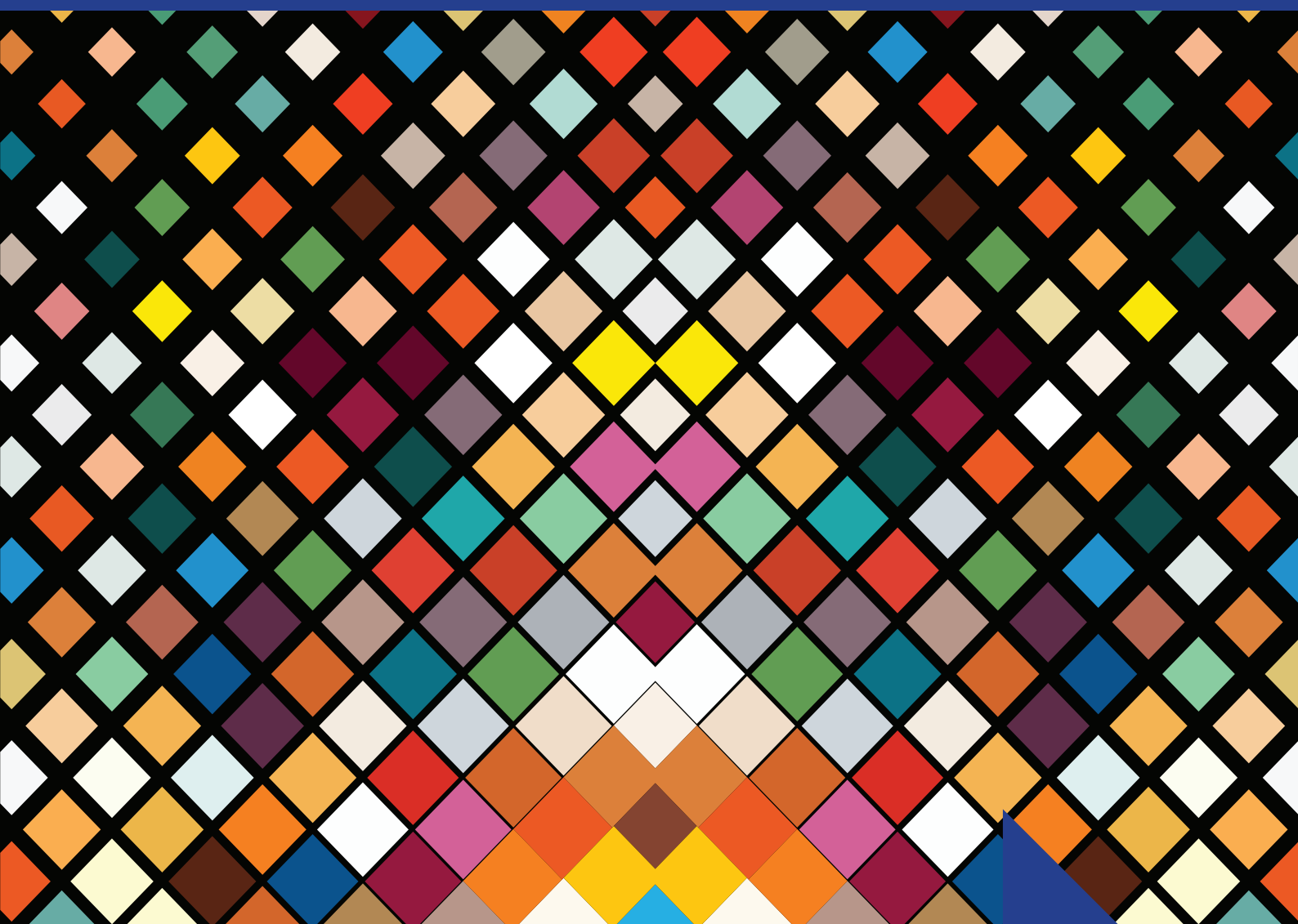


Bath & North East
Somerset Council



Avon Pension Fund Annual Report 2017/2018



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Chairman's Foreword



2017/18 was a significant year for the Avon Pension Fund in relation to how it will manage its investment assets in the future. The Brunel Company established to manage Avon and nine other LGPS fund assets in a partnership arrangement was incorporated in July 2017 and in March 2018 gained Financial Conduct Authority authorisation to provide services. This partnership initiative will lead to savings in investment management costs over time and, more importantly, more efficient implementation of our investment strategy and the potential for superior net returns. The Fund still retains full responsibility for setting its own investment strategy and the governance arrangements within the pool will ensure that Brunel delivers to the requirements set out in the Services and Shareholder Agreements.

The Local Pension Board, which provides an oversight role to ensure the Fund complies with its legislative obligations, held

four formal meetings during the year. The Board's third year of operation focussed on its statutory responsibilities with a core agenda of key themes around the fund's legal compliance, risk management and benchmarking. The Board's third annual report is included with this report.

In respect of administration, progress has been made on a range of projects aimed at improving the quality of our data. Data is key to pension funds and with the growing fragmentation of the employer base, data quality is key to the efficient administration of the fund. Progress has been achieved in receiving data electronically from employers and specific projects implemented to address specific caseload areas including benefit aggregation. Success in these areas will have a positive impact on Fund performance, improving operations I workflow going forward.

Strong returns from the investment portfolio since 2016 means the Fund is in a much better position going into the 2019 valuation. Steps have been taken to protect our funding position as far as is possible by implementing an equity protection strategy. The investment portfolio is now valued at £4.6 billion, a 4.7% increase in the year. For the first time, the Fund measured the carbon exposure of its equity assets. This provided evidence to support a reduction in our carbon footprint by switching our passively managed equity assets into a Low Carbon Equity fund.

It is with sadness that I have to report that Councillor Chris Pearce, a Committee member since 2015, passed away in 2018 His contribution to the Fund was much appreciated by Committee members and officers alike. In particular as the Chair of the Investment Panel, his contribution to the development of the Risk Management Strategy was significant in enabling the Fund to implement this complex strategy.

Finally on behalf of the Committee, I would like to thank the staff at the Avon Pension Fund for their contribution towards delivering an excellent service throughout the year.

A handwritten signature in black ink, appearing to read 'David Veal'.

Councillor David Veal

Chairman of Avon Pension Fund Committee
Bath and North East Somerset Council

Review of the year 2017/18

INVESTMENTS

During the year the value of the Fund's assets increased by £252 million to £4,608 million at 31 March 2018. The investment return was 4.7%, a more subdued return than the impressive 17.2% of the previous year. The return over the last three years was 6.3% per annum which exceeds the return required in the funding plan.

The investment return was primarily due to solid performance from emerging market equities, infrastructure and property assets. Against a backdrop of broad economic expansion, market sentiment was driven by geo-political tension and expectations of tighter monetary conditions. Most asset classes within the Fund generated positive returns. Over the year sterling appreciated against the US Dollar and Yen but depreciated against the Euro. Overall the currency hedge contributed positively to the overall return. Excluding the foreign currency hedge the returns were 3.0% over one year and 7.3% per annum over three years.

During the year the investment strategy was reviewed. That led to changes in both asset allocation and the investment management structure. Given the improvement in the funding position, the allocation to equities was reduced. However, despite this reduction the allocation to equities remains the main risk to the fund; as a result a strategy has been implemented that will protect the fund if there are significant falls in equity markets in the near term.

With expectations that interest rates will rise over the next few years which will generate losses on bond assets, the Fund's exposure to interest rates has been reduced by reducing its holdings of corporate bonds and buying less interest rate sensitive credit assets.

For the first time, the Fund measured its carbon and environmental footprint so that it understands its exposure to the risks arising from climate change, for example. This helped inform the strategic decision to switch the passively managed global equity assets into a passive Low Carbon Index Fund where the annual carbon emissions are reduced by around 2/3rds compared to the equivalent mainstream global index.

Lastly, significant work was undertaken to implement a Risk Management Strategy to manage the liability risks more effectively within the investment portfolio; this strategy will provide greater protection against changes in the values of the liabilities.

Investment Strategy Statement

In accordance with the LGPS (Investment and Management of Funds) Regulations 2016, the Fund published its first Investment Strategy Statement in March 2017. This was updated in December 2017 to incorporate the changes made to the investment strategy during 2017. The regulations require LGPS funds to publish an Investment Strategy Statement which will set out how the Fund has determined its investment strategy, that it appropriately takes account of risk and how it will pool its assets.

BRUNEL PENSION PARTNERSHIP

Since 2015 when the government announced that the assets of the LGPS funds should be pooled to reduce costs and increase the capacity across the LGPS to invest in infrastructure, the Fund has been participating in the Brunel Pension Partnership, a collaboration of 10 LGPS funds.

Significant progress has been made during 2017/18 with a significant milestone, for the company set up by the pool, Brunel Pension Partnership Ltd (Brunel), to obtain FCA authority to operate, being achieved on time in March 2018. This means that from 1 April 2018 this company can provide services to the ten client funds in the pool.

Under these new arrangements, the Avon Pension Fund will retain 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 will offer all its clients. Brunel will create, structure and monitor the performance of each portfolio and report on back on each portfolio to its clients. This means that much of the operational risks will be managed by Brunel rather than the funds and across the pool there will be access to a larger, knowledgeable team of investment specialists.

The next phase is to transition the current investment mandates from each of the ten funds to the portfolios offered by Brunel. This will start in 2018/19 but will take a number of years given the nature of some of the less liquid legacy assets.

FUNDING STRATEGY

The funding level at 31 March 2018 is estimated to have risen marginally to 96% (from 95% a year earlier) and the deficit to have narrowed to c. £181m million from £230m a year earlier. The improvement in the funding position since the 2016 actuarial valuation was a key driver of the 2017 Investment Strategy review.

The next actuarial valuation is due in 2019; in preparation for this an interim valuation as at 31 March 2018 will be undertaken to identify issues and assess affordability ahead of 2019.

PENSIONS ADMINISTRATION

During the year the fund undertook Following the restructure of the Administration team in January 2017, a number of strategic projects were identified for completion across both Member Services and Employer Services to continue delivery of business service objectives and ensure the Fund is compliant with the Pensions Regulator Code of Practice. The key projects are listed below and are expected to take up to 18 months to complete:

Member Services

- To address the aggregation backlog of approximately 3,000 cases
- To clear cases currently set at 'reply due' [pending third party response]
- To implement a new process to manage a forthcoming increase in workload under the 2014 scheme which will impact from 2019 (deferred refund cases).

Employer Services

- Roll out of monthly i-Connect returns across the whole employer platform to enable 100% automated monthly data receipt.
- Member address tracing project – bulk exercise to identify all missing or 'gone away' member addresses to achieve compliance with TPR requirements.

Service Plan and Budget

The forward looking three year Service Plan 2018/21 sets out the key service objectives and milestones. It also reviews progress 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 investment,

financial and governance issues. Ensure Committee and Board kept up to date of progress

- To complete implementation of the IT strategy to achieve a digital step change in service delivery and to mitigate service demand growth.
- To undertake an interim valuation to provide indication for budgeting and to review funding strategy and implications for investment strategy.
- To undertake a review of the Administration Strategy to include development of a new chargeable service offer.

The budget approved for Administration in 2018/19 is £2.94m.

The budget includes some re-categorisation of expenditure between Administration, Communication and Payroll Communication costs to better reflect their functions. Year on year savings approved in the 2015/16 budget were set aside to fund the IT Strategy. Following a change in the IT systems supplier's product offer this expenditure has previously been delayed. Part of the associated budget has been transferred to fund the project to roll out the I-Connect solution across all small and medium sized employers. Wherever possible the effect of inflation has been absorbed.

The Pensions Regulator – Code of Practice 14

The Pensions 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 119,000 records as at 31 March 2018 demonstrated an overall data score of 94.48%. A data improvement plan has been developed to address the issues of non-compliance identified. Accordingly, the data improvement plan will be further reviewed and updated in 2018/19 following the Local Pension Boards next annual review of compliance.

To ensure continued compliance the Fund has also undertaken to review its existing procedures relating to the monitoring of late payment of monthly contributions from employers and its Internal Dispute Resolution Procedure (IDRP).

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

2017/18 Budget

During the year to 31 March 2018, total administration costs (excluding governance and investment management costs) were £2.4 million, a saving of £0.4million (14%) on the budget.

Total costs including Investment Management, custody and

governance costs, but excluding transaction costs deducted at source and performance fees that are not yet due for payment, were £26.3 million, £1.6 million above budget. Investment management fees were higher than expected (£1.9million) due to the implementation of strategic changes arising for the 2017 Strategic Review. Governance costs were very slightly higher than budgeted due to higher than anticipated expenditure on investment advice for the Strategic Review and implementing the changes arising from it. The investment management and custody fees of £23.1 million equates to 0.50% of the Fund's assets.

GOVERNANCE

Local Pension Board

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

The Board has held four formal meetings over the past year. During this period, with appropriate support and advice the members of the LPB have continued to develop their knowledge and understanding of the LGPS and TPR requirements as required by law.

The third year of operation of the Board was focussed on its statutory responsibilities with a core agenda of key governance themes around the fund's legal compliance, risk management and benchmarking. It has also actively monitored the fund's investment in the Brunel Pensions Partnership (BPP).

The Annual Report of the Pension Board can be found at <http://www.avonpensionfund.org.uk/pension-board>.

Governance & Management Structure as at 31 March 2018

Administering Authority:

Bath & North East Somerset Council

Members of the Avon Pension Fund Committee:

Councillor David Veale (Chair)

Bath & North East Somerset Council

Councillor Patrick Anketell-Jones

Bath & North East Somerset Council

Councillor Rob Appleyard

Bath & North East Somerset Council

Paul Scott

Independent Trustee

Councillor Mary Blatchford

North Somerset Council

Councillor Toby Savage

South Gloucestershire Council

William Liew

University of the West of England

Shirley Marsh

Independent Trustee

Councillor Lisa O'Brien

Bath & North East Somerset Council

Councillor Steve Pearce

Bristol City Council

Councillor Shaun Stephenson-McGall

Bath & North East Somerset Council

Wendy Weston

GMB

Non-voting Members:

Cheryl Kirby

Parish & Town Councils

Vacant

Unite

Richard Orton

Unison

Independent Investment Advisor:

Tony Earnshaw

Council Officers:

Andrew Pate

Strategic Director - Resources

Tony Bartlett

Head of Business Finance & Pensions

Liz Woodyard

Investments Manager

Geoff Cleak

Pensions Manager

Maria Lucas

Head of Legal and Democratic Services

Investment Managers:



Actuary:



Legal Advisor:



Bankers:



AVC Providers:



Investment Consultant:



Global Custodian:



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.

Consultant ahead of the extra committee meeting.

The Chair of the Committee represents the Fund on the Brunel Oversight Board which is the body representing the ten client funds in the pool. This Board is responsible for monitoring Brunel's delivery of the services as set out in the Services Agreement and Shareholders Agreement.

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.

and investment aspects of the fund (under separate contracts); Osborne Clarke provides 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 Code and the Pensions Regulator Codes of Practice.

Stakeholder Engagement days for Brunel Pension Partnership were held in November 2017. These were held in various locations to deliver updates simultaneously across the pool. The workshop was attended by eleven committee members.

Training

The administering authority recognises the importance of training, both for committee members and pension fund staff responsible for financial management and decision making within the Fund. Training is provided to ensure Committee members 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

Table 1: Committee Structure

Voting members (12):	5 elected members from Bath & North East Somerset Council
	2 independent members
	3 elected members nominated from the other West of England unitary councils
	1 nominated from the Higher/Further Education bodies
	1 nominated by the Trades Unions
Non-voting members (4):	1 nominated from the Parish Councils
	3 nominated from the Trades Unions

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

The Committee meets formally each quarter. In 2017-18 one extra committee meeting was held to approve the revised Investment Strategy. In addition, the Committee held one workshop to review the Investment Strategy and evaluate the impact of the proposed changes identified by the Fund's Investment

The Panel met formally four times during the year and met with selected managers at dedicated workshops where managers presented on their performance and outlook for their portfolio. In addition they attended a workshop to review in detail the Risk Management Strategy which was implemented during 2017-18.

The Committee is supported by a number of external advisors; Mercer Limited advises on all actuarial

Table 2: Committee and Panel membership and attendance record (as at 31 March 2018)

	Committee	Investment Panel
	Meeting	Meeting
Number of Meetings during year	5	4
Voting Members		
Councillor David Veale (Chair)	4	4
Councillor Christopher Pearce ¹	1	2
Councillor Patrick Anketell-Jones ²	2	2
Councillor Rob Appleyard	4	2
Councillor Lisa O'Brien	4	N/A
Councillor Shaun Stephenson-McGall	5	N/A
Councillor Steve Pearce	4	N/A
Councillor Mary Blatchford	4	4
Councillor Mike Drew ³	1	N/A
Councillor Toby Savage ⁴	1	N/A
William Liew	5	N/A
Wendy Weston	0	N/A
Shirley Marsh	4	2
Paul Scott	3	3
Non-voting members		
Cheryl Kirby	0	N/A
Steve Paines ⁵	1	N/A
Richard Orton	5	N/A

Notes: ¹ Chris Pearce stepped down in October 2017, ² Patrick Anketell-Jones joined in October 2017, ³ Mike Drew stepped down in June 2017, ⁴ Toby Savage joined in June 2017, ⁵ Steve Paines stepped down in October 2017

Table 3: Training provided in 2017/18

Topic	Delivered by:
Governance	
<ul style="list-style-type: none"> Legal responsibility of Committee and Officers Governance & assurance framework Administration Strategy Investment Regulations 	<ul style="list-style-type: none"> Committee reports monitoring administration performance of Fund and employers Committee reports for audited accounts and governance 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	
<ul style="list-style-type: none"> Admitted bodies Employer risks Funding level/solvency 	<ul style="list-style-type: none"> Committee reports provide funding position update
Investment Strategy	
<ul style="list-style-type: none"> Asset Allocation Performance monitoring Investment manager monitoring Stewardship activities Responsible investing policy 	<ul style="list-style-type: none"> Workshop and extra Committee meeting reports 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 Panel workshop on Risk Management Framework

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 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.

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 2017. The statement shows a high level of compliance with best practice and is summarised in Table 5.

The latest Governance Compliance Statement is included as Appendix B and can also be obtained from the Fund's website www.avonpensionfund.org.uk (search Governance Compliance Statement).

Table 4: Training provided externally

Training	Members
LGPS Fundamentals Training Course	Rob Appleyard, Paul Scott
PLSA LGPS conference	Mary Blatchford
LGC LGPS Investment Summit	Mary Blatchford
LGC LGPS Investment Seminar	Lisa O'Brien, Mary Blatchford, Steve Pearce
Local Authority Pension Fund Forum	Mike Drew (attended 1 meetings) Steve Pearce (attended 2 meeting) Richard Orton (attended 3 meeting)

Table 5: 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.

The register is reviewed regularly by the management team and is reported quarterly to the Committee. Table 6 shows 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 an 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; the latest review was undertaken in 2017.

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 that 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 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

Audit	Assurance level
Pensions Governance (Code of Practice 14)	4 = Good
Benefit calculations - Transfers and Aggregations	4 = Good
Employee Contributions	4 = Good

and compliance with regulations and mandates.

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 then implement the Fund's strategy. Once Brunel is operational from 1 April 2018, the control environment will be reviewed and amended as required.

- 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 in the valuation exercise.

A key risk for employers is that the employer contribution rate is incorrectly calculated due to inaccurate membership information held by Fund. The Data Quality 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 work plan. The Committee and Officers are advised by an Investment Consultant on all strategic issues prior to decisions being taken.

