Bath & North East Somerset Council

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AVON PENSION FUND

Avon Pension Fund

Annual Report 2019/2020

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Contents

Foreword

This year was always set to be very challenging with the triennial valuation and strategic investment review to undertake, but nevertheless the year was approached with optimism as the Fund was in a strong position. However the year will undoubtedly be remembered as the year of the pandemic and whilst this forward only encapsulates the period to March 2020, the last few weeks of March and indeed the ensuing months have seen a monumental effort by the Funds' staff to maintain services under the most difficult of circumstances. In particular work to deliver digital services has been accelerated by default with all staff homeworking as of the end of March, a situation which will likely persist for some time yet.

The valuation itself showed a significant improvement in the funding position since the 2016 valuation, driven largely by the strong asset returns achieved by the investment portfolio over the three years to 31 March 2019. However, the reduction in the deficit contributions was offset by upward pressure on future service contributions, from the additional costs arising from the McCloud judgement and expectations of lower investment returns, given the outlook for market prices and yields at 31 March 2019. Indeed, McCloud will give rise to a significant extra workload over the next 18 months or so as the remedies become known and is set to further challenge resources in the current climate

Unfortunately, the pandemic ended a multi-year period of positive investment performance, with the portfolio falling over the year by 6.4% to £4.5 billion. However, our investment strategy is well diversified, with a long-term investment horizon, so it is designed to be resilient to market volatility. The committee completed its strategic investment review to ensure the Fund was still on track to meet its liabilities and considered further opportunities to better align the portfolio with the transition to a low carbon economy. As a result, we have now agreed an overarching objective to implement a <20C aligned portfolio by committing to net zero emissions by 2050 or earlier. This alignment to the Paris Agreement is seen as just the start of the journey aimed at reducing the Fund's carbon footprint and we will be working with Brunel and other partners to achieve this over the coming years.

By the end of the year we had transitioned 50% of the Fund's assets to Brunel Pension Partnership, the company we established with nine other LGPS funds to manage our pooled assets. Given the complexity of the work involved to create and transition each investment portfolio and the number of parties involved, this is a fantastic achievement. Momentum continues in the current year, despite the pandemic, with at least another three investment mandates transitioning to Brunel, meaning we are well on our way to completing this work by 2022. We are already able to see some of the benefits of the Partnership with its strong approach to Responsible Investing whilst fee savings are ahead of those assumed in the original Business Case.

The Fund also strengthened its own Governance arrangements during the year with the addition of another Independent member to the Committee bringing considerable investment experience, together with a new academy representative strengthening coverage of employers' interests in decision making. The Committee and Investment Panel have continued to operate effectively, despite the Pandemic, as has the Local Pension Board which itself has welcomed new members. The Board continues with its function of monitoring legislative compliance and is further developing its core agenda around the key themes of legal compliance, risk management and benchmarking. The Board's annual report is included with this report.

During what has been a most remarkable year, I would like to thank all my colleagues on the Committee for their contributions and ongoing support and on behalf of the Committee thank all staff at the Avon Pension Fund who continue to provide excellent services in what are still very extraordinary circumstances.

Councillor Bruce Shearn

Chair, Avon Pension Fund Committee

Review of the year 2019/20

COVID-19 PANDEMIC

The year was dominated by the impact of the Coronavirus pandemic in the last quarter as the virus took hold globally, nations responded with restrictions to contain the spread and investment markets took fright as an extremely sharp economic slowdown materialised. As the year ended the Fund was establishing new remote working arrangements to ensure it could still deliver its service to members and employers alike, monitoring cashflow and reviewing proposed changes to the investment strategy to ensure it was still appropriate given the uncertain outlook.

INVESTMENTS

During the year the value of the Fund's assets decreased by £352 million to £4,467 million at 31 March 2020. The investment return of -6.4% was the first negative return since 2016. The return over the last three years was 1.0% per annum which is below what is required in the funding plan.

Positive investment returns for the first nine months of the year were eliminated by year end due to the impact of COVID-19 on investment markets globally. No asset class or geographic area was immune; economic growth and drivers are truly global and as a result this pandemic has wreaked havoc causing an economic slump worse than that experienced in 2008. How quickly the global economy recovers and how sustainable any recovery will be is difficult to ascertain; changes in consumer and industry behaviour following this pandemic will determine how attractive markets will be in the long-term. Some asset classes such as property could face unique challenges if working patterns structurally change as a result of the crisis.

The Fund weathered the crisis well, due to the diverse range of assets within the portfolio and the equity protection strategy which added 0.6% to the overall return. Allocations to diversifying assets such as Diversified Growth Funds and Hedge Funds performed their strategic role by providing some downside protection as equity markets fell. Bond markets, especially credit markets were badly affected as investors feared a rise in defaults.

Over the year sterling depreciated against the US dollar, Euro and Yen. As a result, the currency hedge contributed negatively to the overall return. Excluding the foreign currency hedge the returns were -5.3% over one year and 1.3% per annum over three years.

The Investment Strategy was reviewed in 2019/20, at the time against a vastly improved funding position. Allocations were increased to assets such as Private Debt and Secured Income that generate income to better match the cash flow profile of the liabilities. The allocation to sustainable equities was increased from 5% to 10% of total assets which together with the 10% invested in Low Carbon Equities will help mitigate the financial impact of climate change on the Fund's assets. Lastly, objectives were set to address the risk of climate change on the portfolio, providing clear milestones for review over the next three years.

During the year another three equity mandates transitioned to Brunel. Brunel has also appointed a manager to provide Risk Management Solutions to its clients. At least another three mandates are planned to transition by the end of the current financial year. In addition, the new allocations to Secured Income, Private Debt and Infrastructure assets are being invested via Brunel's portfolios.

POOLING OF ASSETS

Since 2018 the Avon Pension Fund (the Fund) has been participating in the Brunel Pension Partnership Ltd (Brunel), a collaboration of 10 LGPS funds (the "clients"). The objective of pooling is to generate cost savings from investment fees and provide more efficient management of the investment assets to enhance returns.

Under these new arrangements, the Avon Pension Fund retains responsibility for setting its investment strategy (or asset allocation), as well as the funding and administration strategies. Brunel is responsible for ensuring each fund can implement its bespoke investment strategy via a suite of portfolios that it offers its clients.

Since Brunel was authorised to operate by the FCA in March 2018, significant progress has been made in transitioning the Fund's assets to Brunel portfolios. In the last year a further £1,511m transitioned bringing the assets managed by Brunel on behalf of the Fund to £2,252 million or 50.4% of the Fund's assets. Important progress was also made on responsible investing with Brunel publishing its Climate Change Policy in early 2020. This policy is aligned with the Fund's own objectives and will be crucial in enabling the Fund to achieve those objectives over the coming years.

Included in this Annual Report is a summary of the costs of pooling and the savings achieved to date. This is updated annually in line with regulatory guidance and includes the savings against the 2016 Business Case. In 2019/20 fee savings were achieved on the assets that transferred. However, the costs to date associated with setting up Brunel, ongoing operations and transitioning the assets means the Fund has incurred net costs of £5.2 million, which is lower than the costs anticipated in the business case to establish the pool. The Fund is not expected to show a net saving until financial year 2024.

FUNDING STRATEGY

The 2019 valuation was undertaken against a positive backdrop; strong asset returns of c 29% in the three years to 31 March 2019 and a slowing in the rate of improvement in future life expectancy led to an improvement in the funding position to 96% (where assets cover 96% of projected liabilities) from 86% at the 2016 valuation. The deficit in monetary terms fell from £618million in 2016 to £284 million.

Offsetting these positive drivers was a lower discount rate to value the liabilities, reflecting the lower return expectations from the investment strategy due to the strong investment returns experienced in recent years. As a result, the future service rate or primary rate that values future benefit accruals rose for most employers.

Following the Government's loss of a legal case regarding changes to the public sector pension schemes in 2015 that were deemed to be age discriminatory and will need to be reversed (known as the 'McCloud case'), the valuation did not include an allowance for the potential cost of the remedy. However, individual employers were informed of their estimated costs and given the option to pay additional contributions over 2020/23 or wait until the remedy is known. The LGPS has a national cost cap process to ensure the costs of the scheme remains within a prescribed cost 'envelope' for both member and employers. The initial results of the cost management process indicated a slight improvement in member benefits would be required with effect from 1 April 2019; however these changes have been put on hold until the remedy of the McCloud case is known and the impact it will have on the cost of the scheme.

As at 31 March 2020, the funding position has deteriorated and is estimated to be back at 84% due to the fall in asset values in the last quarter of the financial year.

PENSIONS ADMINISTRATION

With the UK lockdown in place from 23rd March, the initial focus from the Fund concentrated on communications, ensuring all staff officers had capability to undertake business operations remotely from home. Secure communications were established for scheme members including the implementation of enhanced digital online services to mitigate postal requirements where possible.

Direct engagement with all scheme employers was established to review and monitor ongoing business capabilities in the face of COVID-19 with no significant issues being reported at the outset.

Administration Strategy

Following consultation with employers the Funds revised Administration Strategy was implemented from 1st November 2019.

The document builds on the previous Strategy to include a more detailed ICT Strategy and to also ensure the governance and administration requirements of the Pension Regulator are properly addressed as they fall to the Fund and Employers.

The purpose of the revised Strategy is to continue progress towards a seamless pension service, employing appropriate technology and best practice which both significantly improve the quality of information and the speed with which it is processed, to provide better information for Employers and stakeholders and a more efficient service to Fund members.

The Strategy recognises that significant work will need to continue to be undertaken in achieving the Pension Regulator's compliance requirements and both the Fund and its Employers will need to work in partnership to meet this challenge. The revised Service Level Agreement (SLA) accompanying the Administration Strategy, is in the process of being reissued digitally.

Key to the success of the Strategy are the continued development of the IT Strategy proposals which will deliver high quality, efficient and integrated digital services to employers and members in an increasingly regulated and financially complex environment. Performance targets for both Employers and the Fund as set out in the Pensions Regulator's requirements have been reflected in revised Service Level Agreements. Performance reporting will continue to be discussed with Employers at regular review meetings and similarly reported to the Pensions Committee and Local Pension Board.

Poor performance by an employer would be flagged by these reports and the review meetings will enable Employers and the Fund to work together to resolve any problem areas and to improve performance. Where the Fund identifies poor quality or missing data it will put a data improvement plan in place to address these issues. Continued failure to improve may result in penalty charges being imposed.

The Pension Board will undertake to assist the Fund in the implementation of the Administration Strategy, making recommendations to the Committee as necessary.

Service Plan 2020/23

The forward-looking three year Service Plan 2020/2023 sets out the key service objectives and milestones. It also reviews the achievement against the previous year's plan. The main focus of the plan is:

- To work with Brunel Client Group and Brunel to ensure efficient transition of assets and full consideration of all investment, financial and governance issues. Ensure Committee and Board kept up to date of progress.

- To continue the business service objectives outlined in the revised Administration Strategy (2019) and implement the new employer Service Level Agreement.
- Following 2019 valuation and strategic Investment review, plan for next review to ensure all options and scenarios are considered ahead of 2022 valuation and fed into 2022/23 Strategic Review.
- Develop and implement stakeholder communications strategy for investment strategy and climate change.
- To continue the implementation of the IT strategy to achieve a digital step change in service delivery and to mitigate service demand growth.
- Undertake a structural review of digital IT platform and service delivery.
- Plan for the expected burden on Fund administration resulting from the McCloud remedy.

Strategic Projects

Progress on work to complete a number of strategic projects previously identified as key requirements to support delivery of business service objectives across both Employer and Member Services teams continued during the year. A summary of the key projects are listed below:-

- Continuation of the Roll out of automated i-Connect returns across the whole employer platform to enable 100% automated monthly data receipt. As at 31st March 2020 there were 283 employers supplying automated monthly data returns to the Fund representing 85% of active scheme membership. A further 157 employers are in train to be effectively automated by 1st April 2021. Following a GDPR breach the Fund undertook a review of its process and procedures for receiving automated employer data submissions; creating a bespoke i-Connect team to manage the monthly data input and mitigate further risk.
- Member address tracing project – work continues to identify all missing or 'gone away' member addresses to achieve compliance with TPR requirements. The exercise has traced approximately 41% of c. 7,000 cases originally identified and the Fund has now commenced the second phase requiring a deeper forensic test.
- Equitable Life In-house AVC business transfer to Utmost Life & Pensions. Following the High Court approved transfer and on advice from Mercer the Fund undertook an exercise to write to all affected members with information on the transfer impact and the options available.

The Pensions Regulator – Code of Practice 14

The Pension Regulator's (TPR) Code of Practice 14 and the Public Service Pensions (Record Keeping & Miscellaneous Amendments) Regulations 2014 set out the requirements for public sector pension funds to maintain comprehensive and accurate data on their members and their member's pension contributions. The Fund has undertaken a detailed review of its core data and processes and assessed its level of compliance with regulation requirements in respect of:

- Scheme record keeping
- Maintaining contributions
- Providing information to members

The regulations require 100% completeness of data across a number of core areas. On a quarterly basis the Fund undertakes a series of analytical tests against the total membership to measure the overall level of completeness of data accuracy. Measurements tested against both Core and Scheme Specific data across the total scheme membership as at 31st December 2019 demonstrated an overall data score of 94.69%. A data improvement plan has been developed to address the issues of non-compliance identified.

The Local Government Association (LGA) in association with TPR have produced specific requirements for scoring against scheme specific data. Accordingly, the data improvement plan will be further reviewed and updated in 2020/2021 to reflect any changes.

Detailed reports on compliance and the data improvement plan are presented to both Pensions Committee and Local Pensions Board on a quarterly basis.

GOVERNANCE

Local Pension Board (LPB)

The Board have continued to monitor the Fund's compliance with TPR Code of Practice 14 along with a number of other audit reviews of the Fund and its administration. The LPB welcomed the actions being implemented by the Fund to ensure it fully complies with the Code and improve the control framework around the Administration of the APF.

The LPB noted the growing administration pressures from more employers joining the fund as well as new Scheme Advisory Board requirements in respect of scheme specific data. In light of this the LPB supported the need to future proof the level and quality of administration services as set out in the Fund's administration strategy.

The LPB also continues to overview the APF communication strategy and stressed the need for all scheme information to be kept up to date and the importance of the fund website to employers and members.

Looking ahead the LPB will continue to assist and support the APF in respect of minimising potential governance and other risks arising from BPP and the pooling of the Fund's assets with 9 other LGPS funds.

The LPB annual report is set out in Appendix A

Governance & Management Structure as at 31 March 2020

Administering Authority:
Bath & North East Somerset Council

Members of the Avon Pension Fund Committee:

Councillor Bruce Shearn (Chair)
Bath & North East Somerset Council

Councillor Shaun Stephenson-McGall
Bath & North East Somerset Council

Councillor Chris Dando
Bath & North East Somerset Council

Councillor Paul May
Bath & North East Somerset Council

Councillor Manda Rigby
Bath & North East Somerset Council

Councillor Steve Pearce
Bristol City Council

Councillor John Cato
North Somerset Council

Councillor Toby Savage
South Gloucestershire Council

William Liew
University of the West of England

Charles Gerrish (appointed April 2020)
Academies Representative

Wendy Weston
GMB

Shirley Marsh
Independent Trustee

Pauline Gordon
Independent Member

John Finch (appointed September 2019)
Independent Member

Non-voting Members:

Councillor John Goddard
Parish & Town Councils

Mike Rumph (appointed June 2019)
Unite

Richard Orton
Unison

Members of the Local Pension Board:

Nick Weaver (appointed August 2019)
Independent Chair

Steve Harman
Employer Representative

Tony Whitlock
Employer Representative

Peter Sloman (appointed March 2020)
Employer Representative

David Yorath
Member Representative

Mark King
Member Representative

Helen Ball (appointed March 2020)
Member Representative

Council Officers:

Andy Rothery
Director of Finance

Tony Bartlett
Head of Business Finance & Pensions

Liz Woodyard
Group Manager, Funding, Investments & Risk

Geoff Cleak
Pensions Manager

Maria Lucas
Head of Legal and Democratic Services

External Auditor
Grant Thornton

Asset Pool
Brunel Pension Partnership

Investment Managers:

BlackRock
Brunel Pension Partnership
ifm investors
J.P.Morgan Asset Management
Jupiter On the planet to perform
Pyrford International
Record
Loomis
Partners Group Passion for Private Markets
Schroders
Ruffer

Actuary:
Mercer

Legal Advisor:
Osborne Clarke

Bankers:
NatWest

AVC Providers:
Aviva
Equitable Life

Investment Consultant:
Mercer

Global Custodian:
State Street

Fund Governance

Avon Pension Fund Committee

As administering authority, Bath and North East Somerset Council (the Council), has legal responsibility for the pension fund as set out in the Local Government Pension Scheme Regulations.

The Council has delegated responsibility for the Fund to the Avon Pension Fund Committee (the Committee) which is the formal decision-making body for the Fund. The Committee's role is strategic in nature, setting policy framework and monitoring implementation and compliance within that framework. Due to the wide scope of the Committee's remit it is supported by the Investment Panel (the Panel) which considers the investment strategy and investment performance in greater depth. The Committee has delegated authority to the Panel for specific investment decisions.

The Terms of Reference, agreed by the Council, for the Committee and Panel are set out in Appendix B.

The Committee meets formally each quarter. In 2019/20 Induction training was carried out for all new members, a Valuation workshop & a series of four Investment Strategy review workshops took place.

Following the review of its governance structure last year The Avon Pension Fund Committee has now appointed:

- An additional independent representative - to strengthen its position and support retention of the Fund's professional investor status as well as making the Committee less exposed to the electoral cycle.
- An Academy representative - to better represent Academies and Multi Academy Trust employers.

Further, the governance in respect of the dual accountability of Brunel Pension Partnership to the Council as Shareholder and the Avon Pension Fund as client has been strengthened with a sub group overseeing this important relationship.

Table 1: Committee Structure

Voting members (14):	5 elected members from Bath & North East Somerset Council
	3 elected members nominated from the other West of England unitary councils
	3 independent members
	1 nominated from the Higher/Further Education bodies
	1 nominated from Academy bodies
	1 nominated by the Trades Unions
Non-voting members (3):	1 nominated from the Parish Councils
	2 nominated from the Trades Unions

Investment Panel

The Committee is supported by an Investment Panel which considers the investment strategy and investment performance in greater depth. The Committee has delegated authority to the Panel for specific investment decisions; strategic issues are referred to the Committee. The Panel consists of up to six voting members of the Committee.

The Panel met formally three times during the year.

The Committee is supported by a number of external advisors; Mercer Limited advised on all actuarial and investment aspects of the fund (under separate contracts); Osborne Clarke provided legal advice on investment and funding issues.

The Committee, Fund Officers, external advisors, fund managers and administrators all operate in accordance with the relevant regulations namely the Local Government Pension Scheme Regulations 2013, the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016, CIPFA Codes and the Pensions Regulator Codes of Practice.

Local Pension Board (LPB)

The Board was established in 2015 arising from the Public Sector Pension Act 2013 and Local Government Pension Scheme (Governance) Regulations 2015.

The purpose of the Board is to assist the administering authority (Bath & North East Somerset Council) of the Avon Pension Fund to secure compliance with the LGPS regulations and requirements of the Pensions Regulator (TPR) and ensure efficient and effective governance and administration of the fund.

On completion of the independent chair's four year term, Howard Pearce stood down from the position and Nick Weaver was recruited as the new independent chair from August 2019.

Gaynor Fisher (Employer representative) and Tom Renhard (Member representative) also completed their respective four year terms and stood down from the Board. Peter Sloman (Employer representative) and Helen Ball (Member representative) have been recruited to the Board from March 2020.

Table 2: Committee and Panel membership and attendance record (as at 31 March 2020)

	Committee				Investment Panel		
	06/2019	09/2019	12/2019	03/2020	09/2019	11/2019	03/2020
Bruce Shearn	✓	✓	✓	PP	✓	✓	×
Shaun Stephenson-McGall	✓	×	×	PP	✓	✓	✓
Chris Dando	✓	✓	×	PP	✓	✓	✓
Paul May	✓	✓	✓	PP			
Manda Rigby	✓	✓	✓	PP			
Steve Pearce	✓	✓	✓	PP			
John Cato		✓	✓	PP			
Toby Savage	×	✓	✓	PP			
William Liew	✓	✓	✓	PP			
Wendy Weston	✓	✓	×	PP			
Shirley Marsh	✓	✓	✓	PP	✓	✓	×
Pauline Gordon	✓	✓	✓	PP	✓	✓	✓
John Finch		✓	×	PP		×	✓
John Goddard	×	×	×	PP			
Mike Rumph	×	✓	✓	PP			
Richard Orton	✓	✓	✓	PP			

The Terms of Reference for the LPB are set out in Appendix C

Training

The administering authority recognises the importance of training, both for Committee members, Local Pension Board and pension fund staff responsible for financial management and decision making within the Fund. Training is provided to ensure committee members, LPB and staff, possess an appropriate level of knowledge, skill and understanding to carry out their duties.

Specifically the administering authority must ensure:

- that decisions are taken by persons or organisations with the skills, knowledge advice and resources necessary to make them effectively monitor implementation; and
- those persons or organisations have sufficient expertise to be able to evaluate and challenge the advice they receive, and manage conflicts of interest.

The Fund has in place a formal training framework which is based on CIPFA's (Chartered Institute of Public Finance and Accounting) Knowledge and Skills Framework for LGPS funds. This framework is used to assess the training needs and draw up the annual training plan. The Strategic Director - Resources is responsible for ensuring that training is implemented.

Committee Training

Committee training is delivered in a variety of formats, reflecting the strategic importance of the subject matter to the Committee's agenda and the differing level of knowledge and understanding across the Committee. Much of the training is delivered through detailed committee reports and workshops where the topic is explored greater in detail.

In addition, Committee members and staff are encouraged to attend seminars and conferences which broaden their understanding of investments and topics of relevance to the LGPS. New committee members are encouraged to attend the Fundamentals Training Courses offered by the Local Government Pension Committee and induction sessions arranged by officers.
All Committee members are encouraged to complete the Pension Regulator's public sector pension online toolkit. Officers' annual performance review identifies any training needs as well as monitoring individual performance against objectives.

Local Pension Board Training

During the year on-going technical training was provided to LPB members by officers or advisors to the Fund on a full range of topics covering the LGPS framework and TPR requirements.

All 7 members of the LPB have completed the TPR public sector pension toolkit certification. In addition three members attended the LGPC Fundamentals Training Course.

The LPB training plan is a topic at each board meeting and all Board Members maintain a training log, which is also submitted annually to assist in the identification of on-going training needs.

Nick Weaver, David Yorath & Tony Whitlock also attended the Brunel Engagement Day held in Bristol.

Governance Compliance Statement

The Fund is required under the regulations to publish a Governance Compliance Statement which demonstrates the extent to which the Fund complies with best practices

in pension fund governance.
The Fund's latest statement was approved by the Avon Pension Fund Committee in June 2019. The statement shows a high level of compliance with best practice and is summarised below.

The full Governance Compliance Statement is included as Appendix D.

Table 3: Avon Pension Board membership and attendance record (as at 31 March 2020)

	Local Pension Board Meetings		
	06/2019	11/2019	03/2020
Howard Pearce	✓		
Nick Weaver		✓	PP
Gaynor Fisher	✓		
Steve Harman	✓	✓	PP
Tony Whitlock	✓	✓	PP
Peter Sloman			PP
David Yorath	✓	✓	PP
Tom Renhard	✓		
Mark King	✓	✓	PP
Helen Ball			PP

Table 4: Training provided in 2019/20

Topic	Delivered by:
Governance	
Legal responsibility of Committee and Officers Governance & assurance framework Administration Strategy Investment Regulations	Induction Training Committee reports monitoring administration performance of Fund and employers Committee reports for audited accounts and governance Committee reports detailing strategy External conferences/training courses Engagement day on pooling of investments Committee reports on pooling of investments Committee reports on Investment Strategy Statement Quarterly Committee reports updating on legislation and consultations
Employer and Funding risks	
Admitted bodies Employer risks Funding level/solvency	Induction Training Valuation Workshop Committee reports provide funding position update
Investment Strategy	
Asset Allocation Performance monitoring Investment manager monitoring Stewardship activities Responsible investing policy	Induction Training Investment training workshop A series of four workshops reviewing the Investments Strategy Quarterly Committee & Panel reports review investment strategy and performance Quarterly Investment Panel Risk Management report Annual report on Responsible Investing and voting activity Statement of compliance with FRC Stewardship code. External conferences Manager meetings with the Investment Panel

Table 5: Training provided externally 2019/20

Training	Members
LGC Investments Summit	John Cato, Steve Pearce, Toby Savage
LAPFF business meeting	Richard Orton, Steve Pearce
Fundamentals course 2019	John Cato
Brunel Engagement Days	Shaun McGall, Pauline Gordon, Richard Orton, Steve Pearce

Table 6: Training provided internally 2019/20

	Induction Training (New Members)	Valuation Workshop	Investment Training (New & Panel Members)	Strategic Review Workshops (Attendance out of 4 workshops)
Bruce Shearn	✓	✓	✓	4
Shaun Stephenson-McGall		✓	✓	4
Chris Dando	✓	✓	✓	0
Paul May	✓	✓	✓	3
Manda Rigby	✓	✓	×	2
Steve Pearce		×		4
John Cato	✓	×	✓	4
Toby Savage		×		3
William Liew		✓		3
Wendy Weston		✓		4
Shirley Marsh		✓	✓	2
Pauline Gordon		✓	✓	4
John Finch				2
John Goddard	✓	×	×	1
Richard Orton		✓		4
Mike Rumph	✓	×	×	2

Table 7: Governance Compliance

Principle	Compliance status	Comment
Governance structure	Compliant	The decision-making structure is clearly defined. It includes the Committee, Pension Board and the Fund's representation on the Brunel Pension Partnership Oversight Board.
Representation	Partial Compliance	There is broad representation of employers and scheme members on the Committee. However admitted bodies are not represented as it is difficult to have meaningful representation from such a diverse group of employers.
Selection / role of lay members	Compliant	The role and responsibilities of all members are set out in a Job Description.
Voting	Compliant	There is a clear policy on voting rights which have been extended to employer and member representatives.
Training / Facility time / Expenses	Compliant	There is a clear policy on training. The Fund pays all approved training costs for all members. The training plan reflects the needs of the committee agenda. A training log is maintained.
Meetings	Compliant	Formal meetings are held quarterly and lay members are included in the formal arrangements.
Access	Compliant	All members have equal access to meeting papers and advice.
Scope	Compliant	The terms of reference include all aspects of investments, funding, benefits administration and admissions to the Fund.
Publicity	Compliant	All statutory documents are made available to the public.

Risk Management

The Avon Pension Fund Committee is responsible for ensuring that there is an adequate risk management framework in place to ensure compliance with the regulations and to address the risks faced by the Fund. The Investment Panel strengthens the risk management process with regard to investment issues.

The Fund's approach to risk management is to manage risk rather than eliminate it entirely. Risk is identified and managed as follows:

1. **The Risk Register:** The Fund's Risk Register identifies the governance, operational, funding and investment risks that the Fund is exposed to and, having evaluated the financial and operational impact of the risk on the Fund's objectives, states the actions taken to mitigate and effectively manage the risk.

   There is a process in place to identify, evaluate and implement processes or controls to mitigate risks and record them on the risk register. The register is reviewed regularly by the management team and is reported quarterly to the Committee. Table 8 shows a summary of the Top 10 material risks from the Risk Register.

2. **Internal Control Framework:** Internal controls and processes are in place to manage administration, financial and other operational risks. The Council's Internal Audit annually assesses the processes in place within the Fund in order to provide independent assurance that adequate controls are in place. The findings of all internal audits are reported to the Committee.

   During the year Internal Audit completed two audits of the Fund's internal processes as follows:

   The Internal Control Report of each 3rd party supplier is reviewed annually to ensure their operational control environment is adequate, the results of which are reported to Committee. Where the Fund invests in a pooled investment fund, the audited accounts of the fund are also reviewed annually.

3. **Financial Management Risk:** The Fund operates within the Council's financial framework with segregation of duties to ensure an effective control structure. A key financial risk is the non-payment of contributions by employers. The regulations provide a sanction for late payments. Processes are in place to ensure that contributions are reconciled regularly and late payers are reported to the Committee.

   The Fund has a separate bank account from the Council's to ensure transparency and accountability of the banking arrangements. Management of the Fund's cash balance is delegated to the Council's Treasury Management Team who manages the cash separately from the Council's cash. The Fund has its own Treasury Management Policy.

4. **Investment Risk:** The investment decision-making process, supported by expert advice, is designed to ensure investment risks are kept to the minimum necessary to achieve the Fund's long term investment objectives. The Investment Strategy Statement sets out the investment strategy and how investment risks are considered and managed. The Statement of Accounts includes a disclosure on Financial Risk Management with particular reference to the investment strategy.

   Investments by their very nature expose the Fund to varying degrees of risk, including market, interest rate, foreign currency, credit and liquidity risks. Such risks are managed through the diversification of assets, how the assets are invested and by managers. The Investment Strategy is reviewed periodically after the triennial valuation. A review was undertaken in Autumn 2019 with the new strategy approved by Committee in Spring 2020.

   In between strategic reviews, the Committee and Investment Panel monitor the performance of the investment strategy, providing flexibility to alter the strategy if required. A robust manager selection process assesses the risks of the investment approach and the manager will pose to the Fund.

   The provision of expert advice is a key element of the risk management process. The Fund has appointed investment consultants to provide strategic investment advice as well as advising on managers' performance and manager selection. Other expert or specialist advice, such as tax or legal advice, is commissioned as required.

   Much of the investment

Audit	Assurance level
COP14 – Data Protection	4 = Good
IConnect Project	4 = Good
Scheme of Delegation – Financial Authorisations	4 = Good

management process is outsourced to investment managers and the global custodian. This arrangement provides a clear segregation of duties within the Fund, with the in-house Investments Team closely monitoring performance and compliance with regulations and mandates. In addition the audited internal control reports for each of the investment managers are reviewed annually.

The Fund is a member of Brunel Pension Partnership to pool its investment assets. An FCA authorised company ("Brunel") has been established to manage the assets for the LGPS funds within the pool. The strategic decisions such as asset allocation will remain with the Avon Pension Fund Committee; Brunel will them implement the Fund's strategy. Brunel's control environment will be monitored by the Fund and other LGPS funds participating in the pool.

5. **Funding Risk:** The Funding Strategy Statement sets out the funding strategy and policies for the Fund and it is reviewed at least every three years as it forms the basis for the actuarial valuation.

   The potential insolvency of scheme employers, leaving outstanding liabilities in the Fund, is a significant risk. The regulations now require all bodies that wish to be admitted to the Fund to be guaranteed by a scheme employer(s) or to provide a bond to protect the Fund in the event of insolvency. The Fund monitors the financial sustainability of the scheme employers and takes this into account when setting contribution rates and funding plans.

   A key risk for employers is that the employer contribution rate is incorrectly calculated due to inaccurate membership information held by Fund. The Employer Services Team reconciles the membership data to identify and resolve data queries with employers.

   A captive insurance arrangement has been set up within the scheme to reduce the risk of a significant increase in liabilities for smaller employing bodies that arise when early retirements are awarded under the ill-health regulations.

   Some funding risks can be mitigated by the investment strategy. The funding and investment strategies focus on the expected real returns from the assets, thus slightly mitigating the effect of inflation on the value of the pension liabilities. The Fund has implemented a liability management framework which increases the liability "protection" within the investment strategy.

6. **Benefits Administration Risk:** These risks relate mainly to the inability of the Fund to meet its obligations and pay benefits accurately and on time as agreed with employers or under statute. The main risks are:

   - non or late payment of members' benefits
   - incorrect calculation of benefits
   - breach of Data Protection Regulations
   - non-compliance with TPR codes
   - failure to comply with Freedom of Information Act requests and Disclosure of Information requirements.

   All of the above could lead to adverse publicity, loss of reputation and ultimately statutory fines. In addition, the Fund is dependent on a sole supplier of pension administration software. There are processes in place to mitigate administration risks, as identified in the Risk Register.

7. **Training:** As the body responsible for the Fund, Committee members are required to attain a level of knowledge about pensions, investment and funding strategies sufficient to carry out their duties effectively. Specifically they must be able to challenge and understand the advice provided when making decisions or scrutinising processes. To facilitate this, training is provided to members based on the Committee's workplan. The Committee and Officers are advised by an Investment Consultant on all strategic issues prior to decisions being taken.

