

# Avon Pension Fund Annual Report 2022/23



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# 1. Chair's Foreword

Welcome to the 2022-23 Annual Report of the Avon Pension Fund. It has been a year of encouraging progress and development.

We completed a triennial actuarial valuation which showed the Fund to be in robust financial health, with a 97%<sup>1</sup> funding level. This has enabled us to achieve stability in employer contributions while funding a 10.1% rise in pension payments from April 2023.

We completed Phase-1 of an investment review, setting out the appropriate asset mix to generate returns required to meet future pension commitments. This review confirmed the Fund's diversified investment strategy with assets spread across equities, infrastructure, property, and bonds.

We have also been active in responsible investing and our equity investment portfolio is 20% more carbon efficient than the wider market. However we need to do more on climate and Phase-2 of the investment review focuses on more ambitious climate targets. This review will complete before the end of the 2023-24 financial year and we are encouraging active involvement from scheme members, trades unions, councillors, and other stakeholders.

Administration has been challenging over 2020-23, with remote working exacerbated by high staff turnover. The pensions team returned to the office in September 2022, since when we have made progress improving service experience. We are equipped to work remotely and in the office, which is helping develop staff and enabling teams to work more effectively together.

The Avon Pension Fund Committee has approved a plan to digitalise the service over 2023-25, to drive improvements in member experience and greater operational efficiency. This includes a new website and broader capability for member self-service through My Pension Online. Work continues in preparation for planned legislative changes such as the McCloud (age discrimination) remedy and the pensions dashboard.

The Fund was pleased to appoint Nick Dixon as its new Head of Pensions in October 2022, to lead us through the next phase of the Fund's development.

I would like to thank all staff of the Avon Pension Fund for providing good service in the face of difficult challenges, and to the Committee for their wholehearted support for the Fund's officers.

***Councillor Paul Crossley***

**Chair of the Avon Pension Fund Committee**

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<sup>1</sup> Provisional based on high level work. The most recent actuarial review relates to March 2022.

## 2. Highlights of the year 2022-23

### Finance & Investments

#### Investment Strategy & Funding

The Avon Pension Fund's (the Fund's) overriding investment objective is to meet future pension payments to members, in the context of affordability for employers and addressing climate change.

The Fund's value on 31 March 2023 was £5.4 billion, representing a robust financial position with 97% funding. Despite rising inflation which has raised future pension payments, the funding position improved on the back of higher interest rates.

The 2023 investment review concluded that current asset allocation achieves the right balance of risk and return to meet funding needs. Assets are broadly diversified across equities, infrastructure, renewables, property, and fixed income.

The only new investment agreed was a 3% allocation to Local Impact portfolios, expected to deliver positive social and environmental impact primarily in the South West region which will be implemented over 2024-26.

#### Responsible Investment

The Fund's approach to Responsible Investment is guided by its core investment beliefs:- long-term investments to drive returns, diversified portfolio to manage risk, seeking to make a positive contribution to society and the environment.

This year the Fund renewed its status as a signatory of the UK Stewardship Code, which encourages investors to use financial capital to create long-term value for pension members alongside environmental, social and governance (ESG) objectives.

APF supports active engagement with the companies it invests in. Engagement is undertaken through Federated Hermes, the voting and engagement adviser to Brunel Pension Partnership (Brunel). Hermes engaged 466 companies on the Fund's behalf during 2022-23, across a broad range of ESG issues. Environmental topics featured in 25% of engagements with c.70% of these relating to climate change.

APF participates in several industry initiatives. These aim to improve disclosures, such as reporting on carbon metrics, and build meaningful engagement with companies. Two key initiatives are the Climate Action 100+ and the Institutional Investors Group on Climate Change (IIGCC).

In 2022 the Fund achieved a 49% reduction in the carbon intensity of its equities vs the 2019 baseline. The Fund currently has a target to become net zero by 2050, consistent with the IIGCC Asset Owners Net Zero Framework, with interim targets to reduce absolute carbon emissions in its listed equity portfolios by 69% by 2030.

However there is keen appetite to accelerate progress towards net zero, and the investment review continues into 2023-24 with a robust assessment of APF's climate objectives. We plan to confirm fresh climate targets before the end of March 2024.

### **Pooling of Assets**

In 2018 APF joined the Brunel pool, a collaboration of 10 Local Government Pension Schemes (LGPS). Pooling achieves lower investment costs and provides more efficient management to enhance returns. Brunel now manages 86% of APF assets. In 2022-23 APF achieved annual fee savings of £8.6 million\* and cumulative fee saving to date are £20.3 million\*.

### **Funding Strategy**

The last actuarial valuation in 2022 confirmed a funding level of 96%, showing the proportion of APF liabilities covered by assets. This review informs employer contribution rates and deficit payment plans for 2023-26. This funding level was an improvement on the 94% level in 2019, with the deficit declining in monetary terms from £284m in 2019 to £238m in 2022.

The funding level varies over time as the value of assets and liabilities change with market prices. It is worth highlighting that since March 2022, higher interest rates have more than offset rising inflation and the funding level is estimated to have improved further to 97% in March 2023.

[Read more in the investments section](#)

### **Pensions Administration**

Since Covid, APF has adopted a hybrid model of office and home-working. Staff returned to Keynsham Civic Centre in September 2022, in a space which accommodates 60% of staff. Full-time staff are now office based at least two days a week, with average office participation of c.3 days per week.

While service levels materially improved during 2022, performance in aggregate remains well below required levels and just five out of nineteen service measures were completed within target timescales. This is a result of staff vacancy rates of c.13%, increased data from employers reflecting higher churn of members and regulatory change.

To address these challenges, the Fund is driving three core actions:

- **Backlogs:** the Fund is working to reduce service backlogs and prioritise those services most critical to members. This includes paying pensions on time and processing new retirement and death cases.
- **Performance insight:** the Fund is developing the range and insight of management information, to embed this in day-to-day decision making.
- **Project portfolio:** the Fund is developing a portfolio of transformational change project which will digitise administration, to improve members'

service experience and drive operational efficiency.

Collaboration between APF teams and employers ensured the Fund continued to meet its statutory obligations throughout 2022-23. This included sending members their Annual Benefit Statements and Pensions Savings Statements on time. The Fund appointed Legal & General as its Additional Voluntary Contribution (AVC) provider and successfully transferred members from Aviva and Utmost Life. And the Fund expects to transfer administration of the Avon Fire & Rescue pension scheme to an alternative supplier before 31 March 2024.

There are a number of projects underway to implement regulations such as those related to McCloud / Sargeant age discrimination and pensions dashboards.

[Read more in the pensions administration section](#)

## **Employer Contribution Rates**

In 2022-23 there were 444 employers in the APF covering a broad range of organisations linked to the public sector including:

- Four local authorities: Bath & North East Somerset, Bristol, North Somerset, South Gloucestershire
- The West of England Combined Authority (WECA)
- Universities, colleges, and academies
- Town & parish councils
- Charities, Housing Associations, and other organisations

The employers contributed just under £152 million to the scheme in 2022-23. APF's funding strategy is prudent and seeks to enable stable employer contribution rates over time. The current average employer contribution is 18.6% of salaries.

[Read more in the employer contribution rates section](#)

## **Governance**

APF reviewed its governance arrangements in 2022 and implemented a Conflicts of Interest Policy, Representation Policy, and Training Policy. The Fund also adopted the Hyman's LGPS Online Learning Academy to complement training offered to APF Committee and Board members.

The Fund will further review its arrangements when the Good Governance Review and The Pension Regulator's (TPR) new Code of Practice have been published. APF's Local Pension Board focused on members' service experience and continued to raise concerns about the Fund's service performance. The Board regularly reviewed improvement plans which are considered vital to ensure that APF delivers

good service to members and employers.

In December 2022 the Board was presented with external and internal audit findings, and was reassured to note that the audits did not find any significant issues and all internal audits received a 'substantial' assurance rating.

Looking ahead the Board will continue to support the Fund. It will receive updates on the Fund's service improvements plans at every meeting and Board members have also requested additional engagement with APF officers between Board meetings.

[Read more in the governance section.](#)

### 3. Governance and Management Structure (as at 31 March 2023)

<b>Administering Authority:</b>	Bath and North East Somerset Council	<a href="https://beta.bathnes.gov.uk/">https://beta.bathnes.gov.uk/</a>
<b>Members of the Avon Pension Fund Committee:</b>		<a href="https://democracy.bathnes.gov.uk/mgCommitteeDetails.aspx?ID=212">https://democracy.bathnes.gov.uk/mgCommitteeDetails.aspx?ID=212</a> <a href="mailto:avonpensionfund@bathnes.gov.uk">avonpensionfund@bathnes.gov.uk</a>
Councillor Paul Crossley (Chair)	Bath and North East Somerset Council	
Councillor Shaun Stephenson-McGall (Vice-Chair)	Bath and North East Somerset Council	
Councillor Chris Dando	Bath and North East Somerset Council	
Councillor Paul May	Bath and North East Somerset Council	
Councillor Bruce Shearn	Bath and North East Somerset Council	
Councillor Steve Pearce	Bristol City Council	
Councillor John Cato	North Somerset Council	
Councillor Toby Savage	South Gloucestershire Council	
William Liew	Higher and Further Education Representative	
Charles Gerrish	Academies Representative	
Wendy Weston	GMB	
Shirley Marsh-Hughes	Independent Member	Left 30 June 2022
Pauline Gordon	Independent Member	
John Finch	Independent Member	
Jackie Peel	Independent Member	Joined 1 July 2022
<b>Non-voting Members:</b>		
Councillor John Goddard	Parish and Town Councils	Resigned 30 September 2022
Mike Rumph	Unite	
Richard Orton	Unison	

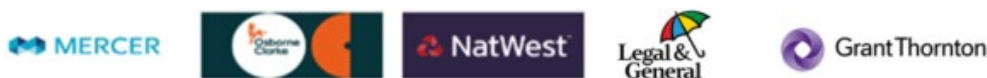


<b>Members of the Local Pension Board:</b>		<a href="https://democracy.bathnes.gov.uk/mgCommitteeDetails.aspx?ID=563">https://democracy.bathnes.gov.uk/mgCommitteeDetails.aspx?ID=563</a>
<b>Nick Weaver</b>	Independent Chair	
<b>Steve Harman</b>	Employer Representative	
<b>Tony Whitlock</b>	Employer Representative	
<b>Stuart Anstead</b>	Employer Representative	
<b>David Yorath</b>	Member Representative	
<b>Helen Ball</b>	Member Representative	
<b>Alison Wyatt</b>	Member Representative	
<b>Council Officers:</b>		<a href="http://www.avonpensionfund.org.uk">www.avonpensionfund.org.uk</a> <a href="mailto:avonpensionfund@bathnes.gov.uk">avonpensionfund@bathnes.gov.uk</a>
Andy Rothery	Chief Finance Officer (S151)	
Jeff Wring	Director – One West	
Nick Dixon	Head of Pensions	
Liz Woodyard	Group Manager – Funding, Investment and Risk	
Geoff Cleak	Pensions Manager	
Michael Hewitt	Head of Legal and Democratic Services	
External Auditor	Grant Thornton	<a href="http://www.grantthornton.co.uk">www.grantthornton.co.uk</a>
Asset Pool	Brunel Pension Partnership	<a href="http://www.brunelpensionpartnership.org">www.brunelpensionpartnership.org</a> <a href="mailto:info@brunelpp.org">info@brunelpp.org</a>

Investment Managers:



Actuary: Legal Advisor: Bankers: AVC Providers: External Auditor:



Investment Consultant: Global Custodian:



<b>Contact Details</b>		
BlackRock	Investment Managers	<a href="https://www.blackrock.com/uk">https://www.blackrock.com/uk</a>
IFM	Investment Managers	<a href="https://www.ifminvestors.com/">https://www.ifminvestors.com/</a>
J P Morgan	Investment Managers	<a href="https://www.jpmorgan.com/">https://www.jpmorgan.com/</a>
Record	Investment Managers	<a href="https://www.recordcm.com/">https://www.recordcm.com/</a>
Partners Group	Investment Managers	<a href="https://www.partnersgroup.com/en/">https://www.partnersgroup.com/en/</a>
Schroders	Investment Managers	<a href="https://www.schroders.com/">https://www.schroders.com/</a>
Mercer	Actuary	<a href="https://www.mercer.com/">https://www.mercer.com/</a>
Osborne Clarke	Legal Advisors	<a href="https://www.osborneclarke.com/locations/uk/bristol">https://www.osborneclarke.com/locations/uk/bristol</a>
Nat West	Bankers	<a href="https://www.natwest.com/">https://www.natwest.com/</a>
Legal and General	AVC Provider	<a href="https://www.legalandgeneral.com/">https://www.legalandgeneral.com/</a>
Mercer	Investment Consultant	<a href="https://www.mercer.com/">https://www.mercer.com/</a>
State Street	Global Custodian	<a href="https://www.statestreet.com/home.html">https://www.statestreet.com/home.html</a>
Grant Thornton	External Auditor	<a href="https://www.grantthornton.co.uk/">https://www.grantthornton.co.uk/</a>

## 4. Fund Governance

### Avon Pension Fund Committee

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

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

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

The Committee meets formally each quarter. In some circumstances hybrid meetings continued to be held, for example to avoid travel disruption caused by train strikes. This ensured all members had the opportunity to take part in debate and put forward recommendations. A minimum of five voting members attended meetings in person to ensure meetings were quorate.

A couple of workshops took place during the year. The Fund's Actuary, Mercer, presented a Valuation Results workshop to both the Committee and the Pension Board (the Board). Mercer also helped officers facilitate a Strategic Review Workshop to the Committee in their role as the Fund's investment advisor.

The governance in respect of the dual accountability of Brunel Pension Partnership (to the Council as Shareholder and the Fund as client) is managed by a subgroup of the Committee overseeing this important relationship. It met as needed during the year to discuss specific shareholder and client matters.

#### Table 4(a): Committee structure

Voting members (14):	<ul style="list-style-type: none"><li>• Five elected members from Bath and North East Somerset Council</li><li>• One elected member nominated from each of Bristol City Council, North Somerset Council and South Gloucestershire Council</li><li>• Three independent members</li><li>• One nominated from the higher/further education bodies</li><li>• One nominated from academy bodies</li><li>• One nominated by the trade unions</li></ul>
Non-voting members (3):	<ul style="list-style-type: none"><li>• One nominated from the town and parish councils</li><li>• Two nominated from the trade unions</li></ul>

## Investment Panel

The Committee is supported by an 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; 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.

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

The Committee, officers, external advisors, 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.

**Table 4(b): Committee and Panel membership and attendance record** (as at 31 March 2023)

Includes virtual ('V') and in-person attendance

	Committee Meetings				Panel Meetings			
	Jun-22	Sep-22	Dec-22	Mar-23	May-22	Sep-22	Nov-22	Mar-23
John Cato	V	Yes	Yes	Yes				
Paul Crossley	No	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Chris Dando	No	Yes	Yes	Yes	Yes	No	Yes	No
John Finch	No	Yes	Yes	Yes	Yes	Yes	No	Yes
John Goddard	No	No	No	No				
Pauline Gordon	V	Yes	V	Yes	No	Yes	Yes	Yes
William Liew	V	Yes	V	Yes				
Shirley Marsh-Hughes	V							
Paul May	Yes	Yes	Yes	Yes				
Richard Orton	Yes	Yes	V	Yes				
Steve Pearce	V	No	V	V				
Mike Rumph	No	No	No	No				
Toby Savage	No	No	V	V				
Bruce Shearn	Yes	Yes	Yes	Yes				
Shaun Stephenson-McGall	Yes	Yes	No	Yes	Yes	Yes	Yes	Yes
Wendy Weston	V	No	V	Yes				
Jackie Peel	V	Yes	V	Yes		Yes	Yes	No
Charles Gerrish	Yes	Yes	Yes	Yes				

## Local Pension Board (LPB)

The Pension Board (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 of the Avon Pension Fund to secure compliance with the LGPS regulations and requirements of the Pensions Regulator (TPR) and ensure efficient and effective governance and administration of the fund.

The Board met formally three times throughout the year. A workshop was delivered in March to replace the fourth meeting. Officers delivered a workshop to the Board to deliver key administration, funding and investment updates.

The Terms of Reference for the LPB are set out in [Appendix C](#).

**Table 4(c): Avon Pension Board membership and attendance record (as at 31 March 2023)**

	Board Meetings		
	Jun-22	Oct-22	Dec-22
Nick Weaver	Yes	Yes	Yes
Steve Harman	Yes	Yes	Yes
Tony Whitlock	Yes	Yes	No
Alison Wyatt	Yes	Yes	Yes
David Yorath	Yes	No	Yes
Helen Ball	Yes	Yes	Yes
Stuart Anstead	No	No	Yes

## Training

The administering authority recognises the importance of training, both for Committee members, Local Pension Board, and officers responsible for financial management and decision making within the fund. Training is provided to ensure Pension Committee members, Board members and officers 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
- 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 policy 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 to prepare the annual training plan.

The Fund has adopted Hymans Robertson's LGPS Online Learning Academy, following the additional knowledge and skills requirements introduced in the Scheme Advisory Board's (SAB) Good Governance Review. The completion of modules is mandatory for the Committee and Board members as set out in the Fund's training policy. The training is also recommended for senior officers. A training plan has been agreed to complete the modules in preparation for upcoming meeting agenda items.

## 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 reports and workshops where the topic is explored in greater detail.

In addition, Committee members and officers 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 Association (LGA) and induction sessions arranged and delivered by officers. New members have to complete The Pension Regulator's (TPR) public sector 'Pension Online Toolkit' and eight modules contained within the Hymans Robertson's LGPS Online Learning Academy. Officers' annual performance reviews identify any training needs as well as monitoring individual performance against objectives.

**Table 4(d): Training provided in 2022/23**

<b>Topic</b>	<b>Delivered by:</b>
<b>Governance</b>	
Legal responsibility of Committee and Officers Governance and 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 online conferences/training courses Brunel Investor Day Committee reports on Investment Strategy Statement and pooling of investments Quarterly Committee reports updating on law and consultations Hymans Robertson LGPS Online Academy
<b>Employer and Funding risks</b>	
Admitted bodies Employer risks	Committee reports provide funding position update

Funding level/solvency	Hymans LGPS Online Academy Valuation Results Workshop
<b>Investment Strategy</b>	
Asset Allocation Performance monitoring Investment manager monitoring Stewardship activities Responsible investing policy	Strategic Review Workshop Quarterly Committee and 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 online conferences and seminars Manager meetings with the Investment Panel Hymans Robertson LGPS Online Academy

**Table 4(e): Training provided externally 2022/23**

<b>Training</b>	<b>Attendees</b>
Brunel Investor Day	John Cato, Paul Crossley, John Finch, Charles Gerrish, Pauline Gordon, William Liew, Richard Orton, Shaun Stephenson-McGall and Wendy Weston
LGA Governance Conference	Paul Crossley
PLSA Conference	Charles Gerrish, John Cato
LGC Investment Seminar	John Cato, Pauline Gordon

### **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.

The LPB training plan is a topic at each board meeting and there is a plan in place for all members to complete the Hymans LGPS Online Training modules. All members also complete the TPR Public Sector Pension Toolkit.

Over the last year, the Board Chair attended the Local Government Association's Governance Conference, and one member attended the three-day Fundamentals training course remotely.

### **Governance Compliance Statement**

Regulations require the Fund 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 Committee in

June 2022. The statement shows a high level of compliance with best practice and is summarised below.

The full Governance Compliance Statement is included as [Appendix D](#) and can also be found on the Fund's website [www.avonpensionfund.org.uk](http://www.avonpensionfund.org.uk) (search Governance Compliance Statement).

**Table 4(f): Governance compliance**

<b>Principle</b>	<b>Compliance status</b>	<b>Comment</b>
Governance structure	Compliant	The decision-making structure is clearly defined. It includes the Committee, Investment Panel, 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. Full details are set out in the Fund's Representation Policy.
Selection / Role of lay members	Compliant	The roles and responsibilities of all members are set out in a Job Description.
Voting	Compliant	There is a clear policy on voting rights which has 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.



## **Conflicts of Interest**

Conflicts of interest are managed through the Fund's conflicts of interest policy. This policy sets out how Bath and North East Somerset Council will identify, manage and mitigate potential conflicts of interest that may arise in carrying out its role as the administering authority for the Fund.

The Council recognises that its dual role as both an employer participating in the Fund and the body legally tasked with its management can produce the potential for conflicts of interest. Furthermore, those individuals involved in managing, overseeing or advising the Fund may, from time to time, find that they face competing incentives, financial or otherwise, as a result of their professional or personal circumstances.

Members of the committee who are a representative of an employer or stakeholder group may also have conflicts of interest between their role as committee member and the view or stance of their employer/ stakeholder group they represent.

It is important, therefore, that these potential conflicts are managed in order to ensure that no actual or perceived conflict of interest arises and that all the Fund's employers and scheme members are treated fairly and equitably.

## 5. Risk Management

The Avon Pension Fund Committee (the Committee) must ensure robust risk management is in place, to enable compliance with regulations and manage risks faced by the Avon Pension Fund (the Fund). The Investment Panel (the Panel) strengthens risk management regarding investment issues.

The Fund's approach to risk management is to manage risk rather than eliminate it entirely as set out in the Fund's Risk Management Policy. Risk is identified and managed as follows:

**1 The Risk Register:** The Fund's Risk Register identifies risks which could have material impact on the Fund in terms of service, value, reputation, or compliance. It sets out scores pre and post mitigant application and mitigating actions that have been implemented.

There is a process in place to identify, evaluate and implement processes or controls to mitigate risks and record them on the risk register. The register is reviewed quarterly by the management team and is also reported to the Committee and Pension Board (the Board) on a quarterly basis. Risks are also reviewed when there has been a material change. Risks fall into the following categories, owned by the relevant member of the Fund's management team:

Category of Risk	Risk Owner
Administration	Pension Operations Manager
Regulatory	Technical & Compliance Advisor
Governance	Governance & Risk Advisor
Employers (Funding)	Funding & Valuation Manager
Employers (Data)	Employer Services Manager
Investments	Investments Manager
Finance	Finance & Systems Manager

The Head of Pensions is responsible for overseeing the work of risk owners and ultimately agreeing any changes to the risk register whilst the Governance & Risk Advisor ensures the risk register is accurately updated, with reports prepared for the Committee & the Board.

