

## **Minutes of the Meeting held**

Friday 27th March 2026, 10.00 am

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

**Co-opted Voting Members:** 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:** Edmund Cannon (Parish & Town Councils) and Shona Jemphrey (Unison)

### **Advisors:**

**Also in attendance:** Nick Dixon (Head of Pensions), Matt Betts (Group Manager, Funding, Investment & Risk), Nathan Rollinson (Investments Manager), Carolyn Morgan (Governance and Risk Advisor), Nicky Russell (Technical & Compliance Advisor), Julia Grace (Pensions Valuation Advisor), David Richards (Finance & Systems Manager (Pensions)), Jeff Wring (Director of Financial Services, Assurance & Pensions) and Claire Newbery (Pensions Operations Manager)

### **45 EMERGENCY EVACUATION PROCEDURE**

The Democratic Services Officer announced the emergency evacuation procedure.

### **46 APOLOGIES FOR ABSENCE AND SUBSTITUTIONS**

Councillor Mike Drew had sent his apologies to the Committee.

Councillor Shaun Stephenson-McGall and Councillor Fi Hance had informed the Committee that they would be slightly late in arriving to the meeting.

### **47 DECLARATIONS OF INTEREST**

There were none.

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

There was none.

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

There were none.

## 50 ITEMS FROM COUNCILLORS AND CO-OPTED AND ADDED MEMBERS

There were none.

## 51 MINUTES: 12TH DECEMBER 2025

Pauline Gordon explained that she had advised the Democratic Services Officer of an amendment to one of her comments made at the meeting. This amendment is set out below.

***Pauline Gordon said that the views of younger people were clearer in their support for divestment, and so, with an aging population, she would likely support a further recommendation that the matter should be looked at again in future years.***

The Democratic Services Officer indicated that he had accepted this amendment and apologised that it had not made the draft in the meeting pack.

Shona Jemphrey asked that the wording of the 9<sup>th</sup> paragraph of page 14 also includes specific reference to 'investments in Aerospace & Defence'.

***The Head of Pensions commented that the Fund would expect to poll its members on a spectrum of issues reflecting their current concerns, e.g. climate change and investments in Aerospace & Defence, every 2-3 years, to inform the Fund's investment strategies.***

The Chair agreed that the proposed amendments (in italic above) should be reflected in the minutes. These would be shared with the Committee prior to inclusion in the final draft for this meeting.

## 52 DRAFT PENSION BOARD MINUTES: 11TH MARCH 2026

The Chair apologised for the late circulation of the draft minutes. The Committee **RESOLVED** to note the draft minutes of the Board meeting held on 11<sup>th</sup> March 2026.

## 53 INVESTMENT STRATEGY STATEMENT

The Investments Manager introduced the report to the Committee and highlighted the following points.

- The changes to the Investment Strategy Statement (ISS) reflect the recommendations agreed by Committee at its 2025 investment strategy review workshop(s), namely:
  - Section 6 – SAA:

- Formal 2% allocation to Natural Capital (within the current 32.5% allocation to illiquids)
  - Increase in Local Impact from 3% to 5% (within the current 32.5% allocation to illiquids)
  - Removal of the 6% allocation to Diversified Return Funds
  - Increase in the allocation to Index-linked Gilts from 12% to 14%
  - Increase in the allocation to Multi Asset Credit from 6% to 10%
- With the exception of Natural Capital and Local Impact (strategies that will be developed under LPPI) all of the above strategy changes have been executed.
  - This ISS has been produced in line with the current 2016 regulations and will be updated to ensure compliance with the new 2026 pooling regulations when they are passed into law (expected 1st April 2026). For this reason, elements of the ISS still reflect legacy pooling arrangements.
  - The 2026 draft regulations stipulate that the new ISS should be published by 1st October 2026 and subject to consultation with scheme employers, members (unions) and other interested parties e.g. Mayoral Combined Authorities.

Edmund Cannon referred to section 6.1 (Strategic Asset Allocation) of the ISS and asked what the split of the 41.5% was between the three Listed Equity portfolios.

