

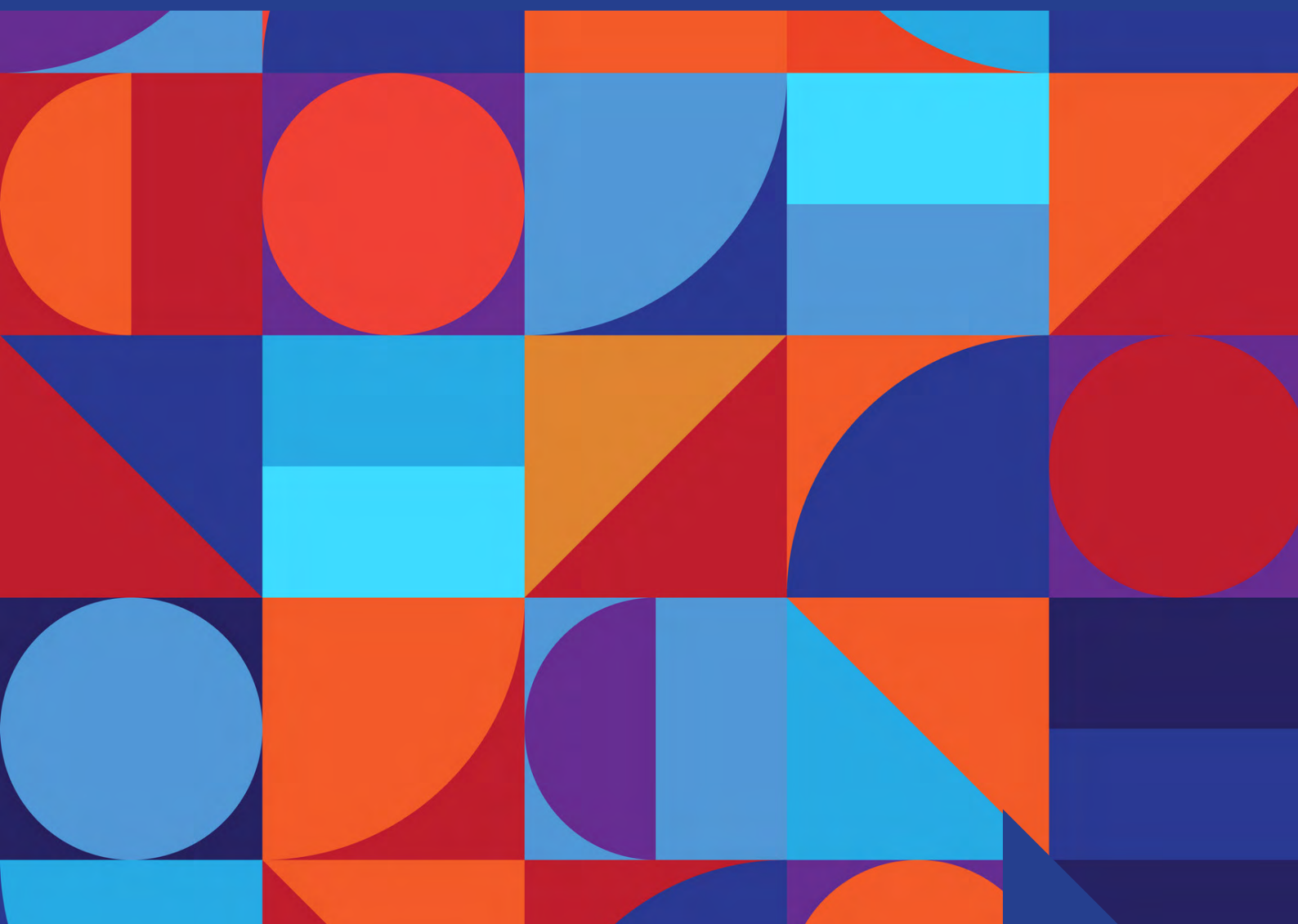
Bath & North East
Somerset Council



Avon Pension Fund

Annual Report

2018/2019



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Contents

Chairman's Foreword, Page 2
Review of the Year 2018/19, Page 3
Governance and Management Structure, Page 6
Fund Governance, Page 7
Risk Management, Page 11
Pensions Administration & Communications, Page 15
Pooling Of Assets – Analysis Of Costs & Savings, Page 21
Investment, Page 25
Funding Strategy, Page 33
Statement of the Consulting Actuary, Page 35
Employer Contribution Rates, Page 38
Statement of Accounts 2018/19, Page 48
Statement of Responsibilities for Avon Pension Fund Account, Page 86
Auditor's Report, Page 87
Summary of Financial Statistics, Page 88
Pension Increase, Page 91
Contacts, Page 92
Glossary of Terms, Page 93
Appendices, Page 95

Foreword



I would like to start by thanking our committee, many of whom stepped down in May 2019, for their commitment and hard work over the last four years. Much has been achieved to ensure that the Fund is well placed for the future. They oversaw the immensely challenging project to pool our investment assets, agreed the strategy to automate and digitalise our administration activities and the resource budget to deliver, implemented the risk management framework across our asset portfolio and focussed the investment strategy towards low carbon and renewable energy investments.

Ahead of the 2019 triennial valuation, significant preparatory work has been undertaken especially to cleanse the membership data which will ensure the pension liabilities are correctly calculated. With 418 employers, nearly half of whom have less than 20 members, data quality is a key priority with significant resources applied to this aspect of the Fund's

activities. To this end, the project to receive monthly electronic data has met key milestones with 254 employers, responsible for 85% of members, now submitting monthly electronic returns (as at 31 March 2019).

The 2018 interim valuation indicates that the funding deficit has improved significantly since contributions were last set in 2016. This is due to strong investment returns of 8.9% per annum over the last three years giving an asset value of £4.8bn. The outlook however is for less robust returns in the next three years given current market prices and yields. This will put pressure on future service contribution rates, offsetting some of the improvement in the deficit. A review of the investment strategy will be undertaken in 2019/20 to make sure the Fund is able to fund its pension liabilities in a lower return environment and consider further investment opportunities so that the portfolio is better aligned with the transition to a low carbon economy.

2018/19 was a significant year for the pooling of our investment assets within Brunel Pension Partnership. Following authorisation from the Financial Conduct Authority in March 2018 for Brunel to provide services to its clients, a number of portfolios were established during the year and Avon Pension Fund had transitioned around £736m of assets by year end. Management fee savings achieved to date are ahead of those assumed in the Business Case for pooling. Momentum continues in the current

year with at least another three investment mandates transitioning to Brunel. This partnership will not only generate savings in investment management costs but also enable 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 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 fourth 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 fourth annual report is included with this report.

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 that reads "A R Bartlett".

Tony Bartlett

Head of Pensions
Bath and North East Somerset Council

Review of the year 2018/19

POOLING OF ASSETS

Since 2015 when the government announced that the assets of the Local Government Pension Scheme (LGPS) funds should be pooled to reduce costs and increase the capacity across the LGPS to invest in infrastructure, the Avon Pension Fund (the Fund) has been participating in the Brunel Pension Partnership Ltd (Brunel), a collaboration of 10 LGPS funds (the “clients”).

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

Following Brunel receiving authorisation from the FCA to operate in March 2018, significant progress has been made during the year to establish the investment portfolios and begin the transition of client assets to Brunel.

In addition, the assurance framework, through which the client funds monitor the service provided by Brunel and the performance of each of the portfolios, has been developed and gradually rolled out as assets have transitioned.

Included in this Annual Report is a summary of the costs of pooling and the savings achieved to date. This will be updated annually in line with regulatory guidance and includes the savings against the assumptions in the 2016 Business Case. In 2018/19 fee savings were achieved on the assets that transferred. However, the costs associated with setting up Brunel and transitioning the assets to date means the Fund has incurred net costs of £2.6

million, which is lower than the costs anticipated in the business case to establish the pool. The Fund is not expected to show a net saving until financial year 2024.

INVESTMENTS

During the year the value of the Fund's assets increased by £211 million to £4,819 million at 31 March 2019. The investment return was 5.2% with a return over the last three years of 8.9% per annum which exceeds the return required in the funding plan.

The investment return was primarily due to solid performance from US equities with less strong returns from UK, European and Emerging markets. Equity markets were more volatile during the year driven by tensions over trade and expectations of higher interest rates as a result of rising economic growth especially in the US.

Most asset classes within the Fund generated positive returns, especially property and infrastructure. Other alternative assets such as hedge funds and multi asset credit had more subdued returns. Over the year sterling depreciated against the US dollar and Yen but appreciated against the Euro. As a result, the currency hedge contributed negatively to the overall return. Excluding the foreign currency hedge the returns were 6.5% over one year and 9.7% per annum over three years.

With no major changes to the investment strategy the main focus was the transfer of assets from the incumbent managers into the pool, to be managed by Brunel. The passively managed Low Carbon Global Equities and one of the UK Equity mandates transitioned to Brunel's portfolios during the year. At least another three mandates will have transitioned by the end of the

current financial year. In addition, our new allocations to Secured Income and Infrastructure assets are being invested via Brunel's portfolios.

The Investment Strategy will be reviewed in 2019/20, taking into account the improvement in the funding level and assessing the appropriate level of risk that is still required to fund the pension liabilities over time.

During the year further progress was made to align the portfolio with a low carbon economy by committing £115m to renewable infrastructure funds. This builds on the allocation to passively managed Low Carbon Global equities made in 2017/18. In addition, once again the Fund measured its carbon and environmental footprint so that it understands its exposure to the risks arising from climate change and other environmental factors. This analysis will be used when considering the financial impact of climate change on the asset portfolio in the upcoming investment review.

FUNDING STRATEGY

The funding level at 31 March 2019 is estimated to be largely unchanged at 96%. The improvement in the funding position since the 2016 actuarial valuation has been largely driven by the strong asset return of c. 29% over the three years. This provides a positive context for the 2019 valuation. An interim valuation was undertaken during the year to enable the Fund and employers to plan for the new contribution rates that will be implemented from 1 April 2020.

The Government has recently lost a legal case regarding the changes to the public sector pension schemes in 2015. This is known as the ‘McCloud case’. Some of the changes implemented are deemed

to be age discriminatory and will need to be reversed. At this stage it is not known how the LGPS will be rectified as it means the overall cost of the scheme will be higher than assumed in 2014 when the current scheme structure was agreed. The estimated impact of this ruling on the Fund's liabilities is £40 million, assuming all active members are affected by the ruling and there are no offsetting changes to scheme benefits.

However, the LGPS has a cost cap process to ensure the costs of the scheme remains within a prescribed cost 'envelope' for both member and employers. The initial results of the cost management process indicates a slight improvement in member benefits are required with effect from 1 April 2019; however these changes remain on hold until the outcome of the McCloud case is known and the impact on the cost of the scheme.

PENSIONS ADMINISTRATION

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

Employer Services

- Roll out of monthly IConnect returns across the whole employer platform to enable 100% automated monthly data receipt. As at 31st March there were 254 employers supplying automated monthly data returns to the Fund representing 85% of active scheme membership. A further 182 employers are in train to be automated by 31st March 2020.
- Member address tracing project – bulk exercise to identify all missing or 'gone away' member addresses to achieve compliance with TPR requirements. As at 31st

March approximately 2/3rds of all cases submitted for tracing had been identified. Further work is underway to explore the possibility of a deeper forensic test against those cases that remain outstanding.

Member Services

- To address the aggregation backlog of approximately 4,000 cases. This project was completed in February 2019 ensuring that ABS statements issued for 2018/19 accurately reflect member service and account position. All new cases are picked up within the 'business as usual' process.

Pensions Administration Strategy

Following consultation with employers the Fund has now revised its 2015 Administration Strategy 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 purpose of the revised Administration Strategy is to continue progress towards a seamless pension service, employing appropriate technology and best practice which both significantly improve the quality of information and the speed with which it is processed, to provide better information for Employers and stakeholders and a more efficient service to Fund members.

The Strategy recognises that significant work will need to continue to be undertaken in achieving the Pension Regulator's compliance requirements and both the Fund and its Employers will need to work in partnership to meet this challenge.

Key to the success of the Strategy are the continued development of the IT Strategy proposals which will deliver high quality, efficient and integrated digital services to employers and members in an

increasingly regulated and financially complex environment. Performance targets for both Employers and the Fund reflecting the Pensions Regulator's requirements have been reflected in revised Service Level Agreements and agreed with Employers. Performance reporting will continue to be discussed with Employers at regular Performance / SLA review meetings and similarly reported to the Pensions Committee and Local Pension Board.

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

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

Service Plan 2019/22

The forward looking three year Service Plan 2019/22 sets out the key service objectives and milestones. It also reviews the achievement against the previous year's plan. The main focus of the plan is:

- To work with Brunel Client Group and Brunel to ensure efficient transition of assets and full consideration of investment, financial and governance issues. Ensure Committee and Board kept up to date of progress
- To continue implementation of the IT strategy to achieve a digital step change in service delivery and to mitigate service demand growth.
- To undertake the 2019 triennial valuation and to review funding strategy and implications for investment strategy.
- To develop and introduce a

chargeable services brochure for employers where there is continued failure to meet the agreed service standards or in circumstances when additional assistance is required outside the standard Service Level Agreement.

The Pensions Regulator – Code of Practice 14

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

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

The regulations require 100% completeness of data across a number of core areas. On a quarterly basis the Fund undertakes a series of analytical tests against the total membership to measure the overall level of completeness of data accuracy. Measurements tested against both Core and Scheme Specific data across the total scheme membership as at 31st March 2019 demonstrated an overall data score of 95.01%. A data improvement plan has been developed to address the issues of non-compliance identified.

The Local Government Association (LGA) in association with TPR have now produced specific requirements for scoring against scheme specific data. Accordingly, the data improvement plan will be further reviewed and updated in 2019/20 to reflect any changes.

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 Pensions Committee and Local Pensions Board on a quarterly basis.

LGPS Cost Transparency

Historically the investment management fees, direct transaction costs and custody fees have been included in the Statement of Account. However, this understates the investment costs as it excludes other costs incurred in the management of pooled funds. To remedy this, LGPS funds are now required to disclose the 'full' investment costs in their Annual Report from 2018/19 in order to assess value for money. It should be noted that this does not affect asset values and performance data which are reported net of all costs.

To ensure transparency, consistency and to encourage investment managers to provide the information, a voluntary Code of Transparency framework ('the Code') has been established. Delays in publishing the standard disclosure templates enabling investment managers to provide consistent data have meant that the disclosure for 2018/19 does not include all the Fund's assets, specifically for alternative and private market assets; it is expected that more of managers will comply with the Code in the future. Brunel is a signatory to the Code and will require all the managers it appoints to comply with the Code.

After taking the full costs into account, the investment costs equate to 0.70% of the Fund's assets.

GOVERNANCE

Local Pension Board

The LPB has reviewed a wide range of LGPS regulations and TPR requirements and made a number of recommendations to the administering authority.

This has included a review of all administration processes against their legal timeframes, reviewing high level of risks facing the Fund on a regular basis, analysing key issues around data quality – notably missing addresses - and reviewing the refreshed statutory Investment Strategy Statement (ISS) for its compliance against the DCLG statutory guidance.

In addition the LPB have received the outcome of the annual compliance check from Internal Audit in relation to the funds compliance with TPR Code of Practice 14 along with a number of other audit reviews of the fund and its administration. The LPB welcomed the actions being implemented by the fund to ensure it fully complies with the Code and improve the control framework around the Administration of the Fund.

The LPB noted the growing administration pressures from more employers joining the fund as well as new TPR requirements in respect of record keeping and data quality. In light of this the LPB supported the need to future proof the level and quality of administration services to fund members in the forthcoming review of the fund's administration strategy.

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

The LPB annual report is set out in Appendix A

Governance & Management Structure as at 31 March 2019

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 (Left April 2018)

Independent Trustee

Councillor Mary Blatchford

North Somerset Council

Pauline Gordon (started September 2018)

Independent Member

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

Members of the Local Pension Board:

Howard Pearce

Independent Chair

Gaynor Fisher

Employer Representative

Steve Harman

Employer Representative

Tony Whitlock

Employer Representative

David Yorath

Member Representative

Tom Renhard

Member Representative

Mark King

Member Representative

Independent Investment Advisor:

Tony Earnshaw

Council Officers:

Donna Parham

Interim Director, Finance

Tony Bartlett

Head of Business Finance & Pensions

Liz Woodyard

Investments Manager

Geoff Cleak

Pensions Manager

Maria Lucas

Head of Legal and Democratic Services

External Auditor

Grant Thornton

Asset Pool

Brunel Pension Partnership

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.

The Avon Pension Fund Committee has undertaken a review of its governance structure following changes to its employer composition and legal requirements relating to its investor status. In addition the introduction of asset pooling and creation of Brunel Pension Partnership needed to be included in the governance arrangements.

The revised arrangements of an Academy representative and an additional independent member were agreed by Council following consultations with Employers and the Avon Pension Fund Board. The changes are designed to ensure the Committee remains representative of its employers and members, retains its status as a Professional Investor whilst still enabling it to operate efficiently. Further, the governance in respect of the dual accountability of Brunel Pension Partnership to the Council as Shareholder and the Avon Pension

strategic issues are referred to the Committee. The Panel consists of up to six voting members of the Committee.

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.

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

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

Local Pension Board (LPB)

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

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

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

Training

The administering authority

Table 1: Committee Structure

Voting members (14):	5 elected members from Bath & North East Somerset Council
	3 independent members
	3 elected members nominated from the other West of England unitary councils
	1 nominated from the Higher/Further Education bodies
	1 nominated from Academy 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 B.

The Committee meets formally each quarter. In 2018/19 training workshops took place before the Committee meetings on Legal Framework, Risk Management and Brunel Portfolios. In addition an internal workshop covering the interim valuation took place.

Fund as client will be strengthened with a sub group overseeing this important relationship.

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;

Table 2: Committee and Panel membership and attendance record (as at 31 March 2019)

	Committee				Investment Panel			
	22/06/2018	21/09/2018	07/12/2018	22/03/2019	23/05/2018	10/09/2018	12/11/2018	27/03/2019
David Veale	✓	✓	✓		✓	✓	✓	✓
Patrick Anketell-Jones	✓	✓	✓	✓	✓	✓	✓	✓
Rob Appleyard	✓	✓		✓	✓	✓	✓	
Lisa O'Brien	✓	✓	✓	✓				
Shaun Stephenson-McGall	✓	✓	✓	✓				
Steve Pearce	✓	✓		✓				
Mary Blatchford	✓	✓	✓	✓	✓	✓		
Toby Savage	✓		✓					
William Liew	✓	✓	✓	✓				
Wendy Weston	✓	✓	✓					
Shirley Marsh	✓	✓	✓	✓	✓	✓	✓	✓
Pauline Gordon		✓	✓	✓		✓	✓	✓
Cheryl Kirby				✓				
Richard Orton	✓	✓	✓	✓				

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

Specifically the administering authority must ensure:

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

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

Committee Training

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

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

Local Pension Board Training

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

TPR requirements.

