

AVON PENSION FUND COMMITTEE

Minutes of the Meeting held

Friday, 22nd March, 2019, 1.00 pm

Bath and North East Somerset Councillors: Patrick Anketell-Jones (Vice-Chair, in the Chair), Shaun Stephenson-McGall, Lisa O'Brien and Rob Appleyard

Co-opted Voting Members: Councillor Mary Blatchford (North Somerset Council), Councillor Steve Pearce (Bristol City Council), William Liew (HFE Employers), Richard Orton (Trade Unions), Shirley Marsh (Independent Member) and Pauline Gordon (Independent Member)

Co-opted Non-voting Members: Cheryl Kirby (Parish and Town Councils)

Advisors: Steve Turner (Mercer)

Also in attendance: Tony Bartlett (Head of Business, Finance and Pensions), Liz Woodyard (Investments Manager), Nathan Rollinson (Assistant Investments Manager), Geoff Cleak (Pensions Manager), Martin Phillips (Finance & Systems Manager (Pensions)) and Kathryn Shore (Technical and Compliance Advisor)

60 EMERGENCY EVACUATION PROCEDURE

The Democratic Services Officer advised the meeting of the procedure.

61 APOLOGIES FOR ABSENCE AND SUBSTITUTIONS

Apologies were received from Cllr David Veale, Cllr Toby Savage and Wendy Weston.

62 DECLARATIONS OF INTEREST

Councillor Anketell-Jones declared a non-pecuniary interest as a member of Greenpeace.

63 TO ANNOUNCE ANY URGENT BUSINESS AGREED BY THE CHAIR

There was none.

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

David Searby of Fossil Free B&NES made a statement to the Committee. A copy of it is attached as an appendix to these minutes.

65 ITEMS FROM COUNCILLORS AND CO-OPTED AND ADDED MEMBERS

A Member asked whether the Committee complied with the rules of political proportionality following the recent resignation of the Chair, Councillor David Veale, from the Conservative Group.

Advice was taken after the meeting, which is as follows. The Council agreed a table of political proportionality at its 2018 Annual General Meeting. In accordance with this the Conservative Group has the right to nominate three Members to the Committee, including the Chair. No notification has been received from the Conservative Group that it wishes to replace Cllr Veale as the Chair or as a Member of the Committee. He therefore remains both. The Committee remains properly constituted in accordance with the Council's constitution, and the validity of its decisions is not affected by Cllr Veale's resignation from the Conservative Group.

66 MINUTES: 7TH DECEMBER 2018

The public and exempt minutes of the meeting of the 7th December 2018 were approved as a correct record and signed by the Chair.

67 PENSION BOARD: MINUTES OF 8TH NOVEMBER 2018

RESOLVED to note the public and exempt minutes of the Pension Board meeting of 8th November 2018.

68 GOVERNANCE ARRANGEMENTS

The Head of Business, Finance and Pensions presented the report.

He drew attention to the comments of the Pension Board on the proposals (Appendix 2); the Board had had a long debate about the proposals its meeting on 7 March. A wider consultation on the proposals had been held following the Committee's discussion at the December meeting; a summary of responses attached in Appendix 1. Employers had generally been supportive. He drew attention to the suggestion that voting rights be extended to the Parishes representative, on which Members were invited to decide.

The Chair suggested that the Committee should debate and vote on the recommendations one by one.

2.1a Reduction in B&NES members from 5 to 3

Some Members objected to this proposal because of the legal responsibility of B&NES as the administering authority of the Fund and because it would cause a reduction in democratic accountability.

Another said that she had always believed that 5 B&NES representatives were too many.

Cllr Pearce said that he was agnostic about this proposal, because it did not address the concern of Bristol CC that its representation on the Committee did not match the proportion of the Fund's assets and liabilities attributable to it.

The recommendation was put to the vote and was carried by 5 votes with one abstention.

2.1b Addition of a further Independent Member

Responding to the Chair, the Head of Business, Finance and Pensions confirmed that this recommendation was independent of the recommendation to reduce the number of B&NES Councillors on the Committee; each recommendation was independent of the others.

Members felt that the existing Independent Members made a valuable contribution to the work of the Committee.

The recommendation was carried by 10 votes in favour and none against.

2.1c Addition of an Academy representative to the Committee

This recommendation was carried by 10 votes in favour and one against.

2.1d Establishment of Brunel Working Group as a sub-group of the Committee

This was approved by 9 votes in favour with one against and one abstention.

2.e (i and ii) Proposed changes to Terms of Reference of the Avon Pension Fund Committee and the Avon Pension Fund Board

Agreed with one abstention.

2.2 Proposed election process for the new Academies representative and Independent Member if agreed by the Council

This was agreed by 10 votes in favour and none against.

2.3 Extension of voting rights to the Parishes representative

A Member said that Town and Parish Councils were not large employers and together did not have many employees in the Fund.

Members said that the views of non-voting Members were listened to and did affect outcomes. Non-voting Members were able to participate in workshops and attend the same training as voting Members.

Members agreed that voting rights should not be extended to the Parishes representative by 3 votes in favour and 5 against.

69 REVISED ADMINISTRATION STRATEGY

The Pensions Manager presented the report.

After discussion, the Committee **RESOLVED** to approve:

1. The draft Communications Policy Statement;
2. the draft ICT Strategy;
3. the draft Performance Standards;
4. the draft Customer Service Charter;
5. the draft Schedule of Additional Admin Charges;
6. the draft Schedule of Chargeable Services;
7. the draft Pensions Administration Strategy and annexes for the Avon Pension Fund for consultation with Employers.

70 SERVICE PLAN 2019-22

The Head of Business, Finance and Pensions presented the report.

