Bath & North East Somerset Council		
MEETING:	**AVON PENSION FUND COMMITTEE**	
MEETING DATE:	**26 SEPTEMBER 2025**	**AGENDA ITEM NUMBER**
TITLE:	**INVESTMENTS UPDATE: POOLING DECISION**	
WARD:	ALL	
AN OPEN PUBLIC ITEM		
List of attachments to this report: Exempt Appendix 1 – KPMG report 'Project Cornerstone'		

1 THE ISSUE

1.1. The purpose of this report is to inform the Committee's in-principle decision in respect of which investment pool Avon Pension Fund (APF) should partner with.

1.2. This decision is required, as the government decided in April 2025 that Brunel must close and APF assets should transfer to an alternative pool.

2 RECOMMENDATION

The Committee:

1.1 **Notes the background to pooling changes and the limited choice faced by the Avon Pension Fund.**

1.2 **Approves in principle the recommendation to adopt Local Pension Partnership Investments (LPPI) as APF's new pool partner to replace Brunel.**

1.3 **Delegates to the Chair of the APF Committee the authority to sign non-binding agreements with LPPI, or with its client or shareholder funds, which are recommended by officers, such as Heads of Terms or a Memorandum of Understanding.**

3 FINANCIAL IMPLICATIONS

1.4 There will be material one-off costs incurred in closing down Brunel and moving the Fund's assets into the new joint pool, which should be mitigated over time by lower ongoing costs.

1.5 Regulatory capital held by Brunel will partially cover such costs, which need to be estimated and shared with the Committee as soon as practical, and in any event before the Committee decides to conclude a binding shareholder agreement. The Government has required this to be before 31 March 2026.

4 PROCESS & ASSESSMENT

1.6 In April 2025, a formal letter from the Pensions Minister and MHCLG Minister notified us that “Brunel’s proposal does not meet the Government’s vision for the future of the LGPS” and that each Brunel fund needs to “identify which pool to partner with going forward”.

1.7 The government’s stated reasons for the above decision included: limited in-house asset management expertise, low scale, and limited merger appetite. The government confirmed that two pools would close – Brunel and Access – and six pools would remain.

1.8 Looking forward, there are two key dates:

a) 30 September 2025, by when APF needs to confirm with MHCLG its in-principle decision on which new pool to join.

b) 31 March 2026, by when such decision needs to be legally binding, e.g. through a new shareholder agreement.

1.9 Of the six pools under consideration, three were considered unsuitable:

- Northern: owned by three ‘mega’ LGPS funds (Merseyside, Manchester, West Yorkshire), which showed no appetite to engage.
- London CIV: the practical capacity for new partners is limited by their ongoing need to pool assets from its 32 London boroughs.
- Wales: is a national asset and needs to make material changes to comply with government requirements.

1.10 Border-to-Coast withdrew and declined to address our due diligence. We later learned that they had already decided which funds to accept.

1.11 Hence APF’s practical choice was between:

a) Central – currently serving eight funds, based in Wolverhampton, and managing c. £45 billion

b) LPPI – currently serving three funds, based in London and Preston, managing c. £23 billion.

1.12 The ten Brunel funds undertook a review of the two options, advised by KPMG, which were assessed versus critical decision factors including:

- Shareholder: all funds need to enjoy equal shareholder rights.
- Culture: client driven, working together, robust governance.
- Meets government requirements, e.g. in-house asset management.
- Costs: there should be a clear pathway towards lower unit costs across both internal pool costs and 3rd-party fees.
- Investments: deep capability, good performance, with flexibility to meet each individual fund’s investment strategy.

5 PLANNED RECOMMENDATION

1.13 Both Central and LPPI would be excellent pool partners.

1.14 Both pools score very similarly on the majority of criteria.

1.15 Central is more attractive in respect of the opportunity to build flexibility required for our investment proposition and its unit costs are lower.

1.16 LPPI on the other hand demonstrates proven ability to offer investment advice, with strength in strategic asset allocation.

1.17 A detailed assessment of relative merits – across LPPI and Central – is summarised in the attached report compiled with KPMG.

1.18 A material number of Brunel funds are likely to join LPPI.

1.19 Furthermore, LPPI is likely, on the basis of initial discussions, though this not guaranteed, to integrate the Brunel business. Hence APF is hopefully able to join LPPI with peer funds from Brunel.

1.20 LPPI is recommended as APF's new pool partner.

6 NEXT STEPS

26 September: APF Committee makes its in-principle pool decision

30 September: APF confirms its decision to Treasury and MHCLG

20 October:

- Agreement of key negotiation points among the seven Brunel funds
- Integration work plan.

October 2025 – March 2026

- Negotiations between seven Brunel funds and LPPI funds and at pool corporate level
- Formation of joint Committees and decision groups, leading to a NewCo shareholder agreement
- Regular engagement with the APF Committee

31 March 2026: APF signs binding legal agreements.

2. RISK MANAGEMENT

2.1 The Avon Pension Fund Committee is the formal decision-making body for the Fund. 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. In addition it monitors the benefits administration, the risk register and compliance with relevant investment, finance and administration regulations. The creation of an Investment Panel further strengthens the governance of investment matters and contributes to reduced risk in these areas.

3. CLIMATE CHANGE

3.1 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 is in the process of addressing this through its strategic asset allocation to Paris Aligned Equities and renewable energy opportunities. The strategy is monitored and reviewed by the Committee. As part of the valuation the Actuary will report on the potential impact of climate change risks in his final valuation report in line with best practice.

4. OTHER OPTIONS CONSIDERED

4.1 We considered alternative options listed earlier in this report.

5. CONSULTATION

5.1 The report and its contents have been discussed with the Head of Pensions representing the Avon Pension Fund and the Director of Financial Services, Assurance & Pensions, representing the administering authority.

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Background papers	None, other than the paper highlighted under ‘List of attachments’
Contact the report author if you need to access this report in an alternative format	