

BATH AND NORTH EAST SOMERSET

AVON PENSION FUND COMMITTEE

Friday 26th September 2025

Present:- Councillors Toby Simon (Chair), Shaun Stephenson-McGall (Vice-Chair), George Leach, 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), Pauline Gordon (Independent Member) and John Finch (Independent Member)

Co-opted Non-voting Members: Shona Jemphrey (Unison), Edmund Cannon (Parish & Town Councils) and James Hillary (Unite)

Advisors: Steve Turner (Mercer) and Paul Middleman (Mercer)

Also in attendance: Nick Dixon (Head of Pensions), Liz Woodyard (Group Manager for Funding, Investment & Risk), Nathan Rollinson (Investments Manager), Carolyn Morgan (Governance and Risk Advisor), Nicky Russell (Technical & Compliance Advisor), Julia Grace (Pensions Valuation Advisor) and Claire Newbery (Pensions Operations Manager)

17 EMERGENCY EVACUATION PROCEDURE

The Democratic Services Officer announced the emergency evacuation procedure.

18 APOLOGIES FOR ABSENCE AND SUBSTITUTIONS

Wendy Weston had sent her apologies to the Committee.

19 DECLARATIONS OF INTEREST

John Finch declared an other interest with regard to agenda item 8 (Investments Update: Pooling Decision) as he is employed as an independent advisor to the Cornwall Pension Fund.

20 TO ANNOUNCE ANY URGENT BUSINESS AGREED BY THE CHAIR

There was none.

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

Dr Eldin Fahmy had registered to make a statement, but was unable to attend. His statement was delivered by Youssef Ibrahim. A copy of the statement will be appended to these minutes and a summary is set out below.

'The APF Committee has not met since 3rd June and is now meeting after its member survey has closed. There has been no opportunity for public scrutiny and APF employees have had no opportunity for direct input.

Most APF members did not get a chance to have a say. APF Committee claim that is too costly and that they cannot email all members. But they could have asked employers to forward an invitation to current APF employees to take part in the email survey on an opt-in basis.

The launch was delayed many times. It seems this was due to serious concerns about bias in the draft question set. It is well-known the Committee supports arms investments, and that it intended to secure that outcome from the outset.

In its guidance:

APF state arms sales are almost exclusively to the 'good guys' - but fails to mention Israel here as an ally. It states that all conflicts harm civilians but fails to mention this is often intentional and egregious - as with Israel.

Turning to the questions themselves:

Q1 'Many' is disputable when referring to arms industry employees. 4,000 jobs is a tiny proportion of the Avon workforce.

Q3 It is disputable that this sector plays a key role in the UK's defence. Its products also put the UK at risk.

Q4 The focus on financial returns implies there will be a risk of significant material detriment if APF divests but no evidence is provided

We demand real accountability – it is members money they are playing with!

Eileen Kay had registered to make a statement, but was unable to attend. Her statement was delivered by Michaela Wild. A summary is set out below.

She said that she felt that it was wrong that only 1 in 5 fund members would be able to take part in the survey regarding aerospace and defence investments. She stated that she was aware of only one person who had received the survey.

She called for the Committee to hold an open meeting to discuss the results of the survey and said that the member's views must be listened to.

She said that the UN Independent International Commission has determined that Israel has committed genocide against Palestinians in the Gaza Strip and that the Commission urges Israel and all States to fulfil their legal obligations under international law to end the genocide and punish those responsible for it.

She stated that the Avon Pension Fund has an opportunity to make a real change and must be transparent with the next parts of this process.

She said that the thought of anyone profiteering from this crisis was abhorrent.

Beth Cleeter addressed the Committee, a copy of her statement will be appended to these minutes and a summary is set out below.

'I am speaking today as a member of the public whose deferred wages are in the Avon Pension Fund. I do not consent to my deferred wages being invested into the companies of weapons manufacturers.

