Bath & North East Somerset Council	
MEETING:	**AVON PENSION FUND INVESTMENT PANEL**
MEETING DATE:	**3 SEPTEMBER 2025**
TITLE:	**Risk Management Framework Review for Periods Ending 30 June 2025**
WARD:	ALL
AN OPEN PUBLIC ITEM	
List of attachments to this report: Exempt Appendix 1 – Mercer Report: Risk Management Framework Review 30 June 2025	

1. THE ISSUE

1.1. The Funding and Risk Management Group (FRMG) is responsible for agreeing the operational aspects relating to the Fund's Risk Management Framework (RMF) thereby ensuring that strategic objectives continue to be met.

1.2. Exempt Appendix 1 shows all risk management strategies are rated green and continue to perform in line with expectation.

1.3. There was a total collateral interest rate buffer of c.10% at 30 June, which is 7% above the point at which the manager would engage with the Fund to increase collateral.

2. RECOMMENDATION

The Avon Pension Fund Investment Panel:

2.1. **Notes the performance of each of the underlying RMF strategies and current collateral position as set out in Exempt Appendix 1.**

3. FINANCIAL IMPLICATIONS

2.2. 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. RISK MANAGEMENT STRATEGY PERFORMANCE

4.1. The underlying equity benchmark rose 4.7% over the quarter, with the equity protection strategy (EPS) detracting 1.9% from the net equity performance. Since inception the dynamic EPS has detracted c. 2.5% from equity returns and reduced volatility by c. 24%.

4.2. At quarter end, the interest rate hedge ratio stood at 28% and the inflation hedge ratio was around 15%. The yield trigger framework for implementing hedging at attractive levels has been discontinued ahead of adopting a longterm strategic hedge ratio target. This is in the process of being implemented and officers will report back at the November Panel meeting.

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. 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 Paris Aligned Global Equities, Sustainable 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 Head of Pensions has had the opportunity to input to this report and has cleared it for publication.

Contact person	Nathan Rollinson, Investments Manager (Tel. 01225 395357)
Background papers	FRMG papers
Please contact the report author if you need to access this report in an alternative format	