The Committee is responsible for ensuring risks are effectively managed. It reviews the risk register at each quarterly meeting. The Panel focuses on investment risks and makes recommendations to the Committee and risk owners. The Board has an independent oversight role, to ensure the overall risk framework is robust and compliant with regulations.

Table 5 shows a summary of the top ten 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 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 three audits of the Fund’s internal processes as follows:

Audit	Assurance level
APF System Access Audit – February 2023	2 = Limited Assurance
APF Cyber Security – User Education & Awareness	3 = Reasonable Assurance
TPR Code of Practice 14 – Maintaining Contributions & Member Information – July 2022	4 = Good

All internal audits are finalised with a detailed action plan with recommended steps agreed and actioned by the relevant manager. Timescales and implementations of changes are agreed at the time of finalising the report and actions are diligently monitored throughout the year.

The Internal Control Report of the investment managers and custodian are 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 maturing of the cashflow profile. The Finance Team monitor and provide a forecast of the cashflow monthly and the Fund has a prudent cash buffer, along with investments in tradeable assets that can be swiftly sold when/if necessary.

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 manage 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. The Fund also considers environmental, social and governance (ESG) issues including the considerable risk of climate change. Such risks are managed through the diversification of assets and managers. The Investment Strategy is reviewed periodically after the triennial valuation with the next formal review in 2025/26.

In between strategic reviews, the Committee and Panel monitor the performance of the investment strategy, providing flexibility to alter the strategy if required.

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 risk management. Other expert or specialist advice, such as tax or legal advice, is commissioned as required.

The investment management process is outsourced to investment managers, mainly Brunel Pension Partnership (see below) and the global custodian. This arrangement provides a clear segregation of duties within the Fund, with the in-house Investments Team closely monitoring performance and compliance with regulations and portfolio 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 (Brunel) to pool its investment assets. An FCA authorised company, Brunel manages the assets within the pool. The strategic decisions such as asset allocation remain with the Committee; Brunel implements the Fund's strategy. Brunel's control environment is monitored by the Fund and other Local Government Pension Scheme (LGPS) funds participating in the pool.

Periodically events such as the pandemic or geo-political risks such as the Ukraine war increase investment risk, either for the immediate future or over the longer term. Such events are managed in the same way as other investment risks, through careful monitoring and consideration of the financial impact over the long-term. As a pension fund with a long-term horizon, the Fund can withstand volatility in investment markets over shorter time frames due to its diverse investment strategy. The strategy will be adjusted if the long-term investment objective is at risk of not being achieved through the current asset allocation.

**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 financial 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. Policies on employer financial stability are set out in the Funding Strategy Statement and Investment Strategy Statement.

A key risk for employers is the potential lack of compliance with regulatory responsibilities which could mean that contribution rates are incorrectly calculated for example. Significant internal resources are spent on data cleansing to ensure there is good quality of data. Processes for management of employers is set out in the Administration Strategy and Memorandum of Understanding. Employers are engaged in regular training and key performance indicators are recorded, monitored and compared with The Pension Regulator's (TPR) standards.

The Fund has a captive insurance arrangement 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 such as interest rates and inflation can be mitigated by the investment strategy. The Fund has implemented a liability management framework which increases the liability "protection" within the investment strategy.

**6 Benefits Administration Risk:** The main risk relates to the inability of the Fund to deliver service to the agreed standards and so potentially not meeting its obligations and paying benefits accurately and on time as agreed with employers or under statute. This could lead to adverse publicity, loss of reputation and ultimately statutory fines. In addition, the recruitment and retention of staff has continued to be challenging with several roles remaining vacant especially within the member servicing teams. Support from advisors has been commissioned to mitigate the risk and an improvement plan spanning two years is in place to address service levels.

**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 (LPB) 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.

To help mitigate the risk of insufficient knowledge The Fund has also introduced the Hymans LGPS Online Learning Academy for all members of the Committee, Board and senior officers. The modules are based on the CIPFA Knowledge & Skills Framework.

**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.

**9 Data Protection & Cyber Security.** Failure to securely manage data in accordance with data protection regulations is a significant risk to the Fund.

The Fund’s Privacy Notice and Data Retention Policy are published on the Fund [website](#), then reviewed and amended on an annual basis or as required. In addition, a Record of Processing Activities (ROPA) is maintained internally and reviewed annually or following process changes. The published Memorandum of Understanding clearly sets out the data sharing arrangements and expectations regarding data use by the Fund’s employees.

The Fund has robust processes in place to manage Freedom of Information Requests (FOI) and Subject Access Requests (SAR) in a timely manner and works with the Council’s Data Protection Officer to ensure responses comply with data protection legislation. Data breaches are recognised, reported, and remedial actions are implemented in line with the Information Commissioner’s Office (ICO) guidance.

Regular data protection and cyber security training is completed by all officers using Bath & North East Somerset Council’s online e-learning and refresher courses. This is supplemented by further internal training in the form of presentations, workshops and reminder emails.

## 05 Table 5 Summary of Risk Register 2023

Number	Function	Risk	Impact	Pre Mitigants			Mitigating Actions / Control Framework	Post Mitigants			
				Impact	Likelihood	Score		Impact	Likelihood	Score	Trend
NR01	Admin	Ability to deliver service to agreed standards	Poor member outcomes and/or breach of regulations.	Critical	Almost Certain	25	- KPIs & complaints monitored and acted on - plan to digitise will improve self-serve & ops efficiency - actions to improve staff recruitment & retention	High	Likely	16	↓
NR12	Investments	Failure to achieve decarbonisation targets	Government climate policies not moving fast enough or sufficiently enforced Significant reputational and financial risks to value of investments	Critical	Almost Certain	25	- ISS/RI Policy embedded by the Fund - Brunel's climate change policy and approach to investing - use of professional advice - IIGCC developing investment framework for climate risk - policy advocacy	High	Likely	16	↓
NR05	Governance	Failure to manage personal data per regulations	Personal data corrupted, compromised or illegally shared Fines and reputational damage.	Critical	Almost Certain	25	- One West is Data Protection Officer for Fund and advises re. data protection - record of processing and privacy notice set out how data is managed - processes in place re. data breaches and protection - regular officer training.	High	Possible	12	→
NR10	Investments	Failure to earn investment returns	Scheme cannot meet liabilities and employer contributions could rise.	Critical	Likely	20	- diversified asset allocation - professional and independent investment advice - risk management strategy supports funding strategy - FRMG & Investment Panel monitor performance and risk - periodic strategic investment review	High	Possible	12	↑
NR14	Investments	LDI leverage	Managers withdraw from the market LDI strategy may have to be unwound Inability to raise hedge ratio.	High	Likely	16	- maintain collateral at prudent level with materia buffer vs risks - set hedge ratio at level that can be adequately collateralised	High	Possible	12	↑
NR11	Investments	Brunel fails to deliver client objectives re. service delivery	Affects Fund's ability to achieve investment objectives	Critical	Possible	15	- Brunel governance framework - robust performance reporting - Avon-Brunel working group	High	Possible	12	→
NR06	Governance	Cyber attack	Fund is unable to operate Members do not receive pension payment on time.	Critical	Almost Certain	25	- disaster recovery plan in place - business continuity plan - B&NES cyber security policy and system defence	Critical	Unlikely	10	↓
NR08	Funding	Employers unable to meet financial obligations to Fund	Financial cost to other employers in the Fund.	High	Possible	12	- policies on employer financial stability set out in FSS & ISS - covenant framework - quarterly review and mitigating action	Medium	Possible	9	↑
NR07	Funding	Employers not comply with regulatory responsibilities	Poor member data Fines and greather scrutiny by TPR. Employer liabilities incorrect if data is incorrect.	Critical	Likely	20	- management of employers set out in admin strategy/MOU - employer KPIs recorded and monitored vs TPR standards - employer training	Medium	Possible	9	→
NR09	Investments	Operational risks of investment managers, custodian and other investment suppliers	Loss of assets Inability to trade is assets inaccessible	High	Possible	12	- due diligence and audits of partners - controls embedded in investment management agreements - diversification across different asset managers - quarterly service & risk review with Brunel and suppliers	Medium	Possible	9	↑

## 6. Pensions administration and communications

This section covers:

- How the fund delivers its service to members and employers
- The purpose of the Pensions Administration Strategy
- The Fund's plans for a digitalised future for members and employers

### How the service is delivered

The administration of the Avon Pension Fund (the Fund) is provided by Bath & North East Somerset Council. The Fund 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 pension statement, outlining their current pension benefits, sent by 31 August (for 'active' and 'deferred' members)
- If applicable, a pension savings statement detailing any potential member tax charges
- Regular newsletters (often sent with the annual pension 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
- A secure digital member tracing and identity checking facility mitigating the requirement for certificates to be sent by post
- Telephone, email and web enquiry access

These are all outlined in detail within the Communications Policy Statement set out in [appendix E](#).

### Pensions Administration Strategy

The Fund's administration strategy sets out how the administering authority and scheme employers 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 latest strategy was updated in March 2019 and in force from November 2019.

The key objectives of this strategy are to ensure that:

- The Fund and employers are aware of and understand their respective roles and responsibilities under the Local Government Pension Scheme (LGPS) Regulations and in the delivery of administrative functions
- The Fund operates in accordance with LGPS regulations and is aligned with The Pension Regulator (TPR) in demonstrating compliance and scheme governance
- New or prospective scheme employers receive information and support before entering into an outsourcing or TUPE arrangement, factsheets are available on our main website
- 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 administration strategy
- 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 for the Fund
- 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 attached in [appendix E](#) and is also available on the website [www.avonpensionfund.org.uk](http://www.avonpensionfund.org.uk)

### **Greater use of digital technology**

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

**Electronic communications delivery to members:** The Fund is moving towards digital delivery of communications to members as a significant cost benefit over

traditional postal delivery of hard-copy documents (annual pension statements, newsletters etc).

**Self-service facilities:** *My pension online* is a member self-service portal 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 has ongoing development working with its supplier to expand the platform to allow greater use as a communication channel between the Fund and members.

**Electronic employer data submission (i-Connect):** Following a project in 2022 to sign up all remaining employers to use i-Connect, 96% of scheme employers now submit membership data on a monthly basis. From April 2023 any employer not using the i-Connect facility will receive penalty fines for disproportionate work. In 2022 the portal was further developed to support employers with two new functions, to be able to calculate employer strain cost estimates and to be able to submit forms including leaver forms.

**Websites:** The Fund has two websites - one for members ([www.avonpensionfund.org.uk](http://www.avonpensionfund.org.uk)) and one for employers ([www.apfemployers.org.uk](http://www.apfemployers.org.uk)). Both are key access points for information and for self-service facilities. The Fund will be replacing both websites in 2023/24.

## **Newsletters and employer bulletins**

Depending on their communication preference newsletters and annual pension statements for active and deferred members are either posted or sent by email. Sending newsletters and annual pension statements digitally now presents a significant cost saving for the Fund as well as a reduction in its carbon footprint.

In 2022 for the first-time, annual pension statements were made available online for active members.

Newsletters, wage slips and P60s for pensioner members are still currently all posted out.

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

## **Pension communications**

The Fund's communication aims are to:

- provide clear, relevant, accurate, accessible and timely information to all our audiences and stakeholders
- listen and respond appropriately to feedback we receive
- use plain language and avoid unnecessary jargon
- use communication channels which best fit the audience and the information being passed on
- be a more electronic communication-based Fund, utilising new communication technology (web, email and where appropriate social media)

- support members to enable them to make informed decisions about their pensions by making information available
- be compliant with all legislative requirements with regard to communicating with members, such as TPR and the Pensions Board (the Board)

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

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

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

The latest available report is for 2021/22 and details are highlighted in the tables below.

The Fund's own performance targets are set out in the Service Level Agreement (SLA) 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 and with other employing bodies as required.

## **Value for money statement**

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

The CIPFA benchmarking data from 2021/22 (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 (2021/22)**

### **LGPS Costs**

<b>Costs per Full time equivalent (FTE)</b>	<b>2019/20</b>	<b>2020/21</b>	<b>2021/22</b>
Net admin cost per FTE £'000	55.7	47.8	44.7
National Average	69.4	70.7	77.5

£'000			
Members per FTE	2,306	2,006	2,006
National Average	2,781	3,038	3,219

Costs per member	2019/20	2020/21	2021/22
<b>Investment Management Expenses</b>			
Total Cost £'000	26,943	19,388	32,257
Cost per member	221.66	154.85	248.68
National Average £	232.11	268.63	297.98
<b>Administration Costs</b>			
Total Cost £'000	2,408	2,456	2,746
Cost per member	19.81	19.62	21.17
National Average £	20.16	31.90	36.01
<b>Oversight &amp; governance costs</b>			
Total cost £'000	1,752	1,840	1,944
Cost per member	14.41	14.70	14.99
National Average £	15.55	15.63	14.55
<b>Total Costs £'000</b>	<b>31,103</b>	<b>23,684</b>	<b>36,947</b>
<b>Total cost per member £</b>	<b>255.88</b>	<b>189.17</b>	<b>284.84</b>
<b>Total National Average £</b>	<b>267.82</b>	<b>316.16</b>	<b>348.54</b>

## Data quality

Since the introduction of TPR's 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.

In the last TPR Scheme Return the Fund reported the following data scores as at September 2022:

- 95% for Common Data
- 95% for Scheme Specific Data

## Key performance data

**Table 10: Performance Indicators 2021/22** (latest data available from CIPFA report)

	Cases outstanding as at 1/4/20	Number of cases commenced in year	Number of cases completed in year	Number of cases outstanding as at 31/3/21	% of completed cases in year
Deaths - Initial letter acknowledgement death of active/deferred/pensioner member	4	398	380	22	94.53%
Deaths - Letter notifying amount of dependent's benefit	11	297	297	11	96.43%
Retirements - Letter notifying estimate of retirement benefits (includes all retirement types; normal, ill health, early, late etc.) (Active)	44	1,381	1,386	39	97.26%
Retirements - Letter notifying estimate of retirement benefits (includes all retirement types; normal, ill health, early, late etc.) (Deferred)	73	1,133	1,173	33	97.26%
<b>Retirements - Letter notifying estimate of retirement benefits (includes all retirement types; normal, ill health, early, late etc.) (Total)</b>	117	2514	2559	72	97.26%
Retirements - Letter notifying actual retirement benefits (includes all retirement types; normal, ill health, early, late etc.) (Active)	49	942	946	45	95.46%
Retirements - Letter notifying actual retirement benefits (includes all retirement types; normal, ill health, early, late etc.) (Deferred)	80	1,072	1,132	20	98.26%
<b>Retirements - Letter notifying actual retirement benefits (includes all retirement types; normal, ill health, early, late etc.) (Total)</b>	129	2014	2078	65	96.97%

	Cases outstanding as at 1/4/20	Number of cases commenced in year	Number of cases completed in year	Number of cases outstanding as at 31/3/21	% of completed cases in year
Retirements - Process and pay lump sum retirement grant (include all retirement types; normal, ill health, early, late etc.) (Active)	49	942	946	45	95.46%
Retirements - Process and pay lump sum retirement grant (include all retirement types; normal, ill health, early, late etc.). (Deferred)	80	1,072	1,132	20	98.26%
<b>Retirements - Process and pay lump sum retirement grant (include all retirement types; normal, ill health, early, late etc.) (Total)</b>	129	2014	2078	65	96.97%
Deferment - Calculate and notify deferred benefits	253	2,600	2,557	296	89.62%
Transfers In - Letter detailing transfer <i>in</i> quote	134	607	425	316	57.35%
Transfers In - Letter detailing transfer <i>in</i>	14	146	147	13	91.88%
Transfers Out - Letter detailing transfer <i>out</i> quote	55	374	374	55	87.18%
Transfers Out - Letter detailing transfer <i>out</i>	12	257	257	12	95.54%
Refund - Process and pay a refund	18	749	750	17	97.78%
Divorce Quote - Letter detailing cash equivalent value and other benefits	17	226	222	21	91.36%
Divorce Settlement - Letter detailing cash equivalent value and application of Pension Sharing Order	1	6	6	1	85.71%
Member Estimates	150	920	939	131	87.76%
Joiners - Send notification of joining the LGPS to scheme member	705	4,377	5,008	74	98.54%
Aggregation / Link ups - Send notification of aggregation options	..	2,837	2,835	..	..

<b>Performance Indicator</b> (from point at which all required information has been received)	<b>Local KPI Target</b>	<b>Achieved (%)</b>	<b>Number of cases completed within KPI</b>	<b>Legal Requirement</b> (from notification)	<b>Achieved (%)</b>
Transfers In - Letter detailing transfer <b>in</b> quote	10 days	20.0%	84.0	2 months	86.2%
Transfers Out - Letter detailing transfer <b>out</b> quote	10 days	10.1%	31.0	2 months	89.6%
Refund - Process and pay refund	10 days	24.4%	183.0	2 months	77.7%
Retirements - Letter notifying estimate of retirement benefits (including all retirement types; normal, ill health, early, late etc.). (Active)	15 days	48.5%	670.0	2 months	95.5%
Retirements - Letter notifying estimate of retirement benefits (including all retirement types; normal, ill health, early, late etc.). (Deferred)	15 days	49.8%	577.0	2 months	93.2%
Retirements - Letter notifying actual retirement benefits (including all retirement types; normal, ill health, early, late etc.). (Active)	15 days	81.4%	770.0	2 months	99.1%
Retirements - Letter notifying actual retirement benefits (including all retirement types; normal, ill health, early, late etc.). (Deferred)	15 days	68.9%	781.0	2 months	98.3%
Deaths - Initial letter acknowledging death of active/deferred/pensioner member	5 days	78.2%	297.0	2 months	99.7%
Deaths - Letter notifying amount of dependent's benefit	10 days	82.8%	246.0	2 months	99.0%
Retirements - Process and pay lump sum retirement grant (including all retirement types; normal, ill health, early, late etc.). (Active)	15 days	81.4%	770.0	2 months	99.1%
Retirements - Process and pay lump sum retirement grant (including all retirement types; normal, ill health, early, late etc.). (Deferred)	15 days	81.4%	781.0	2 months	99.1%
Divorce Quote - Letter detailing cash equivalent value and other benefits	45 days	89.6%	199.0	3 months	99.1%

<b>Performance Indicator</b> (from point at which all required information has been received)	<b>Local KPI Target</b>	<b>Achieved (%)</b>	<b>Number of cases completed within KPI</b>	<b>Legal Requirement</b> (from notification)	<b>Achieved (%)</b>
Divorce Settlement - Letter detailing cash equivalent value and application of Pension Sharing Order	15 days	20.0%	1.0	3 months	100.0%
Joiners - Send notification of joining the LGPS to scheme member	40 days	91.0%	4983.0	2 months	96.2%
Deferred into Pay - Process and pay lump sum retirement grant	15 days	69.0%	781.0	2 months	98.3%
Deferment - Calculate and notify deferred benefits	30 days	76.7%	2052.0	2 months	95.5%

During the year performance measured against published statutory legal targets were generally within target although when measured against the more stringent internal SLA targets a number of Key Performance Indicators (KPIs) were below benchmark.

Staff turnover during the year remained an issue with a high vacancy rate of about 13% in the administration team causing additional burden on remaining staff to manage business as usual operations. A number of key posts remain vacant with external consultancy providing guidance and support where required.

The Fund continues to put in place specific administration resource to manage key projects to support McCloud Remedy and the planned introduction of the Department for Work and Pensions (DWP) Pensions Dashboards Project.

## Staffing

The Pension Service is split into five management areas: Finance & Investments, Administration, Governance, Technical and Compliance and Communications. Here are the staffing levels as of 31 March 2023.

**Table 11: staffing levels as of 31 March 2023**

<b>Head of Service</b>	<b>1</b>
<b>Finance / Investments:</b>	<b>Full time equivalents</b>
Senior manager	1
Finance and Accounting	3.5
Investment Management	3.5
Actuarial and Valuation	3.8
<b>Governance and Risk</b>	<b>2</b>
<b>Administration:</b>	



Senior manager	1
Employer Services (Employer Relations, Data Control, i-Connect & McCloud Remedy Project)	26
Member Services (Benefits Administration Quality Assurance and Pensions Payroll)	28
<b>Technical and Compliance</b>	<b>1</b>
<b>Communications (web, online, newsletters, publications)</b>	<b>3</b>

For the period 2021/22 the Fund had 16% of its positions vacant, against an average of 10.0% across funds who took part in the CIPFA benchmarking exercise.

**Table 12: Number of members in fund (2022/23)**

	2023	2022	2021	2020	2019	2018
<b>Active Members</b>	40,290	39,559	39,159	38,064	36,894	36,479
<b>Deferred Members</b>	44,058	43,396	42,538	42,508	42,114	43,012
<b>Pensioners</b>	38,796	36,951	34,885	33,602	32,137	30,734
<b>Undecided Leavers</b>	11,531	10,237	8,740	7,538	6,968	6,824
<b>Total Membership</b>	134,675	130,143	125,322	121,712	118,113	117,049

**Table 13: New pensioners (2022/23)**

Ill health retirements	74
Early retirements	238
Normal retirements	303

**Table 14: Number of active employers in the fund (2022/23)**

	Active	Ceased	Total
Scheduled body	330	0	330
Admitted body	114	2	116
<b>Total</b>	444	2	446
Ceased employers have outstanding liabilities but no active members			

## **Budget Outturn**

During the year to 31 March 2023, total administration costs (excluding advisory and investment management costs) were £3.2 million, 7% below the budget of £3.4 million.

Annual investment management fees paid in the year were below budget at £18.5 million.

The budget for governance costs was £2.4 million with actual costs also £2.4 million.

## **Internal Resolution Dispute Procedure (IDRP)**

If there is a complaint or dispute against a decision or action by either the 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>

## **Where to get outside advice and help?**

Advice and help can also be obtained from the Money and Pensions Service (MAPS).

MAPS 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.

Info and contact details - [www.moneyandpensionservice.org.uk](http://www.moneyandpensionservice.org.uk)

The Pensions Advisory 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 The Pensions Advisory Service, 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 their 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](http://www.pensions-ombudsman.org.uk)

The Pensions Ombudsman Service, 10 South Colonnade, Canary Wharf, London E14 4PU

Telephone: 0800 917 4487

## **Complaints & IDRPs cases 2022/23**

During the financial year the Fund received two applications under the stage 1 process, both of which were upheld, and no applications under the stage 2 process. Please note that as some stage 1 appeals are dealt with by the member's employer we may not have been informed of all appeals. A further two complaints were also received and dealt with outside of the formal IDRPs process.