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

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

Governance Compliance Statement

The Fund is required under the regulations to publish a Governance Compliance Statement which demonstrates the extent to which the Fund complies with best practices in pension fund governance. The Fund's latest statement was approved by the Avon Pension Fund Committee in June 2019. The statement shows a high level of compliance with best practice and is summarised 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 3: Avon Pension Board membership and attendance record (as at 31 March 2019)

	Local Pension Board Meetings			
	24/05/2018	19/07/2018	08/11/2018	07/03/2019
Howard Pearce	✓	✓	✓	✓
Gaynor Fisher	✓	✓	✓	✓
Steve Harman	✓		✓	
Tony Whitlock	✓		✓	✓
David Yorath	✓	✓	✓	✓
Tom Renhard		✓	✓	✓
Mark King	✓			✓

Table 4: Training provided in 2018/19

Topic	Delivered by:
Governance	
Legal responsibility of Committee and Officers Governance & assurance framework Administration Strategy Investment Regulations	Committee reports monitoring administration performance of Fund and employers Committee reports for audited accounts and governance Committee reports detailing strategy External conferences/training courses Engagement day on pooling of investments Committee reports on pooling of investments Committee reports on Investment Strategy Statement Quarterly Committee reports updating on legislation and consultations
Employer and Funding risks	
Admitted bodies Employer risks Funding level/solvency	Committee reports provide funding position update
Investment Strategy	
Asset Allocation Performance monitoring Investment manager monitoring Stewardship activities Responsible investing policy	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

Table 5: Training provided externally 2018/19

Training	Members
PLSA LA conference May 2018	Pauline Gordon, Mary Blatchford, William Liew
LGC Investments Summit	Lisa O'Brien, Pauline Gordon, Mary Blatchford
LAPFF business meeting	Richard Orton
LAPFF Annual Conference - December 2018	Steve Pearce
Fundamentals course 2018	Rob Appleyard, Shaun Stephenson-McGall, Pauline Gordon
LGC Chester March 2019	Rob Appleyard, Mary Blatchford
Pooling Engagement Day November 2018	Patrick Anketell-Jones, Lisa O'Brien, William Liew, Toby Savage, Richard Orton

Table 6: Training provided internally 2018/19

	Legal Framework	Risk Management	Interim Valuation	Brunel portfolios
David Veale			✓	
Patrick Anketell-Jones		✓	✓	✓
Rob Appleyard	✓	✓		✓
Lisa O'Brien	✓	✓	✓	✓
Shaun Stephenson-McGall	✓		✓	✓
Steve Pearce		✓		✓
Mary Blatchford	✓	✓		✓
Toby Savage			✓	
William Liew	✓	✓	✓	✓
Wendy Weston		✓		
Shirley Marsh	✓	✓		✓
Pauline Gordon		✓	✓	✓
Cheryl Kirby				✓
Richard Orton	✓	✓	✓	✓

Table 7: Governance Compliance

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

Risk Management

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

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

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

The register is reviewed regularly by the management team and is reported quarterly to the Committee. Table 8 shows a summary of the Top 10 material risks from the Risk Register.

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

During the year Internal Audit completed two audits of the

Fund's internal processes as follows:

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

3. Financial Management Risk:

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

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

4. Investment Risk: The investment decision-making process, supported by expert advice, is designed to ensure investment risks are kept to the minimum necessary to achieve the Fund's long term investment objectives. The Investment Strategy Statement sets out the

investment strategy and how investment risks are considered and managed. The Statement of Accounts includes a disclosure on Financial Risk Management with particular reference to the investment strategy.

Investments by their very nature expose the Fund to varying degrees of risk, including market, interest rate, foreign currency, credit and liquidity risks. Such risks are managed through the diversification of assets, how the assets are invested and by managers. The Investment Strategy is reviewed periodically after the triennial valuation. The next review will be undertaken in 2019.

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

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

Much of the investment management process is outsourced to investment managers and the global custodian. This arrangement

Audit	Assurance level
COP14 – Maintaining Contributions & Providing Member Information	4 = Good
Data Integrity - Scheme Record Keeping	4 = Good
Pensions Payroll	4 = Good

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

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

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

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

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

A captive insurance arrangement has been set up within the scheme to reduce the risk of a significant increase in liabilities

for smaller employing bodies that arise when early retirements are awarded under the ill-health regulations.

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

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

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

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

- 7. Training:** As the body responsible for the Fund, Committee members are required to attain a level of knowledge about pensions, investment and funding strategies sufficient to carry out their duties effectively. Specifically they must be able to challenge and understand the advice provided when making decisions or scrutinising processes. To facilitate this, training is provided to members

based on the Committee's workplan. The Committee and Officers are advised by an Investment Consultant on all strategic issues prior to decisions being taken.

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

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

Table 8: Summary of Risk Register

Risk	Management action
<p>Risk - The Fund is unable to recruit appropriately skilled staff exacerbated by the creation of Brunel based in Bristol which will manage the fund's assets.</p> <p>Implication - This could restrict the Fund's ability to develop and implement the service plan and administer the Fund.</p>	<ul style="list-style-type: none"> • Complete performance review process with all staff to identify training and professional qualification needs based on service requirements. • Succession planning to build resilience, minimise risk of losing skilled/specialist staff & improve ability to implement temporary cover. • Rebuilding Investment team after losing staff to Brunel and strengthened Governance and Risk Management within the fund. • Strategic priorities are continually risk reviewed. • The 2019/22 Service Plan provides for extra resource to support delivery of strategic training plan.
<p>Risk - Increased political pressure to reform the scheme & governance, reduce costs and direct investment decisions. If the fund does not have a robust plan for change, risk that government will direct funds.</p> <p>Implications - committee is unable or does not make decisions in best interest of the fund.</p>	<ul style="list-style-type: none"> • The Investment Strategy Statement defines the investment principles and the strategy. • The Fund participates in Brunel to meet the government broad agenda to reduce investment fees and increase efficiency. • Avon, 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>Risk - some members face re-election simultaneously leading to lack of knowledge and continuity within the Committee.</p> <p>Implications - Until members are fully trained there may be a delay in decision making.</p>	<ul style="list-style-type: none"> • There is a training plan in place linked to the 3 year Service Plan, which is periodically reviewed. • The Committee includes 3 independent members that are not subject to the electoral cycle. • An induction programme is provided for all new members, tailored for the Committee agenda for the next 12 months. • 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 retain Professional Investor status under MIFID II.
<p>Risk - 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.</p> <p>Implications - this could negatively impact employer contribution rates.</p>	<ul style="list-style-type: none"> • A strategic review of the investment strategy is undertaken at least every 3 years. • The Fund adopts a diverse strategy across assets and managers which limit the impact of any one asset class or manager on the performance of the fund. • The strategy is monitored quarterly and annually by Committee (between strategic reviews) • 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. • Recommendations for action are made to Committee or actioned under delegated powers of the Panel. • Specialist advice is commissioned • As assets have started to transition to Brunel, the responsibility for monitoring and selecting investment managers will transfer to Brunel and The Fund will monitor Brunel's portfolios and capability as the manager.
<p>Risk – The Fund will retain incorrect pension liability after the GMP Reconciliation Exercise when it will no longer be possible to transfer liability.</p> <p>Implications – additional costs due to paying pensions based on incorrect liability.</p>	<ul style="list-style-type: none"> • GMP reconciliation project in place. • Additional resource of 1.5 FTE to carry out reconciliation. • Exceptions reported to HMRC • Rectification of overpayment cases • Progress/action reports provided to Pensions Committee & LPB.

<p>Risk - Significant increase in employers especially if all schools convert to academy status.</p> <p>Implications – the Fund will need additional resources to cope with the extra workload and ensure employers comply with responsibilities under the scheme.</p>	<ul style="list-style-type: none"> Resources have been increased to support employer services within both actuarial and administration teams. Significant focus on developing more efficient automated processes.
<p>Risk - Failure to secure and manage personal data held by the Pension Fund in line with Data Protection Regulations (GDPR).</p> <p>Implications – fines and reputational damage if systems and processes are not in place and are complied with.</p>	<ul style="list-style-type: none"> All staff undertake GDPR online training programme. Personal data is shared with 3rd parties through secure portals, compliant with B&NES DP policies. GDPR privacy notices provided to all members. Memorandum of understanding agreement in place with employers Project in place to ensure GDPR compliance & identify processes that need to be put in place.
<p>Risk – a delay in the transition of local fund assets to the Brunel portfolios</p> <p>Implications – any delay could seriously impact the Fund's and pool's ability to deliver savings according to financial case.</p>	<ul style="list-style-type: none"> The Brunel governance structure is in place to effectively manage the new relationship. Expert advice is commissioned as required to assist the transition. Interim resources in place to support client side of the pool during the transition. Brunel's transition plan in place and monitored by Client Group. Issues are escalated to Brunel Oversight Board. Fund specific plan to ensure any decisions / governance required are identified and dealt with accordingly. Quarterly Committee agenda includes Brunel update report.
<p>Risk – under the Cost Transparency Code the Fund must disclose all investment management related costs in its annual report from 2018/19. The Cost Transparency Initiative (CTI) final templates were not issued until May 2019.</p> <p>Implications - the Fund doesn't have full disclosure for 2018/19 and reputational damage if cited as non-compliant.</p>	<ul style="list-style-type: none"> A project plan is in place to collate as much data as possible in line with the Code for 2018/19. As the CTI templates were not issued in time for 2018/19. CIPFA has confirmed 2018/19 disclosure is on best endeavours basis as data is still incomplete. The Scheme Advisory Board (SAB) is establishing a compliance system to provide cost effective data collection and compliance checking.
<p>Risk – the Fund does not have adequate and robust systems in place if there is a systems failure</p> <p>Implications - pensions are not administered and paid in accordance with statutory obligations.</p>	<ul style="list-style-type: none"> The Fund has policies in place which are periodically reviewed to ensure statutory obligations are met. Financial Systems team provides expert technical support to the Pensions service. Operational agreements in place with IT & software provider Daily system back-up. Arrangements with IT to undertake replacement server, expected to complete during 2019/20.

Pensions Administration & Communications

How the service is delivered

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

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

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

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

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

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

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

These are all outlined in detail within the Communications Policy Statement set out in appendix E.

Pensions Administration Strategy

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

The last Strategy was formulated in 2015, but has been revised and updated in March 2019.

The key objectives of this strategy are to ensure that:

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



minimum standards as set out in the Service Level Agreement

- In accordance with the strategy employers are fined for late payment of contributions as well as inaccurate or late year end returns and disproportionate work
- Administrative services are developed and delivered digitally as outlined in the ICT Strategy, in order to streamline processes and maximise efficient use of resources.

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

Greater use of technology

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

Electronic delivery to members

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

Self-service facilities

My pension online is a member self-service facility which allows members access to their personal pension information, perform "what if" calculations, amend their contact details and update their expression of wish details. The Fund will be developing the platform as a vehicle for electronic communication to members.

Electronic employer data submission (i-Connect):

The Fund is rolling out monthly data submissions by all employers using the i-Connect middleware software. All employers will be required to submit their membership data via i-Connect by the end of 2019.

Websites

The Fund has two websites - one for members (www.avonpensionfund.org.uk) and one for employers (www.apfemployers.org.uk). Both are key access points for information and for self-service facilities. The employers' website will undergo a redesign and will be relaunched in 2020.

Members' newsletters

Newsletters are currently posted to individual members, however the Fund is moving to distribute newsletters electronically where possible. Cost savings to the Fund have already been achieved by combining postal communications. For example the Pensioner newsletter is posted with the annual P60 and one of the active member newsletters is posted with the Annual Benefit Statements. A newsletter is now included with the Annual Benefit Statement for deferred members.

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

Pension Communications

The Fund's communication aims are to:

- provide clear, relevant, accurate, accessible and timely information to all our audiences and stakeholders
- listen and respond appropriately to feedback we receive
- use plain language and avoid unnecessary jargon

- use communication channels which best fit the audience and the information being passed on
- be a more electronic communication-based Fund, utilising new communication technology (web, email, social media)
- support members to enable them to make informed decisions about their pensions by making information available
- be compliant with all legislative requirements with regard to communicating with members, such as the Pensions Regulator and Pensions Board

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

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

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

The latest available report for is for 2017/18 and details are highlighted in the tables below.

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

Value for money statement

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

The CIPFA benchmarking data from 2017/18 (the latest available) highlights the Fund's comparative performance in key cost areas, as shown below. All demonstrate the Fund's positive cost performance when compared with national averages.

Table 9: Costs and financial indicators (2017/18)

	Avon Pension Fund	National average
Net cost per member	£17.69	£21.85
Net staff cost per member	£8.06	£9.03
Members per FTE	4,575	3,957
Costs per staff member	£7.86	£9.91

	Total costs £'000	£ per member	National average
Administration costs	£1,829	£15.75	£20.08
Oversight & Governance costs	£1,436	£12.36	£8.67
Investment management costs	£23,109	£198.84	£216.55
Total costs	£26,374	£226.95	£245.30

Data quality

Since the introduction of the Pension Regulator's (TPR) Code of Practice 2014 and Record Keeping Regulations the Fund has a data improvement plan in place to improve both the quality of the Fund's data as a whole and also working with individual employers to improve their data. A data score of 94% was reported in the TPR Scheme Return as at September 2018.

The Fund is currently awaiting further guidance from SAB in respect of scheme specific data items. Once the list of data is confirmed the Fund will undertake a further review and update its data improvement plan accordingly.

Key performance data

Table 10: Performance Indicators 2017/18 (latest data available from CIPFA report)

Performance Indicator	LGPC Standard Target	Fund achieved against target %	CIPFA Club average %
Letter detailing transfer in quote	10 days	48.6%	84.5%
Letter detailing transfer out quote	10 days	25.5%	84.7%
Process and pay refund	5 days	67.1%	87.9%
Letter notifying estimates of retirement benefits	10 days	59.0%	90.3%
Letter notifying actual retirement benefits	5 days	69.8%	92.0%
Initial Letter acknowledging death of member	5 days	95.5%	93.8%
Letter notifying amount of dependant's benefits	5 days	55.5%	91.0%
Calculate and notify deferred benefits	10 days	27.6%	78.6%

The Fund performance measurements overall during reporting year 2017/2018 were generally below expected targets. A number of factors contributed to this, including the continued increase in the Funds employer portfolio, the implementation of the new administration structure and a high volume of staff turnover during the year. Furthermore, a number of key projects required admin resource to complete.

The Local Pension Board recommended additional further administration resource and this was agreed by the Pensions Committee in March 2018. As such, key performance indicators are expected to show improvement against target in 2018/2019 and will be reflected in the next CIPFA report when published.

In 2019 CIPFA introduced new targets and the Avon Pension Fund will report on these revised targets for next year's report.

Staffing

The pension service is split into two broad management areas: Finance / Investments and Administration. Here are the staffing levels as at 31 March 2019.

Table 10: staffing levels as at 31 March 2019

APF Senior Managers	2.4
Finance / Investments:	FTEs
• Finance and Accounting	4
• Investment Management	2
• Actuarial and Valuation	4
• Governance and Risk	1
Administration:	
Employer Services (Employer Relations and Data Control)	15
Member Services (Benefits Administration and Pensions Payroll)	19
Technical and Compliance (Quality Assurance)	3
Communications (web, online, newsletters, publications)	2

Table 11: Number of members in fund (2014-2019)

	2019	2018	2017	2016	2015	2014
Active Members	36,894	36,479	36,213	37,899	34,765	34,846
Deferred Members	42,114	43,012	41,279	40,711	35,714	35,321
Pensioners	32,137	30,734	29,464	28,079	26,006	25,985
Total Membership	111,145	110,225	106,956	106,689	96,485	96,152

Following the introduction of IConnect records are automatically updated to undecided status to indicate the member has left the post. Our process is to leave records at undecided status until we have further information from the employer or member, at which time they are processed to the correct status. We also have frozen refund records which are either historical for pre 2014 members that we are unable to trace or post 2014 members who have up to five years to claim a refund of contributions or transfer out of the scheme.

Table 12: New pensioners (2018/19)

Ill health retirements	56
Early retirements	1393
Normal retirements	478

Table 13: Number of active employers in the fund (2018/19)

	Active	Ceased	Total
Scheduled body	279	0	279
Admitted body	139	2	141
Total	418	2	420

Ceased employers have outstanding liabilities but no active members

Budget Outturn

During the year to 31 March 2019, total administration costs (excluding advisory and investment management costs) were £2.7 million, 7% below budget.

Annual investment management fees paid in the year were below budget at £20.5 million. There were fee savings arising from the transition of assets to Brunel portfolios and changes in the investment structure.

Governance costs were 12% higher than budgeted at £0.8 million. The main reason was higher than anticipated costs for the interim valuation, which included additional support from the Actuary to improve the quality of member data in preparation for the 2019 valuation. In addition, the increase in employing bodies has resulted in increased levels of employer specific actuarial work.

Internal Resolution Dispute Procedure (IDRP)

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

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

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

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

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

Who get outside advice and help from?

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

The Pensions Advisory Service (TPAS)

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

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

Pensions Ombudsman

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

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

IDRP cases 2018/19

During the year to 31 March 2019 the fund received one application under the stage 1 process which was not upheld and one application under the stage 2 process which is currently pending a decision following a recommendation to the employer to reconsider their decision under stage 1. Please note that as many stage 1 appeals are dealt with by the member's employer we may not have been informed of all appeals.

LGPS policies and guidance for employers and members

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

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

Pooling Of Assets – Analysis Of Costs & Savings

Investment Strategy Statement

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

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

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

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

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

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

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

Table 14: Avon Pension Fund Expected Costs and savings from Pooling:

(as per Business Case Submissions)

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

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

portfolio and monitoring the performance of the underlying managers.

Now that the pool is operational, its financial performance will be monitored to ensure that Brunel is delivering on the key objectives of pooling. This includes reporting of the costs associated with the appointment and management of the pool company including set up costs, investment management expenses and the oversight and monitoring of Brunel by the client funds. The set up costs incurred by Avon Pension Fund are set out in the following table.

Table 15: Set up costs

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

The set up costs have come in within the budget which was an achievement given the complexity of creating a new company and investment platform.

During the year, £736m of the Fund's assets transitioned to Brunel portfolios and the table below shows the assets currently managed within the pool.

Table 16: Investment assets by manager from Statement of Accounts

	31 March 2019	
Investments managed by Brunel Pension Partnership:	£'000	%
LGIM Low Carbon Global Equities	520,926	10.8
Brunel Infrastructure Portfolio	11,152	0.2
Brunel Secured Income Portfolio	16,695	0.3
Brunel UK Equity Portfolio	187,270	3.9
	736,043	15.3
Investments managed outside Brunel Pension Partnership	4,083,710	84.7
TOTAL INVESTMENT ASSETS	4,819,753	100.0

In 2018/19 transition costs arose from the transition of the Fund's UK Equity and the Low Carbon Passive Equity assets. The transition of the Low Carbon Equity assets was in July 2018 and the UK Equity assets followed in November 2018. The transition costs were below the estimate in the business case for 2018/19 as fewer transitions than anticipated were completed in the year; the original business case assumed c. 50% of the Fund's active equity assets would transition in 2018/19. With an increase in assets transitioning in 2019/20, it is anticipated that transition costs will increase in 2019/20.

Table 17: Transition Costs

	Direct £000s	Indirect £000s	Total £000s	Cumulative £000s
Transition Fee				
Tax		300	300	300
Other Transition Costs		672	672	672
Total Transition Costs		972	972	972

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

Table 18: Investment Fee savings from Pooling

	Value in Original Business Case 31 March 2016	Value at 31 March 2019	Price Variance	Quantity Variance	Total Saving / (Cost)
	£000s	£000s	£000s	£000s	£000s
Passive UK Equities	167,800	-	-	49	49
Passive Global Equities	348,900	-	-	101	101
Passive Low Carbon Equities	-	520,925	55	(129)	(74)
Active UK Equities	201,993	187,270	190	39	229
Infrastructure	-	11,152	(13)	(18)	(31)
Secured Income	-	16,695	(7)	(12)	(19)
			226	30	256

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

At the time of the business case in 2016, the Fund was invested in Passive UK and Global Equities; these assets switched into Passive Low Carbon Equities in 2017, prior to pooling. The fees for the Passive Low Carbon equities are higher than those for Passive UK and Global equities, giving rise to a 'cost' from pooling. The fee rates achieved on all the passive portfolios established by Brunel are lower than the fees charged in the business case.