   The legal requirement for the Local Pension Board is that members must be conversant with the rules of the LGPS and any document recording policy about the administration of the fund. This is implied as a working knowledge so that members are aware of which legislation/policies to refer to when carrying out their role. During the year on-going technical training is provided to LPB members by officers or advisors to the Fund on a full range of topics covering the LGPS framework and TPR requirements.

8. **Business Continuity:** A Business Continuity Plan is in place primarily to deal with "disaster recovery" and includes contingency measures. The plan identifies critical activities whose failure would lead to an unacceptable loss of service and member records. It sets out measures to minimise the risk of disruption to service and specifies what "triggers" the contingency measures coming into effect. The Disaster Recovery process is tested annually.

Table 8: Summary of Risk Register

Risk	Impact	RAG	Trend	Mitigating Action
Recruitment of staff	Delivery of service		◀▶	Recruitment, additional resource agreed, training, development & succession planning in place
Climate Change Emergency	Significant financial risk to the investment assets		▲	Actions taken in Investment Strategy & implementation of digital strategy to reduce paper
Increase in employers	increased resources needed to support more employers		◀▶	Additional resources have been put into Employer Services to support & train employers
McCloud/Sargeant Judgements resulting in the extension of protections	Increase in workload on administration side and for scheme employers		◀▶	Data quality preparation at Fund and employer level
Political Pressure	Committee decisions not in best interest of scheme		◀▶	Participate in Brunel pool, ISS aligned with Fund's Climate Change policy
Data Protection - members' data is compromised	Fines & reputational damage		◀▶	Working through Data Protection project plan with assistance of Banes DPO
Introduction of scheme cost cap mechanism	Additional burden on administration. Awareness of members & employers		▲	Communications to employers & members. Admin plan needed when outcome advised
i-Connect data from employers	Incorrect member data on records and valuation of employer liabilities		▲	i-Connect Team has been set up and extracts are now loaded inhouse, controls are being reviewed
Committee Members knowledge is impacted by the re-election process	Delays in decision making		◀▶	Training plan in place and independent members appointed
Investment returns are low	Scheme cannot meet liabilities, employer contributions could rise		◀▶	Review of Investment Strategy, risk management strategies, specialist advisors used
Disaster Recovery & Business Continuity	Members do not receive pension payments in time		▲	Disaster Recovery & Business Continuity plans in place and currently being reviewed
Employer covenant	Employers not able to meet their liabilities impact on rest of Fund		▲	Policy in place re admission and exiting employers. Covenant assessment monitoring in place
The introduction of the exit payment cap	This will place an additional burden on the administration resource		▲	Once implementation detail received a project team will review communications, training, processes, resources
Transition of assets to Brunel	Delays could impact pool's ability to deliver savings		◀▶	Brunel Transition Plan monitored by Client Group & BOB. Investment Panel & Committee monitor

Governance Risks (Total 4)

Impact \ Likelihood	Rare	Unlikely	Possible	Likely	Almost Certain
Negligible	0	0	0	0	0
Low	1	0	0	0	0
Medium	1	0	0	1	0
High	0	0	0	0	0
Critical	0	0	0	0	1

Investment & Funding Risks (Total 12)

Impact \ Likelihood	Almost Certain	Likely	Possible	Unlikely	Rare
Negligible	0	0	0	1	0
Low	0	0	1	3	1
Medium	0	0	1	0	0
High	0	1	1	1	1
Critical	0	1	0	0	0

Administration Risks (Total 13)

Impact \ Likelihood	Rare	Unlikely	Possible	Likely	Almost Certain
Critical	0	0	0	0	0
High	0	0	3	2	0
Medium	2	1	1	0	0
Low	1	0	1	1	0
Negligible	0	1	0	0	0

Financial Risks (Total 3)

Impact \ Likelihood	Almost Certain	Likely	Possible	Unlikely	Rare
Critical	0	0	0	0	0
High	0	0	0	0	0
Medium	0	0	0	1	1
Low	0	0	0	0	0
Negligible	0	0	0	0	1

Key: Based on Risk Score

Green	1-6
Amber	7-14
Red	15-25

The above tables show the number of risks, broken down by type, and their current risk exposure.

Pensions Administration & Communications

How the service is delivered

The administration of the Fund is provided by Bath & North East Somerset Council. The pension service is split into two broad management areas: Pension Administration and Finance & Investments.

The **Pension Administration** team focuses on providing:

- pension calculations for members
- timely payment of benefits to its members
- accurate information about the fund
- management and processing of membership data from scheme employers
- support and training to employer organisations in the scheme

The **Finance and Investments** team focuses on:

- the investment, actuarial and financial aspects of the Fund
- implementing and monitoring compliance with the Fund's Investment Strategy
- managing the triennial actuarial valuation and liaising with employers on actuarial issues and outsourcing of services
- managing the Fund's accounts

The administration team also provides **members** with:

- An annual benefit statement, outlining their current pension benefits, sent by 31 August (for 'active' and 'deferred' members)
- If applicable, a pension savings statement detailing any potential member tax charges
- Regular newsletters (often sent with the annual benefit statement to save costs) outlining pension topics and any law/regulation changes (at least once a year, and within three months of any regulation changes)
- A member website and secure online portal - my pension online - so that members can access their pension account online at any time
- Telephone and email enquiries access
- Face-to-face 'pension clinics' where members can discuss pension enquiries (temporarily suspended due to the ongoing Coronavirus crisis)

These are all outlined in detail within the Communications Policy Statement set out in Appendix F.

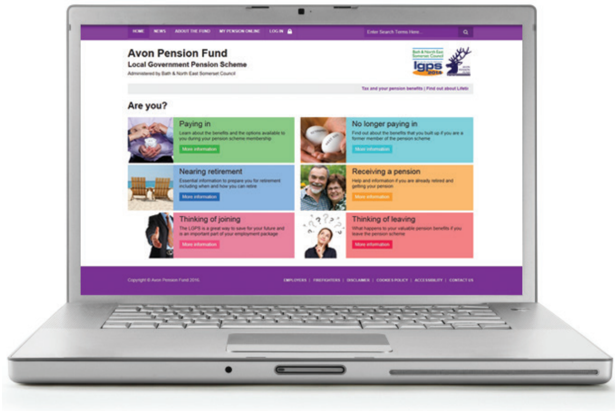
Pensions Administration Strategy

The Administration Strategy sets out how the administering authority and scheme employers will work together to provide an improving quality level of service to Fund members. The strategy ensures the Fund can continue to deliver a high quality pension service at a time when the operating environment is becoming more complex. The employer base has fragmented, especially with the creation of academies and furthermore the increase in the number of third party HR and payroll providers.

The latest Strategy was updated in March 2019 and in force from November 2019.

The key objectives of this strategy are to ensure that:

- The Fund and Employers are aware of and understand their respective roles and responsibilities under the LGPS Regulations and in the delivery of administrative functions (largely defined in the Service Level Agreement).
- The Fund operates in accordance with LGPS regulations and is aligned with The Pension Regulator in demonstrating compliance and scheme governance.
- Communication processes are in place to enable both the Fund and Employers to proactively and responsively engage with each other and other partners.
- Accurate records are maintained for the purpose of calculating pensions entitlements and Employer liabilities, ensuring all information and data is communicated accurately, timely and in a secure and compliant manner
- The Fund and scheme employers have appropriate skills and that guidance/training is in place to deliver a high-



quality service and effectively contribute to the changing pensions agenda
- Standards are set and monitored for the delivery of specified activities in accordance with Regulations and minimum standards as set out in the Service Level Agreement
- In accordance with the strategy employers are fined for late payment of contributions as well as inaccurate or late year end returns and disproportionate work
- Administrative services are developed and delivered digitally as outlined in the ICT Strategy, in order to streamline processes and maximise efficient use of resources.

The Pensions Administration Strategy is available on the website www.avonpensionfund.org.uk

Greater use of technology

The Fund uses technology to improve the accuracy and flow of data across all aspects of the Fund and to improve communications with members and employers. One of the Fund's key objectives is for all data to be received and sent electronically between the Fund and employers.

Electronic communications delivery to members:
The Fund is moving towards digital delivery of communications to members as a significant cost benefit over traditional postal delivery of hard-copy documents (annual benefit statements, newsletters etc). The Fund's ICT and Digital "Roadmap" Communications strategies both look to deliver more electronic communications, through development of *my pension online* (member self-service) and online services over the next 3 years.

Self-service facilities:
My pension online is a member self-service facility which allows members access to their personal pension information, perform "what if" calculations, amend their contact details and update their expression of wish details. The Fund is currently working with its supplier to develop the platform to allow greater use as a communication channel between the fund and members.

Electronic employer data submission (i-Connect):
The Fund is rolling out monthly data submissions by all employers using the i-Connect middleware software. Employers have been given a deadline of the end of 2020/2021 by which their membership data must be submitted electronically on a monthly basis. Due to the COVID-19 outbreak this date is being reviewed with a view to extend to 2021/2022.

Websites:
The Fund has two websites - one for members (www.avonpensionfund.org.uk) and one for employers (www.apfemployers.org.uk). Both are key access points for information and for self-service facilities. The Fund is in the preliminary stages of replacing the employers' website.

Newsletters and employer bulletins:
Newsletters are currently posted to individual members, however the Fund is moving to distribute newsletters electronically where possible. Cost savings to the Fund have already been achieved by combining postal communications. For example, one of the active member newsletters is included with the Annual Benefit Statements.

Employers are kept up-to-date with Fund and national pensions-related issues through emailed bulletins, usually on a monthly basis.

Pension Communications

The Fund's communication aims are to:

- provide clear, relevant, accurate, accessible and timely information to all our audiences and stakeholders
- listen and respond appropriately to feedback we receive
- use plain language and avoid unnecessary jargon
- use communication channels which best fit the audience and the information being passed on
- be a more electronic communication-based Fund, utilising new communication technology (web, email and where appropriate social media)
- support members to enable them to make informed decisions about their pensions by making information available
- be compliant with all legislative requirements with regard to communicating with members, such as the Pensions Regulator and Pensions Board

The Communications Policy outlines the communications we provide to various audiences (our stakeholders, audiences and interested parties). The Fund's Communications Policy was updated in 2019 and is included in Appendix F.

Chartered Institute of Public Finance & Accountancy (CIPFA) Benchmarking (Benefits Administration)

The Fund participates in the annual CIPFA Pensions Administration Benchmarking Club, which compares administration costs and performance indicators against other LGPS funds and against a group of funds of similar size. The results identify areas for improvement in the Service Plan, to understand the specific service pressures that the Fund faces and to help the Fund operate as efficiently and effectively as possible. It also provides an indication of relative operational costs.

The latest available report is for 2018/19 and details are highlighted in the tables below.

The Fund's own performance targets are set out in the SLAs it has in place with employers, in many cases the Fund' own SLA targets are more challenging than the statutory legal deadlines. Regular SLA review meetings are held with the unitary authorities and with other employing bodies as required.

Value for money statement

The fund is committed to achieving and enhancing value for money and to make the administration of the scheme as efficient and cost effective as possible.

The CIPFA benchmarking data from 2018/19 (the latest available) highlights the Fund's comparative performance in key cost areas, as shown below. All demonstrate the Fund's positive cost performance when compared with national averages.

Table 9: Costs and financial indicators (2018/19)

	Avon Pension Fund	National average
Admin cost per member	£18.47	£21.34
Net admin cost per FTE	£55.7k	£71.8k
Members per FTE	2,247	2,848

	Total costs £'000	£ per member	National average
Administration costs	1,475	12.51	15.09
Oversight & Governance costs	1,359	11.52	22.34
Investment management costs	19,304	163.67	236.76
Total costs	**22,138**	**187.70**	**274.19**

Data quality

Since the introduction of the Pension Regulator's (TPR) Code of Practice 2014 and Record Keeping Regulations the Fund has a data improvement plan in place to improve both the quality of the Fund's data as a whole and, also working with individual employers to improve their data. A data score of 95% was reported in the TPR Scheme Return as at September 2019.

The Scheme Advisory Board has now provided a list of scheme specific data items. This year the Fund will undertake a review taking these additional checks into account and will update its data improvement plan accordingly.

Key performance data

The Fund performance measurements during the reporting year 2018/2019 were generally within published statutory legal targets. However, when measured against more stringent SLA targets several KPI's were recorded as falling below. Contributory factors include the impact of poor data coming from employers and third-party payroll providers, delaying the admin process. There has also been a high volume of staff turnover within the administration team causing additional burden on remaining staff to continue BAU operations and support training requirements for new officers.

The Pensions Committee have agreed additional administration resource to manage further staff churn and support workload going forward. As such, KPI's are expected to show improvement against targets through 2019/20 – 2020/21 and will be reflected in future reports.

Table 10: Performance Indicators 2018/19 (latest data available from CIPFA report)

Performance Indicator	Cases completed	Legal target	Fund achieved %	LGPC target	Fund achieved %	National average %
Letter detailing transfer in quote	202	2 months	74.0	10 days	58.5	83.8
Letter detailing transfer out quote	753	3 months	95.6	10 days	40.8	84.4
Process and pay refund	1,213	2 months	100	5 days	87.7	94.1
Letter notifying estimates of retirement benefits	1,941	2 months	88.8	10 days	72.6	79.3
Letter notifying actual retirement benefits	1,825	1 month if NPA or after 2 months if earlier	82.5	5 days	77.5	87.0
Initial Letter acknowledging death of member	384	N/A	N/A	5 days	87.8	87.8
Letter notifying amount of dependant's benefits	307	2 months	97.6	5 days	55.6	84.8
Calculate and notify deferred benefits	2,280	2 months	100	10 days	62.7	75.3

Staffing

The pension service is split into two broad management areas: Finance / Investments and Administration. Here are the staffing levels as at 31 March 2020.

Table 11: staffing levels as at 31 March 2020

APF Senior Managers	**2.4**
Finance / Investments:	**FTEs**
• Finance and Accounting	3.5
• Investment Management	2.5
• Actuarial and Valuation	4
• Governance and Risk	1
Administration:	
Employer Services (Employer Relations, Data Control & i-Connect)	20
Member Services (Benefits Administration and Pensions Payroll)	22
Technical and Compliance (Quality Assurance)	3
Communications (web, online, newsletters, publications)	2

Table 12: Number of members in fund (2016-2020)

	2020	2019	2018	2017	2016
Active Members	38,064	36,894	36,479	36,213	37,899
Deferred Members	42,508	42,114	43,012	41,279	40,711
Pensioners	33,602	32,137	30,734	29,464	28,079
Undecided Leavers	7,538	6,968	6,824	5,632	3,117
Total Membership	**121,712**	**118,113**	**117,049**	**112,588**	**109,806**

Table 13: New pensioners (2019/20)

Ill health retirements	50
Early retirements	1,518
Normal retirements	507

Table 14: Number of active employers in the fund (2019/20)

	Active	Ceased	Total
Scheduled body	296	0	296
Admitted body	147	2	149
Total	**443**	**2**	**445**

Ceased employers have outstanding liabilities but no active members

Budget Outturn

During the year to 31 March 2020, total administration costs (excluding advisory and investment management costs) were £3.1 million, 11%below budget.

Annual investment management fees paid in the year were below budget at £26.9 million.

Governance costs were just under budget at £1.1 million with £0.41m of the cost relating to the triennial valuation.

Internal Resolution Dispute Procedure (IDRP)

If there is a complaint or dispute against a decision or action by either the Avon Pension Fund or an individual fund employer, concerning a matter relating to the LGPS, there is a provision within the LGPS regulations for an appeal under the IDRP.

The disputes process follows a set procedure, with the first stage allowing the complainant to ask the body who originally made the decision to review it, namely the individual employer or the Administering Authority. This must be done within six months of the date of the notification of the decision or the act or omission of the complaint (or such longer period as the adjudicator considers reasonable).

Where the complainant remains dissatisfied with the outcome of stage 1, they may refer the complaint to the Administering Authority for reconsideration under stage 2 of the appeals process. The Administering Authority has a stage 2 adjudicator who will re-examine the case.

Should the complainant remain dissatisfied after the stage 2 outcome, they may refer the complaint or dispute to the Pensions Ombudsman for determination.

The Internal Disputes Resolution Procedure guidance and forms are available from the Fund and on the website: https://www.avonpensionfund.org.uk/help-with-pension-problems

Who get outside advice and help from?

There are also a number of other regulatory bodies that may be able to assist

The Pensions Advisory Service (TPAS)

TPAS can assist members and beneficiaries of the scheme in connection with any pension query they may have or any difficulty which they cannot resolve with the scheme administrator. TPAS are now part of the Money and Pensions Service which was set up by the government to bring together three respected bodies of financial guidance, the Money Advice Service, The Pensions Advisory Service and Pension Wise, into one single organisation.

Info and contact details - www.pensionsadvisoryservice.org.uk
Money and Pensions Service, 120 Holborn, London, EC1N 2TD
Telephone: 0800 011 3797

Pensions Ombudsman

In cases where a complaint or dispute has not been satisfactorily resolved through the Internal Disputes Resolution Procedure or with the help of TPAS, an application can be made to the Pensions Ombudsman within three years of the event that gave rise to the complaint or dispute. The Ombudsman can investigate and determine any complaint or dispute involving maladministration of the scheme or matters of fact or law and his or her decision is final and binding (unless the case is taken to the appropriate Court on a point of law). Matters where legal proceedings have already started cannot be investigated by the Pensions Ombudsman.

Info and contact details - www.pensions-ombudsman.org.uk
The Pensions Ombudsman Service, 10 South Colonnade, Canary Wharf, E14 4PU
Telephone: 0800 917 4487

Complaints & IDRP cases 2019/20

During the year to 31 March 2020 the fund received four applications under the stage 1 process, one of which was upheld, and one application under the stage 2 process which is currently being reviewed by Bath & North East Somerset Council's Principal Solicitor and Monitoring Officer. Please note that as many stage 1 appeals are dealt with by the member's employer we may not have been informed of all appeals. A further thirteen complaints were also received and dealt with outside of the formal IDRP process.

LGPS policies and guidance for employers and members

The Avon Pension Fund website provides comprehensive details of how the Local Government Pension Scheme works and its policies. These can be found at:
https://www.avonpensionfund.org.uk/local-government-pension-scheme

The APF Employers website gives LGPS policy details and guidance specifically for employers. These can be accessed at: www.apfemployers.org.uk

General Data Protection Regulations (GDPR)

The Avon Pension Fund takes the protection of members' data very seriously. The General Data Protection Regulations (GDPR) came into force on 25 May 2018. GDPR changed how organisations process and handle data, with the key aim of giving greater protection and rights to individuals. In order to administer the pension scheme, LGPS funds require various pieces of personal data provided by both the individual member and their employer. To ensure GDPR compliance, every LGPS fund is required to publish a privacy notice setting out, among other things, why certain data is held, the reason for processing the data, who they share the data with and the period for which the data will be retained. Within the notice, members will also be provided with additional information about their rights under the legislation. The Fund's privacy notice can be found here:
https://www.avonpensionfund.org.uk/privacy-notice

Pooling Of Assets – Analysis Of Costs & Savings

In 2015 **LGPS: Investment Reform Criteria and Guidance** was issued which set out how the government expected LGPS funds to establish their asset pooling arrangements. The objective was to deliver:

- Benefits of scale.
- Strong governance and decision making.
- Reduced costs and excellent value for money, and
- An improved capacity and capability to invest in infrastructure.

This has led to the creation of eight asset pools which have significantly changed the previous approach to managing the Fund's assets. Pools are responsible for implementing each local fund strategy; however, responsibility for determining asset allocation and the investment strategy remains with Avon Pension Fund Committee.

The Avon Pension Fund is one of ten LGPS funds participating in the Brunel Pension Partnership. The other funds ("clients") are Buckinghamshire, Cornwall, Devon, Dorset, Environment Agency, Gloucestershire, Oxfordshire, Somerset and Wiltshire.

The governance arrangements for the pool are as follows:

- The Brunel Oversight Board is comprised of representatives from each of the administering authorities and two member observers with agreed constitution and Terms of Reference. Acting for the administering authorities, it has ultimate responsibility for ensuring that Brunel delivers the services required to achieve investment pooling and deliver each Fund's investment strategy.
- The Client Group supports the Brunel Oversight Board. It is comprised of investment officers drawn from each of the administering authorities. The Client Group is responsible for monitoring Brunel, including the plan for transitioning assets to the portfolios, and provides a forum for discussing technical and practical matters. It is responsible for providing practical support to enable the Brunel Oversight Board to fulfil its monitoring and oversight function.

Along with the other administering authorities, Bath and North East Somerset Council approved the business case for the Brunel asset pool in February 2017, based on estimated potential fee savings of £550 million over a 20 year period (to 2036) across the ten funds, of which Avon Pension Fund's share was £73 million. Initial costs of the project meant the Fund's breakeven was in 2024.

The expected costs and savings for the Fund from the original business case, and submitted to Government as part of pooling, are set out in the following table.

Table 15: Avon Pension Fund Expected Costs and savings from Pooling:

(as per Business Case Submissions)

	2016-2017	2017-2018	2018-2019	2019-2020	2020-2021	2021-2022	2022-2023	2023-2024	2024-2025	2025 to 2036	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	**£'000**
Set up Costs	117	1,148									**1,265**
Ongoing Brunel Costs			674	893	923	953	985	1,017	1,051	14,127	**20,623**
Avon Fund Savings			(259)	(267)	(275)	(283)	(291)	(300)	(309)	(4,077)	**(6,061)**
Transition Costs			2,957	4,067	260	-	-	-	-	-	**7,284**
Fee Savings			(125)	(1,216)	(2,687)	(2,927)	(3,185)	(3,892)	(4,164)	(78,583)	**(96,778)**
Net costs / (savings)	117	1,148	3,248	3,478	(1,779)	(2,257)	(2,491)	(3,175)	(3,422)	(68,533)	**(73,667)**

Following approval of the business case, Brunel Pension Partnership Ltd was established in July 2017, wholly owned by the ten Administering Authorities (in equal shares) that participate in the pool. The company is authorised by the Financial Conduct Authority (FCA). It is responsible for implementing the strategic asset allocation of the participating funds by investing Funds' assets within defined outcome focused investment portfolios. In particular, it researches and selects the external managers or pooled funds needed to meet the investment objective of each portfolio. Once the portfolios are established, Brunel is responsible for allocation between mandates within each portfolio and monitoring the performance of the underlying managers.

Brunel's financial performance is monitored to ensure that Brunel is delivering on the key objectives of pooling. This includes reporting of the set-up costs of the company, investment management expenses and the oversight and monitoring of Brunel by the client funds. The set-up costs incurred by Avon Pension Fund are set out in the following table.

Table 16: Set up costs

	Direct £000s	Indirect £000s	Total £000s	Cumulative £000s
Recruitment				18
Legal				133
Consulting, Advisory & Procurement				82
Share Purchase				840
Total Set Up Costs				**1,072**

There were no additional set up costs in 2019/20. The set-up costs are within the budget which was an achievement given the complexity of creating a new company and investment platform.

During the year, £1,511m of the Fund's assets transitioned to Brunel portfolios and the table below shows the assets currently managed within the pool. This includes the BlackRock Liability Fund.

Table 17: Investment assets by manager from Statement of Accounts

	31 March 2020	
Investments managed by Brunel Pension Partnership:	**£'000**	**%**
LGIM Low Carbon Global Equities	497,508	11.1
Brunel Infrastructure Portfolio	24,312	0.5
Brunel Secured Income Portfolio	69,107	1.5
Brunel UK Equity Portfolio	149,873	3.4
Brunel Emerging Market Equity	196,232	4.4
Brunel Global High Alpha Equity	377,707	8.5
BlackRock Liability Solution	937,195	21.0
	2,251,934	**50.4**
Investments managed outside Brunel Pension Partnership	**2,215,105**	**49.6**
TOTAL INVESTMENT ASSETS	**4,467,039**	**100.0**

In 2019/20 the Fund's Global High Alpha Equity and Emerging Market Equity assets transitioned to Brunel. The transition costs were below the estimate in the business case for 2019/20. This is due to some transitions costing less than expected and fewer transitions in 2019/20 due to markets and changes in the Fund's investment strategy since 2016 and cost-efficient transitions to date. More assets are due to transition in 2020/21 but some will not transition until the following year.

Table 18: Transition Costs

	Direct £000s	Indirect £000s	Total £000s	Cumulative £000s
Transition Fee		179	179	179
Tax		432	432	731
Other Transition Costs		2,214	2,214	2,886
Total Transition Costs		**2,824**	**2,824**	**3,796**

The analysis below shows the fee savings achieved for the assets that have transitioned to Brunel portfolios against the fees charged to the Fund at the time the business case for pooling was prepared in 2016. It therefore ignores fee reductions that have been negotiated with incumbent managers between the formulation of the business case and the transition to Brunel.

Table 19: Investment Fee savings from Pooling (cumulative to 31 March 2020)

	Value in Original Business Case 31 March 2016	Value at 31 March 2020	Price Variance	Quantity Variance	Total Saving / (Cost)
	£000s	**£000s**	**£000s**	**£000s**	**£000s**
Passive UK Equities	167,800	-	-	116	116
Passive Global Equities	348,900	-	-	241	241
Passive Low Carbon Equities	-	497,508	140	(326)	(186)
UK Equities	201,993	149,873	744	103	847
Global Equity	253,764	377,707	278	(332)	(54)
Emerging Market Equity	327,299	196,232	257	354	611
Renewable Infrastructure	-	24,312	143	(585)	(442)
Secured Income	-	69,107	-	(191)	(191)
Blackrock Liability Solution	-	937,195	67	(45)	22
			1,629	(666)	963

The price variance shows the savings / (costs) on the fee rate achieved through pooling. The quantity variance reflects the savings / (costs) due to changes in asset allocations compared to the business case. Therefore, when comparing the fee savings against the business case the price variance reflects the actual saving in fees due to pooling. To summarise:

a. At the time of the business case in 2016, the Fund was invested in Passive UK and Global Equities; these assets switched into Passive Low Carbon Equities in 2017, prior to pooling. The fees for the Passive Low Carbon equities are higher than those for Passive UK and Global equities, giving rise to a ‘cost’ from pooling due to asset allocation changes. The fee rates achieved on all the passive portfolios established by Brunel are lower than the fees charged in the business case.
b. The fee saving for the UK Equity portfolio is due to the lower overall fee rate achieved by Brunel. The fee paid by the Fund prior to pooling consisted of a combined annual management fee and performance fee whereas the Brunel portfolio has no performance element. There is also a saving from transitioning fewer assets than in the business case due to a reduction in the allocation to UK Equities since 2016.
c. The transition of the Global Equities to Brunel achieved lower fees but more assets were invested compared to the business case.
d. Conversely fewer Emerging Market Equity assets were transitioned and a lower fee rate was achieved by transitioning.
e. Liability Driven Investments (LDI): the £816m includes the LDI assets as well as equity assets held as collateral within the QIF. It does not include the equity protection strategy as this was not in place at the time of the business case. The fee savings achieved on the gilt and equity assets have been partially offset by higher fees charged on the corporate bond portfolio; however, this is a result of a change in the strategy to better match the liabilities.
f. In addition to these transitions, the Fund has made new allocations to Brunel’s Renewable Energy Infrastructure and Secured Income portfolios.
    i. The Infrastructure portfolio invests in private market pooled vehicles. As the Fund did not invest in such assets at the time of the business case, a fee rate from within the pool for a similar client portfolio is used for this analysis.
    ii. As there was no allocation to Secured Income at the time of the business case in 2016 nor a comparative fee rate within the pool, the costs are due purely to quantity variance.

The ongoing fee paid to Brunel in 2019/20 for its core services was £1.4m. This includes custody, performance measurement and reporting costs for Brunel as well as client’s side support costs. The increase in the costs for 2019/20 is due to inflation and additional resources approved by Shareholders in order for Brunel to deliver the service required by the clients. As a result, the ongoing overhead cost of the company is higher than originally estimated.

A summary of the costs and savings to date compared to the original business case is provided in the following table.

Table 20: Expected versus Actual Costs and Savings to Date:

Costs/(Saving)	2018/19				2019/20			
	Budget		Actual		Budget		Actual	
	In year	Cumulative	In year	Cumulative	In year	Cumulative	In year	Cumulative
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Set up	-	1,265	-	1,072	-	1,265	-	1,072
Ongoing Brunel	674	674	1,053	1,053	893	1,568	1,389[1]	2,425
Avon Internal Savings	(259)	(259)	(215)	(215)	(267)	(525)	(215)	(430)
Transition	2,957	2,957	972	972	4,067	7,024	2,824	3,796
Fee Savings	(125)	(125)	(245)	(245)	(1,216)	(1,340)	(1,384)	(1,629)
Net costs / (savings)	**3,248**	**4,513**	**1,548**	**2,620**	**3,478**	**7,991**	**2,614**	**5,234**

Notes: [1] *This differs from Statement of Accounts which includes a late invoice received in 2Q20 relating to year ending March 2020*.

The most significant variances from the original business case are summarised as follows:

- Transition costs are lower as fewer transitions completed to date than assumed in the Business Case and transitions so far have been cost efficient;
- Fee savings are greater than anticipated mainly due to the lower fees of the quoted equity portfolios
- Ongoing costs of Brunel are higher than anticipated

The Fund's internal savings are lower than those envisaged in the original business case. These savings include the cost of custody and performance measurement (based on 2016/17 costs and now included in on-going Brunel costs), a slight reduction in staff costs and limited savings for investment advice. The recurring savings will be held at this annual rate given the significant change in investment strategy (including the risk management strategies) since 2016 which means more internal resources and expert advice is required to support it.

The Avon Pension Fund is a funded scheme which means that the contributions and fund monies not currently needed to meet pension and benefit payments are invested and the Fund receives income from these investments. The Fund's investment objective is to meet the future pension payments of both past and current members.

1. Investment Strategy Statement

The LGPS (Management and Investment Funds) Regulations 2016 require the Fund to produce an Investment Strategy Statement (ISS) which sets out the principles that guide the decision making for investing the Fund's assets. It also sets out the framework for investing the Fund's assets to ensure consistency with the Funding Strategy Statement. A wide range of investments are permitted to ensure the Fund achieves an optimal risk/ return profile and that assets are sufficiently diversified.

The ISS sets out the Fund's core beliefs that underpin the investment strategy, the process for ensuring the suitability of investments and the key risks the Fund is exposed to, and how these risks are managed.

Key elements include:

- Investment objective
- Management of the main sources of risk
- Responsible Investing: environmental, social and environmental (ESG) considerations
- Exercise of voting rights
- The Fund's approach to pooling it assets with other funds (Brunel Pension Partnership)

In line with the regulations the ISS is reviewed every 3 years, normally following the triennial valuation, or when there is a material change in risk. The ISS is being revised to reflect the changes made to the strategy following the strategic investment review undertaken in 2019/20 and will be published in September 2020. The latest version of the ISS is on the website. https://www.avonpensionfund.org.uk/finance-and-investments

2. Investment Stewardship

The Fund was a tier 1 signatory to the UK Stewardship code 2012, which meant it satisfied the requirement to provide a good quality and transparent description of its approach to stewardship and explanations of alternative approaches where necessary. The Stewardship Code was revised following a consultation period in March 2019. Effective January 2020 signatories are required to produce an annual Stewardship Report explaining how they have applied the Code in the previous 12 months and are required to submit a final report to the FRC by 31 March 2021. The Fund will work with Brunel to ensure it maintains its signatory status under the new Stewardship Code 2020.

The Fund's latest statement of compliance can be found on the website www.avonpensionfund.org.uk (search FRC Stewardship Code). The Fund is a member of the Local Authority Pension Fund Forum (LAPFF), a collaborative body that exists to serve the investment interests of local authority pension funds. In particular, LAPFF seeks to maximise the influence the funds have as shareholders through co-ordinating shareholder activism amongst the pension funds. Both committee members and officers regularly attend the quarterly LAPFF meetings.

The Fund belongs to a number of industry-led initiatives aimed at improving disclosures and building meaningful engagements with investee companies across a number of high profile ESG factors. ClimateAction 100+ and the Institutional Investor Group on Climate Change (IIGCC) are forums for collaboration between investors on the financial and physical implications of climate change, which is a strategic priority for the Fund.

3. Brunel Pension Partnership (Brunel)

By the end of the year, Brunel had almost a half of its clients £29 billion of assets under its management. In line with this, significant advances have been made from an operational perspective.

Notably, Brunel successfully launched a number of equity portfolios and developed a platform in partnership with BlackRock to provide Liability Driven Investment (LDI) and other risk management strategies to clients. The private markets function continued to expand with additional funds selected to facilitate client demand in the areas of secured income, private equity and infrastructure.

