

AVON PENSION FUND COMMITTEE

Minutes of the Meeting held

Friday 28th March 2025, 10.00 am

Bath and North East Somerset Councillors: Paul Crossley (Chair), Toby Simon, Chris Dando and Joanna Wright

Co-opted Voting Members: Councillor Mike Drew (South Gloucestershire Council), 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)

Advisors: Steve Turner (Mercer)

Also in attendance: Nick Dixon (Head of Pensions), Liz Woodyard (Group Manager for Funding, Investment & Risk), Carolyn Morgan (Governance and Risk Advisor), Nicky Russell (Technical & Compliance Advisor), David Richards (Finance & Systems Manager (Pensions)), Jeff Wring (Director of Financial Services, Assurance & Pensions) and Claire Newbery (Pensions Operations Manager)

46 EMERGENCY EVACUATION PROCEDURE

The Democratic Services Officer announced the emergency evacuation procedure.

47 APOLOGIES FOR ABSENCE AND SUBSTITUTIONS

Councillor Shaun Stephenson-McGall and Councillor Kate Kelliher had sent their apologies to the Committee.

48 DECLARATIONS OF INTEREST

There were none.

49 TO ANNOUNCE ANY URGENT BUSINESS AGREED BY THE CHAIR

There was none.

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

Elaine Pierpont addressed the Committee a summary of her statement is set out below.

A case made for divesting from suppliers to Israel is their illegal settlements.

- *If illegality is an argument then divest from suppliers to the UK as UK passed laws last month which break the Refugee Convention and International Law*
- *If Europeans or others settling without regard to existing residents is an argument then it also applies to New Zealand, Australia, Canada, USA, and many other nations, in which case we would have to divest from their suppliers.*
- *With no objective reason applying solely to Israel, such divestment is anti-Semitic.*

A case made that Israel is committing genocide against the Palestinians

- *She referred to a Guardian article 3rd December 2023, which pointed out that Israel was dropping leaflets warning Palestinians to move - hardly the act of a nation committing genocide.*
- *She referred to news reports that Egypt and Hamas effectively took it in turns to close the Rafah Crossing, thereby trapping Palestinians and raising the casualty rate.*
- *This is a continuation of a policy going back decades. She referred to a video clip she had seen made by a woman who grew up in Gaza in the 1950s, when it was still part of Egypt, in which she stated Arab nations wanted the Palestinians stuck in Palestine to be a problem for Israel.*

An argument that it is, in fact, Hamas, who want to exterminate the Jews

- *She referred to the same video clip in which she said children were taught to hate Jews.*
- *She referred to a statement by a Hamas leader shortly after the mass rape, murders, and kidnappings of 7th October 2023 in which he applauded the actions of the participants and said Hamas would do it again and again until there were no Jews left alive. That is a declaration of genocide.*

She concluded with a quote from Benjamin Disraeli "God treats the nations as the nations treat the Jews", and a warning that carrying out anti-Semitic divestments risks having the remaining investments perform badly.

Dr Eldin Fahmy addressed the Committee a summary of his statement is set out below.

'The Board make many contentious political judgements in their report about the claimed beneficial purposes of the arms trade. These are well beyond their remit. The claim that the arms trade protects us is not substantiated. The implication that thousands of jobs are at risk if APF divests is not credible. Sadly, business at UK arms manufacturers including in Bristol is booming.

The claim that arms investments protect the UK and NATO are contentious, unevidenced, and beyond the Board's remit. Whether arms investments protect the welfare of UK residents is a political judgement – and one which should properly be exercised by members.

We are witnessing a global arms race fuelled by arms companies for profit. If APF Board decide not to consult members, they will send a powerful message that they wish to facilitate this trade for political reasons, and that they do not value members views.

Instead, the Board must protect members' interests by canvassing their views. The Board say there is no evidence of members' support for divestment but acknowledge there is no evidence of members' support for arms investments.

There is ample evidence of wider support for arms divestment. This is shown by support for divest motions by elected representatives across Bristol and N Somerset and beyond, and in local surveys of fund members in Devon and Wiltshire. APF Board present no evidence that their members' views are likely to differ from those of the wider public.

Ultimately, this is about consumer choice. Pension funds customers should have a choice about how their deferred earnings are invested, and especially where there is controversy.

At a minimum, consultation must involve a comprehensive survey of members views using well-validated survey instruments. It also requires qualitative consultation with members and their representatives including trades unions. And it involves committing in advance to respecting the result of any rigorous consultation.'

Toni Mayo addressed the Committee a summary of her statement is set out below.

When I began my journey as a children's social worker 18 years ago, and joined Avon Pension Fund two years later. I was young and idealistic. I knew that the system I was entering had problems, but I believed that we could change it by being caring and principled, and we could make children and their families safer in their homes. That we could support them to live dignified lives, free from harm and fear.