I am concerned that only one in five members of the Avon Pension Fund will get the chance to have their say on such an important issue. I also object to the wording of the survey as it is bias towards continuing with the status quo which is perpetuating war around the globe, genocide in Gaza and environmental destruction.

Members may not be fully informed of what they are agreeing to when reading "investments in aerospace and defence". Perhaps a more accurate description of the companies we are investing in could be used in the survey question to members, for example "do you agree to your wages being invested into the companies of war profiteers?"

The genocide that Israel is committing against Palestinian's is ensured by the continual supply of weapons from Western countries, such as the UK and its allies. Companies such as BAE Systems, General dynamics, Boeing, Northrop Grumman and others profit from the unconscionable suffering of our brothers and sisters across the world and have undue influence on our politicians which leads to more economic insecurity and inequality. It is not defence.

I cannot see how investment into these companies aligns with any ethical responsibility towards people or planet. I also object to the APF's policy of engaging with companies and sectors known to be involved in war crimes, human rights violations and environmental destruction rather than complete exclusion and divestment.

Divestment works. Companies have redirected their production away from weaponry after losing contracts. Please offer our members an alternative that they can vote for. There are more ethical ways for them to get returns on their wages and to support the local economy. Other countries and municipalities have divested their portfolios away from the economy of murder and so can we. Please use your authority to lead to something better.'

The Chair thanked the members of the public for their statements and explained that questions had been received from Dr Eldin Fahmy and Ahmed Hamoud, and that responses to those questions had been prepared and circulated. They will also be appended to these minutes online.

The Chair informed the Committee that they were due to have an informal discussion regarding the survey in October with a public meeting to follow in due course.

22 ITEMS FROM COUNCILLORS AND CO-OPTED AND ADDED MEMBERS

Councillor Joanna Wright wished to make the Committee aware that she had received over 90 emails from members of the public who were concerned about the consultation relating to Aerospace & Defence investments.

23 MINUTES: 27TH JUNE 2025 (PUBLIC & EXEMPT)

The Committee **RESOLVED** that the minutes of the meeting on 27th June 2025 be confirmed as a correct record and signed by the Chair.

24 INVESTMENTS UPDATE: POOLING DECISION

The Head of Pensions introduced the report to the Committee and highlighted the following areas.

- 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.
- The recommendation is to adopt Local Pension Partnership Investments (LPPI) as APF's new pool partner to replace Brunel.
- Delegate 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.
- The decision is required, as the government decided in April 2025 that Brunel must close and APF assets should transfer to an alternative pool.
- 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.
- There are two key future dates: 30th September 2025, by when APF needs to confirm with MHCLG its in-principle decision on which new pool to join, and 31st March 2026, by when such decision needs to be legally binding, e.g. through a new shareholder agreement.
- APF's practical choice was between either Central or LPPI. The ten Brunel funds undertook a review of the two options, advised by KPMG, which were assessed versus critical decision factors.
- Both Central and LPPI would be excellent pool partners. Both pools score very similarly on the majority of criteria.
- A material number of Brunel funds are likely to join LPPI. Furthermore, LPPI is likely, on the basis of initial discussions, though not guaranteed, to integrate

the Brunel business. Hence APF is hopefully able to join LPPI with peer funds from Brunel. LPPI is recommended as APF's new pool partner.

Councillor George Leach said that he was concerned about the potential increase in costs to members and that he hoped that costs would be able to fall in due course.

Councillor Chris Dando referred to section 1.19 of the report and whether Brunel's business could be integrated with LPPI. He asked whether this would mitigate costs in any way.

The Chair replied that the Brunel Oversight Board had discussed this matter and said that they had a preference for a company style merger between Brunel and LPPI and to syphon off the funds that don't join. He said that he felt that, if possible, this would minimise disruption.

The Head of Pensions added that the reason we are keen to integrate Brunel into LPPI is to retain their capabilities in terms of Private Markets, the Climate Strategy and Responsible Investments.

He said that it was also important for the Funds to depart simultaneously, regardless of their pool destination, to share the burden of exiting Brunel in an orderly way. He stated that in total it would be an 18 – 24 month journey of change.

