

Avon Pension Fund Committee Annual Report to Council (April 2024 – March 2025)

Foreword

I am very pleased to present the Annual Report of the Avon Pension Fund Committee for 2024/25. While the year itself was one of strong performance in our business as usual, the Committee's work has become much more challenging since the year end.

Brunel Pension Partnership now manage over 90% of our assets (including all listed securities) in line with government guidance for pooling. However, in April the government rejected Brunel's proposal for the future of pooling. It directed us, along with the other LGPS funds in the Brunel pool, to join another pool.

The Committee is also taking major decisions arising from the triennial valuation which is effective from 31 March 2025. This includes decisions about contribution rates and about investment strategy.

The Committee has been challenged by a number of stakeholders about its investment policies, in relation to the conflicts in the Levant. In March the Committee agreed to maintain its existing policy of not investing in firms which fail to comply with Principle 2 of the UN Global Compact (this excludes makers of cluster & anti-personnel munitions) but not to disinvest further, and committed to surveying members to better understand their views

Finally, I would like to thank all staff of Avon Pension Fund for continuing to provide a good service in the face of difficult challenges, and to the Pensions Committee and Board for their wholehearted support for the Fund's officers. I also want to thank Paul Crossley and Shaun Stevenson McGall for their leadership of the committee over the past two years.

Councillor Toby Simon
Chair, Avon Pension Fund Committee

Introduction

This is the annual report to Council detailing the work carried out by the Avon Pension Fund (“Fund”) Committee for the period 1 April 2024 to 31 March 2025.

B&NES is the Fund’s administering authority and delegates its responsibility for the Fund to the Avon Pension Fund Committee (“Committee”) which is the formal decision-making body. The Committee makes strategic choices, sets policy objectives, and monitors implementation and compliance with the stated strategy and objectives.

Due to the wide scope of the Committee’s remit, it is supported by the Investment Panel (“Panel”) which sets investment strategy and assesses performance and risk metrics in greater depth. The Committee has delegated authority to the Panel for specific investment decisions.

The Committee and administering authority are scrutinised by the Local Pension Board, ensuring that governance of the scheme is robust and fit for purpose and aligned with relevant regulations.

The scheme is regulated and overseen by The Pensions Regulator. Other bodies and agencies undertake key roles, particularly the Local Government Pension Scheme Advisory Board, the Ministry of Housing, Communities and Local Government and CIPFA (Chartered Institute of Public Finance and Accountancy), which sets accounting standards.

Brunel Pension Partnership Ltd (Brunel), regulated by the Financial Conduct Authority, manages over 90% of the assets in the Avon Pension Fund.

The Fund is a statutory scheme regulated by the Local Government Pension Scheme Regulations 2013 and the Local Government Pension Scheme Regulations (Management and Investment of Funds) Regulations 2016.

The Fund serves over 140,000 members and 487 employing bodies across 4 unitary authorities – B&NES, Bristol, North Somerset, South Gloucestershire. The value of the Fund on 31 March 2025 was £5.8 billion. In 2024-25 the Fund received £251m in pension contributions and paid out £250m in pension payments and other benefits.

Full details can be found in the Fund’s annual report

<https://www.avonpensionfund.org.uk/about-fund/how-avon-pension-fund-works>

Governance

Structure and Attendance – Committee

	Committee Structure
14 voting members	• 5 elected members from B&NES • 1 elected member from Bristol City Council • 1 elected member from North Somerset Council • 1 elected member from South Gloucestershire Council • 3 independent members • 1 nominated member from higher/further education bodies • 1 nominated member from the academy bodies • 1 nominated member from the trade unions
3 non-voting members	• 1 nominated member from town and parish councils • 2 nominated members from the trade unions

Attendance at the quarterly Committee meetings was 84% for the voting members and 75% for the non-voting members.

Structure and Attendance – Investment Panel

The Panel consists of up to six voting members from the Committee and meets at least quarterly ahead of Committee meetings. The Panel met formally four times during the year with attendance at 75%.

Training

The Fund provides training to Committee members to ensure they have appropriate levels of knowledge, skill and understanding to discharge their fiduciary duties.

A training framework is in place, which is based on CIPFA's (Chartered Institute of Public Finance and Accounting) Knowledge and Skills Framework for LGPS funds.

The Fund has adopted the LGPS Online Learning Academy provided by Hyman's Robertson, which forms part of the Committee's training plan. Members have committed to studying the modules within one year of joining and triennially after that. The modules are as follows:

Module 1 – Committee Role and Pensions Legislation
Module 2 – Pensions Governance
Module 3 – Pensions Administration
Module 4 – Pensions Accounting and Audit Standards
Module 5 – Procurement and Relationship Management
Module 6 – Investment Performance and Risk Management
Module 7 – Financial Markets and Product Knowledge
Module 8 – Actuarial Methods, Standards and Practices
At 31 March 2025, 80% of members had completed all eight modules.

In addition, workshops are arranged as necessary, reflecting the Committee's meeting agendas and feedback from members. During the last twelve months, two workshops were held to discuss the release and implementation of The Pension Regulator's General Code of Practice and the Fund's interim valuation.

Workplans

Separate workplans are prepared for the Committee and Panel detailing areas of work relating to the investment strategy, funding, and administration of benefits. Such workplans give the Committee and officers the opportunity to review workload and plan Committee agendas and workshops.