For almost 20 years, I have worked flat out this job. I have seen many of my contemporaries and those who came after me leave, crushed by the pain and injustice that we come across, feeling powerless within this system. The job has aged me and haunted me. But I do still feel like in a small way, I am making a difference, and I really do not know what else I would do.

Our terms and conditions have been attacked by austerity, and we have lost a lot of the limited benefits of being council social workers, but our pensions remain something worth having, and something worth defending.

So, there is a huge moral outrage for me, that the money I have earned by trying, tirelessly and at great personal cost, to keep children safe, is being used to fund the weapons that kill my brothers and sisters' children abroad. That every day I work, where I find small satisfaction in what I achieve, despite the bureaucracy, workload and vicarious trauma, I am unwillingly contributing to genocide and war. I am unwillingly complicit in the slaughter of babies, children, and their families.

In Gaza, eleven hundred people have been killed in the last 5 days, including four hundred children. I oppose this with every fibre of my being, as a social worker, as a mother, as a trade unionist and as a human being. I am dumbfounded, as well as appalled, as to how I am funding, with my deferred wages, something that I oppose so strongly.

I am clearly in the majority. My branch, B&NES Unison, along with other trade union branches for members of the pension fund across the region, has passed motions calling for our pension money to be divested from the arms trade. North Somerset and Bristol Councils have passed motions calling for their staff's pension money to be divested from the arms trade.

As well as immoral, it is completely unnecessary to invest pension money in the arms industry. We could see our money invested in Green industries and jobs.

This sector desperately needs investment, and Avon Pension Fund is in a position to do something hugely positive on an international scale. That way, our money could be used to contribute to protecting the climate and social justice, to improving life, and not to death.

Dan Smart (UNISON South Glos) addressed the Committee a summary of his statement is set out below.

He said that union members were shocked and horrified that these investments were in place as part of the Fund. He added that he felt that pension funds should not be investing in arms at all and that he was not aware of any member who support such a decision

He stated that this was a great opportunity to make a meaningful difference and urged the Committee to support divestment from all Aerospace & Defence companies.

He concluded by encouraging the Fund to make more ethical investments.

Julia Thomas addressed the Committee a summary of her statement is set out below.

'I'm a member of the Avon Pension Fund. I am here today, to request that the Committee take into account members' views, and to ensure a rigorous and robust consultation regarding where our money is being invested.

I wish to argue for divestment from arms manufacturers because of their disastrous impact on the climate. The APF's Investment Strategy Statement states that:

"By 2030, the Fund will divest from all developed market equity holdings in high-impact sectors that are not achieving net zero or aligning to achieve net zero by 2050. High-impact companies held in the portfolios will be monitored annually and divested before 2030 if they fail to demonstrate alignment."

The production of weapons contributes to deforestation, biodiversity loss, and resource extraction. Arms manufacturers thrive on war and conflict. The impact of

armed conflicts causes significant environmental harm with disastrous consequences for ecosystems and the people and animals that depend on them.

The global military sector and its supply chain are estimated to account for 5.5% of global greenhouse gas emissions. Reducing arms production would contribute to clean energy efforts and help reduce emissions.

If this Committee is to successfully achieve its ambitious and welcome climate objectives, it must actively consider the need to divest from arms companies.

And, just as the Committee conducted a consultation on whether to divest from companies due to their negative climate-related impact, I now urge you to do the same regarding the arms industry.'

Jane Samson addressed the Committee a summary of her statement is set out below.

'We know that Avon Pension Fund invests thousands of pounds of our pension monies in arms companies. The Committee must seek a thorough consultation from its members about whether it should continue with these investments. As for me as a member of the Avon Pension Fund say I believe that investing in arms companies is contradictory to the Committee's Strategic Statement requirements.

Though arms companies must comply with certain UK laws on where and who to sell to, implementation is weak and the loopholes are many. Arms companies are less scrutinised than other companies even though weapons used in conflicts and wars are often traceable. We know that weapons end up in volatile regions, war lords, authoritarian governments and conflict and war zones. Arms companies hide behind governments and do not take responsibility, like other corporations would be required to, for compliance with the human rights frameworks.

According to one estimate, by the Stockholm International Peace Research Institute, the UK was the seventh largest exporter of major conventional weapons (behind the US, Russia, China). When asked by Amnesty International, 22 arms companies were unable to provide answers to how they comply with UN Guiding Principles on Business and Human Rights.

The level of scrutiny, corporate responsibility and their lack of transparency has meant that there is next to no accountability of these companies. They make thousands of pounds of profit on their products; products that end up being used often against civil populations.

It is our responsibility to do everything we can to stop supporting, even if we do so indirectly, an industry that profits from violence and destruction.'

Fay Pafford addressed the Committee a summary of her statement is set out below.

I urge this Committee to ensure that a thorough and wide consultation is carried out with members before the Fund considers investing further in arms companies.

The committee is not required to be driven solely by returns and the members views must be taken into account as to where they would like their money invested. I am sure if you ask the majority of members "would you like your money to be invested in

arms manufacturing when we know that arms directly and significantly contribute towards wars, conflicts, human death and suffering and destruction of life and the planet,” most members will say divest for arms.