- 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 6: Summary of Risk Register

Risk	Management action
<p>The Fund is unable to recruit appropriately skilled technical or investment staff given the short supply of such staff regionally in the market. This has been exacerbated by the creation of BPP Ltd. (Brunel) based in Bristol which will manage the fund's assets. This could restrict the Fund's ability to develop and implement the service plan.</p>	<p>Complete PDR process with all staff to identify training and professional qualification needs based on Service requirements. Re Brunel - significant impact with loss of 3 FTE staff. Interim plan to rebuild team reflecting transition of assets to BPP is being put in place. Will include buying in resource from advisors or BPP as appropriate. Investment work programme is continuously risk reviewed to ensure only priority work will be undertaken in the short term.</p> <p>Identify at risk areas and consider succession planning to minimise risk of losing skilled/specialist staff.</p> <p>Build in resilience by broadening technical knowledge of staff within teams.</p> <p>Explore options for developing apprentice and graduate level staff.</p>
<p>Increased political pressure to reform the scheme and governance, reduce costs and direct investment decisions. If the fund does not have a robust plan for change, risk that government will direct funds. Implications: committee is unable or does not make decisions in best interest of the fund.</p>	<p>The Investment Strategy Statement clearly defines the investment principles and objectives and the strategy in place to deliver.</p> <p>The Fund is a participant in the Brunel Pension Partnership to meet the government broad agenda to reduce investment fees and increase efficiency. Brunel and the LGPS Cross Pool Collaboration Group actively engages with government on a wide range of issues related to the government's agenda.</p>
<p>Lack of knowledge and continuity within the Committee (risk arises as some members face re-election simultaneously. Until members are fully trained maybe a delay in decision-making).</p>	<p>There is a training plan in place linked to the 3 year Service Plan, which is periodically reviewed.</p> <p>The Committee includes 2 independent members that are not subject to the electoral cycle.</p> <p>An induction programme is provided for all new members, tailored for the Committee agenda for the next 12 months.</p> <p>Periodically a self-assessment of training needs is undertaken to ensure knowledge gaps are identified and addressed in the training plan. This is now more important in order for the Fund to comply with MIFID2.</p>
<p>The Fund fails to achieve investment returns sufficient to meet its liabilities as set out in the valuation. This may be due to strategy failure or investment managers appointed for each investment mandate failing to achieve their benchmark. Implications: this could negatively impact employer contribution rates.</p>	<p>A strategic review of the investment strategy is undertaken at least every 3 years. It determines the appropriate strategy to deliver the returns assumed by the actuarial valuation and takes into account the market outlook.</p> <p>The Fund adopts a diverse strategy across assets and managers which limits the impact of any one asset class or manager on the performance of the fund.</p> <p>The strategy is monitored quarterly and annually by Committee (between strategic reviews) when the investment performance is measured against the liabilities, the strategic benchmark and mandate performance targets. The Fund implements risk management strategies as appropriate to increase probability that funding plan will be achieved. The managers are monitored against their mandate guidelines quarterly by the Investments Panel.</p> <p>Recommendations for action are made to Committee or actioned under delegated powers of the Panel.</p> <p>Significant due diligence is undertaken when appointing managers; process ensures there is not undue reliance on past performance.</p> <p>Specialist advice is commissioned covering both strategic issues, ongoing monitoring of strategy and managers and evaluating potential managers during procurement process.</p> <p>As the assets transition to Brunel, the responsibility for monitoring and selecting investment managers will transfer to Brunel.</p>

<p>Risk of Fund retaining incorrect pension liability - GMP Reconciliation Exercise. Following the abolishment of contracting out earnings effective from April 2016, requirement to undertake a reconciliation of GMP liability between Fund and HMRC. Completion date due end 2018.</p>	<p>There is a project plan in place linked to 3 year Service Plan which is periodically reviewed. Additional resource identified as 1.5FTE to carry out reconciliation under management of Technical and Compliance Advisor. Exceptions reported to HMRC and progress/action reports provided periodically to Pensions Committee and LPB.</p>
<p>Significant increase in employers especially if all schools convert to academy status.</p>	<p>Resources have been increased to support employer services within both actuarial and administration teams, reflecting the increase in new schedule bodies and admission bodies. The administration of academies within the LGPS is being reviewed by SAB.</p>
<p>Staffing – Failure of the Fund to ensure it has adequate resources and staff with the requisite skills and competencies to administer the Fund.</p>	<p>Officers are trained and updated in key areas. Attendance at relevant national courses and internal training with peers. Succession planning to build resilience and minimise risk of losing skilled/specialist staff. Implementation of skills and knowledge training plan following admin restructure (Jan 2017) and introduction of Apprentice programme from June 2018. The 2018/21 Service Plan provides for extra resources to ensure sufficient capacity within the service.</p>
<p>Data Protection – Failure to secure and manage personal data held by the Pension Fund in an appropriate manner and in line with statutory responsibilities. Implications and impact of upcoming EU General Data Protection Regulations (GDPR) - ensure systems and processes in place to comply with legislation - required May 2018.</p>	<p>All staff undertake to share personal data with 3rd parties through controlled framework; compliant with B&NES DP policies. Awareness of potential risk in not doing so. Members are informed regularly (via payslips & newsletters) that data is provided to third parties for the detection / prevention of fraud in accordance with National Fraud Initiative. Further staff training to be undertaken to reinforce awareness. Project group set up to look at implications of GDPR in conjunction with corporate Information Governance team and assess current processes and improvements to be made.</p>
<p>The Fund is a participating fund in the Brunel Pension Partnership for pooling its assets. The Company is now established and is FCA authorised. Two significant risks, the transition of local funds to new custodian and FCA authorisation have diminished. The key remaining risk is the transition of local fund assets to the Brunel portfolios. A delay in this could seriously impact the Fund's and pool's ability to deliver savings according to financial case. Focus in next 12-24 months on operational implementation and transition of assets.</p>	<p>The Brunel governance structure is in place. Governance structure ensures Committee, Board and officers effectively manage the new relationship. Expert advice has been commissioned to advise Brunel and pool on FCA authorisation, custody transition and asset transitions. Advice will continue to be commissioned as required. Interim resources in place to support client side of the pool during 2018. 9 of 10 funds transitioned to new custodian by May 2018. Process in place to ensure the custody transition does not delay the transition of assets and agreement of how any extra costs due to delays will be shared. Brunel developed a transition plan for 2018-20. Portfolios for quoted assets agreed in Jan 18; non-quoted asset portfolios agreed in April 18. Avon Pension Fund developed its own plan consistent with Brunel timetable to ensure any decisions/governance by Avon is identified and dealt with accordingly. Client Group will monitor plan with Brunel to ensure meets objectives, any changes are understood and agreed and where necessary, issues are escalated to Brunel Oversight Board. Quarterly Committee agenda includes Brunel update report. Client side sub groups established to work closely with Brunel on portfolios and transition, financial aspects, RI and services delivered by Brunel.</p>
<p>System Failure – Failure of the Fund to ensure it has adequate and robust systems to ensure pensions are administered and paid in accordance with statutory obligations.</p>	<p>The Fund has policies in place which are periodically reviewed to ensure statutory obligations are met. Systems Control team has been incorporated with Financial Systems management to build internal resilience. Operational agreements in place with/for (i) Financial Systems (ii) SLA with Heywood (software provider) (iii) B&NES IT for corporate systems (iv) APF DR policy (v) B&NES BCP (vi) Daily system back-up.</p>

Pensions Administration & Communications

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. Furthermore the increase in the number of third party HR and payroll providers (favoured by a number of local education authority (LEA) schools) has added a further layer to the process and provision of data. The tables below show how the Fund's employer and membership base has changed over time.

The Fund revised its Administration Strategy in 2015 to include a more detailed ICT Strategy and also to ensure the governance and administration requirements of the Pension Regulator are properly addressed as they fall to the Fund and Employers.

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 Service Level Agreements)
- 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 Employers have appropriate skills and that 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 each Employer's Service Level Agreement
- Administrative services are developed and delivered digitally as outlined in the ICT Strategy, in order to streamline processes and maintain costs at below or average levels

The Fund will undertake a review and update of its Pensions Administration during 2018.

The Pensions Administration Strategy is available on the website www.avonpensionfund.org.uk and included as Appendix F.

Greater use of technology

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

Pensions software developments:

The pensions software provided by Heywood has self-service modules which have been introduced for both members and employers as follows:

Employer Self-Service (ESS)

This web-based self-service access for employers was launched in October 2011 and most employers have now signed up. This facility allows employers to carry out calculations for retirement cases and, in the case of redundancy or efficiency, to calculate the Strain on the Fund costs. ESS has an interactive facility and the Fund has introduced a revised training programme to enable employers to input member data changes securely via ESS for automatic upload to the pension member database. This has been rolled out to existing employers and is a requirement for any new employers to the Fund. By March 2018 60% of scheme employers were submitting data to the Fund electronically, representing 96% of active membership.

The number of employers continues to rise, especially with schools becoming academies. The employer base now stands at 382.

Member Self-Service (MSS)

This web-based member self-service facility introduced in 2010 allows members access to their personal pension information with the facility to perform "what if" calculations. It also provides an opportunity for the Fund to develop as a vehicle for electronic communication to members.

At 31 March 2018 there were 17,000 registered members representing 17.8% of available membership. As part of ongoing development of this facility and encouraging greater take-up a new more user friendly version of MSS has been introduced to improve the customer experience and allow for more self-service functionality.

Electronic delivery to members

The postal delivery costs of hard-copy documents sent to members have been rising steeply in recent years. Greater use of technology can reduce these costs significantly.



The Fund's main communication costs arise from the member newsletters (for actives twice a year, for pensioners and deferreds once a year) and Annual Benefit Statements which, in total, requires sending circa 150,000 printed documents at a significant annual cost. The ICT and Digital Communications strategies both look to deliver more electronic communications, through development of MSS and online services.

Members' newsletters

Newsletters are posted to individual members. With the MSS facility now available, in the future the Fund intends to distribute newsletters electronically where possible. As legislation allows information to be distributed electronically, we continue to promote MSS as the preferred channel of communication. Cost savings to the Fund have already been achieved by combining postal communications. For example the Pensioner newsletter is posted with the annual P60 and one of the active member newsletters is posted with the Annual Benefit Statements. A deferred member newsletter is

now included with the Annual Benefit Statement for deferred members.

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 point for information and for self-service facilities.

The member website was fundamentally re-designed in 2015, with a far more member-focus to it. Launched in March 2016 the new website provides members with content and navigation that is relevant to them. It provides a better platform for self-service functionality going forward. The website was a finalist in the Professional Pensions Pension of the Year Awards 2017.

The employers' website is also undergoing a fundamental redesign and will be relaunched in 2019.

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

The Fund participates in the annual

CIPFA Pensions Administration Benchmarking Club. This compares administration costs and performance indicators against other participating LGPS funds and against a group of funds of similar size. The results are used to 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. In addition it provides an indication of relative operational costs.

The latest available report for 2016/17 identifies the cost per member for the Fund as £17.55 compared with £15.79 in 2015/16. This is significantly less than the cost for the average fund which is £20.14 per member. The Fund's own performance targets are set out in the SLAs it has in place with employers, covering over 80% of the active membership. In many cases the Fund's own SLA targets are more challenging than the statutory legal deadlines. Regular SLA review meetings are held with the Unitary Authorities to review

Table 7: Number of active employers in the fund (2017/18)

	Active	Ceased	Total
Scheduled body	240	0	240
Admitted body	142	2	144
Total	382	2	384

Table 8: Number of members in fund 2014-2018

	2018	2017	2016	2015	2014
Active Members	36,479	36,213	37,899	34,765	34,846
Deferred Members	43,012	41,279	40,711	35,714	35,321
Pensioners	30,734	29,464	28,079	26,006	25,985
Total Membership	110,225	106,956	106,689	96,485	96,152

Table 9: Performance Indicators 2016/17

Performance Indicator	LGPC Standard Target	Fund achieved against target %	CIPFA Club average %
Letter detailing transfer in quote	10 days	83	87
Letter detailing transfer out quote	10 days	72	86
Process and pay refund	5 days	92	94
Letter notifying estimates of retirement benefits	10 days	83	93
Letter notifying actual retirement benefits	5 days	81	93
Initial Letter acknowledging death of member	5 days	100	96
Letter notifying amount of dependant's benefits	5 days	92	90
Calculate and notify deferred benefits	10 days	78	84

each party's performance. The Fund also publishes a Customer Charter on its website. This includes its targets (in working days) for completion of processing of member benefits. Table 9 shows the Fund's performance in meeting LGPC standard targets compared with the Club average.

Key staffing indicators

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

Investments:

- Finance & Accounting
- Investment Management
- Actuarial & Valuation

Administration:

- Technical & Compliance
- Communications, and Marketing
- Employer Services (Employer Relations; Data Control)
- Member Services (Benefits Administration; Quality Assurance; Pensions Payroll)

Following the restructure of the Administration function during 2016/17 the total number of staff in the pension service was 44 FTEs. Of these 30.5 FTEs are involved in benefits administration.

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, 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 2015 is available on the website www.avonpensionfund.org.uk and included as Appendix D.

The Fund's communications activity was awarded Finalist status in the Professional Pensions Pension of the Year Awards 2016 and 2017.

Investment Report

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 objective is to meet the future pension payments of both past and current members.

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 LGPS regulations no longer list restrictions in particular types of investments but instead seek to transfer decisions and their considerations more fully to the Fund within a new prudential framework.

The ISS replaces the Statement of Investment Principles and 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 its assets with other funds (Brunel Pension Partnership)
- Compliance with the Investment

Governance Principles

The ISS is a working document, flexible enough to incorporate changes to the strategy as they are implemented. The ISS is a key reference point for the Funding Strategy and includes details of investments and the role they play within the strategy.

The current version of the ISS was approved by Committee in December 2017. This version includes changes to the investment strategy as a result of the 2017 Investment Strategy Review. The key changes are explained later in this section.

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

Investment Stewardship

The Fund is a signatory to the FRC UK Stewardship Code and has outlined its approach to stewardship, including voting and engagement, in its Statement of Commitment to the Code. The Fund was evaluated by the FRC as Tier 1 compliant in 2016. A Tier 1 rating is defined as those signatories providing a good quality and transparent description of their approach to stewardship and explanations of an alternative approach where necessary.

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.

Compliance with the Investment Governance Principles

The Investment Governance Principles codify a model of best practice in decision making for investors. The Fund's current compliance or explanation of non-compliance with the principles is summarised in Table 11 (a full explanation can be found in the ISS).

Brunel Pension Partnership

The Avon Pension Fund is one of ten LGPS funds participating in the Brunel Pension Partnership, a collaborative initiative to pool the investment assets of the ten funds. The other funds ("clients") are Buckinghamshire, Cornwall, Devon, Dorset, Environment Agency, Gloucestershire, Oxfordshire, Somerset and Wiltshire. At March 2018 the estimated assets of the combined pool was £28.8 billion.

The creation of the partnership was in response to the government's initiative to reduce investment costs and increase the capacity across the LGPS to invest in infrastructure. The partnership developed a full business case which was approved by all ten administering authorities early in 2017 leading to the creation of Brunel Pension Partnership Limited ("Brunel") in July 2017. The final milestone was authorisation in March 2018 from the FCA which allows Brunel, as an FCA authorised company, to provide services to the ten client funds in the pool from 1 April 2018.

The primary objective of the partnership is to enable each client fund to deliver its fiduciary duty to their members. Under these new arrangements, the Avon Pension Fund will retain responsibility for setting its investment strategy (or asset allocation), as well as the funding and administration strategies. Brunel will implement the investment strategy for each fund within the pool by offering a suite of

portfolios to which each participating fund can allocate assets. Brunel is responsible for selecting, appointing and monitoring managers to manage the sub funds within each portfolio. Depending on the asset class there maybe more than one sub fund.

Brunel works closely with its clients to ensure that each fund's investment strategy and policies can be implemented satisfactorily. A set of Investment Principles agreed between the clients and Brunel provide the framework for the investment management and operations of the company. These

principles can be applied across all asset classes although the detail of operation will vary by asset class.

The principles do not impose any restrictions on type or nature of companies or assets held within the portfolios. They do place an expectation that Brunel will deliver recognised best practice standards in governance, risk management, stewardship and value for money. The principles in brief are:

- Long term investors
- Responsible Investors
- Best practice governance

- Decisions informed through experts and knowledgeable officers and committees
- Evidence and research at heart of investments
- Leadership and innovation
- Right risk for right investment return
- Evaluation of all risks
- Responsible stewardship
- Cost effective solutions
- Transparent and accountable
- Collaborate

The transition to the portfolios provided by Brunel will begin in 2Q2018 and will take at least two

Table 11: How the Avon Pension Fund achieves compliance with the Investment Governance Principles

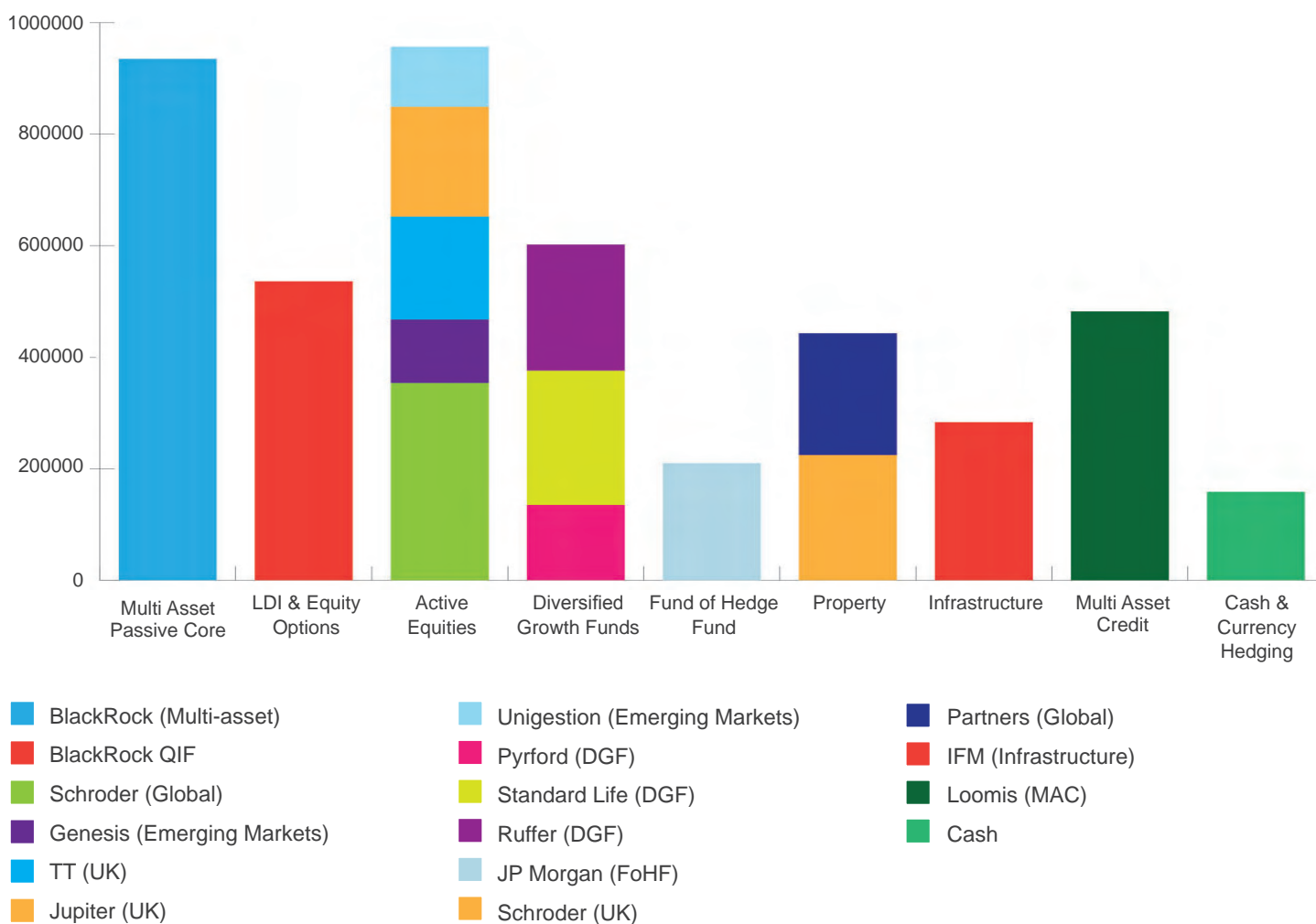
1 Effective decision-making	Compliance
Clear governance structure for decision-making, supported by expert advisors and officers with clear responsibilities	✓
Job descriptions setting out the role and responsibilities of all Committee members	✓
Committee members undertake training on ongoing basis	✓
A forward looking three-year business plan	✓
2 Clear Objectives	Compliance
Clear investment objective and strategy, taking into account the actuarial position and impact on scheme employers and tax payers	✓
A customised benchmark reflecting the Fund's own liability profile	✓
Consideration of different asset classes and their impact on return and risk	✓
Individual performance targets for the investment managers, monitored by the Committee	✓
Expert advice when considering its investment objective and strategy	✓
3 Risk and Liabilities	Compliance
Investment objective and strategy reflects the specific liability profile of the scheme members	✓
Covenant of the employer and their ability to pay contributions is taken into account	✓
Risk management process in place to ensure risks are identified and mitigating action is taken where possible	✓
4 Performance Assessment	Compliance
Fund's performance measured against investment objective, investment managers performance measured against their benchmarks	✓
Contracts with advisors assessed on an ongoing basis	✓
Performance of decision-making bodies assessed by external auditors	✓
5 Responsible Ownership	Compliance
Managers adopt the Institutional Shareholders' Committee Statement of Principles	✓
Policy on responsible ownership is included in Statement of Investment Principles	✓
6 Transparency and Reporting	Compliance
Clear policy to communicate and consult with its scheme members, representatives and employers as appropriate	✓
All documents and statements made available, annual report contains information and data relevant to its many, diverse stakeholders	✓

Table 12: Strategic Asset Allocation and Actual Asset Allocation

Asset Class	31 March 2018 Allocation	Strategic Allocation	Range	Asset Class Returns	
				1 year	3 year
UK Equities	8.3%	10%	29-39%	1.2%	5.9%
Developed Overseas Equities	28.2%	24%		1.9%	11.1%
Emerging Market Equities	4.8%	6%	3-9%	11.8%	11.3%
Diversified Growth Fund	13.1%	15%	10-20%	4.4%	4.5%
Infrastructure	6.2%	5%	0-7.5%	-6.3%	9.7%
Liability Matching Assets	11.3%	12%	No set range (depends on collateral position)	0.7%	7.8%
UK Corporate Bonds	1.8%	2%	0-5%	1.3%	3.6%
Fund of Hedge Funds	4.6%	5%	0-7.5%	4.4%	4.5%
Multi Asset Credit	10.5%	11%	6-16%	2.2%	2.2%
Property	9.3%	10%	5-15%	10.0%	8.1%
Cash	1.9%	0%	0-5%	-	-

Source: Mercer

Chart 1: Asset allocation by Manager 31 March 2018



years to complete. This is because the legacy assets in alternative and less liquid strategies are more complex and costly to pool efficiently.