Councillor Mike Drew commented that he was concerned about the impact this decision will have on staff within Brunel and the APF.

Councillor Robert Payne said that he found this a frustrating position to be in and would be happy to remain in Brunel if not being forced to find a new pool partner.

Edmund Cannon stated that he did not agree with the statement that future lower ongoing costs would offset the one-off costs incurred by moving the assets as it is difficult to predict future performance. He added that he was also concerned about fund governance and whether it would still be able to achieve its ESG (Environmental, Social, and Governance) objectives.

The Chair said that a degree of effort will be required to drive costs down and that it was important to protect the ESG expertise from Brunel.

The Head of Pensions that there are two considerations that can drive unit costs lower; the scale of funds that you can procure with 3rd party asset managers and making investment propositions more streamlined and consistent.

John Finch said that he was disappointed that three of the funds within Brunel were considering joining a different pool and that no preferential treatment should be given to them in terms of exit costs.

The Head of Pensions replied that all funds would pay the same fee in exit costs.

The Committee **RESOLVED** to:

- i) Note the background to pooling changes and the limited choice faced by the Avon Pension Fund.
- ii) Approve in principle the recommendation to adopt Local Pension Partnership Investments (LPPI) as APF's new pool partner to replace Brunel.
- iii) Delegate 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.

25 FUNDING STRATEGY STATEMENT 2025

The Funding & Valuation Manager introduced the report to the Committee and highlighted the following points.

- The comments received via the consultation with employers were considered carefully and it has been concluded that no fundamental changes to the draft FSS are required (other than to update the technical information as the valuation progresses) as it was felt that the framework covered the issues raised and there was sufficient flexibility within the FSS to address the points raised where appropriate.
- There are outstanding technical (and potentially regulatory) matters that will need to be included in the FSS which may affect the contributions and /or funding policy. These will be resolved as the valuation progresses. As these are technical in nature, it is recommended that Officers are given delegated powers to finalise the FSS having received full advice from the Actuary, should there need to be any changes as a result of further development on these or similar matters.
- Once the valuation is finalised, the FSS will be updated and published. For admissions and exits, the 2025 FSS actuarial assumptions will be effective from 1 April 2026. This is consistent with our current policy.

Paul Middleman, Mercer, Fund Actuary, addressed the Committee and explained that engagement with employers had taken place on key issues such as Surplus Policy, implications for employer contribution rates and overall approach and ongoing review.

He said that there had been some push back from employers regarding reserves and that it was a challenge to find the balance.

He stated that he felt that the FSS as drafted offers sufficient flexibility, including the pay growth assumption, and that further steps would have been impractical.

The Funding & Valuation Manager said that the final actuarial outcome will be reported to Committee at their March 2026 meeting and will take into account various refinements to individual employer results e.g. relating to ill-health and death in service captive premiums.

William Liew asked for confirmation for when employers would have to pay their new level of contributions.

The Funding & Valuation Manager replied that these would apply from 1st April 2026. She added that the employer's respective finance teams would know the levels by December 2025.

Charles Gerrish asked how this process would affect academies as they set their budgets in the middle of the financial year.

The Funding & Valuation Manager replied that should an increase in their contributions be determined then this can be postponed until 1st September 2026 if required.

Councillor Chris Dando commented that he wished to thank the employers for their responses to the consultation and the officers and the Actuary for their roles in managing the process.

The Committee **RESOLVED** to:

- i) Note the feedback responses received, and the proposed amendments to the FSS.
- ii) Approve the FSS as set out in Appendix 1, subject to the insertion of information which can only be included when the actuarial valuation is complete.
- iii) Delegate the refinement and finalisation of the FSS to Fund Officers, with assistance of Fund Actuary.

26 PENSION FUND ADMINISTRATION - PERFORMANCE REPORT

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

Pensions Administration Strategy

The primary purpose of the Pensions Administration Strategy (PAS) is to clearly define the roles and responsibilities of the Fund and scheme employers.