Arms manufactures are driven by profit and they benefit from prolonged conflicts and wars – for the simple reason that their products remain in demand. The production of advanced arms manufacturing has led to deadlier conflicts and wars that have become more and more difficult to resolve.

Avon Pension Fund, for example, invests in BAE systems. BAE has supplied weapons to Saudi Arabia which are used in the war on Yemen. These weapons have therefore contributed to the death and suffering of the Yemeni civilians.

Similarly, APF invests in Lockheed Martin (US), a company that makes F-35 jets, missiles and bombs which are supplied to Israel, Saudi Arabia, and other conflict zones.

The use of these weapons has never led to anything good. Their use has only resulted in extreme human rights violations, violence, loss of life, displacement of people, and destruction of communities.

Surely, Responsible Investment Principles as stated in the Strategy Statement should not, cannot allow for investment in companies that directly contribute to global instability, violence and human suffering.

Loulou Brouard addressed the Committee a summary of her statement is set out below.

‘I’m here today to scrutinise Avon Pension Fund’s Investment Strategy Statement on Responsible Investing (RI) and to advocate for member consultation.

Paragraph 8.1 of the APF Investment Strategy Statement:

“APF invests in line with its Responsible Investing (RI) principles where it defines RI as the integration of Environmental, Social and (Corporate) Governance...”

Paragraph 8.2 - “We believe in investing responsibly to make a real world impact” - Are we talking positive impact or negative impact here? It doesn’t state so I’d like reassurance that APF’s commitment is to positive impact and not just impact.

Paragraph 8.3 - “APF’s approach is to integrate RI across its investment decision-making process for the entire portfolio.”

Does this decision making process, that is integrated across its entire portfolio, take account of the loss of lives in the pursuit of profits?

Does the committee consider that the fund is responsibly invested in an industry that profits directly from: War? Land mine dispensing machines? Killer AI technology? The bombing of schools, hospitals and homes? Environmental destruction? Does this sound like a list of responsible investing?

Paragraph 8.2 of the APF Investment Strategy Statement: “APF aims to be transparent and accountable” Have APF members been made aware that they may be financially contributing to the arms industry?

Or is there an assumption that APF members would a) be aware that their money is being invested in weapons and b) consent to their money being invested in weapons and c) feel morally aligned with investing in an industry, whose profits directly correlate with the increase of conflict and wars, mass deaths and suffering.

*Should members be consulted on investments that directly result in Loss of human life? Environmental devastation? War profiteering? The bombing of schools and hospitals and homes?
Or is it assumed that they already know and/or would find that perfectly acceptable?*

I am an Avon Pension Fund member and you may not assume that I knew my pension was invested in the arms industry, nor may you assume that I am even vaguely okay with that.

I demand to be consulted on investments that will have repercussions of magnitude: socially, morally and environmentally. I demand to be consulted, if the investments I make or have made through Avon Pension Fund will leave blood on my hands.'

Eileen Kay addressed the Committee a summary of her statement is set out below.

'I stand here today because the Avon Pension Fund is invested in an industry that profits from mass murder. Weapons produced by arms companies are used in war crimes, genocide, and the massacre of civilians.

In the past few days, we've witnessed some of the most savage attacks- families obliterated in their tents while they're sleeping, people killed while waiting in breadlines. We've seen the most unspeakable images of parents clutching pieces of their children, of orphaned little ones screaming for their mothers and fathers who have been violently butchered. These horrors are the direct result of weapons.

We are watching the complete collapse of international law, setting a terrifying precedent for how wars will be waged in the future. People on a mass scale are horrified. Members of this very pension fund have had the same visceral reaction upon realising they are financially implicated in these atrocities.

Wars in Gaza, Sudan, Yemen, and the Congo would not be possible without the arms industry.

Beyond the unimaginable human cost, war is destroying our planet. The UK's military-industrial sector emits more carbon emissions than 60 nations combined. Bombings destroy entire ecosystems, contaminate water, and leave landscapes toxic for generations.

Divesting from arms removes financial backing from companies that profit from death and pressures governments to change course. People deserve a say in where their pensions go. Institutions worldwide—universities, churches, city councils—are already divesting. The Avon Pension Fund must now consult its members.'

Roger Thomas addressed the Committee a summary of his statement is set out below.

He informed the Committee that he joined the Fund in 1979 and said like most members his role was to make people's lives better.

He said that wars were no longer fought army -v- army and that so many more civilians were becoming innocent casualties. He added that no family should have to suffer like they are doing so now.

He stated that arms manufacturers were only interested in how much profit they can make and called for the Fund to carry out a full member consultation on the issue of divestment.

Youssef Ibrahim addressed the Committee a summary of his statement is set out below.

He demanded that the Fund divest from all arms companies and said that their involvement in acts of war, genocide and environmental damage must be considered in the strongest terms possible.

He said that members of the Fund must have the right to choose how their money is invested.