## **LGPS policies and guidance for employers and members**

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

The Fund's employers website gives LGPS policy details and guidance specifically for employers. These can be accessed at: [www.apfemployers.org.uk](http://www.apfemployers.org.uk)

## **General Data Protection Regulations (GDPR)**

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

The Fund's privacy notice can be found here:

<https://www.avonpensionfund.org.uk/privacy-notice>

## 7. Pooling of assets – analysis of costs and savings

- **Brunel now manage 86% of the Fund's assets**
- **Fund broke even in 2023 in terms of net savings from pooling**
- **Net savings are ahead of the original business case**

The Avon Pension Fund (the Fund) participates in the Brunel Pension Partnership (Brunel) alongside Buckinghamshire, Cornwall, Devon, Dorset, Environment Agency, Gloucestershire, Oxfordshire, Somerset and Wiltshire pension funds. Each of the 10 funds own an equal share of Brunel, a Financial Conduct Authority (FCA) regulated asset management company.

Pooling was introduced to the Local Government Pension Scheme (LGPS) 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.

Brunel is responsible for implementing the Fund's investment strategy. However, responsibility for determining asset allocation and the investment strategy remains with Avon Pension Fund Committee (the Committee).

The governance arrangements for the pool are as follows:

- The **Brunel Oversight Board** is comprised of representatives from each of the administering authorities and two member observers. It has ultimate responsibility for ensuring that Brunel delivers the services required to achieve investment pooling and deliver each fund's investment strategy.
- The **Client Group** supports the Brunel Oversight Board. It is comprised of investment officers drawn from each of the administering authorities and is responsible for monitoring Brunel, portfolio performance, and provides a forum for discussing technical and practical matters.

In addition to the pool's governance arrangements, the Fund has a **Brunel Working Group** consisting of committee members that supports the Oversight Board and Client Group representatives. Importantly this group discusses matters that are to be considered by Brunel Oversight Board or shareholders. As Brunel is a key service provider to the Fund, the risk it fails to deliver its service as contracted is in the Fund's Risk Register.

In 2017 the business case for joining the Brunel asset pool estimated potential fee savings of £73 million over a 20 year period (to 2036) for the Fund. Set up costs and costs incurred transitioning assets into the pool forecast the Fund would breakeven 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 7(a): 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- 2036	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
<b>Set up costs</b>	117	1,148									<b>1,265</b>
<b>Ongoing Brunel Costs</b>			674	893	923	953	985	1,017	1,051	14,127	<b>20,623</b>
<b>Avon Fund Savings</b>			(259)	(267)	(275)	(283)	(291)	(300)	(309)	(4,077)	<b>(6,061)</b>
<b>Transition Costs</b>			2,957	4,067	260	-	-	-	-	-	<b>7,284</b>
<b>Fee Savings</b>			(125)	(1,216)	(2,687)	(2,927)	(3,185)	(3,892)	(4,164)	(78,583)	<b>(96,778)</b>
<b>Net costs / (savings)</b>	<b>117</b>	<b>1,148</b>	<b>3,248</b>	<b>3,478</b>	<b>(1,779)</b>	<b>(2,257)</b>	<b>(2,491)</b>	<b>(3,175)</b>	<b>(3,422)</b>	<b>(68,533)</b>	<b>(73,667)</b>

Brunel enables its clients to implement their strategic asset allocation by creating defined outcome focused investment portfolios to invest in. Specifically Brunel is responsible for portfolio construction (including selection of the external managers or pooled funds), for allocation between mandates within each portfolio and monitoring the performance of the underlying managers.

Brunel's financial performance is monitored to ensure it is delivering on the key objectives of pooling. This includes annual reporting of costs. The set-up costs incurred by the Fund are set out in the following table.

**Table 7(b): Set up costs**

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

There have been no set up costs since 2017/18. Capital was provided at the outset through the purchase of shares equivalent to £0.84 million.

Brunel now manage £4.6 billion (86%) of the Fund's assets as shown in the Table 16 below. Within private markets, the Fund invests in Brunel's Secured Income, Renewable Infrastructure and Private Debt portfolios. At 31 March 2023, 56% of the Fund's combined commitments to these portfolios had been invested.

**Table 7(c): Investment assets**

	<b>31 March 2023</b>	
	<b>£'000</b>	<b>%</b>
<b>Investments managed by Brunel Pension Partnership:</b>		
BlackRock Risk Management Strategy	<b>1,300,563</b>	<b>24.2</b>
Brunel Renewables Portfolio	<b>163,699</b>	<b>3.0</b>
Brunel Secured Income Portfolio	<b>435,092</b>	<b>8.1</b>
Brunel Multi Asset Credit	<b>304,609</b>	<b>5.7</b>
Brunel Global Sustainable Equity	<b>792,532</b>	<b>14.7</b>
Brunel Paris Aligned Developed Equity	<b>278,856</b>	<b>5.2</b>
Brunel Diversified Returns Fund	<b>336,583</b>	<b>6.3</b>
Brunel UK Property	<b>180,699</b>	<b>3.4</b>
Brunel Global High Alpha Equity	<b>698,860</b>	<b>13.0</b>
Brunel Private Debt	<b>128,903</b>	<b>2.4</b>
Avon Transition Account	<b>5</b>	<b>0.0</b>
	<b>4,620,399</b>	<b>85.9</b>
<b>Investments managed outside Brunel Pension Partnership:</b>	<b>761,253</b>	<b>14.1</b>
<b>TOTAL INVESTMENT ASSETS</b>	<b>5,381,654</b>	<b>100.0</b>

All the planned transitions are complete. The Fund retains responsibility for legacy portfolios that are being wound up, the proceeds of which will fund private market portfolios managed by Brunel. The total transition costs of the assets transferring into the pool are slightly higher than estimated in the Original Business Case.

**Table 7(d): Transition Costs**

	<b>Direct</b>	<b>Indirect</b>	<b>Total</b>	<b>Cumulative</b>
	<b>£000s</b>	<b>£000s</b>	<b>£000s</b>	<b>£000s</b>
Transition Fee		145	145	523
Tax		-	-	731
Other transition costs		793	793	7,016
<b>Total transition costs</b>		<b>938</b>	<b>938</b>	<b>8,270</b>

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

**Table 7(e): Investment Fee savings from Pooling (cumulative to 31 March 2023)**

	Value in Original Business Case 31 March 2016	Value at 31 March 2023	Price Variance	Quantity Variance	Total Saving / (Cost)
	£'000	£'000	£'000	£'000	£'000
Passive UK Equity	167,800	-	-	317	317
Passive Global Equity	348,900	-	-	659	659
Passive Low Carbon Equity	-	-	298	(696)	(398)
Passive Paris Aligned Equity	-	278,856	170	(232)	(62)
UK Equity	201,993	-	948	2,789	3,738
Global Equity	253,764	698,860	3,792	(5,233)	(1,441)
Emerging Market Equity	327,299	-	1,352	4,745	6,098
Global Sustainable Equity	173,896	792,531	3,161	(6,191)	(3,030)
Diversified Return Funds	360,928	336,583	4,630	(1,842)	2,788
Multi Asset Credit	-	304,609	167	(1,782)	(1,616)
UK Property	195,868	180,699	1,149	138	1,287
Renewable Infrastructure	-	163,699	2,122	(4,860)	(2,738)
Secured Income	-	435,092	96	(3,915)	(3,819)
Private Debt	-	128,902	2,060	(2,696)	(636)
Blackrock Liability Solution	791,496	1,300,563	361	(314)	47
			20,308	(19,113)	1,195

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

- The asset allocation within passive equities has changed since the business case in 2016, with investments now in Paris aligned and global equity passive funds.
- The asset allocation within the active equity portfolio has changed having divested from emerging market and the UK equity portfolios.
- There was no allocation to Multi Asset Credit in the business case. However Brunel did achieve fee savings against the fees paid within the pool prior to transition.

- d. Liability Driven Investments (LDI) includes the LDI assets (gilts and index linked gilts) as well as equity assets held for collateral within the Qualified Investor Fund (QIF).
- e. The transfer of the pooled UK property funds to Brunel's management has generated management fee savings and includes savings achieved by Brunel on the fees of some of the underlying funds.
- f. In addition to these transitions, the Fund has made new allocations to Brunel's Renewable Energy Infrastructure, Private Debt and Secured Income portfolios.

The ongoing fee paid to Brunel in 2022/23 for its core services was £1.5 million. This includes custody, performance measurement as well as costs of Brunel. The ongoing overhead cost of the company is higher than originally estimated, partially due to changes in client strategies and priorities.

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

**Table 7(f): Expected versus Actual Costs and Savings to Date**

Costs/ (Saving)	2021/22				2022/23			
	Budget		Actual		Budget		Actual	
	In year £000s	Cumulative £000s	In year £000s	Cumulative £000s	In year £000s	Cumulative £000s	In year £000s	Cumulative £000s
Set Up	-	1,265	-	1,072	-	1,265	-	1,072
Brunel cost	953	3,443	1,241 <sup>1</sup>	4,944	985	4,428	1,557 <sup>1</sup>	6,501
Avon internal savings	(283)	(1,083)	(215)	(860)	(291)	(1,374)	(215)	(1,075)
Transition	0	7,284	938	8,270	0	7,284	0	8,270
Fee saving	(2,927)	(6,955)	(6,139)	(11,721)	(3,185)	(10,139)	(8,587)	(20,308)
<b>Net cost / (saving)</b>	<b>(2,257)</b>	<b>3,955</b>	<b>(4,175)</b>	<b>1,705</b>	<b>(2,491)</b>	<b>1,464</b>	<b>(7,245)</b>	<b>(5,540)</b>

Note: <sup>1</sup> This differs from the Statement of Accounts which includes annual rebates.

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

- The Fund is ahead in terms of fee savings and overall net cost/saving.
- The asset values are higher than estimated, driving higher fee savings.
- Transition costs are higher; due to asset values being higher than the values assumed in the business case and a lack of commonality between legacy and target assets in some of the transitions.
- Fee rate savings are greater than anticipated across most transitioned portfolios.



- Ongoing costs of Brunel are higher than anticipated.
- The Fund's internal savings are less than estimated due to changes in the strategic focus of the Fund. Savings include the cost of custody and performance measurement (based on 2016/17 costs and now included in ongoing Brunel costs), a slight reduction in staff costs and limited savings for investment advice. The recurring savings will be held at this annual rate given the investment strategy includes complex risk management strategies which means more internal resources and advice is required to support it.

## 8. Investments

- **Investment return of -7.3% for the year**
- **Strategic investment review confirmed diversified strategy meets funding requirements**
- **On track to meet 2025 & 2030 climate targets**

The Avon Pension Fund's overriding investment objective is to meet the future pension payments of both past and current members.

### 1. Investment Strategy Statement

Regulations require the Avon Pension Fund (the Fund) to produce an Investment Strategy Statement (ISS) which sets out the principles that guide the decision making for investing the 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 and return profile and that assets are sufficiently diversified.

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

Key elements include:

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

In line with the regulations the ISS is reviewed every 3 years, normally following the triennial valuation, or when there is a material change in risk. The latest ISS, agreed in 2023, is here <https://www.avonpensionfund.org.uk/finance-and-investments>

### 2. Investment Strategy

The objective of the investment strategy is to achieve the investment return required to fund the pension liabilities over time and to recover any funding deficit as set out in the funding strategy. Specifically, the 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. Risk is managed through asset class diversification; Brunel then manages underlying investment manager risk within each of its portfolios. The Avon Pension Fund Committee periodically reviews its investment strategy to ensure it reflects the Fund's liability profile and funding strategy. The last review was undertaken in 2022/23, which concluded the existing strategic allocations to equities, liquid and illiquid growth assets, and fixed income

achieves the appropriate balance of risk and return to provide stability of employer contributions.

The only new allocation was an initial allocation of 3.0% to Local Impact investments. This portfolio is expected to deliver demonstrable impact across environmental and social dimensions primarily in the Southwest region and will be funded from the Fund's existing 32.5% allocation to illiquid assets. Within the equity allocation, it was determined that an equal split between passive and active equity strategies best delivered the Fund's risk/return and climate change objectives while serving to reduce the aggregate annual fee paid to investment managers. The passive allocation is now investing in Paris-aligned equities.

The strategy review will continue into 2023/24 with a deep-dive review into the Fund's Risk Management Framework and its climate policy with a view to increasing the level of ambition by bringing forward its current 2050 net zero alignment target.

### 3. Asset Allocation

Table 8(a) shows the Fund's actual asset allocation at 31 March 2023 against the strategic allocation benchmark. The table also includes the index returns from each asset class over one, three and five years to 31 March 2023.

**Table 8a: Strategic Asset Allocation and Actual Asset Allocation**

Asset class	31/03/2023 Allocation	Strategic Allocation	Strategic Range	Index Asset Class Returns (p.a.)		
				1 Year	3 Years	5 Years
Developed Market Equity	46.2%	41.5%	36.5 - 46.5%	-0.5%	17.1%	11.3%
Diversified Growth Funds	6.3%	6.0%	3.0 - 9.0%	6.3%	4.8%	4.7%
Generalist Infrastructure	5.8%	4.0%	No set range	2.8%	15.7%	8.6%
Renewable Infrastructure	3.0%	5.0%	No set range	2.8%	15.7%	--
Liability Matching Assets & Equity Protection*	18.3%	12.0%	No set range	-34.8%	12.5%	0.8%
UK Corporate Bonds	3.2%	2.0%	No set range	-10.3%	-3.1%	-0.8%
Fund of Hedge Funds**	0.6%	0.0%	No set range	5.3%	3.8%	3.7%
Multi Asset Credit	5.7%	6.0%	3.0 - 9.0%	6.3%	4.8%	4.7%
Property	6.4%	7.0%	No set range	-14.7%	2.7%	2.8%
Secured Income	8.1%	9.0%	No set range	-14.3%	0.0%	--
Private Debt	2.4%	4.5%	No set range	6.3%	--	--
Local / Social Impact	0%	3.0%	No set range	--	--	--
Cash & other***	4.6%	0.0%	0.0 - 5.0%	--	--	--
Synthetic Equity Offset****	-10.8%	--	--	--	--	--

SOURCE: Mercer, State Street Bank and Trust

\*Liability Matching Assets Index returns are for Liability Driven Investment (LDI) component only and mandate-specific and based on change in exposure relative to liability benchmark since inception, proxy index returns used for all other asset classes

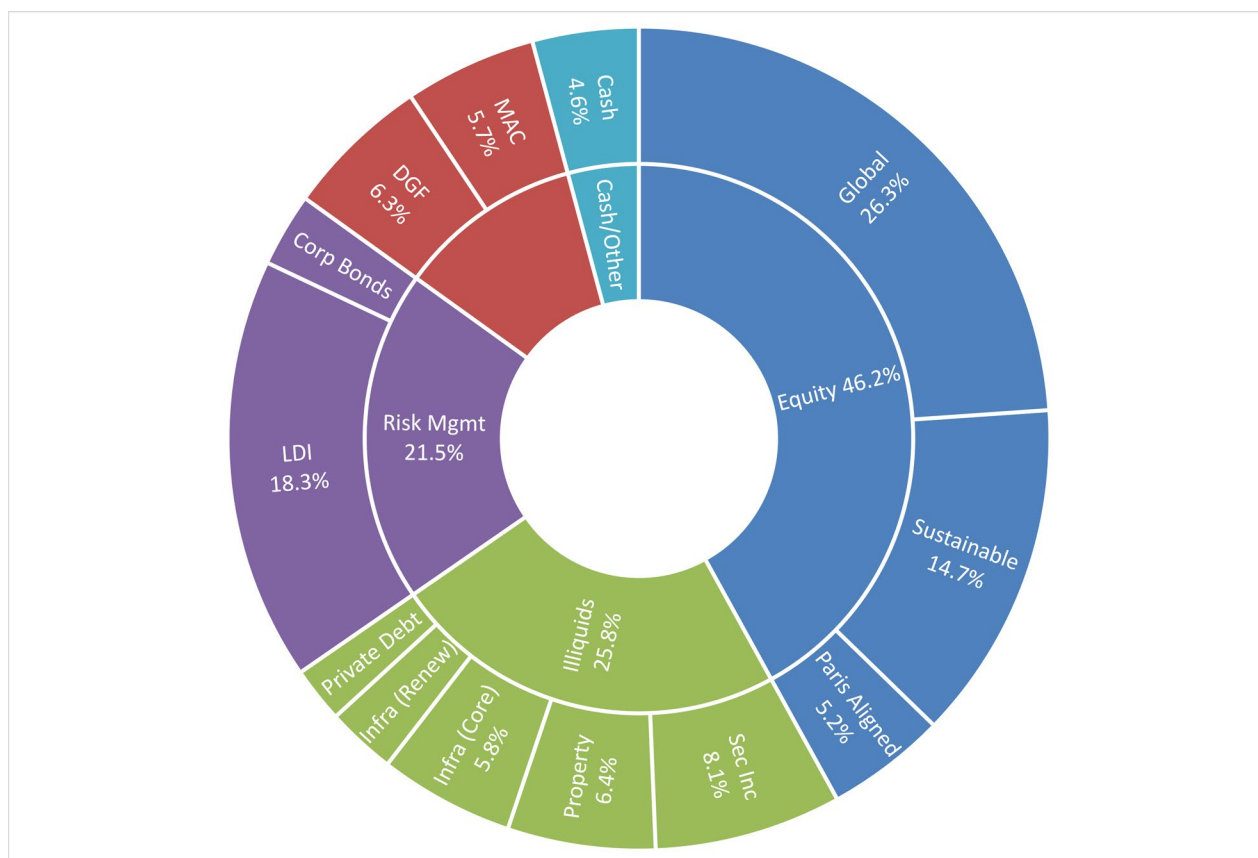
\*\*Mandate terminated.

\*\*\*Cash and other instruments including currency instruments and Exchange Traded Fund (ETF) liquidity strategy.

\*\*\*\*Developed market equity includes synthetic exposure via the BlackRock Qualified Investor Fund (QIF); Synthetic Equity Offset reflects an offsetting value to account for the difference between the exposure to equity markets and the actual mark-to-market value of the holding.

The asset allocation and value per portfolio as at 31 March 2023 is set out in Chart 8(b).

**Chart 8(b): Asset Allocation by Mandate 31 March 2023**



SOURCE: Mercer, State Street Bank and Trust

#### 4. Approach to Responsible Investment

The Fund's approach to responsible investment is guided by our core investment beliefs which are set out below:

1. Long-term – A long-term approach to investing allows a strategic approach to investment risk and capital allocation, ultimately driving attractive investment returns.
2. Diversified – Diversification is core to managing investment risk, enabling a broad spectrum of investments with different risk and return profiles.

3. Responsible – We invest to make a positive contribution in the real economy promoting sustainable returns and work with like-minded investors to engage and encourage positive change.
4. Low cost – Lower costs drive higher investment returns. We use collective scale with Brunel to drive innovation and efficiencies to reduce cost.

The Fund’s investment beliefs are set against the context of meeting promises to members and maintaining affordability for employers.

Further information on the Fund’s approach to responsible investment is available from the website <http://www.avonpensionfund.org.uk> (search Responsible Investment Policy).

### **(I) Investment Stewardship**

As a signatory to the Financial Reporting Council (FRC) UK Stewardship Code 2020 (the ‘Code’), the Fund supports and applies the Code’s definition of stewardship: “Stewardship is the responsible allocation, management and oversight of capital to create long-term value for beneficiaries leading to sustainable benefits for the economy, the environment and society”.

The Code is voluntary and comprises 12 ‘apply and explain’ principles across 4 key pillars: Purpose and Governance, Investment Approach, Engagement, and Exercising Rights and Responsibilities. The Fund retained its signatory status to the Code for the second consecutive year. The full report can be accessed through the Fund’s website: [www.avonpensionfund.org.uk](http://www.avonpensionfund.org.uk) (search FRC Stewardship Code).

Aggregate voting and engagement statistics for the Fund’s listed equity portfolios are monitored in terms of ‘votes cast’ and ‘number of engagements’ in the period according to ESG sub-themes. The engagement service provided by Brunel’s appointed voting and engagement provider, Federated Hermes EOS (Hermes), is complementary to the engagement activity undertaken by underlying investment managers within Brunel pooled portfolios. The engagement plan itself is developed collaboratively between the Fund, Brunel and Hermes with the Fund feeding in its priorities via the pool’s Responsible Investment working group that comprises representatives of all partner funds.

Hermes engaged with 466 companies on the Fund’s behalf during the year, across a broad range of ESG issues. Environmental topics, on average, featured in 25% of engagements, over 70% of which related directly to climate change. Social topics featured in 25% of engagements, where diversity and human rights featured prominently. Of the 37% of Governance related engagements the majority revolved around executive remuneration. Strategy, risk and communications topics such as audit and accounting and cyber security featured in the remaining 12% of engagements over the year.

The Fund’s report on its stewardship activity should be read in conjunction with Brunel’s own Stewardship Policy and Stewardship Outcomes Report available on their website ([www.brunelpensionpartnership.org/responsible-investment/](http://www.brunelpensionpartnership.org/responsible-investment/)).

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. LAPFF seeks to maximise the influence the Local Government Pension Scheme (LGPS) funds have as shareholders through co-ordinating shareholder activism amongst the pension funds. This year LAPFF continued their

work on climate change by scrutinising corporate climate strategies through the ‘say on climate’ initiative and were involved in several high-profile engagements in the energy sector, issuing recommendations to vote against company management where climate strategies did not align with the Paris agreement goals. Human rights were again a significant focus for LAPFF over the year with a particular focus on the impact of the global mining industry on human rights. Human rights also arose in the context of climate change as part of the call for a just transition to a zero-carbon economy.

