

Bath & North East Somerset Council	
MEETING:	AVON PENSION FUND COMMITTEE
MEETING DATE:	24 SEPTEMBER 2021
TITLE:	RISK MANAGEMENT FRAMEWORK ANNUAL REVIEW
WARD:	ALL
AN OPEN PUBLIC ITEM	
List of attachments to this report: Exempt Appendix 1 – Summary of Risk Management Strategies Exempt Appendix 2 – Mercer Report to Investment Panel	

1. THE ISSUE

- 1.1. The Risk Management Framework encompasses three dedicated risk management strategies and a passive equity fund for collateral management purposes, namely the Liability Driven Investment Strategy, Buy-and-Maintain Corporate Bond Portfolio and the Equity Protection Strategy. These strategies are linked to the funding strategy and de-risk the Fund by placing less reliance on growth assets to fund future pension benefits and to simultaneously protect the Fund's current funding position.
- 1.2. The Committee reviews the strategies annually to assess whether they continue to meet the Fund's strategic objectives. The annual review also considers any financial implications on the portfolio, specifically an increase in the collateral requirements.
- 1.3. Monitoring of the framework has been delegated to the Investment Panel who monitor the collateral adequacy of the pooled vehicle that contains the strategies, the performance of the strategies and the performance of the manager, Blackrock. In addition, the Funding and Risk Management Group (FRMG) is now responsible for agreeing the operational aspects relating to the risk management framework thereby ensuring that strategic objectives continue to be met in a timely fashion. FRMG raise any issues or concerns to the Panel for further consideration as well as report back on decisions/actions they have agreed.
- 1.4. At its meeting on 17 September 2021, the Panel reviewed each of the Risk Management Strategies and considered whether any strategic changes should be recommended to Committee.

2. RECOMMENDATION

The Avon Pension Fund Committee is asked to note the following:

- 2.1. **The Risk Management Strategies are all achieving their strategic objectives.**
- 2.2. **There are no strategic changes required to any of the strategies.**
- 2.3. **There is adequate collateral to support the strategies.**

3. FINANCIAL IMPLICATIONS

- 3.1. The risk management strategies have been implemented to provide greater certainty that the funding plan will be achieved and therefore contribution levels will be stable and minimised. Any changes to the framework can affect the level of employer contributions in the future.

4. ANNUAL REVIEW OF RISK MANAGEMENT FRAMEOWRK

- 4.1. The Investment Panel reviewed the Risk Management strategies at its meeting on 17 September 2021. This concluded that all the strategies are meeting their strategic objectives and no changes are currently required.
- 4.2. A summary of the framework including changes made during the year and any recommended changes is set out in Exempt Appendix 1. A high level report from Mercer used at the Panel meeting on 17 September 2021 is included as Exempt Appendix 2 for reference.

5. RISK MANAGEMENT

- 5.1. The Avon Pension Fund Committee is the formal decision-making body for the Fund. As such it has responsibility to ensure adequate risk management processes are in place. It discharges this responsibility by ensuring the Fund has an appropriate investment strategy and investment management structure in place that is regularly monitored. The Investment Panel further strengthens the governance of investment matters and contributes to reduced risk in these areas.

6. EQUALITIES

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

7. CLIMATE CHANGE

- 7.1. The Fund is implementing a digital strategy across all its operations and communications with stakeholders to reduce its internal carbon footprint in line with the Council's Climate Strategy. The Fund acknowledges the financial risk to its assets from climate change and addresses this through its strategic asset allocation to Low Carbon 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 Monitoring Officer and Section 151 Officer have had the opportunity to input to this report and have cleared it for publication.

Contact person	Nathan Rollinson, Investments Manager (Tel. 01225 395357)
Background papers	None
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