A growing number of strategic affiliations with industry experts including the Sustainability Accounting Standards Board (SASB) and Investor Advisory Group (IAG) ensure Brunel retains their industry leading position in the field of Responsible Investment. Brunel were particularly active in terms of policy advocacy; developing and publishing a climate change policy and a position statement on tax to supplement existing policies covering Stewardship and Responsible Investment more broadly.

Brunel is a signatory to the LGPS Code of Transparency and over the year supported shareholders in fulfilling the new cost transparency reporting obligations.

The process of transitioning the Fund's assets to the portfolios managed by Brunel is expected to be fully completed in the next couple of years. Until such time as transitions take place, the Fund continues to maintain the relationship with its current investment managers and oversee their investment performance, working in partnership with Brunel where appropriate. Progress on delivering the savings from pooling is covered in detail in Section 07: Pooling of Assets.

4. Investment Strategy

The objective of the investment strategy is to achieve the investment return required to fund the pension liabilities over time and to recover any funding deficit as set out in the funding strategy. Specifically the investment strategy is designed to produce investment returns that will help stabilise and minimise employer contribution rates in the long term as well as reflecting the balance between maximising returns, protecting asset values, and matching the liabilities (to minimise investment risk).

The strategy reflects the Fund's appetite for risk and its willingness to accept short term volatility within a long-term strategy. The Fund manages risk through diversification by asset allocation and by investment managers. The Committee periodically reviews its investment strategy in order to ensure the strategy reflects the Fund's liability profile and funding strategy. The latest review, discussed later, was undertaken in 2019/20.

Asset Allocation

Table 21 shows the Fund's actual asset allocation at 31 March 2020 against the strategic allocation benchmark; changes to allocations agreed as part of the 2019/20 review have yet to be implemented. The table also includes the returns from each asset class over one and three years to 31 March 2020.

The Fund's assets are managed by external investment managers, of which Brunel is now the most significant; however each portfolio managed by Brunel is invested in a number of distinct mandates, thus diversifying underlying manager risk. The investment management structure and amount of assets managed by each manager as at 31 March 2020 is set out in Chart 1.

Activity during 2019/20

(a) 2019/20 Investment Strategy Review:

The Fund undertook a review of its investment strategy in 2019/20 which considered, amongst other things, the impact of climate change on potential investment returns and the Fund's maturing cash flow profile. The outcome was a number of asset allocation changes and the setting of specific climate change objectives resulting from evidence-based climate change modelling that was carried out as part of the review. Key milestones that review the progress made over time ensure the Fund continues to work towards its medium and long-term climate change objectives, which are detailed later.

Given the maturing profile of the liabilities, the exposure to assets that better match the cash flow profile of the pension benefit payments was increased. Increased allocations to Secured Income and Renewable Infrastructure, and a new allocation to Private Debt generate income, often adjusted for inflation, to improve cashflow and provide greater stability in employer contribution rates.

Consistent with the Fund's climate change objectives and its broader Responsible Investment (RI) policy, within equities the allocation to sustainable equites was increased by reducing allocations to UK and global active equities. Sustainable equity portfolios invest in positive pursuit companies that provide solutions to sustainability issues and are not dissimilar from the Fund's traditional equity mandates in terms of risk-reward characteristics.

An assessment of the impact of the COVID-19 pandemic on these asset allocation changes determined that they remained appropriate given the Fund's long-term investment approach. However, measures were put in place to mitigate the risk of any short-term cash flow implications by phasing the commitments made to Secure Income, Renewable Infrastructure and Private Debt over a two-year period.

(b) Risk Management Framework:

The risk management strategies are reviewed annually to ensure they remain appropriate given market conditions. The Liability Driven Investment (LDI) framework seeks to increase the Fund's exposure to inflation-linked assets in order to offset the impact of rising inflation on the Fund's liabilities. One issue that had to be considered was the impact of RPI (Retail Price Index) reform on these assets. The Government's proposal to align RPI with CPIH (Consumer Price Index plus housing costs) by 2030 caused market prices to move, and therefore decreased the attractiveness of hedging inflation. The LDI programme posted a negative return over the year as inflation fell materially towards the end of the period, impacted by COVID-19. This was matched by an equivalent fall in the present value of the liabilities, thus the strategy delivered as expected.

The Fund's Equity Protection Strategy (EPS) which had originally been put in place to protect the Fund from a sharp draw down in equity valuations over the 2019 triennial valuation period, expired during the year. The strategy performed broadly in line with expectations; adding value when underlying equity markets declined and detracting value as underlying equity markets increased toward the upside 'cap'. The EPS was renewed and extended to cover emerging market exposure as well as developed markets. At year end the strategy provided significant value as equity markets declined.

(c) Transition of Assets to Brunel:

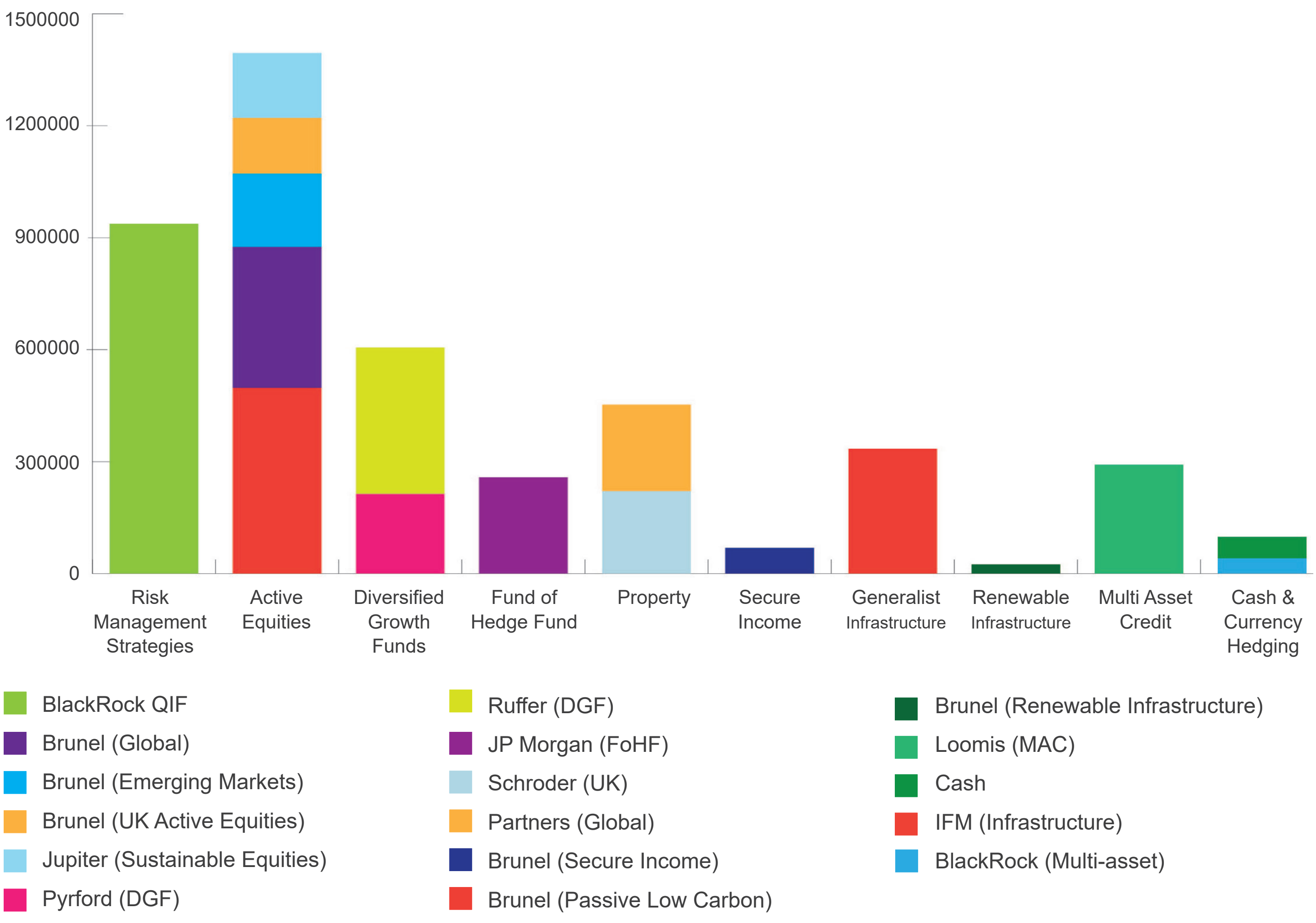
During the year the Fund's emerging market and global active equity mandates were transitioned to Brunel portfolios totalling £574 million. This means that at year end Brunel directly managed 30% or £1.3 billion of the Fund's assets including low carbon passive equities, UK, emerging market and global equity portfolios and private markets portfolios and further 20% of assets (or £937 million) relating to the risk management strategies are now managed indirectly through the pool.

Table 21: Strategic Asset Allocation and Actual Asset Allocation

Asset Class	31 March 2020 Allocation	Strategic Allocation	Range	Asset Class Returns	
				1 year	3 year
Developed Market Equities	36.3%	32.0%	27.0-37.0%	-6.2%	3.2%
Emerging Market Equities	4.4%	5.5%	3.0-9.0%	-13.2%	-1.0%
Diversified Growth Funds	13.6%	10.0%	5.0-15.0%	4.9%	1.3%
Generalist Infrastructure	7.5%	5.0%	2.5-7.5%	6.0%	2.9%
Renewable Infrastructure	0.5%	5.0%	0.0-7.5%	-	-
Liability Matching Assets	9.1%	12.0%	No set range (depends on collateral position)	-34.5%	4.8%
UK Corporate Bonds	2.6%	2.0%	No set range	0.5%	1.3%
Fund of Hedge Funds	5.8%	0.0%	n/a	3.9%	0.0%
Multi Asset Credit	6.5%	6.0%	3.0-9.0%	4.9%	0.0%
Property	10.1%	7.5%	5.0-10.0%	4.9%	2.2%
Secured Income	1.5%	10.0%	0.0-15.0%	-	-
Private Debt	0.0%	5.0%	0.0-7.5%	-	-
Cash*	2.0%	0.0%	0.0-5.0%	-	-

**cash and other instruments including currency instruments and ETF liquidity strategy*

Chart 1: Asset allocation by Manager 31 March 2020



The Fund's allocations to Secure Income and Renewable Infrastructure continued to be managed within Brunel's private market portfolios. At 31 March 2020 25% of the Fund's initial £115m commitment to Brunel's infrastructure portfolio had been invested. Just over 20% of the Fund's £345m commitment to the secure income portfolio, which invests in income generative assets such as quality real estate and operational infrastructure, had been invested. By the end of the year the pace at which capital was being deployed started to slow as a result of the COVID-19 pandemic.

5. Responsible Investing Policy

As a long term investor, the Fund seeks to deliver financially sustainable returns to meet the pension benefits of the scheme members. The Fund has a fiduciary duty in managing the fund assets which includes managing the Environmental, Social and Governance (ESG) risks that may be financially material to the Fund. The Responsible Investing (RI) policy seeks to integrate ESG issues into its strategy in the belief this can positively impact financial performance.

The foundations of the Fund's approach to RI are its **RI Principles**, which are set out below:

- The Fund is a long-term investor, with liabilities stretching out for decades to come, and seeks to deliver long-term sustainable returns.
- The identification and management of ESG risks that may be financially material is consistent with our fiduciary duty to members.
- The Fund integrates ESG issues at all stages of the Fund's investment decision-making process, from setting investment strategy to monitoring the Fund's investment managers.
- The Fund recognises that climate change is one of the ESG factors that poses a long-term financial risk.
- The Fund seeks to identify innovative and sustainable investment opportunities, in-line with its investment objectives.
- The Fund applies evidence-based decision-making in the implementation of its approach to RI.
- The Fund has a duty to exercise its stewardship and active ownership responsibilities (voting and engagement) effectively by using its influence as a long-term investor to encourage responsible investment behaviour.
- The Fund recognises the importance of collaboration with other investors in order to achieve wider and more effective outcomes.
- The Fund aims to be transparent and accountable by disclosing its RI policy and activity.

The RI Policy sets out the Fund's approach to RI and how the policy is implemented within the investment portfolio. The policy document is available from the website www.avonpensionfund.org.uk (search Responsible Investment Policy).

RI Activity during 2019/20

There was significant focus in the 2019/20 investment review to the strategic impact of climate change on the asset portfolio. Evidence-based modelling was used to establish long-term objectives and targets relating to climate change and appropriate allocations to alternative energy and carbon solutions. Specifically, the Fund committed to;

- Implement a <2°C aligned portfolio by committing to net zero emissions by 2050 or earlier. This will be achieved by working with Brunel using the results of the industry wide project being undertaken to assess what each 20C asset portfolio will look like. Expect to review the findings in line with the global stocktake timeline in 2022/23.
- Reducing the carbon intensity of the equity portfolio over time with the aim of being 30% less carbon intensive than the benchmark by 2022.
- Invest sustainably so that we support a 'just transition' to the low carbon economy with the aim of investing at least 30% of the assets in sustainable and low carbon investments by 2025.
- Use the Fund's power as a shareholder to encourage change. Financial markets and companies urgently need to adapt their activities to support the transition to a low carbon economy. Collaboration as part of Brunel Pension Partnership makes our influence more powerful as they manage a £30bn pool of assets. In addition, the Fund will independently support investor led initiatives such as ClimateAction100+ and Institutional Investors Group on Climate Change to increase pressure on companies and governments to align with the Paris goals. If engagement does not work ahead of the Paris Stocktake in 2023, we will consider selective divestment from laggard companies.

Additionally, the Fund sought to manage Responsible Investment and Environmental, Social and Corporate Governance (ESG) risks during the year as follows:

- December 2019 marked the fourth annual review of the carbon exposure of the Fund's equity portfolio. The analysis concluded that the aggregate Fund exposure within equities was more carbon efficient, on a Weighted Average Carbon Intensity (WACI)[1] basis, with a 25% lower carbon exposure than its benchmark which was a 12% year-on-year improvement. The decrease in carbon intensity was driven mainly by the transition of assets into Brunel portfolios, all of which have a lower carbon intensity than their respective benchmarks, indicating that the underlying investment managers generally invest in less carbon intensive sectors and pick less carbon intensive stocks than the broader market.
- The Fund's ability to engage with, and drive change, at the underlying investment manager level was amplified through Brunel, who over the year publicly engaged with BlackRock on their climate change position and worked directly with investment managers to optimise the carbon intensity of their respective portfolios.

Chart 2: Longer Term Performance

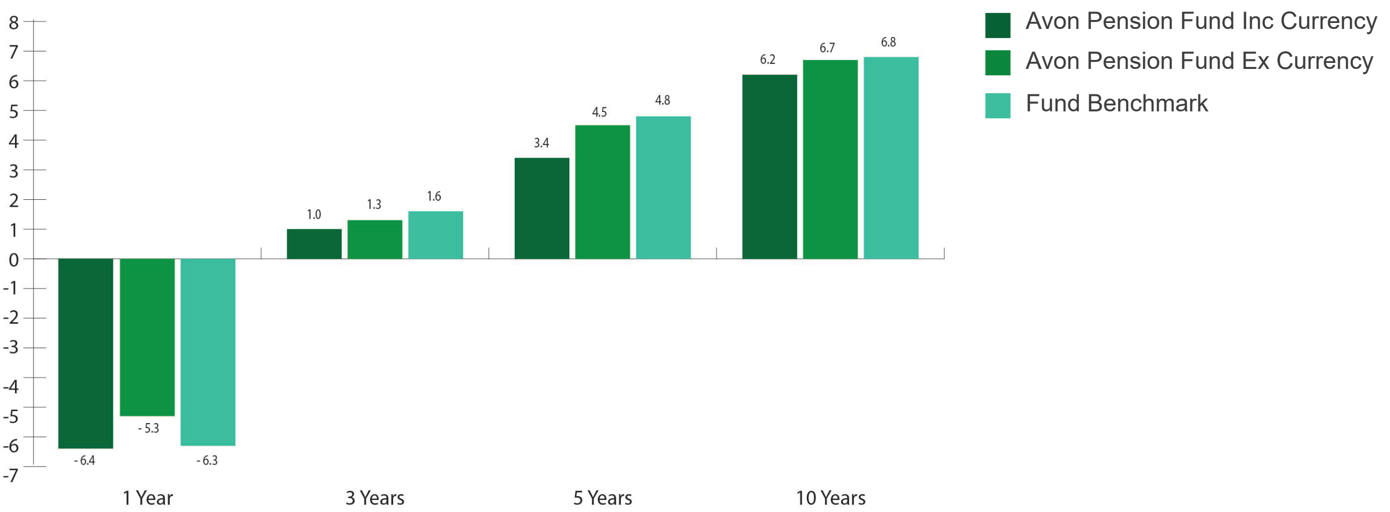


Table 23: Attribution to performance from asset allocation and stock selection

	Asset Allocation Impact (p.a)	Stock Selection Impact (p.a)
Asset Class	**1 Year**	**1 Year**
UK equities	0.2%	0.1%
Developed Overseas Equities	0.0%	0.7%
Emerging Market Equities	0.1%	0.0%
Diversified Growth	-0.3%	-0.4%
Fund of Hedge Funds	0.0%	0.4%
Property*	0.0%	0.1%
Infrastructure	0.3%	-0.3%
Multi-Asset Credit	-0.3%	-0.9%
UK Corporate Bonds	0.0%	0.0%
Liability Matching Assets	0.7%	0.0%
Equity Protection	0.6%	0.0%
Total	**1.4%**	**-0.4%**

Source: State Street Bank and Trust, Mercer. Note: Columns may not sum due to rounding.

** Includes -0.6% impact of equity protection strategy*

Table 25: Top 10 Largest Investment Holdings at 31 March 2020

Top 10 Largest Investment Holdings	£'000s	% of Fund
BlackRock Liability Solutions Fund	937,195	21.0%
LGIM MSCI Low Carbon Tracker Fund (Brunel)	497,508	11.1%
CF Ruffer Absolute Return Fund	392,024	8.8%
Brunel Global Equity Fund	377,707	8.5%
IFM Global Infrastructure Fund	334,132	7.5%
Natixis Investment Solutions	291,661	6.5%
JP Morgan Absolute Return Strategies	257,967	5.8%
Pyrford Global Total Return Fund	213,642	4.8%
Brunel Emerging Market Fund	196,232	4.4%
Brunel UK Equity Fund	149,873	3.4%

Table 24: Contribution to performance – relative returns of investment managers

Manager	Mandate	1 Year Relative Return	3 Years Relative Return	5 Years Relative Return
Brunel	Passive Low Carbon Equities	--	--	--
Brunel	Active UK Equities	-1.8%	--	--
Brunel	Secured Income	-1.4%	--	--
Brunel [4]	Renewable Infrastructure	9.1%	--	--
BlackRock	Passive Developed Market Equities	--	--	--
BlackRock	Bespoke Corporate Bonds	--	--	--
BlackRock [3]	Equity Protection Strategy	0.6%	--	--
BlackRock	Liability Risk Management Strategy	--	--	--
Brunel	Emerging Market Equities	--	--	--
JPMorgan [2]	Fund of Hedge Funds	-2.8%	-1.3%	--
Jupiter	UK SRI Equities	2.2%	-1.1%	-1.4%
Jupiter	Global Sustainable Equities	10.4%	--	--
Partners [1]	Global Property	5.9%	--	--
Pyrford	Diversified Growth Fund	-9.5%	-7.8%	-5.8%
Brunel	Global Equities	--	--	--
Schroder	UK Property	-0.3%	0.2%	-0.1%
Ruffer	Diversified Growth Fund	-2.5%	--	--
Loomis Sayles	Multi Asset Credit Fund	-11.8%	--	--
IFM	Infrastructure	-0.4%	8.7%	--
Loomis Sayles	Multi Asset Credit Fund	-3.7%	--	--
IFM [2]	Infrastructure	3.3%	10.0%	--
Unigestion	Emerging market Equities	2.9%	-3.4%	-1.2%

[1] Performance is shown since inception of the mandate on a Net Internal Rate of Return basis

[2] Returns expressed in USD

[3] The equity protection strategy is an overlay and performance is shown as the contribution to Fund returns at year end

[4] The portfolio is still in a build-up phase so performance not yet meaningful

- Continued participation in industry leading initiatives and coalitions such as Climate Action 100+ and the Local Authority Pension Fund Forum (LAPFF) have contributed to a series of high-profile engagements with major oil & gas companies which have produced significant positive results. The Fund recognises the value of collaboration and engagement as effective tools to manage RI risks and directly address its strategic RI priorities. Officers and Committee members attended three LAPFF business meetings during the year.
- Policy development in collaboration with Brunel continued in earnest. Building on the success of last year's Stewardship and Voting policies, Brunel released its climate change policy setting out how it will deliver sustainable investment returns by investing in companies and assets that effectively manage the risks and opportunities presented by climate change.
- Over the year there was significant engagement with 393 companies held within Brunel portfolios, across a broad range of ESG issues. Environmental topics, on average, featured in 27% of engagements, 66% of which related directly to climate change. Social topics featured in 19% of engagements, where diversity and human rights featured prominently. Of the 37% of Governance related engagements the majority revolved around executive remuneration. Strategy, risk and communications topics such as audit and accounting and cyber security featured in the remaining 17% of engagements over the year.

[1]Weighted Average carbon Intensity or 'WACI' quantifies a portfolio's exposure to carbon intensive companies. The metric takes the carbon intensity (total carbon emissions divided by total revenue) of a company and multiplies it by its weight in the portfolio.

6. Investment Performance

2019/20 Performance

For the year ending 31 March 2020 total Fund assets decreased by £352m (-6.4%) to give a value of £4,467m. Investment returns over the year were dominated by an exceptional level of volatility in the

Table 26: LGPS Code of Transparency (Investment management costs for year to Marh 31 2020)

	Asset Pool				Non-Asset Pool				Fund Total	
	Direct	Indirect	Total		Direct	Indirect	Total			
Ongoing Charges:	**£000s**	**£000s**	**£000s**	**Bps**	**£000s**	**£000s**	**£000s**	**Bps**	**£000s**	**Bps**
Fund & Investment Management	-	3,763	3,763	17	7,803	32,301	40,104	181	43,867	98
Management Fees	-	3,638	3,638	16	3,555	12,440	15,995	72	19,633	44
Performance Fees	-	-	-	-	-	6,005	6,005	27	6,005	13
Indirect and Other Fees	-	9	9	0	4,248	13,874	18,122	82	18,131	41
Administrative Fees	-	288	288	1	-	975	975	4	1,263	3
Governance, Regulation & Compliance	-	288	288	1	-	286	286	1	574	1
Total fees	-	4,339	4,339	19	7,803	33,562	41,365	187	45,704	102
Asset pool shared costs	1,389	-	1,389	6	-	-	-	-	1,389	3
Portfolio Transaction costs:										
Explicit Transaction Costs	-	692	692	3	186	733	919	4	1,611	4
Transaction taxes	-	196	196	1	86	283	369	2	565	1
Booker commisions	-	241	241	1	54	392	446	2	687	2
Transaction related services	-	0	0	0	-	-	-	-	0	0
Other explicit costs	-	255	255	1	46	58	104	0	358	1
Implicit Transaction costs	-	721	721	3	496	7,369	7,865	36	8,586	19
Indirect Transaction costs	-	25	25	0	767	-	767	3	793	2
Total Transaction costs	-	1,385	1,385	6	1,449	8,195	9,644	44	11,029	25
Property Expenses	-	231	231	1	-	-	-	-	231	1
Total of all fees and costs	1,389	5,955	7,344	33	9,253	41,757	51,009	230	58,353	131

first quarter of 2020 arising from the COVID-19 pandemic.

Over 2019, the global economy continued its expansion, led by the US which saw a tightening labour market, rising wages and consumer confidence fuelled by the pro-business stance of the Trump administration even though trade tensions took some toll on business confidence. In the UK, the outcome of the 2019 election was well received by markets. In contrast the year ended weakly due to the sudden slowdown in economic activity as the COVID-19 pandemic spread across the globe. In addition, oil prices collapsed as a price war between Russia and Saudi Arabia was compounded by the sharp decline in global demand. Unprecedented monetary easing and fiscal programmes not seen since World War II helped to cushion the volatility to an extent.

The COVID-19 pandemic and the ensuing shutdown to business activities and collapse in corporate earnings led investors to exit equity markets and shift into safe-haven assets with the result being the worst equity sell-off since the Global Financial Crisis of 2008. UK equities contracted sharply over the year by 18.5%, being the hardest hit region mainly due to high exposures to oil, gas and basic materials companies. Global equities returned -6.2% over the year, with all regions performing negatively. Emerging market equities contracted by 13%.

Elsewhere, UK government bond yield volatility reached unprecedented levels in March with an initial dip in yields as investors switched into UK gilts, followed by a sell-off that pushed yields higher as investors sought to raise cash in extremely illiquid markets. As the year drew to a close, yields fell again as the effects of huge central bank monetary stimulus worked its way into the system. Corporate bond yields, particularly sub-investment grade yields, spiked over the first quarter of 2020 amidst investor risk aversion, reflecting significant fears over corporate indebtedness as global demand falls away.

The impact of COVID-19 had a negative impact on the performance of real estate assets too. In many cases, valuers applied ‘material uncertainty’ caveats to valuations in the first quarter of 2020, where previous market experience could no longer be relied upon to form an opinion of value. Lockdown measures exacerbated long-term structural weakness in the retail sector and had a damaging impact on the trading performance of sectors which had delivered strong performance earlier in the year such as student accommodation and leisure. The Fund was defensively positioned in its UK property portfolio with minimal exposure to the UK retail sector and an overweight position to industrials and alternatives relative to the benchmark.

Core infrastructure assets contracted sharply toward the end of the year as the economic impacts of COVID-19 began to emerge. Airports, seaports and toll roads were adversely affected by lockdown restrictions and as a result observed the greatest impact. The Fund's renewable infrastructure assets provided a partial offset. The Fund's exposure to the European renewable energy fleet benefitted from the 'essential services' status that allowed key sites to remain open and operational as the pandemic escalated. The impact of a reduction in industrial demand for power was mitigated to an extent given many underlying portfolio assets have contractual tariffs or long-term power purchase agreements. Moreover, in Europe renewable energy is required to be called first ahead of conventional power, ensuring demand stability. These attributes and the fact the fundamentals of the energy transition remain as before means the Fund is well positioned as it begins to increase its exposure to renewable infrastructure assets over the coming years.

It was a subdued year for hedge funds up until the first quarter of 2020, where hedge fund managers were able to capitalise on market volatility. In local currency terms the Fund's hedge fund strategy delivered an absolute return of 2.4%, underperforming its cash benchmark but significantly outperforming the comparable HFRX Global Hedge Fund Index.

Absolute returns generated by the Fund's investment managers followed the pattern of the broader market with equity and credit mandates most severely impacted. UK active equity mandates incurred double-digit losses while the Fund's low carbon passive strategy saw a modest benefit versus the equivalent market-cap weighted index due to its relatively low exposure to oil & gas companies. The only equity mandate to post a positive absolute return over the year was the Fund's dedicated global sustainable mandate, which benefitted from its holdings in preventative healthcare and technology companies. The allocation to diversified growth funds shielded the Fund from more extreme losses as they were invested in equity and credit protection strategies.

Finally, Sterling depreciated by 2.6% against the US Dollar, 7.2% against the Yen and by 4.8% against the Euro. This resulted in a negative return from the currency hedge.

Overall, the Fund's return of -6.4% underperformed its strategic benchmark return of -6.3% by 0.1%. Excluding the currency hedge the Fund's return of -5.3% was 1.0% ahead of the strategic benchmark (which also excludes the currency hedge). The equity protection strategy had a positive value at the end of the year, adding 0.6% to overall returns, consistent with the sharp decline in equity markets in the final period of the year to March. Asset allocation added 0.8% and the impact of the active managers was -0.4%. Lead contributors included the Fund's overseas equities allocation and hedge funds. Conversely, the lead detractor was the multi-asset credit mandate. The annualised contribution to performance by asset class and stock selection over a one-year period can be seen in Table 23.

The investment return affects the funding or solvency level of the Fund. In the Fund's 2019/20 investment strategy review the long-term (20 year) return assumptions were revised down, reflecting lower return expectations following a period of higher than expected returns. The average expected return for the revised investment strategy is a real return of 2.5% (down from 2.7% previously). Achieving a real return is important as the pension benefits are linked to inflation. During the year the funding level fell sharply from c.96% to c.84%. driven by the sharp contraction in market prices experienced in March.

Longer term performance

The longer-term performance of the Fund is shown in Chart 2 (the returns are annualised) compared against the Fund's benchmark. The Fund return is inclusive of currency hedging whereas the benchmark return excludes currency hedging.

Over three years the Fund's return of 1.3% per annum (excluding currency) is below the strategic benchmark return. Over the same period, returns from most asset classes were below the long-term expected returns assumed in the strategic benchmark due to the sharp sell-off in the quarter to March 2020. Diversifying assets such as hedge funds and diversified growth funds lagged in the up markets but provided protection in the volatile final quarter of the period. Over a three-year period the currency hedging program has detracted 0.3% from the overall return. Over longer periods, the strategy delivered real returns in excess of the real return required in the funding strategy until the final quarter of 2019/20; as a result the funding level improved significantly before reversing sharply in the last quarter.

Table 24 shows how each of the investment managers have contributed to performance (net of fees). It shows their performance against their specific benchmarks over one year, three years and five years. The performance of the global property portfolio is measured using the Internal Rate of Return since inception as the performance is impacted by the dilution effect of investing monies during the investment phase of the portfolio. Given the recent transitions to Brunel portfolios, many of the mandates do not have long term data.

7. Investment Administration

The ten largest investment holdings of the Fund at 31 March 2020 are shown in Table 25.

8. Investment Administration

The Fund's custodian is responsible for the safe keeping of the Fund's assets and acts as the Fund's bank, settling transactions and collecting income. They also provide a range of support services including stock lending and investment accounting.

The Fund has a separate bank account which provides transparency and accountability of the Fund's and Council's banking arrangements. In addition, the Fund has a separate Treasury Management Policy which ensures the investment of the Fund's cash is consistent with the risk parameters of the Fund. The management of the pension fund's investment cash is delegated to the Council.

9. Investment Cost Transparency

The Cost Transparency Initiative ('CTI') framework provides greater transparency of the total investment fees and costs for each investment mandate. This is particularly significant for the pooled fund mandates where all the costs are charged to the underlying assets. The Fund includes estimated management fees for all pooled investments in the Statement of Accounts but other fees and transaction costs are not included. The value of assets and performance data is stated after all costs and therefore the enhanced cost disclosure does not affect investment performance or the value of assets.

Standardised disclosure templates now bring private markets mandates into scope and provide more granular detail on listed markets mandates. Certain administrative and governance/regulatory fees have not been included in previous iterations of the CTI templates. These additional categories capture costs arising from custody fees, payments made by investment managers for research, prime brokerage fees, legal fees and fund set-up costs, among others. Brunel is a signatory to the CTI and has issued templates for each of its portfolios that the Fund invests in.

Where full disclosure has not been provided by an investment manager only the base management and performance fees have been included. 87% of the managers provided disclosure in line with CTI guidance, a significant improvement on 2018/19 where the disclosure rate was 70%. The level of transparency has also increased year-on-year with multi-managers now providing full cost disclosure of underlying managers/funds. This is particularly significant for the Fund of Hedge Funds mandate given the relatively high fee charged by the underlying managers and is reflected in the below table under the 'indirect and other fees' line. While this added granularity means this year's data cannot serve as a direct comparison with the 2018/19 data, it does demonstrate what the code expects of its signatories with the aim of improving disclosure over time.

Direct costs are those costs that are directly invoiced to the Fund or incurred by the segregated mandates and recorded in the custody account. Indirect costs are those charged to the underlying assets, mainly in pooled mandates. The fee rates in basis points (bps) shown in the table are the fees and costs expressed as a percentage of the value of the assets.

The table shows the costs for assets held within the Brunel asset pool and those still managed directly by the Fund. The assets held within the pool includes low cost passive equities and actively managed UK, Global and Emerging Market equities, with small investments in Secured Income and Infrastructure. The Fund's liability and equity risk management strategies are also governed by Brunel fee agreements. Management fees for investments outside of the pool are higher since several high cost alternative investment portfolios such as global property and infrastructure are yet to transition.