The governance arrangements of the pool are crucial to ensuring that the pool's objectives are delivered. Investment Officers from each of the Funds form the Client Group which works closely with Brunel to develop the suite of portfolios required and the reporting framework. The Client Group also supports the Brunel Oversight Board which is responsible for overseeing the pool for the clients.

1. Investment Strategy

The pensions paid out to members over time are funded through (i) the employee and employer contributions and (ii) the investment assets. Therefore 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 pursues a policy of managing risk through diversification by asset class and by investment managers. The Committee periodically reviews its investment strategy in order to ensure the strategy reflects the Fund's liability profile.

(i) Asset Allocation

Table 12 shows the Fund's actual asset allocation at 31 March 2018 against the strategic allocation benchmark. The table also shows the returns from each asset class over one and three years to 31 March 2018.

The Fund's assets are managed by external investment managers. The

investment management structure and amount of assets managed by each manager as at 31 March 2018 is set out in Chart 1. During the year a number of changes were made to the management structure as a result of the 2017 Investment Strategy Review (see below for details)

(ii) 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 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 Fund recognises that climate change is one of the ESG factors that pose a potential long-term financial risk.

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).

(iii) Investment Activity during 2017/18

During the year the Fund reviewed its investment strategy and it considered the improved funding level (c. 95% funded at the time of the review), changes in the outlook for markets and how to incorporate the actions from the review of the Responsible Investing Policy in 2016. This was in addition to implementing the Risk Management Framework, which is designed to manage the volatility in the funding position.

The main changes from the Investment Strategy review were:

- a. Reduction in the allocation to equities from 50% to 40% of total fund assets with a long term view of further reducing equity exposure to 37.5%. This reduction was driven by the improved funding level due to strong asset returns. This reduction in the allocation to higher volatility growth assets introduces more stability to the contribution payments made by employers. However, even after this reduction, equities continue to be the main source of risk within the portfolio (contributing 54% to total risk).
- b. Reduction in the allocation to Corporate Bonds from 8% to 2%. With yields on bonds at low levels the return prospects for this asset class were deemed to be unsustainably low, with any increase in interest rates posing a threat to the capital return received on bonds.

Chart 2: Long Term Performance

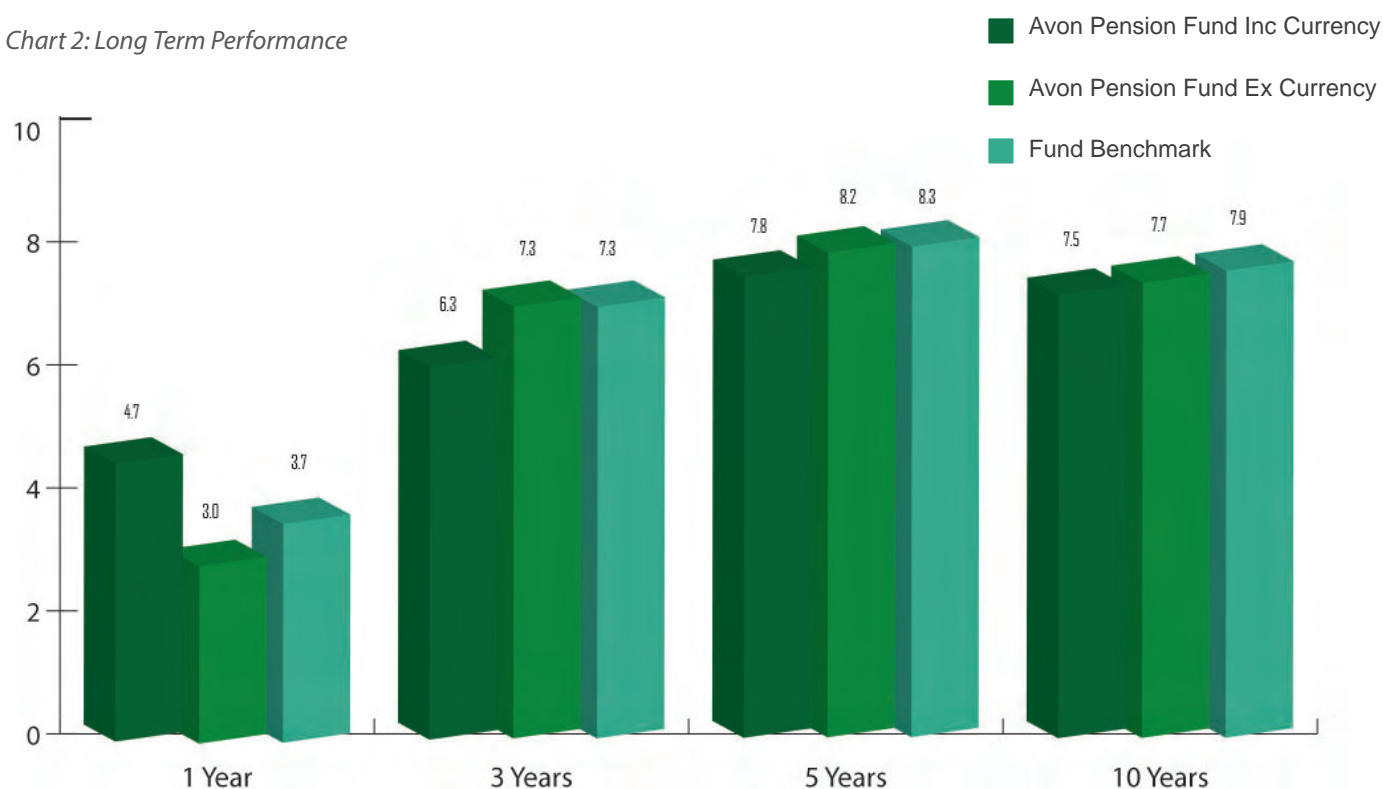


Table 13: Attribution to performance from asset allocation and stock selection

	Asset Allocation Impact (p.a)	Stock Selection Impact (p.a)
Asset Class	1 Year	1 Year
UK Equities	0.0%	0.0%
Overseas Equities	-0.1%	0.3%
EM Equities	0.1%	-0.4%
Bonds	0.0%	0.0%
Multi Asset Credit	0.1%	-0.4%
Diversified Growth	0.0%	-0.6%
Property	0.0%	-0.2%
Hedge Funds	0.0%	0.0%
Infrastructure	0.0%	1.8%
Total	0.1%	0.5%

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

Table 14: Top 10 Largest Investment Holdings at 31 March 2018

Top 10 Largest Investment Holdings	£'000s	% of Fund
BlackRock Liability Solutions Fund XLIV	536,222	11.63%
Loomis Sayles & Co	482,296	10.46%
BlackRock Low Carbon Tracker Fund	458,736	9.95%
IFM Global Infrastructure (UK)	283,594	6.15%
Aberdeen Standard Global Absolute Return Strategies Fund	240,709	5.22%
Ruffer Absolute Return Fund	226,123	4.90%
JP Morgan Absolute Return Strategies Fund	210,133	4.56%
Pyrford Global Total Return Fund	135,269	2.93%
Genesis Emerging Markets Equity Fund	114,245	2.48%
Uni-Global Equity Emerging Markets Fund (Unigestion)	107,921	2.34%

Table 15: Contribution to performance – relative returns of investment managers

	1 Year Relative Return	3 Years Relative Return	5 Years Relative Return
BlackRock Equities	0.0%	0.0%	0.0%
BlackRock Corporate Bonds	0.1%	0.1%	-0.6%
Genesis Emerging Market Equities	-0.7%	-0.3%	-0.3%
Invesco Global Equities (terminated)*	-0.2%	0.0%	0.5%
JPMorgan Hedge Funds	-0.3% ²	-	-
Jupiter UK Equities	-2.9%	-2.2%	0.1%
Partners Global Property	-2.5% ¹	-	-
Pyrford DGF	-10.0%	-4.6%	-
RLAM (terminated) ³	2.7%	0.9%	1.5%
Schroder Global Equities	1.6%	0.0%	0.1%
Schroders UK Property	0.2%	-0.4%	0.1%
SSgA – Europe Equities (terminated) ³	1.5%	1.0%	1.0%
SSgA - Asia Pacific Equities (terminated) ³	0.4%	0.3%	0.8%
Standard Life DGF	-4.0%	-6.2%	-
IFM Infrastructure	20.5% ²	-	-
TT UK Equities	1.8%	1.6%	1.6%
Unigestion Emerging Market Equities	-5.8%	-3.6%	-

Note: ¹ Performance is shown since inception of the mandate on a Net IRR basis; ² Returns expressed in USD; ³ Performance shown to termination date

- c. A new allocation to Multi Asset Credit to capture returns from credit securities that are less sensitive to interest rates and will better protect capital during a period of rising interest rates. Initially the allocation is 11%, reducing to 6% in the medium term.
- d. Increase the allocation to Diversified Growth Funds by 5% to 15%. These funds target equity like returns but with less volatility as they invest across a diversified range of assets.
- e. Within the passive equity portfolio, switch the global equity portfolios into a Low Carbon Global Equity fund. This switch was an outcome from the Review of the Responsible Investing Policy in 2016. A portfolio tracking the Low Carbon index is expected to reduce annual carbon emissions by approximately 2/3rds compared to a portfolio tracking a traditional passive global index.
- f. Equity protection strategy – in addition to de-risking the funds equity portfolio by physically reducing the allocation to equities by 10%, the Fund

also implemented an equity protection strategy designed to compensate the Fund in the event of a sharp draw-down in equity market prices. This strategy was designed to give a greater level of certainty of asset returns over the next triennial valuation and protect the improvement in the funding position since the 2016 valuation.

(iv) Risk Management Framework

The final phase of the Fund's liability risk management framework was implemented during 2017/18. The objective of the strategy is to increase the certainty of the Fund's assets achieving the cash flows required to meet the pension payments as they fall due.

The liability risk management strategy allows the Fund to retain its allocation to growth assets and simultaneously increase its exposure to stabilising assets – specifically index-linked gilts – through the use of derivatives and “repurchase agreements”, which are a form of secured borrowing. Hard limits exist within the investment guidelines

to control the extent of borrowing activity the Fund undertakes.

Index-Linked Gilts are considered the best match for being able to pay out income equivalent to the Fund's liabilities as their cash flows are adjusted for inflation as are the Funds liabilities. The framework includes a number of pre-set yield based triggers, where exposure to Index Linked Gilts is only increased when they pay a sufficiently high yield to meet the Fund's requirements.

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

- The Fund appointed a third party to undertake a full review of the carbon exposure of the Fund's equity portfolio. An outcome of last year's review was to de-carbonise the passive equity portfolio by transitioning these assets to a Low Carbon Fund, which was completed during the course of the year.
- Holding managers to account

and querying Responsible Investment / Environmental, Social and Governance factors in their investment process where appropriate. This year specific topics managers were challenged on included climate change, pay equality and technology and data protection.

- Continued participation in the Local Authority Pension Fund Forum (LAPFF) recognising that their collaboration and engagement activities are important tools to manage Responsible Investment risks. Officers and Committee members attended three business meetings during the year.
- Independent analysis undertaken by the Fund shows that the Fund's investment managers are more active in expressing concerns through their votes than the average shareholder.
- Engagement with the Brunel Pension Partnership in developing the Brunel's Responsible Investing Policy ensuring that it will deliver the Fund's objectives in respect of ESG.
- Shortlisted for the Best Report by an Asset Owner (for medium and small funds) in the Responsible Investor Reporting Awards 2018.

3. Investment Performance

i. 2017/18 performance

For the year ending 31 March 2018 total Fund assets (including currency hedging) increased by £252m to give a value of £4,608m. The investment return of 4.7% was primarily due to the strong positive performance from global equities over the first 3 quarters of the year. Yields in fixed interest assets remained suppressed throughout the year in historical terms, reducing the cost of borrowing and in turn boosting equity prices. This affect was compounded by supportive economic and governmental policies across developed markets. The second half of the year built on the momentum of the record high equity prices touched in the first quarter, but did show signs of correcting toward the end of the year as the Federal Reserve started

to incrementally increase rates, denting investor confidence. The sell-off deepened in the last month of the year on concerns over US trade sanctions on China and slower growth expectations from China and Europe.

Over the 12 months to 31 March 2018, global equities as measured by the FTSE All World index returned 2.9% in sterling terms and 11.7% in local currency terms (as sterling appreciated). At a regional level, European markets rose 4.3%, US stocks rose 1.8% and UK stocks rose 1.2%, while the FTSE Japan index rose 7.5%. Emerging market equities were top performers, rising 8.8% in sterling terms. Short dated UK Government Bonds returned 0.5%, while long dated Gilts returned 2.2% over the year. UK corporate bonds returned 1.3% over the year.

Absolute returns over the year were positive with all mandates, except for two, delivering positive absolute returns. The Fund's UK Socially Responsible Investment mandate was not able to capture the market preference for oil and gas stocks (the price of Brent Crude Oil increased 33.2% over the year) due to restrictions within the mandate that limit the manager's ability to invest in such stocks. One of the Fund's diversified growth strategies delivered negative returns due to its large allocation to defensive assets that went unrewarded by the broader market. The Fund's infrastructure assets contributed positively to investment returns. Hedge fund returns were negatively impacted by low cash rates and diversified growth funds failed to deliver in line with their absolute return targets. The Fund's currency hedge enhanced returns as sterling rebounded from the sharp falls it had experienced in the prior year.

Over the year, the Fund's return of 4.7% (including the impact of the currency hedge) outperformed its strategic benchmark return of 3.7% by 1.0%. Excluding the currency hedge the Fund's return of 3.0% was 0.7% behind the strategic benchmark. At the strategic level, and excluding the Fund's liability risk management and currency overlay strategies, asset allocation added 0.1%. Relative returns from

actively managed portfolios were mixed with returns in equity markets being driven by narrow sectors within the markets, especially technology. Overall, active portfolio management enhanced returns by 0.5%. The annualised contribution to performance by asset class and stock selection over a one-year period can be seen in Table 13.

The investment return impacts the funding or solvency level of the Fund. The strategic benchmark represents a portfolio that, using the long term return expectations, should generate a real return of +2.8% above inflation, 50% of the time (that is, it is the best estimate return generated from the investment strategy). Achieving a real return is important as the pension benefits are linked to inflation. During the year the funding level improved by c. 1% due to the positive return on the Fund's assets exceeding the increase in the present value of the liabilities over the year.

ii. 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 7.3% per annum (excluding currency) is in line with the strategic benchmark return. Over the same period returns from developed and emerging market equities were above their assumed strategic returns from the investment strategy review in April 2017. Property returns remain above the assumed return of 5.75% but hedge fund returns remain below long-term averages and the strategic return of 5.1%, having been affected by low cash rates.

Despite recovering some of its losses from the previous year, when assessed on a three-year basis sterling has depreciated against most currencies and as a result the FX hedge has detracted 1.0% from the overall return.

Table 15 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. Over the three-year period, with the exception of one Diversified Growth Fund, all mandates with a three-year record produced positive absolute returns. However, a number of active funds underperformed their benchmarks over the period. The performance of the global property portfolio which shows the Internal Rate of Return since inception, is impacted by the dilution effect of investing monies during the investment phase of the portfolio. The more mature funds in the property portfolio became net cash flow positive through the year (distributing more capital than drawing on prior commitments), but it should be noted that a number of the less mature funds are still in the capital raising phase.

4. Largest Holdings

The ten largest investment holdings of the Fund at 31 March 2018 are shown in Table 14.

5. 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. In addition they provide a range of support services including stock lending and investment accounting. During the year the Fund appointed a new custodian, State Street Bank and Trust, who was selected as custodian for Brunel Pension Partnership.

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.

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 2016, set the employer contribution rates and deficit payment plans for the period from 1 April 2017 to 31 March 2020.

The 2016 valuation produced a funding level (the coverage of liabilities by the assets) of 86% which was an improvement on the funding level of 78% at the previous valuation in 2013. In monetary terms the deficit fell from £876 million in 2013 to £618 million in 2016. The improvement in the funding level and deficit was due to following

- A higher than expected investment return over the 3 years (5.6% p.a. compared to the assumption in the 2013 valuation of 4.8%)
- Maintaining the discount rate of CPI +2.2% that was used in the 2013 valuation

The Future Service Rate (FSR) which is used to value future benefit accruals rose to reflect the fact that investment returns in the future may be lower given that gilt yields have fallen to historic lows. To build in greater prudence into the FSR, the

discount rate was lowered from CPI +3% (used in 2013 valuation) to CPI +2.75%. The result was to increase the average FSR from 13.9% (in 2013 valuation) to 15.3%.

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 the funding position each quarter. In addition, an interim valuation is undertaken the year before the next triennial valuation to provide employers with an indication of the potential impact of the next valuation on their budget to help them plan accordingly and to consider potential changes required to the Funding Strategy Statement. The next interim valuation will be as at 31 March 2018.

The key assumption which drives the value of the pension liabilities (the future benefit payments), and therefore the deficit, is the discount rate which needs to reflect the overall real investment return which the investment assets are expected to achieve over the long term with a suitable allowance for prudence.

Historically, the discount rate used to value the accrued liabilities has been derived as gilts plus a fixed asset out performance to arrive at the overall expected return. However, the significant fall in gilt yields over recent years, results in a far higher value of the liabilities, the impact of which is to build in too much "prudence" into the funding strategy given the long term objectives of the Fund. As a result in the 2016 valuation the Actuary advised the Fund to adopt a discount rate that reflected the real expected asset return above the CPI when assessing the long term solvency target. To ensure consistency with the level of prudence built into the 2013 valuation, the same level of real return above CPI was adopted namely CPI + 2.2%.

As at 31 March 2018, the estimated funding level has improved slightly from 95% to 96% (with the deficit narrowing to c. £181m million). The increase in assets marginally outweighed the increase in liabilities.