The fee saving for the UK Equity portfolio is due to the lower overall fee rate achieved by Brunel. The fee paid by the Fund prior to pooling consisted of a combined annual management fee and performance fee. The fee rate negotiated by Brunel has no performance element. There is also a saving from transitioning fewer assets than in the business case due to a reduction in the allocation to UK Equities since 2016.

In addition to these transitions, the Fund has made new allocations to Brunel's Renewable Energy Infrastructure and Secured Income portfolios. The Infrastructure portfolio invests in private market pooled vehicles which have a higher cost than the Fund's other infrastructure portfolio. The new allocation to Secured Income is funded from lower cost assets, thus showing an overall increase in costs.

The ongoing fee paid to Brunel in 2018/19 for its core services was £1.05m. This includes custody, performance measurement and reporting costs for Brunel as well as client's side support costs. The estimated cost in the original business case of £0.67m excluded custody and performance measurement costs of £0.15m. The increase in the costs for 2018/19 is due to inflation and additional resources approved by Shareholders required by Brunel over and above those envisaged in the original business case, in order to deliver the service required by the clients. As a result, the ongoing overhead cost of the company is higher than originally estimated.

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

Table 19: Expected versus Actual Costs and Savings to Date

	2017/18				2018/19			
	Budget		Actual		Budget		Actual	
	In Year	Cumulative to date	In Year	Cumulative to date	In Year	Cumulative to date	In Year	Cumulative to date
	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s
Set up costs	1,148	1,265	1,072	1,072	-	1,265	-	1,072
Ongoing Brunel Costs	-	-	-	-	674	674	1,053	1,053
Avon Internal Savings	-	-	-	-	(259)	(259)	(215)	(215)
Transition costs	-	-	-	-	2,957	2,957	972	972
Fee savings	-	-	-	-	(125)	(125)	(226)	(226)
Net costs / (savings)	1,148	1,265	1,072	1,072	3,248	4,513	1,584	2,656

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

- Transition costs are lower as fewer transitions completed in 2018/19 than assumed in the Business Case;
- Fee savings are greater than anticipated mainly due to the lower fees of the UK Equity portfolio
- Ongoing costs of Brunel are higher than anticipated

The Fund's internal savings are marginally lower than those envisaged in the original business case. These savings includes the cost of custody and performance measurement (based on 2016/17 costs and now included in on-going Brunel costs), a slight reduction in staff costs and limited savings for investment advice.

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

1. Investment Strategy Statement

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

The regulations state that the ISS must be kept under review and

revised from time to time particularly when there is a material change in risk, and reviewed at least every three years. The current version of the ISS was updated and approved by the Committee in December 2018. The current version coupled with the statutory guidance for preparing an Investment Strategy Statement is set out in Appendix F.

2. 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 is Tier 1 compliant, 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.

3. Brunel Pension Partnership (Brunel)

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

Notably, Brunel launched an Authorised Contractual Scheme, a tax efficient pooled fund vehicle

through which it will offer most of its listed market portfolios. In addition it selected private market funds investing in secured income, private equity and infrastructure assets.

In the field of Responsible Investment, Brunel has been active in collaborating with a number of strategic partners. Hermes, Brunel's voting and engagement provider, have assisted in developing Brunel's Stewardship Policy, which provides client funds with in-depth analysis on how their respective portfolios perform against a number of Environmental, Social and Governance criteria.

The process of transitioning the Fund's assets to the portfolios managed by Brunel is expected to be fully completed during 2022. Until such time as transitions take place, the Fund continues to maintain the relationship with its current investment managers and oversee their investment performance, working in partnership with Brunel where appropriate.

Progress on delivering the savings from pooling is covered in detail in Section 07: Pooling of Assets.

4. Investment Strategy

The pensions paid out to members over time are funded through the contributions from employees and employers and 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.

Asset Allocation

Table 20 shows the Fund's actual asset allocation at 31 March 2019 against the strategic allocation benchmark. The table also shows the returns from each asset class over one and three years to 31 March 2019.

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 2019 is set out in Chart 1.

Activity during 2018/19

(a) Risk Management Framework:

Following the successful implementation of the liability risk management and equity protection strategies last year the Fund focussed on refining the way these strategies are implemented. This involved a review of the trigger-based framework attached to the liability risk management strategy as well as a review of the equity protection strategy, collateral requirements placed on the Fund and the appropriateness of the financial instruments used to implement these strategies in the context of a changing regulatory environment.

The Fund's Equity Protection Strategy (EPS) is structured to protect the Fund from a sharp draw down in equity valuations over the 2019 triennial valuation period. During the year the strategy performed broadly in line with expectations; adding value when underlying equity markets declined and detracting value as underlying equity markets increased toward the upside 'cap'. The review of this strategy centred on its collateral requirements, that is, the amount of capital that is required to maintain

the target level of hedging. To ensure efficient management of collateral, the investment manager has access to passive equity assets which can be sold and the equity exposure would be synthetically replaced using derivatives.

(b) Corporate Bond Based Liabilities:

A subset of the Fund's liabilities are valued using corporate bond yields. Historically the Fund 'matched' these liabilities by investing assets in a passive corporate bond fund. Over the year this liability subset grew to a point where the assets could be managed on a bespoke basis, allowing the Fund to more accurately match the cash flows arising from these liabilities. Work began to implement this strategy at the end of the financial year.

(c) Liquidity Management:

The Fund implemented a cash management strategy that utilises exchange-traded funds (ETFs) to create an exposure that offers a similar return profile to the Fund's strategic benchmark, which reduces the drag on investment returns from cash given that interest rates remain exceptionally low. By investing any surplus cash in highly liquid ETFs the Fund retains its ability to draw cash at short notice for its private market investments and simultaneously limit the impact of holding cash at low interest rates.

(d) Transition of Assets to Brunel:

During the year the Fund's passive low carbon equity and active UK equity mandates were transitioned to Brunel portfolios, totalling £736 million at 31 March 2019.

An outcome of the last strategic investment review was to allocate 2.5% of Fund assets to Renewable Energy and 7.5% to Secured Income, with both allocations to be managed within Brunel's private market portfolios. Of the capital committed to Renewables, EUR13m was drawn down in December 2018 and deployed across two pan-European funds. One fund invests solely in renewable energy; the other includes sustainable and social infrastructure such as

mass transport (metros) which are typically electric, and social infrastructure such as hospitals and government accommodation as well as renewable energy projects. During January 2019, £16.5m was drawn down in the Secured Income portfolio, which invests in inflation-linked cash flows (backed by quality real estate assets).

5. Responsible Investing Policy

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

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

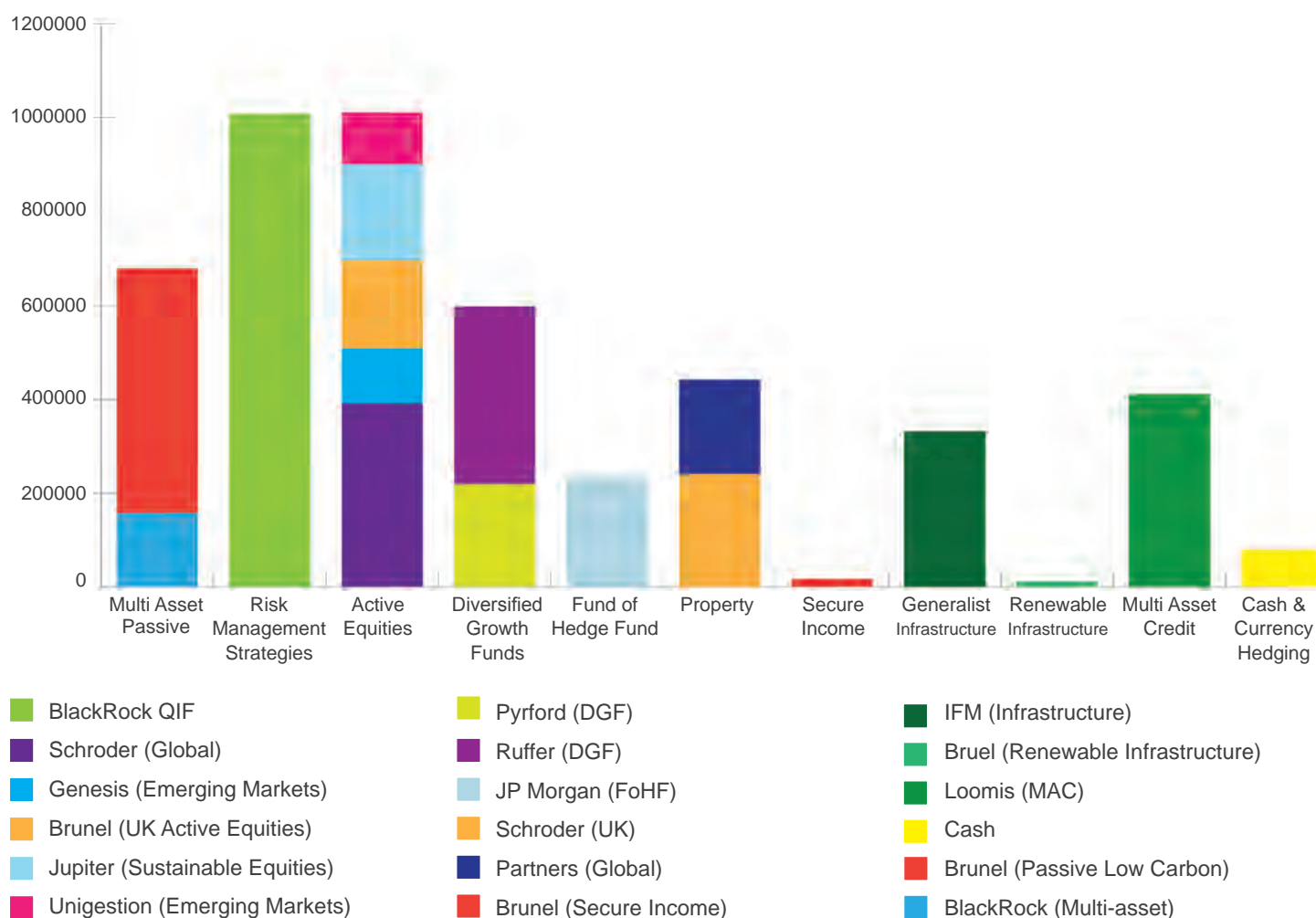
- The Fund is a long-term investor, with liabilities stretching out for decades to come, and seeks to deliver long-term sustainable returns.
- The identification and management of ESG risks that may be financially material is consistent with our fiduciary duty to members.
- The Fund integrates ESG issues at all stages of the Fund's investment decision-making process, from setting investment strategy to monitoring the Fund's investment managers.
- The Fund recognises that climate change is one of the ESG factors that poses a long-term financial risk.
- The Fund seeks to identify innovative and sustainable investment opportunities, in-line with its investment objectives.
- The Fund applies evidence-based decision-making in the implementation of its approach to RI.
- The Fund has a duty to exercise its stewardship and active ownership responsibilities (voting and engagement)

Table 20: Strategic Asset Allocation and Actual Asset Allocation

Asset Class	31 March 2019 Allocation	Strategic Allocation	Range	Asset Class Returns	
				1 year	3 year
Developed Market Equities	35.9%	32.0%	27.0-37.0%	11.1%	15.4%
Emerging Market Equities	4.7%	5.5%	0.0-10.0%	0.1%	14.8%
Diversified Growth Funds	12.4%	15.0%	10.0-20.0%	6.5%	7.0%
Generalist Infrastructure	6.9%	5.0%	5.0-10.0%	6.0%	4.2%
Renewable Infrastructure	0.2%	2.5%	0.0-5.0%	-	-
Liability Matching Assets	12.0%	12.0%	No set range (depends on collateral position)	-	-
UK Corporate Bonds	1.8%	2.0%	0.0-5.0%	4.9%	7.4%
Fund of Hedge Funds	4.8%	5.0%	0.0-7.5%	3.5%	3.5%
Multi Asset Credit	8.5%	6.0%	3.0-9.0%	4.8%	4.7%
Property	9.2%	7.5%	5.0-10.0%	7.4%	8.0%
Secured Income	0.3%	7.5%	0.0-10.0%	-	-
Cash*	3.1%	0.0%	0.0-5.0%	-	-

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

Chart 1: Asset allocation by Manager 31 March 2019



effectively by using its influence as a long-term investor to encourage responsible investment behaviour.

- The Fund recognises the importance of collaboration with other investors in order to achieve wider and more effective outcomes.
- The Fund aims to be transparent and accountable by disclosing its RI policy and activity.

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

RI Activity during 2018/19

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

- Investing in renewable infrastructure funds through Brunel
- For the second year the Fund undertook a review of the carbon exposure of the Fund's equity portfolio. The analysis concluded that the aggregate Fund exposure within equities was more carbon efficient than its benchmark, outperforming the benchmark by 28.5% (i.e. having a lower exposure) versus last year's number of 20.5%. This change was driven mainly by the passively managed Low Carbon Global equity portfolio. Notably, sector allocation and stock selection taken together, translated into a positive overall effect, based on the fact that active investment managers invested in less carbon intensive sectors and picked less carbon intensive stocks than the broader market.
- 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 cyber 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.
- Policy development in collaboration with Brunel including dedicated Stewardship and Voting policies designed to provide Brunel's appointed investment managers with clear voting guidelines on major themes such as sustainability, human capital and corporate conduct and governance.
- Working with Brunel and key stakeholders to enhance ESG reporting, to help quantify the impact of engagement. Over the year key themes and successes have included engagement with 21 companies held within Brunel portfolios, covering a range of 50 ESG issues. Environmental topics featured in 32% of engagements, 63% of which related directly to climate change. Social topics featured in 18% of engagements, where diversity and human rights featured prominently. Of the 40% of Governance related engagements the majority of discussions revolved around executive remuneration.

6. Investment Performance

2018/19 performance

For the year ending 31 March 2019 total Fund assets (including currency hedging) increased by £211m to give a value of £4,819m. The investment return of 5.2% was primarily due to the strong positive performance from global equities, infrastructure and liability matching assets.

The first half of 2018 saw strong global equity market performance driven by broad economic expansion. Later in the year global trade tensions coupled with expectations of increased US interest rates led to a sharp sell-off in equity markets followed by a marked recovery in the first quarter of 2019 as trade tensions subsided

and a 'softening' in the Federal Reserve's position on future US interest rate increases bolstered investor confidence. The developed markets index (FTSE World) returned 11.1% over the year, while the emerging market index (FTSE All World Emerging Markets) returned 1.9% over the same period.

There was also significant volatility in bond markets over the year driven by changing expectations for rises in interest rates in the US. UK Government Bonds as measured by the FTSE Gilts All Stocks Index returned 3.7%. Investor appetite for growth assets remained strong into the final quarter of the year as credit spreads narrowed, indicating strong demand for corporate debt.

Alternative asset classes displayed mixed returns over the period. Strong underlying fundamentals and an abundance of capital targeting the global property sector meant real estate markets avoided any broad-based weakness. However, at the sector level property returns varied; retail and leisure sectors came under pressure due to a series of high profile corporate failures. In contrast, investment in the industrial sector accelerated as companies sought to facilitate higher e-commerce activity. The Fund was well positioned with minimal exposure to the UK retail sector and matched index returns of 4.8% over the year.

Despite significant levels of institutional investor capital targeting infrastructure projects driving yields lower, the Fund's infrastructure portfolio performed well, delivering an absolute return of 8.5% in local currency terms. An increasingly specialised renewable infrastructure space provided opportunities for the Fund to invest via Brunel.

It was a subdued year for hedge funds. An increase in merger and acquisition activity produced the highest returns in the Fund's hedge fund portfolio. In local currency terms the Fund's hedge fund strategy delivered an absolute return of 3.0%, underperforming its cash benchmark but significantly outperforming the comparable HFRX Global Hedge Fund Index.

Chart 2: Long Term Performance

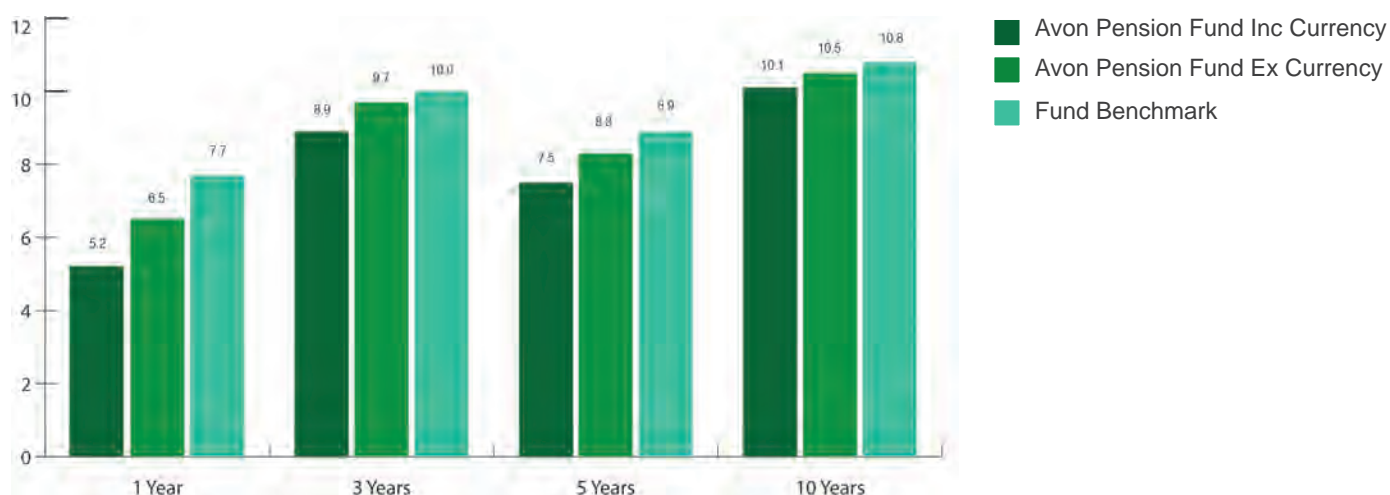


Table 21: Attribution to performance from asset allocation and stock selection

	Asset Allocation Impact (p.a)	Stock Selection Impact (p.a)
Asset Class	1 Year	1 Year
UK equities	0.0%	-0.3%
Developed Overseas Equities	-0.5%*	-0.2%
Emerging Market Equities	0.1%	0.2%
Diversified Growth	0.0%	-0.9%
Fund of Hedge Funds	0.0%	0.3%
Property	0.0%	-0.2%
Infrastructure	0.0%	0.7%
Multi-Asset Credit	0.0%	-0.4%
UK Corporate Bonds	0.0%	0.0%
Liability Matching Assets	0.0%	0.0%
Total	-0.4%	-0.8%

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

* Includes -0.6% impact of equity protection strategy

Table 23: Top 10 Largest Investment Holdings at 31 March 2019

Top 10 Largest Investment Holdings	£'000s	% of Fund
BlackRock Liability Solutions Fund	1,008,422	20.9%
LGIM MSCI Low Carbon Tracker Fund (Brunel)	520,926	10.8%
Natixis Investment Solutions	410,444	8.5%
CF Ruffer Absolute Return Fund	379,136	7.9%
IFM Global Infrastructure Fund	331,571	6.9%
JP Morgan Absolute Return Strategies Fund	232,127	4.8%
Pyrford Global Total Return Fund	218,582	4.5%
Brunel UK Equity Fund	187,270	3.9%
Genesis Emerging Markets Equity Fund	117,600	2.4%
Partners Group Global Real Estate Fund	114,749	2.4%