He called for the Fund to consider their climate obligations in line with the Paris Agreement and said that elected members were likely to see that communities will support divestment and would put pressure on them to make that decision.

The Chair, on behalf of the Committee, thanked all the public speakers for their statements.

51 ITEMS FROM COUNCILLORS AND CO-OPTED AND ADDED MEMBERS

There were none.

52 MINUTES: 13TH DECEMBER 2024 (PUBLIC & EXEMPT)

The Committee **RESOLVED** that the minutes of the meeting on 13th December 2024 be confirmed as a correct record and signed by the Chair.

53 DRAFT PENSION BOARD MINUTES: 4TH MARCH 2025 (PUBLIC & EXEMPT)

The Committee **RESOLVED** to note the draft minutes of the Board meeting held on 4th March 2025.

54 INVESTMENTS IN AEROSPACE & DEFENCE

The Head of Pensions began by thanking the public speakers for delivering a clear articulation of their views and said that the Fund welcomed the scrutiny of this issue.

He said that member consultation will take place following whatever decision the Committee makes today.

He explained that in December 2024 public statements were made to the Committee largely regarding the supply of arms to Israel and that today the Committee debates a report on whether it should exclude all Aerospace & Defence (A&D) companies from the Fund's investments.

He said that this was a complex issue and that there were many layers to the decision which the Committee needs to consider.

He explained that within the report the Committee were being asked to consider supporting one of two options.

- **Option A:** Exclude all Aerospace & Defence (A&D) companies
- **Option B:** Continue to apply current policies on responsible investment and exclusions

He said that any decision made by the Committee would be in principle and subject to further legal advice and consultation with Fund members.

He explained that, to divest from A&D companies which supply Israel, the Committee should note that such a decision could set a precedent, potentially forcing the Committee to consider other conflicts in a similar way. He added that the Committee should also note the referred to legal opinions stating that, if a decision were taken on non-financial grounds, there should be no risk of significant financial detriment to the Fund, and scheme members in aggregate should support the decision within a wider context of related issues.

He said that any such decision based on non-financial factors is likely to be controversial among a material body of the scheme's membership and open to legal challenge.

He informed the Committee that they could decide to set broader and more robust criteria covering conflicts in general, to avoid unique focus on Israel-Palestine. He said that this would require a definition of what constitutes a conflict and assessment of the companies involved. Such an approach may need to cover multiple conflicts, e.g. Israel-Palestine, Kashmir, Sudan-Darfur, Myanmar.

He stated that this approach could be very complex to execute, even if stock selections and exclusions were undertaken by external asset managers with independent expert advice. He said that officers do not recommend investment criteria covering conflicts in general.

He outlined the two options that were before the Committee for their consideration.

Option A: Exclude all Aerospace & Defence (A&D) companies

The Committee could decide to apply an A&D exclusion policy across the whole Fund, which would entail divesting from existing holdings and excluding these stocks in future. This option would substantially reduce risk of exposure to conflict zones and the risk of inconsistent application with potential legal challenge triggered by narrow focus on Israel.

Such a policy could be implemented through new funds which exclude the whole A&D sector. In assessing Option A, the Committee should consider related consequences, as set out in the report.

The Committee needs to decide if Option A is merited in order to convey important points of principle, set against points outlined elsewhere in this paper, e.g. incremental costs, armaments required for UK defence, local employment, etc.

Option B: Continue to apply current policies on responsible investment and exclusions

More than 90% of weapons sales by relevant A&D companies are to the UK government and NATO partners. Such weapons are core to NATO's defence architecture, designed to shield western democracies against external threats from autocratic and hostile states.

Furthermore, the A&D companies in question supply weapons and equipment to Ukraine which have become critical in their defence.

The Committee needs to consider if the case for UK & NATO defence is part of the divestment debate and, if so, whether APF divesting from and excluding A&D companies can be consistent with the following:

- UK & NATO countries purchasing weapons manufactured by the relevant companies.
- Assisting Ukraine's defence with weapons manufactured by the relevant companies.
- More generally using equipment manufactured by the relevant companies for UK defence, noting that the UK government has decided to raise defence spending to 2.5% of national income.

If the Committee cannot reconcile the above points with divestment from A&D companies, it should decide to continue applying the Fund's current investment exclusions for conflict-affected and high-risk areas (CAHRAs) underpinned by exclusion for controversial weapons.

The Head of Pensions highlighted the following other points from the report.

Alternative fund costs – to accommodate divestment from A&D companies

Portfolios with relevant A&D companies are held through Brunel in the passively managed Paris-aligned equity portfolio, with some exposure in Multi-Asset Credit and High Alpha Equity. The Fund also holds equity derivatives in the Risk Management Portfolio which include A&D companies, for which it would be more complex to apply an exclusion policy, so for the purpose of the cost analysis we have assumed these are physical equity holdings.