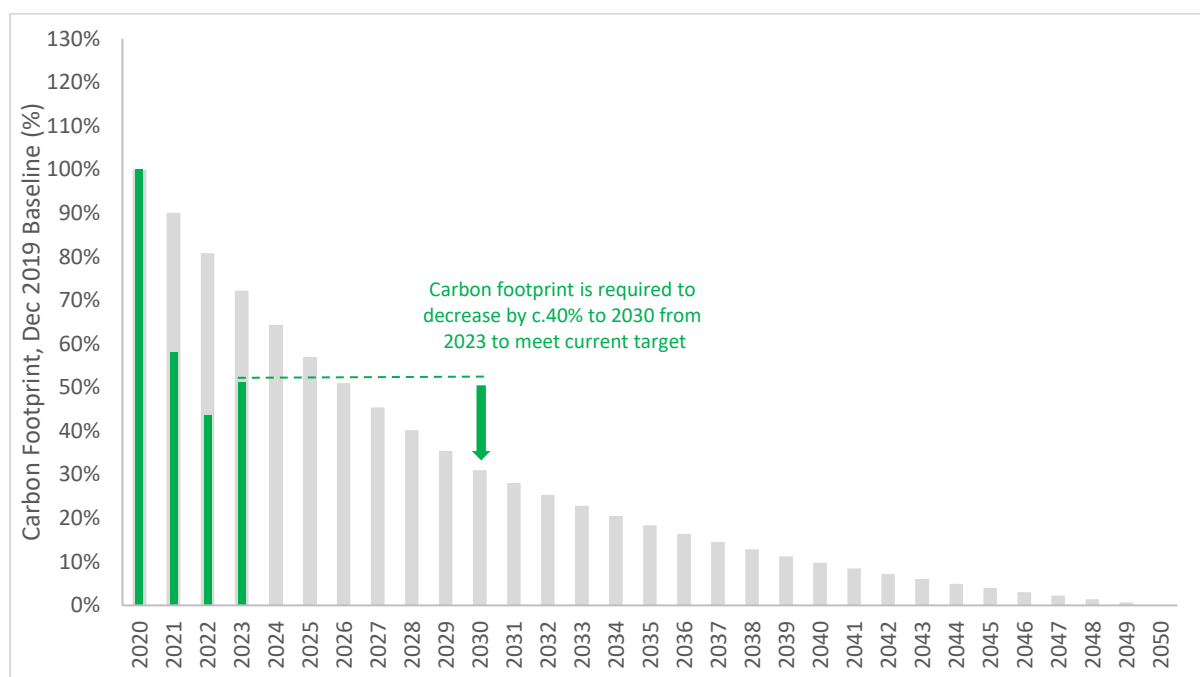
The Fund also belongs to a number of industry-led initiatives aimed at improving disclosures and building meaningful engagements with investee companies across ESG factors. ClimateAction 100+ and the Institutional Investors Group on Climate Change (IIGCC) are forums for collaboration between investors on the financial and physical impacts of climate change. Membership to these groups allows the Fund to amplify its engagement work with corporates and governments as well as access the tools required to meet climate disclosures best practice. The Fund recognises companies need time to successfully adapt their business models to manage climate risk in the context of generating long-term shareholder value and real reductions in carbon emissions. Equally, those companies that are intentionally failing to take account of climate transition risk and adapt their business models accordingly should be candidates for divestment, due to the financial risk they pose. Further information relating to the Fund’s approach to climate change is set out in the below sections.

## **(II) Climate Change**

During the year the Fund published its second Taskforce for Climate-related Financial Disclosures (TCFD) report available [here](#). This critical framework is a way of signalling to investee companies, service providers and other stakeholders how important climate reporting is in the context of real emissions reductions.

The Fund has set a target to become net zero by 2050, consistent with the IIGCC Asset Owners Net Zero Framework, which will be subject to review in 2023/24. Last year it set a number of interim targets that will see the Fund reduce the absolute emissions in its listed equity portfolios by 43% by 2025 and 69% by 2030, relative to a 2019 baseline. Progress against these targets is set out in Chart 8(c):

**Chart 8(c) – Listed Equities Decarbonisation Path – 2019 Baseline**



SOURCE: Mercer

While significant progress to decarbonise the Fund’s equity holdings has been made over past years, we recognise that the path to net zero will not be linear. As data coverage evolves, priority should be given to metrics relating to alignment and credibility of alignment over carbon intensity. This approach gets to the heart of what net zero is seeking to achieve, which is real economic impact.

The allocation of our capital remains one of the Fund’s primary tools to help meet our ambition to become a net zero investor. At the end of the year the Fund had a combined £1.1bn in Paris-aligned (PA) and global sustainable (GSE) listed equities. This was a decrease from £1.4bn in the prior year and was driven by a temporary move into a global market-capitalisation equity index used for collateral purposes during the September/October gilts crisis. Following the close of the reporting period the Fund transitioned its entire passive equity exposure into a Paris-aligned solution, increasing combined PA and GSE exposure to just under £2.0bn.

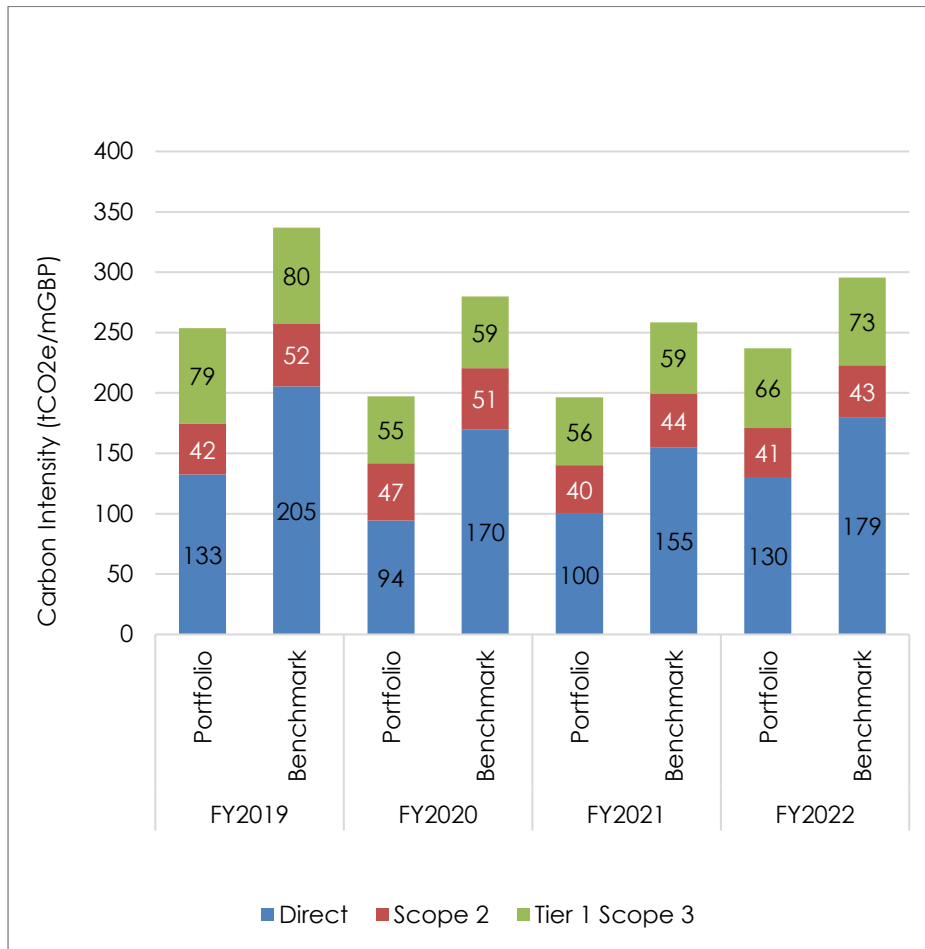
Combined commitments to renewable infrastructure funds across a number of Brunel portfolios totalled £475m, an uplift of £95m over the previous year. In addition, the Fund’s allocation to local impact is expected to invest in funds comprised of renewable infrastructure and transition enabling technologies. As advances in data transparency and coverage are made, we expect to enhance our ability to report on ‘climate solutions’ exposure.

### (III) Climate Change Metrics & Targets

The Fund commissions Brunel to undertake an annual Carbon Metrics Report which includes absolute emissions, Weighted Average Carbon Intensity (WACI)<sup>2</sup>, fossil fuel related revenues, reserves exposure and the disclosure rates among companies within the equity portfolios.

This year's report shows that all the active equity portfolios the Fund invests in exhibit a lower WACI than their respective benchmarks and the aggregate portfolio, relative to its benchmark, is 20% more efficient (or less carbon intensive).

**Chart 8(c) – Weighted Average Carbon Intensity (Data as at 31 December 2022)**



**SOURCE: Brunel Pension Partnership**

The increase in WACI in the year was primarily brought about by the Fund's temporary switch from a Paris-aligned passive equity index to a global market-capitalisation based index. Although the Fund subsequently moved its entire passive equity exposure into a Paris-aligned solution, this statistic does highlight how market dynamics can result in non-linear pathways to net zero.

The Fund receives 'green revenues' data which reveals the extent to which the Fund is invested in companies that generate revenues attached to products and services that deliver

<sup>2</sup> Weighted Average carbon Intensity or 'WACI' quantifies a portfolio's exposure to carbon intensive companies. The metric takes the carbon intensity (total carbon emissions divided by total revenue) of a company and multiplies it by its weight in the portfolio.



environmental solutions across 10 sectors<sup>3</sup>. All the Fund's listed equity portfolios either met or exceeded their respective benchmarks in terms of green revenues exposure. For instance, the Global Sustainable Equity portfolio has 12.4% exposure to green revenues compared to 7.3% in its benchmark<sup>4</sup>, up from 10.9% last year. Green revenues data is expected to extend to the Fund's private markets portfolios next year.

## 5. Investment Performance

### (I) 2022/23 Performance

For the year ending 31 March 2023 total Fund assets fell by £444m (7.3%) to give a value of £5,382m. Despite some gains later in the year, markets ended the period in negative territory due to persistent high inflation and fears of a recession and a banking crisis.

For riskier assets such as equities, the fiscal year started with a continuation of the negative sentiment seen in 2021/22, driven by high levels of inflation, fears of a global recession and continued geopolitical tensions. The inflation outlook continued to drive market volatility into the third quarter of 2022, when investor expectations around a 'pivot' from the US Federal Reserve (from monetary tightening to loosening) caused global markets to quickly rise before falling back down to end the quarter in negative territory. Markets then rallied into the final quarter of 2022, driven by China signalling that it would drop its zero-tolerance Covid policy, while lack of a significant cold snap in Europe prevented a worsening of the energy crisis. The first quarter of 2023 was also positive due to an initial strong rally, despite losing some ground in March following the collapse of Silicon Valley Bank and fears of another banking crisis.

Absolute returns generated by the Fund's investment managers largely followed the pattern of the broader market, despite a few areas of underperformance. In listed markets, the Global High Alpha equity portfolio achieved a positive absolute return of 0.4% for the year, outperforming its benchmark by 0.9%, while the Global Sustainable Equity portfolio underperformed its benchmark by 0.4%, achieving a negative absolute return of -1.3%. Both portfolios suffered early in the year from underexposure to energy (a strong performing sector) and negative market headwinds that had a disproportional effect on the style of the portfolios, both of which favour high growth and quality companies. These trends somewhat reversed later in the year, with High Alpha managing to end in positive territory on strong sector positions in Consumer Discretionary and Industrials. The Paris Aligned Benchmark portfolio finished up 0.7% in absolute terms, in line with its benchmark, benefiting from large positions in the US Technology sector. The Diversifying Returns Fund (DRF) finished the period down 2.9% versus a positive 5.3% return from its cash benchmark. Initial currency positions, including a short US Dollar position, detracted while some gains were made-up later in the year from developed equity positions and sovereign bonds.

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<sup>3</sup> Energy Equipment, Energy Generation, Energy Management, Environmental Resources and Support Services, Food and Agriculture, Transport Equipment and Solutions, Waste Pollution and Control, Water Infrastructure

<sup>4</sup> FTSE All World at December 2022

In credit markets, the Multi Asset Credit (MAC) portfolio achieved a -3.4% return versus the 6.4% cash benchmark, due to interest rate rises and increased recession risk causing yields and spreads to rise and resulting in falling bond prices.

UK property had a difficult year, returning -15.3% (0.9% below benchmark) as Bank of England rate rises caused significant falls in property valuations as borrowing become more costly. This poor performance was also reflected in our international property portfolio, which saw negative returns for the year, again driven by higher borrowing costs due to significant inflationary pressures.

In contrast, infrastructure assets performed strongly over the year, with our Renewable Infrastructure portfolios returning 7.9% and 14.9% for cycles 1 and 2 respectively<sup>5</sup>, due to elevated power prices and decarbonisation tailwinds. Private Debt produced a positive absolute return for the year, with a return of 2.8%<sup>6</sup>, thanks to defensive allocations, such as healthcare and education.

Secured Income returns fell into negative territory, hit by the same economic headwinds facing real estate with over 70% of the portfolio allocated to long-lease property, despite being well positioned with a high-quality tenant base and benefiting from inflation-linked leases. The renewable income component of the portfolio offset the negative impact of long-lease property as it benefited from elevated power prices.

## **(II) Risk Management Framework**

The Fund uses a number of risk management strategies specifically to stabilise contribution plans for employers and to protect the Fund from significant falls in asset values.

The Equity Protection Strategy (EPS) protects the Fund's significant equity exposure against downside events, reducing risk within the overall strategy and allowing a higher allocation to equities than the strategy would otherwise allow. Over the year equity market volatility was characterised by falls in value during the first half of the year followed by a swift reversal during the final two quarters of the period. Due to the structure of the EPS, which gives away gains beyond a predetermined level, it acted as a drag on overall equity returns.

The Liability Driven Investment (LDI) framework seeks to increase the Fund's exposure to inflation-adjusted yields to offset the impact of rising inflation and/or declining interest rates on the Fund's liabilities. This year LDI strategies were materially impacted by the sharp increase in bond yields, magnified by the mini budget in September. In the lead up to the gilts crisis in September and October the Fund had been increasing its interest rate hedge as yields rose. At 31 March 2023 the Fund's interest rate and inflation hedge ratios stood at 29% and 24%<sup>7</sup>, respectively. The Fund subsequently suspended any further increases to the inflation and interest rate hedge ratios until further analysis on the collateral position had been undertaken. A prudent collateral management approach meant the Fund was well positioned to absorb the volatility in market prices and did not become a 'forced seller' of assets. It did, however, increase collateral to guard against yet further rises

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<sup>5, 6</sup> Net IRR basis

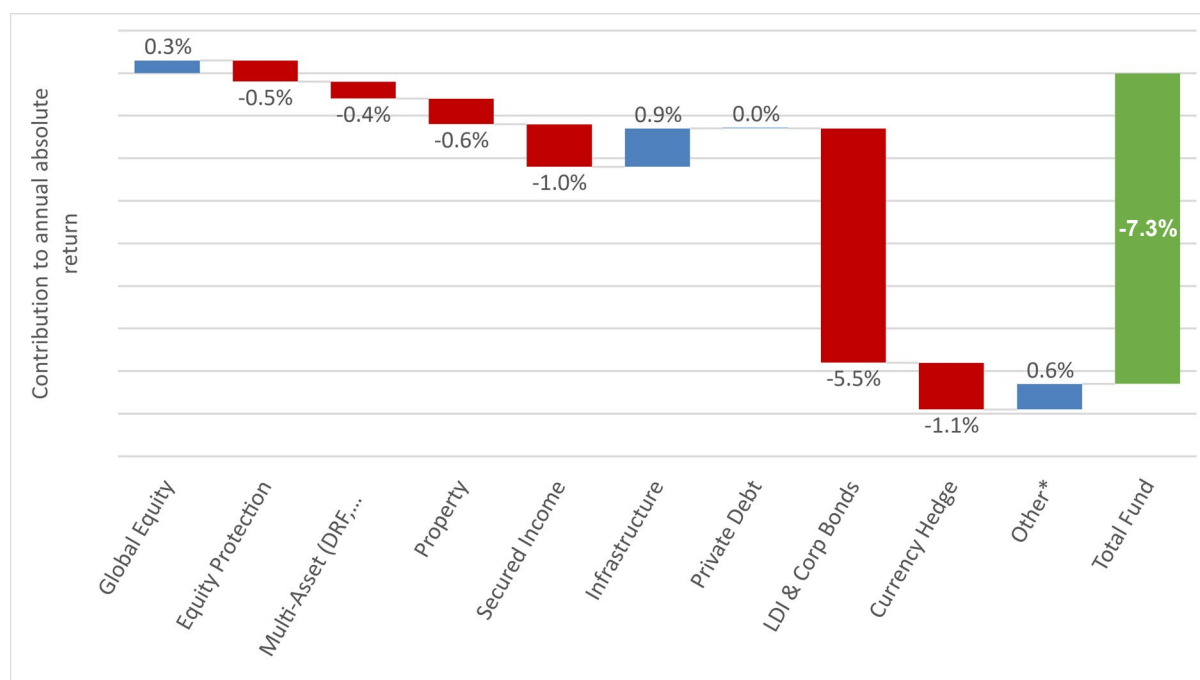
<sup>7</sup> As a percentage of assets

in yields and in anticipation of greater regulatory scrutiny around collateral and leveraged LDI programmes. Additional collateral was sourced from overweight positions elsewhere in the portfolio which meant strategic asset allocations were maintained throughout the gilts crisis.

Finally, Sterling appreciated by 3% against the Yen, while depreciating by 3.8% and 6.1% against the Euro and US Dollar respectively. As the US Dollar hedge dominates, this led to an overall negative return from the currency hedge.

Table 8(d) shows the contribution to returns over the year on an absolute basis. High Alpha and Paris Aligned Benchmark equities made positive contributions over the year, with Infrastructure producing strong above-benchmark returns. The LDI mandate was the largest detractor over the year, while the currency hedge detracted 1.0% due to sterling weakening. On a relative basis the Fund underperformed its strategic benchmark return of -1.3% by 6.0%. Underperformance relative to the strategic benchmark was driven by the relative performance of DRF and MAC alongside the Secured Income and International Property portfolios.

**Chart 8(d) – 1 Year Total Fund Performance Attribution at 31 March 2023**



SOURCE: Mercer

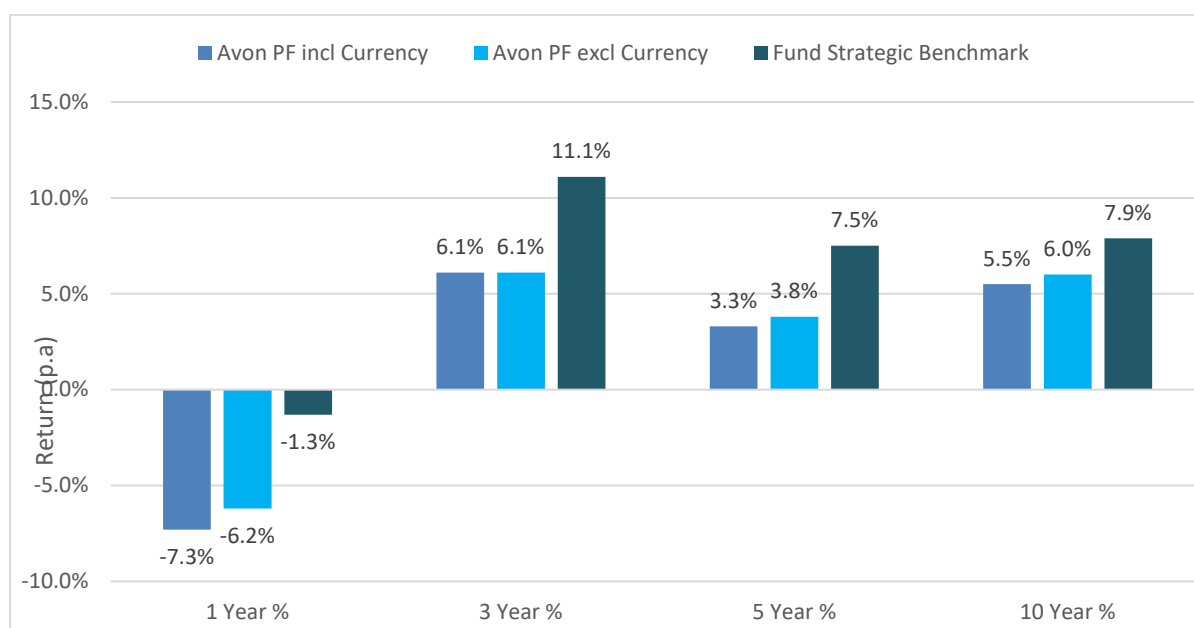
\*Other contributions to total return include the ETF liquidity strategy, cash, the impact of cashflows and terminated mandates, as well as rounding error

The investment return affects the funding or solvency level of the Fund. The average long-term (20 year) expected return for the investment strategy is a real return of 4.2%. For the Fund achieving a real return is important as the pension benefits are linked to inflation. During the year the funding level decreased by 2% to 95% with the deficit estimated to have increased to £268m.

### (III) Longer-term performance

The longer-term performance (annualised returns) of the Fund is shown in Chart 8(e) compared against the Fund's benchmark. The Fund return is inclusive of currency hedging whereas the benchmark return excludes currency hedging.

**Chart 8(e): Long-term performance**



Source: Mercer, State Street Bank and Trust

Over three years the Fund's return of 6.1% per annum (excluding currency) is below the strategic benchmark return, primarily due to the equity protection strategy which detracted as equity markets have increased over the period. Property and Secured Income also acted as a drag on returns. Over the same period the impact of the currency hedging program was neutral.

Table 8(f) shows how each of the investment managers have contributed to performance (net of fees). It shows performance against their specific benchmarks over one year, three years and five years. The performance of the global property portfolio is measured using the Internal Rate of Return since inception as the performance is impacted by the dilution effect of investing monies during the investment phase of the portfolio. Given the relatively recent transitions to Brunel portfolios, many of the mandates do not have long term track records.