Table 22: Contribution to performance – relative returns of investment managers

Manager	Mandate	1 Year Relative Return	3 Years Relative Return	5 Years Relative Return
Brunel	Passive Low Carbon Equities	--	--	--
Brunel	Active UK Equities	--	--	--
Brunel	Secured Income	--	--	--
Brunel	Renewable Infrastructure	--	--	--
BlackRock	Passive Developed Market Equities	0.0%	--	--
BlackRock	Passive Corporate Bonds	0.0%	0.1%	--
BlackRock ⁵	Equity Protection Strategy	-6.3%	--	--
BlackRock	Liability Risk Management Strategy	0.0%	--	--
Genesis	Emerging Market Equities	2.9%	-0.3%	-0.2%
ASI Global Absolute Return Strategy ³	Diversified Growth Fund	-10.5%	-7.2%	--
JPMorgan ²	Fund of Hedge Funds	-2.3%	-0.7%	--
Jupiter	UK SRI Equities	-2.5%	-3.8%	-1.5%
Jupiter	Global Sustainable Equities	--	--	--
Partners ¹	Global Property	-3.0%	--	--
Pyrford	Diversified Growth Fund	-3.5%	-4.3%	-3.3%
TT International ⁴	UK Equities	-2.3%	-1.5%	0.9%
Schroder	Global Equities	-0.9%	0.0%	0.2%
Schroder	UK Property	-0.1%	-0.2%	0.0%
Ruffer	Diversified Growth Fund	-6.4%	--	--
Loomis Sayles	Multi Asset Credit Fund	-3.7%	--	--
IFM ²	Infrastructure	3.3%	10.0%	--
Unigestion	Emerging market Equities	2.9%	-3.4%	-1.2%

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

² Returns expressed in USD

³ Mandate terminated; performance shown to termination date

⁴ Assets transitioned to Brunel; performance shown to termination date

⁵ Performance is shown since inception and relative to a proxy equity index representing all four hedged regions

Absolute returns over the year to March were broadly positive across the Fund's investment managers with all of the managers (aside from one Diversified Growth Manager) delivering positive returns over the period. On a relative basis performance was mixed. The Fund's active managers with a defensive bias struggled to fully capture the market preference for growth stocks, especially some highly valued technology companies. Although the Diversified Growth Funds underperformed their targets, they shielded the Fund from equity market volatility during the market correction in late 2018. Elsewhere, the UK Equity Socially Responsible

Investment portfolio underperformed its benchmark primarily due to its zero weighting in the oil & gas sector; by excluding this sector, the manager failed to capture c.2% of the c.6% return of the FTSE All Share index. The Fund's multi-asset credit mandate underperformed in part due to its holdings in emerging market debt.

Finally Sterling depreciated by 7.1% against the US Dollar, 3.3% against the Yen and appreciated against the Euro by 1.7% during the year. This resulted in a negative return from the currency hedge.

Overall, the Fund's return of 5.2% (including the impact of the currency hedge) underperformed its strategic benchmark return of 7.7% by 2.5%. Excluding the currency hedge the Fund's return of 6.5% was 1.2% behind the strategic benchmark. The equity protection strategy detracted 0.6% given the rally in equities in the final quarter. Asset allocation added 0.2% and the impact of the active managers was -0.8%, driven primarily by underperformance of the Fund's diversified growth and credit managers. The annualised contribution to performance by asset class and stock selection over a one-year period can be seen in Table 13.

Table 24: LGPS Code of Transparency (Investment management costs for year to Marh 31 2019)

	Asset Pool				Non-Asset Pool				Fund Total	
	Direct	Indirect	Total		Direct	Indirect	Total			
	£000s	£000s	£000s	Bps	£000s	£000s	£000s	Bps	£000s	Bps
Management Fees	-	258	258	3.5	4,155	15,084	19,239	47.7	19,497	40.9
Performance Fees	-	-	-	-	5,765	-	5,765	14.3	5,765	12.1
Indirect and Other Fees	-	117	117	1.6	470	560	1,030	2.6	1,147	2.4
Total fees	-	375	375	5.1	10,390	15,644	26,034	64.5	26,408	55.4
Asset pool shared costs	1,017	-	1,017	13.8	-	-	-	-	1,017	2.1
Transaction costs:										
Transaction taxes	-	39	39	0.5	590	335	924	2.3	963	2.0
Booker commision	-	56	56	0.8	259	1,352	1,612	4.0	1,668	3.5
Implicit costs	-	8	8	0.1	442	1,324	1,766	4.4	1,773	3.7
Entry/ exit charges	-	51	51	0.7	-	-	-	-	51	0.1
Indirect transaction costs	-	14	14	0.2	1,099	434	1,532	3.8	1,546	3.2
Other transaction costs	-	-51	-51	-0.7	-	16	16	0.0	-35	-0.1
Total transaction costs	-	116	116	1.6	2,389	3,460	5,850	14.5	5,966	12.5
Total of all fees and costs	1,017	491	1,508	20.5	12,779	19,104	31,883	79.0	33,392	70.0

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 around 2.75% (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 remained stable as the return on the assets was in line with the increase in the present value of the liabilities.

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 9.7% per annum (excluding currency) is below the strategic benchmark return. Over the same period, returns from developed and emerging market equities were above their assumed strategic returns used in the 2017 investment strategy review. Property returns remain above the assumed return of 5.75% but hedge fund returns remain below long-term averages,

having been affected by low cash rates. Over a three year period the currency hedging program has detracted 0.8% from the overall return. Over longer periods, the strategy has delivered real returns in excess of the real return required in the funding strategy; as a result the funding level has improved.

Table 22 shows how each of the investment managers have contributed to performance (net of fees). It shows their performance against their specific benchmarks over one year, three years and five years. The performance of the global property portfolio is measured using the Internal Rate of Return since inception as the performance is impacted by the dilution effect of investing monies during the investment phase of the portfolio. As this portfolio matures and cash is returned to the Fund, the Internal Rate of Return should improve.

7. Largest Holdings

The ten largest investment holdings of the Fund at 31 March 2019 are shown in Table 23.

8. Investment Administration

The Fund's custodian is responsible for the safe-keeping of the Fund's assets and acts as the Fund's bank, settling transactions and collecting

income. In addition they provide a range of support services including stock lending and investment accounting.

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

9. Investment Cost Transparency

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

Standardised disclosure templates have been provided to those managers that have signed up to the Code. These were only issued in May 2019 which means that for 2018-19 the Fund has not received data from all its managers, particularly for the alternative and private market mandates as the templates were the last to be developed. Brunel has signed up to the Code and expects all managers they appoint for their portfolios to also be signatories.

Where full disclosure has not been provided only the base management and performance fees have been included. 70% of the managers provided full disclosure including the Fund's five segregated mandates and nine pooled fund managers. Cost reporting for private markets assets does not extend beyond management fees but all of the Fund's private markets managers have stated their intention to submit data for next year.

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

a percentage of the value of the assets.

The table shows the costs for assets held within the Brunel asset pool and those still managed directly by the Fund. The assets held within the pool are low cost passive equities and actively managed UK equities, with small investments in Secured Income and Infrastructure. Therefore the management fees are lower than for the actively managed portfolios that remain outside the pool.

Performance fees in the year of £5.7 million were paid to the Fund's infrastructure and global property managers. In the Statement of Accounts the performance fee has been adjusted for overprovisioning in previous years.

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

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

Funding Strategy

Funding Position

In line with the LGPS regulations, the Fund's funding position is reviewed every three years. The latest triennial valuation based on membership data and asset values as at 31 March 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 historical funding level and asset allocation for the last six valuations is shown in the table below:

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 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.

Given the strong performance of asset prices since the 2016 valuation, the future expected return on assets for the Fund's investment strategy has fallen. As a result in the 2018 interim valuation the Actuary advised that the discount rate used to value the liabilities in the 2019 valuation will be lower than in the 2016 valuation. This will have a greater impact on the future service rate which will increase as a result. However, there are other factors that may partially offset the increase including a reduction in the longevity assumption as a result of the Fund's mortality experience since 2016 and a slowing in the rate of improvement in longevity.

As at 31 March 2019, the estimated funding level has remained stable at 96%.

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

Table 25: 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%

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 cashflow 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 schedule bodies, academies have an automatic right to join the scheme. Employers outsourcing services to an admitted body are required to guarantee the

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

The 2016 FSS was compiled in accordance with the relevant statutory guidance. It includes all policies relating to the funding of employer liabilities as well as admission and termination policies.

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

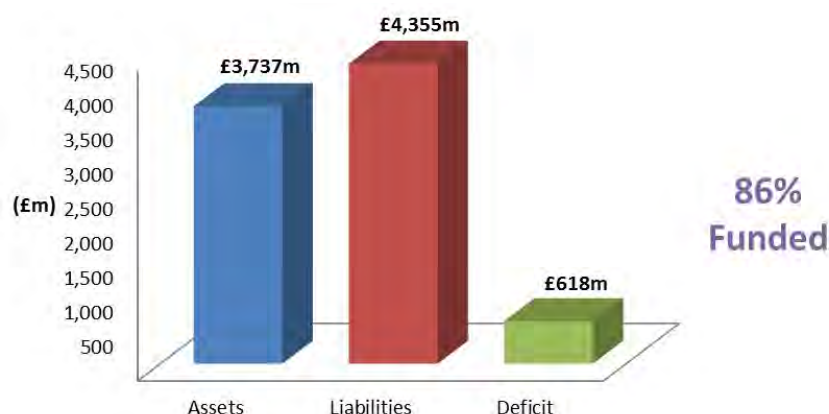
The 2016 Funding Strategy Statement is in Appendix G and can be obtained from the website www.avonpensionfund.org.uk (*search Funding Strategy Statement*)

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 2019 (the 31 March 2018 assumptions are included for comparison):

	31 March 2018	31 March 2019
Rate of return on investments (discount rate)	2.6% per annum	2.4% per annum
Rate of pay increases *	3.6% per annum	3.7% 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	2.2% 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 decreased slightly, resulting in a lower discount rate being used for IAS 26 purposes at the year-end than at the beginning of the year (2.4% p.a. versus 2.6% p.a.). The expected long-term rate of CPI inflation increased during the year, from 2.1% p.a. to 2.2%. Both of these factors served to increase the liabilities over the year.

The value of the Fund's promised retirement benefits for the purposes of IAS 26 as at 31 March 2018 was estimated as £6,453 million. Interest over the year increased the liabilities by c£169 million, and allowing for net benefits accrued/paid over the period also increased the liabilities by c£72 million (after allowing for any increase in liabilities arising as a result of early retirements/augmentations). We have also included an amount of £40 million by way of an estimate of the effect of the McCloud judgement (see note below for further details). There was then an increase in liabilities of £368 million 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 2019 is therefore £7,102 million.

The McCloud Case

In December 2018 the Court of Appeal ruled against the Government in the two linked cases of Sargeant and McCloud (which for the purposes of the LGPS has generally been shortened to “McCloud”), relating to the Firefighter unfunded pension schemes and the Judicial pension arrangements. In essence, the Court held that the transitional protections, which were afforded to older members when the reformed schemes were introduced in 2015, constituted unlawful age discrimination. The Government attempted to appeal the cases, but it was announced on 27 June 2019 that the appeal had been refused by the Supreme Court. Remedial action in the form of increases in benefits for some members of the Firefighter and Judicial arrangements will almost certainly be required. There may well also be knock-on effects for the other public service schemes, and the LGPS might therefore also be required to take some action. At this stage it is unclear what the extent of any potential remedial action might be.

We have carried out some costings of the potential effect of McCloud as at 31 March 2019, based on the individual member data as supplied to us for the 2016 actuarial valuation, and this results in an additional liability of £40 million using the IAS26 assumptions outlined above. The approach to the calculations is as instructed by the administering authority after consideration of the categories of members potentially affected, but in very broad terms calculates the cost of applying a “final salary underpin” (on a member by member basis) to those active members who joined the Fund before 1 April 2012 and who would not otherwise have benefited from the underpin.

GMP Equalisation

UK and European law requires pension schemes to provide equal benefits to men and women in respect of service after 17 May 1990 (the date of the “Barber” judgment) and this includes providing equal benefits accrued from that date to reflect the differences in GMPs. Previously, there was no consensus or legislative guidance as to how this might be achieved in practice for ongoing schemes, but the 26 October 2018 Lloyds Bank court judgement has now provided further clarity in this area. However, in response to this judgement HM Treasury stated that “public sector schemes already have a method to equalise guaranteed minimum pension benefits, which is why we will not have to change our method as a result of this judgment”, clearly implying that the Government (who have the overall power to determine benefits provision) believe the judgement itself will not affect the benefits. Therefore, the natural conclusion for the main public service pension schemes including the Local Government Pension Scheme is that it is not appropriate for any provision to be included for the effect of the Lloyds Bank judgment, at least at the present time, and so we have not made any allowance for any additional liabilities within the above figures at this stage. However, in due course there may be a further cost to the LGPS in connection with equalisation/indexation, when the Government confirms the overall approach which it wishes to adopt in this area following its consultation.

Paul Middleman
Fellow of the Institute and Faculty of Actuaries
Mercer Limited
July 2019

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July 2019

Employer Contribution Rates

Participating Employers Year Ended 31 March 2019	2018/19 Employee contributions	% of pay	2018/19 Employer contributions plus Deficit / (surplus) amount
Scheduled Bodies			
<i>Principal Councils and Service Providers</i>			
Avon Fire & Rescue Service	£309,067	14.7	£370,700
Bath & North East Somerset Council n.b. includes St Gregory's	£3,795,316	15.2	-
City of Bristol Council	£11,109,984	15.0	-
North Somerset Council	£2,498,941	15.2	£4,212,460
South Gloucestershire Council	£5,478,268	15.5	-
West of England Combined Authority	£230,100	13.0	-
<i>Further & Higher Education Establishments</i>			
Bath Spa University	£912,596	13.8	£702,700
Bath College	£179,576	14.6	£166,600
City of Bristol College	£395,295	15.5	£594,700
South Gloucestershire & Stroud College	£539,122	13.6	£453,300
St. Brendan's Sixth Form College	£97,531	14.9	-
University of the West of England	£3,886,547	14.2	£2,441,660
Weston College n.b. includes Offender Learning Service	£543,923	13.1	£347,240
<i>Academies and Schools</i>			
Abbeywood Community School	£52,431	15.1	£41,900
Abbot Alphege Academy	£2,239	20.0	-
Ashcombe Primary School	£42,761	14.8	£76,800
Ashton Park School	£42,454	16.2	£51,675
Ashton Vale Primary School	£7,869	17.7	£10,800
Aspire Academy	£20,207	12.9	£39,340
Backwell C of E Junior School	£8,190	21.7	£13,400
Backwell School	£72,980	17.1	£157,100
Badock's Wood E-ACT Academy	£9,833	14.0	£11,783
Bannerman Road Community Academy	£20,409	13.5	£20,700
Barton Hill Academy	£30,900	12.9	£26,200
Bathampton Primary School	£9,881	18.9	£12,000
Batheaston Church School	£12,462	17.9	£19,600
Bathford Church School	£8,935	17.2	£10,500
Bathwick St Mary Church School	£9,577	18.4	£11,800
Becket Primary School	£20,927	19.1	£36,100
Bedminster Down School	£42,606	14.6	£34,500
Beechen Cliff School	£60,781	16.4	£46,700
Begbrook Primary Academy	£29,209	15.7	£19,970
Birdwell Primary School	£21,994	15.9	£25,400
Bishop Sutton Primary School	£1,989	18.2	£2,800

Participating Employers Year Ended 31 March 2019	2018/19 Employee contributions	% of pay	2018/19 Employer contributions plus Deficit / (surplus) amount
Bournville Primary Academy	£82,676	15.6	£119,400
Bradley Stoke Community School	£66,356	15.1	£89,400
Bridge Learning Campus	£67,604	14.5	£69,700
Bristol Cathedral School Trust	£71,078	13.8	£3,000
Bristol Free School	£37,568	13.9	£2,600
Bristol Futures Academy	£13,245	7.0	(£100)
Bristol Technology & Engineering Academy	£9,448	13.0	£400
Broadlands Academy	£41,299	15.1	£40,800
Broadoak Mathematics & Computing College	£55,020	16.0	£82,700
Cabot Learning Federation	£290,081	13.9	£69,190
Callicroft Primary School	£21,299	15.1	£23,000
Castle Batch Primary School	£26,960	17.5	£64,300
Chandag Infant School	£8,157	15.0	£9,007
Chandag Junior School	£7,484	18.6	£12,531
Charborough Road Primary School	£13,064	15.1	£20,100
Charfield Primary School	£6,995	19.4	£8,600
Cheddar Grove Primary School	£4,552	17.5	£5,800
Chew Stoke Church School	£10,510	16.0	£5,800
Chew Valley School	£49,267	18.1	£56,700
Christ Church C of E Primary School (Bristol)	£14,607	16.5	£13,000
Christ Church C of E Primary School (WSM)	£16,342	19.1	£28,100
Churchill Academy	£58,572	14.8	£117,200
City Academy	£71,480	12.9	£43,750
Clevedon School	£71,851	14.8	£67,500
Clutton Primary School	£6,437	21.6	£8,000
Colston's Girls' School	£16,568	14.8	(£5,000)
Combe Down C of E Primary School	£19,433	16.7	£30,700
Compass Point South Street Primary School	£13,764	15.9	£18,300
Cotham Gardens Primary School	£24,771	13.6	£10,500
Cotham School	£95,541	14.7	£88,100
Court de Wyck Church School	£5,666	20.6	-
Crockerne C of E Primary School	£18,650	17.7	£45,100
Culverhill School	£39,240	20.0	£39,900
Digitech Studio School	£9,423	13.9	(£100)
Diocese of Bristol Academy Trust	£22,519	15.8	£400
Downend School	£46,156	16.3	£43,300
Dundry C of E Primary School	£5,254	22.8	£2,300
East Harptree Primary School	£977	17.5	£800
Easton C of E Academy	£39,122	15.8	£48,100
Elmlea Junior School	£15,085	16.4	-
Endeavour Academy Trust	£13,231	13.5	-
Evergreen Primary Academy	£8,048	15.7	£13,700
Fairfield High School	£51,616	15.4	£69,400
Fairlawn Primary School	£7,718	13.6	(£100)
Farmborough Church Primary School	£6,464	16.6	£10,300