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

Table 16: Funding level and asset allocation for the last six valuations

Valuation result	2001	2004	2007	2010	2013	2016
Value of Assets £m	1,563	1,474	2,184	2,459	3,146	3,737
Value of Liabilities £m	1,572	1,841	2,643	3,011	4,023	4,355
Funding level	99%	80%	83%	82%	78%	86%
Asset Allocation %	2001	2004	2007	2010	2013	2016
Equities	75%	74%	77%	63%	63%	50%
Bonds	25%	24%	21%	22%	20%	21%
Diversified Growth Funds	-	-	-	-	-	10%
Property	-	-	-	4%	7%	10%
Hedge Funds	-	-	-	9%	7%	5%
Cash	-	2%	2%	2%	3%	4%

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. As the 2016 valuation was completed during a particularly difficult time for public sector bodies due to the contraction in public sector funding, the 2016 FSS reflected the need to balance the long term solvency of the Fund with cash flow pressures faced by the scheme employers over the three year valuation period (to 2019/20).

The regulations in force in 2016 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

Using the flexibility provided within this framework, in 2016 the Fund kept increases in employer contribution rates to a minimum. The improved funding position meant that increases in deficit payments were minimised and that the average deficit recovery period contracted by three years to 17 years (from 20 in 2013). 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 scheduled 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, a "captive" insurance scheme has been introduced to manage this increase in costs for these employers.

The FSS will be reviewed as part of the 2019 valuation and will be consulted on with scheme employers before being published later in 2019.

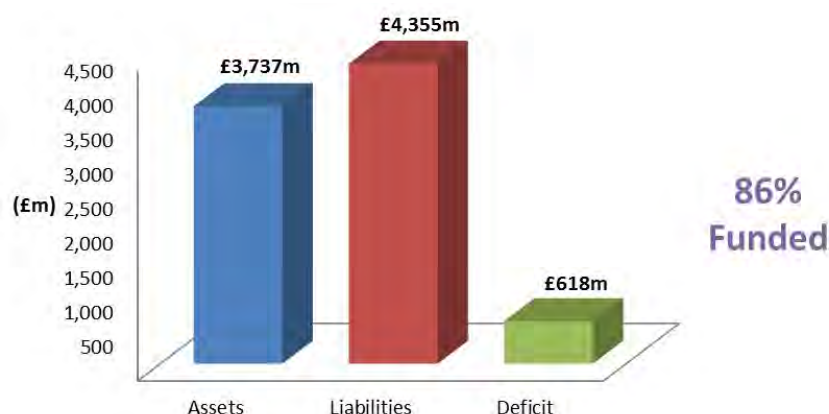
The 2016 Funding Strategy Statement is in Appendix E and can be obtained from the website www.avonpensionfund.org.uk (search Funding Strategy Statement)

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 2016 to determine the contribution rates with effect from 1 April 2017 to 31 March 2020.

On the basis of the assumptions adopted, the Fund's assets of £3,737 million represented 86% of the Fund's past service liabilities of £4,355 million (the "Funding Target") at the valuation date. The deficit at the valuation was therefore £618 million.



The valuation also showed that a Primary contribution rate of 15.6% 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 Funding Strategy Statement (FSS) is to achieve and then 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 (or contribution reductions to refund any surplus).

The FSS sets out the process for determining the recovery plan in respect of each employer. At this actuarial valuation the average deficit recovery period is 16 years, and the total initial recovery payment (the "Secondary rate") for 2018/19 is approximately £13 million (this allows for some employers to phase in any increases or to make a prepayment in April 2017). For all employers, the Secondary rate will increase at 3.7% per annum, except where phasing has been applied. With the agreement of the Administering Authority employers may also opt to pay some of their employer contributions early (after suitably agreed reductions), with either all three years being paid in April 2017 or payment being made in the April of the year in question.

Further details regarding the results of the valuation are contained in the formal report on the actuarial valuation dated 31 March 2017.

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 Funding Target and the Primary rate of contribution were as follows:

	For past service liabilities (Funding Target)	For future service liabilities (Common Contribution Rate)
Rate of return on investments (discount rate)	4.4% per annum	4.95% per annum
Rate of pay increases	3.7% per annum*	3.7% per annum
Rate of increases in pensions in payment (in excess of Guaranteed Minimum Pension)	2.2% per annum	2.2% 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 2019. Based on the results of this valuation, the contribution rates payable by the individual employers will be revised with effect from 1 April 2020.

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 2018 (the 31 March 2017 assumptions are included for comparison):

	31 March 2017	31 March 2018
Rate of return on investments (discount rate)	2.5% per annum	2.6% per annum
Rate of pay increases *	3.8% per annum	3.6% per annum
Rate of increases in pensions in payment (in excess of Guaranteed Minimum Pension) / Deferred revaluation	2.3% per annum	2.2% per annum
Rate of CPI Inflation / CARE Benefit revaluation	2.3% per annum	2.1% per annum

* includes a corresponding allowance to that made in the latest formal actuarial valuation for short-term public sector pay restraint.

The demographic assumptions are the same as those used for funding purposes. Full details of these assumptions are set out in the formal report on the actuarial valuation dated 31 March 2017.

During the year, corporate bond yields fell, resulting in a lower discount rate being used for IAS 26 purposes at the year end than at the beginning of the year (2.6% p.a. versus 2.5% p.a.). The expected long-term rate of CPI inflation increased during the year, from 2.3% p.a. to 2.1%. Both of these factors combined served to significantly increase the liabilities over the year. The pay increase assumption at the year end has also changed to allow for short-term public sector pay restraint which serves to reduce the liabilities.

The value of the Fund's promised retirement benefits for the purposes of IAS 26 as at 31 March 2017 was estimated as £6,459 million. Interest over the year increased the liabilities by c£163 million, and allowing for net benefits accrued/paid over the period also increased them by c£88 million (after allowing for any increase in liabilities arising as a result of early retirements/augmentations). There was then a decrease in liabilities of £257 million made due to "actuarial gains" (i.e. the effect of changes in the actuarial assumptions used, referred to above).

The net effect of all the above is that the estimated total value of the Fund's promised retirement benefits as at 31 March 2018 is therefore £6,453 million.

Paul Middleman
Fellow of the Institute and Faculty of Actuaries
Mercer Limited
May 2018

Clive Lewis
Fellow of the Institute and Faculty of Actuaries
Mercer Limited
May 2018

Employer Contribution Rates

Participating Employers		Contribution Rates			
Year Ended 31 March 2018		2017/18		2016/17	
	Active membership	%	Deficit / Surplus Amount	%	Deficit / Surplus Amount
Scheduled Bodies					
<i>Principal Councils and Service Providers</i>					
Avon Fire & Rescue Service	206	14.2	£357,000	13.6	£343,300
Bath & North East Somerset Council	3154	14.7	£15,400,700	14.2	-
City of Bristol Council	8902	14.5	£44,183,400	14	-
North Somerset Council	2395	14.7	£4,813,930	14.2	£5,412,400
South Gloucestershire Council	5860	15.0	£17,317,600	14.5	-
West of England Combined Authority	41	13.0	-	-	-
<i>Further & Higher Education Establishments</i>					
Bath Spa University	1118	13.8	£646,200	13.7	£589,800
Bath College	218	14.6	£155,700	13.3	£101,700
City of Bristol College	346	15.0	£558,000	14.4	£521,300
South Gloucestershire & Stroud College	519	13.1	£436,600	12.6	£419,900
St. Brendan's Sixth Form College	84	14.3	£122,300	13.8	£39,500
University of the West of England	2149	14.0	£2,286,930	13.5	£2,178,600
Weston College	342	13.1	£308,190	12.6	£275,000
<i>Academies and Schools</i>					
Abbeywood Community School	56	15.1	£40,400	14.4	£43,500
Abbot Alphege Academy	5	20.0	-	-	-
Ashcombe Primary School	78	14.8	£43,200	-	-
Aspire Academy	24	12.9	£37,970	14.6	£37,300
Backwell C of E Junior School	10	21.7	£2,133	-	-
Backwell School	64	16.7	£140,800	16.2	£124,400
Bannerman Road Community Academy	44	13.2	£20,000	12.7	£19,200
Barton Hill Academy	42	12.4	£25,300	11.9	£24,300
Bath Community Academy	17	14.1	£27,500	13.6	£27,000
Bathampton Primary School	31	18.9	£1,000	-	-
Batheaston Church School	46	17.9	£1,600	-	-
Bathwick St Mary Church School	26	18.4	£1,000	-	-
Becket Primary School	31	19.1	£20,300	-	-
Bedminster Down School	42	14.6	£33,300	16.0	£32,000
Beechen Cliff School	73	15.7	£43,200	15.1	£39,700
Begbrook Primary Academy	58	15.7	£19,280	15.5	£18,900
Birdwell Primary School	40	15.9	£22,800	15.9	£20,200
Bournville Primary Academy	113	15.6	£57,514	-	-
Bradley Stoke Community School	65	15.1	£86,200	13.0	£70,800
Bridge Learning Campus	59	14.0	£67,200	13.5	£64,600
Bristol Cathedral School Trust	72	13.8	£2,900	13.9	£2,800

Participating Employers Year Ended 31 March 2018	Contribution Rates				
	Active membership	2017/18		2016/17	
		%	Deficit / Surplus Recovery	%	Deficit / Surplus Recovery
Bristol Free School	52	13.9	£1,400	15.9	£200
Bristol Futures Academy	16	7.0	-£100	15.0	-
Bristol Technology & Engineering Academy	7	13.0	£200	13.4	-
Broadlands Academy	36	14.7	£39,300	14.2	£37,800
Broadoak Mathematics & Computing College	53	15.3	£77,300	14.6	£71,800
Cabot Learning Federation	231	13.7	£52,850	13.2	£37,300
Callicroft Primary School	61	15.1	£22,200	17.6	£20,200
Chandag Infant School	21	15.0	£6,520	-	-
Chandag Junior School	28	18.6	£9,075	-	-
Charborough Road Primary School	26	15.1	£19,400	15.5	£19,400
Charfield Primary School	17	18.6	£8,200	17.8	£7,800
Chew Stoke Church School	31	15.8	£5,500	15.3	£5,200
Chew Valley School	60	18.1	£9,100	-	-
Christ Church C of E Primary School (Bristol)	16	15.9	£12,300	15.2	£11,500
Christ Church C of E Primary School (WSM)	31	19.1	£15,800	-	-
Churchill Academy	63	14.8	£108,300	14.8	£101,800
City Academy	83	12.9	£34,450	13.0	£25,600
Clevedon School	61	14.4	£62,100	13.9	£56,700
Clutton Primary School	14	21.6	£7,600	22.9	£7,100
Colston's Girls' School	45	14.8	-£4,800	17.2	-£1,500
Colston's Primary School	35	12.9	£8,900	12.2	£7,200
Combe Down C of E Primary School	41	16.7	£29,600	16.5	£19,700
Cotham School	115	14.2	£83,400	13.7	£78,700
Court de Wyck Church School	12	20.5	£31,600	18.1	£14,500
Crockerne C of E Primary School	49	17.7	£43,500	17.7	£17,000
Digitech Studio School	19	13.9	-£100	20.0	-
Diocese of Bristol Academy Trust	5	15.8	£400	21.3	-
Downend School	39	15.9	£41,700	15.4	£40,100
Dundry C of E Primary School	16	22.8	£2,200	26.4	£2,100
Easton C of E Academy	56	15.8	£46,400	14.8	£47,600
Elmlea Junior School	14	15.9	£45,100	15.4	£12,800
Endeavour Academy Trust	5	13.0	-	-	-
Fairfield High School	46	15.4	£65,100	15.4	£60,800
Fairlawn Primary School	12	13.6	-£100	20.0	-
Farmborough Primary School	20	16.6	£4,100	-	-
Farrington Gurney C of E Primary School	15	16.1	£9,600	-	-
Filton Avenue Primary School	49	12.8	£26,200	13.0	£19,300
Filton Hill Primary School	20	15.1	£12,700	16.8	£8,500
Fishponds C of E Academy	58	15.8	£25,300	14.8	£23,100
Fosse Way School	101	13.1	£70,400	12.6	£65,100
Four Acres Academy	34	13.9	£30,100	13.4	£28,600
Frome Vale Academy	14	14.0	£11,650	13.4	£11,400
Gordano School	102	16.3	£133,800	15.5	£121,400
Greenfield E-ACT Primary Academy	47	14.5	£21,200	15.5	£17,200
Hanham Woods Academy	64	16.6	£223,200	17.3	£64,200

Participating Employers		Contribution Rates			
Year Ended 31 March 2018		2017/18		2016/17	
	Active membership	%	Deficit / Surplus Recovery	%	Deficit / Surplus Recovery
Hans Price Academy	50	13.8	£262,600	13.3	£85,900
Hareclive E-ACT Academy	47	14.5	£30,700	13.7	£21,700
Hayesfield Girls School	71	16.0	£120,400	15.3	£39,700
Haywood Village Academy	29	15.9	-	20.0	-
Headley Park Primary School	53	17.1	£24,700	-	-
Henbury Court Primary Academy	36	13.0	£35,820	14.0	£24,400
Henbury School	48	14.7	£36,000	14.2	£34,600
Henleaze Junior School	13	13.6	£14,500	15.2	£13,100
Heron's Moor Academy	66	14.0	£24,200	13.4	£23,300
High Down Infant School	56	16.1	£35,900	20.0	-
High Down Junior School	45	19.5	£40,300	18.9	£22,200
High Littleton C of E Primary School	20	15.6	£7,200	18.7	£6,900
Hotwells Primary School	18	15.7	£14,800	15.2	£14,200
Hutton C of E Primary School	31	16.5	£14,400	-	-
IKB Academy	7	14.0	-£1,000	20.0	-
Ilminster Avenue E-ACT Academy	38	14.5	£8,400	14.4	£12,800
Inspirational Futures Trust	4	20.0	-	20.0	-
Kings Oak Academy	73	16.0	£45,710	16.1	£37,700
Kingshill Church School	27	15.2	£41,700	14.0	£12,700
Knowle DGE Academy	64	15.5	£41,400	-	-
Lansdown Park Academy	13	15.5	£4,900	-	-
Little Mead Primary Academy	56	13.0	£23,680	11.7	£19,700
Locking Primary School	27	16.4	£14,400	-	-
Longvernal Primary School	24	16.8	£3,800	16.5	£2,700
Lyde Green Primary School	12	20.0	-	20.0	-
Mangotsfield School	56	16.8	£74,300	16.3	£71,500
Marksbury C of E Primary School	11	14.8	£4,320	-	-
Marlwood School	26	16.9	£52,500	16.4	£47,900
Mary Elton Primary School	50	17.0	£28,100	-	-
Mead Vale Community Primary School	54	16.9	£8,000	-	-
Meadowbrook Primary School	49	15.1	£34,200	15.2	£26,600
Merchants' Academy	99	14.7	£14,090	14.2	£13,800
Midsomer Norton Primary School	43	16.0	£13,500	-	-
Midsomer Norton Schools Partnership	132	16.0	£127,300	15.1	£111,300
Milton Park Primary School	62	15.7	£30,600	-	-
Minerva Primary Academy	36	16.1	£11,550	15.2	£11,100
Moorlands Infant School	16	18.6	£8,100	18.6	£7,900
Moorlands Junior School	15	17.6	£9,000	17.6	£8,600
Nailsea School	55	17.5	£60,100	16.3	£55,500
North Somerset Enterprise & Technology College	11	11.6	-£700	20.0	-
Northleaze C of E Primary School	35	18.6	£3,800	-	-
Notton House Academy	51	15.5	£40,100	-	-
Oasis Academy Bank Leaze	18	12.0	£11,700	11.5	£11,100
Oasis Academy Brightstowe	35	13.7	£27,200	13.2	£11,500
Oasis Academy Brislington	51	16.1	£96,000	15.6	£90,000

Participating Employers		Contribution Rates			
Year Ended 31 March 2018		2017/18		2016/17	
	Active membership	%	Deficit / Surplus Recovery	%	Deficit / Surplus Recovery
Oasis Academy Connaught	32	13.7	£14,400	13.2	£13,800
Oasis Academy John Williams	63	13.6	£4,700	13.7	£4,500
Oasis Academy Long Cross	59	15.5	£42,200	15.0	£39,900
Oasis Academy Marksbury Road	19	14.1	£1,000	13.4	-
Oasis Academy New Oak	39	12.9	£19,800	12.4	£17,000
Oldfield Park Infant School	29	18.1	£16,800	20.0	-
Oldfield Park Junior School	19	19.7	£10,500	19.6	£5,000
Oldfield School	52	15.5	£53,800	15.5	£17,600
Oldmixon Primary School	27	15.9	£23,314	-	-
Olympus Academy Trust	33	15.1	-	-	-
Orchard School Bristol	36	14.8	£48,800	15.2	£46,900
Parson Street Primary School	38	15.4	£20,900	16.8	£20,100
Patchway Community School	45	18.3	£63,600	17.6	£59,200
Peasedown St John Primary School	60	16.5	£42,300	16.3	£43,600
Perry Court E-ACT Academy	37	14.5	£21,437	-	-
Portishead Primary School	50	15.7	£39,600	14.9	£25,600
Priory Community School	140	14.4	£431,800	13.9	£120,200
Ralph Allen School	59	16.9	£48,100	16.4	£41,700
Redfield Educate Together Primary Academy	27	10.5	£100	9.8	-
Redland Green School	43	13.0	£82,800	12.2	£78,200
Saltford C of E Primary School	39	17.9	£14,090	17.3	£8,600
Severn Beach Primary School	15	20.6	£9,100	21.1	£8,000
Sir Bernard Lovell Academy	58	15.3	£73,110	14.8	£69,500
Somerdale Educate Together Primary Academy	2	20.0	-	-	-
St Andrew's Church School	37	15.5	£1,500	-	-
St Bede's Catholic College	62	14.1	£45,900	13.6	£42,300
St Georges Church School	19	18.7	£72,000	18.6	£13,500
St John the Evangelist Church School	27	18.0	£60,700	17.4	£17,900
St John's C of E Primary School (MSN)	48	16.7	£22,600	16.2	£21,000
St John's C of E VC Primary School (Keynsham)	24	17.5	£9,880	17.0	£9,600
St Katherine's School	38	17.1	£79,600	16.2	£63,000
St Mark's Ecumenical Anglican/Methodist Primary School	44	15.7	£115,800	15.0	£26,900
St Martin's Garden Primary School	49	14.9	£42,000	14.6	£24,600
St Martin's C of E Primary School	76	16.8	£34,800	-	-
St Mary Redcliffe C of E Primary School	38	15.8	£22,800	-	-
St Mary's C of E VA Primary School	11	16.6	£5,800	15.8	£3,700
St Matthias Academy	13	15.5	£10,000	-	-
St Nicholas Chantry C of E VC Primary School	30	17.6	£4,600	-	-
St Nicholas of Tolentine Catholic Primary School	22	13.4	£13,100	15.2	£12,600
St Patrick's Catholic Primary School	22	17.2	£33,900	16.7	£10,400
St Peter's C of E Primary School	53	15.8	£29,360	15.1	£22,700
St Philip's C of E Primary School	22	17.3	£22,100	20.0	-
St Saviours Infant Church School	29	16.1	£1,300	-	-
St Saviours Junior Church School	18	15.6	£600	-	-