**Table 8(f): Contribution to Performance – Relative Returns of Investment Managers**

Manager	Mandate	1 Year Relative Return	3 Year Relative Return	5 Year Relative Return
<b>Brunel</b>	Passive Global Equities Paris-Aligned	--	--	--
<b>Brunel</b>	Active Global Sustainable Equities	-0.3%	--	--
<b>Brunel*</b>	Secured Income – Cycle 1	-0.5%	--	--
	Secured Income – Cycle 2	-1.2%	--	--
<b>Brunel*</b>	Renewable Infrastructure – Cycle 1	7.9%	--	--
	Renewable Infrastructure –	14.9%	--	--

	Cycle 2 Renewable Infrastructure – Cycle 3	-3.2%	--	--
<b>BlackRock</b>	Passive Developed Market Equities	0.4%	0.2%	0.4%
<b>BlackRock</b>	Bespoke Corporate Bonds	--	--	--
<b>Partners*</b>	Global Property	4.6%	--	--
<b>Brunel</b>	Diversified Returns Fund	-8.2%	--	--
<b>Brunel</b>	Active Global Equities	0.9%	0.8%	--
<b>Brunel*</b>	Private Debt – Cycle 2 Private Debt – Cycle 3	2.8% 5.1%	--	--
<b>Brunel</b>	UK Property	-1.0%	--	--
<b>Brunel</b>	Multi Asset Credit Fund	-9.8%	--	--
<b>IFM</b>	Infrastructure	1.6%	5.7%	4.4%

Source: Mercer, State Street Bank and Trust, Brunel Pension Partnership, Managers

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

## 6. Largest holdings

**Table 8(g): Top 10 largest investment holdings at 31 March 2023**

<b>Holdings</b>	<b>£'000s</b>	<b>% of Fund</b>
BlackRock Liability Solutions Fund	1,300,563	24.1%
Brunel Global Sustainable Equity Fund	792,531	14.7%
Brunel Global High Alpha Equity Fund	698,860	13.0%
Brunel Diversified Returns Fund	336,583	6.2%
IFM Global Infrastructure Fund	313,207	5.8%
Brunel Paris Aligned Developed Equity Fund	278,856	5.2%
Neuberger Berman Multi Asset Credit Fund*	188,331	3.3%
Greencoat Renewable Income Fund*	157,064	2.9%
Standard Life Long-Lease Property Fund*	143,869	2.7%
M&G Secured Income Property Fund*	134,159	2.5%

\* Held in Brunel Portfolios

## 7. Investment Administration

The Fund's custodian is responsible for the safekeeping of the Fund's assets and acts as the Fund's bank, settling transactions and collecting income and provides 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. The Fund delegates the management of the pension fund's investment cash to the Council who implement the Fund's Treasury Management Policy which ensures the investment of the Fund's cash is consistent with the risk parameters of the Fund.

## **8. Investment Cost Transparency**

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

All of the Fund's managers including Brunel are signatories to the CTI and have provided the data for each of the portfolios that the Fund invests in.

The data within the CTI templates includes greater detail with respect to underlying fund costs and therefore does not reconcile with the costs disclosed in Note 7 within the Statement of Accounts. Asset allocation will drive changes in the overall costs over time especially given the increasing allocation to private markets which generate higher indirect costs. The data has been aggregated and covers the year ending 31 March 2023.

The increase in the pooled assets ongoing charges from 31bps (2021/22) to 33bps (2022/23) was driven by the increase in management fees, which reflects that Brunel now manage a larger proportion of higher-cost mandates including active credit and private markets assets. Other ongoing charges such as administrative and governance fees were largely comparable to 2021/22.

There was a material decrease in ongoing charges associated with non-pooled assets from 78bps (2021/22) to 36bps (2022/23). This was driven by the decrease in indirect fees and charges largely due to the reduction in the overall size of the allocation to the hedge fund strategy.

Finally, there was a decrease in performance fees paid and carried interest accrued (but not yet paid) which was the result of a decline in real asset values, in particular the Fund's property allocations where valuations were adversely affected by the increase in interest rates through the year.

**Table 8(h): LGPS Code of Transparency**

INVESTMENT MANAGEMENT COSTS FOR YEAR TO 31 MARCH 2023										
	Asset Pool				Non-Asset Pool				Fund Total	
	Direct £'000	Indirect £'000	Total £'000	Bps	Direct £'000	Indirect £'000	Total £'000	Bps	£'000	Bps
<b>ONGOING CHARGES</b>										
<b>Fund and Investment Management</b>	<b>13,070</b>	<b>245</b>	<b>13,315</b>	<b>29</b>	<b>15,940</b>	<b>2,712</b>	<b>18,652</b>	<b>245</b>	<b>31,966</b>	<b>59</b>
Management fees	11,761	-	11,761	25	5,776	-	5,776	76	17,537	33
Fees and charges paid through NAV	1,618	-	1,618	4	385	-	385	5	2,003	4
Management fee rebates	(365)	-	365	(1)	(1,095)	-	(1,095)	(14)	(1,460)	(3)
Indirect fees and charges	-	245	245	1	-	2,712	2,712	36	2,956	5
Performance fees and carried interest	55	-	55	0	10,875	-	10,875	143	10,931	20
<b>Administrative Fees</b>	<b>1,587</b>	<b>-</b>	<b>1,587</b>	<b>3</b>	<b>1,988</b>	<b>-</b>	<b>1,988</b>	<b>26</b>	<b>3,575</b>	<b>7</b>
<b>Governance, Regulation &amp; Compliance</b>	<b>556</b>	<b>-</b>	<b>556</b>	<b>1</b>	<b>584</b>	<b>-</b>	<b>584</b>	<b>8</b>	<b>1,141</b>	<b>2</b>
<b>Total Ongoing Charges Figure</b>	<b>15,213</b>	<b>245</b>	<b>15,458</b>	<b>33</b>	<b>18,513</b>	<b>2,712</b>	<b>21,224</b>	<b>279</b>	<b>36,683</b>	<b>68</b>
<b>ASSET POOL SHARED COSTS</b>										
<b>Asset Pool Shared Costs</b>	<b>1,557</b>	<b>-</b>	<b>1,557</b>	<b>3</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1,557</b>	<b>3</b>
<b>PORTFOLIO TRANSACTION COSTS</b>										
<b>Explicit Transaction Costs</b>	<b>-</b>	<b>2,007</b>	<b>2,007</b>	<b>4</b>	<b>-</b>	<b>458</b>	<b>458</b>	<b>6</b>	<b>2,465</b>	<b>5</b>
<b>Implicit Transaction Costs</b>	<b>-</b>	<b>3,912</b>	<b>3,912</b>	<b>8</b>	<b>-</b>	<b>(211)</b>	<b>(211)</b>	<b>- 3</b>	<b>3,702</b>	<b>7</b>
<b>Indirect Transaction Costs</b>	<b>-</b>	<b>3,574</b>	<b>3,574</b>	<b>8</b>	<b>-</b>	<b>(25)</b>	<b>(25)</b>	<b>- 0</b>	<b>3,549</b>	<b>7</b>
<b>Anti-dilution offset</b>	<b>-</b>	<b>(284)</b>	<b>(284)</b>	<b>(1)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(284)</b>	<b>(1)</b>
<b>Total Transaction Costs</b>	<b>-</b>	<b>9,209</b>	<b>9,209</b>	<b>20</b>	<b>-</b>	<b>222</b>	<b>222</b>	<b>3</b>	<b>9,431</b>	<b>18</b>
<b>PROPERTY EXPENSES</b>										
<b>Property Expenses</b>	<b>-</b>	<b>1,570</b>	<b>1,570</b>	<b>3</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1,570</b>	<b>3</b>
<b>TOTAL OF ALL COSTS AND FEES</b>	<b>16,770</b>	<b>11,024</b>	<b>27,794</b>	<b>60</b>	<b>18,513</b>	<b>2,933</b>	<b>21,446</b>	<b>282</b>	<b>49,240</b>	<b>91</b>

The different types of costs itemised in table 8(h) are defined below:

**Direct costs** are those costs that are directly invoiced to the Fund or incurred by the segregated mandates and recorded in the custody account.

**Indirect costs** are those charged to the underlying assets, mainly in pooled mandates. The fee rates in basis points (bps) shown in the table are the fees and costs expressed as a percentage of the value of the assets.

The table shows the costs for assets held within the Brunel asset pool and those still managed directly by the Fund. The assets held within the pool include all listed markets assets and private markets allocations to property, infrastructure, secured income and private debt. The Fund's liability and equity risk management strategies are also governed by Brunel fee agreements.

**Performance fees** for CTI purposes relate to those fees that were paid and accrued (not yet paid) in 2022/23.

**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.



## 9. Funding strategy

### Funding position

- **Funding level was 96% at 2022 valuation**
- **2022 triennial valuation sets contribution rates for next 3 years**
- **Real discount rates have fallen due to lower expectations for future investment returns**

In line with the Local Government Pension Scheme regulations, the funding position of the Avon Pension Fund (the Fund) is reviewed every three years. The latest triennial valuation based on membership data and asset values as at 31 March 2022, sets the employer contribution rates and deficit payment plans for the period from 1 April 2023 to 31 March 2026.

In the 2022 valuation the assets totalled £5,822m and liabilities were £6,060m. 43% of the liabilities related to pensioner benefits, 23% were deferred benefits and 34% related to active members currently contributing and accruing benefits. The funding level (the coverage of liabilities by the assets) was 96% which was an improvement on the funding level of 94% in 2019. In monetary terms the deficit fell from £284m in 2019 to £238m in 2022 with an average deficit recovery period of 12 years.

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

- The higher than expected investment return over the 3 years of 6.5% p.a. (that is a real return over Consumer Price Index 'CPI' inflation of 4.6%). In monetary terms the 'excess' investment returns were £384m over the valuation period.
- A slowing in the rate of improvement in future life expectancy as evidence by national and scheme specific data.

Offsetting these positive drivers, the real discount rate used to value past service liabilities fell, reflecting lower expectations for investment returns which the Fund's investment strategy can be expected to deliver in the future. This discount rate, based on the expected return on assets in excess of inflation, has reduced 0.25% to CPI +1.5%.

Likewise the Future Service Rate discount rate which is used to value future benefit accruals also fell by 0.25% to CPI+2.0% which led to a rise in the contribution rate from 17.2% of pensionable pay to 18.6%. Since the 2019 valuation future expectations of long-term inflation have risen from 2.4% p.a. to 3.1% p.a.

The Fund has a Lower Risk investment strategy for employers that wish to be exposed to less investment risk, are planning to exit the scheme, or have exited the scheme. This strategy invests in corporate bonds structured to better match the liability profile of these employers. The discount rate is 2.55% and this strategy exhibits a lower real return and higher future service contribution rates.

Although the remedial regulations are not yet in place, the remedy for the 'McCloud Judgement' is included in the 2022 valuation outcome. The remedy is estimated to increase the past liabilities by c. £70m or c.1.2% of past service liabilities. This is included in the 2022 liability value stated earlier.

Historical valuation data is shown in the table below:

**Table 9(a): Historical funding level and asset allocation at each triennial valuation**

<b>Valuation result</b>	<b>2004</b>	<b>2007</b>	<b>2010</b>	<b>2013</b>	<b>2016</b>	<b>2019</b>	<b>2022</b>
Value of Assets £m	1,474	2,184	2,459	3,146	3,737	4,818	5,822
Value of Liabilities £m	1,841	2,643	3,011	4,023	4,355	5,102	6,060
Funding level	80%	83%	82%	78%	86%	94%	96%
<b>Asset Allocation %</b>							
Equities	74%	77%	63%	63%	50%	42%	41%
Bonds & Credit	24%	21%	22%	20%	21%	10%	7.0%
Liability Driven Investments	-	-	-	-	-	12%	12%
Diversified Growth Funds	-	-	-	-	10%	12%	9.0%
Property	-	-	4%	7%	10%	9%	7%
Infrastructure	-	-	-	-	-	7%	9%
Secured Income	-	-	-	-	-	1%	8%
Private Debt	-	-	-	-	-	-	1%
Hedge Funds	-	-	9%	7%	5%	5%	3%
Cash	2%	2%	2%	3%	4%	2%	3%

The funding level will vary over time as 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 vary, 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. An interim valuation is undertaken the year before a triennial valuation to give employers an indication of the potential impact of the next valuation on their budget to help them plan accordingly.

The pension fund is maturing gradually, and the investment and funding strategies take 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 annual Service Plan and actual cash flow is monitored against forecast to manage cash requirements on a monthly basis.

As at 31 March 2023 the estimated funding level is 95% based on latest market prices.

### **Funding Strategy Statement (FSS)**

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

The FSS:

- establishes 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

- establishes contributions at a level to ‘secure the solvency of the pension fund’ and the ‘long-term cost efficiency’
- has regard to the desirability of maintaining as nearly constant an employer contribution rate as possible

Whilst the position of individual employers must be accommodated, the FSS is an overarching strategy for the administering authority to implement and maintain, which recognises that there will be conflicting objectives which need to be balanced and reconciled.

When setting contribution rates and deficit recovery periods for individual employers or groups of employers, the Actuary considers 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 whereas deficit recovery contributions (or past service contributions) are expressed in annual monetary amounts.

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

To reduce the risk of a significant increase in liabilities due to early retirements under the ill-health regulations for smaller employing bodies, the Fund operates a ‘captive’ insurance to manage this increase in costs for these employers. In 2023/24 the Fund will consider implementing a Death in Service captive insurance arrangement to more effectively manage these costs for employers.

The 2022 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 including Fixed Payment Plans and Deferred Debt Agreements.

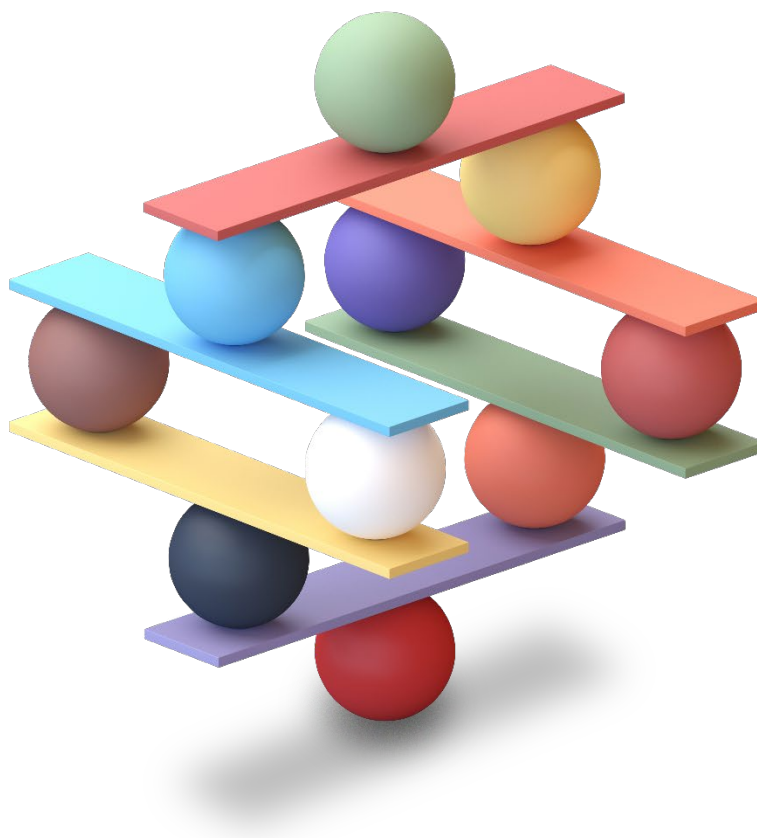
The 2022 Funding Strategy Statement is in [Appendix H](#) and can be obtained from the website [www.avonpensionfund.org.uk](http://www.avonpensionfund.org.uk) (search Funding Strategy Statement)

## **10. Statement of the consulting actuary**

Overleaf.

# Avon Pension Fund

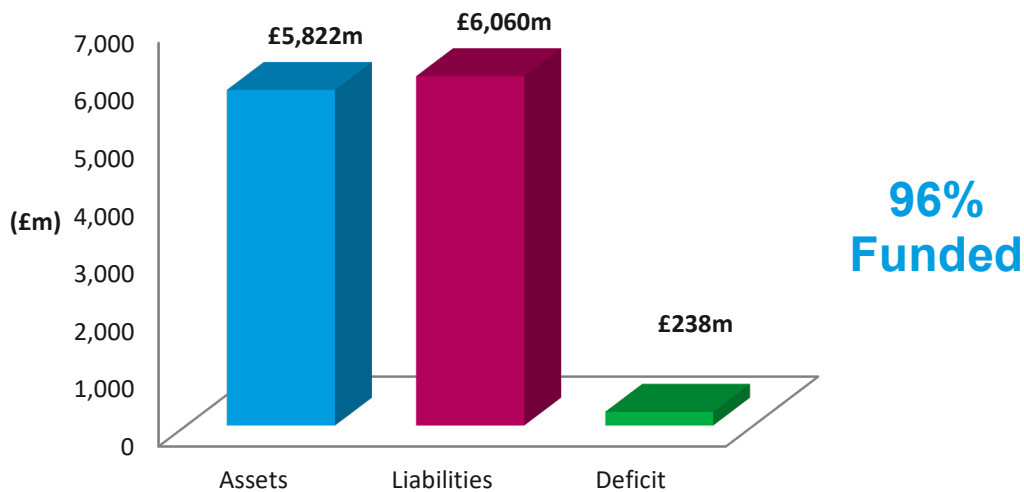
## Accounts for the year ended 31 March 2023 – Statement by the Consulting Actuary



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 2022 to determine the contribution rates with effect from 1 April 2023 to 31 March 2026.

On the basis of the assumptions adopted, the Fund's assets of £5,822 million represented 96% of the Fund's past service liabilities of £6,060 million (the "Solvency Funding Target") at the valuation date. The deficit at the valuation was therefore £238 million.



The valuation also showed that a Primary contribution rate of 18.6% 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 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. Equally, where there is a surplus it is may be appropriate to offset this against contributions for future service, in which case contribution reductions will be put in place to allow for this.

The FSS sets out the process for determining the recovery plan in respect of each employer. At the actuarial valuation the average recovery period adopted was 12 years (for employers in surplus the period used depends on the individual employer circumstances), and the total initial recovery payment

(the “Secondary rate”) for 2023/26 was an addition of approximately £33m per annum in £ terms in year 1, £15m in year 2 and £17m in year 3 (allowing for the contribution plans which have been set for individual employers under the provisions of the FSS).

Further details regarding the results of the valuation are contained in the formal report on the actuarial valuation dated March 2023.

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

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

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

	For past service liabilities (Solvency Funding Target)	For future service liabilities (Primary rate of contribution)
<b>Rate of return on investments (discount rate)</b>		
- Higher risk investment strategy	4.60% per annum	5.10% per annum
- Lower risk investment strategy	2.55% per annum	2.55% per annum
<b>Rate of pay increases (long-term)*</b>		
- Higher risk investment strategy	4.60% per annum	4.60% per annum
- Lower risk investment strategy	5.10% per annum	5.10% per annum
<b>Rate of increases in pensions in payment (in excess of GMP)</b>		
- Higher risk investment strategy	3.10% per annum	3.10% per annum
- Lower risk investment strategy	3.60% per annum	3.60% per annum

\*allowance was also made for short-term public sector pay restraint over a 3 year period

The assets were assessed at market value.

The next triennial actuarial valuation of the Fund is due as at 31 March 2025. Based on the results of this valuation, the contribution rates payable by the individual employers will be revised with effect from 1 April 2026.

## 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 2023 (the 31 March 2022 assumptions are included for comparison):

	31 March 2022	31 March 2023
<b>Rate of return on investments (discount rate)</b>	2.8% per annum	4.8% per annum
<b>Rate of CPI Inflation / CARE benefit revaluation</b>	3.4% per annum	2.7% per annum
<b>Rate of pay increases</b>	4.9% per annum*	4.2% per annum**
<b>Increases on pensions (in excess of GMP) / Deferred revaluation</b>	3.5% per annum	2.8% per annum

\*An adjustment has been made for the short-term pay restraint in line with the 2019 actuarial valuation

\*\*An adjustment has been made for the short-term pay restraint in line with the 2022 actuarial valuation

The demographic assumptions are the same as those used for funding purposes:

- the start of period assumptions are based on the 2019 actuarial valuation assumptions (but updated to the 2021 CMI future improvement tables)
- the end of period assumptions are based on the updated assumption adopted for the 2022 actuarial valuation, with a long-term rate of life expectancy improvement of 1.5% pa.

Full details of the demographic assumptions are set out in the formal reports to the respective valuations.

The movement in the value of the Fund's promised retirement benefits for IAS 26 is as follows:

	Liabilities
<b>Start of period</b>	£8,631m
<b>Interest</b>	£240m
<b>Net benefits accrued/paid over the period*</b>	£178m
<b>Actuarial losses / (gains) - see below</b>	(£2,889m)
<b>End of period</b>	£6,160m

\*this includes any increase in liabilities arising as a result of early retirements



Key factors leading to actuarial gains above year are:

- **Change in financial assumptions:** Corporate bond yields increased significantly over the year, with a corresponding increase in discount rate to 4.8% p.a. from 2.8% p.a. In addition, there has been a reduction in long-term assumed CPI to 2.7% p.a. from 3.4%. In combination, these factors lead to a significant reduction in liabilities
- **Change in demographic assumptions:** As noted above, the assumptions have been updated to reflect the 2022 actuarial valuation assumptions, with a lower rate of long-term improvement of 1.5%. This acts to reduce the liabilities
- **Pension increases / high short-term inflation:** The figures allow for the impact of the April 2023 pension increase of 10.1%, along with the high levels of CPI since September 2022 (which will feed into the 2024 pension increase). As current inflation is higher than the long-term assumption, this increases the liabilities
- **2022 actuarial valuation:** The year-end liabilities allow for the final 2022 valuation results, and so will allow for the difference between the assumptions and actual member experience over 2019/22. This will include factors such as the impact of actual pay increases awarded, actual rates of ill-health retirement, etc.

**Paul Middleman**  
**Fellow of the Institute and**  
**Faculty of Actuaries**

**Mark Wilson**  
**Fellow of the Institute and**  
**Faculty of Actuaries**

**Mercer Limited**  
**May 2023**

## Appendix - additional considerations

**The “McCloud judgment”:** The figures above allow for the impact of the judgment based on the proposed remedy.

**GMP indexation:** The above figures allow for the provision of full CPI pension increases on GMP benefits for members who reach State Pension Age after 6 April 2016.

**Covid 19 / Ukraine:** The financial assumptions allow for these factors to the degree that they are reflected in the market values on which the assumptions are based. The impact of Covid deaths over the period 2019/22 will be included in the actuarial gains / losses item above. The mortality assumption includes no specific adjustment for Covid as our view is that it is not possible at this point to draw any meaningful conclusions on the long-term impact.

**Current high inflation:** The period-end above figures allow for the impact of actual known CPI at the accounting date as noted above. The period-end assumptions then allow for expected (market implied) CPI from that point.

## 11. Employers contribution rates

Overleaf.

