

Bath & North East Somerset Council

MEETING:	Council	
MEETING DATE:	18 November 2021	
TITLE:	Avon Pension Fund Annual Report to Council	
WARD:	All	
AN OPEN PUBLIC ITEM		
List of attachments to this report: Appendix 1 – The Avon Pension Fund Committee's Annual Report to Council 2020/21 Appendix 2 – Local Pension Board – Annual Report 2020/21 Appendix 3 – Terms of Reference for Committee & Investment Panel		

1 THE ISSUE

- 1.1 The Avon Pension Fund Committee discharges the responsibilities of the Council in its role as the administering authority of the Avon Pension Fund in accordance with the Local Government Pension Scheme Regulations 2013 (as amended).
- 1.2 The Committee reports annually to Council on the work it has undertaken in the previous twelve months and reference is also made in the report to the future work programme. This report is for the 12 months to 31 March 2021.
- 1.3 As background to this report members should be aware that Bath & North East Somerset Council has a dual interest in the Avon Pension Fund, firstly as administering authority and secondly as one of the employing bodies. This report focuses entirely on the Council's role as administering authority.

2 RECOMMENDATION

The Council is asked;

- 2.1 To approve the Committee's revised Terms of Reference
- 2.2 To note the Committee's Annual Report to Council
- 2.3 To note the Pension Board's Annual Report

3 THE REPORT

- 3.1 The Annual Report for 2020/21 is attached as Appendix 1 to this report. The document is primarily for the Council's purposes. However, it will be circulated to the employing bodies within the Fund to improve transparency about the Committee's activities and the decisions taken.
- 3.2 The Public Service Pensions Act 2013 required the Council to establish a local pension board to assist the administering authority with the effective and efficient management and administration of the scheme. The Avon Fund Pension Board has published its annual report for 2020/21 which is included in Appendix 2 for completeness.
- 3.3 The draft Terms of Reference includes a new sub-group, the Funding & Risk Management Group (FRMG). The purpose is to establish a more robust and efficient governance framework for the Investment Risk Management Strategies which includes the Equity Protection, Liability Driven Investing, Low Risk Funding Strategy and Foreign Exchange hedging strategies. The governance has evolved as these strategies have developed and been implemented involving significant and ongoing Investment Panel engagement. The strategies are now at a point where the role of the Committee/Panel needs to focus on ongoing objective delivery and strategic effectiveness rather than broader detailed operational aspects. The Committee approved the changes at its June 2021 meeting.
- 3.4 Since drafting of the Committee's Annual Report to Council, the committee has undertaken an equity review and agreed to set a new target to reduce absolute carbon emissions of the equity portfolio by 43% by 2025 and 69% by 2030. To support this they have agreed to realign the equity allocation by transferring the emerging markets allocation into the Global Sustainable Equity (GSE) and Global High Alpha Equity (GHA) portfolios offered by Brunel, and in order to maintain the fund's investment return target, to reduce the allocation to the diversified returns portfolio by c. 4% and reinvest in the GSE and GHA portfolios. The passive low carbon assets will also be switched into the Developed Equities Paris Aligned passive fund offered by Brunel. This was agreed at the Committee Meeting on 4th October 2021.

4 STATUTORY CONSIDERATIONS

- 4.1 The Council is required to put in place arrangements for the effective discharge of its business

5 RESOURCE IMPLICATIONS (FINANCE, PROPERTY, PEOPLE)

- 5.1 The costs of administering the Avon Pension Fund are recharged to the employing bodies through the employer contribution rates which are set by the actuary every three years as part of the valuation.

6 RISK MANAGEMENT

- 6.1 A risk assessment related to the issue and recommendations has been undertaken, in compliance with the Council's decision making risk management guidance.

7 EQUALITIES

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

8 CLIMATE CHANGE

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

9 OTHER OPTIONS CONSIDERED

9.1 None

10 CONSULTATION

10.1 The Pension Fund Committee delegated 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).

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Background papers	<i>Pension Fund Committee papers</i>
Please contact the report author if you need to access this report in an alternative format	