Participating Employers Year Ended 31 March 2019	2018/19 Employee contributions	% of pay	2018/19 Employer contributions plus Deficit / (surplus) amount
Farrington Gurney C of E Primary School	£5,505	16.1	£10,000
Federation of Hannah More Infant School	£8,234	16.9	£16,700
Filton Avenue Primary School	£48,667	12.8	£33,100
Filton Hill Primary School	£9,170	15.1	£13,200
Fishponds Church of England Academy	£27,497	15.8	£26,200
Flax Bourton Primary School	£3,633	20.1	£4,300
Fonthill Primary School	£9,752	13.5	£16,600
Fosse Way School	£91,345	13.5	£75,600
Four Acres Academy	£26,852	14.5	£31,700
Freshford Church School	£4,832	21.6	£5,600
Frome Vale Academy	£7,617	14.7	£12,040
Gatehouse Green Learning Trust	£68,026	13.7	£87,400
Gordano School	£96,660	17.0	£146,100
Greenfield E-ACT Primary Academy	£26,084	14.0	£22,000
Grove Junior School	£10,852	22.1	£15,100
Hanham Woods Academy	£43,005	16.6	-
Hans Price Academy	£59,366	14.3	-
Hareclive E-ACT Academy	£22,274	14.0	£31,800
Hayesfield Girls School	£60,046	16.8	-
Haywood Village Academy	£15,706	15.9	-
Headley Park Primary School	£28,826	17.1	£38,400
Henbury Court Primary Academy	£28,496	13.5	£37,190
Henbury School	£46,504	14.7	£37,300
Henleaze Junior School	£8,271	13.6	£16,000
Heron's Moor Academy	£21,800	14.5	£25,200
High Down Infant School	£15,024	16.1	£37,200
High Down Junior School	£18,654	19.5	£41,800
High Littleton C of E Primary School	£8,989	15.6	£7,500
Hotwells Primary School	£10,357	16.0	£15,300
Hutton C of E Primary School	£10,864	16.5	£25,500
IKB Academy	£4,670	14.0	-
Ilminster Avenue E-ACT Academy	£18,873	14.0	£8,700
Kings Oak Academy	£57,756	16.0	£54,610
Kingshill Church School	£10,538	16.4	-
Knowle DGE Academy	£76,136	15.5	£73,600
Lansdown Park Academy	£16,177	15.5	£8,700
Little Mead Primary Academy	£38,351	13.5	£24,570
Locking Primary School	£19,839	16.4	£29,900
Longvernal Primary School	£10,423	16.8	£3,900
Luckwell Primary School	£7,767	19.6	£10,950
Lyde Green Primary School	£8,067	20.0	-
Mangotsfield School	£51,435	17.1	£77,200
Marksbury C of E Primary School	£4,901	14.8	£6,000
Marlwood School	£25,719	17.1	£57,200
Mary Elton Primary School	£21,396	17.0	£29,100

Participating Employers Year Ended 31 March 2019	2018/19 Employee contributions	% of pay	2018/19 Employer contributions plus Deficit / (surplus) amount
Mead Vale Community Primary School	£28,955	16.9	£49,800
Meadowbrook Primary School	£16,515	15.1	£35,500
Mendip Green Primary School	£27,079	16.9	£47,200
Merchants' Academy	£73,186	15.1	£14,580
Midsomer Norton Primary School	£18,985	16.0	£24,100
Midsomer Norton Schools Partnership	£122,922	17.0	£143,300
Milton Park Primary School	£23,666	15.7	£63,400
Minerva Primary Academy	£18,625	16.9	£12,140
Moorlands Infant School	£7,921	18.6	£8,400
Moorlands Junior School	£7,540	17.6	£9,300
Mulberry Park Educate Together Primary	£546	20.0	-
Nailsea School	£55,809	18.6	£64,700
New Siblands School	£40,963	14.3	£52,100
North Somerset Enterprise & Technology College	£9,247	11.6	(£700)
Northleaze C of E Primary School	£10,821	18.6	£23,500
Notton House Academy	£59,361	15.5	£71,200
Oasis Academy Bank Leaze	£10,524	12.5	£12,200
Oasis Academy Brightstowe	£47,911	13.7	£43,000
Oasis Academy Brislington	£41,109	16.3	£102,000
Oasis Academy Connaught	£24,176	14.2	£14,900
Oasis Academy John Williams	£65,192	13.6	£4,900
Oasis Academy Long Cross	£41,230	15.5	£44,400
Oasis Academy Marksbury Road	£20,990	14.7	-
Oasis Academy New Oak	£19,488	13.4	£22,500
Oldfield Park Infant School	£10,110	18.1	£17,400
Oldfield Park Junior School	£9,951	19.7	£10,900
Oldfield School	£40,785	15.5	-
Oldmixon Primary School	£20,401	15.9	£48,400
Olympus Academy Trust	£46,797	15.1	-
Orchard School Bristol	£40,568	14.8	£50,600
Parklands Educate Together Primary	£1,464	20.0	-
Parson Street Primary School	£26,688	15.4	£21,700
Patchway Community School	£31,202	18.9	£68,000
Peasedown St John Primary School	£26,463	16.5	£43,900
Perry Court E-ACT Academy	£20,597	14.0	£38,200
Portishead Primary School	£27,472	15.7	£41,100
Priory Community School	£126,041	14.9	-
Ralph Allen School	£68,318	16.9	£54,500
Redfield Educate Together Primary Academy	£21,200	11.2	£300
Roundhill Primary School	£9,407	17.1	£12,500
Saltford C of E Primary School	£14,176	17.9	£14,580
Severn Beach Primary School	£5,963	20.6	£10,100
SGS Pegasus School	£9,712	20.0	-
Shoscombe Church School	£2,177	19.2	£2,200
Sir Bernard Lovell Academy	£43,217	15.7	£78,200

Participating Employers Year Ended 31 March 2019	2018/19 Employee contributions	% of pay	2018/19 Employer contributions plus Deficit / (surplus) amount
Somerdale Educate Together Primary Academy	£3,307	20.0	-
St Andrew's Church School	£13,572	15.5	£19,000
St Anne's C of E VA Primary School	£32,543	12.8	£29,100
St Bede's Catholic College	£42,998	14.7	£49,500
St Georges Church School	£12,908	18.7	-
St John The Evangelist Church School	£10,880	18.0	-
St John's C of E Primary School (Keynsham)	£8,117	17.7	£10,470
St John's C of E Primary School (MSN)	£20,036	16.9	£24,100
St Julian's C of E Primary School	£1,874	19.2	£2,400
St Katherine's School	£39,983	17.1	£82,500
St Mark's Ecumenical Anglican/Methodist Primary School	£21,877	15.7	-
St Martin's C of E Primary School	£35,353	16.8	£61,900
St Martin's Garden Primary School	£21,744	14.9	£43,600
St Mary Redcliffe C of E Primary School	£24,028	15.8	£31,500
St Mary's C of E VA Primary School	£4,214	16.6	£6,000
St Matthias Academy	£13,192	15.5	£17,700
St Michael's C of E Junior Church School	£12,109	20.4	£12,800
St Nicholas Chantry C of E VC Primary School	£18,294	17.6	£28,800
St Nicholas of Tolentine Catholic School	£13,205	13.4	£13,600
St Patrick's Catholic Primary School	£12,113	17.5	-
St Peter's C of E Primary School	£27,413	15.8	£30,440
St Philip's C of E Primary School	£13,684	17.3	£22,900
St Saviours Infant Church School	£12,414	16.1	£16,300
St Saviours Junior Church School	£6,423	15.6	£7,400
St Stephen's Primary Church School	£15,700	19.5	£20,100
St Teresa's Catholic Primary School	£12,795	15.3	£13,800
St Ursula's E-ACT Primary Academy	£61,163	14.0	£1,100
Stanton Drew Primary School	£960	18.4	£1,200
Steiner Academy Bristol	£9,890	14.0	(£300)
Stoke Bishop C of E Primary School	£21,379	16.5	-
Stoke Lodge Primary School	£20,449	15.1	£30,200
Summerhill Academy	£18,862	17.2	£12,140
The Bath Studio School	£3,196	9.2	(£700)
The Castle School	£70,908	17.5	£86,100
The Dolphin School	£18,657	9.9	£500
The Kingfisher School	£9,818	17.0	£13,000
The Meadows Primary School	£7,015	16.9	£8,615
Three Ways School	£98,617	12.1	£66,400
Tickenham C of E Primary School	£3,927	11.2	£1,100
Trinity Anglican Methodist Primary School	£18,573	14.7	-
Trinity Church School	£16,629	11.9	£8,500
Trust in Learning	£20,127	11.2	£4,900
Ubley Primary School	£1,234	19.6	£1,900
Venturers' Academy	£35,612	15.1	-
Venturers' Trust	£60,783	14.8	-

Participating Employers Year Ended 31 March 2019	2018/19 Employee contributions	% of pay	2018/19 Employer contributions plus Deficit / (surplus) amount
Victoria Park Primary School	£25,734	16.6	£34,900
Walliscote Primary School	£20,821	16.1	£39,800
Wallscourt Farm Academy	£15,857	13.8	£100
Wansdyke Primary School	£4,425	16.3	£5,700
Waycroft Academy	£41,065	15.7	£35,100
Wellsway School	£103,766	15.6	£50,990
Welton Primary School	£9,971	16.6	£19,400
West Leigh Infant School	£6,299	19.9	£14,300
West Town Lane Academy	£41,696	14.6	£28,300
Westbury Park Primary School	£22,673	16.4	£17,500
Westbury-on-Trym C of E Academy	£19,975	16.3	£21,800
Westfield Primary School	£10,793	16.2	£11,800
Weston All Saints C of E Primary School	£38,117	17.2	£41,300
Wicklea Academy	£11,068	16.3	£12,400
Widcombe C of E Junior School	£11,398	17.2	£11,200
Widcombe Infant School	£8,444	16.3	£20,000
Windwhistle Primary School	£40,368	16.9	£77,600
Winford CofE Primary School	£2,358	16.4	£3,975
Winterbourne International Academy	£62,311	15.1	(£6,300)
Woodlands Academy	£14,275	13.1	£5,400
Worle Community School	£79,312	17.5	£122,900
Worle Village Primary School	£12,288	17.5	£13,800
Wraxall C of E Voluntary Aided Primary School	£2,504	17.5	£4,700
Writhlington School	£93,838	13.7	£90,700
Yate Academy	£58,952	15.3	£22,100
Yatton C of E Junior School	£13,702	17.9	£22,400
Yatton VC Infant School	£17,102	17.0	£29,800
Yeo Moor Primary School	£21,508	18.2	£22,500
Designating Bodies			
Almondsbury Parish Council	£5,321	17.7	-
Backwell Parish Council	£2,144	21.0	-
Bradley Stoke Town Council	£15,415	19.6	-
Bristol Waste Company	£80,541	20.7	£600
Charter Trustees of the City of Bath	£3,210	15.1	(£1,500)
Clevedon Town Council	£4,201	19.4	-
Congresbury Parish Council	£1,281	17.2	£100
Destination Bristol	£23,862	13.9	-
Dodington Parish Council	£4,560	20.7	£1,570
Downend and Bromley Heath Parish Council	£2,588	16.0	£400
Emersons Green Town Council	£2,410	18.6	-
Filton Town Council	£32,353	14.6	(£6,400)
Frampton Cotterell Parish Council	£4,896	20.4	£2,300
Hanham Abbots Parish Council	£947	14.3	£200
Hanham Parish Council	£989	18.7	£2,200

Participating Employers Year Ended 31 March 2019	2018/19 Employee contributions	% of pay	2018/19 Employer contributions plus Deficit / (surplus) amount
Keynsham Town Council	£13,936	19.1	£15,270
Midsomer Norton Town Council	£4,285	18.2	£8,900
Nailsea Town Council	£9,393	20.4	£6,300
Oldland Parish Council	£5,205	17.6	£1,300
Patchway Town Council	£14,673	18.6	(£5,900)
Paulton Parish Council	£5,987	17.3	(£2,000)
Peasedown St John Parish Council	£4,825	14.4	£900
Pill & Easton in Gordano Parish Council	£1,446	17.4	£300
Portishead Town Council	£6,603	17.1	£5,200
Radstock Town Council	£3,368	13.4	£4,700
Saltford Parish Council	£739	22.9	£500
Sodbury Parish Council	£3,562	20.0	-
Stoke Gifford Parish Council	£9,242	14.4	(£3,000)
Stoke Lodge & the Common Parish Council	£585	20.0	-
Thornbury Town Council	£16,345	22.4	£14,700
Visit Bath Ltd	£3,111	20.6	-
Westerleigh Parish Council	£543	17.9	(£1,900)
Westfield Parish Council	£1,948	16.8	-
Weston Super Mare Town Council	£34,606	15.5	£10,500
Whitchurch Parish Council	£940	18.6	£200
Winterbourne Parish Council	£1,133	26.3	£1,200
Yate Town Council	£34,467	13.2	-
Yatton Parish Council	£4,413	21.6	£700

<i>Community Admission Bodies</i>			
Adoption West	-	15.7	-
Alliance Homes	£139,910	19.0	£112,300
Ashley House Hostel	£18,595	24.2	£10,500
Bristol Music Trust	£21,491	19.2	£11,300
Clifton Suspension Bridge Trust	£11,195	20.8	£5,200
Disability Equality Forum	£830	25.7	(£500)
Learning Partnership West Ltd	£4,142	23.9	(£67,300)
Merlin Housing Society Ltd (New staff since 2007)	£179,521	25.1	£69,600
Merlin Housing Society Ltd (SG)	£84,848	18.7	(£111,000)
Sirona Care & Health CIC (2017)	£101,061	21.4	-
Southwest Grid for Learning Trust	£11,030	11.4	£31,500
The Care Quality Commission	£18,410	21.7	£66,900
The Holburne Museum	£6,307	18.4	£25,200
The Park Community Trust Ltd	£8,652	20.5	(£5,300)
University of Bath	£1,202,208	15.1	-
Vision North Somerset CIO	£7,775	19.6	£14,300
West of England Sport Trust (WESPORT)	£14,240	22.9	£21,200
Writhlington Trust	£9,736	25.8	-

Participating Employers Year Ended 31 March 2019	2018/19 Employee contributions	% of pay	2018/19 Employer contributions plus Deficit / (surplus) amount
<i>Transferees Admitted Bodies</i>			
ABM Catering Limited	£2,872	21.9	-
Active Community Engagement Ltd	£5,936	22.6	£800
Agilisys Limited	£39,581	21.3	£18,100
Agilysis Limited 2015	£48,741	20.6	£44,700
Alliance in Partnership Limited - Westbury on Trym C of E Academy	£383	17.0	-
Alliance Living Care Limited	£4,860	22.3	-
Aspens Services Limited - Abbeywood Community School	£1,985	21.4	-
Aspens Services Limited - Bannerman Road Community Academy	£303	26.0	-
Aspens Services Limited - Barrs Court Primary School	£683	22.0	-
Aspens Services Limited - Beacons Rise Primary School	£1,203	21.5	-
Aspens Services Limited - Begbrook Primary Academy	£853	20.0	(£200)
Aspens Services Limited - Bishop Sutton & Stanton Drew Schools (Federated)	£1,172	23.6	-
Aspens Services Limited - Blackhorse Primary School	£1,237	20.4	-
Aspens Services Limited - Bradley Stoke Community School	£1,277	20.5	-
Aspens Services Limited - Castle Primary School (Keynsham)	£949	19.4	-
Aspens Services Limited - Castle School Education Trust	£1,907	19.9	-
Aspens Services Limited - Charborough Primary School	£1,714	17.2	-
Aspens Services Limited - Charfield School	£793	21.2	-
Aspens Services Limited - Cherry Garden Primary School	£410	21.0	-
Aspens Services Limited - Christchurch Hanham CofE Primary School	£455	17.0	-
Aspens Services Limited - Culverhill School	£646	15.3	-
Aspens Services Limited - Downend School	£1,973	21.0	-
Aspens Services Limited - East Harptree Primary School	£186	22.0	-
Aspens Services Limited - Frampton Cottrell School	£1,339	23.2	-
Aspens Services Limited - Frome Vale Academy	£685	21.1	(£100)
Aspens Services Limited - Hanham Abbots Junior School	£2,589	21.5	-
Aspens Services Limited - Hanham Woods Academy	£1,031	19.5	-
Aspens Services Limited - Kings' Forest Primary School	£724	18.3	-
Aspens Services Limited - King's Oak Academy	£2,525	24.0	(£900)
Aspens Services Limited - Longwell Green Primary School	£834	17.0	-
Aspens Services Limited - Mangotsfield School	£2,461	18.5	-
Aspens Services Limited - Marlwood School	£1,418	18.1	-
Aspens Services Limited - Meadowbrook Primary School	£878	20.1	-
Aspens Services Limited - Minerva Academy	£1,334	23.3	-
Aspens Services Limited - New Horizons Learning Centre	£127	13.2	-
Aspens Services Limited - Patchway Community College	£696	19.4	-
Aspens Services Limited - Redland Green Academy	£1,949	21.3	-
Aspens Services Limited - Shirehampton Primary School	£531	27.4	-
Aspens Services Limited - St Barnabus CofE Primary School	£580	20.3	-
Aspens Services Limited - Staple Hill Primary School	£432	20.1	-
Aspens Services Limited - Stoke Lodge and Callicroft*	£1,944	16.1	-

Participating Employers Year Ended 31 March 2019	2018/19 Employee contributions	% of pay	2018/19 Employer contributions plus Deficit / (surplus) amount
Aspens Services Limited - Summerhill Academy	£622	23.7	-
Aspens Services Limited - The Tynings School	£822	15.7	-
Aspens Services Limited - Ubley Primary School	£257	30.0	-
Aspens Services Limited - Warmley Park Primary School	£1,501	18.5	-
Ategi limited	£765	18.7	-
BAM Construct UK Ltd	£11,159	22.7	£2,700
Bespoke Cleaning Services Limited - Castle School Education Trust (CSET)	£2,853	22.0	-
Bespoke Cleaning Services Limited - Olympus Academy Trust (OAT)	£1,101	19.3	-
Churchill Contract Services Ltd - Cabot Learning Federation	£0	21.1	-
Churchill Contract Services Ltd - Golden Valley Primary School	£284	24.5	-
Churchill Contract Services Ltd - South Gloucestershire & Stroud College	£443	22.4	-
Churchill Contract Services Ltd - Westhaven School	£308	23.5	-
Circadian Trust	£98,001	16.8	£107,460
Compass Contract Services (UK) Ltd - Ashton Park School	£2,663	23.6	-
Compass Contract Services (UK) Ltd - Bristol Cathedral Choir School	£543	17.5	-
Compass Contract Services (UK) Ltd - Bristol City Council	£22,567	21.0	-
Compass Contract Services (UK) Ltd - Cathedral Schools Trust (BCCfw)	£2,499	22.9	-
Compass Contract Services (UK) Ltd - Diocese of Bristol Academies Trust (BCCfw)	£2,285	21.6	-
Compass Contract Services (UK) Ltd - Luckwell Primary School	£336	23.4	-
Compass Contract Services (UK) Ltd - Palladian Academy Trust	£1,959	20.1	-
Compass Contract Services (UK) Ltd - South Gloucestershire and Stroud College	£1,056	24.4	-
Compass Contract Services (UK) Ltd - St Bede's Academy (BCCfw)	£2,274	25.8	-
Compass Contract Services (UK) Ltd - St Patrick's Catholic Primary School (BCCfw)	£827	21.4	-
Compass Contract Services (UK) Ltd - St Teresa's Catholic Primary School (BCCfw)	£818	23.6	-
Compass Contract Services (UK) Ltd - Westbury Park Primary School (BCCfw)	£1,179	18.4	-
Creative Youth Network	£1,095	18.9	-
Direct Cleaning Services (South West) Limited - Newbridge Primary School	£372	14.3	-
Dolce Ltd - Filton Hill Primary School	£844	19.3	-
Dolce Ltd - Mangotsfield C of E Primary School	£1,892	19.9	-
Edwards and Ward Ltd - Bath & Wells MAT	£5,776	19.0	-
Edwards and Ward Ltd - Chew Stoke Primary Academy	£437	29.9	-
Edwards and Ward Ltd - Henleaze Academy	£1,110	21.0	-
Edwards and Ward Ltd (Paulton Infant School)	£1,432	20.9	-