<b>Employer Contribution Rates</b>							
Year Ended 31 March 2023	Active Membership	2022/23			2021/22		
		% of pay	Employee Contributions	plus Deficit / (surplus) amount	% of pay	Employee Contributions	plus Deficit / (surplus) amount
<b>Scheduled Bodies</b>							
<b>Principal Councils and Service Providers</b>							
Avon Fire & Rescue Service	223	17.7	£461,720	-	17.7	£397,481	-
Bath & North East Somerset Council	3193	17.6	£4,990,244	-	17.6	£4,375,468	-
Bristol City Council	8163	17.6	£14,490,059	-	17.6	£13,595,776	-
North Somerset Council	1824	17.8	£3,163,505	£2,397,190	17.8	£2,871,811	£2,344,090
South Gloucestershire Council	6083	18.2	£7,124,909	-	18.2	£6,450,336	-
West of England Combined Authority	234	14.3	£679,545	£27,500	14.0	£664,512	£26,500
<b>Further &amp; Higher Education Establishments</b>							
Bath College	265	17.0	£248,856	£85,700	17.0	£197,293	£82,500
Bath Spa University	623	15.5	£1,087,980	£502,900	15.3	£982,601	£484,000
City of Bristol College	347	17.3	£450,181	£258,900	17.3	£472,447	£249,100
Offender Learning Services (part of Weston College)	47	20.1	£62,212	£20,300	18.6	£66,256	£19,600
Restart Employment and Skills Limited (part of Weston College)	13	20.1	£10,475	-	18.6	£0	-
South Gloucestershire & Stroud College	554	16.7	£625,173	£336,000	16.0	£573,576	£323,300
St. Brendan's Sixth Form College	120	17.2	£151,010	-	17.2	£132,385	-
University of the West of England	2612	16.1	£4,361,117	£2,008,350	15.5	£3,990,085	£1,932,900
Weston College	343	14.3	£515,301	£240,200	14.3	£458,771	£231,300
<b>Academies and Schools</b>							
Abbeywood Community School	70	17.6	£79,777	£64,580	16.9	£67,054	£62,180
Abbot Alphege Academy	11	17.2	£8,598	£100	17.2	£8,259	£100
All Saints East Clevedon C of E Primary School	18	19.5	£7,239	£4,805	19.5	£6,229	£4,610
Ashcombe Primary School	76	18.1	£46,310	£68,890	18.1	£43,239	£66,240
Ashton Park School	44	18.3	£55,233	£46,760	18.3	£52,424	£44,960
Ashton Vale Primary School	21	18.3	£10,777	£8,160	18.3	£11,552	£7,860
Aspire Academy	64	17.9	£26,738	£42,530	17.3	£24,867	£40,880
Avanti Gardens School	11	16.0	£11,950	£800	15.4	£9,869	£700
Backwell C of E Junior School	9	23.7	£10,518	£12,440	23.7	£9,958	£12,050
Backwell School	95	18.8	£88,596	£174,710	18.8	£74,765	£168,150
Badock's Wood E-ACT Academy	23	16.9	£15,521	£14,780	15.9	£15,804	£14,260
Bannerman Road Community Academy	42	16.5	£29,666	-	15.9	£26,881	-
Banwell Primary School	19	20.0	£2,243	-	-	£0	-
Barton Hill Academy	26	16.5	£26,381	-	15.9	£31,324	-
Bathampton Primary School	18	20.2	£6,831	£16,360	19.9	£8,365	£15,870
Batheaston Church School	27	23.4	£10,137	£33,120	21.6	£8,796	£31,850
Bathford Church School	24	19.3	£11,823	£10,580	18.6	£8,171	£10,090
Bathwick St Mary Church School	23	17.0	£15,010	£16,850	17.0	£14,235	£16,170
Becket Primary School	19	21.3	£17,073	£33,320	21.3	£16,911	£32,040
Bedminster Down School	42	17.9	£47,662	£24,050	17.3	£43,402	£23,170
Beechen Cliff School	78	18.3	£71,738	£60,590	18.3	£66,236	£58,290
Begbrook Primary Academy	59	18.0	£37,974	£19,010	17.2	£32,714	£18,320
Birdwell Primary School	53	18.3	£32,799	£35,000	17.5	£28,118	£33,600
Bishop Sutton Primary School	23	20.1	£11,016	£9,700	20.1	£9,855	£9,410
Blagdon Primary School	12	20.9	£6,673	£5,980	20.9	£6,761	£5,780
Blaise High School	55	17.8	£74,896	-	17.8	£41,030	-
Bournville Primary School	137	17.8	£106,150	£124,300	17.8	£99,770	£119,600
Bradley Stoke Community School	78	17.6	£81,286	£118,070	16.9	£77,663	£113,670
Bridge Farm Primary School	51	17.9	£25,428	-	-	£0	-
Bridge Learning Campus	104	16.6	£89,338	£80,550	16.1	£60,940	£77,610
Bristol Cathedral School Trust	132	15.1	£140,473	-	14.9	£119,174	-
Bristol Free School	82	17.4	£59,209	£6,860	16.3	£51,849	£6,660
Broadlands Academy	45	17.2	£34,970	£39,800	17.2	£33,755	£38,200
Broadoak Academy	58	18.2	£53,733	-	18.2	£46,628	-
Brook Academy	9	16.6	£8,305	-	-	£0	-
Burrington C of E Primary School	11	20.0	£1,451	-	-	£0	-
Cabot Learning Federation	321	15.3	£458,190	£23,610	15.3	£414,779	£22,730
Cabot Primary School	22	18.0	£12,718	£5,200	-	£0	-
Callicroft Primary School	38	17.3	£24,815	£30,690	16.9	£21,143	£29,490
Cameley CEVC Primary School	28	18.4	£15,411	£7,900	18.4	£11,933	£7,600
Castle Batch Primary School	79	19.0	£34,048	-	19.0	£26,340	-
Castle Primary School (Keynsham)	44	20.3	£24,750	£14,600	20.3	£22,556	£14,000
Chandag Infant School	35	17.9	£15,542	£11,250	17.3	£9,117	£10,860
Chandag Junior School	26	17.9	£10,440	£11,540	17.3	£8,264	£11,050
Charborough Road Primary School	41	17.6	£21,674	£17,590	16.9	£15,286	£16,890
Charfield Primary School	21	19.8	£10,398	£7,480	19.8	£7,891	£7,270
Charlton Wood Primary Academy	18	16.6	£19,003	-	15.8	£14,866	-
Cheddar Grove Primary School	48	17.9	£28,470	£21,900	17.3	£27,600	£21,130
Chestnut Park Primary School	8	20.0	£6,630	-	-	£2,350	-
Chew Magna Primary School	24	19.9	£5,045	£4,400	19.9	£4,597	£4,200
Chew Stoke Church School	24	19.2	£13,057	£9,800	19.2	£10,841	£9,400
Chew Valley School	69	18.4	£62,168	£61,440	18.4	£51,946	£59,180
Chipping Sodbury School	60	20.3	£50,956	£9,400	20.3	£40,607	£9,000
Christ Church C of E Primary School (Bristol)	14	17.5	£15,320	£13,900	17.5	£16,114	£13,400
Christ Church C of E Primary School (WSM)	30	20.3	£18,676	£18,720	20.3	£17,246	£17,930
Churchill Academy	77	18.7	£84,939	£139,140	17.5	£70,533	£133,950
Churchill C of E Primary School	36	20.0	£2,490	-	-	£0	-
City Academy	105	15.1	£103,039	£16,760	15.1	£87,183	£16,070
Clevedon School	52	17.4	£85,862	£78,680	16.6	£77,125	£75,740
Clutton Primary School	17	18.3	£7,044	£7,700	18.3	£6,057	£7,400
Combe Down C of E Primary School	69	19.2	£26,621	£28,400	19.2	£23,783	£26,750
Compass Point South Street Primary School	28	18.3	£24,869	£16,430	18.3	£18,378	£15,730
Corpus Christi Catholic Primary School	35	17.7	£18,660	£12,300	17.7	£0	£1,000

Employer Contribution Rates							
Year Ended 31 March 2023	Active Membership	2022/23			2021/22		
		% of pay	Employee Contributions	plus Deficit / (surplus) amount	% of pay	Employee Contributions	plus Deficit / (surplus) amount
Cotham Gardens Primary School	31	16.5	£24,224	-	15.8	£27,256	-
Cotham School	98	16.4	£127,009	£107,980	16.3	£112,928	£103,870
Court de Wyck Church School	19	20.6	£8,190	£14,800	20.6	£6,412	£14,210
Crockerne C of E Primary School	45	21.3	£24,400	£30,670	21.3	£23,655	£29,590
CST Trinity Academy	42	20.0	£30,016	-	20.0	£20,016	-
Culverhill School	51	20.7	£60,489	£27,500	20.7	£56,525	£26,500
Digitech Studio School	23	17.8	£13,212	£200	16.5	£12,923	£200
Diocese of Bristol Academy Trust (Central Functions)	58	17.1	£96,825	£500	17.0	£58,711	£500
Downend School	49	19.8	£50,801	£11,110	19.8	£49,289	£10,620
Dundry C of E Primary School	14	18.3	£7,128	£900	18.3	£4,959	£800
E-Act (Central Functions)	29	16.9	£80,190	-	15.9	£36,992	-
East Harptree Primary School	11	19.6	£5,290	£3,920	18.9	£6,022	£3,720
Easton C of E Academy	38	17.1	£31,427	£64,460	17.0	£34,485	£62,010
Elmlea Infant School	21	18.8	£15,451	-	18.8	£13,687	-
Elmlea Schools' Trust	22	18.2	£20,315	-	17.6	£20,514	-
Endeavour Academy Trust (Central Functions)	10	16.6	£15,998	£1,210	15.8	£15,273	£1,100
Evergreen Primary Academy	19	18.8	£11,824	£13,620	18.8	£13,684	£13,130
Fairfield High School	78	18.0	£79,827	£90,300	18.0	£68,442	£86,900
Fairlawn Primary School	13	16.5	£10,029	-	15.9	£9,362	-
Farmborough Church Primary School	33	19.7	£9,491	£9,100	19.7	£8,217	£8,800
Farrington Gurney C of E Primary School	10	18.3	£6,723	£5,900	18.3	£6,224	£5,700
Filton Avenue Primary School	73	16.3	£45,515	£48,900	15.3	£48,575	£47,130
Filton Hill Primary School	14	17.6	£8,873	£12,500	16.9	£10,058	£12,000
Fishponds Church of England Academy	43	17.1	£28,907	£31,780	17.0	£29,701	£30,610
Flax Bourton C of E Primary School	25	22.3	£10,786	£11,560	21.7	£9,992	£11,170
Fonhill Primary School	29	16.6	£17,572	£12,060	15.8	£14,436	£11,650
Fosse Way School	157	15.6	£127,433	£100,900	15.1	£112,975	£97,100
Four Acres Academy	59	16.2	£46,285	£39,800	16.2	£25,931	£38,400
Freshford Church School	21	22.5	£5,681	£4,700	22.5	£6,589	£4,610
Frome Vale Academy	12	19.0	£10,988	£9,310	19.0	£10,038	£8,920
Gatehouse Green Learning Trust	68	18.3	£82,121	£113,590	18.3	£68,268	£109,290
Golden Valley Primary School	67	20.0	£4,848	-	-	£0	-
Gatehouse Green Learning Trust (Central Functions)	16	18.3	£30,445	-	18.3	£26,329	-
Gordano School	149	19.4	£156,410	£185,200	19.1	£141,588	£178,240
Greenfield E-ACT Primary Academy	37	16.9	£28,529	£28,260	15.9	£28,241	£27,210
Grove Junior School	30	23.2	£10,792	£10,780	23.2	£8,135	£10,390
Hanham Woods Academy	61	18.8	£49,295	-	18.8	£40,495	-
Hannah More Infant School	30	18.7	£10,709	£10,580	18.7	£8,606	£10,190
Hans Price Academy	76	16.1	£78,745	-	16.1	£66,583	-
Hareclive E-ACT Academy	35	16.9	£26,359	£38,820	15.9	£21,376	£37,270
Hayesfield Girls School	63	18.3	£69,319	£5,900	18.3	£64,190	-
Haywood Village Academy	61	16.7	£33,409	£4,700	16.7	£29,636	£4,600
Headley Park Primary School	47	17.4	£33,026	-	17.4	£32,573	-
Henbury Court Primary Academy	44	16.6	£30,052	£51,950	15.8	£28,766	£50,010
Henleaze Junior School	15	21.8	£16,025	£23,100	19.2	£14,766	£22,200
Heron's Moor Academy	57	17.3	£28,812	£19,990	17.3	£24,043	£19,210
High Down Infant School	48	21.5	£16,886	£35,280	19.7	£14,101	£34,000
High Down Junior School	57	20.2	£24,086	£31,260	20.2	£24,760	£30,080
High Littleton C of E Primary School	30	18.3	£12,708	£9,300	18.3	£10,504	£8,900
Hotwells Primary School	18	19.9	£10,809	-	18.8	£11,181	£41,870
Hutton C of E Primary School	30	18.6	£14,279	£14,890	18.6	£12,312	£14,310
IKB Academy	17	17.9	£6,089	£200	17.3	£5,811	£200
Ilminster Avenue E-ACT Academy	38	16.9	£24,235	£9,650	15.9	£21,512	£9,340
Kings Oak Academy	69	18.2	£55,898	£48,210	18.2	£54,593	£46,450
Kingshill Church School	21	20.1	£10,794	£20,680	19.3	£8,011	£19,790
Knowle DGE Academy	79	16.6	£107,447	£69,700	16.6	£87,426	£67,100
Lansdown Park Academy	28	16.6	£37,778	£16,900	16.6	£31,049	£16,200
Lime Hills Academy	13	20.0	£7,014	-	-	£0	-
Little Mead Primary Academy	65	16.6	£42,477	£35,180	15.8	£37,757	£33,840
Locking Primary School	37	17.1	£19,803	£23,100	17.1	£19,871	£22,200
Longvernal Primary School	32	18.3	£13,306	£11,200	18.3	£11,014	£10,800
Luckwell Primary School	17	18.3	£8,360	£7,960	18.3	£7,849	£7,760
Lyde Green Primary School	34	19.8	£31,627	£490	19.8	£25,637	£490
Mangotsfield School	76	19.8	£109,391	£52,220	19.8	£83,922	£50,340
Marksbury C of E Primary School	13	16.8	£5,931	£4,700	16.8	£5,493	£4,600
Marlwood School	20	19.8	£20,368	£66,090	19.8	£20,633	£63,620
Mary Elton Primary School	29	18.4	£22,559	£32,430	18.4	£19,422	£31,260
May Park Primary School	51	18.0	£37,036	£25,200	18.0	£32,070	£24,200
Mead Vale Community Primary School	43	18.6	£19,405	£49,500	18.6	£22,429	£47,700
Meadowbrook Primary School	33	17.6	£16,296	£44,790	16.9	£15,609	£43,090
Mendip Green Primary School	100	18.5	£56,912	£68,800	18.5	£50,963	£66,200
Merchants' Academy	98	16.5	£89,752	-	15.9	£83,724	-
Midsomer Norton Primary School	48	18.3	£28,989	£20,400	18.3	£19,498	£19,600
Midsomer Norton Schools Partnership	180	18.3	£230,405	£178,840	18.3	£191,092	£172,140
Milton Park Primary School	46	17.6	£24,705	£42,200	17.6	£24,168	£40,700
Minerva Primary Academy	26	18.7	£23,051	£10,580	18.7	£20,264	£10,190
Montpelier High School	39	16.5	£30,953	-	15.9	£29,153	-
Moorlands Infant School	24	18.6	£12,471	£9,500	18.6	£9,916	£9,100
Moorlands Junior School	22	19.5	£15,962	£14,700	19.0	£13,380	£14,200
Mulberry Park Educate Together Primary	17	16.0	£10,665	-	16.0	£9,482	-
Nailsea School	69	20.3	£74,382	£54,800	19.3	£65,502	£61,600
New Siblands School	103	16.9	£85,499	£22,800	16.9	£72,025	£22,000
North Star 240°	19	14.1	£28,676	£18,900	14.1	£26,041	£18,200
North Star 82°	17	17.1	£22,643	£15,400	17.1	£25,365	£14,900
Northleaze C of E Primary School	33	19.7	£11,436	£21,460	19.7	£9,968	£20,580

Employer Contribution Rates							
Year Ended 31 March 2023	Active Membership	2022/23			2021/22		
		% of pay	Employee Contributions	plus Deficit / (surplus) amount	% of pay	Employee Contributions	plus Deficit / (surplus) amount
Norton Hill Primary School	17	18.3	£11,537	-	18.3	£5,334	-
Notton House Academy	65	16.6	£82,138	£76,440	16.6	£77,324	£73,640
Oasis Academy Bank Lease	16	17.3	£13,597	£17,890	16.5	£15,014	£17,280
Oasis Academy Brightstowe	42	17.3	£53,290	£23,860	16.5	£54,269	£22,940
Oasis Academy Brislington	71	17.3	£72,081	£126,320	16.5	£61,789	£121,540
Oasis Academy Connaught	43	17.3	£34,345	£17,500	16.5	£30,114	£16,880
Oasis Academy John Williams	59	17.3	£72,290	-£8,250	16.5	£67,303	-£7,840
Oasis Academy Long Cross	61	17.3	£53,827	£58,540	16.5	£53,668	£56,300
Oasis Academy Marksbury Road	27	17.3	£31,552	£1,290	16.5	£30,469	£1,290
Oasis Academy New Oak	32	17.3	£28,155	£39,960	16.5	£22,400	£38,430
Oldfield Park Infant School	29	19.4	£12,704	£9,800	19.4	£11,309	£9,210
Oldfield Park Junior School	29	18.2	£18,794	£14,800	18.2	£13,765	£13,910
Oldfield School	69	17.5	£64,611	-	16.8	£56,162	-
Oldmixon Primary School	24	17.8	£24,312	£30,300	17.8	£21,638	£29,200
Olympus Academy Trust (Central Functions)	51	17.6	£100,364	£4,300	16.9	£69,796	£4,100
Orchard School Bristol	55	19.0	£53,566	£46,740	17.7	£44,832	£44,980
Parklands Educate Together Primary	34	14.4	£17,833	-£100	14.4	£12,036	-£100
Parson Street Primary School	55	17.4	£33,145	£3,530	17.4	£31,037	£3,430
Patchway Community School	45	17.6	£45,181	£55,980	16.9	£37,543	£53,880
Paulton Infant School	41	16.7	£16,625	£12,800	16.7	£15,053	£12,400
Peasedown St John Primary School	53	18.3	£27,325	£23,200	18.3	£22,713	£22,300
Pensford Primary School	18	18.9	£7,725	£4,000	18.9	£5,308	£3,800
Perry Court E-ACT Academy	35	16.9	£26,762	£18,510	15.9	£23,657	£17,770
Portishead Primary School	48	18.9	£28,178	£48,700	17.9	£23,432	£46,840
Priory Community School	162	17.2	£205,909	-	16.6	£180,778	-
Ralph Allen School	113	18.4	£118,471	£65,300	18.4	£97,710	£61,440
Redfield Educate Together Primary Academy	38	14.7	£43,502	£3,100	13.8	£44,011	£3,100
Roundhill Primary School	46	19.4	£26,975	£31,800	19.4	£25,340	£30,600
Saltford C of E Primary School	79	17.9	£25,349	£24,640	17.3	£20,136	£23,660
Sandford Primary School	32	22.9	£12,589	£9,400	22.9	£3,632	£3,000
Severn Beach Primary School	15	19.8	£7,735	£8,460	19.8	£7,133	£8,160
SGS Pegasus School	29	12.4	£29,217	-£1,100	12.4	£19,358	-£1,000
Shoscombe Church School	19	18.3	£11,408	£6,700	18.3	£8,218	£6,400
Sir Bernard Lovell Academy	67	17.9	£56,677	£80,860	17.3	£50,378	£77,850
Snowdon Village	39	14.1	£53,008	£490	11.8	£40,020	£490
Somerdale Educate Together Primary Academy	29	12.7	£16,474	£900	12.7	£10,588	£900
Soundwell College	40	16.6	£42,058	-	16.6	£26,556	-
St Andrews C of E Primary School	21	19.9	£14,252	£10,780	-	£0	-
St Andrew's Church School	29	16.5	£19,235	£25,380	16.5	£18,479	£24,400
St Anne's C of E VA Primary School	93	15.6	£47,426	-	14.8	£41,733	-
St Bede's Catholic College	63	18.1	£60,535	-	17.3	£53,649	-
St Bernard's Catholic Primary School	28	22.0	£14,771	£8,427	22.0	£1,139	£700
St Francis Catholic Primary School	16	20.1	£6,623	£6,369	20.1	£688	£500
St Georges Church School	26	18.2	£15,319	£25,380	18.2	£14,823	£24,500
St John The Evangelist Church School	21	20.5	£11,687	£16,070	20.5	£11,335	£15,580
St John's C of E Primary School (Keynsham)	22	17.9	£11,105	£15,350	17.3	£9,322	£14,770
St John's C of E Primary School (MSN)	37	18.3	£23,759	£26,090	18.3	£22,686	£25,090
St Julian's C of E Primary School	20	18.3	£9,492	£6,000	18.3	£7,696	£5,800
St Katherine's School	47	19.0	£45,607	-	19.0	£42,225	-
St Mark's C of E School (Bath)	24	18.3	£21,448	£12,300	18.3	£19,721	£11,800
St Mark's Ecumenical Anglican/Methodist Primary School	50	18.7	£24,685	£45,070	17.9	£26,457	£43,410
St Martin's C of E Primary School	64	18.2	£32,640	£57,220	18.2	£33,842	£54,970
St Martin's Garden Primary School	35	17.8	£19,905	£34,000	17.8	£21,480	£32,140
St Mary Redcliffe C of E Primary School	42	17.1	£28,402	£23,360	17.0	£24,759	£22,480
St Marys C of E Primary School (Tisbury)	23	18.3	£9,270	£4,100	18.3	£6,270	£3,900
St Marys C of E Primary School (Writhlington)	21	19.8	£12,001	£8,300	19.8	£10,624	£8,000
St Mary's C of E VA Primary School	9	16.6	£5,649	£7,940	16.6	£6,295	£7,640
St Matthias Academy	12	16.6	£22,221	£15,310	16.6	£18,389	£14,710
St Michael's C of E Junior Church School	18	19.5	£15,349	£17,640	19.5	£13,917	£16,950
St Nicholas Chantry C of E VC Primary School	34	21.8	£19,583	£29,690	21.8	£19,296	£28,610
St Nicholas Church School	23	16.7	£18,706	£11,800	16.7	£18,963	£11,400
St Nicholas of Tolentine Catholic School	16	17.8	£11,771	£17,100	16.4	£12,498	£16,400
St Patrick's Catholic Primary School (Bristol)	21	17.9	£13,827	-	17.9	£13,460	-
St Peter's C of E Primary School	51	18.3	£39,120	£47,920	17.5	£37,620	£46,050
St Philip's C of E Primary School (Bath)	30	18.4	£17,191	£26,100	18.1	£16,788	£24,590
St Saviours Infant Church School	19	18.8	£9,285	£21,260	18.0	£8,224	£20,380
St Saviours Junior Church School	10	17.0	£5,812	£8,230	16.8	£6,220	£7,940
St Stephen's Primary Church School	35	19.6	£16,009	£22,240	19.6	£14,983	£21,360
St Teresa's Catholic Primary School (Bristol)	27	17.8	£19,127	£15,680	17.0	£15,659	£15,090
St Ursula's E-ACT Primary Academy	42	16.9	£33,780	£13,280	15.9	£34,420	£12,750
St Werburghs Primary School	42	18.2	£29,444	-	18.2	£18,463	£22,100
Stanton Drew Primary School	10	20.2	£3,349	£3,820	20.2	£3,442	£3,630
Stoke Bishop C of E Primary School	39	20.0	£28,334	-	19.0	£24,056	-
Stoke Lodge Primary School	24	17.6	£13,960	£42,290	16.9	£15,412	£40,690
Stoke Park Primary School	31	16.1	£17,809	-	16.1	£16,064	-
Summerhill Academy	27	16.7	£19,112	£14,110	16.7	£18,709	£13,520
Swainswick Church School	7	16.7	£3,684	£1,860	16.7	£2,866	£1,860
The Castle School	62	19.8	£62,366	£95,300	19.8	£65,863	£91,630
The Dolphin School	25	16.5	£18,926	-	15.9	£20,487	-
The Kingfisher School	15	16.5	£10,769	-	15.9	£11,404	-
The Meadows Primary School	27	17.9	£10,695	£3,710	17.3	£9,316	£3,620
The Mendip Studio School	9	18.3	£5,900	-	18.3	£2,200	-
The Sky Academy	33	16.6	£42,352	£75,200	16.6	£38,433	£72,400
Three Ways School	158	16.1	£130,340	£116,600	15.2	£116,491	£112,300
Tickenham C of E Primary School	10	15.3	£4,517	£2,350	14.2	£4,097	£2,250

