

Bath & North East Somerset Council

MEETING:	AVON PENSION FUND INVESTMENT PANEL	
MEETING DATE:	05 June 2024	AGENDA ITEM NUMBER
TITLE:	LDI Implementation Policy	
WARD:	ALL	
AN OPEN PUBLIC ITEM		
List of attachments to this report: Appendix 1 – LDI Implementation Policy		

1 THE ISSUE

- 1.1 Following the UK gilt market disruption in September 2022 when gilt yields rose sharply, the TPR issued guidance on how pension funds should manage their LDI arrangements. The guidance requires funds to have robust and effective operational processes in place to ensure the resilience of the scheme to market shocks and reduce the risks to the scheme to acceptable levels.
- 1.2 The Fund already has a robust governance process in place and a clear LDI strategy. However this LDI Implementation Policy brings all aspects into one document which can be periodically reviewed to ensure resilience is maintained as market conditions or our investment strategy changes.
- 1.3 Mercer, as the Fund's risk advisor has drafted the policy (see Appendix 1).

2 RECOMMENDATION

- 2.1 **That the Panel notes the LDI Implementation Policy.**

3 FINANCIAL IMPLICATIONS

- 3.1 There are no financial implications arising from this report.

4 LDI IMPLEMENTATION POLICY

- 4.1 The policy has been drafted in line with the guidance from TPR, which addresses the issues that pension funds in general faced during the gilts crisis. It sets out the operational, governance and monitoring processes established by the Fund, as well as the responsibilities of each of the parties involved. This includes:
- a) How the LDI manager, BlackRock, implements the strategy.
 - b) The level of collateral held and BlackRock's required collateral buffer.
 - c) The availability of collateral outside the LDI strategy.
 - d) Ability to transfer additional collateral into the QIF within a suitable timeframe.

- e) The governance arrangements.
- f) Ongoing monitoring of collateral resilience.

4.2 The policy will be reviewed annually by the Funding & Risk Management Group, or more frequently should there be material changes to the investment strategy (which could, for example, affect how we source additional collateral) or market conditions.

4.3 The Panel are invited to comment on the policy before noting it.

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 CLIMATE CHANGE

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

7 EQUALITIES

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

8 OTHER OPTIONS CONSIDERED

8.1 None.

9 CONSULTATION

9.1 The Head of Pensions has had the opportunity to input to this report and has cleared it for publication.

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Background papers	
Please contact the report author if you need to access this report in an alternative format	