Participating Employers Year Ended 31 March 2019	2018/19 Employee contributions	% of pay	2018/19 Employer contributions plus Deficit / (surplus) amount
Edwards and Ward Ltd (Pensford Primary School)	£356	23.0	-
Edwards and Ward Ltd - St Keyna Primary School	£778	19.9	-
Edwards and Ward Ltd - St Mark's CofE Secondary School	£452	22.7	-
Edwards and Ward Ltd - Twerton Infant School & Nursery	£29	15.0	-
Fit for Sport - St Peter's C of E Primary School	£631	21.0	-
Future Cleaning Services Limited - Ashton Park School	£1,169	20.4	-
Future Stars Club Limited	£371	20.0	-
Glen Cleaning Company Limited	£6,951	24.0	-
Greenwich Leisure Ltd - Bath & North East Somerset Council	£23,585	16.9	£1,600
Greenwich Leisure Ltd - North Somerset Council	£868	19.5	-
Lex Leisure C.I.C.	£1,820	22.8	-
Liberata UK Ltd	£43,074	20.7	(£48,300)
Mentoring Plus Bath & North East Somerset	£2,045	23.3	-
Notaro Homecare Limited	£3,227	21.7	-
Prestige Cleaning & Maintenance Limited	£2,203	24.6	-
Relyon Cleaning Services - Cotham Gardens Primary School	£305	30.8	-
Ridge Crest Cleaning Ltd - Bristol City Council	£2,592	22.6	-
Ridge Crest Cleaning Ltd - Sir Bernard Lovell School	£1,829	23.3	-
Shaw Healthcare - The Granary	£917	23.3	£9,300
SITA Holdings UK Ltd	£1,325	29.9	£71,400
Skanska Rashleigh Weatherfoil Ltd	£2,962	19.4	(£300)
SLM Community Leisure Trust	£64,220	18.6	£18,300
SLM Fitness & Health Ltd	£8,702	17.4	£8,700
Sodexo Ltd	£826	22.9	£2,900
Taylor Shaw Limited	£2,959	21.5	-
The Brandon Trust	£9,350	22.0	-
Virgin Care Services Limited	£190,674	21.0	-

Statement of Accounts 2018/19

Fund Account For the Year Ended 31 March 2019

	Notes	2018/19	2017/18
Dealings with members, employers and others directly involved in the fund		£'000	£'000
Contributions Receivable	4	(153,929)	(224,764)
Transfers In		(9,035)	(8,613)
		(162,964)	(233,377)
Benefits Payable	5	171,863	163,014
Payments to and on account of Leavers	6	9,722	7,939
		181,585	170,953
Net (additions) / withdrawals from dealings with members		18,621	(62,424)
Management Expenses	7	22,858	26,374
Net (additions) / withdrawals including fund management expenses		41,479	(36,050)
Returns on Investments			
Investment Income	8	(37,012)	(28,008)
Profits and losses on disposal of investments and change in value of investments.	9	(221,369)	(183,089)
Net Returns on Investments		(258,381)	(211,097)
Net Increase in the net assets available for benefits during the year		(216,902)	(247,147)
Net Assets of the Fund			
Opening Net Assets of the Fund At 1 April		4,600,925	4,353,778
Closing Net Assets of the Fund At 31 March		4,817,827	4,600,925

Net Assets Statement at 31 March 2019

	Notes	31 March 2019		31 March 2018	
		£'000	%	£'000	%
Investment Assets					
Equities		554,790	11.5	1,075,449	23.4
Bonds		0.0	-	0.0	-
Pooled investment vehicles		428,751	8.9	410,899	8.9
Non Property Pooled Investment Vehicles		3,718,768	77.1	2,907,105	63.2
Cash deposits		105,377	2.2	204,037	4.4
Other Investment balances		3,486	0.1	5,096	0.1
Derivative contracts (Foreign Exchange hedge)		7,984	0.2	13,840	0.3
Derivative Contracts: FTSE Futures		349	-		-
Long-Term Investments		395	-	840	0.0
Investment Liabilities					
Derivative Contracts: FTSE Futures				(598)	(0.0)
Other Investment balances		(147)	-	(8,361)	(0.2)
Total Investment Assets	10	4,819,753		4,608,307	
Long Term Debtors	12a	70	-		
Net Current Assets					
Current Assets	12	13,079	0.3	11,961	0.3
Current Liabilities	12	(15,075)	(0.3)	(19,343)	(0.4)
Net assets of the scheme available to fund benefits at the period end		4,817,827	100	4,600,925	100

Analysis of Non Property Pooled Investment Vehicles

Diversified Growth Funds	597,717	602,103
Infrastructure	342,723	283,594
Liability Driven Investments	580,817	521,212
Multi Asset Credit	410,444	482,296
Derivative Contract: OTC Equity index Options	(12,585)	15,010
Hedge Funds	232,127	210,133
Secured Income	16,695	0
Equity	1,464,662	710,633
Bonds	86,168	82,124
	3,718,768	2,907,105

The Fund's financial statements do not take account of liabilities to pay pensions and other benefits after 31 March 2019. The actuarial present value of these liabilities is disclosed in note 15.

Notes to the Accounts - Year Ended 31 March 2019

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 (amendment) Regulations 2018
- 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 2018 to 31 March 2019.

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 2018/19 based on International Financial Reporting Standards as published by the Chartered Institute of Public Finance and Accountancy. The accounts have been prepared on an accruals basis, except for certain transfer values as described at 'Statement of Accounting Policies' – item 1.21. They do not take account of liabilities to pay pensions and other benefits in the future.

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 has remained stable over the year at 96% based on the 2016 valuation financial assumptions.

1.9 The potential effect of the McCloud judgement is included in the IAS26 disclosure. The Actuary has calculated the impact to be an additional liability of £40 million. Once the remediation for the Local Government Pension Scheme is known, employer contributions will be adjusted in line with guidance from the Scheme Advisory Board.

1.10 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.

1.11 The Fund's Funding Strategy Statement can be found on the Fund's website [www](http://www.avonpensionfund.co.uk).

	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

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

Investment Strategy Statement

1.12 The Fund's Investment Strategy Statement (ISS) as required by the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016 can be found on the Fund's website www.avonpensionfund.org.uk (search Investment Strategy Statement) and is summarised within the Fund's Annual Report. The ISS was last updated in December 2018.

1.13 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. The Fund's assets are gradually transitioning to Brunel (transition commenced in July 2018). Once the assets have transferred, Brunel will be responsible for appointing and monitoring managers and other investment related operational aspects of the Fund. The Investment Strategy Statement will be updated during this transition to reflect the changing responsibilities.

1.14 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 into 2020.

Statement of Accounting Policies

Basis of Preparation

1.15 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

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

- i. Quoted Securities have been valued at 31 March 2019 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 2019. 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 2019.
- 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 2018 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 Long Term Investment is shares in Brunel Pension Partnership Ltd. Its fair value is based on the value of equity in Brunel Pension Partnership Ltd accounts.
- x. Acquisition costs of investments (e.g. stamp duty and commissions) are treated as part

- of the investment cost.
- xi. Investment debtors and creditors at the year-end are included in investment assets in accordance with the CIPFA code of practice on local authority accounting.
- xii. The Fund's surplus cash is managed separately from the surplus cash of Bath and North East Somerset Council (B&NES) and is treated as an investment asset.

Contributions

1.17 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 (as amended). The employee contribution rates range from 5.5% to 12.5% of pensionable pay for the financial year ending 31 March 2019.

1.18 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

1.19 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.

1.20 Benefits payable and

refunds of contributions have been brought into the accounts as they fall due.

1.21 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.

1.22 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

1.23 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

1.24 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.

1.25 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

1.26 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

1.27 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 and in the actuarial valuation for the purposes of IAS 26 (note 15) in which the actuarial calculation of the liability is subject to the professional judgement of the Scheme Actuary. The Fund's investments are stated at fair value. The subjectivity of the inputs used in making an assessment of fair value is explained in note 24.

Events After the Balance Sheet Date

1.28 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

Item	Uncertainties	Effect if actual results differ from assumptions
Market Value of investments	The Fund's investments are revalued on a monthly basis. Investments are valued using quoted prices in active markets or by reference to markets which are not considered to be active but are valued based on quoted market prices, dealer quotations or alternative pricing sources supported by observable inputs with the exception of the Hedge Funds (£232.127 millions), Pooled Property Investments (£201.187 millions), Infrastructure (£342.723 millions) and Secure Income (£16.695 millions)	For every 1% increase in Market Value the value of the Fund will increase by £48.198 millions with a decrease having the opposite effect.
Actuarial present value of promised retirement benefits (Note 15)	Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. Mercer, a firm of consulting actuaries, is engaged to provide the authority with expert advice about the assumptions to be applied.	<p>The effects on the actuarial present value of promised retirement benefits (the Fund's liabilities) of changes in individual assumptions can be measured. For instance, based on the 2016 actuarial valuation results:</p> <ul style="list-style-type: none"> • a 1% per annum reduction in the discount rate assumption would result in an increase in the Fund's liabilities of approximately 19%. • a 0.25% per annum increase in the assumed earnings inflation would result in an increase in the Fund's liabilities of approximately 1%. • a one-year increase in assumed life expectancy would result in an increase in the Fund's liabilities of approximately 2%.

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

1.29 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

1.30 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. Each fund holds an equal 10% stake in the pension fund, so no pension fund exerts more influence than another. Also, a holding of 20% or more of the voting power is generally required to indicate significant influence.

2. MEMBERSHIP

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

	31 March 2019	31 March 2018
Employed Members	36,894	36,479
Pensioners	32,137	30,734
Members entitled to Deferred Benefits	42,114	43,012
Total	111,145	110,225

A further estimated 738 (847 in 2017/18) ex-members whose membership was for up to 2 years before 1 April 2014 or up to 3 months after that date are due refunds of contributions. It is not possible to put an exact value on this liability until these ex-members have been traced and their entitlement verified.

3. TAXATION

i. Value Added Tax

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

ii. Income Tax

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

iii. Capital Gains Tax

No capital gains tax is chargeable.

iv. Taxation of Overseas Investment Income

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

4. CONTRIBUTIONS RECEIVABLE

Contributions receivable are analysed below:-

	2018/19		2017/18	
Employers' normal contributions		£'000		£'000
Scheduled Bodies	78,070		71,831	
Administering Authority	8,569		8,768	
Admission Bodies	7,832	94,471	8,097	88,696
Employers' deficit Funding				
Scheduled Bodies	14,593		76,439	
Administering Authority	(180)		14,837	
Admission Bodies	637	15,050	2,912	94,188
Total Employer's normal & deficit funding		109,521		182,884
Employers' contributions- Augmentation				
Scheduled Bodies	1,950		3,089	
Administering Authority	2,230		278	
Admission Bodies	308	4,488	107	3,474

Members' normal contributions				
Scheduled Bodies	32,892		30,998	
Administering Authority	3,754		3,947	
Admission Bodies	2,720	39,366	2,856	37,801
Members' contributions towards additional benefits				
Scheduled Bodies	429		484	
Administering Authority	82		92	
Admission Bodies	43	554	29	605
Total		153,929		224,764

Deficit funding contributions have been paid by employers in respect of the recovery of their deficit relating to past service. In 2017/18 the deficit funding contributions included £82,254k of discounted contributions that the actuary had calculated to cover the required deficit contributions for the three years commencing 2017/18. In 2018/19 Unitary councils received £1,109k in deficit rebates relating to payments for Academies who transferred in 2018/19 (£180k of which related to the Administering Authority).

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 Aviva on behalf of the individual members concerned. These contributions are not part of the Pension Fund and are not therefore reflected in the Fund's accounts. A statement of the value of these investments is given in note 18.

5. BENEFITS PAYABLE

Analysis of Benefits Payable by Type:-

	2018/19	2017/18
	£'000	£'000
Retirement Pensions	142,405	135,003
Commutation of pensions and Lump Sum Retirement Benefits	25,802	24,655
Lump Sum Death Benefits	3,656	3,356
	171,863	163,014

Analysis of Benefits Payable by Employing Body:-

	2018/19	2017/18
	£'000	£'000
Scheduled & Designating Bodies	140,228	134,704
Administering Authority	18,312	15,942
Admission Bodies	13,323	12,368
	171,863	163,014

6. PAYMENTS TO AND ON ACCOUNT OF LEAVERS

	2018/19	2017/18
Leavers	£'000	£'000
Refunds to members leaving service	866	744
Individual Cash Transfer Values to other schemes	8,856	7,195
Group Transfers	-	-
	9,722	7,939

7. MANAGEMENT EXPENSES

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

	2018/19	2017/18
	£'000	£'000
Administrative Costs	2,177	1,829
Investment Management Expenses	19,304	23,109
Oversight & Governance Costs	1,377	1,436
	22,858	26,374

Further Analysis of Management Expenses:-

	2018/19	2017/18
Administrative Costs	£'000	£'000
Management costs	1,450	1,215
Administration and Processing	420	565
Service from Administrating Body	497	473
Fees and Income	(190)	(424)
	2,177	1,829

Investment Management Expenses		
Fund Manager Base Fees	20,470*	13,449
Fund Manager Performance Fees	(3,330)	3,681
Investment Transaction Costs	1,916	5,896
Global custody	248	83
	19,304	23,109

Oversight & Governance Costs		
Management costs	535	527
Specialist advice and Governance	1,068	1,182
Actuarial recharges	(266)	(311)
Audit fees	40	38
	1,377	1,436
	22,858	26,374

* Fund manager base fees were originally understated due to transaction costs being deducted from them. Fund Manager Base fees were actually £19.345m. Consequently management expenses would have been £32.270m. The Accounts have not been restated as this is deemed not material as per IAS 8.

In 2017/18 fees and income included £0.236m rebate of Brunel Pensions Partnership development costs that are

included in the Fund Manager base fees for that year.

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

The provision for performance fees relate mainly to pooled funds and they are estimated from the information available. Fund manager performance fees for 18/19 represent a reduction in provision of £3.330m. This relates to management fees which had not previously been recognised as paid (2.958m) and reduction in provision (£0.372m).

The management fees include fees that should have been paid before a fee holiday (£0.069m). The fee holiday has been included within transaction costs. Also included within management fees is £0.998m paid to Brunel Pension Partnership for core investment services.

Investment transaction costs do not include the underlying transaction costs within pooled funds. Transaction costs include the costs of transitioning assets to the portfolios managed by Brunel.

Management costs in Oversight & Governance Costs include investments, actuarial and accounting staff costs. Audit fees include; £0.022m external audit fee as set out in the Audit Plan (2017/18 £0.029m), £0.008m internal audit charge (2017/18 £0.008m) and £0.001m additional external fee relating to information provided to the actuary regarding individual employers' IAS19 disclosures (2017/18 £0.001m).

8. INVESTMENT INCOME

	2018/19	2017/18
	£'000	£'000
Dividends from equities	18,954	20,772
Income from Index Linked securities	-	-
Income from pooled investment vehicles	13,017	6,583
Income from other pooled investment vehicles	3,977	312
Interest on cash deposits	912	272
Other - Stock lending	152	69
	37,012	28,008

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 2019 was £15.6m (31 March 2018 £29.9m), comprising of equities and sovereign debt. This was secured by collateral worth £16.9m 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 31/03/18	Purchases at Cost	Sales Proceeds	Change in Market Value	Value at 31/03/19
	£'000	£'000	£'000	£'000	£'000
Equities	1,075,449	321,072	(855,828)	14,097	554,790
Long Term Investments	840			(445)	395
Bonds	-				-
Pooled Investments -					
- Property	410,899	202,717	(196,868)	12,004	428,752
- Non Property	2,907,105	1,914,192	(1,330,941)	228,411	3,718,767
Derivatives	13,243	89,542	(42,438)	(52,014)	8,333
Sub Total	4,407,536	2,527,523	(2,426,075)	202,053	4,711,037
Cash Deposits	204,037	295,606	(387,589)	(6,677)	105,377
Net Purchases & Sales		2,823,129	(2,813,664)	9,465	
Investment Debtors & Creditors	(3,266)			6,605	3,339
Total Investment Assets	4,608,307				4,819,753
Long Term Debtors				70	70
Current Assets	(7,382)			5,386	(1,996)
Less Net Revenue of Fund				4,467	
Total Net Assets	4,600,925			221,369	4,817,827

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 (-£39,493k) plus Investment income (£37,012k) as shown in the Fund account.

Change in Total Net Assets 2017/18
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
Long Term Investments		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 Net Revenue of Fund figures in the above tables include the investment transaction costs as specified below. These are the costs that it has been possible to identify. Additional costs will have been absorbed within pooled investments.

Investment Transaction Costs.

	2018/19	2017/18
	£'000	£'000
Fees & Taxes	1,315	2,711
Commission	601	3,185
Total	1,916	5,896

Investment transaction costs for 18/19 include the costs of transitioning assets to the portfolios managed by Brunel.

10. INVESTMENT ASSETS

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

	31 March 2019		31 March 2018	
UK Equities		£'000		£'000
Quoted	190,348		342,303	
Pooled Investments	194,418		30,188	
FTSE Futures	349	385,115	(598)	371,893
Overseas Equities				
Quoted	364,442		733,146	
Pooled Investments	1,270,243		680,444	
Equity Index Options	(12,585)	1,622,100	15,010	1,428,600
UK Bonds				
Quoted	-	-	-	-
Sterling Bonds (excluding Gilts)				
UK Pooled Investments	86,168	86,168	82,124	82,124
Diversified Growth Funds				
Overseas Pooled Investments	597,717	597,717	602,104	602,104
Infrastructure				
Overseas Pooled Investments	342,723	342,723	283,594	283,594
Liability Driven Investment				
UK Pooled Investments	580,817	580,817	521,212	521,212
Multi Asset Credit				
Overseas Pooled Investments	410,444	410,444	482,296	482,296
Hedge Funds				
Overseas Pooled Investments	232,127	232,127	210,133	210,133
Property				
UK Pooled Investments	227,565		209,579	
Overseas Pooled Investments	201,187	428,752	201,320	410,899
Secured Income				
UK Pooled Investments	16,695	16,695	-	-
Long Term Investments				
Brunel Share Capital	395	395	840	840
Cash Deposits				
Sterling	68,871		185,001	
Foreign Currencies	36,506	105,377	19,036	204,037

Investment Debtors/Creditors				
Investment Income	3,486		5,096	
Sales of Investments			227,692	
Foreign Exchange Hedge	7,984		13,840	
Purchases of Investments	(147)	11,323	(236,053)	10,575
Total Investment Assets		4,819,753		4,608,307

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 2019 the net value of these assets was £580,817m.

OTC Equity Index Options are used to protect the developed equity assets from a fall in equity markets. At 31 March 2019 the unrealised loss on this strategy was £12.5m.

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 £1,008m at March 2019.