Performance fees for CTI purposes relate to those fees that were accrued and paid in 2019/20. This will differ from the performance fees in the Statement of Accounts as this includes accrued performance fees from previous years that were also paid in 2019/20.

The Asset Pool shared costs represent the Brunel fees for managing and operating the pool and also includes consultancy costs associated with administering the Brunel client and oversight arrangements.

Transaction costs include broker commissions, transactions taxes, implicit costs, indirect transaction costs and other transaction costs. The costs associated with the transition of assets to Brunel are not included in this analysis.

Funding Strategy

Funding Position

In line with the LGPS regulations, the Fund's funding position is reviewed every three years. The latest triennial valuation based on membership data and asset values as at 31 March 2019, set the employer contribution rates and deficit payment plans for the period from 1 April 2020 to 31 March 2023.

In the 2019 valuation the assets totalled £4,818m and liabilities were 5,102m. 46% of the liabilities related to pensioner benefits, 22% were deferred benefits and 32% related to active members currently contributing and accruing benefits. Consequently, the funding level (the coverage of liabilities by the assets) was 94% which was a significant improvement on the funding level of 86% at the previous valuation in 2016. In monetary terms the deficit fell from £618 million in 2016 to £284m in 2019 with an average deficit recovery period of 13 years.

The improvement in the funding level and deficit was due to a number of factors:

- The higher than expected investment return over the 3 years of 8.7% p.a. This translates into an average real return over CPI of about 6.5% p.a. which was significantly ahead of the CPI+2.2% assumed in the 2016 valuation. In monetary terms the 'excess' investment returns were £549m over the valuation period.
- A slowing in the rate of improvement in future life expectancy as evidence by national and scheme specific data.

Offsetting these positive drivers, the discount rate used to value accrued (past service) liabilities fell reflecting lower expectations for investment returns which the Fund's investment strategy can be expected to deliver in the future. This discount rate, based on the expected real return on assets, was CPI+2.2% in 2016 and fell to CPI+1.75% in 2019. The fall in the discount rate meant the value of the liabilities increased.

The Future Service Rate (FSR) which is used to value future benefit accruals also rose to reflect the fact that investment returns generated by the investment strategy are expected to be lower in the future. The discount rate was lowered by 0.5% from CPI +2.75% (in 2016) to CPI +2.25%. Using a long-term inflation assumption of 2.4% the discount rate in 2019 is 4.65% (compared to 4.95% in 2016). The result was to increase the average FSR from 15.6% (in 2016 valuation) to 17.2% of pensionable pay.
The Fund has a Lower Risk investment strategy for certain employers that wish to be exposed to less investment risk, are planning to exit the scheme or have exited the scheme. This strategy invests in a portfolio of corporate bonds structured to better match the liability profile of these employers. As a result, this strategy exhibits a lower real return and higher future service contribution rates. The real return was CPI+0.2% in 2019 producing a discount rate of 2.6%.

The 2019 valuation does not include an allowance for the potential cost of the McCloud judgement. This judgement refers to a legal challenge in relation to historic benefit changes for all public sector schemes being age discriminatory. The government announced in 2019 that this has to be remedied for all schemes including the LGPS which will likely result in higher costs for most employers. As the remedy has not yet been agreed, employers were provided with an estimate of the costs as part of the valuation

Table 27: Funding level and asset allocation for the last six valuations

Valuation result	**2004**	**2007**	**2010**	**2013**	**2016**	**2019**
Value of Assets £m	1,474	2,184	2,459	3,146	3,737	4,818
Value of Liabilities £m	1,841	2,643	3,011	4,023	4,355	5,102
Funding level	80%	83%	82%	78%	86%	94%
Asset Allocation %	**2004**	**2007**	**2010**	**2013**	**2016**	**2019**
Equities	74%	77%	63%	63%	50%	42%
Bonds	24%	21%	22%	20%	21%	10%
Diversified Growth Funds	-	-	-	-	10%	12%
Property	-	-	4%	7%	10%	9%
Infrastructure	-	-	-	-	-	7%
Secured Income	-	-	-	-	-	1%
Hedge Funds	-	-	9%	7%	5%	5%
Liability Driven Investments	-	-	-	-	-	12%
Cash	2%	2%	2%	3%	4%	2%

result and given the option to pay additional contributions over 2020/23 in respect of this or wait until the final remedy is known.

The historical funding level and asset allocation for the last six valuations is shown in table 27.

The funding level will vary over time. The value of the assets and liabilities will vary due to changes in market prices. The non-financial assumptions that determine the liabilities will also change over time, such as longevity or the length of time it is assumed pensions will be paid over the retirement age.

Between the triennial valuations the Committee monitors prior to the next triennial valuation to provide employers with an indication of the potential impact of contributions on their budget to help them plan accordingly and to consider potential changes required to the Funding Strategy Statement.

As at 31 March 2020, the estimated funding level has fallen to 84%. This is due to the fall in investment markets in February and March 2020 as the COVID-19 pandemic took hold globally. The Fund's risk management strategies, specifically the equity protection strategy, helped mitigate some of the capital losses. Volatility increased dramatically in March causing investors to sell riskier assets as it became apparent that lower GDP growth was inevitable in the short term as more countries introduced restrictions and lockdowns. The medium to longer term implications for economic growth and pace of any recovery are as yet uncertain. Given the impact of COVID-19 on the employing bodies, the Fund will increase its covenant monitoring and work with the Actuary to ensure the funding policies support employers and protect the Fund adequately during this economic challenge.

The pension fund is maturing gradually and the investment and funding strategies takes this into account. As monthly pensions paid to pensioners exceed contributions received from employers and members, the Fund uses investment income to pay the pensions. The cash flow forecast is included in the Fund's Service Plan which is revised annually. Actual cash flow is monitored against the forecast to manage cash requirements on a monthly basis.

Funding Strategy Statement (FSS)

The FSS is revised each valuation to set the parameters for that valuation. The FSS reflects the need to balance the long-term solvency of the Fund with affordability of the scheme employers over the medium term.

The regulations in force in 2019 provided that the FSS must:

- establish a clear and transparent fund-specific strategy which will identify how employers' pension liabilities are best met going forward by taking a prudent longer-term view of funding those liabilities
- establish contributions at a level to "secure the solvency of the pension fund" and the "long term cost efficiency"
- have regard to the desirability of maintaining as nearly constant a primary rate of contribution (employer contribution rate) as possible

The intention is for the strategy to be both cohesive and comprehensive for the Fund as a whole, recognising that there will be conflicting objectives which need to be balanced and reconciled. Whilst the position of individual employers must be accommodated, the FSS is a single strategy for the administering authority to implement and maintain.

Using the flexibility provided within this framework, in 2019 the Fund kept increases in employer contribution rates to a minimum overall. The improved funding position meant that savings in deficit payments offset the rise in Future Service Contributions for some employers and where not the case, the increase was minimised. The default was for the deficit recovery period to reduce by 3 years to 13 years average for the Fund overall. When setting contribution rates and deficit recovery periods for individual employers or groups of employers, the Actuary takes into account an assessment of financial strength and funding sources undertaken by the Fund.

The Future Service Rate (the on-going cost of one year's pension accrual) is expressed as a percentage of pensionable pay. However, to ensure there is no significant underpayment of deficit recovery contributions should payrolls contract during the valuation period, deficit recovery contributions (or past service contributions) are expressed in annual monetary amounts.

The number of employers in the Fund continued to increase due to the creation of academies and the outsourcing of services by scheme employers. As schedule bodies, academies have an automatic right to join the scheme. Employers outsourcing services to an admitted body are required to guarantee the liabilities of the admitted body.

To reduce the risk of a significant increase in liabilities due to early retirements under the ill-health regulations for smaller employing bodies, the Fund operates a "captive" insurance to manage this increase in costs for these employers.

The 2019 FSS was compiled in accordance with the relevant statutory guidance. It includes all policies relating to the funding of employer liabilities as well as admission and termination policies. The FSS will be reviewed as part of the 2022 valuation and will be consulted on with scheme employers before being published later in 2022/23.

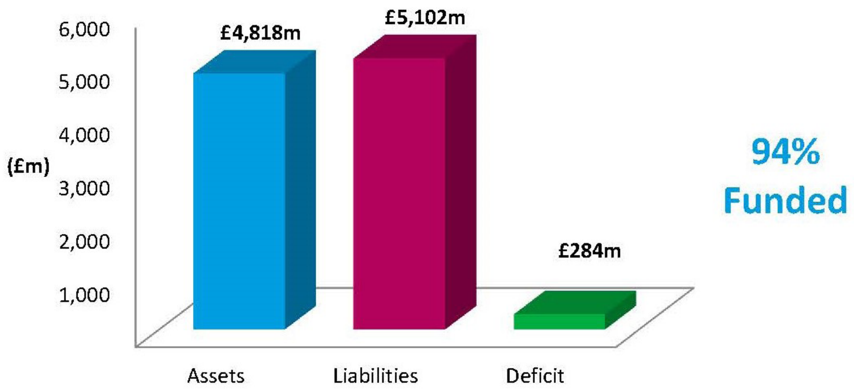
The 2019 Funding Strategy Statement can be obtained from the website www.avonpensionfund.org.uk (search Funding Strategy Statement).

Statement of the Consulting Actuary

This statement has been provided to meet the requirements under Regulation 57(1)(d) of The Local Government Pension Scheme Regulations 2013.

An actuarial valuation of the Avon Pension Fund was carried out as at 31 March 2019 to determine the contribution rates with effect from 1 April 2020 to 31 March 2023.

On the basis of the assumptions adopted, the Fund's assets of £4,818 million represented 94% of the Fund's past service liabilities of £5,102 million (the "Solvency Funding Target") at the valuation date. The deficit at the valuation was therefore £284 million.



The valuation also showed that a Primary contribution rate of 17.2% of pensionable pay per annum was required from employers. The Primary rate is calculated as being sufficient, together with contributions paid by members, to meet all liabilities arising in respect of service after the valuation date.

The funding objective as set out in the FSS is to achieve and maintain a solvency funding level of 100% of liabilities (the solvency funding target). In line with the FSS, where a shortfall exists at the effective date of the valuation a deficit recovery plan will be put in place which requires additional contributions to correct the shortfall.

The FSS sets out the process for determining the recovery plan in respect of each employer. At this actuarial valuation the average recovery period adopted is 13 years, and the total initial recovery payment (the "Secondary rate") is an addition of approximately £49m in 2020/21 in £ terms (which allows for the contribution plans which have been set for individual employers under the provisions of the FSS), although this varies year on year.

Further details regarding the results of the valuation are contained in the formal report on the actuarial valuation dated 31 March 2020.

In practice, each individual employer's position is assessed separately and the contributions required are set out in the report. In addition to the certified contribution rates, payments to cover additional liabilities arising from early retirements (other than ill-health retirements) will be made to the Fund by the employers.

The funding plan adopted in assessing the contributions for each individual employer is in accordance with the Funding Strategy Statement (FSS). Any different approaches adopted, e.g. with regard to the implementation of contribution increases and deficit recovery periods, are as determined through the FSS consultation process.

The valuation was carried out using the projected unit actuarial method and the main actuarial assumptions used for assessing the Solvency Funding Target and the Primary rate of contribution were as follows:

	For past service liabilities (Solvency Funding Target)	For future service liabilities (Primary rate of contribution)
Rate of return on investments (discount rate) – Higher risk investment strategy	4.15% per annum	4.65% per annum
Rate of return on investments (discount rate) – Lower risk investment strategy	2.6% per annum	2.6% per annum
Rate of pay increases (long term)*	3.9% per annum	3.9% per annum
Rate of increases in pensions in payment (in excess of GMP)	2.4% per annum	2.4% per annum

** allowance was also made for short-term public sector pay restraint over a 4 year period.*

The assets were assessed at market value.

The next triennial actuarial valuation of the Fund is due as at 31 March 2022. Based on the results of this valuation, the contribution rates payable by the individual employers will be revised with effect from 1 April 2023.

The McCloud Judgment

The "McCloud judgment" refers to a legal challenge in relation to historic benefit changes for all public sector schemes being age discriminatory. The Government announced in 2019 that this needs to be remedied for all public sector schemes including the LGPS. This is likely to result in increased costs for some employers. This remedy is not yet agreed but guidance issued requires that each Fund sets out its policy on addressing the implications.

In line with guidance issued by the LGPS Scheme Advisory Board, the above funding level and Primary contribution rate do not include an allowance for the estimated cost of the McCloud judgment. However, at the overall Fund level we estimate that the cost of the judgment could be an increase in past service liabilities of broadly £35 million and an increase in the Primary Contribution rate of 0.5% of Pensionable Pay per annum. Where the employer has elected to include a provision for the cost of the judgment, this is included within the secondary rate for that employer (and also within the whole Fund secondary rate shown above).

Impact of Covid 19

The valuation results and employer contributions above were assessed as at 31 March 2019. In 2020 we have so far seen significant volatility and uncertainty in markets around the world in relation to the COVID-19 pandemic. This potentially has far-reaching consequences in terms of funding and risk, which will need to be kept under review. We believe that it is important to take stock of the situation as opposed to make immediate decisions in what is an unprecedented set of events. Our view is that employer contributions should not be revisited but the position should be kept under review by the Administering Authority who will monitor the development of the situation and keep all stakeholders informed of any potential implications so that the outcome can be managed effectively.

Paul Middleman
Fellow of the Institute and Faculty of Actuaries
Mercer Limited
May 2020

Mark Wilson
Fellow of the Institute and Faculty of Actuaries
Mercer Limited
May 2020

Employer Contribution Rates

Participating Employers Year Ended 31 March 2020	2019/20 Employee contributions	% of pay	2019/20 Employer contributions plus Deficit / (surplus) amount
Scheduled Bodies			
Principal Councils and Service Providers			
Avon Fire & Rescue Service	£300,451	15.3	£710,009
Bath & North East Somerset Council	£3,392,351	15.4	£7,820,602
Bristol City Council	£10,954,277	15.2	£26,027,747
North Somerset Council	£2,350,826	15.7	£5,647,226
South Gloucestershire Council	£5,219,581	16.0	£13,295,543
West of England Combined Authority	£302,410	13.0	£490,106
Further & Higher Education Establishments			
Bath Spa University	£812,242	13.8	£1,691,746
Bath College	£178,008	14.6	£441,222
City of Bristol College	£383,149	16.1	£1,010,414
South Gloucestershire & Stroud College	£434,455	13.8	£984,749
St. Brendan's Sixth Form College	£94,406	15.4	£241,145
University of the West of England	£3,412,880	14.2	£7,294,011
Weston College n.b. includes Offender Learning Service	£528,667	13.1	£1,079,020
Academies and Schools			
Abbeywood Community School	£43,425	15.1	£112,417
Abbot Alphege Academy	£3,508	20.0	£12,593
All Saints East Clevedon C of E Primary School	£4,754	17.0	£14,282
Ashcombe Primary School	£36,178	14.8	£94,166
Ashton Park School	£54,485	16.2	£147,288
Ashton Vale Primary School	£10,338	17.7	£31,493
Aspire Academy	£14,926	12.9	£32,239
Avanti Gardens School	£10,802	14.1	£24,736
Backwell C of E Junior School	£7,871	21.7	£29,197
Backwell School	£63,595	17.1	£178,692
Badock's Wood E-ACT Academy	£15,014	13.4	£34,378
Bannerman Road Community Academy	£16,193	13.5	£40,562
Barton Hill Academy	£22,076	13.1	£50,577
Bathampton Primary School	£8,067	18.9	£27,442
Batheaston Church School	£9,782	17.9	£31,497
Bathford Church School	£7,962	17.2	£26,745
Bathwick St Mary Church School	£9,828	18.4	£32,511
Becket Primary School	£15,531	19.1	£51,861
Bedminster Down School	£38,872	14.6	£93,339
Beechen Cliff School	£69,082	17.0	£197,480
Begbrook Primary Academy	£27,789	15.7	£76,380
Birdwell Primary School	£22,577	15.9	£63,516

Participating Employers Year Ended 31 March 2020	2019/20 Employee contributions	% of pay	2019/20 Employer contributions plus Deficit / (surplus) amount
Bishop Sutton Primary School	£8,323	18.2	£27,191
Blagdon Primary School	£2,322	18.0	£7,365
Blaise High School	£41,104	14.7	£102,739
Bournville Primary Academy	£81,423	15.6	£214,092
Bradley Stoke Community School	£60,280	15.1	£150,523
Bridge Learning Campus	£66,151	14.7	£156,855
Bristol Cathedral School Trust	£81,403	13.8	£178,294
Bristol Free School	£39,524	13.9	£89,106
Bristol Futures Academy	£21,674	7.0	£26,597
Bristol Technology & Engineering Academy	£8,888	13.0	£19,270
Broadlands Academy	£28,808	15.1	£75,070
Broadoak Academy	£43,032	16.7	£116,895
Cabot Learning Federation	£302,513	13.9	£674,992
Callicroft Primary School	£17,742	15.1	£48,912
Cameley CEVC Primary School	£8,107	15.6	£22,409
Castle Batch Primary School	£24,730	17.5	£77,778
Castle Primary School	£16,085	18.0	£50,813
Chandag Infant School	£7,688	15.0	£20,722
Chandag Junior School	£6,994	18.6	£23,418
Charborough Road Primary School	£12,412	15.1	£33,493
Charfield Primary School	£6,315	20.2	£22,652
Charlton Wood Primary Academy	£3,565	14.0	£8,230
Cheddar Grove Primary School	£25,477	17.5	£78,502
Chew Magna Primary School	£4,870	18.9	£16,421
Chew Stoke Church School	£9,133	16.0	£25,866
Chew Valley School	£42,996	18.1	£128,069
Christ Church C of E Primary School (Bristol)	£14,234	17.2	£38,659
Christ Church C of E Primary School (WSM)	£16,320	19.1	£54,823
Churchill Academy	£55,932	14.8	£137,715
City Academy	£71,108	12.9	£151,909
Clevedon School	£68,413	14.8	£159,015
Clutton Primary School	£5,849	21.6	£22,836
Colston's Girls' School	£13,305	14.8	£34,186
Combe Down C of E Primary School	£19,306	16.7	£60,396
Compass Point South Street Primary School	£18,752	15.9	£51,178
Cotham Gardens Primary School	£24,358	14.3	£58,690
Cotham School	£91,023	15.0	£223,095
Court de Wyck Church School	£5,253	20.6	£18,818
Crockerne C of E Primary School	£16,377	17.7	£51,045
CST Trinity Academy	£2,177	20.0	£7,261
Culverhill School	£48,481	20.0	£162,416
Digitech Studio School	£9,343	13.9	£22,669
Diocese of Bristol Academy Trust	£22,502	15.8	£40,743
Downend School	£46,758	16.3	£126,818
Dundry C of E Primary School	£5,718	22.8	£24,441
East Harptree Primary School	£3,268	17.5	£10,401

Participating Employers Year Ended 31 March 2020	2019/20 Employee contributions	% of pay	2019/20 Employer contributions plus Deficit / (surplus) amount
Easton C of E Academy	£34,995	15.8	£94,806
Elmlea Infant School	£9,146	16.9	£27,619
Elmlea Junior School	£15,215	16.5	£42,394
Endeavour Academy Trust	£16,279	16.6	£39,095
Evergreen Primary Academy	£11,872	15.7	£32,180
Fairfield High School	£54,649	15.4	£140,068
Fairlawn Primary School	£8,254	13.6	£19,684
Farmborough Church Primary School	£7,105	16.6	£21,368
Farrington Gurney C of E Primary School	£6,248	16.1	£17,494
Federation of Hannah More Infant School	£7,905	16.9	£24,138
Filton Avenue Primary School	£44,775	12.8	£100,310
Filton Hill Primary School	£8,543	15.1	£22,688
Fishponds Church of England Academy	£26,351	15.8	£72,393
Flax Bourton Primary School	£5,471	20.1	£19,777
Fonthill Primary School	£14,730	14.0	£35,190
Fosse Way School	£98,245	13.5	£228,610
Four Acres Academy	£22,976	15.0	£60,225
Freshford Church School	£4,731	21.6	£17,673
Frome Vale Academy	£8,373	15.3	£21,635
Gatehouse Green Learning Trust	£60,985	14.5	£145,035
Gatehouse Green Learning Trust (Central Functions)	£11,567	16.2	£27,802
Gordano School	£101,910	17.8	£272,255
Greenfield E-ACT Primary Academy	£21,059	13.4	£49,643
Grove Junior School	£9,678	22.1	£36,972
Hanham Woods Academy	£40,988	16.6	£119,093
Hans Price Academy	£56,634	14.8	£141,527
Hareclive E-ACT Academy	£20,021	13.4	£45,574
Hayesfield Girls School	£64,018	17.5	£186,846
Haywood Village Academy	£20,097	15.9	£56,646
Headley Park Primary School	£27,526	17.1	£82,698
Henbury Court Primary Academy	£27,826	14.0	£66,831
Henleaze Junior School	£13,897	13.6	£32,360
Heron’s Moor Academy	£18,541	15.1	£50,149
High Down Infant School	£12,022	16.1	£34,961
High Down Junior School	£18,237	19.5	£63,077
High Littleton C of E Primary School	£8,689	15.6	£24,376
Hotwells Primary School	£9,277	16.0	£26,445
Hutton C of E Primary School	£8,411	16.5	£25,040
IKB Academy	£5,352	14.0	£12,916
Ilminster Avenue E-ACT Academy	£14,456	13.4	£33,891
Kings Oak Academy	£54,379	16.0	£141,452
Kingshill Church School	£9,003	17.6	£27,905
Knowle DGE Academy	£77,760	15.5	£196,671
Lansdown Park Academy	£20,497	15.5	£53,046
Little Mead Primary Academy	£31,564	14.0	£76,016

Participating Employers Year Ended 31 March 2020	2019/20 Employee contributions	% of pay	2019/20 Employer contributions plus Deficit / (surplus) amount
Locking Primary School	£17,255	16.4	£50,684
Longvernal Primary School	£10,261	16.8	£31,253
Luckwell Primary School	£9,461	19.6	£32,400
Lyde Green Primary School	£11,942	20.0	£41,978
Mangotsfield School	£44,408	17.1	£127,412
Marksbury C of E Primary School	£5,252	14.8	£13,918
Marlwood School	£23,784	17.1	£66,012
Mary Elton Primary School	£18,601	17.0	£58,776
May Park Primary School	£19,902	15.4	£52,802
Mead Vale Community Primary School	£24,506	16.9	£73,029
Meadowbrook Primary School	£15,102	15.1	£40,503
Mendip Green Primary School	£46,572	16.9	£139,019
Merchants' Academy	£64,180	15.1	£166,523
Midsomer Norton Primary School	£19,573	16.0	£55,275
Midsomer Norton Schools Partnership	£128,114	17.9	£376,275
Milton Park Primary School	£21,987	15.7	£62,043
Minerva Primary Academy	£16,016	17.8	£48,582
Moorlands Infant School	£8,728	18.6	£29,619
Moorlands Junior School	£8,080	17.6	£25,322
Mulberry Park Educate Together Primary	£2,055	20.0	£7,203
Nailsea School	£52,280	19.8	£171,854
New Siblands School	£54,048	14.3	£136,295
Northleaze C of E Primary School	£7,468	18.6	£24,439
Notton House Academy	£61,694	15.5	£159,744
Oasis Academy Bank Leaze	£10,211	12.7	£23,903
Oasis Academy Brightstowe	£43,094	13.7	£95,284
Oasis Academy Brislington	£39,937	16.3	£108,858
Oasis Academy Connaught	£23,528	14.6	£59,684
Oasis Academy John Williams	£62,773	13.6	£128,208
Oasis Academy Long Cross	£43,939	15.5	£118,356
Oasis Academy Marksbury Road	£24,866	15.4	£57,944
Oasis Academy New Oak	£18,426	13.8	£43,385
Oldfield Park Infant School	£10,555	18.1	£33,784
Oldfield Park Junior School	£10,144	19.7	£35,732
Oldfield School	£44,141	15.5	£116,615
Oldmixon Primary School	£19,515	15.9	£54,054
Olympus Academy Trust	£42,898	0.0	£98,290
Orchard School Bristol	£40,914	14.8	£101,215
Parklands Educate Together Primary	£4,135	20.0	£14,848
Parson Street Primary School	£25,804	15.4	£68,202
Patchway Community School	£23,291	19.6	£76,628
Peasedown St John Primary School	£27,780	16.5	£83,177
Pensford Primary School	£4,457	16.7	£13,387
Perry Court E-ACT Academy	£18,231	13.4	£41,962
Portishead Primary School	£22,162	15.7	£61,405

Participating Employers Year Ended 31 March 2020	2019/20 Employee contributions	% of pay	2019/20 Employer contributions plus Deficit / (surplus) amount
Priory Community School	£126,485	15.2	£307,065
Ralph Allen School	£72,141	16.9	£201,249
Redfield Educate Together Primary Academy	£25,251	11.9	£48,393
Roundhill Primary School	£25,703	17.1	£76,430
Saltford C of E Primary School	£16,148	17.9	£51,580
Severn Beach Primary School	£5,518	20.6	£20,336
SGS Pegasus School	£11,029	20.0	£41,557
Shoscombe Church School	£6,791	19.2	£23,392
Sir Bernard Lovell Academy	£41,951	15.7	£114,682
Somerdale Educate Together Primary Academy	£5,101	20.0	£18,142
St Andrew's Church School	£12,114	15.5	£34,843
St Anne's C of E VA Primary School	£33,025	12.8	£74,730
St Bede's Catholic College	£43,425	15.2	£112,588
St Georges Church School	£12,476	18.7	£41,569
St Gregorys via B&NES	£44,496		£114,364
St John The Evangelist Church School	£9,126	18.0	£28,942
St John's C of E Primary School (Keynsham)	£7,089	17.7	£22,663
St John's C of E Primary School (MSN)	£25,597	16.9	£76,806
St Julian's C of E Primary School	£5,425	19.2	£18,711
St Katherine's School	£34,359	17.1	£96,912
St Mark's Ecumenical Anglican/Methodist Primary School	£19,264	15.7	£52,933
St Martin's C of E Primary School	£29,223	16.8	£89,335
St Martin's Garden Primary School	£18,184	14.9	£49,197
St Mary Redcliffe C of E Primary School	£24,482	15.8	£68,315
St Mary's C of E VA Primary School	£4,021	16.6	£11,975
St Matthias Academy	£14,553	15.5	£37,022
St Michael's C of E Junior Church School	£10,202	20.4	£35,474
St Nicholas Chantry C of E VC Primary School	£17,957	17.6	£57,210
St Nicholas of Tolentine Catholic School	£11,867	13.4	£27,679
St Patrick’s Catholic Primary School	£10,640	17.5	£31,299
St Peter's C of E Primary School	£28,874	15.8	£79,638
St Philip's C of E Primary School	£13,799	17.3	£42,301
St Saviours Infant Church School	£10,044	16.1	£28,913
St Saviours Junior Church School	£5,513	15.6	£15,421
St Stephen's Primary Church School	£14,379	19.5	£50,117
St Teresa’s Catholic Primary School	£12,496	15.4	£33,825
St Ursula's E-ACT Primary Academy	£72,624	13.4	£152,104
Stanton Drew Primary School	£3,736	18.4	£12,332
Stoke Bishop C of E Primary School	£16,001	16.5	£45,966
Stoke Lodge Primary School	£15,677	15.1	£42,386
Stoke Park Primary School	£10,536	13.1	£24,195
Summerhill Academy	£15,870	17.7	£48,205
Swainswick Church School	£818	20.0	£3,325
The Bath Studio School	£3,237	9.2	£5,364
The Castle School	£71,239	18.3	£212,228

Participating Employers Year Ended 31 March 2020	2019/20 Employee contributions	% of pay	2019/20 Employer contributions plus Deficit / (surplus) amount
The Dolphin School	£17,202	10.3	£31,630
The Kingfisher School	£9,186	18.1	£28,712
The Meadows Primary School	£6,463	16.9	£18,849
Three Ways School	£110,341	12.7	£242,242
Tickenham C of E Primary School	£3,842	11.9	£8,205
Trinity Anglican Methodist Primary School	£16,050	14.7	£41,028
Trinity Church School	£17,778	11.9	£36,955
Trust in Learning (Academies) (Central Functions)	£17,875	11.2	£27,548
Tyndale Primary School	£5,856	17.7	£20,613
Ubley Primary School	£4,626	19.6	£17,047
Venturers' Academy	£33,499	15.1	£82,382
Venturers' Trust (Central Functions)	£41,613	14.8	£85,667
Victoria Park Primary School	£25,764	16.6	£74,559
Walliscote Primary School	£19,547	16.1	£55,872
Wallscourt Farm Academy	£18,058	13.8	£43,448
Wansdyke Primary School	£8,744	16.3	£25,556
Waycroft Academy	£41,806	15.7	£115,624
Wellsway School	£114,253	15.6	£276,965
Welton Primary School	£8,539	16.6	£25,708
West Leigh Infant School	£5,966	19.9	£20,912
West Town Lane Academy	£38,971	14.6	£97,314
Westbury Park Primary School	£20,641	16.4	£59,229
Westbury-on-Trym C of E Academy	£16,129	16.3	£45,415
Westfield Primary School	£23,225	16.2	£67,831
Weston All Saints C of E Primary School	£39,813	17.2	£122,317
Wicklea Academy	£11,734	16.3	£34,179
Widcombe C of E Junior School	£7,540	17.2	£22,596
Widcombe Infant School	£10,782	16.3	£29,874
Windwhistle Primary School	£37,625	16.9	£112,610
Winford C of E Primary School	£8,855	16.4	£26,095
Winterbourne International Academy	£54,047	15.1	£136,828
Winterstoke Hundred Academy	£2,123	11.6	£4,131
Woodlands Academy	£14,654	13.1	£34,042
Woodlands Primary School	£1,672	15.3	£4,529
Worle Community School	£80,017	17.5	£241,305
Worle Village Primary School	£10,460	17.5	£33,231
Wraxall C of E Voluntary Aided Primary School	£3,166	17.5	£10,073
Writhlington School	£95,719	14.4	£229,464
Yate Academy	£39,239	15.3	£95,452
Yatton C of E Junior School	£14,572	17.9	£46,861
Yatton VC Infant School	£14,770	17.0	£44,574
Yeo Moor Primary School	£20,302	18.2	£67,226
Designating Bodies			
Almondsbury Parish Council	£5,009	19.3	£16,511

Participating Employers Year Ended 31 March 2020	2019/20 Employee contributions	% of pay	2019/20 Employer contributions plus Deficit / (surplus) amount
Aequus Developments Limited	£3,469	18.7	£7,313
Backwell Parish Council	£2,402	22.5	£8,544
Bleadon Parish Council	£174	20.0	£635
Bradley Stoke Town Council	£14,731	20.7	£49,124
Bristol Waste Company	£56,118	20.7	£181,162
Charter Trustees of the City of Bath	£2,998	15.1	£6,965
Clevedon Town Council	£4,063	20.3	£13,082
Congresbury Parish Council	£1,455	17.2	£4,416
Destination Bristol	£22,385	14.9	£41,685
Dodington Parish Council	£5,184	22.0	£18,488
Downend and Bromley Heath Parish Council	£2,772	16.8	£6,848
Emersons Green Town Council	£2,552	20.1	£8,795
Filton Town Council	£29,499	15.2	£74,449
Frampton Cotterell Parish Council	£5,593	20.4	£19,039
Hanham Abbots Parish Council	£981	15.2	£2,572
Hanham Parish Council	£1,009	20.0	£3,478
Keynsham Town Council	£13,917	20.0	£43,767
Midsomer Norton Town Council	£5,222	20.4	£17,573
Nailsea Town Council	£9,854	20.9	£30,827
Oldland Parish Council	£5,280	18.8	£14,600
Patchway Town Council	£15,951	20.4	£50,628
Paulton Parish Council	£6,011	17.3	£17,536
Peasedown St John Parish Council	£4,480	16.0	£12,199
Pill & Easton in Gordano Parish Council	£1,326	18.2	£3,711
Portishead Town Council	£6,836	18.3	£18,987
Radstock Town Council	£3,389	14.8	£8,169
Saltford Parish Council	£865	24.5	£3,655
Sodbury Parish Council	£6,201	20.0	£17,922
Stoke Gifford Parish Council	£9,065	14.4	£20,622
Stoke Lodge & the Common Parish Council	£807	20.0	£2,934
Thornbury Town Council	£15,445	23.5	£63,167
Visit Bath Ltd	£2,680	22.3	£10,640
Wellsway MAT Trading Company Limited	£0	23.0	£0
Westerleigh Parish Council	£596	13.3	£2,733
Westfield Parish Council	£1,870	16.8	£5,564
Weston Super Mare Town Council	£30,153	16.5	£80,479
Whitchurch Parish Council	£1,056	19.9	£3,580
Winterbourne Parish Council	£1,160	27.4	£5,481
Yate Town Council	£30,890	13.2	£67,680
Yatton Parish Council	£5,125	22.1	£18,220
Community Admission Bodies			
Adoption West	£47,940	15.7	£118,224
Alliance Homes	£100,276	20.0	£299,048
Ashley House Hostel	£17,859	25.3	£71,529