Internal Audit

During the year, Internal Audit completed six audits which were finalised as per the below summary:

- Pensions Payroll – Level 4, Substantial Assurance
- Scheme of Delegation – Level 3, Reasonable Assurance
- Year End Processes – Level 3, Reasonable Assurance
- Annual Benefit Statements – Level 3, Reasonable Assurance
- Governance of Local Impact Investments – Level 4, Substantial Assurance
- Pensions Increases – Level 3, Reasonable Assurance

Review of Governance Arrangements and Policies

The Committee reviewed the minutes of the Pension Board quarterly. The Board is on course with the work and training plans and all quarterly meetings have been held as planned.

Fund officers have reviewed the governance arrangements including the Committee's Terms of Reference, Governance Compliance Statement and the Fund's Treasury Management Policy.

B&NES Council annually reviews the Committee's Terms of Reference and the Treasury Management Policy.

The Committee reviews the Fund risk register at each meeting.

Committee's Activities and Review of the Year

Global markets were broadly favourable during 2024. Equities increased in value by 15% driven by US equities, while UK government bonds recovered as interest rate expectations declined. We enter 2025 in a robust financial position.

Following a review of our investment strategy in 2023 and subsequent investments with local impact, the Fund has appointed new asset managers focused on renewable infrastructure, affordable housing, and small business funding. The Fund also continues to exceed its climate targets including progress towards Net Zero.

The year has seen significant improvement in service quality. As part of our support for employers, we launched a new employer website in December 2024 with an online portal and e-forms to simplify data submissions and change requests.

Administration

Increasing complexity and growth in employer numbers has made service delivery challenging. As a result, the administration function restructured in August 2024 to improve service through greater digitalisation.

The fund has agreed a new administration software package to ensure digital delivery of services including connection to the Pensions Dashboard, a new member portal, improved data cleansing, and cloud-based hosting.

A new project to review process controls across the administration kicked off in 2025 to ensure key operations are governed by secure systems.

Members' service experience was below the Fund's targets during 2023/24. A project to focus on service backlogs has led to a material reduction in backlogs during 2024/25, which has led to improved service experience for members. 90% of members' service requests are now addressed within required timeframes.

The project to implement the McCloud age-discrimination remedy is on track to be completed by the August 2025 deadline.

The Pension Regulator's Standards of Data Requirements

The Fund regularly tests its data vs The Pension Regulator's (TPR) requirements. In the TPR Scheme Return submitted in September 2024 the Fund reported a data score of 96% for common data and 97% for scheme specific data.

Service Plan, Budget and Cash Flow Monitoring

Each year the Committee approves the Service Plan which sets out the Pension Fund's objectives for the next three years together with a three-year budget to deliver the plan. This included the organisational restructure, digital improvements, staff levels, and training which will drive required improvements in administration.

During the year to 31 March 2025, total Fund costs were under budget.

	Budget £'000	Actual £'000	Difference £'000
Administration	5,660	4,542	1,118
Investments	19,603	19,089	514
Governance	3,105	3,046	59
Total	28,368	26,677	1,691

Funding Strategy Statement (FSS)

Falling liability values due to higher bond yields was the main driver in the increase in the funding level to 102%. The next triennial valuation struck as at 31st March 2025 is in progress and will set employer contribution rates for the 3 years from April 2026.

The funding strategy is prudent, with the aim of keeping employer contribution rates stable over time. The average employer contribution rate is 18.6% of salaries and we anticipate that this will be lower for most employers following the 2025 valuation.

Investment Management

The value of the Fund's assets was £5.8 billion at 31st March.

During the year we continued our investments in our Local Impact Portfolio and by the end of the year, we had invested £41m of the target £175m.

Responsible Investing and Climate Emergency

We continue to make progress towards achieving the net zero targets set in 2023/24 with the overriding objective of delivering real world impact on the level of emissions and enabling transition to a low carbon economy. Over the last 5 years, the Carbon Footprint of the listed equity portfolio has decreased by 71% relative to the baseline year of 2019/20, and the corporate bond portfolio footprint has decreased by 65%. This is due to several factors including a decrease in carbon emissions from the companies we invest in.

Future Activity

Following the government's decision to reject Brunel's proposal for the future of pooling, work will now begin to join another pool. A decision on a new pool and the work to transition to that pool will continue throughout the year and beyond.

The committee made its initial decision to remain invested in arms and defence companies but committed to surveying members for their views. The survey took place in September 2025 and a final decision will be made by committee at the end of the year.

A government-led project to allow everybody to find their pensions more easily, called Pensions Dashboards, will be implemented this year. The Fund is due to meet its requirement to 'connect' with the Dashboard in October 2025. Data quality, risk assessment and evidence-based work is being carried out in readiness for implementation.

Recruitment to fill all vacant posts within the Fund's structure remains a priority for officers as work continues to improve service experience for members and digital transformation. An upgrade to the member self-service portal (My Pension Online) will support digital transformation ambitions at the end of 2025.

An initial review of The Pensions Regulator's General Code of Practice, which was released in March 2024, demonstrated that the Fund is near to full compliance. Following the review, an action plan was implemented to ensure areas outstanding are addressed to bring the Fund to full compliance. Officers will be ensuring that all agreed actions are carried out by March 2026.

Finally, the Scheme Advisory Board's Good Governance Review for the Local Government Pension Scheme is transitioning from recommendation to implementation. The Fund expects more progress, clarity and guidance in the coming months.