In the case of Paris-aligned equity, divestment would require the asset manager to create a new fund excluding A&D companies, in which APF would initially be the sole investor, with indicative annual costs of 8 bps (0.08%) which is 5 bps (0.05%) higher than the current fund, an additional c.£750,000 per year. Discussions with other LGPS funds and trade bodies indicate that no other LGPS can commit to such

a new fund. However, if other investors were to join over time and total assets reached c.£5 billion, additional annual costs would be nearer 0.03% or £450,000. Hence a reasonable cost range is £450,000 - £750,000.

While further work would be needed to assess exclusion costs for other impacted funds, total additional costs would settle into a range of £0.75m - £1.25m per annum, with a mid-point of £1 million.

The Committee should also note that we assume one-off transition costs of moving to new funds would be 0.02% or c.£500,000.

In theory such additional costs would be borne through employer contributions which would be higher than otherwise, i.e. versus not divesting from A&D companies. This is hypothetical, assuming everything else being equal, and indicates the impact at an employer level.

Local Employment

The Committee may want to note that the Avon region has deep industrial heritage in A&D.

One of the companies which petitioners want the Fund to divest from is BAe Systems, which employs c.1,000 people in highly skilled roles across the region, along with many others through the supply chain.

The Committee needs to decide if local employment is relevant to its decision and, if so, whether APF divesting from A&D companies including BAe Systems is consistent with supporting 1,000 local jobs.

Legal Context

It should be noted that there is no legal issue with the Fund applying its current exclusions policy and sustaining investments in A&D companies, i.e. Option B:

- The Fund is acting lawfully by investing in A&D companies.
- The A&D companies in question are operating within the law of relevant jurisdictions.
- Israel is not subject to economic sanctions, differing from previous divestment from Russia which was triggered by sanctions imposed by the UK government.
- As confirmed in the opinion of Nigel Giffin KC in October 2024 (Counsel opinion on the LGPS and current events concerning Gaza Nov 24 lgpsboard.org) LGPS funds and Committee members are not liable as a result of holding investments in A&D companies including those which supply Israel.

If the Committee decides to implement an exclusions policy, the decision would need to have no risk of significant financial detriment to the Fund.

Faith Ward, Chief Responsible Investment Officer of Brunel Pension Partnership, addressed the Committee and commented that Brunel are responsible for managing the implementation of Avon Pension Fund's Investment Strategy, alongside 9 other LGPS funds.

She explained that in implementing the strategy, a range of responsible investment tools are applied, tailored to asset class, geography and level of operational control, including:

1. Restricting investment in companies that breach UN Global Compact Principles as well as specific exclusions of controversial weapons.
2. Integrating human rights risks into investment decision making, particularly in conflicted affected and high-risk regions.
3. Engaging with companies operating those regions.

Global Standards Screening identifies companies that are violating or are at risk of violating international norms as enshrined in the UN Global Compact Principles. These assessments are undertaken by a third-party provider - Sustainalytics - who have a dedicated team with extensive experience and expertise in human rights, law and international business.

The assessments are underpinned by references to the OECD Guidelines for Multinational Enterprises and the UN Guiding Principles on Business and Human Rights, as well as their many underlying conventions.

Brunel apply an Avoid or Explain policy on all active listed market portfolios. All non-compliant companies are detailed in routine reporting with an “explanation” – this is discussed at Brunel Investment Committee level prior to application of the avoid or explain policy.

In addition, a product involvement screen for Controversial weapons which is used in conjunction with the human rights analysis supports exclusion criteria – examples of exclusions are included in the report.

The investment managers appointed by Brunel, in most cases, deploy similar screening exercises and this supports their integration into investment decision making and engagement.

In addition to asset managers Brunel are supported by a specialist engagement provider; their programme of work includes engaging with companies operating in high-risk regions with the purpose of enhancing human rights due diligence - and seeking appropriate disclosure by those companies.

The service provider has a dedicated programme of work focusing on companies operating in the Occupied Palestinian Territories.

The approach to managing risks that Brunel adopts on behalf of its partner funds related to human rights is in line with its responsible investment principles, however it is accepted that there is much more work to do by the investment industry.

Human rights therefore is one of Brunel’s top three Responsible Investment priorities.

Brunel use the strength and position of the partnership in the industry to increase the assessment and understanding of human rights and social risks, and by extension,

the capacity to manage those risks and contribute to a reduction in actual or potential harms arising in our portfolios.

Councillor Chris Dando said that this was a very emotional issue and could not fail to be moved by the attacks that had taken place in Gaza. He added though that weapons from the same companies were also being used in the Ukraine so that they could defend themselves from the invasion by Russia.

He thanked the officers for a comprehensive report and the public speakers for their statements. He reiterated that members of the Fund would be consulted following the decision made by the Committee today.

He said that he welcomed the comments from Brunel and hoped they would continue to develop ways in which to hold companies to account.

Councillor Dando moved that the Committee should choose Option B: Continue to apply current policies on responsible investment and exclusions.