Participating Employers Year Ended 31 March 2020	2019/20 Employee contributions	% of pay	2019/20 Employer contributions plus Deficit / (surplus) amount
Bristol Music Trust	£17,779	20.0	£54,677
Clifton Suspension Bridge Trust	£12,356	21.4	£40,652
Disability Equality Forum	£831	26.9	£3,852
Learning Partnership West Ltd	£1,549	25.6	£3,523
Merlin Housing Society Ltd (New staff since 2007)	£131,613	26.4	£529,583
Merlin Housing Society Ltd (SG)	£68,615	19.5	£201,997
Sirona Care & Health CIC (2017)	£81,594	21.4	£298,433
Southwest Grid for Learning Trust	£8,930	11.4	£12,187
The Care Quality Commission	£17,107	22.6	£45,764
The Holburne Museum	£5,138	20.1	£13,692
The Park Community Trust Ltd	£7,197	22.1	£25,157
University of Bath	£1,164,769	15.1	£2,902,933
Vision North Somerset CIO	£6,303	20.6	£21,244
West of England Sport Trust (WESPORT)	£13,388	25.6	£45,596
Writhlington Trust	£17,061	25.8	£60,479
Transferees Admitted Bodies			
ABM Catering Ltd - SGC Schools	£0	22.0	£0
Active Community Engagement Limited (Bristol City Council)	£2,994	22.6	£9,296
Adapt Cleaning - NSC Campus Cleaning (North Somerset Council)	£286	24.5	£1,209
Agilisys Limited (North Somerset Council)	£34,612	21.3	£114,164
Agilisys Limited 2015 (North Somerset Council)	£40,037	20.6	£142,144
Alliance in Partnership (Westbury-on-Trym C of E Academy)	£451	17.0	£1,093
Alliance Living Care Limited (North Somerset Council)	£3,889	22.3	£14,613
Aspens Services Ltd - Bishop Sutton & Stanton Drew Schools (Lighthouse Schools Partnership)	£1,065	23.6	£4,650
Aspens Services Ltd - Castle Primary School (Bath and North East Somerset Council)	£1,331	19.4	£4,017
Aspens Services Ltd - Cherry Garden Primary School (South Gloucestershire Council)	£393	21.0	£1,255
Aspens Services Ltd - Culverhill School (South Gloucestershire Council)	£554	15.3	£1,399
Aspens Services Ltd - Lighthouse Schools Partnership	£6,611	25.0	£24,282
Aspens Services Ltd - Mangotsfield School (Castle School Educational Trust)	£1,360	18.5	£4,352
Aspens Services Ltd - New Horizons Learning Centre (South Gloucestershire Council)	£219	13.2	£526
Aspens Services Ltd - PFI (Bristol City Council)	£4,047	23.0	£16,569
Aspens Services Ltd - Redland Green Academy (Gatehouse Green Learning Trust)	£1,627	21.3	£5,427
Aspens Services Ltd - Staple Hill Primary School (South Gloucestershire Council)	£380	20.1	£1,388
Aspens Services Ltd - The Tynings School (South Gloucestershire Council)	£549	15.7	£1,172
Aspens Services Ltd (Cathedral Schools Trust)	£1,841	21.8	£7,070
Aspens Services Ltd (Venturers Trust)	£6,780	26.0	£29,738

Participating Employers Year Ended 31 March 2020	2019/20 Employee contributions	% of pay	2019/20 Employer contributions plus Deficit / (surplus) amount
Aspens Services Ltd - Beacons Rise Primary School (South Gloucestershire Council)	£1,083	21.5	£4,232
Aspens Services Ltd - Begbrook Primary Academy (Cabot Learning Federation)	£896	20.0	£3,048
Aspens Services Ltd - Blackhorse Primary School (South Gloucestershire Council)	£1,230	20.4	£4,400
Aspens Services Ltd - Castle School (Castle School Education Trust)	£1,946	19.9	£6,908
Aspens Services Ltd - Charfield School (Castle School Education Trust)	£578	21.2	£2,169
Aspens Services Ltd - Downend School (Castle School Education Trust)	£1,259	21.0	£4,209
Aspens Services Ltd - Frampton Cotterell School (South Gloucestershire Council)	£729	23.2	£3,075
Aspens Services Ltd - Frome Vale Academy (Cabot Learning Federation)	£811	21.1	£3,051
Aspens Services Ltd - Hanham Abbotts Junior School (South Gloucestershire Council)	£2,301	21.5	£8,771
Aspens Services Ltd - Hanham Wood Academy (Cabot Learning Federation)	£743	19.5	£2,552
Aspens Services Ltd – King's Oak Academy (Cabot Learning Federation)	£1,482	24.0	£6,469
Aspens Services Ltd - Longwell Green Primary School (South Gloucestershire Council)	£655	17.0	£2,088
Aspens Services Ltd - Marlwood School (Castle School Education Trust)	£1,213	18.1	£3,741
Aspens Services Ltd - Minerva Academy (Cabot Learning Federation)	£1,073	23.3	£4,512
Aspens Services Ltd - Summerhill Academy (Cabot Learning Federation)	£528	23.7	£2,276
Aspens Services Ltd - Warmley Park School (Bristol City Council)	£833	18.5	£3,446
Ategi limited (South Gloucestershire Council)	£635	18.7	£2,158
BAM Construction UK Limited (Bristol City Council)	£5,583	22.7	£21,030
Bespoke Cleaning Services Limited - (Olympus Academy Trust)	£1,869	19.3	£6,665
Bespoke Cleaning Services Limited (Castle School Education Trust)	£2,823	22.0	£11,151
Bespoke Cleaning Services Limited (South Gloucestershire & Stroud College)	£1,659	21.1	£6,191
Braybourne Facilities Services Limited (Bristol City Council)	£0	24.1	£0
Caterlink (Bristol City Council)	£0	25.0	£0
Churchill Contract Services Ltd - Cabot Learning Federation	£2,453	21.1	£9,410
Churchill Contract Services Ltd - Westhaven School (North Somerset Council)	£211	23.5	£902
Churchill Contract Services Ltd (Wellsway MAT)	£592	23.3	£2,509
Churchill Contract Services Ltd - Golden Valley Primary School (North Somerset Council)	£194	24.5	£864
Circadian Trust (South Gloucestershire Council)	£67,764	18.1	£185,816

Participating Employers Year Ended 31 March 2020	2019/20 Employee contributions	% of pay	2019/20 Employer contributions plus Deficit / (surplus) amount
Compass Contract Services (UK) Ltd - Ashton Park School (Bristol City Council)	£2,339	23.6	£9,068
Compass Contract Services (UK) Ltd - Bristol Cathedral School (Bristol Cathedral Schools Trust)	£326	17.5	£1,184
Compass Contract Services (UK) Ltd - Luckwell Primary School (Bristol City Council)	£283	23.4	£1,229
Compass Contract Services (UK) Ltd (Bristol City Council)	£18,362	21.0	£69,554
Compass Contract Services (UK) Ltd (Cathedral Schools Trust)	£1,606	22.9	£6,624
Compass Contract Services (UK) Ltd (Diocese of Bristol Academies Trust)	£1,502	21.6	£6,210
Compass Contract Services (UK) Ltd (Palladian Academy Trust)	£1,847	20.1	£7,103
Compass Contract Services (UK) Ltd (St Bede's Academy)	£1,076	25.8	£6,049
Compass Contract Services (UK) Ltd (St Patrick's Catholic Primary School)	£524	21.4	£2,046
Compass Contract Services (UK) Ltd (St Teresa's Catholic Primary School)	£565	23.6	£2,512
Compass Contract Services (UK) Ltd (Westbury Park Primary School)	£931	18.4	£3,315
Creative Youth Network (South Gloucestershire Council)	£599	20.1	£2,189
Direct Cleaning Services (South West) Limited (Bath and North East Somerset Council)	£276	14.3	£717
Dolce Ltd - Mangotsfield School (Castle School Education Trust)	£1,769	19.9	£6,400
Edwards and Ward Ltd - Courtney Primary School (South Gloucestershire Council)	£87	25.0	£397
Edwards and Ward Ltd - Paulton Infant School (Bath and North East Somerset Council)	£842	20.9	£3,200
Edwards and Ward Ltd - St Keyna Primary School (Bath and North East Somerset Council)	£842	19.9	£3,047
Edwards and Ward Ltd - St Mark's C of E Secondary School (Bath and North East Somerset Council)	£642	22.7	£2,649
Edwards and Ward Ltd (Bath & Wells MAT)	£5,813	19.0	£19,856
Edwards and Ward Ltd (Chew Stoke Church School)	£227	29.9	£1,236
Edwards and Ward Ltd (Henleaze Academy)	£842	21.0	£3,216
Future Cleaning Services Limited - Ashton Park School (Gatehouse Green Learning Trust)	£844	20.4	£3,130
Future Stars Club Limited (Bath & Wells MAT)	£207	20.0	£751
Glen Cleaning Company Limited (Lighthouse Schools Partnership)	£631	19.2	£2,753
Glen Cleaning Company Ltd (Bristol City Council)	£8,413	24.0	£36,430
Greenwich Leisure Ltd (Bath and North East Somerset Council)	£22,403	16.9	£56,153
Greenwich Leisure Ltd (North Somerset Council)	£131	19.5	£464
Learning Partnership West (Yate Town Council)	£100	15.4	£280
Learning Partnership West (South Gloucestershire Council)	£752	16.3	£2,176
Lex Leisure C.I.C. (Bristol City Council)	£1,660	22.8	£5,821
Liberata UK Ltd (North Somerset Council)	£31,055	20.7	£110,188

Participating Employers Year Ended 31 March 2020	2019/20 Employee contributions	% of pay	2019/20 Employer contributions plus Deficit / (surplus) amount
Mentoring Plus (Bath and North East Somerset Council)	£3,316	23.3	£11,887
Nobilis Care West Ltd (North Somerset Council)	£775	21.9	£2,927
Notaro Homecare Limited (North Somerset Council)	£2,861	21.7	£11,093
PH Sports Ltd - St Peter's Cof E Primary School (Lighthouse Schools Partnership)	£294	21.0	£1,317
Prestige Cleaning & Maintenance Limited (Circadian Trust)	£2,001	26.2	£9,277
Relyon Cleaning Services - Cotham Gardens Primary School	£292	30.8	£1,635
Ridge Crest Cleaning Ltd (Bristol City Council)	£2,474	22.6	£10,165
Shaw Healthcare - The Granary (North Somerset Council)	£701	23.3	£2,789
Sita Holdings UK Ltd	£1,166	29.9	£5,650
Skanska Rashleigh Weatherfoil Ltd (Bristol City Council)	£2,738	21.2	£9,357
SLM Community Leisure Trust (Bristol City Council)	£51,649	19.2	£153,495
SLM Fitness & Health Ltd (Bristol City Council)	£5,248	18.4	£16,019
Southern Brooks (South Gloucestershire Council)	£0	16.3	£0
Taylor Shaw (Olympus Academy Trust)	£4,012	20.4	£14,574
Taylor Shaw Limited (City of Bristol College)	£426	21.5	£2,675
The Brandon Trust (North Somerset Council)	£9,191	22.0	£35,632
Trowbridge Office Cleaning Services Ltd (Learn@MAT)	£293	18.8	£1,001
Virgin Care Services Limited (Bath & North East Somerset Council)	£137,980	21.0	£464,338
Weston Support Services Ltd (Extend Learning Academies Network)	£119	24.2	£522
Youth Connect (Bath & North East Somerset Council)	£7,008	20.7	£25,536

Statement of Accounts 2019/20

Fund Account For the Year Ended 31 March 2020

	Notes	2019/20	2018/19
Dealings with members, employers and others directly involved in the fund		**£'000**	£'000
Contributions Receivable	4	**(161,648)**	(153,929)
Transfers In		**(20,452)**	(9,035)
		(182,100)	(162,964)
Benefits Payable	5	**181,242**	171,863
Payments to and on account of Leavers	6	**12,818**	9,722
		194,060	181,585
Net additions/ (withdrawals) from dealings with members		**11,960**	18,621
Management Expenses	7	**31,102**	22,858
Net (additions)/withdrawals) including fund management expenses		**43,062**	41,479
Returns on Investments			
Investment Income	8	**(32,568)**	(37,012)
Profits and losses on disposal of investments and change in value of investments.	9	**335,511**	(221,369)
Net Returns on Investments		**302,943**	(258,381)
Net Increase in the net assets available for benefits during the year		**346,005**	(216,902)
Net Assets of the Fund			
Opening Net Assets of the Fund At 1 April		**4,817,827**	4,600,925
Closing Net Assets of the Fund At 31 March		**4,471,822**	4,817,827

Net Assets Statement at 31 March 2020

	Notes	31 March 2020		31 March 2019	
Investment Assets		**£'000**	**%**	£'000	%
Equities		**147,306**	**3.3**	554,790	11.5
Bonds		**0.0**	**-**	0.0	-
Pooled investment vehicles		**424,153**	**9.5**	428,751	8.9
Non Property Pooled Investment Vehicles		**3,778,471**	**84.5**	3,718,768	77.1
Cash deposits		**143,135**	**3.2**	105,377	2.2
Other Investment balances		**3,249**	**0.1**	3,486	0.1
Derivative contracts (Foreign Exchange hedge)			**-**	7,984	0.2
Derivative Contracts: FTSE Futures		**1,078**	**-**	349	-
Long-Term Investments		**427**	**-**	395	-
Investment Liabilities					
Derivative Contracts: FTSE Futures		**(30,367)**	**(0.7)**		
Other Investment balances		**(413)**	**-**	(147)	-
Total Investment Assets	10	**4,467,039**		4,819,753	
Long Term Debtors	12a	**212**	**-**	70	-
Net Current Assets					
Current Assets	12	**14,206**	**0.3**	13,079	0.3
Current Liabilities	12	**(9,635)**	**(0.2)**	(15,075)	(0.3)
Net assets of the scheme available to fund benefits at the period end		**4,471,822**	**100**	4,817,827	100

Analysis of Non Property Pooled Investment Vehicles

Diversified Growth Funds	**605,666**	597,717
Infrastructure	**358,444**	342,723
Liability Driven Investments	**287,601**	580,817
Multi Asset Credit	**291,660**	410,444
Derivative Contract: OTC Equity index Options	**118,816**	(12,585)
Hedge Funds	**257,966**	232,127
Secured Income	**51,514**	16,695
Equity	**1,692,261**	1,464,662
Bonds	**114,543**	86,168
	3,778,471	3,718,768

The Fund's financial statements do not take account of liabilities to pay pensions and other benefits after 31 March 2020. The actuarial present value of these liabilities is disclosed in note 15.

Notes to the Accounts - Year Ended 31 March 2020

1. INTRODUCTION & STATEMENT OF ACCOUNTING POLICIES

Description of Fund

1.1 The Fund is administered by Bath & North East Somerset Council under arrangements made following the abolition of the former Avon County Council on 31 March 1996.

The scheme is governed by the Public Service Pensions Act 2013. The fund is administered in accordance with the following secondary legislation:
– The Local Government Pension Scheme Regulations 2013 (as amended)
– The Local Government Pension Scheme (Transitional Provisions, Savings and Amendment) Regulations 2014 (as amended)
– The Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016.

Membership of the Fund is open to pensionable employees of scheduled bodies in the former Avon County area, together with employees of eligible designating and admission bodies. A list of employers with contributing scheme members can be found in note 25.

Employers' contributions are payable at the rate specified for each employing authority by the Fund's actuary. The employees' contribution rate is payable in accordance with the Local Government Pension Scheme Regulations 2013 (as amended).

Introduction to the Statement of Accounts

1.2 This statement comprises the Statement of Accounts for the Avon Pension Fund (the Fund). The accounts cover the financial year from 1 April 2019 to 31 March 2020.

1.3 These accounts have been prepared in accordance with the Code of Practice on Local Authority Accounting ('Code of Practice') in the United Kingdom 2019/20 based on International Financial Reporting Standards as published by the Chartered Institute of Public Finance and Accountancy. The accounts have been prepared on an accruals basis, except for certain transfer values as described at 'Statement of Accounting Policies' – item 1.21 They do not take account of liabilities to pay pensions and other benefits in the future.

Impact of COVID-19 Pandemic

1.4 The Accounts and Audit (Coronavirus) (Amendment) Regulations 2020 came into force on 30 April 2020. The Regulations extend the publication date for local authority audited accounts to 30 November 2020. The public inspection period will start on 1 September 2020. These regulations apply only in relation to annual accounts relating to the 2019/20 financial year.

1.5 These regulations were provided in order for authorities to have additional time to complete the audit of their accounts for 2019/20, given the likely impact of the COVID19 virus on availability of local authority staff and auditors to complete the audit process within current deadlines.

1.6 Staff have been working from home during the year end process and audit. The Fund has focussed on delivering the service digitally to members and employers, the payment of pensions within deadlines, monitoring cashflow including the receipt of contributions from employers, monitoring the impact on the investment strategy and communicating with members to reassure them about their pension benefits.

Actuarial Valuation

1.7 As required by the Local Government Pension Scheme Regulations 2013 (as amended) an actuarial valuation of the Fund was carried out as at 31 March 2019. The market value of the Fund's assets at the valuation date was £4,818m. The Actuary estimated that the value of the Fund was sufficient to meet 94% of its expected future liabilities of £5,102m in respect of service completed to 31 March 2019, with a deficit of £284m.

1.8 At the 2019 valuation the average deficit recovery period for the Fund overall was set at 13 years.

1.9 The 2019 actuarial valuation was carried out using the projected unit actuarial method. The main assumptions used to set employers' contributions, are set out in the table below:

1.10 The 2019 triennial valuation was completed during 2019/20 using market prices and membership data as at 31 March 2019. The 2019 valuation set the employer contribution rates for future service

	Past Service Liabilities (Primary Contribution Rate)	Future Service Liabilities (Secondary Contribution Rate)
Rate of return on investments (discount rate	4.65% per annum	4.15% per annum
Rate of pay increases (long term)*	3.9% per annum	3.9% per annum
Rate of increases in pensions in payment (in excess of Guaranteed Minimum Pension)	2.4% per annum	2.4% per annum

and deficit recovery payments (expressed as a monetary amount payable annually) with effect from 1 April 2020. The discount rate used in the 2019 valuation is based on CPI plus a real investment return of 1.75% p.a. for past service (the secondary contribution rate) and CPI plus 2.25% p.a. for future service (the primary contribution rate). The discount rate for the lower risk investment strategy was 2.6% p.a..

1.11 The Actuary has estimated that the funding level has fallen over the year to 84% based on the 2019 valuation financial assumptions.

1.12 The 2019 valuation outcome does not include an allowance for McCloud. However at the overall Fund level the impact was estimated to increase past service liabilities by £35m and to increase the Primary Contribution Rate by 0.5% of pensionable pay per annum. Individual employers were informed of the impact on their costs as part of the valuation exercise, with the option to include the estimated costs in contributions paid from 1 April 2020. Once the remediation for the Local Government Pension Scheme is known, employer contributions will be adjusted in line with guidance from the Scheme Advisory Board for those employers who have opted not to pay estimated costs from 1 April 2020. For those that have included an allowance in their contributions no adjustment will be made until the next valuation. The estimated costs of the remedy is included in the IAS26 disclosure.

1.13 Note 15 to the accounts shows the actuarial present value of promised retirement benefits for the purposes of IAS26 using the assumptions and methodology of IAS 19. The discount rate referenced for IAS19 is the Corporate Bond yield. The discount rate used for the Actuarial Valuation references the Fund's investment strategy.

1.14 The Fund's Funding Strategy Statement can be found on the Fund's website www.avonpensionfund.org.uk (search Funding Strategy Statement) and is summarised within the Fund's Annual Report. The purpose of the Funding Strategy Statement is to set out a clear and transparent funding strategy that will identify how each employer's pension liabilities are to be met going forward.

1.15 In March 2020 there was significant volatility in investment markets as a result of the COVID-19 pandemic. The long term impact is not yet known but there could be far-reaching consequences in terms of funding and risk. The funding position and employer covenants will be closely monitored as the situation evolves. The Fund's risk management strategy will mitigate some of the impact of lower asset prices if they persist into 2020/21. Given the current uncertainty, employer contributions will not be revisited but kept under review so the potential implications are assessed and any actions can be effectively managed.

Investment Strategy Statement

1.16 The Fund's Investment Strategy Statement (ISS) as required by the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016 can be found on the Fund's website www.avonpensionfund.org.uk (search Investment Strategy Statement) and is summarised within the Fund's Annual Report. The ISS is updated following strategic reviews.

1.17 The Fund's assets are currently managed externally by investment managers appointed and monitored by the Fund. The Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016 require funds to pool their investments assets from 1 April 2018. As a consequence the Fund is a member of Brunel Pension Partnership, a pool of 10 LGPS funds, which has established an FCA regulated company, Brunel Pension Partnership Limited (Brunel), to manage the assets of the pool. Each LGPS fund in the pool is a shareholder owning an equal share of the company. Since July 2018 the Fund's assets have gradually transitioned to Brunel. Once assets have transferred, Brunel is responsible for appointing and monitoring managers and other investment related operational aspects of the Fund. The Investment Strategy Statement will be updated during this transition to reflect the changing responsibilities.

1.18 The Fund has implemented three investment strategies to manage specific risks within the asset portfolio. These strategies are held within a Qualified Investment Fund (QIF) managed by Blackrock.

i. A Liability Driven Investment strategy provides a hedge against changes in the value of the pension liabilities within the asset portfolio. This strategy consists of bonds and derivatives such as gilt repurchase agreements and interest and inflation swaps, structured to achieve the desired hedge profile.
ii. Additionally within the QIF is a strategy to lock in the gains in equity markets ahead of the 2019 actuarial valuation. Using Over The Counter (OTC) equity index option contracts this strategy protects the Fund's developed markets equity assets from a fall in global markets into 2020.
iii. A Low Risk Investment Strategy has been implemented where the assets (mainly corporate bonds) better match the liability profile of the employers within the strategy. These employers include those that have exited the Fund and those that have chosen a less risky investment strategy to explicitly manage investment risk.

Statement of Accounting Policies

Basis of Preparation

1.19 Except where otherwise stated, the accounts have been prepared on an accruals basis, i.e. income and expenditure is recognised as it is earned or incurred, not as it is received or paid. The accounts have been prepared on a going concern basis.

Investments

1.20 Investments are shown in the accounts at market value, which has been determined as follows:

i. Quoted Securities have been valued at 31 March 2020 by the Fund's custodian using internationally recognised pricing sources (bid-price or 'last trade') where a quotation was available on a recognised stock exchange or the unlisted securities market. Some UK property funds have been valued at mid price as opposed to bid price with unaudited valuations used as the latest available for the accounting date. Unquoted securities are included at fair value based on the Fund Manager's valuation. All these valuations are subject to the custodian's and fund manager's internal control reports and their external auditors.

ii. Fixed interest securities exclude interest earned but not paid over at the year end, which is included separately within investment debtors.

iii. Pooled investments are stated at their bid price or at the Net Asset Value quoted by their respective managers at 31 March 2020. The basis of valuation is explained further in note 24.

iv. Foreign currency transactions are recorded at the prevailing rate at the date of transaction. Investments held in foreign currencies are shown at market value translated into sterling at the exchange rates ruling as at 31 March 2020.

v. Open futures contracts are included in the Net Asset Statement at their fair market value, which is the unrealised profit or loss at the current bid or offer market quoted price of the contract. The amounts included in the change in market value are the realised gains or losses on closed futures contracts and the unrealised gains or losses on open futures contracts.

vi. Over the Counter (OTC) Equity Index options are included in the Net Asset Statement at their fair market value, which is the unrealised profit or loss at the current value of the contract. The amounts included in the change in market value are the realised gains or losses on closed futures contracts and the unrealised gains or losses on open futures contracts.

vii. Overseas properties are valued as at 31 March 2020 using unaudited values to take account of the market conditions prevailing at 31 March 2020.

viii. Forward foreign exchange contracts outstanding at the year- end are stated at fair value which is determined as the gain or loss that would arise if the outstanding contract was matched at the year end with an equal and opposite contract. Foreign currency transactions are recorded at the prevailing rate at the date of transaction.

ix. The only Long Term Investment is shares in Brunel Pension Partnership Ltd. Its fair value is based on the value of equity in Brunel Pension Partnership Ltd accounts.

x. Acquisition costs of investments (e.g. stamp duty and commissions) are treated as part of the investment cost.

xi. Investment debtors and creditors at the year- end are included in investment assets in accordance with the CIPFA code of practice on local authority accounting.

xii. The Fund's surplus cash is managed separately from the surplus cash of Bath and North East Somerset Council (B&NES) and is treated as an investment asset.

Contributions

1.21 Contributions represent those amounts receivable from the employing bodies in respect of their own and their pensionable employees' contributions. Employers' contributions are determined by the Actuary on the basis of triennial valuations of the Fund's assets and liabilities and take into account the Funding Strategy Statement set by the administering authority. The rates applying in in 2019/20 relate to the 2016 valuation and the employer contribution rates range from 7.0% to 30.8%. Employees' contributions have been included at the rates prescribed by the Local Government Pension Scheme Regulations 2013 (as amended). The employee contribution rates range from 5.5% to 12.5% of pensionable pay for the financial year ending 31 March 2020. The contribution rates arising from the 2019 valuation are effective from 1 April 2020.

1.22 Normal contributions both from members and the employer are accounted for on an accruals basis in the payroll period to which they relate. Employer deficit funding contributions are accounted for on the due dates on which they are payable under the schedule of contributions set by the scheme actuary or on receipt if earlier than the due date.

Benefits, Refunds of Contributions and Cash Transfer Values

1.23 From 1 April 2014, the scheme became a career average scheme, whereby members accrue benefits based on their pensionable pay in that year at an accrual rate of 1/49th. Accrued pension is up-rated annually in line with the Consumer Prices Index.

1.24 Benefits payable and refunds of contributions have been brought into the accounts as they fall due.

1.25 Cash Transfer Values are those sums paid to or received from other pension schemes and relate to previous periods of pensionable employment. Individual transfers in/out are accounted for when received/paid, which is normally when the member liability is accepted or discharged. Accruals are only made when it is certain that a transfer is to take place.

1.26 Charges for splitting pensions on divorce are either invoiced to members or, on request, paid out of future benefits. In the case of payment from future benefits the charge against benefits and income to the Fund are both made in the current year. The charges are index linked to pension's increases to ensure that the Fund receives the full value.

Investment Income

1.27 Dividends and interest have been accounted for on an accruals basis, based on figures provided by the custodian. Some of the income on pooled investments is accumulated and reflected in the valuation of the units and some (mainly property) is distributed.

Item	Uncertainties	Effect if actual results differ from assumptions
Market Value of investments	The Fund's investments are revalued on a monthly basis using quoted prices in active markets or by reference to markets which are not considered to be active but are valued based on quoted market prices, dealer quotations or alternative pricing sources supported by observable inputs with the exception of the Hedge Funds (£257.9m), Property (£406.6m), Infrastructure (£358.4m) and Secure Income (£69.1m). The Hedge Fund, Infrastructure and Property Limited Partnerships are not publicly listed and as such there is a degree of estimation involved in their valuation. Due to the COVID-19 pandemic there is a risk that these valuations have an increased level of uncertainty. There is a wide range of possible outcomes mainly due to the high degree of uncertainty about the ultimate impact of the pandemic on the underlying assets. As the Hedge Fund valuation metrics are derived primarily from financial instruments and assumptions they provide a valid estimation as at the reported date. The managers of the Property Limited Partnerships and Infrastructure assets have included an estimated impact of COVID-19 in the valuations as at 31 March 2020. For the pooled UK property funds held in the UK Property and Secured Income portfolios (valued at £229.2m), the independent valuers consider that less weight can be attached to previous market evidence for comparison purposes to inform opinions of value and as a result have reported the values on the basis of "Material Valuation Uncertainty' as per VPGA 10 of the RICS Red Book-Global Standards. Consequently, for these assets, less certainty and a higher degree of caution should be attached to the valuation than would normally be the case.	For every 1% increase in Market Value the value of the Fund will increase by £45m with a decrease having the opposite effect. If the valuations of the Property Limited Partnerships and Secured Income and Infrastructure assets turn out to be lower than estimated, then the value of the Fund's investments will have been overstated. A further 5-10% fall in the valuations included in the accounts for these portfolios would result in a reduction of between £31m and £62m in total Fund assets. The value of the UK Property funds is £229.2m. Having taken advice from the fund manager of the UK Property Portfolio, the indicative effect of COVID-19 pandemic on these valuations could result in a reduction of 10-15% in the reported value which is between £23m and £34m.
Actuarial present value of promised retirement benefits (Note 15)	Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. Mercer, a firm of consulting actuaries, is engaged to provide the authority with expert advice about the assumptions to be applied.	The effects on the actuarial present value of promised retirement benefits (the Fund's liabilities) of changes in individual assumptions can be measured. For instance, based on the 2019 actuarial valuation results: • a 0.25% per annum reduction in the real investment return assumption would increase deficit by £219m (to £503m) • a 0.25% per annum increase in the assumed pensionable salary growth would increase the deficit by £16m (to £300m) • a 0.25% per annum increase in the long term improvement rate in life expectancy would increase the deficit by £34m (to £318m) • a 25% fall in asset value would increase the deficit by £1,205m (to £1,489m)

Investment Management & Administration

1.28 The Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016 permit Bath & North East Somerset Council to charge administration costs to the Fund. A proportion of relevant Council costs has been charged to the Fund on the basis of time spent on Pension Fund business.

1.29 The fees of the Fund's external investment managers reflect their differing mandates. Fees are linked to the market value of the Fund'sinvestments and therefore may increase or reduce as the value of the investment changes. Management fees are recognised in the year in which the management services are provided. A provision has been made for performance fees that have been incurred but are subject to phased payments or are not to be paid until the realisation of the related investments. These remain subject to change as a consequence of future performance. Fees are also payable to the Fund's global custodian and other advisors.

Taxation

1.30 The Fund is not liable to UK income tax, on income derived from investments, under Section 186 of the Finance Act 2004, nor is it liable to capital gains tax under section 271 Taxation of Chargeable Gains Act 1992. As Bath & North East Somerset Council is the administering authority for the Fund, VAT input tax is recoverable on all Fund activities including expenditure on investment expenses. For taxation of overseas investment income please see note 3 iv. in the Notes to the Accounts.

Assumptions made about the future and other major sources of estimation uncertainty

1.31 The Statement of Accounts contains estimated figures that are based on assumptions made about the future or that are otherwise uncertain. Estimates are made taking into account historical experience, current trends and other relevant factors. However because balances cannot be determined with certainty actual results could be materially different from the assumptions and estimates. Estimates are used in the valuation of unquoted investments and in the actuarial valuation for the purposes of IAS 26 (note 15) in which the actuarial calculation of the liability is subject to the professional judgement of the Scheme Actuary. The Fund's investments are stated at fair value. The subjectivity of the inputs used in making an assessment of fair value is explained in note 24.

Events After the Balance Sheet Date

1.32 The Statement of Accounts is adjusted to reflect events that occur after the end of the reporting period that provide evidence of conditions that existed at the end of the reporting period, should they occur. The Statement of Accounts is not adjusted to reflect events that are indicative of conditions that arose after the reporting period, but where material, disclosure is made in the notes of the nature and estimated financial effect of such events.

COVID-19

The COVID-19 global pandemic has caused significant uncertainty with regard to national economic conditions and this is likely to impact on employer income streams in future years. This will need to be taken into account for employer's contributions to the fund. It is anticipated that the future value of investments may be exposed to increased market volatility as a result of COVID-19 and this may impact on the value of the fund in the short to medium term; however it is not possible to reliably estimate the financial impact of this on the position and performance of the fund in future periods.

The Pension Fund Accounts include more specific detail regarding the impact of COVID-19 in the accompanying disclosure notes concerning Actuarial valuations and Accounting Assumptions.