The PAS sets out the performance standards and best practice that the fund and scheme employers should aim to meet. The document defines clear roles and responsibilities and has been developed with the need to comply with new regulations for Pensions Dashboards.

The fund intends to apply the PAS in a working partnership arrangement with scheme employers and their third-party payroll providers. Once the Strategy has been approved by Committee the fund will go into consultation with scheme employers for a period of 3 months.

Communication Policy

The Communications Policy is required by LGPS Regulations 2013, Section 61 and forms part of the PAS. It outlines our guidelines and principles on how the fund will communicate with members, employers and other stakeholders. It has been designed to provide an effective and transparent framework for communications.

Our communication aims are to:

- Provide relevant, accurate, accessible information for all stakeholders.
- Use plain language and avoid unnecessary jargon.
- Use communication channels which best fit individual needs while encouraging digital use to improve service experience.
- Support members to make informed decisions about their pension.

The Pension Board have responsibility for monitoring the application of the PAS, including performance standards and will report to the Pensions Committee. The Board met in an informal meeting on 2nd September 2025 and approved the PAS and Communication Policy.

Performance

Appendix 3 to the report includes performance of service vs SLAs up to 31st July 2025. Following a dip in performance in early 2025, the fund is now seeing continued improvement in performance.

McCloud

On 12th August as part of the PAS workshop the Pension Board were briefed on the funds plan to exercise its discretion to make a determination in respect of McCloud. This will extend the deadline to complete the remedy exercise until 31 August 2026. All board members agreed with the fund's decision.

Pauline Gordon referred to training that had been undertaken relating to ESOG (Effective System of Governance) and ORA (Own Risk Assessment) and asked how these policies fit within the work of the Fund.

The Pensions Operations Manager replied under the TPR General Code of Practice this will become a compulsory item, but said that it was not yet and the officers were seeking to be ahead of the curve.

The Governance and Risk Advisor added that they were expecting to be able to provide enhanced governance requirements and to add these elements in where necessary.

Charles Gerrish asked if an explanation could be given regarding the term 'club transfer'.

The Technical and Compliance Manager replied that clubs are a network of public sector pension schemes.

Councillor Joanna Wright asked if further comment could be given on the Access and Fairness Consultation.

The Pensions Operations Manager replied that the Government's response to the consultation has not been received yet. She added that while the changes proposed are welcome, it will require a substantial amount of work for officers, as with McCloud, and it would be better if the work could be staggered.

Councillor Wright asked if the concerns have been shared with the Government.

The Technical and Compliance Manager replied that there is a national officer group that have taken this matter under consideration. She explained that most funds were in favour of the proposals, but recognise the work involved as some cases will go back to 2005.

She added that the LGA has also issued a response and that the deadline has passed to respond further at this stage.

The Chair asked if these points of concern were given in the initial response.

The Technical and Compliance Manager replied that they were.

The Chair suggested that the Pensions Administration Strategy might be renamed to include the word 'policy'.

The Head of Pensions said that he would discuss the proposal offline with the Chair and supporting officers.

The Committee **RESOLVED** to:

- i) Approve the new Pensions Administration Strategy
- ii) Approve the Communications Policy
- iii) Note the service performance for the period ending 31st July 2025.

27 LEGISLATION UPDATE

The Technical and Compliance Manager introduced the report to the Committee and highlighted the following areas.

Access and Fairness Consultation

On 15th May 2025, MHCLG launched its "Access and Fairness" consultation for the LGPS. The proposed changes are intended to improve fairness and access to the LGPS.

The consultation closed on 7th August 2025. The LGA, SAB and Avon Pension Fund have issued responses to this consultation.

Whilst supportive of many of the proposals outlined in the consultation, concerns have been raised in relation to the potential implications on administration teams around rectification of survivor benefits.

The Government have been urged to seriously consider timescales for implementation and ensure there is clear guidance upfront.

Councillor Fi Hance said that she would welcome being informed, at some point, of the costs involved for implementing these changes.