The Investments Manager replied that the 41.5% was split equally between passive and active and the active portion was split equally between the two active Brunel portfolios.

Edmund Cannon commented that he felt that the Liability Driven Investment Strategy (LDI) was vague and a potential risk to the Fund.

The Investments Manager replied that LDI was subject to ongoing review under new Pooling arrangements to ensure it continued to meet strategic objectives, adding that the Fund's LDI strategy used leveraged index linked gilts to gain exposure to the long end of the curve to capture an attractive real return, thereby reducing reliance on growth assets to meet the Fund's required return.

The Chair added that the liabilities are related to gilt performance and that the strategy provides additional protection on big changes in liabilities, the like of which occurred in 2022 when the Conservative mini budget was announced.

Shona Jemphrey referred to the Responsible Investment exclusions and asked if the Fund could be more ambitious in its investment proposals.

The Investments Manager replied that these decisions had been agreed over a year ago collectively with the Brunel Partner funds, adding that the targets were required to strike a balance between being actionable and suitably ambitious. He added that the Fund produces an Annual Responsible Investment report which contains details of how the Fund is performing against its respective climate targets, commenting further that the Report had been published on the Fund website earlier in the week.

The Committee **RESOLVED** to:

i) Approve the draft 2026 Investment Strategy Statement

ii) Note that the 2026 ISS will be published on the Fund's website and will be updated to reflect the latest regulations and any further strategy changes arising from the LPPI review before 1st October 2026.

## **54 2025 VALUATION OUTCOME & UPDATED FUNDING STRATEGY STATEMENT**

The Funding & Valuation Manager introduced the report to the Committee and highlighted the following areas.

- The Local Government Pension Scheme (LGPS) Regulations require LGPS funds to have an actuarial valuation every three years. The 2025 valuation has a base date of 31 March 2025 with new employer contribution requirements becoming effective from 1 April 2026.
- The report examines the final outcome of the valuation process for the whole fund and highlights the principal changes which have occurred since the 2022 valuation.

Jackie Peel referred to section 5.5 and asked for further information with regard to the Fund deficit and changes in demographic assumptions.

Paul Middleman, Mercer replied that in considering this he had looked at how the structure of the Fund's assets and liabilities move together and by comparing these figures to the 2022 expectations at that discount rate, investment was coincidentally - £869m, and the change in the discount rate which is a combination of forward-looking inflation as well as return expectations.

He added that it was key to recognise that the valuation was not solely about a change in assumptions, it was also about providing sustainability of contributions. He said that there was also potential for dynamics to change quickly due to the ongoing conflict in Iran.

Councillor Fi Hance noted that the Funding Strategy Statement (FSS) listed a number of risks and their corresponding mitigations and a section related to climate change that states that the Actuary has found that the level of prudence in this regard is currently sufficient.

She asked what measures are taken into consideration for factors that are deemed unpredictable.

Paul Middleman replied that the wording in the FSS is a summary of detailed work that has been carried out over the past 40 years and explained that different temperature scenarios have been modelled as part of the process. He said that this could not be given as a 100% guarantee and that due allowance has been made following the studies that have been undertaken.

Councillor Hance asked if more detailed information could be shared with the Committee.

Councillor Joanna Wright asked for clarification of what levels are being measured and whether this included modelling of 1.5°C of global warming.

Paul Middleman replied that a range of temperatures have been considered and how those will affect the assets held. He added that Mercer does not have the inhouse expertise and therefore uses information supplied by Ortec. He said that he felt that further information could be shared with the Committee on a confidential basis.

Edmund Cannon asked if the Actuary could be more explicit as to whether shocks to assets are correlated or separate.

Paul Middleman replied that this depends on the risk being looked at and that some specifics will be independent. He added that climate is considered an asset and liability risk.

Shona Jemphrey commented that she was concerned that the Committee did not have enough information in the report to make a decision.