Financial Instruments

1.33 Financial Assets and Liabilities are recognised on the Balance Sheet when the Fund becomes a party to the contractual provisions of a financial instrument and are measured at fair value or amortised cost.

Critical Judgements in Applying Accounting Policies

1.34 The net pension fund liability is recalculated every three years by the Scheme Actuary. The methodology used is in line with accepted guidelines.

This estimate is subject to significant variances based on changes to the underlying assumptions which are agreed with the Actuary and have been summarised in Note 1.9 above. These actuarial revaluations are used to set future contribution rates and underpin the fund's most significant investment management policies, for example in terms of the balance struck between longer term investment growth and short-term yield/return.

Following consultation the judgement has been made that the Fund does not have significant influence over the Brunel Pensions Partnership and consequently it is not considered to be a joint venture. Each fund holds an equal 10% stake in the pension fund, so no pension fund exerts more influence than another. Also, a holding of 20% or more of the voting power is generally required to indicate significant influence.

2. MEMBERSHIP

Membership of the Fund at the year-end was as follows:-

	31 March 2020	31 March 2019
Employed Members	**38,064**	36,894
Pensioners	**33,602**	32,137
Members entitled to Deferred Benefits	**42,508**	42,114
Undecided Leavers	**7,538**	6,968
Total	**121,712**	111,145

A further estimated 818 (738 in 2018/19) ex-members whose membership was for up to 2 years before 1 April 2014 or up to 3 months after that date are due refunds of contributions. Retrospective reporting has unearthed a further 144 outstanding cases from the commencement of this project in 2011/12. It is not possible to put an exact value on this liability until these ex-members have been traced and their entitlement verified.

3. TAXATION

i. **Value Added Tax**
The Fund's administering authority Bath & North East Somerset Council is reimbursed VAT by HM Revenue and Customs and the accounts are shown exclusive of VAT.

ii. **Income Tax**
The Fund is a wholly exempt fund and some UK income tax is recoverable from HM Revenue and Customs. Where tax can be reclaimed, investment income in the accounts is shown gross of UK tax.

iii. **Capital Gains Tax**
No capital gains tax is chargeable.

iv. **Taxation of Overseas Investment Income**
The Fund receives interest on its overseas government bond portfolio gross, but a variety of arrangements apply to the taxation of interest on corporate bonds and dividends on overseas equities.

4. CONTRIBUTIONS RECEIVABLE

Contributions receivable are analysed below:-

	2019/20		2018/19	
Employers' normal contributions		**£'000**		£'000
Scheduled Bodies	**83,909**		78,070	
Administering Authority	**8,538**		8,569	
Admission Bodies	**7,829**	**100,276**	7,832	94,471
Employers' deficit Funding				
Scheduled Bodies	**16,498**		14,593	
Administering Authority	**-**		(180)	
Admission Bodies	**699**	**17,197**	637	15,050
Total Employer's normal & deficit funding		**117,473**		109,521

Employers' contributions- Augmentation				
Scheduled Bodies	**1,318**		1,950	
Administering Authority	**950**		2,230	
Admission Bodies	**319**	**2,587**	308	4,488
Members' normal contributions				
Scheduled Bodies	**34,623**		32,892	
Administering Authority	**3,704**		3,754	
Admission Bodies	**2,719**	**41,046**	2,720	39,366
Members' contributions towards additional benefits				
Scheduled Bodies	**450**		429	
Administering Authority	**56**		82	
Admission Bodies	**36**	**542**	43	554
Total		**161,648**		153,929

The increase in Employers' contributions between 2018/19 and 2019/20 is due to the effect of phased/stepped contributions. In 2018/19 Unitary councils received £1,109k in deficit rebates relating to payments for Academies who transferred in 2018/19 (£180k of which related to the Administering Authority). There were no such payments in 2019/20.

The Members' contributions towards additional benefits above represent members' purchase of added years or additional benefits under the Scheme. Augmentation contributions are paid by employers to meet the cost of early retirements.

A further facility is provided whereby members can make Additional Voluntary Contributions, on a money purchase basis, which are invested in insurance policies with Utmost Life & Pensions or Aviva on behalf of the individual members concerned. These contributions are not part of the Pension Fund and are not therefore reflected in the Fund's accounts. A statement of the value of these investments is given in note 18.

5. BENEFITS PAYABLE

Analysis of Benefits Payable by Type:-

	2019/20	2018/19
	£'000	£'000
Retirement Pensions	**149,862**	142,405
Commutation of pensions and Lump Sum Retirement Benefits	**27,527**	25,802
Lump Sum Death Benefits	**3,853**	3,656
	181,242	171,863

Analysis of Benefits Payable by Employing Body:-

	2019/20	2018/19
	£'000	£'000
Scheduled & Designating Bodies	**148,027**	140,228
Administering Authority	**18,338**	18,312
Admission Bodies	**14,877**	13,323
	181,242	171,863

6. PAYMENTS TO AND ON ACCOUNT OF LEAVERS

	2019/20	2018/19
Leavers	**£'000**	£'000
Refunds to members leaving service	**1,148**	866
Individual Cash Transfer Values to other schemes	**11,670**	8,856
Group Transfers	**0**	0
	12,818	9,722

7. MANAGEMENT EXPENSES

Costs incurred in the management and administration of the Fund are set out below.

	2019/20	2018/19
	£'000	£'000
Administrative Costs	**2,408**	2,177
Investment Management Expenses	**26,942**	19,304
Oversight & Governance Costs	**1,752**	1,377
	31,102	22,858

Further Analysis of Management Expenses:-

	2019/20	2018/19
Administrative Costs	**£'000**	£'000
Management costs	**1,555**	1,450
Administration and Processing	**568**	420
Service from Administrating Body	**490**	497
Fees and Income	**(205)**	(190)
	2,408	2,177
Investment Management Expenses		
Fund Manager Base Fees	**20,295**	20,470
Fund Manager Performance Fees	**3,586**	(3,330)
Investment Transaction Costs	**199**	969
Investment Transition Costs	**2,825**	947
Global custody	**38**	248
	26,943	19,304
Oversight & Governance Costs		
Management costs	**609**	535
Specialist advice and Governance	**1,349**	1,068
Actuarial recharges	**(244)**	(266)
Audit Fees	**32**	40
Audit Related Service	**6**	
	1,752	1,377
	31,103	22,858

Fund Manager Performance Fees include fees that have been accrued but are subject to phased payment or not due to be paid until the realisation of the related assets. Unpaid fees remain subject to variation as a result of future performance. Total fund manager fees include management charges for pooled investments that are settled directly within the pooled vehicles in accordance with the investment management agreement.

The performance fees relate mainly to pooled funds and they are estimated from the information available. Fund manager performance fees paid in 19/20 represent a reduction in the provision of £7.123m offset by performance fees realised of £10.709m

Investment transition costs for each year include the costs of transitioning assets to the portfolios managed by Brunel.

Included within management fees is £1.437m (£0.998m in 18/19) paid to Brunel Pension Partnership for core investment services.

Transaction costs include the costs of transitioning assets to the portfolios managed by Brunel.

Management costs in Oversight & Governance Costs include investments, actuarial and accounting staff costs. Specialist Advice and Governance includes £0.384m of costs relating to the triennial valuation. Audit fees include; £0.022m external audit fee as set out in the Audit Plan (2018/19 £0.022m), £0.008m internal audit charge (2018/19 £0.008m) and additional audit fees of £0.004m less a rebate of fees from the PLSA of £0.002m. The audit related service of £0.006m is for an additional external fee relating to information provided to the actuary regarding individual employers' IAS19 disclosures not accounted for in 2018/19.

8. INVESTMENT INCOME

	2019/20	2018/19
	£'000	£'000
Dividends from equities	**13,020**	18,954
Income from pooled investment vehicles	**14,810**	13,017
Income from other pooled investment vehicles	**3,977**	3,977
Interest on cash deposits	**556**	912
Other - Stock lending	**205**	152
	32,568	37,012

The Fund has an arrangement with its custodian (State Street Trust and Bank) to lend eligible securities from its portfolio to third parties in return for which the third parties pay fees to the fund. The third parties provide collateral to the Fund which is held during the period of the loan. The Fund may terminate any loan of securities by giving notice of not less than the standard settlement time for those securities.

The value of the stock on loan as at 31 March 2020 was £24.1m (31 March 2019 £15.6m), comprising of equities and sovereign debt. This was secured by collateral worth £26.0m comprising equities and sovereign debt. The Fund does not sell collateral unless there is a default by the owner of the collateral.

9. CHANGE IN TOTAL NET ASSETS

Change in Market Value of Investments

	Value at 31/03/19	Purchases at Cost	Sales Proceeds	Change in Market Value	**Value at 31/03/20**
	£'000	£'000	£'000	£'000	**£'000**
Equities	554,790	106,998	(509,191)	(5,292)	**147,305**
Long Term Investments	395	-		32	**427**
Pooled Investments -					
- Property	428,752	31,992	(25,133)	(11,458)	**424,153**
- Non Property	3,718,767	1,221,116	(868,805)	(292,607)	**3,778,471**
Derivatives	8,333	77,735	(58,459)	(56,898)	**(29,289)**
Sub Total	4,711,037	1,437,841	(1,461,588)	(366,223)	**4,321,067**
Cash Deposits	105,377	291,448	(282,435)	28,745	**143,135**
Net Purchases & Sales		1,729,289	(1,744,023)	(14,734)	
Investment Debtors & Creditors	3,339			(503)	**2,836**
Total Investment Assets	4,819,753				**4,467,038**
Long Term Debtors	70			142	**212**
Current Assets	(1,996)			6,567	**4,571**
Less Net Revenue of Fund				10,494	
Total Net Assets	**4,817,827**			**(335,512)**	**4,471,821**

The **Change in Market Value** of investments comprises all gains and losses on Fund investments during the year, whether realised or unrealised.

The **Change in Market Value** for cash deposits represents net gains on foreign currency deposits and foreign exchange transactions during the year.

Derivatives. The purchases and sales of derivatives are shown at the values of the realised profits and losses of the net derivatives transactions.

Liability Driven Investments and Equity Options. Elsewhere in the Statement of Accounts Liability Driven Investments and Equity Options have been shown separately for greater transparency. In the above table they are treated as all other pooled investment vehicles. They are both included as Non Property Pooled Investments.

The Net Revenue of Fund figure in the above table includes the investment transaction costs as specified below. These are the costs that it has been possible to identify. Additional costs will have been absorbed within pooled investments. The Net Revenue of Fund equals the Net Withdrawals / additions including fund management expenses (£43.062m) plus Investment income (£-32.568m) as shown in the Fund account.

Change in Total Net Assets 2018/19

Change in Market Value of Investments

	Value at 31/03/18	Purchases at Cost	Sales Proceeds	Change in Market Value	**Value at 31/03/19**
	£'000	£'000	£'000	£'000	**£'000**
Equities	1,075,449	321,072	(855,828)	14,097	**554,790**
Long Term Investments	840			(445)	**395**
Pooled Investments -					
- Property	410,899	202,717	(196,868)	12,004	**428,752**
- Non Property	2,907,105	1,914,192	(1,330,941)	228,411	**3,718,767**
Derivatives	13,243	89,542	(42,438)	(52,014)	**8,333**
Sub Total	4,407,536	2,527,523	(2,426,075)	202,053	**4,711,037**
Cash Deposits	204,037	295,606	(387,589)	(6,677)	**105,377**
Net Purchases & Sales		2,823,129	(2,813,664)	9,465	
Investment Debtors & Creditors	(3,266)			6,605	**3,339**
Total Investment Assets	4,608,307				**4,819,753**
Long Term Debtors				70	**70**
Current Assets	(7,382)			5,386	**(1,996)**
Less Net Revenue of Fund				4,467	
Total Net Assets	**4,900,925**			**221,369**	**4,817,827**

The Net Revenue of Fund figures in the above tables include the investment transaction costs as specified below. These are the costs that it has been possible to identify. Additional costs will have been absorbed within pooled investments.

10. INVESTMENT ASSETS

Further analysis of the market value of investments as set out in the Net Assets Statement is given below:-

		31 March 2020		31 March 2019
UK Equities		£'000		£'000
Quoted	144,274		190,348	
Pooled Investments	154,503		194,418	
FTSE Futures	1,078	299,855	349	385,115
Overseas Equities				
Quoted	3,032		364,442	
Pooled Investments	1,537,758		1,270,243	
Equity Index Options	118,816	1,659,606	(12,585)	1,622,100
Sterling Bonds (excluding Gilts)				
UK Pooled Investments	113,513	113,513	86,168	86,168
Non Sterling Bonds				
Pooled Investments	1,030	1,030		
Diversified Growth Funds				
Overseas Pooled Investments	605,666	605,666	597,717	597,717
Infrastructure				
Overseas Pooled Investments	358,444	358,444	342,723	342,723
Liability Driven Investment				
UK Pooled Investments	287,601	287,601	580,817	580,817
Multi Asset Credit				
Overseas Pooled Investments	291,660	291,660	410,444	410,444
Hedge Funds				
Overseas Pooled Investments	257,966	257,966	232,127	232,127
Property				
UK Pooled Investments	211,634		227,565	
Overseas Pooled Investments	194,926	406,560	201,187	428,752
Secured Income				
UK Pooled Investments	51,514		16,695	
UK Pooled Property Investments	17,593	69,107	-	16,695
Long Term Investments				
Brunel Share Capital	427	427	395	395
Cash Deposits				
Sterling	137,351		68,871	
Foreign Currencies	5,784	143,135	36,506	105,377
Investment Debtors/Creditors				
Investment Income	2,848		3,486	
Sales of Investments	401			
Foreign Exchange Hedge	(30,367)		7,984	
Purchases of Investments	(413)	(27,531)	(147)	11,323
Total Investment Assets		4,467,039		4,819,753

The Overseas Pooled Investments above are global mandates. Although they are predominantly Overseas assets they may include some UK assets.

The Liability Driven Investments pooled vehicle is structured to provide a hedge against changes in the value of the pension liabilities. The structure invests in Index linked gilts and derivatives to provide the desired hedge against the liabilities. At 31 March 2020 the net value of these assets was £287,601m (£580,817m as at 31 March 2019).

OTC Equity Index Options are used to protect the equity assets from a fall in equity markets. At 31 March 2020 the unrealised gain on this strategy was £118.8m.

Both strategies are held within the same pooled vehicle, a Qualified Investment Fund (QIF) managed by Blackrock on a bespoke basis for the Fund; the QIF had a value of £937m at March 2020.

The COVID-19 pandemic negatively affected investment markets especially equity, credit and less liquid assets as at 31 March 2020. The equity option strategy protected the Fund from some of the fall in equity assets which account for approximately 41% of total assets.

Investments in secured income include long property funds and pooled infrastructure funds. Where the accounts require analysis on a pooled or non property basis secured is split between property and non property secured income. The Secured Income portfolio value of £69.1M differs to that in Net Asset Statement (NAS) analysis of non property funds (£51.5M) because it holds both property and non- property funds whilst in the NAS the assets are split by category of fund i.e. property or non- property rather than asset type. The NAS also shows pooled property £424.2m whilst Note 10 shows £406.5m - the difference between the two relates to property funds held in the Secured Income portfolio.

Derivatives Analysis
Open forward currency contracts

Settlement	Currency bought	Local Value	Currency Sold	Local Value	Asset Value	Liability Value
	£000's	£000's		000's	£000's	£000's
Up to one month	EUR	65,340	GBP	57,585	263	-
Up to one month	JPY	1,487,400	GBP	11,077	43	-
Up to one month	USD	102,425	GBP	81,344	1,212	-
Up to one month	GBP	11,059	JPY	1,487,400	498	-
Up to one month	GBP	58,346	EUR	65,340	-	(61)
Up to one month	GBP	79,427	USD	102,425	-	(3,129)
One to six months	EUR	38,376	GBP	32,922	1,101	-
One to six months	JPY	290,800	GBP	2,105	74	-
One to six months	USD	117,086	GBP	88,679	5,597	-
One to six months	GBP	249,895	EUR	291,041	-	(8,293)
One to six months	GBP	52,787	JPY	7,426,800	-	(2,862)
One to six months	GBP	403,014	USD	511,741	-	(9,031)
Six to twelve months	GBP	45,112	EUR	50,533	175	-
Six to twelve months	GBP	10,698	JPY	1,427,200	-	(22)
Six to twelve months	GBP	500,324	USD	647,560	-	(20,684)
Six to twelve months	USD	95,043	GBP	71,722	4,753	-
Total					**13,715**	**(44,082)**
Net forward currency contracts at 31 March 2020						**(30,367)**
Open forward currency contracts at 31 March 2019					10,472	(2,488)
Net forward currency contracts at 31 March 2019						**7,984**

Equity Options

	Original Notional (GBP)	Notional at 31 March	Gain/(Loss) at 31 March
	£'000	£'000	£'000
S&P 500 Index Options	253,810	215,834	16,567
Nikkei 225 Index Options	477,008	398,977	26,855
FTSE 100 Index Options	955,271	848,426	43,646
EuroStoxx50 Index Options	177,230	159,045	7,059
MSCI EM Index Options	293,729	231,667	24,689
Total Value 31st March 2020	**2,157,048**	**1,853,949**	**118,816**
Equity Options at 31 March 2019	**-**		**(13,230)***

* BlackRock carry a small amount of cash in this fund for immediate collateral requirements which is added to the total value. For March 2019 the cash balance was £643,752.

Exchange Traded Derivatives held at 31 March 2020:-

Contract Type	Expiration	Book Cost	Unrealised Gain
		£'000	£'000
FTSE equity futures	June 2020	21,109	1,078

Exchange Traded Derivatives held at 31 March 2019:-

FTSE equity futures	June 2019	21,297	350

A derivative is a financial contract between two parties, the value of which is determined by the underlying asset. Investment in derivatives may only be made if they contribute to a reduction of risks and facilitate efficient portfolio management.

The UK Equity futures contracts are held to facilitate efficient portfolio management for a passively managed investment where the costs of investing directly in UK equities would be significant.

Forward "over the counter" foreign exchange contracts are held to reduce the impact of fluctuations in the exchange rate between sterling and the other currency.

OTC Equity Index Options are used to protect the developed equity assets from a fall in equity markets.

Investment Assets by Manager

The proportion of the market value of investment assets managed by each external manager and in house Treasury Management at the end of the financial year was:

	31 March 2020		31 March 2019	
Investments managed by Brunel Pension Partnership:	**£'000**	**%**	£'000	%
BlackRock	**937,195**	**21.0**	-	-
LGIM Low Carbon Global Equities	**497,508**	**11.1**	520,926	10.8
Brunel Infrastructure	**24,312**	**0.5**	11,152	0.2
Brunel Secured Income Portfolio	**69,107**	**1.5**	16,695	0.3
Brunel UK Equity Portfolio	**149,873**	**3.4**	187,270	3.9
Brunel Emerging Market Equity	**196,232**	**4.4**	-	-
Brunel Global High Alpha Equity	**377,707**	**8.5**	-	-
	2,251,934	**50.4**	736,043	15.3
Investments managed outside Brunel Pension Partnership:				
Blackrock	**40,434**	**0.9**	1,166,378	24.2
Record	**(8,174)**	**(0.2)**	29,631	0.6
Jupiter Asset Management	**173,740**	**3.9**	205,588	4.3
Genesis Investment Management	**-**	**-**	117,600	2.4
Partners Group	**231,705**	**5.2**	228,326	4.7
Loomis (Natixis)	**291,661**	**6.5**	410,444	8.5
Pyrford International	**213,642**	**4.8**	218,582	4.5
TT International	**310**	**0.0**	305	0.0
IFM Investors	**334,132**	**7.5**	331,571	6.9
Ruffer	**392,024**	**8.8**	379,136	7.9
Unigestion (UK) Ltd	**-**	**-**	110,931	2.3
Schroder Investment Management	**228,380**	**5.1**	630,378	13.1
JP Morgan	**257,967**	**5.8**	232,127	4.8
General Cash	**23,192**	**0.5**	14,409	0.3
Long Term Investment	**427**	**0.0**	395	0.0
Treasury Management	**35,665**	**0.8**	7,909	0.2
	2,215,105	**49.6**	4,083,710	84.7
Total Investment Assets	**4,467,039**	**100.0**	4,819,753	100.0

During 2019/20, the assets managed by Genesis Investment Management and Unigestion (UK) Ltd (both Emerging Market Equities) and Schroder Investment Management (Global Equities) transitioned to the Brunel asset pool. Brunel has appointed Blackrock as the manager for Risk Management Strategies and therefore the Liability Driven Investing, Equity Protection and Lower Risk Corporate Bond strategies are all now managed under the pooling arrangements. In addition, commitments to Renewable Infrastructure and Secured Income were invested via Brunel portfolios.

11. SINGLE INVESTMENTS OVER 5% OF THE FUND

The following investments represent more than 5% of the net assets of the fund.

Investments	Value at 31st March 2020	Net Assets	Value at 31st March 2019	Net Assets
	£'000	%	£'000	%
Blackrock Liability SOL Mutual Fund	937,195	20.96%	1,008,422	20.93%
LGIM Low Carbon Global Equity	497,508	11.13%	520,926	10.81%
CF Ruffer Absolute Return Fund	392,024	8.77%	379,136	7.87%
Brunel Global High Alpha Equity Fund	377,707	8.45%	-	-
IFM Global Infrastructure (UK)	334,132	7.47%	331,571	6.88%
NATIXIS Investment Solutions	291,661	6.52%	410,444	8.52%
Standard Life Global Absolute	257,967	5.77%	-	-

12. CURRENT ASSETS AND CURRENT LIABILITIES

Provision has been made in the accounts for debtors and creditors known to be outstanding at 31 March 2020. Debtors and creditors included in the accounts are analysed below:-

	31 March 2020		31 March 2019	
Current Assets		£'000		£'000
Contributions Receivable :-				
- Employers	8,723		7,981	
- Members	3,340		3,128	
Transfer Values Receivable	-		-	
Discretionary Early Retirement Costs	537		129	
Other Debtors	1,606	14,206	1,841	13,079
Current Liabilities				
Management Fees	(1,389)		(1,647)	
Provision for Performance Fees	(3,795)		(10,918)	
Transfer Values Payable	-		-	
Lump Sum Retirement Benefits	(2,254)		(1,203)	
Other Creditors	(2,197)	(9,635)	(1,307)	(15,075)
Net Current Assets		4,571		(1,996)

The provision for Performance Fees includes fees that have been incurred but are subject to phased payment or not due to be paid until the realisation of the related assets. They remain subject to variation as a result of future performance.

12A. LONG TERM DEBTERS

Provision has been made in the accounts for long term debtors known to be outstanding at 31 March 2020.

	31 March 2020	31 March 2019
	£'000	£'000
Reimbursement of lifetime tax allowances	212	70

The Lifetime tax allowance was introduced in 2016. It limits the amount of pension that can be paid without an extra charge. Responsibility for payment rests with the pensioner. Avon Pension Fund offer to pay the tax upfront and are reimbursed from pension deductions over time. This creates a long term debtor in the accounts.

13. CONTINGENT LIABILITIES

There were no contingent liabilities as at 31 March 2020. (31 March 2019 = NIL).

14. EVENTS AFTER THE BALANCE SHEET DATE

Non- adjusting event - COVID -19 pandemic

The outbreak of COVID-19 has impacted global economies and financial markets. In many countries measures to contain the virus, including social distancing, travel bans, quarantines and closure of non-essential services have triggered a slump in consumer demand and a sharp slowdown in global economic activity. Global stock markets have experienced increased volatility and weakness. Government and central banks have responded with monetary and fiscal stimulus to stabilise economic conditions. It is difficult to quantify the eventual outcome on the investment assets given the unknown nature of this shock.

In addition to how the pandemic itself will play out, material factors that will determine the outcome include the length and depth of the economic shock, the pace of economic recovery and the permanence or not of changes in corporate, government and consumer behaviour as a result. The asset portfolio is well diversified and this will mitigate against reductions in valuations. There will be a wide dispersion of the impact even within asset classes as some assets such as telecommunication and related infrastructure providers may have seen uplifts to their valuations whereas others such as transport infrastructure will have seen negative impacts due to the demand shock.

The Fund has determined that these events are non-adjusting subsequent events. Accordingly the financial position as at 31 March 2020 has not been adjusted to reflect their impact. It is not possible at this stage to reliably estimate the duration or severity of the situation and therefore the impact on the performance of the Fund for future periods.

15. ACTUARIAL PRESENT VALUE OF PROMISED RETIREMENT BENEFITS FOR THE PURPOSES OF IAS 26

IAS 26 requires the present value of the Fund's promised retirement benefits to be disclosed, and for this purpose the actuarial assumptions and methodology used should be based on IAS 19 rather than the assumptions and methodology used for funding purposes.

To assess the value of the benefits on this basis, we have used the following financial assumptions as at 31 March 2020 (the 31 March 2019 assumptions are included for comparison):

	31 March 2020	31 March 2019
Rate of return on investments (discount rate)	2.4% per annum	2.4% per annum
Rate of CPI Inflation / CARE benefit revaluation	2.1% per annum	2.2% per annum
Rate of pay increases*	3.6% per annum	3.7% per annum
Rate of increases in pensions in payment (in excess of GMP) / Deferred revaluation	2.2% per annum	2.3% per annum

* This is the long-term assumption. An allowance corresponding to that made at the latest formal actuarial valuation for short-term public sector pay restraint was also included.

The demographic assumptions are the same as those used for funding purposes, with the 31 March 2020 assumptions being updated to reflect the assumptions adopted for the 2019 actuarial valuation. Full details of these assumptions are set out in the formal report on the actuarial valuation dated March 2020.

Corporate bond yields were similar at the start and end of year resulting in the same discount rate of 2.4% p.a. being used for IAS 26 purposes at the year-end as for last year. The expected long-term rate of CPI inflation decreased during the year, from 2.2% p.a. to 2.1%, which served to decrease the liabilities slightly over the year.

The value of the Fund's promised retirement benefits for the purposes of IAS 26 as at 31 March 2019 was estimated as £7,102 million including the potential impact of the McCloud Judgment.

Interest over the year increased the liabilities by c£172 million, and allowing for net benefits accrued/paid over the period also increased the liabilities by c£114 million (this includes any increase in liabilities arising as a result of early retirements/augmentations and the potential impact of GMP Indexation – see comments below). There was also a decrease in liabilities of £277million due to “actuarial gains” (i.e. the effects of the changes in the actuarial assumptions used, referred to above, and the incorporation of the 31 March 2019 actuarial valuation results into the IAS26 figures).

The net effect of all the above is that the estimated total value of the Fund’s promised retirement benefits as at 31 March 2020 is therefore £7,111 million.

GMP Equalisation

At present, the public service schemes are required to provide full CPI pension increases on GMP benefits for members who reach State Pension Age between 6 April 2016 and 5 April 2021. The UK Government may well extend this at some point in the future to include members reaching State Pension Age from 6 April 2021 onwards, which would give rise to a further cost to the LGPS and its employers. If the Fund were required to index-link GMP benefits in respect of those members who reach their State Pension Age after April 2021, then this would increase the Fund liabilities by about £22 million on IAS26 assumptions, and we have included this amount within the final IAS26 liability figure above.

16. TRANSFERS IN

During the year ending 31 March 2020 there were no group transfers in to the fund.

17. AGENCY SERVICES

The Fund makes payments with regard to added year benefits awarded by the Employer to Local Government Pension Scheme members, including related pension increases. The Fund also pays a small number of other pension supplements. These are not funded by the Fund and are recharged in full. They are not included in the Fund Account.

	2019/20	2018/19
	£’000	£’000
Benefits Paid and Recharged	**5,845**	5,845

The Fund also administers £24.3m pension payments on behalf of the Fire Service and the Teachers’ pension schemes. (£25.6m in 2018/19, including a large number of Retirement Lump Sum payments). These are not funded by the Fund and are recharged in full. They are not included in the Fund Account. The Fire Service and Teachers’ employers also pay for the cost of providing this service.

18. ADDITIONAL VOLUNTARY CONTRIBUTIONS (AVCS)

Scheme members may make Additional Voluntary Contributions that are invested in insurance policies with Utmost Life & Pensions or Aviva, the Fund’s nominated AVC providers. Additional Voluntary Contributions received from employees and paid to Utmost Life & Pensions during 2019/20 were £55 (2018/19 Equitable Life- £55). Additional Voluntary Contributions received from employees and paid to Aviva during 2019/20 were £434,272 (2018/19 - £375,694).

The total value of the assets invested, on a money purchase basis, with these AVC providers was:-

	31 March 2020	31 March 2019
	£’000	£’000
Equitable Life		
With Profits Retirement Benefits	**-**	315
Unit Linked Retirement Benefits	**678**	317
Building Society Benefits		
	678	632
Death in Service Benefit	**53**	53

	31 March 2020	31 March 2019
	£'000	£'000
Aviva		
With Profits Retirement Benefits	**73**	79
Unit Linked Retirement Benefits	**3,438**	3,763
Cash Fund	**455**	378
	3,966	4,220

AVC contributions are not included in the Fund's financial statements as they do not come under the requirements of Regulation 4(1)(b) of the Pension Scheme (Management and Investment of Funds) Regulations 2016 regarding regulation 69(1)(a) of the Local Government Pension Scheme Regulations 2013.

19. RELATED PARTIES

Committee Member Related:-
In 2019/90 £39,331 was charged to the Fund in respect of Allowances paid to the voting Members of the Avon Pension Fund Committee (£38,250 in 2018/19). Six voting members and one non- voting member of the Avon Pension Fund Committee (including two B&NES Councillor Members) were members of the Local Government Pension Scheme during the financial year 2019/2020. (Seven voting members and one non-voting member in 2018/2019, including three B&NES Councillor Members).

Independent Member Related:-
Three Independent Members were paid allowances of £16,075, £14,480 and £7,585 respectively during the year for their work in relation to the Pension Fund Committee and the Investment Panel. Two Members were paid in respect of the full year and one was paid in respect of part of the year. They are entitled to claim reasonable expenses which are included in the above allowances. The Independent Members are not eligible to join the Local Government Pension Scheme.

Employer Related:-
During the year 2019/20 the Fund paid B&NES Council £426,662 for administrative services (£436,428 in 2018/19). Various Employers paid the fund a total of £223,831 for pension related services including pension's payroll and compiling data for submission to the actuary (£191,825 in 2018/19).

Pension Board Related:-
The Pension Board came in to operation in July 2015. In 2019/20 £7,574 was charged to the Fund in respect of Allowances and expenses paid to the Members of the Pension Board (£7,842 in 2018/19). Four members of the Pension Board were members of the Local Government Pension Scheme during the financial year 2019/2020. (Five members in 2018/2019).

Officer and Manager Related:-
The officers administering the Avon Pension Fund are all eligible to be members of the Avon Pension Fund.

The Fund is governed by Central Government regulation. There are no other related party transactions except as already disclosed elsewhere.

Brunel Pension Partnership Limited:-
Brunel Pensions Partnership Limited (BPP Ltd. Company number 10429110) was formed on the 14th October 2016 and will oversee the investment of pension fund assets for Avon, Buckinghamshire. Cornwall, Devon, Dorset, Environment Agency, Gloucestershire, Oxfordshire, Somerset, and Wiltshire Funds.

Each of the 10 local authorities, including Bath & North East Somerset Council own 10% of BPP Ltd. In 2019/20 the Pension Fund paid BPP £1,436,784 (2018/19 £998,932).

As part of our investment in BPP Ltd. we provided regulatory capital. This will be subject to regular review by the regulator that could result in additional calls for capital.

20. KEY MANAGEMENT REMUNERATION

The key management personnel of the fund are those persons having the authority and responsibility for planning, directing and controlling the activities of the fund, including the oversight of these activities. The key management personnel of the Fund are the Head of Business Finance and Pensions and the Divisional Director Risk and Assurance. It does not include the Director of Finance (S151).

	2019/20	2018/19
	£'000	£'000
Proproration of salary Recharged to Avon Pension Fund	50	47
Proportion of employers contributions recharged to Avon Pension Fund	12	12
	62	59

21. OUTSTANDING COMMITMENTS

As at the 31 March 2020 the Fund had outstanding commitments relating to investments in Property, Infrastructure and Secure Income funds that will be drawn down in tranches by the Investment Managers totalling £428.6m (31 March 2019 £333.3m). The increase is due to the new commitments made in the year to Secured Income and Renewable Infrastructure.