Participating Employers		Contribution Rates			
Year Ended 31 March 2018		2017/18		2016/17	
	Active membership	%	Deficit / Surplus Recovery	%	Deficit / Surplus Recovery
St Stephen's Primary Church School	48	19.5	£1,600	-	-
St Teresa's Catholic Primary School	23	14.8	£13,200	14.3	£12,600
St Ursula's E-ACT Primary Academy	40	14.5	£1,100	16.0	-£300
Steiner Academy Bristol	11	13.5	-£300	13.0	-
Stoke Bishop C of E Primary School	28	16.5	£69,400	16.6	£22,900
Stoke Lodge Primary School	46	15.1	£29,100	15.7	£23,600
Summerhill Academy	43	16.7	£11,060	16.2	£10,300
The Bath Studio School	4	9.2	-£700	20.0	-
The Castle School	97	16.8	£78,000	16.0	£70,000
The Dolphin School	27	9.4	£300	8.9	£100
The Kingfisher School	21	16.0	£12,500	14.9	£12,000
The Meadows Primary School	27	16.9	£2,741	-	-
Three Ways School	134	11.6	£59,800	11.0	£53,200
Tickenham C of E Primary School	15	10.4	£1,000	9.7	£800
Trinity Anglican Methodist Primary School	33	14.7	£70,600	13.4	£38,900
Trinity Church School	32	11.9	£8,200	13.7	£7,900
Trust in Learning	8	11.2	£4,700	22.7	£4,500
Venturers' Academy	26	14.7	-	14.2	-
Victoria Park Primary School	58	16.6	£22,500	-	-
Walliscote Primary School	34	16.1	£19,200	-	-
Wallscourt Farm Academy	34	13.8	£100	16.9	-
Waycroft Academy	74	15.7	£31,700	15.8	£28,200
Wellsway School	91	15.5	£49,030	15.0	£48,200
Welton Primary School	26	16.6	£18,700	16.4	£17,100
West Leigh Infant School	14	19.9	£2,333	-	-
West Town Lane Academy	70	14.6	£27,100	14.8	£25,800
Westbury Park Primary School	33	16.4	£16,900	17.7	£16,200
Westbury-on-Trym C of E Academy	41	15.8	£20,300	15.3	£18,800
Weston All Saints C of E Primary School	88	17.2	£39,800	16.4	£45,800
Wicklea Academy	24	16.3	£12,000	17.0	£11,500
Widcombe C of E Junior School	21	17.2	£10,800	20.0	-
Widcombe Infant School	20	16.3	£19,300	16.2	£11,400
Windwhistle Primary School	72	16.9	£37,371	-	-
Winterbourne International Academy	68	15.3	-£6,100	14.8	-£6,600
Woodlands Academy	27	13.1	£2,700	13.1	£8,600
Worle Community School	103	17.5	£118,500	17.5	£9,500
Worle Village Primary School	20	17.5	£7,800	-	-
Writhlington School	77	13.1	£83,200	12.4	£75,700
Yate Academy	67	14.9	£12,700	14.4	£3,200
Yeo Moor Primary School	37	18.2	£21,300	18.2	£20,100
Designating Bodies					
Almondsbury Parish Council	3	16.1	-	14.5	£100
Backwell Parish Council	2	19.6	£5,900	18.1	£1,900
Bath Tourism Plus Limited	4	18.8	-	17.1	£8,500

Participating Employers		Contribution Rates			
		2017/18		2016/17	
		Active membership	%	%	Deficit / Surplus Recovery
Year Ended 31 March 2018					
Bristol Waste Company	51	20.7	£300	22.6	-
Bradley Stoke Town Council	10	18.4	£27,300	17.3	£8,900
Charter Trustees of the City of Bath	2	15.1	-£1,400	20.3	£4,000
Congresbury Parish Council	1	17.2	£100	20.0	-
Clevedon Town Council	2	18.5	£1,000	17.6	£100
Destination Bristol	10	13.0	£73,500	12.0	£24,200
Dodington Parish Council	6	19.4	£1,570	18.1	£1,500
Downend and Bromley Heath Parish Council	1	15.3	£200	14.5	£105
Emersons Green Town Council	3	17.2	£7,300	15.7	£2,200
Filton Town Council	36	14.0	-£6,200	13.4	£1,900
Frampton Cotterell Parish Council	7	20.4	£1,900	19.9	£1,600
Hanham Abbots Parish Council	1	13.3	£100	12.4	£100
Hanham Parish Council	1	17.4	£2,100	16.1	£3,400
Keynsham Town Council	14	18.2	£14,680	17.3	£14,400
Midsomer Norton Town Council	2	16.0	£8,600	13.8	£8,500
Nailsea Town Council	7	19.9	£5,500	19.4	£4,800
Oldland Parish Council	2	16.3	£900	15.1	£500
Patchway Town Council	6	16.8	-£5,700	15.0	£6,500
Paulton Parish Council	7	16.9	-£1,900	16.4	£1,800
Peasedown St John Parish Council	6	12.9	£800	11.3	£600
Pill & Easton in Gordano Parish Council	1	16.7	£200	15.9	£100
Portishead Town Council	5	16.0	£4,800	14.8	£4,400
Radstock Town Council	3	11.9	£4,400	10.5	£4,100
Saltford Parish Council	1	21.3	£400	19.7	£400
Stoke Gifford Parish Council	6	14.4	-£2,900	15.4	£6,500
Thornbury Town Council	16	21.2	£14,200	20.1	£13,600
Westerleigh Parish Council	1	16.5	-£1,800	15.2	-£900
Westfield Parish Council	3	16.8	£16,600	21.7	£5,500
Weston Super Mare Town Council	33	14.6	£9,100	13.6	£7,700
Whitchurch Parish Council	1	17.3	£200	16.0	£105
Winterbourne Parish Council	1	25.3	£1,000	24.2	£700
Yate Town Council	31	13.2	£36,820	14.3	£12,100
Yatton Parish Council	3	21.1	£700	20.6	£700
Community Admission Bodies					
Alliance Homes	76	17.9	£102,400	16.9	£92,500
Ashley House Hostel	12	23.2	£10,100	22.1	£9,700
Disability Equality Forum	1	24.4	-£500	23.2	-£100
Bristol Music Trust	16	18.5	£10,900	17.7	£10,500
Clifton Suspension Bridge Trust	7	20.1	£5,000	19.5	£4,800
The Holburne Museum	3	16.8	£22,500	15.1	£19,700
Learning Partnership West Ltd	9	22.2	-£64,900	20.5	-
Merlin Housing Society Ltd	51	18.0	-£107,000	17.2	£10,700
Merlin Housing Society Ltd (New staff since 2007)	104	23.8	£67,100	22.5	£64,500
Sirona Care & Health CIC	127	21.4	-	-	-

Participating Employers		Contribution Rates			
Year Ended 31 March 2018		2017/18		2016/17	
	Active membership	%	Deficit / Surplus Recovery	%	Deficit / Surplus Recovery
Southwest Grid for Learning Trust	3	11.4	£29,600	11.2	£27,700
The Care Quality Commission	4	20.9	£61,900	20.0	£56,900
The Park Community Trust Ltd	6	18.8	-£5,100	17.2	-£600
University of Bath	1051	15.1	£2,396,130	14.6	-
Vision North Somerset CIO	9	18.6	£13,800	17.6	£13,300
West of England Sport Trust (WESPORT)	6	20.1	£20,400	17.4	£36,200
Writhlington Trust	6	25.8	£6,800	26.8	£6,500

<i>Transferees Admitted Bodies</i>					
ABM Catering Limited	5	21.9	-	-	-
Action For Children	1	29.8	-£2,000	15.1	-
Active Community Engagement Ltd	3	22.6	£800	19.0	-£6,100
Agilisys Limited	30	21.3	£17,500	18.0	-£1,000
Agilysis Limited 2015	49	20.6	£43,100	18.0	-
Alliance in Partnership Limited - Westbury on Trym C of E Academy	1	17.0	-	-	-
Alliance Living Care Limited	5	22.3	-	22.4	-
Aspens Services Limited - Abbeywood Community School	5	21.4	-	21.2	-
Aspens Services Limited - Bannerman Road Community Academy	1	26.0	-	26.1	-
Aspens Services Limited - Barrs Court Primary School	3	22.0	-	-	-
Aspens Services Limited - Beacons Rise Primary School	3	21.5	-	21.3	-
Aspens Services Limited - Begbrook Primary Academy	1	20.0	-£200	19.9	-
Aspens Services Limited - Blackhorse Primary School	3	20.4	-	20.0	-
Aspens Services Limited - Bradley Stoke Community School	4	20.5	-	20.2	-
Aspens Services Limited - Castle School	4	19.9	-	19.6	-
Aspens Services Limited - Charborough Primary School	2	17.2	-	16.0	-
Aspens Services Limited - Charfield School	1	21.2	-	21.1	-
Aspens Services Limited - Cherry Garden Primary School	2	21.0	-	-	-
Aspens Services Limited - Christchurch Hanham C of E Primary School	1	17.0	-	-	-
Aspens Services Limited - Culverhill School	2	15.3	-	-	-
Aspens Services Limited - Downend School	4	21.0	-	20.7	-
Aspens Services Limited - Elmlea Academy	1	24.8	-	-	-
Aspens Services Limited - Frampton Cottrell School	3	23.2	-	23.0	-
Aspens Services Limited - Frome Vale Academy	1	21.1	-£100	21.1	-
Aspens Services Limited - Hanham Abbots Junior School	5	21.5	-	21.1	-

Participating Employers	Contribution Rates				
	Active membership	%	2017/18	2016/17	
			Deficit / Surplus Recovery	%	Deficit / Surplus Recovery
Aspens Services Limited - Hanham Woods Academy	4	19.5	-	19.0	-
Aspens Services Limited - Summerhill Academy	1	24	-	24	-
Aspens Services Limited - Kings' Forest Primary School	3	18.3	-	18.7	-
Aspens Services Limited - King's Oak Academy	7	24.0	-£900	23.8	-
Aspens Services Limited - Longwell Green Primary School	2	17.0	-	16.4	-
Aspens Services Limited - Mangotsfield School	7	18.5	-	17.6	-
Aspens Services Limited - Marlwood School	3	18.1	-	17.8	-
Aspens Services Limited - Meadowbrook Primary School	4	20.1	-	19.8	-
Aspens Services Limited - Minerva Academy	3	23.3	-	23.4	-
Aspens Services Limited - New Horizons Learning Centre	2	13.2	-	-	-
Aspens Services Limited - Patchway Community College	4	19.4	-	18.9	-
Aspens Services Limited - Redland Green Academy	2	21.3	-	-	-
Aspens Services Limited - Shirehampton Primary School	1	27.4	-	27.4	-
Aspens Services Limited - St Barnabus C of E Primary School	2	20.3	-	19.5	-
Aspens Services Limited - Staple Hill Primary School	1	20.1	-	-	-
Aspens Services Limited - Stoke Lodge and Callicroft	2	16.1	-	-	-
Aspens Services Limited - Summerhill Academy	1	23.7	-	24.0	-
Aspens Services Limited - The Tynings School	3	15.7	-	-	-
Aspens Services Limited - Warmley Park Primary School	4	18.5	-	18.0	-
Ategi limited	1	18.7	-	-	-
BAM Construct UK Ltd	8	22.7	£2,600	22.4	-£3,000
Bespoke Cleaning Services Limited - Charborough Road Primary School	2	22.6	-	-	-
Bespoke Cleaning Services Ltd - Filton Hill Primary School	2	20.8	-	21.0	-
Bespoke Cleaning Services Ltd - Stoke Lodge Primary School	2	21.3	-	21.3	-
Brunelcare CIC	2	21.9	-	21.9	-
Churchill Contract Services Ltd - Golden Valley Primary School	1	24.5	-	24.8	-
Churchill Contract Services Ltd - South Gloucestershire & Stroud College	3	22.4	£600	21.3	-
Churchill Contract Services - Westhaven School	1	23.5	-	22.7	-
Circadian Trust	84	15.6	£91,310	14.3	£76,900
Compass Contract Services (UK) Ltd - Ashton Park School	3	23.6	-	23.8	-

Participating Employers		Contribution Rates			
Year Ended 31 March 2018		2017/18		2016/17	
	Active membership	%	Deficit / Surplus Recovery	%	Deficit / Surplus Recovery
Compass Contract Services (UK) Ltd - Bristol Cathedral Choir School	1	17.5	-	16.9	-
Compass Contract Services (UK) - Bristol City Council	41	21.0	-	-	-
Compass Contract Services (UK) Ltd - Cathedral Schools Trust (BCCfw)	4	22.9	-	-	-
Compass Contract Services (UK) Ltd - Compass Point South Street	1	23.4	-	23.6	-
Compass Contract Services (UK) Ltd - Diocese of Bristol Academies Trust (BCCfw)	5	21.6	-	-	-
Compass Contract Services (UK) Ltd - Luckwell Primary School	1	23.4	-	23.6	-
Compass Contract Services (UK) Ltd - Nova Primary School	1	29.0	-	27.5	-
Compass Contract Services (UK) Ltd - Sea Mills Primary School	1	19.7	-	19.5	-
Compass Contract Services (UK) Ltd - South Gloucestershire and Stroud College	1	24.4	-	-	-
Compass Contract Services (UK) Ltd - St Bede's Academy (BCCfw)	4	25.8	-	-	-
Compass Contract Services (UK) Ltd - St Bernards Catholic Primary School	1	20.9	-	20.6	-
Compass Contract Services (UK) Ltd - St Patrick's Catholic Primary School (BCCfw)	2	21.4	-	-	-
Compass Contract Services (UK) Ltd - St Teresa's Catholic Primary School (BCCfw)	2	23.6	-	-	-
Compass Contract Services (UK) Ltd - Westbury Park Primary School (BCCfw)	2	18.4	-	-	-
Creative Youth Network (East) - Hillfields Youth Centre	2	19.1	-£6,900	16.5	-
Dolce Ltd - Filton Hill Primary School	2	19.3	-	19.6	-
Dolce Ltd - Mangotsfield School	4	19.9	-	19.5	-
Direct Cleaning Services (South West) Limited (Newbridge Primary School)	1	14.3	-	-	-
Edwards and Ward Ltd (Chew Stoke Primary Academy)	1	29.9	-	29.4	-
Edwards and Ward Ltd (Henleaze Academy)	2	21.0	-	-	-
Eurotaxi Limited	2	24.8	-	-	-
Fit For Sport - St Peter's CofE Primary School	3	21.0	£1,100	18.5	-
Future Cleaning Services Limited - Ashton Park School	4	20.4	-	-	-
Glen Cleaning Company Limited	22	24.0	-	23.1	-
Glen Cleaning Company Limited (Begbrook Academy)	2	20.4	-	-	-
Greenwich Leisure Ltd - Bath & North East Somerset Council	16	16.9	£1,500	14.9	-
Greenwich Leisure Ltd - North Somerset Council	7	19.5	-£8,300	18.4	£10,000
Interserve Catering Services Limited - St Helens CofE Primary School	2	22.1	-	-	-

Participating Employers		Contribution Rates			
Year Ended 31 March 2018		2017/18		2016/17	
	Active membership	%	Deficit / Surplus Recovery	%	Deficit / Surplus Recovery
ISS Mediclean Ltd - Bristol City Council	3	19.2	-£4,000	16.5	-£800
ISS Mediclean Ltd - Cabot Learning Federation	2	24.9	-£4,600	23.8	-£300
KGB Cleaning (South West) Ltd - Backwell Academy	2	20.5	-	19.3	-
Learning Partnership West (Lot 1) - Brentry Youth Centre	1	20.2	-£6,000	24.8	-
Learning Partnership West (Lot 3) - The Mill	1	8.2	-£1,300	17.5	-
Learning Partnership West (Lot 7) - Hareclive Youth Centre	1	8.6	£2,100	7.0	-
Lex Leisure C.I.C.		22.8	-	-	-
Liberata UK Ltd	34	20.7	-£46,600	19.5	£34,900
Notaro Homecare Limited	5	21.7	-	-	-
Prestige Cleaning & Maintenance Limited	4	22.9	-	21.3	-
Relyon Cleaning Services - Colston's Primary Academy	1	30.8	-	30.1	-
Ridge Crest Cleaning Ltd - Bristol City Council	4	22.6	-	19.1	-
Ridge Crest Cleaning Ltd - Sir Bernard Lovell School	2	23.3	-	23.3	-
Shaw Healthcare - The Granary	2	23.3	£9,000	21.0	£8,600
SITA Holdings UK Ltd	1	29.9	£68,700	30.2	£66,100
Skanska Rashleigh Weatherfoil Ltd	2	17.7	-£300	15.9	£300
SLM Community Leisure Trust	68	18.1	£12,800	17.5	£7,200
SLM Fitness & Health Ltd	11	16.5	£7,400	15.5	£6,200
Sodexo Ltd	1	22.9	£2,800	22.6	-
Taylor Shaw Limited	5	21.5	-	-	-
The Brandon Trust	9	23.8	-	19.1	£4,000
Virgin Care Services Limited	156	21.0	-	-	-

Statement of Accounts 2017/18

Fund Account For the Year Ended 31 March 2018

	Notes	2017/18	2016/17
Dealings with members, employers and others directly involved in the fund		£'000	£'000
Contributions Receivable	4	224,764	146,347
Transfers In		8,613	2,911
		233,377	149,258
Benefits Payable	5	163,014	159,775
Payments to and on account of Leavers	6	7,939	4,717
		170,953	164,492
Net additions/ (withdrawals) from dealings with members		62,424	(15,234)
Management Expenses	7	26,374	24,498
Net (withdrawals) / additions from dealings with members		36,050	(39,732)
Returns on Investments			
Investment Income	8	28,008	29,425
Profits and losses on disposal of investments and change in value of investments.	9	183,089	627,155
Net Returns on Investments		211,097	656,580
Net Increase in the net assets available for benefits during the year		247,147	616,848
Net Assets of the Fund			
Opening Net Assets of the Fund At 1 April		4,353,778	3,736,930
Closing Net Assets of the Fund At 31 March		4,600,925	4,353,778

Net Assets Statement at 31 March 2018

	Notes	31 March 2018		31 March 2017	
		£'000	%	£'000	%
Investment Assets					
Equities		1,075,449	23.4	750,053	17.2
Unquoted Equity		840		-	
Bonds		-	0.0	509,172	11.7
Pooled investment vehicles :-					
- Property	Unit Trusts	172,109	3.7	135,309	3.1
	Unitised Insurance Policies	37,469	0.8	52,677	1.2
	Other Managed Funds	201,321	4.4	192,923	4.4
Property Pooled Investment Vehicles		410,899		380,909	
- Non Property	Unitised Insurance Policies	82,124	1.8	769,043	17.7
	Other Managed Funds	2,824,981	61.4	1,238,965	28.5
Non Property Pooled Investment Vehicles		2,907,105		2,008,008	
Cash deposits		204,037	4.4	67,712	1.6
Other Investment balances		5,096	0.1	6,103	0.1
Investment Liabilities					
Derivative contracts (Foreign Exchange hedge)		13,840	0.3	5,075	0.1
Derivative Contracts: FTSE Futures		(598)	(0.0)	(53)	(0.0)
Other Investment balances		(8,361)	(0.2)	(598)	(0.0)
Total Investment Assets	10	4,608,307		4,357,775	
Net Current Assets					
Current Assets	12	11,961	0.3	11,255	0.3
Current Liabilities	12	(19,343)	(0.4)	(15,252)	(0.4)
Net assets of the scheme available to fund benefits at the period end		4,600,925	100	4,353,778	100

The restatement of the 31st March 2017 assets relates to the re-ordering of the assets. There has been no change in the asset values.

Analysis of Other Managed Funds

Diversified Growth Funds	602,103	375,391
Infrastructure	283,594	256,003
Liability Driven Investments	521,212	-
Multi Asset Credit	482,296	-
Derivative Contract: OTC Equity index Options	15,010	-
Other	920,766	1,238,965
	2,824,981	1,870,359

The Fund's financial statements do not take account of liabilities to pay pensions and other benefits after 31 March 2018. The actuarial present value of these liabilities is disclosed in note 15.

As at 31 March 2018 the Fund was transitioning assets between managers in line with the strategic policy which resulted in higher than normal Investment debtors and creditors at year end (at 31 March 2018 (£8.361m) compared to (£0.598m) at 31 March 2017). The net investment creditors at 31 March 2018 (£8.361m) is made up of £227.692m receivable from pending sales and £236.053m payable on pending purchases.

Notes to the Accounts - Year Ended 31 March 2018

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 2017 to 31 March 2018.

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 2017/18 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 2.7. They do not take account of liabilities to pay pensions and other benefits in the future.

Actuarial Valuation

1.4 As required by the Local Government Pension Scheme Regulations 2013 an actuarial valuation of the Fund was carried out as at 31 March 2016. The market value of the Fund's assets at the valuation date was £3,737m. The Actuary estimated that the value of the Fund was sufficient to meet 86% of its expected future liabilities of £4,355m in respect of service completed to 31 March 2016.