Employer Contribution Rates							
Year Ended 31 March 2023	Active Membership	2022/23			2021/22		
		% of pay	Employee Contributions	plus Deficit / (surplus) amount	% of pay	Employee Contributions	plus Deficit / (surplus) amount
Trinity Anglican Methodist Primary School	43	16.6	£26,805	£45,760	16.2	£21,122	£44,000
Trinity Church School	24	18.3	£14,634	£10,700	18.3	£13,224	£10,300
Trust in Learning (Academies) (Central Functions)	15	17.2	£35,948	£5,880	15.2	£34,015	£5,590
Two Rivers C of E Primary School	9	17.9	£3,583	-	17.3	£2,680	-
Tyndale Primary School	21	17.8	£15,859	-	17.8	£10,573	-
Ubley Primary School	14	20.9	£6,163	£4,700	20.9	£5,676	£4,610
Uphill Village Academy	34	18.6	£22,715	£18,320	18.6	£20,683	£17,630
Venturers' Academy	82	16.5	£97,463	-	15.9	£86,665	-
Venturers' Trust (Central Functions)	36	16.5	£74,548	-	15.9	£68,922	-
Victoria Park Primary School	52	18.4	£30,186	-	18.4	£28,924	-
Walliscote Primary School	35	18.1	£22,297	£32,000	18.1	£20,667	£30,800
Wallsourt Farm Academy	41	15.9	£24,480	£1,470	15.2	£22,034	£1,470
Wansdyke Primary School	28	17.9	£12,099	£9,290	17.3	£10,668	£8,900
Waycroft Academy	62	19.5	£48,372	£57,600	17.7	£45,052	£43,700
Wellsway School	160	17.9	£172,537	£74,800	17.3	£139,815	£71,980
Welton Primary School	28	18.3	£13,121	£7,000	18.3	£11,138	£6,800
West Leigh Infant School	14	20.4	£7,649	£12,740	20.4	£6,093	£12,250
West Town Lane Academy	77	18.4	£49,200	£47,000	16.7	£41,485	£37,100
Westbury Park Primary School	32	19.6	£24,158	£21,400	18.3	£23,069	£17,300
Westbury-on-Trym C of E Academy	44	20.0	£23,823	£24,800	18.6	£20,624	£19,600
Westfield Primary School	59	18.3	£29,933	£24,200	18.3	£26,685	£23,300
Weston All Saints C of E Primary School	95	17.2	£42,935	£38,100	17.2	£40,479	£36,600
Whitchurch Primary School	26	19.7	£15,577	£9,020	19.7	£13,779	£8,620
Wicklea Academy	25	17.0	£16,695	£18,000	12.3	£14,256	£10,600
Widcombe C of E Junior School	22	21.4	£9,131	£14,900	20.1	£7,517	£14,010
Widcombe Infant School	20	20.0	£11,975	£15,000	20.0	£11,277	£14,010
Windwhistle Primary School	81	17.9	£49,156	£63,900	17.9	£42,770	£61,500
Winford C of E Primary School	30	18.7	£10,815	£11,270	18.7	£10,163	£10,880
Winscombe Primary School	39	22.1	£14,478	£12,100	20.7	£4,548	£3,300
Winterbourne International Academy	62	17.6	£68,521	£41,890	16.9	£65,642	£40,290
Winterstoke Hundred Academy	24	19.4	£18,618	-	19.4	£9,233	-
Woodlands Academy	23	14.7	£16,626	£16,200	14.8	£16,204	£12,400
Woodlands Primary School	50	17.8	£37,180	-	17.8	£19,264	-
Worle Community School	87	17.4	£81,217	-	17.4	£79,743	-
Worle Village Primary School	30	17.7	£13,169	£21,950	17.7	£12,301	£21,070
Wraxall C of E VA Primary School	13	20.2	£3,085	£2,840	20.2	£3,244	£2,740
Wrington C of E Primary School	25	20.0	£2,460	-	-	£0	-
Writhlington School	87	18.3	£61,644	£112,580	18.3	£58,568	£108,380
Yate Academy	77	17.8	£55,212	-	17.8	£41,670	-
Yatton C of E Junior School	53	19.5	£23,038	£18,130	19.5	£19,232	£17,340
Yatton Infant School	32	19.4	£13,910	£22,150	19.4	£15,750	£21,360
Yeo Moor Primary School	36	19.0	£24,098	£29,790	19.0	£22,018	£28,710
<b>Designating Bodies</b>							
Aequus Developments Limited	5	18.7	£35,473	-	18.7	£37,968	-
Almondsbury Parish Council	5	24.3	£6,952	£1,600	22.7	£5,426	£1,600
Backwell Parish Council	2	23.6	£2,515	-	23.6	£2,439	-
Bitton Parish Council	2	25.0	£2,511	-	25.0	£1,113	-
Bradley Stoke Town Council	10	21.6	£18,482	£2,100	21.6	£15,504	£2,000
Bristol Waste Company	121	23.0	£158,343	£14,600	23.0	£161,228	£14,000
Charter Trustees of the City of Bath	2	19.6	£3,930	£6,000	19.6	£3,474	£5,700
Churchill Parish Council	1	25.0	£1,549	-	25.0	£478	-
Clevedon Town Council	4	21.7	£5,440	-	21.5	£5,304	-
Congresbury Parish Council	3	20.3	£2,601	£300	19.5	£1,532	£300
Dodington Parish Council	8	20.6	£7,533	£1,470	20.6	£6,525	£1,470
Downend and Bromley Heath Parish Council	1	20.5	£3,304	£4,310	19.6	£3,104	£4,120
Emersons Green Town Council	2	21.0	£1,396	-	21.0	£3,239	-
Filton Town Council	11	14.8	£8,727	£11,800	14.8	£20,680	£11,400
Frampton Cotterell Parish Council	8	16.2	£8,754	£2,400	16.2	£6,480	£2,300
Hanham Abbots Parish Council	1	20.3	£1,148	£800	19.3	£944	£800
Hanham Parish Council	1	22.4	£1,131	£300	22.4	£1,034	£300
Keynsham Town Council	19	18.8	£16,332	£8,300	18.8	£13,121	£8,000
Midsomer Norton Town Council	5	18.1	£8,781	£10,700	18.1	£7,748	£10,400
Nailsea Town Council	8	16.2	£13,514	-	16.2	£11,527	-
Oldland Parish Council	2	21.2	£5,049	£2,500	20.4	£5,867	£2,400
Patchway Town Council	7	20.4	£11,707	£10,600	20.4	£10,326	£10,200
Paulton Parish Council	7	20.6	£5,873	£2,100	19.8	£4,687	£2,000
Peasedown St John Parish Council	6	18.8	£5,474	-	18.0	£4,670	-
Pill & Easton in Gordano Parish Council	1	21.0	£1,604	£400	20.1	£1,501	£400
Portishead Town Council	9	23.2	£14,907	£2,160	23.2	£11,394	£2,060
Radstock Town Council	4	19.5	£3,969	-	19.5	£3,741	-
Saltford Parish Council	1	13.5	£1,462	-	13.5	£1,061	£100
Sodbury Parish Council	3	17.9	£7,136	-	17.9	£7,018	-
Stoke Gifford Parish Council	6	18.0	£11,806	£3,700	17.1	£10,230	£3,700
Stoke Lodge & the Common Parish Council	3	15.7	£1,726	-	15.7	£1,490	-
Thornbury Town Council	11	18.8	£17,885	£15,200	18.8	£12,760	£14,600
Wellsway MAT Trading Company Limited	80	16.3	£37,309	-	16.3	£32,308	-
Westerleigh Parish Council	2	15.2	£1,457	-	15.2	£812	£400
Westfield Parish Council	4	22.0	£2,349	-	22.0	£2,276	-
Weston Super Mare Town Council	40	17.7	£49,658	£14,900	17.7	£42,286	£14,400
Whitchurch Parish Council	1	22.4	£1,150	£100	22.4	£1,083	£100
Winterbourne Parish Council	1	36.4	£1,770	£3,000	36.4	£1,235	£2,900
Yate Town Council	39	17.5	£47,643	-	17.5	£44,781	-
Yatton Parish Council	6	23.7	£6,847	£3,700	23.2	£5,905	£3,600

Employer Contribution Rates							
Year Ended 31 March 2023	Active Membership	2022/23			2021/22		
		% of pay	Employee Contributions	plus Deficit / (surplus) amount	% of pay	Employee Contributions	plus Deficit / (surplus) amount
<b>Community Admission Bodies</b>							
Adoption West	33	18.1	£60,956	£5,800	18.1	£60,021	£5,500
Alliance Homes	34	21.7	£84,760	£15,600	21.7	£89,453	£15,100
Ashley House Hostel	14	30.5	£22,096	£20,800	28.8	£20,541	£20,000
Bristol Music Trust	8	22.5	£18,965	£41,900	22.5	£16,959	£40,300
Clifton Suspension Bridge Trust	6	25.3	£10,641	-	25.3	£11,380	-
Destination Bristol	4	20.3	£11,736	-	20.3	£11,480	-
Disability Equality Forum	1	28.5	£722	£1,800	28.5	£755	£1,800
Merlin Housing Society Ltd (New Staff Since 2007)	36	32.8	£63,439	£205,800	30.9	£93,100	£198,000
Merlin Housing Society Ltd (SGC)	20	21.7	£46,839	£342,900	21.7	£75,282	£329,900
Play Station Nursery Ltd - Barley Close (SGC)	1	23.0	£736	-	23.0	£1,243	-
Sirona Care & Health (Telecare Service)	1	23.6	£1,347	-	23.6	£1,300	-
The Care Quality Commission	4	23.6	£20,352	-	23.6	£19,074	-
The Holburne Museum	1	21.5	£2,431	£50,000	21.5	£2,333	£36,050
The Park Community Trust Ltd	4	22.5	£6,579	£18,100	22.5	£6,629	£17,500
University of Bath	712	19.3	£1,037,578	-	19.3	£1,169,544	£447,290
Vision North Somerset CIO	1	23.7	£1,912	£12,300	23.7	£3,068	£11,800
Writhlington Trust	8	33.6	£18,323	£16,200	31.9	£19,235	£15,700
<b>Transferee Admission Bodies</b>							
ABM Catering Limited - SGC Schools	6	20.8	£2,196	-	20.8	£3,029	-
Access Your Care Ltd (North Somerset Council)	1	23.4	£2,348	£4,300	23.4	£1,509	£4,100
Active Community Engagement Limited (Bristol City Council)	1	24.2	£888	£10,900	24.2	£784	£10,500
Active Nation UK Limited (Filton Town Council)	28	18.8	£13,170	-	18.8	£6,806	-
		23.7	£256	£0	23.7	£251	-
Adapt Business Services Limited - North Somerset Council Campus Schools	28						
Agilisys Limited (North Somerset Council)	16	22.3	£31,315	£173,200	22.3	£34,885	£166,700
Agilisys Limited 2015 (North Somerset Council)	29	21.3	£38,256	£173,900	21.3	£42,310	£167,400
Alliance Homes - Ebdon Court	4	22.6	£5,521	-	22.6	£2,298	-
Alliance in Partnership Limited - Beacon Rise (SGC)	2	22.1	£1,276	-	22.1	£1,298	-
Alliance in Partnership Limited - Bowsland Green Primary School	1	18.4	£642	-	-	£0	-
Alliance in Partnership Limited - Parkwall Primary School	1	22.9	£405	-	-	£0	-
Alliance in Partnership Limited - Bristol City Council PFI Contract	4	23.6	£1,279	-	23.6	£1,051	-
Alliance in Partnership Limited - St Mary's CE Primary School	2	23.4	£1,174	-	23.4	£661	-
Alliance in Partnership Limited - The Park Primary School	5	22.3	£2,566	-	-	£0	-
Alliance in Partnership Limited - Westbury on Trym C of E Academy	1	21.6	£453	-	21.6	£518	-
Aspens Services Limited - Academies Enterprise Trust	4	21.5	£4,022	-	21.5	£3,815	-
Aspens Services Limited - Blackhorse Primary School	1	22.6	£980	£500	22.6	£1,603	£500
Aspens Services Limited - Bristol City Council PFI Contract	7	24.2	£4,578	-	24.2	£4,114	£3,700
Aspens Services Limited - Cabot Learning Federation	13	21.8	£9,584	-	21.8	£5,264	-
Aspens Services Limited - Castle Primary School (Keynsham)	2	21.2	£1,499	-	21.2	£1,870	-
Aspens Services Limited - Cathedral Schools Trust	3	23.8	£2,670	-	23.8	£2,907	-
Aspens Services Limited - Culverhill School	2	19.1	£769	-	19.1	£722	-
Aspens Services Limited - E-ACT	1	26.1	£370	-	26.1	£692	-
Aspens Services Limited - Elmlea Schools Trust	1	25.4	£955	-	25.4	£579	-
Aspens Services Limited - Extend Learning Academies Network	1	25.0	£1,350	-	25.0	£0	-
Aspens Services Limited - Hanham Primary Federation	4	20.0	£950	-	-	£0	-
Aspens Services Limited - Kaleidoscope MAT	4	19.3	£3,185	-	19.6	£3,567	-
Aspens Services Limited - Lighthouse Schools Partnership	10	22.8	£6,442	-	22.8	£7,477	-
Aspens Services Limited - The Tynings School	1	17.7	£377	-	17.7	£354	-
Aspens Services Limited - Venturers Trust	5	21.5	£3,859	-	21.5	£5,138	-
Aspens Services Limited - Warmley Park Primary School	2	22.1	£1,436	£100	22.1	£1,393	£100
Atalian Servest Food Company Limited - City of Bristol College	1	28.6	£654	-	28.6	£433	-
Ategi limited (South Gloucestershire Council)	1	21.3	£717	£100	21.3	£708	£100
BAM Construction UK Limited (Bristol City Council)	4	25.7	£5,161	£11,000	25.7	£4,882	£10,600
Bespoke Cleaning Services Limited - Olympus Academy Trust	7	22.4	£3,186	£600	22.4	£2,358	£600
	3	22.4	£2,992	-	22.4	£2,630	-
Bespoke Cleaning Services Limited - South Gloucestershire & Stroud College							
Cater Link Limited - Castle Schools Education Trust	9	23.0	£6,634	-	-	£0	-
Cater Link Limited - Cotham School	1	21.7	£1,122	-	21.7	£4,552	-
Churchill Contract Services Ltd - Churchill CofE Primary School	1	20.1	£413	-	20.1	£374	-
Churchill Contract Services Ltd - Futura Learning Partnership	3	22.6	£2,702	-	22.6	£956	-
Churchill Contract Services Ltd - Westhaven School	1	24.2	£348	-	24.2	£370	-
Circadian Trust (South Gloucestershire Council)	44	21.2	£73,545	£100,300	21.2	£77,335	£96,500
City Leap Energy Partnership Limited	26	18.4	£19,645	-	-	£0	-
Clever Chefs Limited - BAM Construction	2	20.8	£0	-	-	£0	-
Compass Contract Services (UK) Ltd - Bath and Wells MAT	11	22.3	£0	-	-	£0	-
	2	25.0	£350	-	-	£0	-
Compass Contract Services (UK) Ltd - Bridge Farm Primary School (FLP) (BCCfw)							
Compass Contract Services (UK) Ltd - Bristol City Council	13	25.3	£7,202	-	-	£0	-
Compass Contract Services (UK) Ltd - Four Acres Academy	1	25.0	£332	-	-	£0	-
Compass Contract Services (UK) Ltd - North Star Academy Trust	2	25.0	£0	-	-	£0	-
Compass Contract Services (UK) Ltd - Palladian Academy Trust	1	22.1	£270	£1,800	22.1	£645	£1,700
Compass Contract Services (UK) Ltd - St Bede's Catholic College	1	29.0	£205	-	-	£0	-
	1	23.9	£0	-	-	£0	-
Compass Contract Services (UK) Ltd - St Bernards Catholic Primary School							
	2	22.8	£274	-	-	£0	-
Compass Contract Services (UK) Ltd - St Mary's C of E Primary School, Writhlington							
	2	23.7	£515	-	-	£0	-
Compass Contract Services (UK) Ltd - St Patrick's Catholic Primary School							
Compass Contract Services (UK) Ltd - St Teresa's Catholic Primary School	1	31.2	£163	-	-	£0	-
	1	25.0	£370	-	-	£0	-
Compass Contract Services (UK) Ltd - St Werburgh's Primary School (BCCfw)							
Compass Contract Services (UK) Ltd - Waycroft MAT (BCCfw)	5	21.1	£2,350	-	-	£0	-
Compass Contract Services (UK) Ltd - Westbury Park Primary School	1	30.1	£284	-	-	£0	-
Creative Youth Network - South Gloucestershire Council Youth Service	1	22.4	£310	-	22.4	£185	-



Employer Contribution Rates							
Year Ended 31 March 2023	Active Membership	2022/23			2021/22		
		% of pay	Employee Contributions	plus Deficit / (surplus) amount	% of pay	Employee Contributions	plus Deficit / (surplus) amount
Direct Cleaning Services (South West) Limited - DBAT MAT	6	21.5	£2,691	-	21.5	£0	-
Direct Cleaning Services (South West) Limited - Palladian MAT	9	20.0	£4,215	-	20.0	£4,390	-
	1	17.6	£364	-	-	£0	-
Direct Cleaning Services (South West) Limited - St Gregory's Catholic College							
Dolce Ltd - Mangotsfield C of E Primary School	3	22.7	£1,857	-	22.7	£1,712	-
Edwards and Ward Ltd - Henleaze Academy	2	23.9	£1,413	-	23.9	£1,431	-
Edwards and Ward Ltd - Paulton Infant School	1	23.4	£838	£400	23.4	£997	£400
Edwards and Ward Ltd - St Keyna Primary School	1	21.1	£827	-	21.1	£1,072	-
Expedite Complete Business Solutions Ltd - Clevedon Learning Trust	2	22.7	£928	-	22.7	£1,240	-
Foundation for Active Community Engagement (FACE) - South Gloucestershire Council Youth Service	1	18.4	£62	-	-	£0	-
Future Stars Coaching Limited - High Down Schools	6	25.2	£2,117	-	25.2	£520	-
Glen Cleaning Company Limited - City of Bristol Council (2020)	13	24.2	£2,896	-	24.2	£4,834	-
Glen Cleaning Company Limited - Excalibur Academies Trust	4	23.1	£1,167	-	0.0	£941	-
Glen Cleaning Company Limited - Henleaze Junior Academy	13	21.7	£147	-	21.7	£0	-
Greenwich Leisure Ltd - Bath & North East Somerset Council	10	20.2	£21,377	£11,200	20.2	£20,913	£10,900
HCRG Care Services Limited (Bath & North East Somerset Council)	65	22.4	£100,154	£5,200	22.4	£119,453	£5,000
Home Life Carers Limited (North Somerset Council)	4	24.2	£3,623	-	24.2	£2,884	-
Imperial Cleaning Services - The Tynings Primary School	2	26.2	£785	-	26.2	£586	-
Innovate Services Ltd - Cathedral Schools Trust	2	23.2	£1,371	-	23.2	£1,574	-
Innovate Services Ltd - Gatehouse Green Learning Trust	2	25.4	£2,919	-	25.4	£3,457	-
KGB Cleaning (South West) Ltd - Cathedral Schools Trust	3	22.7	£1,311	-	-	£2,069	-
KGB Cleaning South West Ltd - Cabot Learning Federation	14	22.8	£3,598	-	-	£0	-
Lex Leisure C.I.C. (Bristol City Council)	1	23.6	£1,875	£600	23.6	£1,842	£600
Liberata UK Ltd (North Somerset Council)	10	21.2	£21,504	£77,000	21.2	£23,140	£74,100
Mentoring Plus (Bath and North East Somerset Council)	2	24.1	£3,442	£1,600	24.1	£3,343	£1,600
Nobilis Care West Ltd (North Somerset Council)	1	27.5	£337	-	27.5	£828	-
Prestige Cleaning & Maintenance Limited - Circadian Trust	2	25.1	£1,802	£300	25.1	£1,614	£300
Purgo Supply Services Ltd - Castle School Education Trust	2	22.4	£1,299	-	22.4	£293	-
Purgo Supply Services Ltd - E-ACT	9	21.0	£3,338	£0	21.0	£3,492	-
Purgo Supply Services Ltd - Gatehouse Green Learning Trust	2	22.6	£1,056	-	22.6	£1,259	-
Purgo Supply Services Ltd - Lighthouse Schools Partnership	5	20.2	£1,492	-	-	£0	-
Ridge Crest Cleaning Ltd - Bristol City Council	1	24.5	£1,201	£12,900	24.5	£1,952	£12,400
Sansum Solutions Group Limited - ELAN	12	24.4	£0	-	-	£0	-
Sansum Solutions Group Limited - St Bede's Catholic College	13	21.5	£0	-	-	£0	-
Shaw Healthcare - The Granary	1	22.9	£995	£4,400	22.9	£941	£4,300
Skanska Rashleigh Weatherfoil Ltd (Bristol City Council)	2	23.7	£3,259	£4,000	23.7	£2,936	£3,800
SLM Community Leisure Trust (Bristol City Council)	42	21.5	£59,273	£3,600	21.5	£61,415	£3,500
SLM Fitness & Health Ltd (Bristol City Council)	4	21.3	£4,780	£8,600	21.3	£5,193	£8,400
Sodexo Ltd - Diocese of Bristol Academies Trust (DBAT)	4	21.1	£3,027	-	21.1	£1,713	-
Taylor Shaw - Olympus Academy Trust	8	22.3	£8,887	-	22.3	£7,122	-
The Brandon Trust	7	22.6	£8,825	£900	22.6	£9,063	£900
Trowbridge Office Cleaning Services Ltd - Learn@MAT	1	20.8	£232	-	20.8	£229	-
Weston Support Services - Ashcombe Primary School	2	23.5	£968	-	-	£0	-
Weston Support Services - The Priory Learning Trust	1	25.0	£350	-	-	£0	-
Xerox (UK) Limited	1	21.4	£694	-	-	£0	-
Youth Connect (Bath & North East Somerset Council)	11	20.7	£19,298	-	20.7	£21,003	-

