme (Appendix 4) for members who have not already completed the previous version.

6.4 Service Plan Monitoring

- 6.4.1 Appendix 5 sets out progress against the Fund's service plan including the administration change programme.

7 FUTURE MEETING DATES

7.1 Pension Committee meetings as currently scheduled:

2024	2025
22 March	28 March
28 June	27 June
20 September	26 September
13 December	12 December

7.2 The provisional dates for the Investment panel meetings are:

2024
27 February
5 June
5 September
26 November

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 Director of Financial Services, Assurance & Pensions has had the opportunity to input to this report and has 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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Appendix 1 - Risk Register

Number	Function	Risk	Impact	Pre Mitigants			Mitigating Actions / Control Framework	Post Mitigants			
				Impact	Likelihood	Score		Impact	Likelihood	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 - Implementation of recent internal cyber audit findings	Critical	Likely	20	→
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 & operations efficiency - Actions to improve staff recruitment & retention - Process improvements being identified and implemented Review of Top 10 Process Controls	High	Likely	16	→
NR04	Governance	Governance of Fund not in accordance with APF policies Controls not adequate	Fines for non-compliance Disciplinary issues and reputational risk	High	Almost Certain	20	- Internal Audit is undertaking a review of the Fund's controls which will implement during Q1 2024 - We have initiated a new project to correct errors in annual pension increments	High	Likely	16	→
NR18	Comms	Unforeseen events or service issues leads to reputational damage to the Fund amongst its stakeholders	Complaints Detrimental media coverage Loss of stakeholder confidence	High	Likely	16	- Regular communications to stakeholders; emergency communication possible through website and email - Press/media enquiries and issues dealt with in accordance to B&NES policy - Workshops and meetings held for current topics to gain stakeholder input - Contracts in place with legal advisors and PR professionals - Media monitoring undertaken	Medium	Likely	12	→
NR02	Regs	Regulatory changes	Breach of regulations Poor member outcomes Increased workloads for officers Changes to pooling could undermine delivery of investment strategy	High	Likely	16	- 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	→
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 on data protection matters - Record of processing and privacy notice set out how data is managed - Processes reviewed as a result of data breaches - Regular officer training - Data sharing/transfer agreements and DPIAs implemented for all relevant projects	High	Possible	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	→
NR11	Investments	Brunel fails to deliver client objectives regarding service delivery	Affects Fund's ability to achieve investment objectives	Critical	Possible	15	- Brunel governance framework for strategic and operational decision making - Robust performance reporting - Avon-Brunel working group (internal)	High	Possible	12	→
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	- Climate exposure assessed annually - climate risk analysis embedded into strategic decisions - Net Zero target of 2045 - by 2030 will divest from high emission companies that are not aligning to NZ - targets to reduce emissions by 2025 and 2030 - programme to engage with companies and policymakers - Brunel's comprehensive climate change policy and approach to investing underpins each portfolio	Medium	Likely	12	→
NR08	Employers Funding	Employers unable to meet financial obligations to Fund	Financial cost to other employers in the Fund	High	Likely	16	- Policies on employer financial stability set out in FSS & ISS - Strong covenant management and information gathering processes - Quarterly review and mitigating action	Medium	Possible	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 - Reconciliation of Iconnect & Accounts in regards to contributions and data provided	Medium	Possible	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 service providers, managers - Controls embedded in investment management agreements - Diversification across different asset managers - Quarterly service & risk review with Brunel and suppliers	Medium	Possible	9	→
NR14	Investments	An increase in leverage materially reduces capital value leading to an unplanned and significant deviation in strategic asset allocation	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 - Auto pause when LDI hedge ratio hits 40% - Offsetting nature of synthetic equity and equity protection strategies dampens leverage requirements	High	Unlikely	8	→
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	→
NR03	Governance	Pension Committee cannot operate effectively	Delays in decision making for the Fund Failure to meet MIFD & 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	→
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	→
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	→

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Appendix 3

Committee Workplan	Mar-24	Jun-24	Sep-24	Dec-24
Governance				
Pension Board minutes				
Governance Update (workplans)				
Review of Risk Register				
Annual 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				
Annual audit review				
Approval of Under & Overpayments policy				
Review of General Code of Practice Compliance				
Administration & Budget				
Administration – performance indicators				
Budget & Cash flow Monitoring (as needed)				
Budget and Service Plan				
Treasury management Policy				
Review of Admin Strategy				
Investments & Funding				
Approve Investment Strategy Statement				
Review of Investment Strategy & Performance				
Brunel - Overview of Stewardship activities / Corporate update (presentation by Brunel)				
Annual Responsible Investing Report				
Climate Change & progress on net zero targets				
Annual Review of Risk Management Strategies				
Interim valuation Results				
Section 13				
Approve Treasury Management policy				

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Appendix 4
Committee Training Plan

Type of training	Date	Content	
Workshop	Sep-24	TPR General Code of Practice	
Workshop	24-Oct-24	Interim Valuation Results	
Workshop	November/December	Admin Strategy	
Workshop	TBA	Pensions Dashboard	