1.5 At the 2016 valuation the average deficit recovery period for the Fund overall was set at 16 years.

1.6 The 2016 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:

1.7 The 2016 triennial valuation

was completed during 2016/17 using market prices and membership data as at 31 March 2016. The 2016 valuation set the employer contribution rates for future service and deficit recovery payments (expressed as a monetary amount payable annually) with effect from 1 April 2017. Historically the discount rate used has been based on gilt yields. However, having taken advice from the Scheme Actuary, the discount rate used in the 2016 valuation is based on CPI plus a real investment return of 2.2% p.a. which better reflects the expected return of the investment portfolio in the long term compared to the gilts basis.

1.8 The Actuary has estimated that the funding level as at 31 March 2018 has risen to 96.2% from 95% at 31 March 2017 based on the 2016 valuation financial assumptions. The improvement is due to positive investment returns offsetting a slight increase in liabilities.

1.9 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.

1.10 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

	Past service liabilities	Future service liabilities
Rate of Discount	4.4% per annum	4.95% per annum
Rate of pensionable pay inflation	3.7% per annum	3.7% per annum
Rate of price inflation	2.2% per annum	2.2% per annum

be met going forward.

Investment Strategy Statement

1.11 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 first statement was published for 1 April 2017 and it includes a statement on the Fund's approach to pooling its investment assets as required under the regulations. The ISS has since been updated as required.

1.12 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 fund in the pool is a shareholder owning an equal share of the company. Brunel will be responsible for appointing and monitoring managers and other investment related operational aspects of the Fund. The Fund's assets will gradually transition to Brunel from 1 April 2018. The Investment Strategy Statement will be updated during this transition to reflect the changing responsibilities.

1.13 Fund has implemented two 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 has been implemented to provide a hedge against changes in the value of the pension liabilities within the asset portfolio. This strategy consists of bonds (specifically Index link gilts) 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.

Statement of Accounting Policies

Basis of Preparation

1.14 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

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

- i. Quoted Securities have been valued at 31 March 2018 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 2018. 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 2018.
- 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 December 2017 with adjustments made for any reduction or addition to the level of investment.
- 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 Unquoted Equity is shares in Brunel Pension Partnership Ltd. As a newly formed company its' fair value is based on the initial cash transaction. The company is not aware of any reason to write down this initial investment for impairment.
- 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

1.16 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 last such valuation was at 31 March 2016. Currently 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. The employee contribution rates range from 5.5% to 12.5% of pensionable pay for the financial year ending 31 March 2018.

1.17 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

1.18 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.

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

1.20 Cash Transfer Values are those sums paid to or received from other pension schemes and relate to previous periods of pensionable employment. Cash Transfer Values have been included in the accounts on the basis of the cheque payment date or "Bath & North East Somerset Council cash office received" date. Accruals are only made when it is certain that a transfer is to take place.

1.21 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

1.22 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. Some of the income on pooled investments (mainly property) is distributed.

Investment Management & Administration

1.23 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.

1.24 The fees of the Fund's external investment managers reflect their differing mandates. Fees are linked to the market value of the Fund's investments 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

1.25 The Fund is an exempt approved fund under the Income and Corporation Taxes Act 1988 and is therefore not liable to UK income tax on investment income or to capital gains tax. 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 3iv in the Notes to the Accounts.

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

1.26 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 in to 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 (see 2.2i) 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 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

1.27 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.

Financial Instruments

1.28 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

1.29 The net pension fund liability is recalculated every three years by the appointed 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 1.6 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.

2. MEMBERSHIP

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

	31 March 2018	31 March 2017
Employed Members	36,479	36,213
Pensioners	30,734	29,464
Members entitled to Deferred Benefits	43,012	41,279
Total	110,225	106,956

A further estimated 847 ex-members whose membership was for up to 2 years before 1 April 2004 or up to 3 months after that date are due refunds of contributions. It is not possible to put an exact value on this liability until these ex-members have been traced and their entitlement verified. The previous estimate of 491 has been revised following further investigation.

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:-

	2017/18		2016/17	
Employers' normal contributions		£'000		£'000
Scheduled Bodies	71,831		69,518	
Administering Authority	8,768		8,610	
Admission Bodies	8,097	88,696	7,520	85,648
Employers' deficit Funding				
Scheduled Bodies	76,439		14,022	
Administering Authority	14,837		-	
Admission Bodies	2,912	94,188	710	14,732
Total Employer's normal & deficit funding		182,884		100,380
Employers' contributions- Augmentation				
Scheduled Bodies	3,089		6,265	
Administering Authority	278		1,007	
Admission Bodies	107	3,474	155	7,427

Members' normal contributions				
Scheduled Bodies	30,998		31,126	
Administering Authority	3,947		4,008	
Admission Bodies	2,856	37,801	2,792	37,926
Members' contributions towards additional benefits				
Scheduled Bodies	484		484	
Administering Authority	92		104	
Admission Bodies	29	605	26	614
Total		224,764		146,347

Deficit funding contributions have been paid by employers in respect of the recovery of their deficit relating to past service.

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 The Equitable Life Assurance Society or Friends Life 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:-

	2017/18	2016/17
	£'000	£'000
Retirement Pensions	135,003	129,796
Commutation of pensions and Lump Sum Retirement Benefits	24,655	27,443
Lump Sum Death Benefits	3,356	2,536
	163,014	159,775

Analysis of Benefits Payable by Employing Body:-

	2017/18	2016/17
	£'000	£'000
Scheduled & Designating Bodies	134,704	131,452
Administering Authority	15,942	16,496
Admission Bodies	12,368	11,827
	163,014	159,775

6. PAYMENTS TO AND ON ACCOUNT OF LEAVERS

	2017/18	2016/17
Leavers	£'000	£'000
Refunds to members leaving service	744	1,165
Individual Cash Transfer Values to other schemes	7,195	2,890
Group Transfers	-	662
	7,939	4,717

7. MANAGEMENT EXPENSES

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

	2017/18	2016/17
	£'000	£'000
Administrative Costs	1,829	1,774
Investment Management Expenses	23,109	21,409
Oversight & Governance Costs	1,436	1,315
	26,374	24,498

Further Analysis of Management Expenses:-

	2017/18	2016/17
Administrative Costs	£'000	£'000
Management costs	1,215	1,167
Administration and Processing	565	459
Service from Administrating Body	473	346
Fees and Income	(424)	(198)
	1,829	1,774

Investment Management Expenses		
Fund Manager Base Fees	13,449	15,490
Fund Manager Performance Fees	3,681	4,032
Investment Transaction Costs	5,896	1,760
Global custody	83	127
	23,109	21,409

Oversight & Governance Costs		
Management costs	527	550
Specialist advice and Governance	1,182	1,062
Actuarial recharges	(311)	(334)
Audit fees	38	37
	1,436	1,315
	26,374	24,498

Specialist advice and Governance costs include £0.145m for The Fund's share of the development costs of Brunel Pensions Partnership and client group support and advice. This was in addition to the operating costs of Brunel Pensions Partnership Ltd once operational from July 2017 that were funded from the £0.84m share capital.

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.

Fees and Income includes £0.236m rebate of Brunel Pensions Partnership development costs that are included in Fund Manager Base Fees.

Transaction costs are paid as part of investment management fees and only disclosed where it has been possible to identify them separately. Where they are not separately identifiable they remain within the Fund manager fees. Investment transaction costs do not include the underlying transaction costs within pooled funds.

Management costs in Oversight & Governance Costs include investments, actuarial and accounting staff costs. Audit fees include; £0.029m external audit fee as set out in the Audit Plan (2016/17 £0.029m), £0.008m internal audit charge (2016/17 £0.008m) and £0.001m additional external fee relating to information provided to the actuary regarding individual employers' IAS19 disclosures (2016/17 £0.001m).

8. INVESTMENT INCOME

	2017/18	2016/17
	£'000	£'000
Dividends from equities	20,772	19,815
Income from Index Linked securities	-	
Income from pooled investment vehicles	6,583	5,067
Income from other pooled investment vehicles	312	63
Interest on cash deposits	272	265
Other - Stock lending	69	72
	28,008	29,425

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 2018 was £29.9m (31 March 2017 £10.3m), comprising of equities and sovereign debt. This was secured by collateral worth £32.4m 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 31/03/17	Purchases at Cost	Sales Proceeds	Change in Market Value	Value at 31/03/18
	£'000	£'000	£'000	£'000	£'000
Equities	750,053	2,090,656	(1,768,355)	3,095	1,075,449
Unquoted Equity		840			840
Bonds	509,172	5,745	(491,453)	(23,464)	-
Pooled Investments -					
- Property	380,909	101,446	(94,623)	23,167	410,899
- Non Property	2,639,401	2,383,505	(2,208,506)	92,705	2,907,105
Derivatives	5,023	45,790	(106,068)	68,498	13,243
Sub Total	4,284,558	4,627,982	(4,669,005)	164,001	4,407,536
Cash Deposits	67,712	601,694	(506,869)	41,500	204,037
Net Purchases & Sales		5,229,676	(5,175,874)	53,802	
Investment Debtors & Creditors	5,505			(8,771)	(3,266)
Total Investment Assets	4,357,775				4,608,307
Current Assets	(3,997)			(3,385)	(7,382)
Less Net Revenue of Fund				(64,058)	
Total Net Assets	4,353,778			183,089	4,600,925

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 from dealings with members (£36,050k) plus Investment income (£28,008k) as shown in the Fund account.

Change in Total Net Assets 2016/17

Change in Market Value of Investments

	Value at 31/03/16	Purchases at Cost	Sales Proceeds	Change in Market Value	Value at 31/03/17
	£'000	£'000	£'000	£'000	£'000
Equities	598,344	326,609	(300,194)	125,294	750,053
Bonds	433,798	24,017	(18,586)	69,943	509,172
Pooled Investments -					
- Property	366,914	39,244	(51,767)	26,518	380,909
- Non Property	2,170,963	418,803	(446,451)	496,086	2,639,401
Derivatives	(40,459)	292,558	(135,312)	(111,764)	5,023
Sub Total	3,529,560	1,101,231	(952,310)	606,077	4,284,558
Cash Deposits	209,518	514,449	(658,837)	2,582	67,712
Net Purchases & Sales		1,615,680	(1,611,147)	4,533	
Investment Debtors & Creditors	3,354			2,151	5,505
Total Investment Assets	3,742,432				4,357,775
Current Assets	(5,502)			1,505	(3,997)
Less Net Revenue of Fund				10,307	
Total Net Assets	3,736,930			627,155	4,353,778

Investment Transaction Costs.

The following transactions costs are included in the above tables:

	2017/18	2016/17
	£'000	£'000
Fees & Taxes	2,711	1,054
Commission	3,185	706
Total	5,896	1,760

10. INVESTMENT ASSETS

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

	31 March 2018		31 March 2017	
		£'000		£'000
UK Equities				
Quoted	342,303		331,898	
Unquoted Equity	840			
Pooled Investments	30,188		202,152	
FTSE Futures	(598)	372,733	(53)	533,997
Overseas Equities				
Quoted	733,146		418,155	
Pooled Investments	680,444		1,234,900	
Equity Index Options	15,010	1,428,600		1,653,055
UK Bonds				
Quoted	-	-	509,172	509,172
Sterling Bonds (excluding Gilts)				
UK Pooled Investments	82,124	82,124	342,728	342,728
Diversified Growth Funds				
Overseas Pooled Investments	602,104	602,104	375,391	375,391
Infrastructure				
Overseas Pooled Investments	283,594	283,594	256,003	256,003
Liability Driven Investment				
UK Pooled Investments	521,212	521,212		-
Multi Asset Credit				
Overseas Pooled Investments	482,296	482,296		-
Hedge Funds				
Overseas Pooled Investments	210,133	210,133	228,228	228,228
Property				
UK Pooled Investments	209,579		187,986	
Overseas Pooled Investments	201,320	410,899	192,923	380,909
Cash Deposits				
Sterling	185,001		55,506	
Foreign Currencies	19,036	204,037	12,206	67,712
Investment Debtors/Creditors				
Investment Income	5,096		4,937	
Sales of Investments	227,692		1,166	
Foreign Exchange Hedge	13,840		5,075	
Purchases of Investments	(236,053)	10,575	(598)	10,580
Total Investment Assets		4,608,307		4,357,775

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 2018 the net value of these assets was £521,212m.

OTC Equity Index Options are used to protect the developed equity assets from a fall in equity markets. At 31 March 2018 the unrealised gain on this strategy was £15m.

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 £536m at March 2018.

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	AUD	2,841	GBP	1,551	3	-
Up to one month	CAD	970	GBP	535	2	-
Up to one month	CHF	6,358	GBP	4,725	8	-
Up to one month	DKK	5,944	GBP	698	1	-
Up to one month	EUR	77,108	GBP	67,628	16	-
Up to one month	HKD	8,773	GBP	793	4	-
Up to one month	ILS	4,786	GBP	971	1	-
Up to one month	JPY	1,783,578	GBP	11,922	38	-
Up to one month	NOK	5,893	GBP	533	2	-
Up to one month	NZD	1,055	GBP	540	2	-
Up to one month	SEK	21,476	GBP	1,827	1	-
Up to one month	SGD	3,413	GBP	1,847	8	-
Up to one month	USD	193,399	GBP	137,399	329	-
Up to one month	GBP	3,055	AUD	5,601	-	-8
Up to one month	GBP	991	CAD	1,802	-	-5
Up to one month	GBP	9,467	CHF	12,715	1	-
Up to one month	GBP	1,382	DKK	11,752	-	-1
Up to one month	GBP	78,406	EUR	88,475	788	-
Up to one month	GBP	398	HKD	4,387	-	-1
Up to one month	GBP	486	ILS	2,395	-	-0
Up to one month	GBP	14,460	JPY	2,167,534	-	-74
Up to one month	GBP	1,042	NOK	11,433	4	-
Up to one month	GBP	1,054	NZD	2,054	-	-3
Up to one month	GBP	3,632	SEK	42,477	17	-
Up to one month	GBP	926	SGD	1,706	-	-2
Up to one month	GBP	154,668	USD	211,027	4,375	-
One to six months	EUR	27,258	GBP	24,200	-	-225
One to six months	JPY	463,300	GBP	3,128	-	-14
One to six months	USD	28,040	GBP	19,981	-	-86
One to six months	GBP	274,778	EUR	310,603	1,398	-
One to six months	GBP	47,560	JPY	7,159,300	-	-576
One to six months	GBP	629,308	USD	875,485	8,270	-

Six to twelve months	GBP	49,968	EUR	56,669	-	-92
Six to twelve months	GBP	9,000	JPY	1,339,200	-	-32
Six to twelve months	GBP	119,440	USD	169,489	-	-309
Total					15,268	-1,428
Net forward currency contracts at 31 March 2018						13,840
Open forward currency contracts at 31 March 2017						10,128
Net forward currency contracts at 31 March 2017						5,075

Equity Options

	Original Notional (GBP)	Gain/(Loss) at 31 March
	£'000	£'000
S&P 500 Index Options	790,885	(19,259)
Nikkei 225 Index Options	157,262	3,532
FTSE 100 Index Options	395,692	17,309
EuroStoxx50 Index Options	236,732	13,429
Total	1,580,571	15,010
Equity Options at 31 March 2017	-	-

Exchange Traded Derivatives held at 31 March 2018:-

Contract Type	Expiration	Book Cost	Unrealised Gain
		£'000	£'000
FTSE equity futures	June 2018	73,279	(598)

Exchange Traded Derivatives held at 31 March 2017:-

FTSE equity futures	June 2017	5,602	(53)
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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 2018		31 March 2017	
	£'000	%	£'000	%
Blackrock	1,471,348	31.9	1,060,113	24.3
Standard Life	240,709	5.2	236,903	5.5
Record	86,436	1.9	10,624	0.2
Jupiter Asset Management	196,870	4.3	199,834	4.6
Genesis Investment Management	113,788	2.5	196,601	4.5
Invesco Perpetual	-	-	388,073	8.9
State Street Global Advisors	-	-	160,461	3.7
Partners Group	218,347	4.7	201,487	4.6
Royal London Asset Management	-	-	262,242	6.0
Loomis (Natixis)	482,296	10.5	-	-
Ruffer	226,126	4.9	-	-
TT International	184,557	4.0	236,626	5.4
Gottex Asset Management	-	-	971	0.0
Signet Capital Management	1,633	0.0	1,162	0.0
IFM Investors	283,594	6.2	256,003	5.9
Pyrford International	135,269	2.9	138,487	3.2
Unigestion (UK) Ltd	107,920	2.3	223,160	5.1
Schroder Investment Management	578,585	12.6	539,380	12.4
JP Morgan	210,133	4.6	226,096	5.2
General Cash	61,427	1.3	7,497	0.2
In- house Unquoted Equity (Brunel Share Capital)	840	0.0	-	-
Treasury Management	8,429	0.2	12,055	0.3
Total Investment Assets	4,608,307	100.0	4,357,775	100.0

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 2018		Value at 31st March 2017	
	£'000	Net Assets %	£'000	Net Assets %
Blackrock Liability SOL Mutual Fund	536,222	11.63%	-	-
NATIXIS Investment Solutions	482,296	10.46%	-	-
Blackrock ACS World Low Carbon Equity	458,736	9.95%	-	-
IFM Global Infrastructure (UK)	283,594	6.15%	256,003	5.87%
Standard Life Global Absolute	240,709	5.22%	236,903	5.44%
Unigestion Uni-Global – Equity Emerging Mkt SAC GBP	107,921	2.34%	223,160	5.12%
Invesco Perpetual Global ex UK Enhanced Index Fund	-	-	388,073	8.91%
RLPPC UK Corporate Bond Fund (Royal London)	-	-	262,242	6.02%

12. CURRENT ASSETS AND CURRENT LIABILITIES

Provision has been made in the accounts for debtors and creditors known to be outstanding at 31 March 2018. Debtors and creditors included in the accounts are analysed below:-

	31 March 2018		31 March 2017	
		£'000		£'000
Current Assets				
Contributions Receivable :-				
- Employers	6,801		6,784	
- Members	2,717		2,877	
Transfer Values Receivable	-		-	
Discretionary Early Retirement Costs	936		526	
Other Debtors	1,507	11,961	1,068	11,255
Current Liabilities				
Management Fees	(2,339)		(1,638)	
Provision for Performance Fees	(14,248)		(10,567)	
Transfer Values Payable	-		-	
Lump Sum Retirement Benefits	(1,073)		(1,068)	
Other Creditors	(1,683)	(19,343)	(1,979)	(15,252)
Net Current Assets		(7,382)		(3,997)

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.

Analysis of Debtors and Creditors by public sector bodies:-

	31 March 2017		31 March 2017	
		£'000		£'000
Current Assets				
Local Authorities	7,465		5,034	
NHS Bodies	17		-	
Other Public Bodies	3,264		2,313	
Non Public Sector	1,215	11,961	3,908	11,255
Current Liabilities				
Local Authorities	-		(21)	
Other Public Bodies	(1,613)		(1,569)	
Non Public Sector	(17,730)	(19,343)	(13,662)	(15,252)
Net Current Assets		(7,382)		(3,997)

13. CONTINGENT LIABILITIES

There were no contingent liabilities as at 31 March 2018. (March 2017 = NIL).

14. EVENTS AFTER THE BALANCE SHEET DATE

There have been no events after 31 March 2018 that require any adjustment to these accounts.

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 2018 (the 31 March 2017 assumptions are included for comparison):

	31 March 2018	31 March 2017
Rate of return on investments (discount rate)	2.6% per annum	2.5% per annum
Rate of pay increases*	3.6% per annum	3.8% per annum
Rate of increases in pensions in payment (in excess of Guaranteed Minimum Pension)/Deferred revaluation	2.2% per annum	2.3% per annum
Rate of CPI Inflation / CARE Benefit revaluation	2.1% per annum	2.3% per annum

* includes a corresponding allowance to that made in the actuarial valuation for short-term public sector pay restraint.

The demographic assumptions are the same as those used for funding purposes. Full details of these assumptions are set out in the formal report on the actuarial valuation dated March 2017.

During the year, corporate bond yields rose slightly, resulting in a higher discount rate being used for IAS 26 purposes at the year-end than at the beginning of the year (2.6% p.a. versus 2.5% p.a.). The expected long-term rate of CPI inflation decreased during the year, from 2.3% p.a. to 2.1%. Both of these factors served to decrease the liabilities over the year.

