

<b>Bath &amp; North East Somerset Council</b>	
MEETING:	<b>LOCAL PENSION BOARD OF AVON PENSION FUND</b>
MEETING DATE:	11/03/2026
TITLE:	Investment Strategy Statement Update
WARD:	<b>ALL</b>
<b>AN OPEN PUBLIC ITEM</b>	
List of attachments to this report: Appendix 1 – Draft Investment Strategy Statement 2026	

## **1 THE ISSUE**

- 1.1 The Local Government Pension Scheme (Investment and Management of Funds) Regulations 2016 (the regulations), state that the Investment Strategy Statement (ISS) must be kept under review and revised from time to time particularly when there is a material change in risk and reviewed at least every three years. The ISS was last revised in March 2024. The Fund undertook a strategy review in 2025, recommending changes to the strategic asset allocation (SAA) and climate monitoring points, hence a revised ISS has now been drafted for Committee approval.
- 1.2 This ISS has been produced in line with the current 2016 regulations and will be updated to ensure compliance with the new 2026 pooling regulations when they are passed into law on 1<sup>st</sup> April 2026. For this reason, elements of the ISS still reflect legacy pooling arrangements.
- 1.3 The 2026 draft regulations stipulate that the new ISS should be published by 1<sup>st</sup> October 2026 and subject to consultation with scheme employers, members (unions) and other interested parties e.g. Mayoral Combined Authorities. The Fund's new Pool, LPPI, is currently undertaking a phased review of the investment strategy which will inform the June-Oct 2026 ISS consultation and production schedule.
- 1.4 This current ISS is subject to the existing consultation process where Pension Board review the document for compliance with the 2016 regulations, providing feedback and guidance to the Committee before approval.

## **2 RECOMMENDATIONS**

### **The Pension Board is asked to;**

- 2.1 Note the draft 2026 Investment Strategy Statement and provide any feedback to the Committee.
- 2.2 Note that the 2026 ISS will be published on the Fund's website and will be updated to reflect the latest regulations and any further strategy changes before 1st October 2026.

### **3 THE REPORT**

3.1 The changes to the ISS reflect the recommendations agreed by Pensions Committee at its 2025 investment strategy review workshop(s), namely:

a) Section 5 – SAA:

- Formal 2% allocation to Natural Capital (within the current 32.5% allocation to illiquids)
- Increase in Local Impact from 3% to 5% (within the current 32.5% allocation to illiquids)
- Removal of the 6% allocation to Diversified Return Funds
- Increase in the allocation to Index-linked Gilts from 12% to 14%
- Increase in the allocation to Multi Asset Credit from 6% to 10%

With the exception of Natural Capital and Local Impact (strategies that will be developed under LPPI) all of the above strategy changes have been executed.

b) Section 3 – ‘Investment Beliefs’ are consistent with the SAA and reflect the latest position in respect of Local investments. Section 4 sets out further detail related to the Fund’s allocation to Local investments including target risk/return, geographic coverage and impact objectives.

c) Section 8 – Responsible Investment has been updated to reflect decisions agreed by the Committee, namely:

- Adoption of a 2035 decarbonisation monitoring target for listed equities and corporate bonds
- The use of limited activity-based exclusions across tar sands, coal, tobacco and controversial weapons
- Net zero alignment and divestment of a limited subset of high emitting companies by 2030

### **4 STATUTORY CONSIDERATIONS**

4.1 Bath and North East Somerset Council, in its role as administering authority, has executive responsibility for the Avon Pension Fund. The Council delegates its responsibility for administering the Fund to the Avon Pension Fund Committee which is the formal decision-making body for the Fund.

4.2 The Pension Board has an advisory role in assisting the administering authority by making recommendations about compliance, process and governance. The Board does not have a decision-making role.

### **5 RESOURCE IMPLICATIONS (FINANCE, PROPERTY, PEOPLE)**

5.1 None.

## **6 RISK MANAGEMENT**

6.1 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.

## **7 EQUALITIES STATEMENT**

7.1 A proportionate equalities impact assessment has been carried out using corporate guidelines and no significant issues have been identified.

## **8 CLIMATE CHANGE**

8.1 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.

## **9 OTHER OPTIONS CONSIDERED**

9.1 None.

## **10 CONSULTATION**

10.1 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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<b>Background papers</b>	None
<b>Please contact the report author if you need to access this report in an alternative format.</b>	