Councillor Mike Drew seconded the motion for the Committee to choose Option B. He said that he had sympathy with the public speakers

He welcomed that the views of Fund members would be sought following a decision in principle by the Committee and said that the Fund should continue to act as a responsible investor in the future.

Councillor Fi Hance wished to thank all involved on this issue and said that she agreed with many of the public views that had been raised. She said that she did not feel that the issue of costs were relevant to such a discussion and that while it was a matter for Fund members to decide upon, she would encourage the Committee to support Option A.

Councillor Joanna Wright thanked both the officers and the public speakers for their work on this matter. She called for the Government to address the conflict seriously and said that sanctions were required against Israel.

She said that the emissions that were created in the process of manufacturing weapons should be considered as part of the climate change debate and that their levels were against our current investment advice. She called for the Committee to support Option A.

Councillor Toby Simon commented that it had been an interesting debate and that he had been touched by the testimony from the public speaker who was a Social Worker.

He said that he believed it was a priority to be able to defend ourselves as a nation and greater Europe. He explained that as outlined in the report both Lockheed Martin and RTX are excluded from Brunel portfolios.

He said that having considered the issues raised and the content of the report, in particular matters of Defence, Costs and Local Employment he was minded to support Option B.

Robert Payne commented that he supported Option A and that he would have liked the views of Fund members to have been sought prior to this meeting.

Jackie Peel said that from a governance role Responsible Investing will continue to evolve and that the monetary costs of any change were negligible.

She said that the Committee have to be mindful of any impending Government decisions relating to Fit for the Future and that she would support Option B.

William Liew stated that these issues had been on his mind for some time and that the actions that have been carried out in Gaza cannot be defended.

He said that he did not feel that it would be justifiable to exclude all Aerospace & Defence companies and would support Option B followed by a full member consultation.

The Chair said that the consultation should clearly set out what the options for the Committee were and that the decision they make is not a final decision.

Councillor Dando concluded the debate by stating that the consultation must be on meaningful and legal options. He reiterated the point made by the Chair that it must be made clear that whatever the decision of the Committee today it is not a binding one at this stage and that they are promoting a way forward on this matter.

The Committee **RESOLVED** to make a decision in principle of selecting Option B, which is to continue to apply current policies on responsible investment and exclusions. (Voting: 10 in favour, 3 against)

This decision is now subject to member consultation to allow the Committee to reflect on members' views.

Officers will carry out a scheme member survey based on the approach the Committee has decided to adopt. Conclusions from the survey will be considered by Committee later in the year.

55 PENSION FUND ADMINISTRATION - OVERVIEW & SUMMARY PERFORMANCE REPORT

The Pensions Operations Manager introduced the report to the Board and highlighted the following points.

- Recruitment – final stages in progress. 4.5 vacancies across the department.
- McCloud - During Q1 2025 APF have written to around 27,000 members (18,000 via email) who are all out-of-scope requesting details of any additional public service pension that may put them in scope of the remedy. 800 replies have so far been received.

Councillor Toby Simon referred to the subject of recruitment and asked if the Committee could receive information at its next meeting on how the B&NES

incoming personnel policy changes have had any impact on Avon Pension Fund staff.

The Pensions Operations Manager replied that this process remains ongoing and that if concluded in time they would provide information to the next meeting of the Committee.

SLA monthly performance average Jan 2024 to January 2025

- Averaging between 87% - 90%
- Increase in some areas of activity over the Christmas period

She informed the Committee that a Pension Board member had raised that there had been a notable drop in the figures recorded for Retirement (Active) – Quote (46% in Jan 25 down from 86% in Dec 24). She explained that this was due to the number of enquiries that had been received at this time of year as members look to potentially change their circumstances as they enter a New Year and staff being on annual leave and sickness.

KPI cases outstanding under 31 days – Oct 2023 – Feb 2025

- Cases continuing to go down

KPI's case by age %

- Attempting to keep below 10%

Jackie Peel referred to slide 8 (KPI's outstanding over 31 days – Oct 2023 to Feb 2025) and asked if there were a core of cases that are stuck in this category.

The Pensions Operations Manager replied that there were a number of outliers, but that the figures are a true reflection and that more are being resolved generally. She added that they do plan to review the KPIs as part of the Admin Strategy.

Service performance – plan v's actual – 2nd Feb 2025

- The Fund remains ahead of the plan as of Q3 2024.

Strategic Roadmap & Business Change 2025-26

2024 / 2025 – Highlights and Achievements

- People:
 - Restructure done
 - 16 New starters
 - 24 Promotions within existing team
 - Creation of Business Change function
- Performance:
 - Backlog reduction of KPIs
 - 39 new employers onboarded to the fund
 - Webinar based training introduced for scheme employers

- Process:
 - All employers now on i-Connect
 - Policy approvals for GMP / Unders and overs
- Digitalisation
 - New Employer website live
 - New employer webforms introduced to improve data submissions
 - Bank Account Validation implemented

2025 and beyond, Priorities & Objectives

- People:
 - Fully resourced
 - Fully trained
 - Ongoing development and opportunities
- Performance:
 - Within SLA for all KPIs
 - Meet needs of **Pensions Dashboards**
 - Compliance with regulatory changes **i.e. McCloud**
- Process:
 - Effective controls, proportionate to risk
 - All process mapped
 - Clear and concise user guides & training
- Digital Transformation:
 - Automation of key processes
 - **Member portal upgrade** to unlock the digitalisation of processes
 - **Transition to hosting solution**

Note: In bold denotes priorities.