Hymans Learning Academy	Title of Module	Date to be completed	Time Commitment
Introduction	• An Introduction to LGPS Online Learning Academy	Jul-23	2 minutes
Module 1 – Committee Role and Pensions Legislation	• An Introduction to Pensions Legislation • An introduction to Pensions Legislation - The Role of a Councillor	Jul-23	27 minutes
Module 2 – Pensions Governance	• LGPS Oversight Bodies – DLUHC & GAD • LGPS Oversight Bodies – TPR • Business Planning • LGPS Governance	Aug-23	50 minutes
Module 3 – Pensions Administration	• Introduction to Administration • Additional Voluntary Contributions • Policies and Procedures	Sep-23	51 minutes
Module 4 – Pensions Accounting and Audit Standards	• Pensions Accounting and Audit Standards	Sep-23	11 minutes
Module 5 – Procurement and Relationship Management	• Public Procurement	Sep-23	11 minutes
Module 6 – Investment Performance and Risk Management	• Introduction to Investment Strategy • LGPS Investment Pooling • Performance Monitoring • Responsible Investment	Dec-23	48 minutes
Module 7 – Financial Markets and Product Knowledge	• Introduction to Financial Markets and Product Knowledge • Investment – MiFiD II	Dec-23	33 minutes
Module 8 – Actuarial Methods, Standards and Practices	• Introduction to Funding Strategy • LGPS Actuarial Valuations – Process • LGPS Valuation – Technical • Employers	Mar-24	53 minutes
Current Issues	• Understanding McCloud • Pensions Dashboards • Understanding Goodwin • Introduction to Cyber Risk • GAD Section 13 • Climate Change and TCFD • McCloud Consultation • SAB and HM Treasury Cost Cap Mechanisms • Next Steps on Investment (England & Wales) Consultation Overview • Next Steps on Investment (England & Wales) Consultation Response • A Brief Introduction to Taskforce on Nature-related Financial Disclosures	Ongoing	

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Appendix 5 - Service Plan Monitoring 2024		
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Key Objectives	Current Phase of project	Completion Date of overall project	Status
Administration Change Programme			
Annual Projects			
Year End	Data validation & reconciliation with employers	Jun-24	In progress
Annual Benefit Statement	Planning	Aug-24	In planning
Annual Allowance / Pension Savings	Planning	Oct-24	In planning
Annual Report	Individual sections of report in progress	Dec-24	In progress
Regulatory/Foundation			
GMP – remedy & equalisation	Analysis of Mercer report	Dec-25	In progress behind schedule
Pensions Dashboard	Preparation of data, comms, governance, DAP Admin	Sep-25	In progress
McCloud Remedy (LGPS)	Remedy for pre October 2023 cases	Jul-25	In progress behind schedule
Pensions Increments - Correction Project	Investigation of root causes and rectification work	Dec-24	In progress
Transformation			
Website – employers	Content review, update and upload	Dec-24	In progress
Bulk processing, e.g. refunds	Process review - impact and scoping assessment	Mar-25	On hold
Organisational structure	Consultation Period has started	Jun-24	In progress behind schedule
My Pension Online – upgrade	Scope analysis & recommendation	Mar-25	On hold
New member onboarding	Rebranding of letters in progress	Mar-25	On hold
Other Admin Projects			
Process Control Project	Planning	Dec-24	On hold
Governance			
Annual review of governance arrangements	Review ToR of Committee and Investment Panel	Jun-24	Complete
	Review Governance Compliance statement	Jun-24	In progress
	Review register of interest forms	Jun-24	In progress
	Review scheme of delegation	Jun-24	In progress
	Review Conflicts of Interest Policy	Jun-24	In progress

	Review Training Strategy Policy	Jun-24	In progress
	Review Policy on Committee Representation	Jun-24	In progress
	Review Decision Making Matrix	Jun-24	In progress
Good Governance Review	Review any new requirements from Good Governance review once published eg - Workforce Plan	Mar-25	In planning
TPR SCOP requirements	Gap analysis & action plan for new requirements	Mar-25	In progress
Disaster Recovery	Review business continuity plan	Jun-24	In progress
	Cyber Security training officers/PC/PB	Dec-24	In progress
Annual governance review for Pension Board	Review all items on governance checklist	Sep-24	In planning
Training Plan for Committee & Board members	Plan annual training programme for members	Mar-24	Complete
Recruitment for Committee & Pension Board	Recruitment & Induction Training - new PC/PB members	Dec-24	In progress
Contract Retenders	Address Tracing and Identity Checking	Jun-24	Complete
	ISP provider for Pensions Dashboard	Jun-24	In progress
Finance			
iConnect Project to improve process for reconciliation of contributions	Set up new reconciliation process	Jun-24	In progress
Final Accounts	Prepare accounts to meet B&NES internal deadline; update regulatory requirements	May-24	Complete
Investments			
Local Impact Portfolio	Assess opportunities as they arise, invest/implement	Mar-25	In Progress
Nature Based Investments	Explore opportunities and define how construct portfolio	Mar-25	In Progress
Review progress on Climate targets	measure progress for y/e 23	Dec-24	In progress
Allocations to PE and LU	assess impact on strategy (especially allocation o illiquid bucket) if were to allocate in line with government 'ambition'	Sep-24	In planning
Pooling of legacy portfolios	How to transition IFM /Partners/liquidity fund into the pool In line with government guidance	Sep-24	In planning
Funding Strategy			

Interim Valuation	Planning, data provision to Actuary, fund & employer meetings and outcomes	Mar-25	In progress
2025 Valuation	Planning, data provision to Actuary, fund & employer meetings and outcomes	Mar-26	In planning

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