The value of the Fund's promised retirement benefits for the purposes of IAS 26 as at 31 March 2017 was estimated as £6,459m. Interest over the year increased the liabilities by c£163m, and allowing for net benefits accrued/paid over the period also increased the liabilities by c£88m (after allowing for any increase in liabilities arising as a result of early retirements/augmentations). There was then a decrease in liabilities of £257m due to "actuarial gains" (i.e. the effect of changes in the actuarial assumptions used, referred to above).

The net effect of all the above is that the estimated total value of the Fund's promised retirement benefits as at 31 March 2018 is therefore £6,453m.

16. TRANSFERS IN

During the year ending 31 March 2018 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.

	2017/18	2016/17
	£'000	£'000
Benefits Paid and Recharged	5,895	6,024

The Fund also administers £21.8m pension payments on behalf of the Fire Service and the Teachers' pension schemes. (£25.7m in 2016/17, 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 The Equitable Life Assurance Society or Friends Life, the Fund's nominated AVC providers. Additional Voluntary Contributions received from employees and paid to The Equitable Life Assurance Society during 2017/18 were £55 (2016/17 - £55). Additional Voluntary Contributions received from employees and paid to Friends Life during 2017/18 were £288,295 (2016/17 - £272,810).

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

	31 March 2018	31 March 2017
	£'000	£'000
Equitable Life		
With Profits Retirement Benefits	352	369
Unit Linked Retirement Benefits	339	362
Building Society Benefits	-	-
	691	731
 Death in Service Benefit	 53	 53

	31 March 2018	31 March 2017
	£'000	£'000
Friends Life		
With Profits Retirement Benefits	97	84
Unit Linked Retirement Benefits	4,114	4,094
Cash Fund	208	309
	4,419	4,487

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 2017/18 £40,557 was charged to the Fund in respect of Allowances paid to the voting Members of the Avon Pension Fund Committee (£37,780 in 2016/17). Six voting members and two non-voting member of the Avon Pension Fund Committee (including three B&NES Councillor Members) were members of the Local Government Pension Scheme during the financial year 2017/2018. (Five voting members and one non-voting member in 2016/2017, including two B&NES Councillor Members)

Independent Member Related:-

Three Independent Members were paid allowances of £14,908, £7,851 and £4,780 respectively during the year for their work in relation to the Pension Fund Committee and the Investment Panel. One Member was paid in respect of the full year, two were paid in respect of part of the year each. 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 2017/18 the Fund paid B&NES Council £437,520 for administrative services (£265,428 in 2016/17). The increase was due to the cost of the Systems Support team that was previously within the Fund. B&NES Council paid the Fund £37,589 for administrative services (£35,269 in 2016/17). Various Employers paid the fund a total of £258,817 for pension related services including pension's payroll and compiling data for submission to the actuary (£224,272 in 2016/17).

Pension Board Related:-

The Pension Board came in to operation in July 2015. In 2017/18 £7,129 was charged to the Fund in respect of

Allowances and expenses paid to the Members of the Pension Board (£7,067 in 2016/17). Five members of the Pension Board were members of the Local Government Pension Scheme during the financial year 2017/2018. (Five members in 2016/2017).

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 2017/18 the Pension Fund paid BPP £840,000 (2016/17 nil).

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

Of Bath & North East Somerset Council's key management personnel, some of the remuneration costs were charged to the fund to reflect the time spent. These were unchanged since 2015/16 and consisted of:

- part of the Head of Business Finance and Pensions salary, fees and allowances £50,167 (2016/17 £50,167) and their employer's pension contributions £9,498 (2016/17 £9,498).
- part of the Divisional Director Risk and Assurance's salary, fees and allowances £10,600 (2016/17 nil) and their employer's pension contributions £2,000 (2016/17 nil). In 2016/17 £9,763 and £1,834 respectively were charged as part of the Divisional Director Business Support's salary).

21. OUTSTANDING COMMITMENTS

As at the 31 March 2018 the Fund had outstanding commitments relating to investments in property funds that will be drawn down in tranches by the Investment Managers totalling £113,752,557 (31 March 2017 £145,154,473).

22. FINANCIAL INSTRUMENTS

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

2017/18	Fair value through profit and loss	Loans & receivables	Financial liabilities at amortised cost
Financial assets	£'000	£'000	£'000
Bonds			
Equities	1,075,449		
Unquoted Equities	840		
Pooled investments (non-property)	2,370,883		
Liability Driven Pooled investments	521,212		
Pooled Property investments	410,899		
Derivative contracts FX hedge	13,840		
Derivative contracts Equity options	15,010		
Cash		195,676	
Other investment balances	5,096		
Debtors		11,961	

Financial Liabilities			
Derivative contracts	(598)		
Other investment balances			
Creditors			(19,343)
Total	4,412,631	207,637	(19,343)

2016/17	Fair value through profit and loss	Loans & receivables	Financial liabilities at amortised cost
Financial assets	£'000	£'000	£'000
Bonds	509,172		
Equities	750,053		
Pooled investments (non-property)	2,639,402		
Pooled Property investments	380,909		
Derivative contracts	5,075		
Cash		67,712	
Other investment balances	6,103		
Debtors		11,255	

Financial Liabilities			
Derivative contracts	(53)		
Other investment balances	(598)		
Creditors			(15,252)
Total	4,290,063	78,967	(15,252)

Net gains and losses on Financial Instruments

	31 March 2018	31 March 2017
	£'000	£'000
Financial assets		
Fair value through profit and loss	164,001	717,841
Loans and receivables	19,088	21,078
Financial Liabilities		
Fair value through profit and loss		(111,764)
Loans and receivables		
	183,089	627,155

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.

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.

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 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.

(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 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 has been primarily driven by the rise in equity values. 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.

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 2018. 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 equity assets to around 8.3% plus dividends and protects the equity assets if markets fall by more than 10% from the market level when the strategy was implemented. 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 2018 is shown below:

Asset Type	Value	Change	Value on Increase	Value on Decrease
	£'000	%	£'000	£'000
UK Equities	371,893	9.5%	407,223	336,563
Global Equities	1,206,893	10.2%	1,329,996	1,083,790
Emerging Market Equities	221,709	16.0%	257,182	186,235
UK Bonds	82,124	5.6%	86,723	77,525
Index Linked Gilts	0	12.3%	0	0
Liability Driven Investments	521,211	12.3%	585,320	457,102
Diversified Growth Funds	602,103	5.3%	634,015	570,192
Multi Asset Credit	482,296	3.8%	500,623	463,969
Property	410,899	2.2%	419,939	401,859
Fund of Hedge Funds	210,133	4.0%	218,539	201,728
Infrastructure	283,594	13.0%	320,461	246,727
Unquoted Equity	840	15.0%	966	714
Cash & Equivalents	214,612	0.1%	214,827	214,397
Total Assets	4,608,307	8.0%	4,975,814	4,240,801

The analysis for the year ending 31 March 2017 is shown below:

Asset Type	Value	Change	Value on Increase	Value on Decrease
	£'000	%	£'000	£'000
UK Equities	533,997	9.0%	582,057	485,937
Overseas Equities	1,653,055	10.0%	1,818,361	1,487,750
UK Bonds	342,728	6.4%	364,662	320,793
Index Linked Gilts	509,172	12.6%	573,327	445,015
Diversified Growth Funds	375,391	6.1%	398,289	352,492
Property	380,909	2.6%	390,813	371,006
Fund of Hedge Funds	228,228	3.8%	236,901	219,556
Infrastructure	256,003	12.0%	286,723	225,282
Cash & Equivalents	78,292	0.0%	78,292	78,292
Total Assets	4,357,775	8.5%	4,729,425	3,986,123

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 2018	31 March 2017
	£'000	£'000
Cash and Cash Equivalents	214,612	78,292
Bonds	603,335	851,900
Total	817,947	930,192

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 2018 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 instruments used in this strategy to hedge the liabilities are physical index linked gilts and index-linked gilt repos, whilst other derivative instruments are used to manage the hedge profile.

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 2018	£'000	+100 bps	-100 bps
Cash and Cash Equivalents	214,612	0	0
Fixed Interest	603,335	(128,754)	128,754
Total	817,947	(128,754)	128,754

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 2017 is shown below:

	Value	Change in net assets	
As at 31 March 2017	£'000	+100 bps	-100 bps
Cash and Cash Equivalents	78,292	-	-
Fixed Interest	851,900	(132,619)	132,619
Total	930,192	(132,619)	132,619

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, infrastructure 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.

Currency risk by asset class:

Currency Exposure - Asset Type	Asset value as at 31 March 2018	Asset value as at 31 March 2017
	£'000	£'000
Overseas Equities	1,206,893	1,653,055
Overseas Property	201,320	192,923
Fund of Hedge Funds	210,133	228,228
Infrastructure	283,594	256,003

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 2018. The analysis reflects the Fund's passive hedging policy of a 50% hedge ratio on the overseas equity assets, and a 100% hedge ratio on the overseas property, infrastructure 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 2018 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	1,206,893	5.05%	1,267,841	1,145,945

The same analysis for the year ending 31 March 2017 is shown below:

Currency Risk by Asset Type:

Asset Type	Value	Change	Value on Increase	Value on Decrease
	£'000	%	£'000	£'000
Overseas Equities	1,653,055	7.0%	1,768,769	1,537,341

(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. In addition, the market values of investments will reflect an assessment of creditworthiness in their pricing and therefore the risk of loss is implicitly provided for in the carrying value of the 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 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).

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 2018 was £69.8m. This was held with the following institutions:

	31 March 2018		31 March 2017	
	Rating	£'000	Rating	£'000
Custodian's Liquidity Fund				
Bank of New York Mellon	AAA	-	AAA	7,495
State Street Global Services	AAA	61,427		-
Bank Call Accounts				
Handelsbanken	AA	10	AA	5,200
Bank of Scotland Corporate Deposit Account	A+	90	A+	3,210
Goldman Sachs Global Treasury Fund	AAA	20	AAA	2,720
Standard life	AAA	7,570		-
Federated Investors	AAA	680		-
NatWest Special Interest Bearing Account	BBB+	-	BBB+	910
Bank Current Accounts				
NatWest	BBB+	15	BBB+	10

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.

(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. These are classed as liquid assets as they can be converted to cash within 3 months. 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 2018 the value of the illiquid assets was £905m, or 19.6% of the total Fund assets (31 March 2017: £1,102m which represented 25.3% 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. 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.

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.	Not required
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
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 under AASB 139, US GAAP ASC 820 and ASC 825 (formerly FAS 157 and 159), 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.
Unquoted Equity	Level 3	Brunel Share Capital is valued at book cost	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 2018.

	Level 1	Level 2	Level 3	Total
	£'000	£'000	£'000	£'000
Equities – Quoted	1,075,449	725,643	0	1,801,092
Unquoted Equity	0	0	840	840
Bonds – Quoted	0	82,124	0	82,124
Pooled Investments :-				
Liability Driven Investments		521,212	0	521,212
Fund of Hedge Funds	0	0	210,133	210,133
Diversified Growth Funds	0	602,103	0	602,103
Multi Asset Credit	0	482,296	0	482,296
Property	0	209,579	201,320	410,899
Infrastructure	0	0	283,595	283,595
Cash	204,037	0	0	204,037
Derivatives: Forward FX	13,840	0	0	13840
Derivatives: Futures	(598)	0	0	(598)
Investment Debtors /Creditors	(3,266)	0	0	(3,266)
	1,289,462	2,622,957	695,888	4,608,307

The fair value hierarchy as at 31 March 2017 (restated) was:

	Level 1	Level 2	Level 3	Total
	£'000	£'000	£'000	£'000
Equities - Quoted	750,053	1,437,052		2,187,105
Bonds - Quoted	509,172	342,728		851,900
Fund of Hedge Funds			228,228	228,228
Diversified Growth Funds		375,391		375,391
Property			380,909	380,909
Infrastructure			256,003	256,003
Cash	67,712			67,712
Derivatives: Forward FX	5,075			5,075
Derivatives: Futures	(53)			(53)
Investment Debtors /Creditors	5,505			5,505
	1,337,464	2,155,171	865,140	4,357,775

There has been one re-classification of assets between levels of the hierarchy between 31 March 2017 and 31 March 2018 with the transfer of the open ended pooled property funds from level 3 to level 2 following a review of the inputs to valuation techniques used to measure the fair value. Closed-end property funds remain at Level 3. The fair value hierarchy as at 31 March 2017 has been restated with £187.9m property being moved from level 3 to level 2.

Level 1 and level 2 assets were sold to fund the investment in Multi Asset Credit and the increase in the allocation to Diversified Growth Funds.

Reconciliation of Fair Value measurements within Level 3

Level 3	Market Value 01 April 2017	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 2018
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Fund of Hedge Funds	228,228				(18,095)		210,133
Property	192,923	-			8,397		201,320
Infrastructure	256,003				27,592		283,595
Unquoted Equity			840				840
	677,154	-	840		17,894		695,888

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 2018:

Level 3 assets	Assessed valuation range +/-	Value at 31 March 2017	Value on increase	Value on decrease
		£'000	£'000	£'000
Property	10%	201,321	221,452	181,188
Fund of Hedge funds	10%	210,133	231,147	189,120
Infrastructure	15%	283,594	326,133	241,055
Unquoted Equity	15%	840	966	714
Total		695,888	779,698	612,077

The same analysis for 31 March 2017 (restated)::

Level 3 assets	Assessed valuation range +/-	Value at 31 March 2017	Value on increase	Value on decrease
		£'000	£'000	£'000
Property	10%	192,923	212,213	173,631
Fund of Hedge funds	10%	228,228	251,051	205,405
Infrastructure	15%	256,003	294,403	217,603
Total		677,154	757,667	596,639

25. EMPLOYING BODIES

As at 31 March 2018 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	Midsomer Norton Primary School
Abbot Alphege Academy	Midsomer Norton Schools Partnership
Ashcombe Primary School	Milton Park Primary School
Aspire Academy	Minerva Primary Academy
Backwell C of E Junior School	Moorlands Infant School
Backwell School	Moorlands Junior School
Bannerman Road Community Academy	Nailsea School
Barton Hill Academy	North Somerset Enterprise & Technology College
Bath Community Academy	Northleaze C of E Primary School
Bathampton Primary School	Notton House Academy
Batheaston 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
Bournville Primary Academy	Oasis Academy New Oak
Bradley Stoke Community School	Oldfield Park Infant School
Bridge Learning Campus	Oldfield Park Junior School
Bristol Cathedral School Trust	Oldfield School
Bristol Free School	Oldmixon Primary School
Bristol Futures Academy	Olympus Academy Trust
Bristol Technology & Engineering Academy	Orchard School Bristol
Broadlands Academy	Parson Street Primary School
Broadoak Mathematics & Computing College	Patchway Community School
Cabot Learning Federation	Peasedown St John Primary School
Callicroft Primary School	Perry Court E-ACT Academy
Chandag Infant School	Portishead Primary School
Chandag Junior School	Priory Community School
Charborough Road Primary School	Ralph Allen School
Charfield Primary School	Redfield Educate Together Primary Academy

Chew Stoke Church School	Redland Green School
Chew Valley School	Saltford C of E Primary School
Christ Church C of E Primary School (Bristol)	Severn Beach Primary School
Christ Church C of E Primary School (WSM)	Sir Bernard Lovell Academy
Churchill Academy	Somerdale Educate Together Primary Academy
City Academy	St Andrew's Church School
Clevedon School	St Bede's Catholic College
Clutton Primary School	St Georges Church School
Colston's Girls' School	St John the Evangelist Church School
Colston's Primary School	St John's C of E Primary School (MSN)
Combe Down C of E Primary School	St John's C of E VC Primary School (Keynsham)
Cotham School	St Katherine's School
Court de Wyck Church School	St Mark's Ecumenical Anglican/Methodist Primary School
Crockerne C of E Primary School	St Martin's Garden Primary School
Digitech Studio School	St Martin's C of E Primary School
Diocese of Bristol Academy Trust	St Mary Redcliffe C of E Primary School
Downend School	St Mary's C of E VA Primary School
Dundry C of E Primary School	St Matthias Academy
Easton C of E Academy	St Nicholas Chantry C of E VC Primary School
Elmlea Junior School	St Nicholas of Tolentine Catholic Primary School
Endeavour Academy Trust	St Patrick's Catholic Primary School
Fairfield High School	St Peter's C of E Primary School
Fairlawn Primary School	St Philip's C of E Primary School
Farmborough Primary School	St Saviours Infant Church School
Farrington Gurney C of E Primary School	St Saviours Junior Church School
Filton Avenue Primary School	St Stephen's Primary Church School
Filton Hill Primary School	St Teresa's Catholic Primary School
Fishponds C of E Academy	St Ursula's E-ACT Primary Academy
Fosse Way School	Steiner Academy Bristol
Four Acres Academy	Stoke Bishop C of E Primary School
Frome Vale Academy	Stoke Lodge Primary School
Gordano School	Summerhill Academy
Greenfield E-ACT Primary Academy	The Bath Studio School
Hanham Woods Academy	The Castle School
Hans Price Academy	The Dolphin School
Hareclive E-ACT Academy	The Kingfisher School
Hayesfield Girls School	The Meadows Primary School
Haywood Village Academy	Three Ways School
Headley Park Primary School	Tickenham C of E Primary School
Henbury Court Primary Academy	Trinity Anglican Methodist Primary School
Henbury School	Trinity Church School
Henleaze Junior School	Trust in Learning
Heron's Moor Academy	Venturers' Academy
High Down Infant School	Victoria Park Primary School
High Down Junior School	Walliscote Primary School
High Littleton C of E Primary School	Wallscourt Farm Academy
Hotwells Primary School	Waycroft Academy

Hutton C of E Primary School	Wellsway School
IKB Academy	Welton Primary School
Ilminster Avenue E-ACT Academy	West Leigh Infant School
Inspirational Futures Trust	West Town Lane Academy
Kings Oak Academy	Westbury Park Primary School
Kingshill Church School	Westbury-on-Trym C of E Academy
Knowle DGE Academy	Weston All Saints C of E Primary School
Lansdown Park Academy	Wicklea Academy
Little Mead Primary Academy	Widcombe C of E Junior School
Locking Primary School	Widcombe Infant School
Longvernal Primary School	Windwhistle Primary School
Lyde Green Primary School	Winterbourne International Academy
Mangotsfield School	Woodlands Academy
Marksbury C of E Primary School	Worle Community School
Marlwood School	Worle Village Primary School
Mary Elton Primary School	Writhlington School
Mead Vale Community Primary School	Yate Academy
Meadowbrook Primary School	Yeo Moor Primary School
Merchants' Academy	

Designating Bodies

Almondsbury Parish Council	Nailsea Town Council
Backwell Parish Council	Oldland Parish Council
Bath Tourism Plus Ltd	Patchway Town Council
Bristol Waste Company	Paulton Parish Council
Bradley Stoke Town Council	Peasedown St John Parish Council
Charter Trustees of the City of Bath	Pill & Easton in Gordano Parish Council
Congresbury Parish Council	Portishead Town Council
Clevedon Town Council	Radstock Town Council
Destination Bristol	Saltford Parish Council
Dodington Parish Council	Stoke Gifford Parish Council
Downend & Bromley Heath Parish Council	Thornbury Town Council
Emersons Green Town Council	Westerleigh Parish Council
Filton Town Council	Westfield Parish Council
Frampton Cotterell Parish Council	Weston Super Mare Town Council
Hanham Abbots Parish Council	Whitchurch Parish Council
Hanham Parish Council	Winterbourne Parish Council
Keynsham Town Council	Yate Town Council
Midsomer Norton Town Council	Yatton Parish Council

Community Admission Bodies

Alliance Homes	Sirona Care & Health CIC
Ashley House Hostel	Southwest Grid for Learning Trust
Disability Equality Forum	The Care Quality Commission
Bristol Music Trust	The Park Community Trust Ltd
Clifton Suspension Bridge Trust	University of Bath
The Holburne Museum	Vision North Somerset CIO
Learning Partnership West Ltd	West of England Sport Trust

Merlin Housing Society Ltd	Writhlington Trust
Merlin Housing Society Ltd (New Staff)	