Regulatory & key enablers

- Regulatory – Pensions Dashboard / McCloud Remedy / GMP Remedy
- Key Enablers - Hosting Pension Admin Systems / Admin Strategy refresh / Process control framework / Unified Comms (Phase 1)

Jackie Peel commented that the three regulatory pieces of work were substantial and commended staff for considering the range of other work to be undertaken.

The Pensions Operations Manager replied that there are plans in place to pursue the enabler tasks. She added that the Business Change Team has made a real difference to how they work and helped to improve engagement.

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 members of the Committee were briefed in exempt session regarding appointing a pension administration software provider.

Communications Strategy

The Head of Pensions addressed the Committee, a summary of the presentation is set out below.

Our Audiences

- Primary – Members / Employers / APF Officers
- Secondary – Local media / Pensions media / Committee & Board

Aims and objectives in 2025

- Members - Deepen understanding of pensions
- Employers - Raise digital engagement
- APF Officers - Improve efficiency & pride in work

Key Themes

- Responsible – As responsible investors, we care about the future of our members and the world. Our commitment to the environment informs how we work.
- Local – We're devoted to serving local members and employers, to deliver pensions that work for everyone.
- Constant – We're long-lasting, strong and reliable. You can count on us every step of the way.
- Service – Your pension is our priority – we want to help you understand your benefits and choices.

Communication channel selection

- Use post, telephone and email for correspondence / information distribution.
- No social media as too resource intensive.

Wendy Weston asked for further information regarding the staff survey for officers.

The Head of Pensions replied that this had recently been carried out in February.

The Pensions Operations Manager added that there had been a good response to the survey, but that it would hard to summarise briefly at this time.

The Head of Pensions said that a further survey was planned for November 2025 and then likely to take place annually.

William Liew asked that officers be mindful of costs when deciding on methods of communication. He asked if members have the option to opt out of paper forms of communication.

The Head of Pensions replied that members are encouraged to do so.

The Board **RESOLVED** to note the service performance for the period ending 31st January 2025.

56 2025 - 28 PLAN & BUDGET

The Head of Pensions introduced the report to the Committee and highlighted the following objectives for the year ahead and the 2025-28 period.

Investments & Funding

- Proposed changes to the LGPS – ‘Fit for the Future’ - In 4Q24 the government launched its ‘Fit for the Future’ proposals for the LGPS and pools. Following consultation we await the government’s final plans – expected during Q2 2025. The direction of travel leads towards greater authority over investments by the pools which will select all asset managers and provide investment advice for LGPS funds including the Avon Pension Fund.
- Triennial Valuation This will be struck based on the Fund’s financial position on 31 March 2025 and it sets out the Fund’s valuation and funding plan. It will embed prudence into assumptions for future investment returns, to reduce the risk of the funding level going back below 100% over the medium term.
- With the funding level currently 105%, the Fund and its employers face a strategic choice between: a) sustaining the current investment strategy with lower employer contributions, vs b) adopting a lower risk investment strategy which could lock in greater certainty of employer contributions near their current level.
- Local Impact Portfolio - The Fund will continue to deploy capital into its local investments across its three subsectors: renewable infrastructure, affordable housing, small company (SME) funding. Having already deployed £40m, the Fund expects to deploy the full £175m by the end of the 2026-27 financial year.

Governance

- *Good Governance Review (GGR)* - The Scheme Advisory Board’s review (now within Fit for the Future proposals) sets out recommendations to improve LGPS governance. Statutory guidance for the recommendations to take legal effect is expected to be published this year. The Fund has already taken action to comply with the draft requirements and during 2025 the Fund will complete this process.

- The Audit Plan for 2025-26 will focus on the following areas: System Access Control / Payroll – year-end processes / Contributions & Member Information / Business Continuity Preparedness / Transfers Out from Deferred Pensions / Follow ups, risk management & governance.

Business Change

- Change Programme - The newly formed Business Change team's key focus for 2025-26 is to work with the Administration and Technical teams to deliver the following projects: Pensions Dashboard connection / McCloud remedy / Pension administration software hosting transition / Member portal upgrade.

We will progress transformation and digitalisation projects where resources allow.