The Chair replied that the role of the Committee today was to note the report of the professional advisers. He explained that the 2025 Actuarial Valuation report must be signed off before 31 March 2026. He added that the Committee could receive a future briefing on Responsible Investing, Asset Holdings and Climate Assumptions.

The Chair asked if the views expressed by the Fund's Actuary were broadly in line with those of other funds.

Paul Middleman replied that he does not have sight of other valuations until they are published, but said that he expected them to be broadly similar on the impact of contributions.

The Committee **RESOLVED** to:

- i) Note the outcome of the 2025 actuarial valuation exercise.
- ii) Delegate the finalisation of the Funding Strategy Statement to Officers.

## **55 BUDGET, SERVICE PLAN & ADMINISTRATION UPDATE**

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

- The 3-year plan & budget for 2026-29 presented is prepared annually on a 3-year rolling basis.
- The Fund aims to achieve the following objectives during 2026-29:
  - **Service**
    - Continue to improve service experience for members and employers.

- Raise operational efficiency to enable lower unit costs, by increasingly deploying new software and digital integration.
- **Investments & Funding**
  - Execute new pooling arrangements, moving assets from Brunel to LPPI.
  - Review our investment strategy, seeking to improve the risk / return mix and raise the probability of future contribution reductions for employers.
  - Accelerate investment in Local Impact, with such assets rising to £300m.
  - Invest in Natural Capital to drive positive environmental impacts.
- **Foundations:** we also need to get the basics right:
  - Meet all our regulatory obligations.
  - Improve skills among both officers and Board / Committee members.
  - Identify, measure, and mitigate risks.
  - Manage within the budget set by the Pension Committee.
  - Support staff wellbeing and access to resource tools and training.
- **Budget for 2026-29**
  - The aggregate budget for 2026-27 of £35.4m is £0.8m (2%) higher than the £34.6m budget of 2025-26.
  - Administration & governance costs in 2026-27 are £0.3m lower than 2025-26, driven by the triennial valuation of 2025-26 not being repeated, offset by pension administration software full year costs and Local Authority pay awards.
  - Investment management fees of £25.8m are £1.1m higher than the £24.7m budget of 2025-26. As a percentage of forecast assets under management, this represents a 0.01% increase to 0.40%. The estimated fees assume there is no change in asset allocation during the year.
  - Expenditure for the current year 2025-26 is predicted to be within budget, with a predicted underspend of > £200k.

The Pensions Operations Manager introduced the Administration Update to the Committee and highlighted the following areas.

## SLA monthly performance average January 2025 to January 2026

- Dips in performance were seen in March / April 2025, recent figures of 89% (Jan), 94% (Feb) and 92% (March) were encouraging.

## 2025 and beyond – key priorities achieved

- People: Fully resourced / Fully trained / Ongoing development and opportunities = Excellent progress.
- Performance: Within SLA for all KPIs / Meet needs of Pensions Dashboards / Compliance with regulatory changes i.e. McCloud = Excellent Progress.
- Process: Effective controls, proportionate to risk / Consistent processes / Clear and concise user guides & training = Improvement started.
- Digital Transformation: Member portal upgrade to unlock the digitalisation of processes / Transition to hosting solution / Increased member engagement via portal = Improvement started.

## 2026-27 focus – member experience & operational efficiency

- Maximise member portal sign-ups
- Prepare for Dashboard public launch
- Comply with regulations (McCloud, Access)
- Move member journeys online - building block approach
- Continue process improvements - operational efficiency & risk control

The Pensions Operations Manager asked the Committee to also note the Communications Strategy for 2026.

Jackie Peel referred to the KPI's case by age % - Jan 2025 to Jan 2026 and asked if the cases outstanding +31 days were continuing to go up.

The Pensions Operations Manager replied that there had been a slight blip, but figures had now reduced and were continuing to improve.

Wendy Weston commented that it was good to see that the Fund budget was due to be underspent for 2025/26 and asked if this was due to staff vacancies and if so, did this put additional pressure on staff in place.

The Head of Pensions replied that he believed that there was an assumption that the Fund could still operate within its means on a vacancy rate of 3-4%. He added that only a few years ago the Fund had a vacancy rate of between 15-20%.