After discussion it was **RESOLVED** to approve the 3-year Service Plan and Budget for 2019-22 for the Avon Pension Fund.

71 BRUNEL PENSION PARTNERSHIP UPDATE

The Investments Manager presented the report.

RESOLVED to note:

1. the progress made on the pooling of assets;
2. the updated project plan for the transition of assets.

72 2019 STRATEGIC INVESTMENT REVIEW PLAN

The Investments Manager presented the report.

Members debated how far climate change and action of fossil fuels should inform the Policy. The Head of Business, Finance and Pensions suggested that the first steps were to gain a greater understanding of what the Fund could do, the opportunities available and how that could be incorporated within the Investment Strategy. A Member felt that in general the Council was poor at consultation. He suggested that there should be workshops, other activities and use of social media to allow the public to become involved, so that campaigners did not need to attend every meeting urging it do to better. Another Member pointed out that the Fund was accountable to

scheme members not the public, and that the Fund's stance on fossil fuels had to be compatible with its fiduciary duty to members. This was not always understood by the public. The Head of Business, Finance and Pensions said that climate change was a risk that the Fund had to take account of in its Investment Strategy. He also suggested that communication to public and members was a fundamental issue.

RESOLVED to agree the plan for the Strategic Investment Review.

73 UPDATE ON LEGISLATION

The Technical and Compliance Advisor presented the report.

RESOLVED:

1. to note the current position regarding the developments that could affect the administration of the Fund;
2. to note the proposed response to be sent to the MHCLG consultation on 'Fair Deal'.

74 TREASURY MANAGEMENT POLICY

The Finance and Systems Manager (Pensions) presented the report.

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

75 REPORT ON INVESTMENT PANEL ACTIVITY - TO FOLLOW

The Assistant Investments Manager presented the report.

RESOLVED to note draft Minutes of the Investment Panel meeting of 27 February 2019 in Appendix 1 and Exempt Appendix 2.

76 REVIEW OF INVESTMENT PERFORMANCE FOR QUARTER - TO FOLLOW

The Assistant Investments Manager presented the report.

Mr Turner presented the Mercer Quarterly Investment Review.

RESOLVED:

1. to note the information set out in the report;
2. to note the LAPFF Quarterly Engagement Report.

77 PENSION FUND ADMINISTRATION - PERFORMANCE INDICATORS FOR QUARTER AND RISK REGISTER

The Pensions Manager presented the report.

RESOLVED to note:

- 1. membership data, Fund and employer performance for the 3 months to 31st December 2018;
- 2. progress and reviews of the TPR Data Improvement Plan.

78 BUDGET AND CASH FLOW MONITORING

The Finance & Systems Manager (Pensions) presented the report.

RESOLVED to note:

- 1. the administration and management expenditure incurred for 10 months to 31 January 2019;
- 2. the Cash Flow Forecast at 31 January 2019.

79 WORKPLANS

The Investments Manager presented the report.

A Member suggested that there should be a workstream on ESG issues and that this should be highlighted in agendas.

RESOLVED to note the workplans and training programme for the relevant periods.

The meeting ended at 3.33 pm

Chair(person)

Date Confirmed and Signed

Prepared by Democratic Services

Good afternoon Ladies and Gentlemen

"I am here as a representative of Fossil Free UK, part of a global network of groups calling for urgent action on climate change.

Whilst we recognise and the progress the APF have made in decarbonising their investments, given the scale of the problem this process must accelerate. The current trajectory of emissions means that we are on course for a disastrous 3 degree rise in global temperatures.

It is widely understood that Investments in Fossil Fuels carry high risks as compliance with the Paris Climate Agreement requires that large oil, gas and coal companies leave the bulk of their reserves in the ground with big negative consequences for their share prices.

Furthermore, according to rules published by the Department for Work & Pensions in September, trustees of pension funds have to state their policy on taking account of "financially material" considerations, including climate change when assessing risks (1). I cannot see any mention of this in APFs published risk assessments. Has this been undertaken?

Pension funds policy of engagement with Fossil Fuel Companies have patently failed. Fleetinglly rebranding themselves "Beyond Petroleum" back in 2000, BP have deprioritised their renewable businesses in recent years in favour of new investment in deep sea and arctic drilling, highly-polluting tar sands developments, and fracking. (2)

Fossil fuel companies have become financial laggards during the past three to five years, and their declines reflected in investment returns. A recent report by the The Institute for Energy Economics

and Financial Analysis (IEEFA) sets out in detail the financial case for divestment: (3)

Last week Bath and North East Somerset passed a motion declaring a climate emergency, joining Bristol CC, Wiltshire, South Gloucs and North Somerset who have also done so:

Amongst other things, the motion passed contained the following clause:

- Request that the Cabinet takes steps to identify work streams and budgets with the aim of making B&NES Council carbon neutral by 2030, **across all functions**, as our contribution to fighting climate change;

The Brunel pooling process presents opportunities to APF to choose non fossil fuel options from the portfolio offered by Brunel.

It is time for the Avon pension Fund to join the 1000 institutions worldwide, including New York City and Norway's Sovereign wealth fund and commit to rapid and total divestment from fossil fuels. (4)

(1) <https://www.ftadviser.com/pensions/2018/09/11/pension-schemes-mandated-to-disclose-esg-risks/>

(2) <https://cdn.friendsoftheearth.uk/sites/default/files/downloads/Briefing%20Pension%20Funds%27%20engagement%20with%20fossil%20fuel%20companies%20March%202018.pdf>

(3) <http://ieefa.org/ieefa-report-fund-trustees-face-growing-fiduciary-pressure-to-divest-from-fossil-fuels/>

(4) <https://gofossilfree.org/divestment/commitments/>