22. FINANCIAL INSTRUMENTS

The net assets of the Fund are made up of the following categories of Financial Instruments:

2019/20	Fair value through profit and loss	Assets at amortised cost	Financial liabilities at amortised cost
Financial assets	£'000	£'000	£'000
Equities	147,306		
Long Term Investment	427		
Pooled Investments (Non-Property)	3,372,054		
Liability Driven Pooled investments	287,601		
Pooled Property Investments	406,560		
Derivative Contracts FX Hedge	1,078		
Derivative contracts Futures	118,816		
Cash		143,123	
Other investment balances	2,848		
Debtors		14,418	
Total Financial Assets	4,336,690	157,541	-
Financial Liabilities			
Other investment balances			
Derivative Contracts Equity Options	(30,367)		
Creditors			(9,635)
Total Financial Liabilities	(30,367)	-	(9,635)
Total Net Assets	**4,306,323**	**157,541**	**(9,635)**

2018/19	Fair value through profit and loss	Assets at amortised cost	Financial liabilities at amortised cost
Financial assets	**£'000**	**£'000**	**£'000**
Equities	554,790		
Long Term Investment	395		
Pooled Investments (Non-Property)	3,150,535		
Liability Driven Pooled investments	580,817		
Pooled Property Investments	428,752		
Derivative Contracts FX Hedge	7,984		
Derivative contracts Futures	349		
Cash		105,230	
Other investment balances	3,486		
Debtors		13,149	
Total Financial Assets	4,727,108	118,379	-
Financial Liabilities			
Other investment balances			
Derivative Contracts Equity Options	(12,585)		
Creditors			(15,075)
Total Financial Liabilities	(12,585)	-	(15,075)
Total Net Assets	**4,714,523**	**118,379**	**(15,075)**

As all investments are disclosed at fair value, carrying value and fair value are therefore the same.

Net gains and losses on Financial Instruments

	31 March 2020	31 March 2019
	£'000	£'000
Financial assets		
Fair value through profit and loss	**32**	254,512
Amortised Cost - realised gains on derecognition of assets		
Amortised cost - unrealised gains	**30,711**	19,316
Financial Liabilities		
Fair value through profit and loss	**(366,255)**	(52,459)
Amortised Cost - realised losses on derecognition of assets		
Amortised cost - unrealised losses		
	(335,512)	221,369

23. FINANCIAL RISK MANAGEMENT DISCLOSURE

The primary objective of the Avon Pension Fund is to generate positive real investment return above the rate of inflation for a given level of risk to meet the liabilities as they fall due over time. The aim of the investment strategy and management structure is to minimise the risk of a reduction in the value of the assets and maximise the opportunity for asset gains across the portfolio of assets.

The Fund achieves this objective by investing across a diverse range of assets such as equities, bonds, property and other alternative investments in order to reduce exposure to a variety of financial risks including market risk (price, interest rate and currency risk), credit risk and liquidity risk.

Responsibility for the fund's risk management strategy rests with the pension fund committee. Risk management policies are established to identify and analyse the risks faced by the pension fund. Policies are reviewed regularly to reflect changes in activity and in market conditions.

The Fund's investments are managed by external Investment Managers who are required to invest in accordance with the terms of the agreed investment guidelines that set out the relevant benchmark, performance target, asset allocation ranges and any restrictions. The Avon Pension Fund Committee has determined that the investment management structure is appropriate and is in accordance with its investment strategy. The Committee regularly monitors each investment manager and its Investment Consultant advises on the nature of the investments made and associated risks.

As the Fund's assets transition to Brunel Pension Partnership (Brunel) over the next few years, the current roster of external managers will reduce as Brunel takes over responsibility for managing the portfolios. At 31 March 2020, Brunel manage £2,252m of assets on behalf of the Fund which includes the Risk Management Strategies managed by BlackRock who have appointed by Brunel to manage the individual Risk Management Strategies of the Clients. The majority of the Fund's equity assets are now managed by Brunel, along with the funds committed to Secured Income and Renewable Infrastructure.

The Fund's investments are held by State Street Bank and Trust who acts as custodian on behalf of the Fund.

Because the Fund adopts a long term investment strategy, the high level risks described below will not normally alter significantly during any one year unless there are significant strategic or tactical changes to the portfolio. The risk management process identifies and mitigates the risks arising from the Fund's investment strategy and policies which are reviewed regularly to reflect changes in market conditions. The COVID-19 pandemic is an example of a more extreme Black Swan' event that causes significant falls in asset prices and is not fully captured in the following analysis which assesses risk over longer time frames, normally three years or longer. Such events demonstrate the importance of diversification within the Fund by asset class and underlying manager. Although Brunel is the investment manager for a number of asset classes, it appoints a number of underlying managers to each portfolio so the manager diversification is greater under Brunel than it was before pooling.

(a) Market Risk

Market risk is the risk of loss from fluctuations in market prices, interest rates, credit spreads and currencies. The Fund is exposed through its investments portfolio to all these market risks. The level of risk exposure depends on market conditions, expectations of future price and yield movements and asset allocation. The objective of the investment strategy is to identify, manage and control market risk within acceptable parameters, while optimising the return.

Volatility in market risk is primarily managed through diversification across asset class and investment managers.

Market Price Risk

Market price risk represents the risk that the value of a financial instrument will fluctuate caused by factors other than interest rates or currencies. These changes can be caused by factors specific to the individual instrument, its issuer or factors affecting the market in general e.g. COVID-19 type shocks and geopolitical trade tensions and will affect the assets held by the Fund in different ways.

All investments present a risk of loss of capital. By diversifying its investments across asset classes, geography and industry sectors, investment mandate guidelines and Investment Managers the Fund aims to reduce its exposure to price risk. Diversification seeks to reduce the correlation of price movements. The risk arising from exposure to specific markets is limited by the strategic asset allocation, which is regularly monitored by the Committee against the strategic benchmark.

The Fund's largest allocation is to equities and therefore the fluctuation in equity prices is the largest market risk within the portfolio. The maturity profile of the Fund and strong underlying covenant underpins the allocation to equities which are expected to deliver higher returns over the long term.

The Fund has an equity hedging strategy in place to protect from a significant fall in equity values. The strategy was implemented to protect the improvement in the funding level since the 2016 valuation which was primarily driven by the rise in equity values. The strategy was renewed following the 2019 valuation and equity index options have been used to protect the downside and to cap the upside above a fully funded position based on the current funding plan.

As Brexit is yet to be implemented it could still impact asset values if the eventual ‘exit’ differs from that assumed by markets. The main conduit is via the value of sterling which has weakened significantly since the referendum. However, the positioning of the Fund’s investment strategy means that the potential impact of unfavourable market events on the Fund’s assets will be moderated. Given a significant part of the Fund’s overall investment strategy (over 60%) is invested in non-UK assets, the expected risk associated with Brexit should be limited. The investment strategy is globally diversified from a currency, country of risk, sector and issuer perspective and this would be expected to reduce volatility in the event of an adverse outcome. Moreover, non-sterling currency exposure from the developed global equities, hedge fund and global property portfolios is hedged back to sterling (partially in the case of equities) in order to reduce the impact from currency volatility that may result.

The medium to long term impact of COVID-19 pandemic on markets and investment opportunities is difficult to ascertain at this stage. The immediate volatility experienced during March 2020 has abated somewhat but the path out of the crisis and longer term impact remains uncertain. In particular, potential structural changes in global trade and globalisation, higher levels of indebtedness and the need for the costs to be covered possibly through higher taxes could all impact the future value of assets. In addition there may be permanent behavioural changes such as more working from home, changes in consumption patterns that could impact business models across numerous sectors. The analysis below uses longer term historic data more representative of ‘normal’ market conditions to provide an indication of the portfolio’s sensitivity to market prices.

As the global economy transitions to a low carbon economy there is a risk to asset values as business models adapt or become obsolete and new opportunities arise.The Fund has a strategy to minimise its exposure to carbon intensive assets through allocations to low carbon and more sustainable assets. In addition it is investing in renewable infrastructure projects that will power the new economy. The analysis below does not take account of the potential impact of climate change on asset prices.

Market Price Risk - Sensitivity Analysis

The sensitivity of the Fund’s investments to changes in market prices has been analysed using the volatility of returns of the assets held within the Fund (provided by the Fund’s advisors). The potential volatilities are consistent with a one standard deviation movement in the change in value of the assets over the three years to 31 March 2020. This analysis assumes all other variables including interest rates and foreign currency exchange rates remain the same.

Movements in market prices could have increased or decreased the net assets available to pay benefits by the amounts shown below. However, the likelihood of this risk materialising in normal circumstances is low by virtue of the diversification within the Fund.

The equity hedge does not affect the expected volatility of the equity assets. The hedging strategy caps the upside for the developed market equity assets to around 9.4% plus dividends (which represent another c. 2.7% upside potential). The emerging market assets are capped at 13% plus dividends (which represent another c.5.5% upside potential). Capping upside at these levels protects the equity assets if markets fall by more than 10% from the market level when the strategy was implemented. It is worth noting that the strategy was implemented during an exceptional level of market volatility and so the absolute levels at which the protection is triggered / falls away is very different across each tranche of the strategy. The unrealised gain/loss on the equity index options has been added to the Global Equities value in the table below.

The analysis for the year ending 31 March 2020 is shown below:

Asset Type	Value	Change	Value on Increase	Value on Decrease
	£'000	%	£'000	£'000
UK Equities	299,855	14.3%	342,734	256,975
Global Equities	1,463,374	12.1%	1,640,442	1,286,306
Emerging Market Equities	196,232	16.0%	227,629	164,835
UK Bonds	114,543	8.9%	124,737	104,349
Liability Driven Investments	287,601	10.6%	318,087	257,115
Diversified Growth Funds	605,666	7.4%	650,485	560,847
Multi Asset Credit	291,661	7.3%	312,952	270,369
Property	406,559	1.8%	413,878	399,241
Fund of Hedge Funds	257,967	5.4%	271,897	244,036
Infrastructure	358,444	15.9%	415,436	301,451
Secured Income	69,107	1.1%	69,867	68,347
Long Term Investment	427	15.0%	491	363
Cash & Equivalents	115,594	0.1%	115,710	115,478
Total Investment Assets	**4,467,029**		**4,904,344**	**4,029,713**

The analysis for the year ending 31 March 2019 is shown below:

Asset Type	Value	Change	Value on Increase	Value on Decrease
	£'000	%	£'000	£'000
UK Equities	385,116	9.4%	421,317	348,915
Global Equities	1,393,569	10.2%	1,535,713	1,251,425
Emerging Market Equities	228,531	16.0%	265,096	191,966
UK Bonds	86,168	5.3%	90,735	81,601
Liability Driven Investments	580,817	12.6%	654,000	507,634
Diversified Growth Funds	597,717	5.3%	629,396	566,038
Multi Asset Credit	410,444	2.8%	421,937	398,952
Property	428,751	2.1%	437,755	419,747
Fund of Hedge Funds	232,127	3.8%	240,948	223,306
Infrastructure	342,723	12.3%	384,878	300,568
Secured Income	16,695	1.5%	16,946	16,445
Long Term Investment	395	15.0%	454	336
Cash & Equivalents	116,700	0.1%	116,817	116,583
Total Investment Assets	**4,819,753**		**5,215,990**	**4,423,516**

Interest Rate Risk

Interest rate risk is the risk that the fair value of a financial instrument will fluctuate because of changes in market interest rates which will affect the value of fixed interest and index linked securities ("bonds").

The Fund's exposure to interest rate movements on these investments is provided below. Cash includes the cash deposits held against futures contracts.

	31 March 2020	31 March 2019
	£'000	£'000
Cash and Cash Equivalents	**115,604**	116,700
Bonds	**402,144**	666,984
Total	**517,748**	783,684

Interest Rate Risk - Sensitivity Analysis

Fluctuations in interest rates can affect both income to the Fund and the value of the net assets to pay benefits. The sensitivity of the Fund's investments to changes in interest rates has been analysed by showing the effect on the value of the bonds as at 31 March 2020 of a 100 basis point (1%) change in interest rates. The analysis assumes that all other variables including foreign currency exchange rates remain constant.

The Fund has implemented a strategy to better match or hedge its liabilities with bond assets (called "Liability Driven Investment"). The primary 'matching' instruments used in this strategy include physical instruments such as fixed interest and index-linked Government bonds (financed through "repurchase" agreements) and derivative instruments such as interest-rate and inflation swaps.

An increase or decrease of 100 basis points (bps) in interest rates would have increased or decreased the net assets by the amount shown below.

	Value	Change in net assets	
As at 31 March 2020	**£'000**	**+100 bps**	**-100 bps**
Cash and Cash Equivalents	115,604	-	-
Fixed Interest	402,144	(74,409)	74,409
Total	**517,748**	**(74,409)**	**74,409**

A 1% rise in interest rates will reduce the fair value of the relevant net assets and vice versa. Changes in interest rates do not impact the value of cash balances but they will affect the interest income received on those balances.

The same analysis for the year ending 31 March 2019 is shown below:

	Value	Change in net assets	
As at 31 March 2019	**£'000**	**+100 bps**	**-100 bps**
Cash and Cash Equivalents	116,700	0	0
Fixed Interest	666,984	(136,811)	136,811
Total	**783,684**	**(136,811)**	**136,811**

Currency Risk

Currency risk represents the risk that the fair value of financial instruments when expressed in Sterling will fluctuate because of changes in foreign exchange rates. The Fund is exposed to currency risk on investments denominated in a currency other than Sterling. A significant proportion of the Fund's equity portfolio is invested in overseas stocks, overseas property and hedge funds (where the shares are denominated in US dollars). When sterling depreciates the sterling value of foreign currency denominated investments will rise and when sterling appreciates the sterling value for foreign denominated investments will fall. The Fund has a passive hedging arrangement in place which reduces the volatility of returns over the longer term (the hedging programme hedges the exposure to the US Dollar, Yen and Euro).

Where an investment manager chooses to hedge against foreign currency movements within their portfolio forward foreign exchange contracts are used.

The following tables summarise the Fund's currency exposures within the portfolio. For the global property funds the share class of the pooled funds held has been used. In 2019/20 the Fund's investment in IFM's pooled Infrastructure Fund was switched from US dollar to sterling denominated units eliminating the need to be hedged.

Currency risk by asset class:

Currency Exposure - Asset Type	**Asset value as at 31 March 2020**	Asset value as at 31 March 2019
	£'000	£'000
Overseas Equities	**1,463,374**	1,393,569
Overseas Property	**194,926**	201,187
Fund of Hedge Funds	**257,967**	232,127
Infrastructure	**-**	342,723

Currency Risk - Sensitivity Analysis

The sensitivity of the Fund's investments to changes in foreign currency rates has been analysed using the volatility which is broadly consistent with a one-standard deviation movement in the main currencies over the 3 years to 31 March 2020. The analysis reflects the Fund's passive hedging policy of a 50% hedge ratio on the global equity assets, and a 100% hedge ratio on the global property and hedge fund assets. Therefore there is no currency exposure on the assets that are 100% hedged.

A strengthening / weakening of Sterling against the various currencies by one standard deviation (expressed as a percentage) at 31 March 2020 would have increased / decreased the net assets by the amount shown in the tables below and vice versa:

Currency Risk by Asset Type:

Asset Type	Value	Change	Value on Increase	Value on Decrease
	£'000	%	£'000	£'000
Overseas Equities	1,463,374	4.05%	1,522,579	1,404,168

The same analysis for the year ending 31 March 2019 is shown below:

Currency Risk by Asset Type:

Asset Type	Value	Change	Value on Increase	Value on Decrease
	£'000	%	£'000	£'000
Overseas Equities	1,393,569	4.65%	1,458,330	1,328,808

(b) Credit Risk

Credit risk is the risk that the counterparty to a financial instrument or transaction will fail to meet an obligation and cause the Fund to incur a financial loss. The market values of investments generally reflect an assessment of credit in their pricing and consequently the risk of loss is implicitly provided for in the carrying value of the Fund's financial assets and liabilities.

The entire Fund is exposed to credit risk through its underlying investments (including cash balances) and the transactions it undertakes to manage its investments. The careful selection and monitoring of counterparties including brokers, custodian and investment managers minimises credit risk that may occur though the failure to settle transactions in a timely manner.

Contractual credit risk is represented by the net payment or receipt that remains outstanding, and the cost of replacing the derivative position in the event of a counterparty default. Credit risk on exchange-traded derivative contracts is minimised by the various insurance policies held by exchanges to cover defaulting counterparties. Over-the-counter (OTC) derivative contracts are bilateral agreements where the Fund faces the credit risk of the financial counterparty directly. This is the case for forward currency contracts where a line of credit is extended to the Fund in place of a collateral posting agreement (as is the case for exchange-traded contracts). The hierarchy and replacement of an OTC contract on default of one of the counterparties is detailed in the ISDA, which is a market standard legal document governing derivative contracts.

Forward currency contracts are entered into by the Fund's managers, especially the currency hedging manager, Record. These contracts are subject to credit risk in relation to the counterparties of the contracts. The responsibility for managing these contracts and counterparty risk rests with the managers. Counterparty management is evaluated as part of the due diligence process prior to appointing a manager.

The derivative instruments held within the QIF are fully collateralised on a daily basis with cash and/or gilts. Management of collateral is delegated to the manager who has access to a pool of eligible collateral (gilts, cash and equities). Daily collateralisation mitigates credit risk to a large extent as in the event a counterparty defaults sufficient assets are held to re-establish any lost position at the prevailing market rate.

The Fund's bond portfolios have significant credit risk through their underlying investments. This risk is managed through diversification across sovereign and corporate entities, credit quality and maturity of bonds. The market prices of bonds incorporate an assessment of credit quality in their valuation which reflects the probability of default (the yield of a bond will include a premium that will compensate for the risk of default).

The fund is subject to credit risk within its general debtors although none of these would represent a material risk to the fund. General debtors were £1.6m for 19/20 (£1.8m for 18/19).

Another source of credit risk is the cash balances held to meet operational requirements or by the managers at their discretion. Internally held cash is managed on the Fund's behalf by the Council's Treasury Management Team in line with the Fund's Treasury Management Policy which sets out the permitted counterparties and limits. Cash held by the Fund and managers is invested with the custodian in diversified money market funds rated AAA.

The cash held under the Treasury Management arrangements and by the custodian as at 31 March 2020 was £58.8m. This was held with the following institutions:

	31 March 2020		31 March 2019	
	Rating	**£'000**	Rating	£'000
Custodian's Liquidity Fund				
State Street Global Services	AAA	23,193	AAA	7,735
Money Market Funds				
Goldman Sachs Global Treasury Fund	AAA	7,800	AAA	30
Aberdeen Liquidity Fund	AAA	9,950	AAA	810
Federated Investors	AAA	9,780	AAA	9,780
State Street Global Advisors	AAA	950	AAA	90
Bank Current Accounts				
Handelsbanken	AA	1,410	AA	3,250
Bank of Scotland Corporate Deposit Account	A+	90	A+	90
State Street Bank and Trust Co	AA+	3,629		
NatWest Special Interest Bearing Account	A+	1,960	A+	340
NatWest Current Account	A+	30	A+	8

A securities lending programme is managed by the Fund's custodian State Street Bank and Trust who manage and monitor the counterparty risk, collateral risk and the overall lending programme. Through its securities lending activities, the Fund is exposed to the counterparty risk of the collateral provided by borrowers against the securities lent. The minimum level of collateral for securities on loan is 102%, however more collateral may be required depending upon the type of transaction. This level is assessed daily to ensure it takes account of market movements. The current collateral the Avon Pension Fund accepts is AAA rated supranational debt, AA rated sovereign debt and FTSE Equity DBV. Cash collateral is not permitted. Further details of collateral arrangements for stock lending are included in Note 8.

(c) Liquidity Risk

Liquidity risk is the risk that the Fund will not be able to meet its financial obligations as they fall due. The Fund's investment strategy and cash management policy ensure that the pension fund has adequate cash to meet its working requirements including pension payments. Cash flow forecasts are prepared to manage the timing of and changes to the Fund's cash flows. The Fund has access to an overdraft facility for short term cash needs which was not drawn on during the year.

The Fund has immediate access to its cash holdings and a substantial portion of the Fund's investments consist of readily realisable securities, in particular equities and fixed income investments, even though a significant proportion is held in pooled funds. In addition the Fund invests in a range of Exchange Traded Funds that provide a similar liquidity profile to cash so that capital calls from the private market portfolios can be managed efficiently. The main liabilities of the Fund are the benefits payable as they fall due over a long period and the investment strategy reflects the long term nature of these liabilities. As a result the Fund is able to manage the liquidity risk that arises from its investments in less liquid asset classes such as property, infrastructure and fund of hedge funds which are subject to longer redemption periods and cannot be considered as liquid as the other investments. As at 31 March 2020 the value of the illiquid assets was £1,093m, or 24.5% of the total Fund assets (31 March 2019: £1,021m which represented 21.2% of the total Fund assets).

24. FAIR VALUE HEIRARCHY

Fair value is the value at which the investments could be realised within a reasonable timeframe. The Fund measures fair values using the following fair value hierarchy that reflects the subjectivity of the inputs used in making an assessment of fair value. This hierarchy is not a measure of investment risk but a reflection of the ability to value the investments at fair value. Transfers between levels are recognised in the year in which they occur. There were no transfers between levels in 19/20 or 18/19. The hierarchy has the following levels:

- **Level 1 –** Asset and liabilities where the fair value is derived from unadjusted quoted prices in active markets for identical assets or liabilities.
- **Level 2 –** Assets and liabilities where quoted market prices are not available but uses inputs other than quoted prices that are observable for the asset or liability, either directly or indirectly. For example where an instrument is traded in a market that is not considered to be active, or where valuation techniques based significantly on observable market data are used to determine fair value.
- **Level 3 –** assets and liabilities where at least one unobservable input used to measure fair value could have a significant effect on the valuation and the Fund's holding in these pooled funds is not immediately realisable at the net asset value.

Fair Value Hierarchy

The basis of the valuation of each class of investment asset is set out below. The COVID-19 pandemic has increased the level of uncertainty of asset values based on forward looking estimates. For example, the future rental income for property assets or usage volumes in infrastructure is uncertain and could affect the value of the asset.

Description of asset	Fair Value Hierarchy	Basis of valuation	Observable and unobservable inputs	Key sensitivities affecting the valuations provided
Market quoted investments	Level 1	Published closing bid price ruling at year end.	Not required.	Not required.
Exchange traded futures and forward currency contracts	Level 1	Published exchange prices at the year end.	Not required.	Not required.
Pooled equity, credit, bond funds	Level 2	Closing bid price where bid and offer prices are published; closing single price where single price published.	NAV based pricing set on a forward looking basis.	Not required.

Diversified Growth Funds and Multi Asset Funds	Level 2	Closing bid price where bid and offer prices are published; closing single price where single price published.	NAV based pricing set on a forward looking basis.	Not required.
Pooled property funds	Level 2	Closing bid price where bid and offer prices are published; closing single price where single price published.	NAV based pricing set on a forward looking basis using transactional data and cash flow forecasts.	Refer to note 1.31 "Estimation Uncertainty" regarding the specific impact of COVID-19 on valuations.
Over the counter Equity Index Options	Level 2	Valued using formula reflecting quoted market and index prices	Inputs to the formula are market prices of quoted securities and derivatives; time value of the contract.	Not required.
Secured Income	Level 3	Closing bid price where bid and offer prices are published; closing single price where single price published. Redemption restrictions apply.	NAV based pricing set on a forward looking basis using transactional data and cash flow forecasts.	Valuations can be affected by material events between the date of the financial accounts provided and the pension fund's own reporting date, by changes to expected cash flows and by any differences between the audited and unaudited accounts.
Hedge Funds	Level 3	Closing bid price where bid and offer prices are published; closing single price where single price published.	NAV based pricing set on a forward looking basis.	Valuations can be affected by material events between the date of the financial accounts provided and the pension fund's own reporting date, by changes to expected cash flows and by any differences between the audited and unaudited accounts.
Limited Partnerships and closed ended funds	Level 3	Valued using a number of different market and income valuation methods as well as comparable market transactions prices.	Market transactions; market outlook; cash flow projections; last financings; multiple projections.	Valuations could be affected by material events occurring between the date of the financial statements provided and the pension fund's own reporting date, by changes to expected cash flows and any differences between audited and unaudited accounts.

Infrastructure funds	Level 3	Infrastructure investments are valued at the end of each quarter by independent valuation firms. The valuation method is employed for each asset at the discretion of the appointed independent valuer but must fall within the standards prescribed by the relevant accounting bodies as appropriate.	Infrastructure investments are typically valued on a discounted cash flow approach, utilising cash flow forecasts. Valuations are cross-checked with public market information and recent transactions.	Valuations could be affected by material events occurring between the date of the financial statements provided and the pension fund's own reporting date, by changes to expected cash flows, significant increases and decreases in the discount rate and any differences between audited and unaudited accounts.
Long Term Investments - Equities	Level 3	Brunel Share Capital is valued at the Equity value as stated in Brunel Pension Partnership Statement of Accounts	Earnings and revenue multiples; discount for lack of marketability; control premium	Valuations could be affected by material events occurring between the date of the financial statements provided and the pension fund's own reporting date, by changes to expected cash flows and any differences between audited and unaudited accounts.

The following sets out the Fund's financial assets and liabilities measured at fair value according to the fair value hierarchy at 31 March 2020.

	Level 1	Level 2	Level 3	Total
	£'000	£'000	£'000	£'000
Equities – Quoted	187,555	1,770,828		**1,958,383**
Bonds – Quoted		114,543		**114,543**
Pooled Investments :-				
Liability Driven Investments		287,601		**287,601**
Fund of Hedge Funds		-	257,967	**257,967**
Diversified Growth Funds		605,666		**605,666**
Multi Asset Credit		291,661		**291,661**
Property		211,633	194,926	**406,559**
Infrastructure			358,444	**358,444**
Secured Income			69,107	**69,107**
Long Term Investment			427	**427**
Cash	143,135			**143,135**
Derivatives: Forward FX	(30,367)			**(30,367)**
Derivatives: Futures	1,078			**1,078**
Investment Debtors /Creditors	2,836			**2,836**
	304,236	**3,281,932**	**880,871**	**4,467,039**

The fair value hierarchy as at 31 March 2019 was:

	Level 1	Level 2	Level 3	Total
	£'000	£'000	£'000	£'000
Equities – Quoted	626,394	1,380,472		**2,006,866**
Bonds – Quoted	-	86,168		**86,168**
Pooled Investments :-				
Liability Driven Investments	-	580,817		**580,817**
Fund of Hedge Funds	-		232,127	**232,127**
Diversified Growth Funds	-	597,717		**597,717**
Multi Asset Credit	-	410,444		**410,444**
Property	-	227,565	201,187	**428,751**
Infrastructure	-	-	342,723	**342,723**
Secured Income	-	-	16,695	**16,695**
Long Term Investment	-	-	395	**395**
Cash	105,377	-		**105,377**
Derivatives: Forward FX	7,984	-	-	**7,984**
Derivatives: Futures	350	-	-	**350**
Investment Debtors /Creditors	3,339	-	-	**3,339**
	743,444	**3,283,182**	**793,127**	**4,819,753**

There has been no re-classification of assets between levels of the hierarchy between 31 March 2019 and 31 March 2020.

Level 1 and level 2 assets were sold during the year to fund the investment in Secured Income and Renewable Energy Infrastructure assets.

Reconciliation of Fair Value measurements within Level 3

Level 3	Market Value 01 April 2019	Transfer into Level 2	Purchases during the year and derivative payments	Sales during the year and derivative receipts	Unrealised gains / losses	Realised gains / losses	Market value 31 March 2020
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Fund of Hedge Funds	201,187		13,073	(20,877)	(15,811)	17,354	194,926
Property	232,127				25,840		257,967
Infrastructure	342,723		22,149	(9,362)	(128,372)	131,306	358,444
Secure Income	16,695		52,689		(277)		69,107
Long Term Investment - Equities	395				32		427
	793,127	**-**	**87,911**	**(30,239)**	**(118,588)**	**148,660**	**880,871**

Sensitivity of assets valued at Level 3

Having consulted its investment advisor, and having analysed historical data and market trends, the Fund has determined that the valuation methods used for Level 3 assets are likely to be accurate to within the following ranges on the closing value of the investments held at 31 March 2019. The impact from COVID-19 pandemic is reflected in an increase in the sensitivity for core property from 10% to 15%. This assessment does not allow for any specific impact from Brexit on investment assets. The assets valued at Level 3 have a bias to non-UK assets with the exception of Secured Income and the Long Term Investment and therefore any potential impact should be moderated; however it is possible that in the short term Brexit may cause greater variance in values than indicated in the table.