Transferees Admitted Bodies	
ABM Catering Limited	Circadian Trust
Action For Children	Compass Contract Services (UK) Ltd - Ashton Park School
Active Community Engagement Ltd	Compass Contract Services (UK) Ltd - Bristol Cathedral Choir School
Agilisys Ltd	Compass Contract Services (UK) - Bristol City Council
Agilysis Ltd 2015	Compass Contract Services (UK) Ltd - Cathedral Schools Trust
Alliance in Partnership Ltd - Westbury on Trym C of E Academy	Compass Contract Services (UK) Ltd - Compass Point South Street
Alliance Living Care Ltd	Compass Contract Services (UK) Ltd - Diocese of Bristol Academies Trust
Aspens Services Ltd - Abbeywood Community School	Compass Contract Services (UK) Ltd - Luckwell Primary School
Aspens Services Ltd - Bannerman Road Community Academy	Compass Contract Services (UK) Ltd - Nova Primary School
Aspens Services Ltd - Barrs Court Primary School	Compass Contract Services (UK) Ltd - Sea Mills Primary School
Aspens Services Ltd - Beacons Rise Primary School	Compass Contract Services (UK) Ltd - South Gloucestershire and Stroud College
Aspens Services Ltd - Begbrook Primary Academy	Compass Contract Services (UK) Ltd - St Bede's Academy
Aspens Services Ltd - Blackhorse Primary School	Compass Contract Services (UK) Ltd - St Bernards Catholic Primary School
Aspens Services Ltd - Bradley Stoke Community School	Compass Contract Services (UK) Ltd - St Patrick's Catholic Primary School
Aspens Services Ltd - Castle School	Compass Contract Services (UK) Ltd - St Teresa's Catholic Primary School
Aspens Services Ltd - Charborough Primary School	Compass Contract Services (UK) Ltd - Westbury Park Primary School
Aspens Services Ltd - Charfield School	Creative Youth Network (East) - Hillfields Youth Centre
Aspens Services Ltd - Cherry Garden Primary School	Dolce Ltd - Filton Hill Primary School
Aspens Services Ltd - Christchurch Hanham C of E Primary School	Dolce Ltd - Mangotsfield School
Aspens Services Ltd - Culverhill School	Direct Cleaning Services (South West) Ltd (Newbridge Primary School)
Aspens Services Ltd - Downend School	Edwards and Ward Ltd (Chew Stoke Primary Academy)
Aspens Services Ltd - Elmlea Academy	Edwards and Ward Ltd (Henleaze Academy)
Aspens Services Ltd - Frampton Cottrell School	Eurotaxi Ltd
Aspens Services Ltd - Frome Vale Academy	Fit For Sport - St Peter's CofE Primary School
Aspens Services Ltd - Hanham Abbots Junior School	Future Cleaning Services Ltd - Ashton Park School
Aspens Services Ltd - Hanham Woods Academy	Glen Cleaning Company Ltd
Aspens Services Ltd - Kings' Forest Primary School	Glen Cleaning Company Ltd (Begbrook Academy)
Aspens Services Ltd - King's Oak Academy	Greenwich Leisure Ltd - Bath & North East Somerset Council
Aspens Services Ltd - Longwell Green Primary School	Greenwich Leisure Ltd - North Somerset Council

Aspens Services Ltd - Mangotsfield School	Interserve Catering Services Ltd - St Helens CofE Primary School
Aspens Services Ltd - Marlwood School	ISS Mediclean Ltd - Bristol City Council
Aspens Services Ltd - Meadowbrook Primary School	ISS Mediclean Ltd - Cabot Learning Federation
Aspens Services Ltd - Minerva Academy	KGB Cleaning (South West) Ltd - Backwell Academy
Aspens Services Ltd - New Horizons Learning Centre	Learning Partnership West (Lot 1) - Brentry Youth Centre
Aspens Services Ltd - Patchway Community College	Learning Partnership West (Lot 3) - The Mill
Aspens Services Ltd - Redland Green Academy	Learning Partnership West (Lot 7) - Hareclive Youth Centre
Aspens Services Ltd - Shirehampton Primary School	Lex Leisure C.I.C.
Aspens Services Ltd - St Barnabus C of E Primary School	Liberata UK Ltd
Aspens Services Ltd - Staple Hill Primary School	Notaro Homecare Ltd
Aspens Services Ltd - Stoke Lodge and Callicroft	Prestige Cleaning & Maintenance Ltd
Aspens Services Ltd - Summerhill Academy	Relyon Cleaning Services - Colston's Primary Academy
Aspens Services Ltd - The Tynings School	Ridge Crest Cleaning Ltd - Bristol City Council
Aspens Services Ltd - Warmley Park Primary School	Ridge Crest Cleaning Ltd - Sir Bernard Lovell School
Ategi Ltd	Shaw Healthcare - The Granary
BAM Construct UK Ltd	SITA Holdings UK Ltd
Bespoke Cleaning Services Ltd - Charborough Road Primary School	Skanska Rashleigh Weatherfoil Ltd
Bespoke Cleaning Services Ltd - Filton Hill Primary School	SLM Community Leisure Trust
Bespoke Cleaning Services Ltd - Stoke Lodge Primary School	SLM Fitness & Health Ltd
Brunelcare CIC	Sodexo Ltd
Churchill Contract Services Ltd - Golden Valley Primary School	Taylor Shaw Ltd
Churchill Contract Services Ltd - South Gloucestershire & Stroud College	The Brandon Trust
Churchill Contract Services - Westhaven School	Virgin Care Services Ltd

Statement of Responsibilities for the Avon Pension Fund Accounts

Bath & North East Somerset Council's responsibilities

The Council is required to:

- Make arrangements for the proper administration of the financial affairs of the Avon Pension Fund 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

Strategic Director – Resources responsibilities

The Director of Finance is responsible for the preparation of the Avon Pension Fund'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 Strategic Director – Resources 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 Strategic Director – Resources

I hereby certify that this statement of accounts presents a true and fair view of the financial position of the Avon Pension Fund at the accounting date and the income and expenditure for the year ended 31 March 2018.

Donna Parham

Director of Finance - Resources (S151 Officer)
July 2018

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 consistency of the Avon Pension Fund financial statements included in the Avon Pension Fund Annual Report

Opinion

The pension fund financial statements of Bath and North East Somerset (the "Authority") for the year ended 31 March 2018 which comprise the Fund Account, the Net Assets Statement and notes to the financial statements of Avon Pension Fund (the 'pension fund'), including the pension fund's statement of accounting policies are derived from the audited pension fund financial statements for the year ended 31 March 2018 included in the Authority's Statement of Accounts (the "Statement of Accounts").

In our opinion, the accompanying pension fund financial statements are consistent, in all material respects, with the audited financial statements in accordance with proper practices as defined in the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2017/18 and applicable law.

Pension Fund Annual Report - Pension fund financial statements

The Pension Fund Annual Report and the pension fund financial statements do not reflect the effects of events that occurred subsequent to the date of our report on the Statement of Accounts. Reading the pension fund financial statements and the auditor's report thereon is not a substitute for reading the audited Statement of Accounts and the auditor's report thereon.

Who we are reporting to

This report is made solely to the members of the Authority, as a body, in accordance with Part 5 paragraph 20(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 work has been undertaken so that we might state to the members of the Authority 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.

The audited financial statements and our Report thereon

We expressed an unmodified audit opinion on the pension fund financial statements in the Statement of Accounts in our report dated 31 July 2018.

Director of Finance's responsibilities for the pension fund financial statements in the Pension Fund Annual Report

Under the Local Government Pension Scheme Regulations 2013 the Director of Finance of the Authority is responsible for the preparation of the pension fund financial statements, which must include the Fund Account, the Net Asset Statement and supporting notes and disclosures prepared in accordance with proper practices. Proper practices for the pension fund financial statements in both the Statement of Accounts and the Pension Fund Annual Report are set out in the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2017/18.

Auditor's responsibility

Our responsibility is to express an opinion on whether the pension fund financial statements in the Pension Fund Annual Report are consistent, in all material respects, with the audited pension fund financial statements in the Statement of Accounts based on our procedures, which were conducted in accordance with International Standard on Auditing 810 (Revised), Engagements to Report on Summary Financial Statements.

Julie Masci

Julie Masci
for and on behalf of Grant Thornton UK LLP,
Appointed Auditor
2 Glass Wharf
Bristol
BS1 0EL

18 September 2018

Summary of Financial Statistics

Year Ended 31 March	2018	2017	2016	2015	2014
Revenue Account	£'m	£'m	£'m	£'m	£'m
Income					
Net Contributions	224.8	146.3	143.6	202.1	143.2
Investment Income	28.0	29.4	24.4	28.1	29.1
Net Cash Transfer	0.7	-1.8	-3.7	-0.2	11.9
Total	253.5	173.9	164.3	230.0	184.2
Expenditure					
Pension & Benefits	163.0	159.8	155.3	157.1	149.8
Investment Management Expenses	23.1	21.4	18.8	17.6	16.6
Administration Costs	3.3	3.1	2.6	2.3	2.4
Total	189.4	184.3	176.7	177.0	168.8
Surplus for the Year	64.1	-10.4	-12.4	53.0	15.4
Revaluation of Investments	183.0	627.2	-85.5	435.6	185.1
Change in Fund Value	247.1	616.8	-97.9	488.6	200.5
Total Fund Value	4600.9	4,353.8	3,736.9	3,834.8	3,346.2

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	387	222	1,192	1,801
Bonds	82	-	-	82
Property	210	-	201	411
Alternatives	535	-	812	1,348
Infrastructure	-	-	284	284
Cash	180	-	20	201
Other	-	-	482	482
Total	1,394	222	2,992	4,608

Analysis of investment income accrued during the reporting period

	UK	Non-UK	Global	Total
	£'m	£'m	£'m	£'m
Equities	14.3	-	6.6	21.0
Bonds	-	-	-	-
Property	6.4	-	0.2	6.6
Alternatives	-	-	-	-
Infrastructure	-	-	-	-
Cash	0.1	-	-	0.1
Other	0.1	-	0.2	0.3
Total	20.9	-	7.1	28.0

Costs to the Fund

Budget v Outturn report on the costs to the Fund

	Budget	Budget	Actual	Budget	Actual
	2018/19	2017/18	2017/18	2016/17	2016/17
Administrative Costs	£'m	£'m	£'m	£'m	£'m
Management Costs	1,512	1,265	1,215	1,315	1,167
Administration and Processing	519	710	565	524	459
Service from Administering Body	487	461	474	323	346
Fees and income	-221	-200	-424	-214	-199
	2,297	2,236	1,829	1,948	1,773

Investment Management Expenses					
Fund Manager Base Fees	20,569	20,092	19,346	17,255	17,250
Custody & Transaction costs	165	112	83	88	127
	20,734	20,204	19,429	17,342	17,377

Oversight and Governance costs					
Management Costs	586	609	527	614	551
Specialist advice and Governance	1,054	979	1,182	1,258	1,062
Actuarial recharges	-326	-302	-311	-250	-334
Audit fees	49	37	38	37	37
	1,363	1,323	1,436	1,659	1,315

Total	24,394	23,763	22,694	20,949	20,465
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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 2017/18
		Forecast Per Service Plan	Out-turn
Outflows		£'000	£'000
Benefits	Pensions	(136,757)	(138,359)
Administration and Processing	Lump sums	(32,483)	(24,655)
Administration costs		(3,547)	(9,933)
Total Outflows		(172,787)	(172,947)
Inflows			
Deficit recovery		44,381	47,155
Future service Contributions		131,536	130,397
Total Contributions		175,918	177,551
Net Cash Flow (excluding Investment Income and Transfers)		3,131	4,604
Net Transfers In & Out (budgetted as zero)		-	158
Investment income received as cash		13,314	12,358
Net Cash In-Flow (Out-Flow)		16,445	17,120

Administration costs cash outflows include invoiced Investment Manager fees. Administration costs cash outflow was above forecast as more Investment managers than forecast invoiced their fees as opposed to deducting them at source.

Late payers

Timeliness Analysis of Contributions Payments

	£'000
Total Contributions due in year	224,764
Total contributions received late by:	£'000
1 day	1
2 days	-
3 days	20
Over 3 days	191
Total Contributions	212
Percentage of contributions received late	0.09%

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

Increases in pensions (excluding the State Guaranteed Minimum Pension) are based on the change in the published Consumer Price Index (CPI) for the 12 months to 30 September of the previous year. Prior to April 2011, these increases were based on the change to the published Retail Price Index (RPI). Pensions awarded after the date of the last increase receive an apportioned increase related to the date the pension began.

All pensions are subject to the increase with the exception of those pensions awarded for non ill-health retirements where the recipient is under the age of 55 years. These pensions are subject to the accrued increase rate payable from the recipient's 55th birthday.

The Table shows the rate of increases that have applied during recent years.

Increases for LGPS pensions apply from the first Monday following 5th April.

Year Beginning April	Rate of Increase %	Index
2002	1.7	RPI
2003	1.7	RPI
2004	2.8	RPI
2005	3.1	RPI
2006	2.7	RPI
2007	3.6	RPI
2008	3.9	RPI
2009	5.0	RPI
2010	0.0	RPI
2011	3.1	CPI
2012	5.2	CPI
2013	2.2	CPI
2014	2.7	CPI
2015	1.2	CPI
2016	0.0	CPI
2017	1.0	CPI
2018	3.0	CPI

The increases shown above also apply to deferred pensions.

The Fund is not responsible for any increases in the State Guaranteed Minimum Pension [GMP] accrued before April 1988; these increases are paid by the State as part of the State Pension.

The Fund is responsible for increasing any GMP accrued after April 1988 by the rate of inflation up to 3%. Any increase above 3% is the responsibility of the State.

However as a result of the new Single State Pension, from April 2016 there is no longer a second state pension and contracting-out has ceased. 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 deciding on the way forward.

As an interim measure any scheme member who reaches state pension age from 6 April 2016 to 5 December 2018 all increases are to be paid from the Fund. A consultation on future treatment of increases on GMPs for members attaining state pension age after 5 December 2018 closed on 20 February 2017. The Government response in February 2018 favoured a conversion method and is to set up a working group in 2019. The interim period has, therefore, been extended until April 2021

All GMPs are being reconciled with HMRC and due to be completed by December 2018.

Contacts

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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.

Active Investing: An investment strategy whereby the manager deviates from an index or benchmark through stock selection or asset allocation in order to generate a rate of return in excess of the index or benchmark.

Assumed Pensionable Pay: An average pay figure used to calculate pension in cases of reduced contractual pay or no pay as a result of sickness or injury, during relevant child-related leave or whilst on reserve forces service leave.

Brunel Pension Partnership: A partnership of 10 LGPS funds to pool the management of their investment assets. The individual funds will retain responsibility for setting investment strategy; BPP Ltd., a company owned by the 10 administering authorities will implement 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. They had total investment assets of c. £25 billion at 31 March 2017.

Career Average Revalued Earnings (CARE) Pension Scheme: A pension scheme that provides a pension calculated as a proportion of a member's average pay depending on the length of membership in the scheme. In CARE schemes such as the LGPS, pension is built up each year based

on a member's actual earnings in that year and is revalued so that the pension keeps up with the cost of living.

Civil Partnership: A civil partnership is a relationship between two people of the same sex which is formed when they register as civil partners of each other.

Cohabiting Partner: To be eligible to receive a survivor's pension in the event of a member's death, a cohabiting partner of the member, providing that for a continuous period of at least two years prior to the date of death -

- they have been able to marry or form a civil partnership;
- they have lived together as if they were husband and wife or civil partners;
- neither the member or their cohabiting partner have been living with someone else as if they were husband and wife or civil partners;
- their financial affairs have been interdependent (or the cohabiting partner has been financially dependent upon the scheme member).

Consumer Price Index (CPI): CPI is an alternative measure of inflation also 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.

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' and 'Non-Sterling Bonds'.

Deferred Pension: The pension benefit that is 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.

Designation Body: Body, listed in Part 2 of Schedule 2 of the LGPS Regulations 2013, whose employees can only be eligible for membership of the Scheme, if designated by that body.

Discretionary Compensatory Added Years: Until 1 April 2007, employers could award an additional period of service under discretionary regulations up to a maximum of 10 added years. Since this date, this provision has been withdrawn. Employers who have awarded additional service are recharged for any payments made in respect of them exercising such a discretion.

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.

Equity Index: Equity indices consist of a hypothetical portfolio of stocks representing a particular market or a segment of it. The FTSE 100 index is an example of an index which consists of the largest 100 qualifying UK companies by market value.

Equity Option: A financial contract or 'derivative' whose value is determined by the price of an underlying index e.g. FTSE100, and that gives the owner of the contract the right, but not the obligation, to buy or sell equities at a certain price ('strike'). Equity options are structured to pay the cash difference between the 'strike' and the underlying equity index price. An option holder who has the right to sell equities at a level above the current underlying index price is protected from falls in that index.

Equity protection strategy: A strategy that utilises equity option contracts designed to pay the Fund a return based on pre-determined equity index levels. The Funds' equity protection strategy entitles it to equity market gains up to a certain point and protects it from falls down to a certain level.

Final Salary Scheme: A pension scheme that provides a pension and in some cases a lump sum benefit, calculated as a proportion of a member's pay in their last year of membership depending on the length of membership in the scheme.

Fixed Interest Government

Securities: Investments in government stocks, which guarantee a fixed rate of interest. Investments in government stocks represent 'loans' to Government which are repayable on a stated future date.

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".

Hedge Funds: Otherwise 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 if 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 two 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 cash flows 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.

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

Investment Governance

Principles: A set of

recommendations relating to the investment of pension funds which were prepared by Paul Myners in 2001 at the request of the Chancellor of the Exchequer and which were subsequently endorsed by Government and subsequently revised. Their significance is that pension funds are expected to follow these principles or, if they do not, provide an explanation as to why they have decided not to do so.

Normal Pension Age (NPA):

A member's NPA for pension benefits accrued after 31 March 2014 is now linked to their individual State Pension Age or age 65, whichever is later. For benefits accrued up to 31 March 2014 NPA is still age 65 for both men and women but a small number of members who retain Rule of 85 protections may retire earlier with no actuarial reduction.

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.

Pooled Funds:

Pooled Funds are funds which manage the investments of more than one investor on a collective basis. Each investor is allocated units which are revalued at regular intervals. Income from these investments is normally returned to the pooled fund and increases the value of the units. These include Managed Funds which are a form of unit trust whereby the Fund makes payments under an insurance policy and is allocated units in an Investment Fund by way of benefits. In certain circumstances this form of unit trust can have tax advantages compared with a conventional unit trust.

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.

Rule of 85: Set up under the 1997 Regulations to determine whether benefits are subject to any actuarial reduction where a member elects to receive benefits before age 65. If the sum of the member's age and Scheme membership, both in whole years, is 85 or more then the benefits were payable unreduced. However, this rule was removed from the Regulations in 2006 and does not apply to new Scheme members from 1 October 2006. Members in the LGPS before this date may have acquired certain protections that apply in respect of this rule. The rule of 85 does not apply where the member is retired on grounds of redundancy, efficiency or ill-health, where benefits are paid without reduction.

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.

Unlisted Securities: Holdings in companies which do not form part of the main stock market. They may be developing companies or smaller companies whose shares are not frequently traded. Unlisted securities are usually less liquid than those traded in the main markets.

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

Appendices

Appendix A - Terms of Reference for the Avon Pension Fund Committee and Investment Panel

<http://www.avonpensionfund.org.uk/finance-and-investments>

Appendix B - Governance Compliance Statement

<http://www.avonpensionfund.org.uk/finance-and-investments>

Appendix C - Statement of Investment principles

<http://www.avonpensionfund.org.uk/finance-and-investments>

Appendix D - Communications Policy

<http://www.avonpensionfund.org.uk/pensions-administration>

Appendix E - Funding Strategy Statement

<http://www.avonpensionfund.org.uk/finance-and-investments>

Appendix F - Administration Strategy 2015

<http://www.avonpensionfund.org.uk/pensions-administration>

Appendix G - Service Plan 2018 - 2021

<http://www.avonpensionfund.org.uk/pensions-administration>

Appendix H - Avon Pension Fund Pension Board Annual Report 2017

<http://www.avonpensionfund.org.uk/pension-board>

Notes

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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