Councillor Fi Hance asked if there was a timeframe for implementation of the proposals from the Access & Protection Consultation, in particular that elected members will be eligible for membership (on an opt-in basis) with effect from 11 May 2026.

The Pensions Operations Manager replied that this would vary according to the proposal, but said that preparations were being made for elected members to join.

The Chair, on behalf of the Committee, thanked all officers for their ongoing work.

The Committee **RESOLVED** to:

- i) Approve the 3 Year Plan & Budget 2026-29 for the Avon Pension Fund.
- ii) Note the administration performance to the period ending 31st January 2026
- iii) Note the Communications Strategy for 2026.

## **56 TREASURY MANAGEMENT POLICY**

The Finance & Systems Manager (Pensions) introduced the report to the Committee and highlighted the following areas.

- The proposed Treasury Management policy closely mirrors the policy set out in the Councils' Treasury Management Strategy. The Fund's Treasury Management is delegated to the Council's Treasury Management team. The Pension Fund and Council have a similar attitude to Treasury Management risk. The use of similarly formatted policies reduces the risk of error.
- The Council's Treasury Management investment policy incorporates ESG criteria where it lends to banks via bank deposits on longer maturity terms. In contrast the Fund requires more liquid cash management which means it utilises money market funds rather than bank deposits meaning that the Council's use of ESG criteria is less applicable to the Fund.
- The Treasury Management Policy is in line with the advice of the Council's Treasury management advisers Arlingclose. All potential counterparties are continuously monitored using the advice of external consultants.

The Committee **RESOLVED** to approve the Treasury Management Policy.

## **57 SF3 BENCHMARKING DATA**

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

- SF3 data collection obtains data on the administration and fund management of the Local Government Pension Scheme. All Funds are required to submit an SF3 return to MHCLG annually.
- Avon Pension Fund is the 15<sup>th</sup> largest fund with 129,523 members.
- 32% of members are still paying into their pension.
- 779 employers within the Fund

- Administration costs rose by 14% in 2024/25, this is reflected in the continuing overall KPI improvement.
- The average cost per member is less than the LGPS average of £39 at £35.

Jackie Peel asked if there was a target figure for future administration costs.

The Governance & Risk Advisor replied that it had been a deliberate act to spend more in this area over the past few years to accommodate new software costs and the cloud hosting arrangements. She added that she felt that the Fund was currently at its maximum level and that conversations have begun as to whether any future efficiencies can be made.

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

## 58 LEGISLATION UPDATE

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

### Access and Fairness Consultation

- On 2 February 2026, the government published its response to the “Access and Fairness” consultation that was released in May 2025 and closed in August 2025. The response acknowledges the concerns raised regarding administrative impact and confirms that the government will proceed with a phased implementation. Phase one changes will be introduced in April 2026, and phase two later in the year. A statutory instrument implementing the phase one changes will be laid at the start of March and take effect from 1 April 2026.
- Whilst the changes to this consultation are being staggered, it does not give LGPS Funds or system providers the time to plan and implement changes to deal with the work in an efficient way, and it all comes in a year when McCloud Remedy is to be completed and potentially Pensions Dashboard goes live. This has the potential to overwhelm LGPS Funds administration teams.
- Implementing the various changes can only be started when guidance is given, which is not expected until April 2026 at the earliest. This is particularly critical for the rectification of survivor benefits, which has been confirmed as being an historic review.

### Access and Protection Consultation

- On 24 February 2026, the government published a response to the section of the consultation relating to access to the LGPS in England for elected Councillor members. The response confirms that elected members will be eligible for membership (on an opt-in basis) with effect from 11 May 2026. The benefits will be closely aligned with those for non-elected members but there will be some exceptions.

- The announcement of the effective date for the Councillor / Mayor Scheme in May 2026 means that the Fund will need to liaise closely with software providers to ensure system functionality is available and consider what communications, website updates etc. will be required.
- The government's response to the other three areas of the consultation (minimum pension age, academy consolidations, and New Fair Deal) is expected to be available later in the year.