Derivatives Analysis

Open forward currency contracts

Settlement	Currency bought	Local Value	Currency Sold	Local Value	Asset Value	Liability Value
	£000's	£000's		000's	£000's	£000's
Up to one month	EUR	63,205	GBP	54,551	-	(35)
Up to one month	JPY	1,247,800	GBP	8,643	17	-
Up to one month	USD	184,638	GBP	141,735	-	(238)
Up to one month	GBP	8,500	JPY	1,247,800	-	(160)
Up to one month	GBP	56,532	EUR	63,205	2,017	-
Up to one month	GBP	139,871	USD	184,638	-	(1,626)
One to six months	EUR	9,787	GBP	8,604	-	(145)
One to six months	JPY	152,900	GBP	1,059	4	-
One to six months	USD	19,639	GBP	15,238	-	(234)
One to six months	GBP	270,591	EUR	304,752	6,901	-
One to six months	GBP	40,397	JPY	5,793,900	87	-
One to six months	GBP	687,376	USD	899,199	1,285	-
Six to twelve months	GBP	51,172	EUR	58,993	-	(42)
Six to twelve months	GBP	7,865	JPY	1,128,200	-	(8)
Six to twelve months	GBP	133,800	USD	175,912	161	-
Total					10,472	(2,488)
Net forward currency contracts at 31 March 2019						7,984
Open forward currency contracts at 31 March 2018					15,267	(1,427)
Net forward currency contracts at 31 March 2018						13,840

Equity Options

	Original Notional (GBP)	Notional at 31 March	Gain/(Loss) at 31 March
	£'000	£'000	£'000
S&P 500 Index Options	790,885	873,023	(34,706)
Nikkei 225 Index Options	157,262	153,871	4,991
FTSE 100 Index Options	395,692	389,626	7,750
EuroStoxx50 Index Options	236,732	215,081	8,735
Total	1,580,571	1,631,601	(13,230)
Equity Options at 31 March 2018	-		15,011

* BlackRock carry a small amount of cash in this fund for immediate collateral requirements which is added to the total value. For March 2019 the cash balance was £643,752.00.

Exchange Traded Derivatives held at 31 March 2019:-

Contract Type	Expiration	Book Cost	Unrealised Gain
		£'000	£'000
FTSE equity futures	June 2018	21,297	350

Exchange Traded Derivatives held at 31 March 2018:-

FTSE equity futures	June 2018	73,279	(598)
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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 2019		31 March 2018	
Investments managed by Brunel Pension Partnership:	£'000	%	£'000	%
LGIM Low Carbon Global Equities	520,926	10.8	-	-
Brunel Infrastructure Portfolio	11,152	0.2	-	-
Brunel Secured Income Portfolio	16,695	0.3	-	-
Brunel UK Equity Portfolio	187,270	3.9	-	-
	736,043	15.3	-	-
Investments managed outside Brunel Pension Partnership:				
Blackrock	1,166,378	24.2	1,471,348	31.9
Standard Life	-	-	240,709	5.2
Record	29,631	0.6	86,436	1.9
Jupiter Asset Management	205,588	4.3	196,870	4.3
Genesis Investment Management	117,600	2.4	113,788	2.5
Partners Group	228,326	4.7	218,347	4.7
Loomis (Natixis)	410,444	8.5	482,296	10.5
Pyrford International	218,582	4.5	135,269	2.9
TT International	305	0.0	184,557	4.0
Signet Capital Management		-	1,633	0.0
IFM Investors	331,571	6.9	283,594	6.2
Ruffer	379,136	7.9	226,126	4.9
Unigestion (UK) Ltd	110,931	2.3	107,920	2.3
Schroder Investment Management	630,378	13.1	578,585	12.6
JP Morgan	232,127	4.8	210,133	4.6
General Cash	14,409	0.3	61,427	1.3
Long Term Investment	395	0.0	840	0.0
Treasury Management	7,909	0.2	8,429	0.2
	4,083,710	84.7	4,608,307	100.0
Total Investment Assets	4,819,753	100.0	4,608,307	100.0

During 2018/19, the assets managed by TT International (UK Equities) and Blackrock (passively managed Global Low Carbon Equities) transitioned to the Brunel asset pool. Further transitions are expected later in 2019/20 for the Emerging Market and Global Equities mandates. In addition, new allocations to Renewable Infrastructure and Secured Income were invested via Brunel portfolios.

11. SINGLE INVESTMENTS OVER 5% OF THE FUND

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

Investments	Value at 31st March 2019	Net Assets	Value at 31st March 2018	Net Assets
	£'000	%	£'000	%
Blackrock Liability SOL Mutual Fund	1,008,422	20.93%	536,222	11.63%
LGIM Low Carbon Global Equity	520,926	10.81%	0	-
NATIXIS Investment Solutions	410,444	8.52%	482,296	10.46%
CF Ruffer Absolute Return Fund	379,136	7.87%	226,126	4.91%
IFM Global Infrastructure (UK)	331,571	6.88%	283,594	6.15%
Blackrock ACS World Low Carbon Equity	-	0.00%	458,736	9.95%
Standard Life Global Absolute	-	0.00%	240,709	5.22%

12. CURRENT ASSETS AND CURRENT LIABILITIES

Provision has been made in the accounts for debtors and creditors known to be outstanding at 31 March 2019. Debtors and creditors included in the accounts are analysed below:-

	31 March 2019		31 March 2018	
		£'000		£'000
Current Assets				
Contributions Receivable :-				
- Employers	7,981		6,801	
- Members	3,128		2,717	
Transfer Values Receivable	-		-	
Discretionary Early Retirement Costs	129		936	
Other Debtors	1,841	13,079	1,507	11,961
Current Liabilities				
Management Fees	(1,647)		(2,339)	
Provision for Performance Fees	(10,918)		(14,248)	
Transfer Values Payable	-		-	
Lump Sum Retirement Benefits	(1,203)		(1,073)	
Other Creditors	(1,307)	(15,075)	(1,683)	(19,343)
Net Current Assets		(1,996)		(7,382)

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

12A. LONG TERM DEBTORS

Provision has been made in the accounts for long term debtors known to be outstanding at 31 March 2019.

	31 March 2019	31 March 2018
	£'000	£'000
Reimbursement of lifetime tax allowances	70	-

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

13. CONTINGENT LIABILITIES

There were no contingent liabilities as at 31 March 2019. (31 March 2018 = NIL).

14. EVENTS AFTER THE BALANCE SHEET DATE

There have been no events after 31 March 2019 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 2019 (the 31 March 2018 assumptions are included for comparison):

	31 March 2019	31 March 2018
Rate of return on investments (discount rate)	2.4% per annum	2.6% per annum
Rate of pay increases*	3.7% 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	2.2% 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 March 2017.

During the year, corporate bond yields decreased slightly, resulting in a lower discount rate being used for IAS 26 purposes at the year-end than at the beginning of the year (2.4% p.a. versus 2.6% p.a.). The expected long-term rate of CPI inflation increased during the year, from 2.1% p.a. to 2.2%. Both of these factors served to increase the liabilities over the year.

The value of the Fund's promised retirement benefits for the purposes of IAS 26 as at 31 March 2018 was estimated as £6,453 million. Interest over the year increased the liabilities by c£169 million, and allowing for net benefits accrued/paid over the period also increased the liabilities by c£72 million (after allowing for any increase in liabilities arising as a result of early retirements/augmentations). We have also included an amount of £40 million by way of an estimate of the effect of the McCloud judgement (see note below for further details). There was then an increase in liabilities of £368 million 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 2019 is therefore £7,102 million.

The McCloud Case

The value of the Fund's promised retirement benefits for the purposes of IAS 26 as at 31 March 2018 was Sargeant and McCloud (which for the purposes of the LGPS has generally been shortened to "McCloud"), relating to the Firefighter unfunded pension schemes and the Judicial pension arrangements. In essence, the Court held that the transitional protections, which were afforded to older members when the reformed schemes were introduced in 2015, constituted unlawful age discrimination. The Government attempted to appeal the cases, but it was announced on 27 June 2019 that the appeal had been refused by the Supreme Court. Remedial action in the form of increases in benefits for some members of the Firefighter and Judicial arrangements will almost certainly be required. There may well be knock-on effects for the other public service schemes, and the LGPS might therefore also be required to take some action. At this state it is unclear what the extent of any potential remedial action might be.

We have carried out some costings of the potential effect of McCloud as at 31 March 2019, based on the individual member data as supplied to us for the 2016 actuarial valuation, and this results in an additional liability of £40 million using the IAS26 assumptions outlined above. The approach to the calculations is as instructed by the administering authority after consideration of the categories of members potentially affected, but in very broad terms calculates the cost of applying a "final salary underpin" (on a member by member basis) to those active members who joined the Fund before 1 April 2012 and who would not otherwise have benefited from the underpin.

GMP Equalisation

respect of service after 17 May 1990 (the date of the "Barber" judgment) and this includes providing equal benefits accrued from that date to reflect the differences in GMPs. Previously, there was no consensus or legislative guidance as to how this might be achieved in practice for ongoing schemes, but the 26 October 2018 Lloyds Bank court judgement has now provided further clarity in this area. However, in response to this judgement HM Treasury stated that "public sector schemes already have a method to equalise guaranteed minimum pension benefits, which is why we will not have to change our method as a result of this judgment", clearly implying that the Government (who have the overall power to determine benefits provision) believe the judgement itself will not affect the benefits. Therefore, the natural conclusion for the main public service pension schemes including the Local Government Pension Scheme is that it is not appropriate for any provision to be included for the effect of the Lloyds Bank judgment, at least at the present time, and so no allowance has been made for any additional liabilities within the above figures at this stage. However, in due course there may be a further cost to the LGPS in connection with equalisation/indexation, when the Government confirms the overall approach which it wishes to adopt in this area following its consultation.

16. TRANSFERS IN

During the year ending 31 March 2019 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.

	2018/19	2017/18
	£'000	£'000
Benefits Paid and Recharged	5,882	5,895

The Fund also administers £25.6m pension payments on behalf of the Fire Service and the Teachers' pension schemes. (£21.8m in 2017/18, 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 Aviva, the Fund's nominated AVC providers. Additional Voluntary Contributions received from employees and paid to The Equitable Life Assurance Society during 2018/19 were £55 (2017/18 - £55). Additional Voluntary Contributions received from employees and paid to Aviva during 2018/19 were £375,694 (2017/18 - £288,295).

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

	31 March 2019	31 March 2018
	£'000	£'000
Equitable Life		
With Profits Retirement Benefits	315	352
Unit Linked Retirement Benefits	317	339
Building Society Benefits		-
	632	691
Death in Service Benefit	53	53
	31 March 2019	31 March 2018
	£'000	£'000
Aviva		
With Profits Retirement Benefits	79	97
Unit Linked Retirement Benefits	3,763	4,114
Cash Fund	378	208
	4,220	4,419

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 2018/19 £38,250 was charged to the Fund in respect of Allowances paid to the voting Members of the Avon Pension Fund Committee (£40,557 in 2017/18). Seven voting members and one 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 2018/2019. (Six voting members and two non-voting members in 2017/2018, including three B&NES Councillor Members)

Independent Member Related:-

Three Independent Members were paid allowances of £14,817, £12,246 and £1,679 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 2018/19 the Fund paid B&NES Council £436,428 for administrative services (£437,520 in 2017/18). Various Employers paid the fund a total of £191,825 for pension related services including pension's payroll and compiling data for submission to the actuary (£258,817 in 2017/18).

Pension Board Related:-

The Pension Board came in to operation in July 2015. In 2018/19 £7,843 was charged to the Fund in respect of Allowances and expenses paid to the Members of the Pension Board (£7,129 in 2017/18). Five members of the Pension Board were members of the Local Government Pension Scheme during the financial year 2018/2019. (Five

members in 2017/2018).

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 2018/19 the Pension Fund paid BPP £998,932 (2017/18 £840,000).

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 consisted of:

- part of the Head of Business Finance and Pensions salary, fees and allowances £38,784 (2017/18 £38,784) and their post employment benefits (pensions) £11,200 (2017/18 £11,200).
- part of the Divisional Director Risk and Assurance's salary, fees and allowances £8,190 (2017/18 £8,190) and their post employment benefits (pensions) £2,400 (2017/18 £2,400).

The Section 151 Officer's costs have not been included as the Pension Fund is recharged on a time spent basis and their salary is accounted for in Bath & North East Somerset's accounts.

The method of calculating the above figures has been revised. Previous year's figures overstated salaries by including of overheads, and disclosed employer contributions instead of pension benefits accrued. In 2017/18 salaries (including overheads) were disclosed as £50,167 and £10,600. Employer's pension contributions were disclosed as £9,498 and £2,000.

21. OUTSTANDING COMMITMENTS

As at the 31 March 2019 the Fund had outstanding commitments relating to investments in Property, Infrastructure and Secure Income funds that will be drawn down in tranches by the Investment Managers totalling £333,320,665. (31 March 2018 £113,752,557). The increase is due to the new commitments made in the year to Secured Income and Infrastructure.

22. FINANCIAL INSTRUMENTS

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

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

2017/18	Fair value through profit and loss	Assets at amortised cost	Financial liabilities at amortised cost
Financial assets	£'000	£'000	£'000
Equities	1,075,449		
Long Term Investment	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 Futures	15,010		
Cash		195,676	
Other investment balances	5,096		
Debtors		11,961	
Total Financial Assets	4,413,229	207,637	-
Financial Liabilities			
Other investment balances			
Derivative Contracts Equity Options	(598)		
Creditors			(19,343)
Total Financial Liabilities	(598)	-	(19,343)
Total Net Assets	4,412,631	207,637	(19,343)

Net gains and losses on Financial Instruments

		RESTATED
	31 March 2019	31 March 2018
	£'000	£'000
Financial assets		
Fair value through profit and loss	254,512	164,001
Amortised Cost - realised gains on derecognition of assets		
Amortised cost - unrealised gains	19,316	19,088
Financial Liabilities		
Fair value through profit and loss	(52,459)	
Amortised Cost - realised losses on derecognition of assets		
Amortised cost - unrealised losses		
	221,369	183,089

23. FINANCIAL RISK MANAGEMENT DISCLOSURE

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

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

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

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

As the Fund's assets transition to Brunel Pension Partnership (Brunel) over the next few years, the current roster of external managers will reduce as Brunel takes over responsibility for managing the portfolios. At 31 March 2019, only the passively managed Low Carbon Global Equity and Actively managed UK Equity assets had transferred to Brunel. In addition Brunel is investing new monies allocated to Secured Income and Renewable Infrastructure. The Fund's investments are held by State Street Bank and Trust who acts as custodian on behalf of the Fund.

Because the Fund adopts a long term investment strategy, the high level risks described below will not 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.

Assessing the potential impact of Brexit on markets and projecting asset price movements is difficult as each political scenario could have a range of market impacts. However, the positioning of the Fund's investment strategy means that the potential impact of unfavourable market events on the Fund's assets will be moderated. Given a material part of the Fund's overall investment strategy (over 50%) is invested in non-UK assets, the expected risk associated with various Brexit scenarios should be limited. The investment strategy is globally diversified from a currency, country of risk, sector and issuer perspective and this would be expected to reduce volatility in the event of an adverse outcome. Moreover, non-sterling currency exposure from the developed global equities, hedge fund, global property and infrastructure mandates is hedged back to sterling (partially in the case of equities) in order to reduce the impact from currency volatility that may result.

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 2019. 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 2019 is shown below:

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

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
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
Long Term Investment	840	15.0%	966	714
Cash & Equivalents	214,612	0.1%	214,827	214,397
Total Investment Assets	4,608,307		4,975,814	4,240,801

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 2019	31 March 2018
	£'000	£'000
Cash and Cash Equivalents	116,700	214,612
Bonds	666,984	603,335
Total	783,684	817,947

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 2019 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 2019	£'000	+100 bps	-100 bps
Cash and Cash Equivalents	116,700	0	0
Fixed Interest	666,984	(136,811)	136,811
Total	783,684	(136,811)	136,811

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 2018 is shown below:

	Value	Change in net assets	
As at 31 March 2018	£'000	+100 bps	-100 bps
Cash and Cash Equivalents	214,612	-	-
Fixed Interest	603,335	(128,754)	128,754
Total	817,947	(128,754)	128,754

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 2019	Asset value as at 31 March 2018
	£'000	£'000
Overseas Equities	1,393,569	1,206,893
Overseas Property	201,187	201,320
Fund of Hedge Funds	232,127	210,133
Infrastructure	342,723	283,594

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 2019. The analysis reflects the Fund's passive hedging policy of a 50% hedge ratio on the global equity assets, and a 100% hedge ratio on the global property, 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 2019 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	1,393,569	4.65%	1,458,330	1,328,808

The same analysis for the year ending 31 March 2018 is shown below:

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

(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 2019 was £22.1m. This was held with the following institutions:

	31 March 2019		31 March 2018	
	Rating	£'000	Rating	£'000
Custodian's Liquidity Fund				
State Street Global Services	AAA	7,735	AAA	61,427
Bank Call Accounts				
Handelsbanken	AA	3,250	AA	10
Bank of Scotland Corporate Deposit Account	A+	90	A+	90
Goldman Sachs Global Treasury Fund	AAA	30	AAA	20
Standard life	AAA	810	AAA	7,570
Federated Investors	AAA	9,780	AAA	680
NatWest Special Interest Bearing Account	A+	340	BBB+	-
	AAA	90		
Bank Current Accounts				
NatWest	A+	8	BBB+	15

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. In addition the Fund invests in a range of Exchange Traded Funds that provide a similar liquidity profile to cash so that capital calls from the private market portfolios can be managed efficiently. 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 2019 the value of the illiquid assets was £1,021m, or 21.2% of the total Fund assets (31 March 2018: £905m which represented 19.6% 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.

Secured Income	Level 3	Closing bid price where bid and offer prices are published; closing single price where single price published. Redemption restrictions apply.	NAV based pricing set on a forward looking basis.	Valuations can be affected by material events between the date of the financial accounts provided and the pension fund's own reporting date, by changes to expected cash flows and by any differences between the audited and unaudited accounts.
Hedge Funds	Level 3	Closing bid price where bid and offer prices are published; closing single price where single price published.	NAV based pricing set on a forward looking basis.	Valuations can be affected by material events between the date of the financial accounts provided and the pension fund's own reporting date, by changes to expected cash flows and by any differences between the audited and unaudited accounts.
Limited Partnerships and closed ended funds	Level 3	Valued using a number of different market and income valuation methods as well as comparable market transactions prices.	Market transactions; market outlook; cash flow projections; last financings; multiple projections.	Valuations could be affected by material events occurring between the date of the financial statements provided and the pension fund's own reporting date, by changes to expected cash flows and any differences between audited and unaudited accounts.
Infrastructure funds	Level 3	Infrastructure investments are valued at the end of each quarter by independent valuation firms. The valuation method is employed for each asset at the discretion of the appointed independent valuer but must fall within the standards prescribed 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.

Long Term Investments - Equities	Level 3	Brunel Share Capital is valued at the Equity value as stated in Brunel Pension Partnership Statement of Accounts	Earnings and revenue multiples; discount for lack of marketability; control premium	Valuations could be affected by material events occurring between the date of the financial statements provided and the pension fund's own reporting date, by changes to expected cash flows and any differences between audited and unaudited accounts.
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The following sets out the Fund's financial assets and liabilities measured at fair value according to the fair value hierarchy at 31 March 2019.

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

There has been no re-classification of assets between levels of the hierarchy between 31 March 2018 and 31 March 2019.