Budget & Cashflow Forecast 2025-28

- The 2025-26 budget of £34.6m is £3.2m (+10%) above the £31.4m budget of 2024-25.
- Investment Fees - 2025-26 investment management fees of £24.7m are £2.0m (9%) higher than the £22.7m for 2024-25.
- Increased investment fees are driven by: a) higher asset values, b) the build out of the Local Impact portfolio and c) additional capital invested in private market portfolios. In aggregate this represents a 4 bps increase on investment management fees to 42 bps, projected to stay at this level for the following 2 years.
- Cashflow - As Fund membership matures, monitoring cash flow trends becomes increasingly critical. The Fund has now passed through an inflection point from being cash flow positive (contributions exceed benefits) to cash flow negative. The Fund is expected to experience £22.9m of net cash outflows in 2025-26, with full details outlined in Appendix 3.
- Due to the likelihood of the fund heading into actuarial surplus from the new valuation period commencing April 2026, for planning purposes deficit recovery payments have been set to zero from 1 April 2026.

Charles Gerrish asked if the consultation relating to Aerospace & Defence Investments had been costed into this current budget.

The Group Manager for Funding, Investment & Risk replied that it was not.

The Head of Pensions added that although not specifically included there is money reserved in the budget for work such as this consultation.

The Committee **RESOLVED** to approve the 3 Year Plan & Budget 2025-28 for the Avon Pension Fund.

57 TREASURY MANAGEMENT POLICY

The Finance Manager for Pensions & Investments introduced the report to the Committee and highlighted the following points.

- 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. Where the policy limits differ, it reflects the different cash flow requirements and the amounts of cash that need to be invested.
- 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. When investing in banks and funds, the Council will prioritise banks that are signatories to the UN Principles for Responsible Banking and funds operated by managers that are signatories to the UN Principles for Responsible Investment, the Net Zero Asset Managers Alliance and/or the UK Stewardship Code.
- 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.

Charles Gerrish asked how long Arlingclose had been advising the Council and when was the contract due to be renewed.

The Director of Financial Services, Assurance & Pensions replied that he believed that it was 5-6 years, and the contract renewal process would take place within the next 12 months.

The Committee **RESOLVED** to approve the Treasury Management Policy set out in Appendix 1.

58 LGPS POOLING: FIT FOR THE FUTURE - UPDATE

The Group Manager for Funding, Investment & Risk introduced the report to the Committee.

- The government has consulted on changes to the pooling arrangements for the LGPS funds.
- The proposed changes broadly cover three areas:
 - a) Reforming LGPS asset pools
 - b) Boosting LGPS investment in their localities and regions of the UK
 - c) Strengthening governance of both LGPS and pools

- The deadline for LGPS fund responses was 16 January 2025. The pools had to submit their business plan for implementing the proposals by 01 March 2025.

She explained that the pools have all met with the Treasury recently, but that no further information had been provided as part of the Spring Statement by the Chancellor.

She said that she believed that there is the intention to lay the Pensions Bill in Parliament before summer recess.

Jackie Peel asked if any comment had been received regarding the issue that Administering Authorities were being asked to fully delegate implementation of investment strategy to, and take principal investment advice from, the pool.

The Group Manager for Funding, Investment & Risk replied that there had been much push back on the issue of receiving principal investment advice from the pool and that they were awaiting clarity from the Government on this.

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

59 RISK MANAGEMENT PROCESS & RISK REGISTER

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

- The quarterly review of the risk register has taken place and no changes have been made to scores for this quarter.
- The Fund has just completed its review and testing of its Business Continuity Plan. As part of this work risks identified in the plan have been checked for consistency against the risk register. As a result of this risk NR06 has been reworded to better reflect the risk of losing IT, which could be due to a cyber attack, but also due to other factors such as loss of power.
- The top three risks remain:
 - NR06 – the loss of IT including cyber attack and loss of power. The fund is planning to move its admin system to a Heywood hosted solution and appropriate data protection and cyber assessments are being carried out.
 - NR01 – Poor service levels below agreed standards. The current factors impacting this risk are set out in the Pension Fund Administration report. As part of the Business Continuity Plan review a service level plan and crisis communication plan have also been agreed.
 - NR05 – Failure to manage personal data per regulations. The volume of personal data the Fund manages in day-to-day processing keeps this risk high on the register. The Operations Teams plan to introduce

process changes to remove duplication of checking and bulk processing. Additional data protection assessments will be carried out as part of the implementation.

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

60 GOVERNANCE UPDATE

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

- The training plan sets out the timeframes for studying the Hymans training modules as set out in Appendix 2. The plan will be refreshed in April 2025.
- Committee membership – Councillor Kate Kelliher has resigned from the Committee, the Parish & Town Councils are being consulted with regard to allocating another representative.
- Unison and Unite have been approached to assign representatives to the Committee and it is hoped that these will be in place by the next meeting.

Nick Weaver, Chair of the Pension Board stated that the Board were very keen that the training programme is maintained by all members.

The Committee **RESOLVED** to note the workplan & training programme.

61 EMPLOYER EXIT - 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 Committee **RESOLVED** to note the update that had been provided.

The meeting ended at 1.33 pm

Chair(person)

Date Confirmed and Signed

Prepared by Democratic Services