

Bath & North East Somerset Council	
MEETING:	AVON PENSION FUND COMMITTEE
MEETING DATE:	27 March 2026
TITLE:	INVESTMENT STRATGEY STATEMENT 2026
WARD:	ALL
AN OPEN PUBLIC ITEM	
<p>List of attachments to this report: Appendix 1 – Draft Investment Strategy Statement 2026</p>	

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 (expected 1st 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 1st 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 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. The Pension Board reviewed the draft ISS on 11 March 2026 identifying no issues.

2 RECOMMENDATIONS

The Committee:

- 2.1 Approves the draft 2026 Investment Strategy Statement.
- 2.2 Notes 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 arising from the LPPI review before 1st October 2026.

3 FINANCIAL IMPLICATIONS

- 3.1 The costs of the investment strategy are provided for in the annual budgets (investment manager fees and advisory costs).

4 DRAFT ISS

- 4.1 The changes to the ISS (as highlighted in the document) reflect the recommendations agreed by Committee at its 2025 investment strategy review workshop(s), namely:

- a) Section 6 – 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 4 – '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 9 – 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

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 STATEMENT

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 Council's Director of Financial Services, Assurance & Pensions has had the opportunity to input to this report and has cleared it for publication.

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Background papers	None
Please contact the report author if you need to access this report in an alternative format.	