Charles Gerrish asked if membership for elected members would be able to be backdated.

The Technical and Compliance Manager replied that they have not yet received guidance on that issue.

Councillor Joanna Wright asked if all Councillors could be informed of this incoming change.

The Chair replied that this could be difficult for officers without the relevant guidance in place. He said that he would expect each Local Authority to do so once this has been received.

Councillor Fi Hance asked if employers were aware of these changes.

The Technical and Compliance Manager replied that all have received a notification and that further correspondence is planned.

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

## 59 GOVERNANCE UPDATE

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

- The workplan for the Committee for the year ahead is attached as Appendix 1. The purpose of the workplan is to provide members with an indication of their future workload and the associated timetable.
- Hyman's LGPS Online Learning Academy (LOLA) – The current training schedule for studying the Hymans LOLA modules runs until 31 March 2026.
- The Pension Regulator's General Code of Practice – Action Plan: The Fund has reviewed its action plan towards compliance with the TPR GCOP. A few tasks have not been completed and these actions have been carried over to a new 2026 action plan.

### Risk Management Review

- The risk register and framework quarterly review has taken place with the following changes made to risks and scores for this quarter:
- NR01 – Poor service levels below agreed standards – the likelihood of this risk has been reduced from likely to possible to reflect the fact that the administration is in a much better position, with backlogs reduced, KPIs consistently met and recruitment and retention stable.
- NR02 – Regulatory changes – the pre mitigant score has been reviewed and the likelihood amended from likely to almost certain. The post mitigant likelihood is also almost certain as although the mitigants are managing the impacts the amount of change still make it likely that member outcomes could be impacted.
- NR19 – Move to new asset pool – the latest position reflects more certainty now that the move to LPPI has been confirmed, with legal agreements nearly finalised. The likelihood has been reduced from almost certain to likely as the consequences of the impacts identified are now less likely.
- NR11 – Brunel fails to deliver client objectives – this risk has been reworded to reflect the move to LPPI, although the actual risks remain the same.

#### Internal Audit's Annual Review

- Internal Audit presented their findings and Plan 2026/27 to the Pension Board on 11<sup>th</sup> March 2026. The Pension Board meeting report is attached as appendix 6, 6a, 6b & 6c.

Pauline Gordon referred to risk NR10 (Failure to earn investment returns as per Funding Strategy) and asked if a dialogue was in place with employers regarding the potential for the need for contributions to rise.

The Pensions Valuation Advisor replied that this would be looked at over the next quarter and would take into account best practice -v- best value. She added that contributions will be monitored and at this stage were not expected to change.

Shona Jemphrey referred to risk NR06 (Loss of IT, including cyber-attack & loss of power) and asked how this could be improved.

The Governance & Risk Advisor replied that it was still felt that this should remain as the top risk having just moved to the cloud hosting arrangement and the upcoming introduction of the Pensions Dashboard. She added that a Business Continuity Planning Audit has begun and officers would be guided by what, if any, recommendations are made at the conclusion of the audit.

Jackie Peel suggested whether the Committee should have a deeper dive into the cyber risks that could affect the Fund at some point.

Edmund Cannon asked if Hymans were able to offer any modular training regarding hedging or Liability Driven Investment (LDI).

The Governance & Risk Advisor replied that the Hymans modules do not go into that level of detail as not all Funds will have LDI in place.

The Committee **RESOLVED** to:

- i) Note the Committee workplan & training programme
- ii) Note the TPR's General Code of Practice action plan
- iii) Note the risk register
- iv) Note Internal Audit's annual review

**60 POOLING CHANGES**

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.

**61 INVESTMENT STRATEGY REVIEW PROGRESS UPDATE**

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.

**62 INVESTMENT GOVERNANCE REVIEW - VERBAL UPDATE**

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 meeting ended at 1.05 pm

Chair(person) .....

Date Confirmed and Signed .....

**Prepared by Democratic Services**