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

Reconciliation of Fair Value measurements within Level 3

Level 3	Market Value 01 April 2018	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 2019
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Fund of Hedge Funds	201,320	-	-	-	(133)		201,187
Property	210,133	-	-	-	21,994		232,127
Infrastructure	283,595	-	11,690	-	47,438		342,723
Secure Income	-	-	16,493	-	202		16,695
Long Term Investment - Equities	840	-	-	-	(445)		395
	695,888	-	28,183	-	69,056		793,127

Sensitivity of assets valued at Level 3

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

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

The same analysis for 31 March 2018:

Level 3 assets	Assessed valuation range +/-	Value at 31 March 2018	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
Secure Income	10%	-	-	-
Long Term Investment - Equities	15%	840	966	714
Total		695,888	779,698	612,077

25. EMPLOYING BODIES

As at 31 March 2019 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
Ashton Park School	Minerva Primary Academy
Ashton Vale Primary School	Moorlands Infant School
Aspire Academy	Moorlands Junior School
Backwell C of E Junior School	Mulberry Park Educate Together Primary
Backwell School	Nailsea School
Badock's Wood E-ACT Academy	New Siblands School
Bannerman Road Community Academy	North Somerset Enterprise & Technology College
Barton Hill Academy	Northleaze C of E Primary School
Bathampton Primary School	Notton House Academy
Batheaston Church School	Oasis Academy Bank Leaze
Bathford Church School	Oasis Academy Brightstowe
Bathwick St Mary Church School	Oasis Academy Brislington
Becket Primary School	Oasis Academy Connaught
Bedminster Down School	Oasis Academy John Williams
Beechen Cliff School	Oasis Academy Long Cross
Begbrook Primary Academy	Oasis Academy Marksbury Road
Birdwell Primary School	Oasis Academy New Oak
Bishop Sutton Primary School	Oldfield Park Infant School
Bournville Primary Academy	Oldfield Park Junior School
Bradley Stoke Community School	Oldfield School
Bridge Learning Campus	Oldmixon Primary School
Bristol Cathedral School Trust	Olympus Academy Trust
Bristol Free School	Orchard School Bristol
Bristol Futures Academy	Parklands Educate Together Primary
Bristol Technology & Engineering Academy	Parson Street Primary School
Broadlands Academy	Patchway Community School
Broadoak Mathematics & Computing College	Peasedown St John Primary School
Cabot Learning Federation	Perry Court E-ACT Academy
Callicroft Primary School	Portishead Primary School

Castle Batch Primary School	Priory Community School
Chandag Infant School	Ralph Allen School
Chandag Junior School	Redfield Educate Together Primary Academy
Charborough Road Primary School	Roundhill Primary School
Charfield Primary School	Saltford C of E Primary School
Cheddar Grove Primary School	Severn Beach Primary School
Chew Stoke Church School	SGS Pegasus School
Chew Valley School	Shoscombe Church School
Christ Church C of E Primary School (Bristol)	Sir Bernard Lovell Academy
Christ Church C of E Primary School (WSM)	Somerdale Educate Together Primary Academy
Churchill Academy	St Andrew's Church School
City Academy	St Anne's C of E VA Primary 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
Combe Down C of E Primary School	St John's C of E Primary School (Keynsham)
Compass Point South Street Primary School	St John's C of E Primary School (MSN)
Cotham Gardens Primary School	St Julian's C of E Primary School
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 C of E Primary School
Culverhill School	St Martin's Garden Primary School
Digitech Studio School	St Mary Redcliffe C of E Primary School
Diocese of Bristol Academy Trust	St Mary's C of E VA Primary School
Downend School	St Matthias Academy
Dundry C of E Primary School	St Michael's C of E Junior Church School
East Harptree Primary School	St Nicholas Chantry C of E VC Primary School
Easton C of E Academy	St Nicholas of Tolentine Catholic School
Elmlea Junior School	St Patrick's Catholic Primary School
Endeavour Academy Trust	St Peter's C of E Primary School
Evergreen Primary Academy	St Philip's C of E Primary School
Fairfield High School	St Saviours Infant Church School
Fairlawn Primary School	St Saviours Junior Church School
Farmborough Church Primary School	St Stephen's Primary Church School
Farrington Gurney C of E Primary School	St Teresa's Catholic Primary School
Federation of Hannah More Infant School	St Ursula's E-ACT Primary Academy
Filton Avenue Primary School	Stanton Drew Primary School
Filton Hill Primary School	Steiner Academy Bristol
Fishponds Church of England Academy	Stoke Bishop C of E Primary School
Flax Bourton Primary School	Stoke Lodge Primary School
Fonthill Primary School	Summerhill Academy
Fosse Way School	The Bath Studio School
Four Acres Academy	The Castle School
Freshford Church School	The Dolphin School
Frome Vale Academy	The Kingfisher School
Gatehouse Green Learning Trust	The Meadows Primary School
Gordano School	Three Ways School

Greenfield E-ACT Primary Academy	Tickenham C of E Primary School
Grove Junior School	Trinity Anglican Methodist Primary School
Hanham Woods Academy	Trinity Church School
Hans Price Academy	Trust in Learning
Hareclive E-ACT Academy	Ubley Primary School
Hayesfield Girls School	Venturers' Academy
Haywood Village Academy	Venturers' Trust
Headley Park Primary School	Victoria Park Primary School
Henbury Court Primary Academy	Walliscote Primary School
Henbury School	Wallscourt Farm Academy
Henleaze Junior School	Wansdyke Primary School
Heron's Moor Academy	Waycroft Academy
High Down Infant School	Wellsway School
High Down Junior School	Welton Primary School
High Littleton C of E Primary School	West Leigh Infant School
Hotwells Primary School	West Town Lane Academy
Hutton C of E Primary School	Westbury Park Primary School
IKB Academy	Westbury-on-Trym C of E Academy
Ilminster Avenue E-ACT Academy	Westfield Primary School
Kings Oak Academy	Weston All Saints C of E Primary School
Kingshill Church School	Wicklea Academy
Knowle DGE Academy	Widcombe C of E Junior School
Lansdown Park Academy	Widcombe Infant School
Little Mead Primary Academy	Windwhistle Primary School
Locking Primary School	Winford CofE Primary School
Longvernal Primary School	Winterbourne International Academy
Luckwell Primary School	Woodlands Academy
Lyde Green Primary School	Worle Community School
Mangotsfield School	Worle Village Primary School
Marksbury C of E Primary School	Wraxall C of E Voluntary Aided Primary School
Marlwood School	Writhlington School
Mary Elton Primary School	Yate Academy
Mead Vale Community Primary School	Yatton C of E Junior School
Meadowbrook Primary School	Yatton VC Infant School
Mendip Green Primary School	Yeo Moor Primary School
Merchants' Academy	

Designating Bodies

Almondsbury Parish Council	Patchway Town Council
Backwell Parish Council	Paulton Parish Council
Bradley Stoke Town Council	Peasedown St John Parish Council
Bristol Waste Company	Pill & Easton in Gordano Parish Council
Charter Trustees of the City of Bath	Portishead Town Council
Clevedon Town Council	Radstock Town Council
Congresbury Parish Council	Saltford Parish Council
Destination Bristol	Sodbury Parish Council
Dodington Parish Council	Stoke Gifford Parish Council
Downend and Bromley Heath Parish Council	Stoke Lodge & the Common Parish Council

Emersons Green Town Council	Thornbury Town Council
Filton Town Council	Visit Bath Ltd
Frampton Cotterell Parish Council	Westerleigh Parish Council
Hanham Abbots Parish Council	Westfield Parish Council
Hanham Parish Council	Weston Super Mare Town Council
Keynsham Town Council	Whitchurch Parish Council
Midsomer Norton Town Council	Winterbourne Parish Council
Nailsea Town Council	Yate Town Council
Oldland Parish Council	Yatton Parish Council

Community Admission Bodies

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

Transferees Admitted Bodies

ABM Catering Limited
Active Community Engagement Ltd
Agilisys Limited
Agilysis Limited 2015
Alliance in Partnership Limited - Westbury on Trym C of E Academy
Alliance Living Care Limited
Aspens Services Limited - Abbeywood Community School
Aspens Services Limited - Bannerman Road Community Academy
Aspens Services Limited - Barrs Court Primary School
Aspens Services Limited - Beacons Rise Primary School
Aspens Services Limited - Begbrook Primary Academy
Aspens Services Limited - Bishop Sutton & Stanton Drew Schools (Federated)
Aspens Services Limited - Blackhorse Primary School
Aspens Services Limited - Bradley Stoke Community School
Aspens Services Limited - Castle Primary School (Keynsham)
Aspens Services Limited - Castle School Education Trust
Aspens Services Limited - Charborough Primary School
Aspens Services Limited - Charfield School
Aspens Services Limited - Cherry Garden Primary School
Aspens Services Limited - Christchurch Hanham CofE Primary School
Aspens Services Limited - Culverhill School
Aspens Services Limited - Downend School
Aspens Services Limited - East Harptree Primary School
Aspens Services Limited - Frampton Cottrell School
Aspens Services Limited - Frome Vale Academy
Aspens Services Limited - Hanham Abbots Junior School
Aspens Services Limited - Hanham Woods Academy

Aspens Services Limited - Kings' Forest Primary School
Aspens Services Limited - King's Oak Academy
Aspens Services Limited - Longwell Green Primary School
Aspens Services Limited - Mangotsfield School
Aspens Services Limited - Marlwood School
Aspens Services Limited - Meadowbrook Primary School
Aspens Services Limited - Minerva Academy
Aspens Services Limited - New Horizons Learning Centre
Aspens Services Limited - Patchway Community College
Aspens Services Limited - Redland Green Academy
Aspens Services Limited - Shirehampton Primary School
Aspens Services Limited - St Barnabus CofE Primary School
Aspens Services Limited - Staple Hill Primary School
Aspens Services Limited - Stoke Lodge and Callicroft
Aspens Services Limited - Summerhill Academy
Aspens Services Limited - The Tynings School
Aspens Services Limited - Ubley Primary School
Aspens Services Limited - Warmley Park Primary School
Ategi limited
BAM Construct UK Ltd
Bespoke Cleaning Services Limited - Castle School Education Trust (CSET)
Bespoke Cleaning Services Limited - Olympus Academy Trust (OAT)
Churchill Contract Services Ltd - Cabot Learning Federation
Churchill Contract Services Ltd - Golden Valley Primary School
Churchill Contract Services Ltd - South Gloucestershire & Stroud College
Churchill Contract Services Ltd - Westhaven School
Circadian Trust
Compass Contract Services (UK) Ltd - Ashton Park School
Compass Contract Services (UK) Ltd - Bristol Cathedral Choir School
Compass Contract Services (UK) Ltd - Bristol City Council
Compass Contract Services (UK) Ltd - Cathedral Schools Trust (BCCfw)
Compass Contract Services (UK) Ltd - Diocese of Bristol Academies Trust (BCCfw)
Compass Contract Services (UK) Ltd - Luckwell Primary School
Compass Contract Services (UK) Ltd - Palladian Academy Trust
Compass Contract Services (UK) Ltd - South Gloucestershire and Stroud College
Compass Contract Services (UK) Ltd - St Bede's Academy (BCCfw)
Compass Contract Services (UK) Ltd - St Patrick's Catholic Primary School (BCCfw)
Compass Contract Services (UK) Ltd - St Teresa's Catholic Primary School (BCCfw)
Compass Contract Services (UK) Ltd - Westbury Park Primary School (BCCfw)
Creative Youth Network
Direct Cleaning Services (South West) Limited - Newbridge Primary School
Dolce Ltd - Filton Hill Primary School
Dolce Ltd - Mangotsfield C of E Primary School
Edwards and Ward Ltd - Bath & Wells MAT
Edwards and Ward Ltd - Chew Stoke Primary Academy
Edwards and Ward Ltd - Henleaze Academy
Edwards and Ward Ltd - Paulton Infant School
Edwards and Ward Ltd - Pensford Primary School

Edwards and Ward Ltd - St Keyna Primary School
Edwards and Ward Ltd - St Mark's CofE Secondary School
Edwards and Ward Ltd - Twerton Infant School & Nursery
Fit For Sport - St Peter's C of E Primary School
Future Cleaning Services Limited - Ashton Park School
Future Stars Club Limited
Glen Cleaning Company Limited
Greenwich Leisure Ltd - Bath & North East Somerset Council
Greenwich Leisure Ltd - North Somerset Council
Lex Leisure C.I.C.
Liberata UK Ltd
Mentoring Plus Bath & North East Somerset
Notaro Homecare Limited
Prestige Cleaning & Maintenance Limited
Relyon Cleaning Services - Cotham Gardens Primary School
Ridge Crest Cleaning Ltd - Bristol City Council
Ridge Crest Cleaning Ltd - Sir Bernard Lovell School
Shaw Healthcare - The Granary
SITA Holdings UK Ltd
Skanska Rashleigh Weatherfoil Ltd
SLM Community Leisure Trust
SLM Fitness & Health Ltd
Sodexo Ltd
Taylor Shaw Limited
The Brandon Trust
Virgin Care Services Limited

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 2019.

Donna Parham

Director of Finance - Resources (S151 Officer)
July 2019

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

Independent auditor's report to the members of Bath & North East Somerset Council on the consistency of the pension fund financial statements of Avon Pension Fund included in the Pension Fund Annual Report

Opinion

The financial statements of Avon Pension Fund (the "Pension Fund") administered by Bath & North East Somerset Council (the "Authority") for the year ended 31 March 2019 which comprise the Fund Account, the Net Assets Statement and the notes to the pension fund financial statements, including a summary of significant accounting policies are derived from the audited pension fund financial statements for the year ended 31 March 2019 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 2018/19 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.

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 30 July 2019.

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 2018/19.

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.

Use of our report

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 audit work has been undertaken so that we might state to the Authority's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Authority and the Authority's members as a body, for our audit work, for this report, or for the opinions we have formed.

Peter Barber

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

14 October 2019

Summary of Financial Statistics

Year Ended 31 March	2019	2018	2017	2016	2015
Revenue Account	£'m	£'m	£'m	£'m	£'m
Income					
Net Contributions	153.9	224.8	146.3	143.6	202.1
Investment Income	37.0	28.0	29.4	24.4	28.1
Net Cash Transfer	-0.7	0.7	-1.8	-3.7	-0.2
Total	190.2	253.5	173.9	164.3	230.0
Expenditure					
Pension & Benefits	171.9	163.0	159.8	155.3	157.1
Investment Management Expenses	19.3	23.1	21.4	18.8	17.6
Administration Costs	3.5	3.3	3.1	2.6	2.3
Total	194.7	189.4	184.3	176.7	177.0
Surplus for the Year	-4.5	64.1	-10.4	-12.4	53.0
Revaluation of Investments	221.4	183.0	627.2	-85.5	435.6
Change in Fund Value	216.9	247.1	616.8	-97.9	488.6
Total Fund Value	4817.8	4600.9	4,353.8	3,736.9	3,834.8

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	385	239	1,383	2,007
Bonds	86	-	-	86
Property	228	-	201	429
Alternatives	606	-	830	1,436
Infrastructure	-	-	343	343
Cash	70	-	38	109
Other	-	-	410	410
Total	1,375	239	3,205	4,820

Analysis of investment income accrued during the reporting period

	UK	Non-UK	Global	Total
	£'m	£'m	£'m	£'m
Equities	11.2		7.8	19.0
Bonds				-
Property	7.5		5.5	13.0
Alternatives			3.1	3.1
Infrastructure				-
Cash	0.9		0.0	0.9
Other	0.0		1.0	1.0
Total	19.6	-	17.4	37.0

Costs to the Fund

Budget v Outturn report on the costs to the Fund

	Budget	Budget	Actual	Budget	Actual
	2019/20	2018/19	2018/19	2017/18	2017/18
Administrative Costs	£'m	£'m	£'m	£'m	£'m
Management Costs	1.8	1.5	1.5	1.3	1.2
Administration and Processing	0.7	0.5	0.4	0.7	0.6
Service from Administering Body	0.5	0.5	0.5	0.5	0.5
Fees and income	-0.2	-0.2	-0.2	-0.2	-0.4
	2.8	2.3	2.2	2.3	1.9

Investment Management Expenses					
Fund Manager Base Fees	20.9	20.6	20.5	20.1	19.4
Custody & Transaction costs	0.0	0.2	0.2	0.1	0.1
	20.9	20.8	20.7	20.2	19.5

Oversight and Governance costs					
Management Costs	0.7	0.6	0.5	0.6	0.5
Specialist advice and Governance	1.5	1.1	1.1	1.0	1.2
Actuarial recharges	-0.2	-0.3	-0.3	-0.3	-0.3
Audit fees	0.0	0.1	0.0	0.0	0.0
	2.0	1.5	1.3	1.3	1.4

Total	25.7	24.6	24.2	23.8	22.8
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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 2018/19
		Forecast Per Service Plan	Out-turn
Outflows		£'000	£'000
Benefits	Pensions	(141,059)	(146,098)
Administration and Processing	Lump sums	(26,546)	(25,764)
Administration costs		(10,326)	(10,753)
Total Outflows		(177,932)	(182,616)
Inflows			
Deficit recovery		16,836	14,968
Future service Contributions		135,484	138,303
Total Contributions		152,320	153,271
Net Cash Flow (excluding Investment Income and Transfers)		(25,611)	(29,344)
Net Transfers In & Out (budgetted as zero)		-	1,415
Investment income received as cash		26,000	35,000
Net Cash In-Flow (Out-Flow)		389	4,241

The variation of £3.8m was due to a combination of factors. The largest of which being higher pension benefits payments than were expected and higher net transfers out. These were partly offset by higher than forecast contributions. Over all these factors resulted in a net outflow of £3.3m more than forecast. This variance was managed by increasing the forecast Divestments and income received as cash by £9.0m, leaving a net cash inflow of £4.2m to be carried forward in to 2019/20.

Late payers

Timeliness Analysis of Contributions Payments

	£'000
Total Contributions due in year	153,929
Total contributions received late by:	£'000
1 day	1
2 days	118
3 days	1
Over 3 days	254
Total Contributions	375
Percentage of contributions received late	0.24%

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

Pension Increase

Deferred Pensions & Pensions in Payment

Deferred pensions and pensions in payment are increased each year in line with the annual Statutory Pensions Increase (Review) Orders. This is currently based on the change in the published Consumer Price Index (CPI) for the 12 months to 30 September of the previous year. The full increase for 2018/19, which came into effect from the first Monday following the new tax year on 8 April 2019, was 2.4%. The full increase for the previous year 2017/18, which came into effect from 9 April 2018, was 3.0%.

Active Members - CARE Pension Accounts

Career average pensions that have been built up by active fund members since 1 April 2018, including any previously revalued CARE benefits brought forward from previous CARE years since 1 April 2014, are also subject to annual increases. These increases are in line with the Public Service Pensions Revaluation Orders which are also currently based on CPI for the 12 months to 30 September of the previous year. The full increase for 2018/19, which came into effect from 1 April 2019 was 2.4%, with the full increase for the previous year 2017/18, which came into effect from 1 April 2018, being 3.0%.

The State Guaranteed Minimum Pension (GMP)

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

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

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

Contacts

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

Glossary of Terms

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

Brunel Pension Partnership:

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

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

Community Admission Bodies:

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

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

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

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

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

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

1978 and 5 April 1997. This is called the *Guaranteed Minimum Pension (GMP)*.

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

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

Indexed-Linked Government

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

Liability Risk Management

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

Local Government: The term *local government* in this document also covers police and fire civilian

staff, a coroner, civil servants engaged in probation provision, a Mayoral development corporation, a conservation board, a valuation tribunal, a passenger transport authority, the Environment Agency, and non-teaching employees of an Academy employer, an Education Action Forum, a sixth form college corporation or a Further or Higher Education Corporation

in connection with the exercise of a function of a Scheme employer, can become an admitted body within the Avon Pension Fund. The Scheme Employer transferring, must act as guarantor for such bodies.

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

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

Passive Investing (Indexation):

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

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

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

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

Transferee Admission Bodies

(Scope Body): A body that provides, by means of a contract, a service

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 2019 - 2022

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

Appendix H - Avon Pension Fund Pension Board Annual Report 2017

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

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Alternative Formats

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

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