Level 3 assets	Assessed valuation range +/-	Value at 31 March 2019	Value on increase	Value on decrease
		£'000	£'000	£'000
Property	15%	194,926	224,165	165,687
Fund of Hedge funds	10%	257,967	283,763	232,170
Infrastructure	15%	358,444	412,210	304,677
Secure Income	10%	69,107	76,018	62,196
Long Term Investment - Equities	15%	427	491	363
Total		**880,871**	**996,647**	**765,094**

The same analysis for 31 March 2019:

Level 3 assets	Assessed valuation range +/-	Value at 31 March 2019	Value on increase	Value on decrease
		£'000	£'000	£'000
Property	10%	201,187	221,305	181,068
Fund of Hedge funds	10%	232,127	255,340	208,914
Infrastructure	15%	342,723	394,132	291,315
Secure Income	10%	16,695	18,365	15,026
Long Term Investment - Equities	15%	395	454	336
Total		**793,127**	**889,596**	**696,658**

25. EMPLOYING BODIES

As at 31 March 2020 the following employing bodies had contributing scheme members in the Avon Pension Fund:

Scheduled Bodies	
Principal Councils and Service Providers	
Avon Fire & Rescue Service	North Somerset Council
Bath & North East Somerset Council	South Gloucestershire Council
Bristol City Council	West of England Combined Authority

Further & Higher Education Establishments	
Bath Spa University	St. Brendan's Sixth Form College
Bath College	University of the West of England
City of Bristol College	Weston College
South Gloucestershire & Stroud College	

Academies and Schools	
Abbeywood Community School	Mead Vale Community Primary School
Abbot Alphege Academy	Meadowbrook Primary School
All Saints East Clevedon C of E Primary School	Mendip Green Primary School
Ashcombe Primary School	Merchants' Academy
Ashton Park School	Midsomer Norton Primary School
Ashton Vale Primary School	Midsomer Norton Schools Partnership
Aspire Academy	Milton Park Primary School
Avanti Gardens School	Minerva Primary Academy
Backwell C of E Junior School	Moorlands Infant School
Backwell School	Moorlands Junior School
Badock's Wood E-ACT Academy	Mulberry Park Educate Together Primary
Bannerman Road Community Academy	Nailsea School
Barton Hill Academy	New Siblands School
Bathampton Primary School	Northleaze C of E Primary School
Batheaston Church School	Notton House Academy
Bathford Church School	Oasis Academy Bank Leaze
Bathwick St Mary Church School	Oasis Academy Brightstowe
Becket Primary School	Oasis Academy Brislington
Bedminster Down School	Oasis Academy Connaught
Beechen Cliff School	Oasis Academy John Williams
Begbrook Primary Academy	Oasis Academy Long Cross
Birdwell Primary School	Oasis Academy Marksbury Road
Bishop Sutton Primary School	Oasis Academy New Oak
Blagdon Primary School	Oldfield Park Infant School
Blaise High School	Oldfield Park Junior School
Bournville Primary Academy	Oldfield School
Bradley Stoke Community School	Oldmixon Primary School
Bridge Learning Campus	Olympus Academy Trust
Bristol Cathedral School Trust	Orchard School Bristol
Bristol Free School	Parklands Educate Together Primary
Bristol Futures Academy	Parson Street Primary School
Bristol Technology & Engineering Academy	Patchway Community School

Broadlands Academy	Peasedown St John Primary School
Broadoak Academy	Pensford Primary School
Cabot Learning Federation	Perry Court E-ACT Academy
Callicroft Primary School	Portishead Primary School
Cameley CEVC Primary School	Priory Community School
Castle Batch Primary School	Ralph Allen School
Castle Primary School	Redfield Educate Together Primary Academy
Chandag Infant School	Roundhill Primary School
Chandag Junior School	Saltford C of E Primary School
Charborough Road Primary School	Severn Beach Primary School
Charfield Primary School	SGS Pegasus School
Charlton Wood Primary Academy	Shoscombe Church School
Cheddar Grove Primary School	Sir Bernard Lovell Academy
Chew Magna Primary School	Somerdale Educate Together Primary Academy
Chew Stoke Church School	St Andrew's Church School
Chew Valley School	St Anne's C of E VA Primary School
Christ Church C of E Primary School (Bristol)	St Bede's Catholic College
Christ Church C of E Primary School (WSM)	St Georges Church School
Churchill Academy	St John The Evangelist Church School
City Academy	St John's C of E Primary School (Keynsham)
Clevedon School	St John's C of E Primary School (MSN)
Clutton Primary School	St Julian's C of E Primary School
Colston's Girls' School	St Katherine's School
Combe Down C of E Primary School	St Mark's Ecumenical Anglican/Methodist Primary School
Compass Point South Street Primary School	St Martin's C of E Primary School
Cotham Gardens Primary School	St Martin's Garden Primary School
Cotham School	St Mary Redcliffe C of E Primary School
Court de Wyck Church School	St Mary's C of E VA Primary School
Crockerne C of E Primary School	St Matthias Academy
CST Trinity Academy	St Michael's C of E Junior Church School
Culverhill School	St Nicholas Chantry C of E VC Primary School
Digitech Studio School	St Nicholas of Tolentine Catholic School
Diocese of Bristol Academy Trust	St Patrick's Catholic Primary School
Downend School	St Peter's C of E Primary School
Dundry C of E Primary School	St Philip's C of E Primary School
East Harptree Primary School	St Saviours Infant Church School
Easton C of E Academy	St Saviours Junior Church School
Elmlea Infant School	St Stephen's Primary Church School
Elmlea Junior School	St Teresa's Catholic Primary School
Endeavour Academy Trust	St Ursula's E-ACT Primary Academy
Evergreen Primary Academy	Stanton Drew Primary School
Fairfield High School	Stoke Bishop C of E Primary School
Fairlawn Primary School	Stoke Lodge Primary School
Farmborough Church Primary School	Stoke Park Primary School
Farrington Gurney C of E Primary School	Summerhill Academy
Federation of Hannah More Infant School	Swainswick Church School
Filton Avenue Primary School	The Bath Studio School

Filton Hill Primary School	The Castle School
Fishponds Church of England Academy	The Dolphin School
Flax Bourton Primary School	The Kingfisher School
Fonthill Primary School	The Meadows Primary School
Fosse Way School	Three Ways School
Four Acres Academy	Tickenham C of E Primary School
Freshford Church School	Trinity Anglican Methodist Primary School
Frome Vale Academy	Trinity Church School
Gatehouse Green Learning Trust	Trust in Learning (Academies) (Central Functions)
Gatehouse Green Learning Trust (Central Functions)	Tyndale Primary School
Gordano School	Ubley Primary School
Greenfield E-ACT Primary Academy	Venturers' Academy
Grove Junior School	Venturers' Trust (Central Functions)
Hanham Woods Academy	Victoria Park Primary School
Hans Price Academy	Walliscote Primary School
Hareclive E-ACT Academy	Wallscourt Farm Academy
Hayesfield Girls School	Wansdyke Primary School
Haywood Village Academy	Waycroft Academy
Headley Park Primary School	Wellsway School
Henbury Court Primary Academy	Welton Primary School
Henleaze Junior School	West Leigh Infant School
Heron’s Moor Academy	West Town Lane Academy
High Down Infant School	Westbury Park Primary School
High Down Junior School	Westbury-on-Trym C of E Academy
High Littleton C of E Primary School	Westfield Primary School
Hotwells Primary School	Weston All Saints C of E Primary School
Hutton C of E Primary School	Wicklea Academy
IKB Academy	Widcombe C of E Junior School
Ilminster Avenue E-ACT Academy	Widcombe Infant School
Kings Oak Academy	Windwhistle Primary School
Kingshill Church School	Winford C of E Primary School
Knowle DGE Academy	Winterbourne International Academy
Lansdown Park Academy	Winterstoke Hundred Academy
Little Mead Primary Academy	Woodlands Academy
Locking Primary School	Woodlands Primary School
Longvernal Primary School	Worle Community School
Luckwell Primary School	Worle Village Primary School
Lyde Green Primary School	Wraxall C of E Voluntary Aided Primary School
Mangotsfield School	Writhlington School
Marksbury C of E Primary School	Yate Academy
Marlwood School	Yatton C of E Junior School
Mary Elton Primary School	Yatton VC Infant School
May Park Primary School	Yeo Moor Primary School

Designating Bodies	
Almondsbury Parish Council	Patchway Town Council
Aequus Developments Limited	Paulton Parish Council
Backwell Parish Council	Peasedown St John Parish Council

Bradley Stoke Town Council	Pill & Easton in Gordano Parish Council
Bristol Waste Company	Portishead Town Council
Charter Trustees of the City of Bath	Radstock Town Council
Clevedon Town Council	Saltford Parish Council
Congresbury Parish Council	Sodbury Parish Council
Destination Bristol	Stoke Gifford Parish Council
Dodington Parish Council	Stoke Lodge & the Common Parish Council
Downend and Bromley Heath Parish Council	Thornbury Town Council
Emersons Green Town Council	Visit Bath Ltd
Filton Town Council	Wellsway MAT Trading Company Limited
Frampton Cotterell Parish Council	Westerleigh Parish Council
Hanham Abbots Parish Council	Westfield Parish Council
Hanham Parish Council	Weston Super Mare Town Council
Keynsham Town Council	Whitchurch Parish Council
Midsomer Norton Town Council	Winterbourne Parish Council
Nailsea Town Council	Yate Town Council
Oldland Parish Council	Yatton Parish Council

Community Admission Bodies	
Adoption West	Sirona Care & Health CIC (2017)
Alliance Homes	Southwest Grid for Learning Trust
Ashley House Hostel	The Care Quality Commission
Bristol Music Trust	The Holburne Museum
Clifton Suspension Bridge Trust	The Park Community Trust Ltd
Disability Equality Forum	University of Bath
Learning Partnership West Ltd	Vision North Somerset CIO
Merlin Housing Society Ltd (New staff since 2007)	West of England Sport Trust (WESPORT)
Merlin Housing Society Ltd (SG)	Writhlington Trust

Transferees Admitted Bodies
ABM Catering Limited
Active Community Engagement Limited (Bristol City Council)
Adapt Cleaning - NSC Campus Cleaning (North Somerset Council)
Agilisys Limited (North Somerset Council)
Agilisys Limited 2015 (North Somerset Council)
Alliance in Partnership (Westbury-on-Trym C of E Academy)
Alliance Living Care Limited (North Somerset Council)
Aspens Services Ltd - Bishop Sutton & Stanton Drew Schools (Lighthouse Schools Partnership)
Aspens Services Ltd - Castle Primary School (Bath and North East Somerset Council)
Aspens Services Ltd - Cherry Garden Primary School (South Gloucestershire Council)
Aspens Services Ltd - Culverhill School (South Gloucestershire Council)
Aspens Services Ltd - Lighthouse Schools Partnership
Aspens Services Ltd - Mangotsfield School (Castle School Educational Trust)
Aspens Services Ltd - New Horizons Learning Centre (South Gloucestershire Council)
Aspens Services Ltd - PFI (Bristol City Council)
Aspens Services Ltd - Redland Green Academy (Gatehouse Green Learning Trust)
Aspens Services Ltd - Staple Hill Primary School (South Gloucestershire Council)
Aspens Services Ltd - The Tynings School (South Gloucestershire Council)
Aspens Services Ltd (Cathedral Schools Trust)

Aspens Services Ltd (Venturers Trust)
Aspens Services Ltd - Beacons Rise Primary School (South Gloucestershire Council)
Aspens Services Ltd - Begbrook Primary Academy (Cabot Learning Federation)
Aspens Services Ltd - Blackhorse Primary School (South Gloucestershire Council)
Aspens Services Ltd - Castle School (Castle School Education Trust)
Aspens Services Ltd - Charfield School (Castle School Education Trust)
Aspens Services Ltd - Downend School (Castle School Education Trust)
Aspens Services Ltd - Frampton Cotterell School (South Gloucestershire Council)
Aspens Services Ltd - Frome Vale Academy (Cabot Learning Federation)
Aspens Services Ltd - Hanham Abbotts Junior School (South Gloucestershire Council)
Aspens Services Ltd - Hanham Wood Academy (Cabot Learning Federation)
Aspens Services Ltd – King's Oak Academy (Cabot Learning Federation)
Aspens Services Ltd - Longwell Green Primary School (South Gloucestershire Council)
Aspens Services Ltd - Marlwood School (Castle School Education Trust)
Aspens Services Ltd - Minerva Academy (Cabot Learning Federation)
Aspens Services Ltd - Summerhill Academy (Cabot Learning Federation)
Aspens Services Ltd - Warmley Park School (Bristol City Council)
Ategi limited (South Gloucestershire Council)
BAM Construction UK Limited (Bristol City Council)
Bespoke Cleaning Services Limited - (Olympus Academy Trust)
Bespoke Cleaning Services Limited (Castle School Education Trust)
Bespoke Cleaning Services Limited (South Gloucestershire & Stroud College)
Braybourne Facilities Services Limited (Bristol City Council)
Caterlink (Bristol City Council)
Churchill Contract Services Ltd - Cabot Learning Federation
Churchill Contract Services Ltd - Westhaven School (North Somerset Council)
Churchill Contract Services Ltd (Wellsway MAT)
Churchill Contract Services Ltd - Golden Valley Primary School (North Somerset Council)
Circadian Trust (South Gloucestershire Council)
Compass Contract Services (UK) Ltd - Ashton Park School (Bristol City Council)
Compass Contract Services (UK) Ltd - Bristol Cathedral School (Bristol Cathedral Schools Trust)
Compass Contract Services (UK) Ltd - Luckwell Primary School (Bristol City Council)
Compass Contract Services (UK) Ltd (Bristol City Council)
Compass Contract Services (UK) Ltd (Cathedral Schools Trust)
Compass Contract Services (UK) Ltd (Diocese of Bristol Academies Trust)
Compass Contract Services (UK) Ltd (Palladian Academy Trust)
Compass Contract Services (UK) Ltd (St Bede's Academy)
Compass Contract Services (UK) Ltd (St Patrick's Catholic Primary School)
Compass Contract Services (UK) Ltd (St Teresa's Catholic Primary School)
Compass Contract Services (UK) Ltd (Westbury Park Primary School)
Creative Youth Network (South Gloucestershire Council)
Direct Cleaning Services (South West) Limited (Bath and North East Somerset Council)
Dolce Ltd - Mangotsfield School (Castle School Education Trust)
Edwards and Ward Ltd - Courtney Primary School (South Gloucestershire Council)
Edwards and Ward Ltd - Paulton Infant School (Bath and North East Somerset Council)
Edwards and Ward Ltd - St Keyna Primary School (Bath and North East Somerset Council)
Edwards and Ward Ltd - St Mark's C of E Secondary School (Bath and North East Somerset Council)
Edwards and Ward Ltd (Bath & Wells MAT)

Edwards and Ward Ltd (Chew Stoke Church School)
Edwards and Ward Ltd (Henleaze Academy)
Future Cleaning Services Limited - Ashton Park School (Gatehouse Green Learning Trust)
Future Stars Club Limited (Bath & Wells MAT)
Glen Cleaning Company Limited (Lighthouse Schools Partnership)
Glen Cleaning Company Ltd (Bristol City Council)
Greenwich Leisure Ltd (Bath and North East Somerset Council)
Greenwich Leisure Ltd (North Somerset Council)
Learning Partnership West (Yate Town Council)
Learning Partnership West (South Gloucestershire Council)
Lex Leisure C.I.C. (Bristol City Council)
Liberata UK Ltd (North Somerset Council)
Mentoring Plus (Bath and North East Somerset Council)
Nobilis Care West Ltd (North Somerset Council)
Notaro Homecare Limited (North Somerset Council)
PH Sports Ltd - St Peter's Cof E Primary School (Lighthouse Schools Partnership)
Prestige Cleaning & Maintenance Limited (Circadian Trust)
Relyon Cleaning Services - Cotham Gardens Primary School
Ridge Crest Cleaning Ltd (Bristol City Council)
Shaw Healthcare - The Granary (North Somerset Council)
Sita Holdings UK Ltd
Skanska Rashleigh Weatherfoil Ltd (Bristol City Council)
SLM Community Leisure Trust (Bristol City Council)
SLM Fitness & Health Ltd (Bristol City Council)
Southern Brooks (South Gloucestershire Council)
Taylor Shaw (Olympus Academy Trust)
Taylor Shaw Limited (City of Bristol College)
The Brandon Trust (North Somerset Council)
Trowbridge Office Cleaning Services Ltd (Learn@MAT)
Virgin Care Services Limited (Bath & North East Somerset Council)
Weston Support Services Ltd (Extend Learning Academies Network)
Youth Connect (Bath & North East Somerset Council)

Statement of Responsibilities for the Avon Pension Fund Accounts

Bath & North East Somerset Council's responsibilities

ACCOUNTS The Council is required to:

- Make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. The Council has made the Director of Finance responsible for financial administration.
- Manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets.
- Approve the statement of accounts for the year

Director of Finance responsibilities:

The Director of Finance is responsible for the preparation of the Council's Statement of Accounts in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom.

In preparing this Statement of Accounts, the Director of Finance has:

- selected suitable accounting policies and then applied them consistently;
- made judgements which were reasonable and prudent;
- complied with the Code of Practice.

the Director of Finance has also:

- Kept proper and up-to-date accounting records;
- Taken reasonable steps for the prevention and detection of fraud and other irregularities.

Statement of the Director of Finance

I hereby certify that this statement of accounts presents a true and fair view of the financial position of the Council at the accounting date and the income and expenditure for the year ended 31 March 2020.

Andy Rothery

Director of Finance (S151 Officer)

Independent Auditor's Report to the Members of Bath & North East Somerset Council

Independent auditor's report to the members of Bath and North East Somerset Council on the pension fund financial statements of Avon Pension Fund

Opinion

We have audited the financial statements of Avon Pension Fund (the 'pension fund') administered by Bath and North East Somerset Council (the 'Authority') for the year ended 31 March 2020 which comprise the Fund Account, the Net Assets Statement and notes to the pension fund financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2019/20.

In our opinion, the financial statements:

- give a true and fair view of the financial transactions of the pension fund during the year ended 31 March 2020 and of the amount and disposition at that date of the fund's assets and liabilities,
- have been properly prepared in accordance with the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2019/20; and
- have been prepared in accordance with the requirements of the Local Audit and Accountability Act 2014.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the 'Auditor's responsibilities for the audit of the financial statements' section of our report. We are independent of the Authority in accordance with the ethical requirements that are relevant to our audit of the pension fund's financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

The impact of macro-economic uncertainties on our audit

Our audit of the pension fund financial statements requires us to obtain an understanding of all relevant uncertainties, including those arising as a consequence of the effects of macro-economic uncertainties such as Covid-19 and Brexit. All audits assess and challenge the reasonableness of estimates made by the Director of Finance and the related disclosures and the appropriateness of the going concern basis of preparation of the financial statements. All of these depend on assessments of the future economic environment.

Covid-19 and Brexit are amongst the most significant economic events currently faced by the UK, and at the date of this report their effects are subject to unprecedented levels of uncertainty, with the full range of possible outcomes and their impacts unknown. We applied a standardised firm-wide approach in response to these uncertainties. However, no audit should be expected to predict the unknowable factors or all possible future implications for a fund associated with these particular events.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the Director of Finance's use of the going concern basis of accounting in the preparation of the pension fund's financial statements is not appropriate; or
- the Director of Finance has not disclosed in the pension fund's financial statements any identified material uncertainties that may cast significant doubt about the Authority's ability to continue to adopt the going concern basis of accounting for the pension fund for a period of at least twelve months from the date when the pension fund's financial statements are authorised for issue.

In our evaluation of the Director of Finance's conclusions, and in accordance with the expectation set out within the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2019/20 that the pension fund financial statements shall be prepared on a going concern basis, we considered the risks associated with the fund's operating model, including effects arising from macro-economic uncertainties such as Covid-19 and Brexit, and analysed how those risks might affect the fund's financial resources or ability to continue operations over the period of at least twelve months from the date when the financial statements are authorised for issue. In accordance with the above, we have nothing to report in these respects.

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the absence of reference to a material uncertainty in this auditor's report is not a guarantee that the fund will continue in operation.

Emphasis of Matter - effects of Covid-19 on the valuation of property investments

We draw attention to Note 1.31 of the financial statements, which describes the effects of the Covid-19 pandemic on the valuation of the pension fund's property investments as at 31 March 2020. As, disclosed in Note 1.31 to the financial statements, for the pooled UK property funds held in the UK Property and Secured Income portfolios (valued at £229.2m), the independent valuers consider that less weight can be attached to previous market evidence for comparison purposes to inform opinions of value and as a result have reported the values on the basis of "Material Valuation Uncertainty' as per VPGA 10 of the RICS Red Book-Global Standards. Consequently, for these assets, less certainty and a higher degree of caution should be attached to the valuation than would normally be the case. Our opinion is not modified in respect of this matter.

Other information

The Director of Finance is responsible for the other information. The other information comprises the information included in the Statement of Accounts, other than the pension fund's financial statements, our auditor's report thereon and our auditor's report on the Authority's and group's financial statements. Our opinion on the pension fund's financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the pension fund's financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the pension fund's financial statements or our knowledge of the pension fund obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the pension fund's financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Opinion on other matter required by the Code of Audit Practice published by the National Audit Office on behalf of the Comptroller and Auditor General (the Code of Audit Practice)

In our opinion, based on the work undertaken in the course of the audit of the pension fund's financial statements and our knowledge of the pension fund the other information published together with the pension fund's financial statements in the Statement of Accounts for the financial financial year for which the financial statements are prepared is consistent with the pension fund's financial statements.

Matters on which we are required to report by exception

Under the Code of Audit Practice, we are required to report to you if:

- we issue a report in the public interest under section 24 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we make a written recommendation to the Authority under section 24 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we make an application to the court for a declaration that an item of account is contrary to law under Section 28 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or;
- we issue an advisory notice under Section 29 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we make an application for judicial review under Section 31 of the Local Audit and Accountability Act 2014, in the course of, or at the conclusion of the audit.

We have nothing to report in respect of the above matters.

Responsibilities of the Authority, the Director of Finance and Those Charged with Governance for the financial statements

As explained more fully in the Statement of Responsibilities for the Accounts set out on page 132, the Authority is required to make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. In this authority, that officer is the Director of Finance. The Director of Finance is responsible for the preparation of the

Statement of Accounts, which includes the pension fund's financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2019/20, for being satisfied that they give a true and fair view, and for such internal control as the Director of Finance determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the pension fund's financial statements, the Director of Finance is responsible for assessing the pension fund's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless there is an intention by government that the services provided by the pension fund will no longer be provided.

The Corporate Audit Committee is Those Charged with Governance. Those charged with governance are responsible for overseeing the Authority's financial reporting process.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the pension fund's financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at:
www.frc.org.uk/auditors responsibilities.
This description forms part of our auditor's report.

Use of our report

This report is made solely to the members of the Authority, as a body, in accordance with Part 5 of the Local Audit and Accountability Act 2014 and as set out in paragraph 43 of the Statement of Responsibilities of Auditors and Audited Bodies published by Public Sector Audit Appointments Limited. Our audit work has been undertaken so that we might state to the Authority's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Authority and the Authority's members as a body, for our audit work, for this report, or for the opinions we have formed.

Peter Barber

Peter Barber, Key Audit Partner
for and on behalf of Grant Thornton UK LLP,
Local Auditor
Bristol

22 February 2021

Summary of Financial Statistics

Year Ended 31 March	2020	2019	2018	2017	2016
Revenue Account	**£'m**	**£'m**	**£'m**	**£'m**	**£'m**
Income					
Net Contributions	161.6	153.9	224.8	146.3	143.6
Investment Income	32.5	37.0	28.0	29.4	24.4
Net Cash Transfer	7.7	-0.7	0.7	-1.8	-3.7
Total	**201.8**	**190.2**	**253.5**	**173.9**	**164.3**
Expenditure					
Pension & Benefits	181.2	171.9	163.0	159.8	155.3
Investment Management Expenses	26.9	19.3	23.1	21.4	18.8
Administration Costs	4.2	3.5	3.3	3.1	2.6
Total	**212.3**	**194.7**	**189.4**	**184.3**	**176.7**
Surplus for the Year	**-10.5**	**-4.5**	**64.1**	**-10.4**	**-12.4**
Revaluation of Investments	**-335.5**	**221.4**	**183.0**	**627.2**	**-85.5**
Change in Fund Value	-346.0	216.9	247.1	616.8	-97.9
Total Fund Value	**4471.8**	**4817.8**	**4600.9**	**4,353.8**	**3,736.9**

Investment management Expenses and the Revaluation of Investments have been restated to include transaction costs in compliance with the CIPFA's Accounting for local Government Pension Scheme Costs.

Analysis of the Fund's Investment Assets

	UK	Non-UK	Global	Total
	£'m	**£'m**	**£'m**	**£'m**
Equities	302	207	1,449	1,958
Bonds	115	-	-	115
Property	229	-	195	424
Alternatives	310	-	864	1,174
Infrastructure	-	-	358	358
Cash	140	-	6	146
Other	-	-	292	292
Total	**1,096**	**207**	**3,164**	**4,467**

Analysis of investment income accrued during the reporting period

	UK	Non-UK	Global	Total
	£'m	£'m	£'m	£'m
Equities	8.1		4.9	13.0
Bonds				-
Property	8.0		2.2	10.3
Alternatives	8.5		-	8.5
Infrastructure				-
Cash	0.6			0.6
Other	0.2			0.2
Total	**25.3**	**-**	**7.2**	**32.5**

Costs to the Fund

Budget v Outturn report on the costs to the Fund

	Budget	Budget	Actual	Budget	Actual
	2020/21	2019/20	2019/20	2018/19	2018/19
Administrative Costs	£'m	£'m	£'m	£'m	£'m
Management Costs	1,978	1,761	1,555	1,512	1,450
Administration and Processing	671	651	568	519	420
Service from Administering Body	507	482	502	487	510
Fees and income	-221	-196	-205	-221	-190
	2,935	**2,698**	**2,420**	**2,297**	**2,190**
Investment Management Expenses					
Fund Manager Base Fees	21,122	21,311	20,284	20,569	20,458
Custody & Transaction costs	67	0	37	165	248
	21,189	**21,311**	**20,321**	**20,734**	**20,706**
Oversight and Governance costs					
Management Costs	706	690	609	586	535
Specialist advice and Governance	1,281	1,518	1,349	1,054	1,068
Actuarial recharges	-200	-225	-244	-326	-266
Audit fees	52	31	38	49	40
	1,839	**2,014**	**1,752**	**1,363**	**1,377**
Total	**25,963**	**26,023**	**24,493**	**24,394**	**24,273**

Figures do not include investment transaction costs that are deducted at source or performance fees that relate to previous years. Budget figures include any adjustments made during the year.

Fund cash flow

		Full year 2019/20	
		Forecast Per Service Plan	Out-turn
Outflows		**£'000**	**£'000**
Benefits	Pensions	(146,732)	(153,729)
Administration and Processing	Lump sums	(32,524)	(26,463)
Administration costs		(11,362)	(11,984)
Total Outflows		**(190,617)**	**(192,176)**
Inflows			
Deficit recovery		17,994	17,198
Future service Contributions		138,023	144,450
Total Contributions		**156,017**	**161,648**
Net Cash Flow (excluding Investment Income and Transfers)		**-34,600**	**-30,528**
Net Transfers In & Out (budgetted as zero)		-	7,634
Investment income received as cash		34,000	40,136
Net Cash In-Flow (Out-Flow)		**(600)**	**17,242**

The actual cash flow to 31 March was an inflow of c£17.2m against a budgeted outflow of £0.6m for the same period. The difference was mainly due to higher than budgeted contributions received (£5.6m) and an increase in the minimum cash balance held from £10m to £20m. The minimum cash balance was increased as a precautionary measure in the light of the COVID-19 pandemic.

Late payers

Timeliness Analysis of Contributions Payments

	£'000
Total Contributions due in year	**161,648**
Total contributions received late by:	**£'000**
1 day	-
2 days	-
3 days	6
Over 3 days	476
Total Contributions	**482**
Percentage of contributions received late	0.30%

Regulations permit the Fund to charge interest on contributions that are paid over one month late at 1% above base rate. No such interest was charged during the year.

Pension Increase

Deferred Pensions & Pensions in Payment

Deferred pensions and pensions in payment are increased each year in line with the annual Statutory Pensions Increase (Review) Orders. This is currently based on the change in the published Consumer Price Index (CPI) for the 12 months to 30 September of the previous year. The full increase for 2019/20, which came into effect from the first Monday following the new tax year on 6 April 2020, was 1.7%. The full increase for the previous year 2018/19, which came into effect from 8 April 2019, was 2.4%.

Active Members - CARE Pension Accounts

Career average pensions that have been built up by active fund members since 1 April 2019, including any previously revalued CARE benefits brought forward from previous CARE years since 1 April 2014, are also subject to annual increases. These increases are in line with the Public Service Pensions Revaluation Orders which are also currently based on CPI for the 12 months to 30 September of the previous year. The full increase for 2019/20, which came into effect from 1 April 2020 was 1.7%, with the full increase for the previous year 2018/19, which came into effect from 1 April 2019, being 2.4%.

The State Guaranteed Minimum Pension (GMP)

The Fund is not normally responsible for any increases to GMPs accrued before 6 April 1988 or any increases, above 3%, for GMPs accrued after 5 April 1988; these increases are usually paid by the State as part of the State Pension.

However, on 6th April 2016 the Government introduced a new Single State Pension and as a result there is no longer a second state pension and therefore contracting-out ceased. As a consequence HM Treasury introduced an interim solution to indexation of GMPs. The implications are that the Fund became responsible for paying the full pensions increase on all of the GMP for any scheme member who reached their State Pension Age (SPA) between 6th April 2016 and 5th December 2018 inclusive. This interim measure has further been extended to include members who reach their SPA up to 5 April 2021.

The full implications, for the LGPS, have still not been fully decided. There are two working parties covering all public sector pension schemes currently involved with HM Treasury who are deciding on the way forward.

Contacts

For further information on investments, accounts, benefits and administration of the Avon Pension Fund email us at: *avonpensionfund@bathnes.gov.uk*

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General information about the Avon Pension Fund can be found at: *www.avonpensionfund.org.uk*

Glossary of Terms

Actuary: An independent consultant who advises the Fund and reviews the financial position of the Fund every three years. The Actuary produces a report, known as the actuarial valuation report, which compares the Fund's assets with its liabilities and prescribes the rates at which the employing bodies must contribute.

Brunel Pension Partnership: A partnership of 10 LGPS funds who pool the management of their investment assets. The individual funds will retain responsibility for setting investment strategy; Brunel Pension Partnership Ltd., a company owned by the 10 administering authorities implements the strategies on behalf of the funds. The funds in the partnership are: Avon, Buckinghamshire, Cornwall, Devon, Dorset, Environment Agency, Gloucestershire, Oxfordshire, Somerset and Wiltshire.

Consumer Price Index (CPI): CPI is a measure of inflation based on the change in the price of a fixed basket of goods and services. The difference between CPI and Retail Price Index (RPI) is that CPI excludes some items used in RPI such as mortgage interest payments and Council Tax, and includes other items not used in RPI.

CPIH: Is a broader measure of inflation based on CPI including owner occupiers' housing costs.

Community Admission Bodies: Bodies, which either have sufficient links with a Scheme employer, and provides a public service in the United Kingdom otherwise than for the purposes of gain or are approved by the Secretary of State for the purposes of admission to the Scheme; a body, other than the governors or managers of a voluntary school, to the funds of which a Scheme employer contributes. Such a body can become a member of the Avon Pension Fund subject to Pension Committee approval.

Corporate Bonds: Fixed interest securities and index-linked securities issued by companies registered either in the UK or overseas. They represent 'loans' to the companies which are repayable on a stated future date (for definitions of "fixed interest" and "index-linked" see 'Fixed Interest Government Securities' and 'Index-linked Government Securities'). In the annual accounts, these are included in 'Sterling Bonds'.

Deferred Pension: The pension benefit held in the Fund for a member who has ceased to contribute as a result of leaving employment or opting out of the pension scheme before retirement age. A deferred pension may be claimed at any time between the ages of 55 and 75, but will be reduced if paid before the member's Normal Pension Age or increased if paid after.

Equities: Ordinary shares in UK and Overseas companies traded on a recognised stock exchange. Shareholders have an interest in the profits of the company and are entitled to vote at shareholders' meetings.

Fund Benchmark: The Fund benchmark reflects the asset mix determined by the Fund. It is expressed in terms of asset proportions and market indices (e.g. 45% UK Equities invested in the FTSE-Actuaries All Share Index). On this basis a benchmark return can be calculated. The significance of this benchmark is that it represents "normal fund policy".

Guaranteed Minimum Pension: The LGPS guarantees to pay you a pension that is at least as high as you would have earned had you not been contracted out of the *State Earning Related Pension Scheme (SERPS)* at any time between 6 April 1978 and 5 April 1997. This is called the *Guaranteed Minimum Pension (GMP)*.

Hedge Funds: Also known as "absolute return funds', these funds have as their objective a performance target expressed as a margin above the return which can be achieved on cash deposits. The advantage of these funds is that they should achieve a positive return even when the stock market falls.

Independent Members: Voting members of the Avon Pension Fund Committee who are not councillors and who have no political attachments. There are three such members on the Committee, appointed principally because of the financial/investment expertise which they have acquired in the course of their professional careers.

Indexed-Linked Government Securities: Investments in government stocks (UK and overseas) where both the annual interest payment and the capital sum repayable by the government are adjusted to allow for inflation. Investments in government which are repayable on a stated future date.

Liability Risk Management Framework: An approach to investing which seeks to match the cashflows generated by the pension payments in the future, by increasing the exposure to the factors that determine the value of those payments, namely market derived bond yields and inflation expectations. Physical instruments, such as index linked bonds, or synthetic instruments, such as derivatives, can be used when implementing the strategy.

Local Government: The term *local government* in this document also covers police and fire civilian staff, a coroner, civil servants engaged in probation provision, a Mayoral development corporation, a conservation board, a valuation tribunal, a passenger transport authority, the Environment Agency, and non-teaching employees of an Academy employer, an Education Action Forum, a sixth form college corporation or a Further or Higher Education Corporation

Market Value: The price at which an investment can be bought or sold at a given date.

Passive Investing (Indexation): An investment strategy whereby the manager replicates an index in order to generate a rate of return in line with the index. The manager has no discretion over stock selection within the index. If it is a multi-asset portfolio, the asset proportions are prescribed within the mandate.

Pension Account: Each *scheme year* the amount of pension you have built up during the year is worked out and this amount is added to your active *pension account.*

Pooled Funds: Pooled Funds are funds which manage the investments of more than one investor on a collective basis. Each investor is allocated units in the fund which are revalued at regular intervals. Income from these investments is normally reinvested in the pooled fund automatically which increases the value of the units.

Retail Price Index (RPI): A measure of the general level of inflation based on the change in the price of a fixed basket of goods and services, such as food, energy, petrol, travelling costs, mortgage interest payments and Council Tax.

Transferee Admission Bodies (Scope Body): A body that provides, by means of a contract, a service in connection with the exercise of a function of a Scheme employer, can become an admitted body within the Avon Pension Fund. The Scheme Employer transferring must act as guarantor for such bodies.

A full A-Z of pension terminology can be found at http://www.avonpensionfund.org.uk/glossary

Appendices

Appendix A - Avon Pension Fund Pension Board Annual Report 2020
http://www.avonpensionfund.org.uk/pension-board

Appendix B - Terms of Reference for the Avon Pension Fund Committee and Investment Panel
http://www.avonpensionfund.org.uk/how-avon-pension-fund-works

Appendix C - Terms of Reference for the Local Pension Board
http://www.avonpensionfund.org.uk/pension-board

Appendix D - Governance Compliance Statement
http://www.avonpensionfund.org.uk/finance-and-investments

Appendix E - Administration Strategy 2019
http://www.avonpensionfund.org.uk/pensions-administration

Appendix F - Communications Policy
http://www.avonpensionfund.org.uk/pensions-administration

Appendix G - Investment Strategy Statement
http://www.avonpensionfund.org.uk/finance-and-investments

Appendix H - Funding Strategy Statement
http://www.avonpensionfund.org.uk/finance-and-investments

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Alternative Formats

This document can be made available in a range of community languages, large print, Braille, on tape, electronic and accessible formats, to request an alternative version please contact the Avon Pension Fund using the details provided.

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