Shona Jemphrey asked if the Committee would be receiving legal advice in relation to their upcoming discussion into Aerospace & Defence investments.

The Head of Pensions replied that the Committee would have a private briefing, early in October, to discuss the survey results, and that he anticipated that legal advice would be given at or prior to the briefing.

He added that following the briefing the Committee would need to decide when to meet publicly.

The Chair commented that advice had been sent to all LGPS funds from the Scheme Advisory Board (SAB).

The Committee **RESOLVED** to note the current position regarding the developments that could affect the administration of the fund.

28 RISK MANAGEMENT PROCESS & RISK REGISTER

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

The quarterly review of the risk register has taken place and a change has been made to one of the scores for this quarter.

- Risk NR02 – Regulatory Changes. The likelihood has been increased from possible to almost certain to reflect the expected regulatory changes following the Access & Fairness consultation.

She wished to draw the Committee's attention to risk NR06 (the loss of IT including cyber attack and loss of power). She explained that the fund has completed the move to a Heywood hosted solution and that Heywood have provided them with its Disaster Recovery Plan.

She informed the Committee that there was an error on the scoring for risk NR19 and that this should read as 15 (Medium Impact) and in effect make a top 4 of risks.

- NR06 – the loss of IT including cyber attack and loss of power.
- NR01 – Poor service levels below agreed standards. The current factors impacting this risk are set out in the Pension Fund Administration report.

- NR02 – Regulatory Changes – expected regulatory changes and remedial work following the Access & Fairness consultation
- NR19 – Move to new asset pool.

Pauline Gordon referred to risk NR19 and asked officers to consider what initial success within a new pool would look like.

The Governance & Risk Advisor replied that they would take that into consideration when the quarterly review of the risk register takes place.

The Chair, on behalf of the Committee, said that he wished to thank the Administration Team for their work on moving to a Heywood hosted solution.

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

29 GOVERNANCE UPDATE

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

- Good progress has been made on the drafting of the Committee’s annual report to Council. A final version will be circulated once approved by the Chair, which will be presented to Council on 20th November.
- Hymans LGPS Online Learning Academy (LOLA) - In order to meet the additional knowledge and skills requirements of SAB’s Good Governance Review & The Pension Regulator’s General Code of Practice the Fund has introduced Hymans LGPS Online Learning Academy (LOLA). Committee members have agreed to complete all training modules within twelve months of becoming a Committee member and repeat the completion of the modules every three years.
- TPR General Code of Practice (GCOP) - The Fund has assessed its position against the code and progress against the action plan is set out in Appendix 4, detailing owners and timescales with the aim of reaching compliance over the next year. Progress against the action plan will be shared with Committee and Pension Board on a quarterly basis.
- The Pension Board met informally on 2nd September and agreed the following:
 - The Board reviewed the Funding Strategy Statement for compliance with the LGPS Regulations 2013 and SAB/CIPFA guidance and agreed that it met regulatory compliance
 - The Pension Board’s annual report was reviewed and approved for submission to Council on 20th November

- The Pension Board supported the revised Pensions Administration Strategy and Communications Policy for approval by the Pensions Committee.

The Governance & Risk Advisor informed the Committee that a new Employer and Member representative had been appointed to the Pension Board.

Councillor Chris Dando addressed the Committee. He explained that a Code of Conduct challenge had been made against him and that following an investigation the Monitoring Officer had concluded that no breach of the Code had occurred and that there was no case to answer.

The Committee **RESOLVED** to:

- i) Note the Committee Workplan & Training Programme
- ii) Notes the Service Plan Monitoring report
- iii) Notes the TPR GCOP Action Plan
- iv) Notes the agreements made at the Pension Board informal meeting.

As the meeting concluded the Chair took the opportunity to thank Liz Woodyard for her work within the Council over the past 22 years. On behalf of the Committee he wished her all the best for the future in her retirement.

The meeting ended at 11.40 am

Chair(person)

Date Confirmed and Signed

Prepared by Democratic Services