## **12. Statement of Accounts 2022/23**

See overleaf full Avon Pension Fund's full audited Statement of Accounts 2022/23

## PENSION FUND ACCOUNTS 2022/23

### Fund Account

For the Year Ended 31 March 2023

	Notes	2022/23 £'000	2021/22 £'000
<b>Dealings with members, employers and others directly involved in the fund</b>			
Contributions Receivable	<a href="#">4</a>	(202,854)	(185,761)
Transfers In		(15,070)	(13,598)
		<b>(217,924)</b>	<b>(199,359)</b>
Benefits Payable	<a href="#">5</a>	197,821	192,395
Payments to and on account of Leavers	6	14,572	9,112
		<b>212,393</b>	<b>201,507</b>
<b>Net (additions) / withdrawals from dealings with members</b>		<b>(5,531)</b>	<b>2,148</b>
Management Expenses	<a href="#">7</a>	25,338	36,948
<b>Net (additions)/withdrawals including fund management expenses</b>		<b>19,807</b>	<b>39,096</b>
<b>Returns on Investments</b>			
Investment Income	<a href="#">8</a>	(61,908)	(25,683)
Profits and losses on disposal of investments and change in value of investments	<a href="#">9</a>	474,883	(526,695)
<b>Net Returns on Investments</b>		<b>412,975</b>	<b>(552,378)</b>
<b>Net (Increase) in the net assets available for benefits during the year</b>		<b>432,782</b>	<b>(513,282)</b>
<b>Opening Net Assets of the Fund</b>		<b>5,821,992</b>	<b>5,308,710</b>
<b>Closing Net Assets of the Fund</b>		<b>5,389,210</b>	<b>5,821,992</b>

### Net Assets Statement at 31 March 2023

	Notes	31 March 2023 £'000	%	31 March 2022 £'000	%
<b>INVESTMENT ASSETS</b>					
Property Pooled Investment vehicles		612,977	11.4	708,665	12.2
Non Property Pooled Investment Vehicles		4,624,767	85.9	4,954,039	85.1
Cash Deposits		113,597	2.1	170,915	2.9
Derivative Contracts (Foreign Exchange hedge) - Gross Asset	9	36,669	0.7	-	-
Derivative Contracts: FTSE Futures - Gross Asset	9	361	-	676	-
Long-Term Investments		707	-	838	-
Other Investment balances		12,732	0.2	98,478	1.7
Total Investment Assets		<b>5,401,810</b>		<b>5,933,611</b>	
<b>INVESTMENT LIABILITIES</b>					
Derivative Contracts (Foreign Exchange hedge) - Gross Liability	9	(19,873)	(0.4)	(31,203)	(0.5)
Derivative Contracts: FTSE Futures - Gross Liability	9	-	-	-	-
Other Investment balances		(282)	-	(74,787)	(1.3)
Total Investment Liabilities		<b>(20,155)</b>		<b>(105,990)</b>	
<b>TOTAL NET INVESTMENTS</b>	10	<b>5,381,655</b>		<b>5,827,621</b>	
Long Term Debtors	12a	272	-	218	-
<b>Net Current Assets</b>					
Current Assets	12	17,773	0.3	19,663	0.3
Current Liabilities	12	(10,490)	(0.2)	(25,510)	(0.4)
<b>Net assets of the scheme available to fund benefits at the period end</b>		<b>5,389,210</b>	<b>100.0</b>	<b>5,821,992</b>	<b>100.0</b>

An analysis of Non Property Pooled Investment Vehicles is included within note 10 to the accounts

The Fund's financial statements do not take account of liabilities to pay pensions and other benefits after 31 March 2023. The actuarial present value of these liabilities is disclosed in note 15.

**Notes to Accounts - Year Ended 31 March 2023**

**1 INTRODUCTION & STATEMENT OF ACCOUNTING POLICIES**

**1.1 Description of Fund**

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

The scheme is governed by the Public Service Pensions Act 2013. The Fund is administered in accordance with the following secondary legislation:

- The Local Government Pension Scheme Regulations 2013 (as amended)
- The Local Government Pension Scheme (Transitional Provisions, Savings and Amendment) Regulations 2014 (as amended)
- The Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016.

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

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

**Introduction to the Statement of Accounts**

1.2 This statement comprises the Statement of Accounts for the Avon Pension Fund (the Fund). The accounts cover the financial year from 1 April 2022 to 31 March 2023.

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 2022/23 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.

**1.4 Actuarial Valuations**

As required by the Local Government Pension Scheme Regulations 2013 (as amended) an actuarial valuation of the Fund was carried out as at 31 March 2022. The key elements of the funding policy are as follows:

- Ensure sufficient funds are available to meet all benefits as they fall due for payment
- Recover any shortfall in assets relative to the value of accrued liabilities over a reasonable timeframe
- Keep employer contributions as stable as possible and at reasonable cost whilst achieving and maintaining fund solvency, taking into account the risk appetite of the administering authority and scheme employers
- Maximise the return from investments within acceptable risk parameters

The market value of the Fund's assets at the valuation date was £5,822m. The Actuary estimated that the value of the Fund was sufficient to meet 96% of its expected future liabilities of £6,060m in respect of service completed to 31 March 2022, with a deficit of £238m.

1.5 At the 2022 valuation the average deficit recovery period for the Fund overall was set at 12 years.

1.6 The 2022 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:

	<b>Future Service Liabilities (Primary Contribution Rate)</b>	<b>Past Service Liabilities (Secondary Contribution Rate)</b>
Rate of return on investments (discount rate)	5.1% per annum	4.60% per annum
Rate of pay increases (long term)	4.6% per annum	4.6% per annum
Rate of increases in pensions in payment (in excess of Guaranteed Minimum Pension)	3.1% per annum	3.1% per annum

1.7 The 2022 triennial valuation was completed during 2022/23 using market prices and membership data as at 31 March 2022. This 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 2023. The discount rate used in the 2022 valuation is based on CPI plus a real investment return of 1.5% p.a. for past service (the secondary contribution rate) and CPI plus 2.0% p.a. for future service (the primary contribution rate). The discount rate for the lower risk investment strategy was 2.55% p.a..

1.8 The Actuary has estimated that the funding level is 95% as at 31 March 2023 based on the 2022 valuation financial assumptions.

## PENSION FUND ACCOUNTS 2022/23

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1.9 The 2022 valuation includes the estimated cost of McCloud Judgement, based on the proposed remedy. The estimated cost is an increase in the past service liabilities at the valuation date of £70m. This represents 1.2% of total past service liabilities and is included in the liability figure and secondary contribution rate stated above.

Remedial regulations have not yet been implemented but are expected to take effect from October 2023 with a retrospective effect back to April 2014 and a remedy end date of 31 March 2022. As the remedy date end is 31 March 2023 the primary contribution rate effective from 1 April 2023 does not include an allowance for McCloud.

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

### 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](http://www.avonpensionfund.org.uk) (search Investment Strategy Statement) and is summarised within the Fund's Annual Report. The ISS is updated following strategic reviews.

1.13 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. The Fund is a member of Brunel Pension Partnership, a pool of 10 LGPS funds, which has established an FCA regulated company, Brunel Pension Partnership Limited (Brunel), to manage the assets of the pool. Each LGPS fund in the pool is a shareholder owning an equal share of the company.

All the Fund's listed and liquid assets have transferred to Brunel with only illiquid legacy mandates remaining directly managed by the Fund. For the assets that have transferred, Brunel is responsible for appointing and monitoring managers and other investment related operational aspects of the Fund.

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

(i) A Liability Driven Investment strategy provides a hedge against changes in the value of the pension liabilities within the asset portfolio. This strategy consists of bonds and derivatives such as gilt repurchase agreements and interest and inflation swaps, structured to achieve the desired hedge profile.

(ii) An Equity Protection Strategy to protect the funding position against significant falls in equity markets. The strategy uses Over the Counter Equity Option Index Swaps.

(iii) A Low Risk Investment Strategy has been implemented where the assets (mainly corporate bonds) better match the liability profile of the employers within the strategy. These employers include those that have exited the Fund and those that have chosen a less risky investment strategy to explicitly manage investment risk.

## Statement of Accounting Policies

### Basis of Preparation

1.15 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 fair value, which has been determined as follows:

i) Quoted Securities have been valued at 31 March 2023 by the Fund's custodian using the market bid-price or 'last trade' on the final day of the accounting period.

ii) Unquoted investments. The fair value of investments for which market prices are not readily available is determined as follows:  
- pooled vehicles for property, unissued insurance policies and other managed funds are valued at the net asset value advised by the investment manager

- Limited partnerships. Fair value is based on the net asset value ascertained from periodic valuations provided by the partnership

- Pooled investment vehicles are valued at the closing bid price where bid and offer prices are published; or if a single net asset value, at the closing single price.

Where audited valuations are not available at the accounting date, unaudited valuations as at 31 March 2023 or audited valuations lagged by a quarter adjusted for known cash flows are used.

All valuations are subject to the custodian's and fund managers internal controls. Valuations are also subject to an external audit.

iii) Fixed interest securities are recorded at net market value based on their current yields and exclude interest earned but not paid over at the year end, which is included separately within investment debtors.

iv) Foreign currency transactions are recorded at the prevailing spot 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 2023.

v) Derivative 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) 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.

vii) 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.

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

ix) 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.

x) 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.

## PENSION FUND ACCOUNTS 2022/23

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### 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 rates applying in 2022/23 relate to the 2019 valuation and the employer contribution rates range from 12.3% to 36.4%. 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 2023. The deficit contribution is expressed as a cash sum, and ranges from £0 to £2.4 millions.
- 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 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. Individual transfers in/out are accounted for when received/paid, which is normally when the member liability is accepted or discharged. Bulk (group) transfers are accounted for on an accruals basis in accordance with the terms of the transfer agreement. 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 and some (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 charged by 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 assets change. 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 not liable to UK income tax, on income derived from investments, under Section 186 of the Finance Act 2004, nor is it liable to capital gains tax under section 271 Taxation of Chargeable Gains Act 1992. As Bath & North East Somerset Council is the administering authority for the Fund, VAT input tax is recoverable on all Fund activities including expenditure on investment expenses. For taxation of overseas investment income please see note 6 iv. 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 into account historical experience, current trends and other relevant factors. However because balances cannot be determined with certainty actual results could be materially different from the assumptions and estimates. Estimates are used in the valuation of unquoted investments and in the actuarial valuation for the purposes of IAS 26 (note 15) in which the actuarial calculation of the liability is subject to the professional judgement of the Scheme Actuary. The Fund's investments are stated at fair value. The subjectivity of the inputs used in making an assessment of fair value is explained in note 24.

Item	Uncertainties	Effect if actual results differ from assumptions
Unlisted Assets	The Hedge Fund (£23m), Infrastructure (£634m), Private Debt (£129m) and Property Limited Partnerships (£440m) investments are not publicly listed and as such there is a degree of estimation involved in their valuation. Where possible the valuation techniques use observable or transaction based inputs; however there is reliance on non-observable inputs which increases the degree of uncertainty.	If the valuations of the Property Limited Partnerships, Hedge Fund and Infrastructure assets turn out to be lower or higher than estimated, then the value of the Fund's investments will have been under or overstated. A +/-10% change in the valuations included in the accounts for these portfolios would result in an increase or reduction of +/- £124m in total Fund assets. Note 24 shows the sensitivity of these assets to changes in value in more detail.
	Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. Mercer, a firm of consulting actuaries, is engaged to provide the authority with expert advice about the assumptions to be applied. The estimated total value of the Fund's promised retirement benefits as at 31 March 2023 is £6,160 million.	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 2022 actuarial valuation results: <ul style="list-style-type: none"> <li>• a 0.25% per annum reduction in the real investment return assumption would increase deficit by £261m (to £499m)</li> <li>• a 0.25% per annum increase in the assumed pensionable salary growth would increase the deficit by £32m (to £270m)</li> <li>• a 0.25% per annum increase in the long term improvement rate in life expectancy would increase the deficit by £45m (to £283m)</li> </ul>
Actuarial present value of promised retirement benefits (Note 15)		

**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 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.

**Going Concern**

1.30 These accounts have been prepared on a going concern basis. The concept of going concern assumes that the Pension Fund will continue in operation for the foreseeable future.

**Accounting Standards that have been issued but not yet adopted**

1.31 IFRS 16 Lease Accounting will apply to CIPFA Accounts for the financial year 24/25 onwards. However, both the 2022/23 and the 2023/24 Codes will allow for adoption should an authority consider that it is able to do so as of 1 April 2022 or 2023. The Fund does not have embedded finance leases or service concessions in its contracts and so this standard will not have any impact on the Accounts.

**Critical Judgements in Applying Accounting Policies**

1.32 A 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.

## PENSION FUND ACCOUNTS 2022/23

### 2 MEMBERSHIP

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

	31 March 2023	31 March 2022
<b>Employed Members</b>	<b>40,290</b>	39,559
<b>Pensioners</b>	<b>38,796</b>	36,951
<b>Members entitled to Deferred Benefits</b>	<b>44,058</b>	43,396
<b>Undecided Leavers</b>	<b>11,531</b>	10,237
<b>TOTAL</b>	<b><u>134,675</u></b>	<b><u>130,143</u></b>

### 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

Where the Fund receives interest on overseas government interest bonds portfolios which is gross, 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:-

	2022/23 £'000	2021/22 £'000
<b>Employers' normal contributions</b>		
Scheduled Bodies	117,529	106,331
Administering Authority	12,780	11,269
Admission Bodies	7,380	7,864
	<u>137,689</u>	<u>125,464</u>
<b>Employers' deficit funding</b>		
Scheduled Bodies	12,052	11,690
Administering Authority	-	0
Admission Bodies	742	336
	<u>12,794</u>	<u>12,026</u>
<b>Total Employer's normal &amp; deficit funding</b>	<b><u>150,483</u></b>	<b><u>137,490</u></b>
<b>Employers' contributions - Augmentation</b>		
Scheduled Bodies	1,000	737
Administering Authority	1	349
Admission Bodies	84	348
	<u>1,085</u>	<u>1,434</u>
<b>Members' normal contributions</b>		
Scheduled Bodies	43,531	39,587
Administering Authority	4,923	4,316
Admission Bodies	2,235	2,416
	<u>50,689</u>	<u>46,319</u>
<b>Members' contributions toward additional benefits</b>		
Scheduled Bodies	508	400
Administering Authority	82	105
Admission Bodies	7	13
	<u>597</u>	<u>518</u>
<b>Total</b>	<b><u>202,854</u></b>	<b><u>185,761</u></b>

The increase in Employers' contributions between 2021/22 and 2022/23 is due to the effect of phased/stepped contributions and the local government pay award of £1,925 on all NJC pay points. This pay award was announced in November 2022.

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



## PENSION FUND ACCOUNTS 2022/23

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### 5 BENEFITS PAYABLE

#### Analysis of Gross Benefits Payable by Type:-

	2022/23 £'000	2021/22 £'000
Retirement Pensions	168,770	159,686
Commutation of Pensions and Lump Sum Retirement Benefits	25,402	30,068
Lump Sum Death Benefits	3,649	2,641
	<u>197,821</u>	<u>192,395</u>

#### Analysis of Gross Benefits Payable by Employing Body:-

	2022/23 £'000	2021/22 £'000
Scheduled & Designating Bodies	161,405	155,477
Administering Authority	19,967	20,226
Admission Bodies	16,449	16,692
	<u>197,821</u>	<u>192,395</u>

### 6 PAYMENTS TO AND ON ACCOUNT OF LEAVERS

#### Leavers

	2022/23 £'000	2021/22 £'000
Refunds to members leaving service	978	672
Individual Cash Transfer Values to other schemes	13,594	7,490
Group Transfers	0	950
	<u>14,572</u>	<u>9,112</u>

## PENSION FUND ACCOUNTS 2022/23

### 7 MANAGEMENT EXPENSES

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

	2022/23	2021/22
	£'000	£'000
Administrative Costs	3,227	2,746
Oversight & Governance Costs	2,405	1,945
Investment Management Expenses	<u>19,706</u>	<u>32,257</u>
	<u><b>25,338</b></u>	<u><b>36,948</b></u>

#### Further Analysis of Management Expenses:-

##### Administrative Costs

Management Costs	2,144	1,926
Administration and Processing	891	606
Service from Administrating Body	508	491
Fees and Income	<u>(316)</u>	<u>(277)</u>
	<u><b>3,227</b></u>	<u><b>2,746</b></u>

##### Oversight & Governance Costs

Management costs	872	765
Specialist advice and Governance	1,650	1,438
Actuarial recharges	(177)	(317)
Audit Fees	60	52
Audit Related Service	<u>7</u>	<u>7</u>
	<u><b>2,405</b></u>	<u><b>1,945</b></u>

##### Investment Management Expenses (Note 7a)

	<u><b>19,706</b></u>	<u><b>32,257</b></u>
	<u><u><b>25,338</b></u></u>	<u><u><b>36,948</b></u></u>

Management costs in Oversight & Governance Costs include investments, actuarial and accounting staff costs. Audit fees include; the £0.041m external audit fee (2021/22 £0.042m) and £0.019m is for an additional external fee relating to information provided to the actuary regarding individual employers' IAS19 disclosures in 2022/23. A grant from the DLUHC of £0.011m and £0.019m internal audit charge from Bath & North East Somerset Council (2021/22 £0.020m) is included within Specialist advice and Governance.

### 7a INVESTMENTS MANAGEMENT EXPENSES

2022/23	Total	Management Fees	Performance related fees	Transaction costs
	£000	£000	£000	£000
Equity	0	0	0	0
Pooled Property	(1,475)	2,663	(4,138)	0
Private Infrastructure	3,165	3,165	0	0
Derivatives	432	429	0	3
Pooled Investments *	<u>17,529</u>	<u>12,216</u>	<u>5,182</u>	<u>131</u>
	<u><b>19,651</b></u>	<u><b>18,473</b></u>	<u><b>1,044</b></u>	<u><b>134</b></u>
Custody Fees	55			
Total	<u><u><b>19,706</b></u></u>			
2021/22	Total	Management Fees	Performance related fees	Transaction costs
	£000	£000	£000	£000
Equity	0	0	0	0
Pooled Property	6,201	2,844	3,357	0
Private Infrastructure	2,564	2,564	0	0
Derivatives	456	456	0	0
Pooled Investments *	<u>22,985</u>	<u>13,943</u>	<u>8,878</u>	<u>164</u>
	<u><b>32,206</b></u>	<u><b>19,807</b></u>	<u><b>12,235</b></u>	<u><b>164</b></u>
Custody Fees	51			
Total	<u><u><b>32,257</b></u></u>			

\* Included within Pooled Investments is £1.514m (£1.219m in 21/22) paid to Brunel Pension Partnership for core investment services.

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

The performance fees included in 22/23 represent a decrease in the provision for pooled property of £4.310m and a payment in year of £0.172m. For Pooled investments there is a payment in year of £6.533m and decrease in provision of £1.351m. The current total provision for performance fees is included in note 12 Current Asset and Liabilities.

Of the £19.7m of investment management fees, £12.0m relates to the fees paid to the underlying managers of the portfolios managed by Brunel. Due to the fall in asset values fees were lower than 2021/22 especially performance related fees.

## PENSION FUND ACCOUNTS 2022/23

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### 8 INVESTMENT INCOME

	2022/23 £'000	2021/22 £'000
Dividends from equities	45	343
Income from pooled Property Investments	20,037	15,281
Income from other pooled investment vehicles	38,626	10,064
Interest on cash deposits	3,200	(5)
Other Income		
<b>TOTAL</b>	<b><u>61,908</u></b>	<b><u>25,683</u></b>

Brunel operates a securities lending programme for its clients for select portfolios with their custodian, where eligible securities are lent to third parties in exchange for fees paid. The third parties provide collateral which is held for the duration of the loan(s). The income from this programme is not distributed but accumulates within the relevant Brunel pooled fund. At the year end based on its holding in the Brunel Global High Alpha Portfolio, the Fund had £12.8m stock on loan, secured by collateral of £13.3m. During the year the Fund's share of stock lending income in this portfolio was £0.09m. The Fund does not operate a securities lending programme outside of the Brunel portfolios.

## PENSION FUND ACCOUNTS 2022/23

### 9 CHANGE IN TOTAL NET ASSETS

Change in Market Value of Investments	Value at 31/03/22 £'000	Purchases at Cost £'000	Sales Proceeds £'000	Change in Market Value £'000	Value at 31/03/23 £'000
Bonds	-	-	-	-	-
Equities	-	-	-	-	-
Long Term Investments	838	-	-	(131)	707
Pooled Investments-					
- Property	708,665	259,921	(219,974)	(135,635)	612,977
- Non Property	4,954,039	774,915	(844,624)	(259,563)	4,624,767
Derivatives					
- Foreign Exchange Hedge	(31,203)	181,033	(69,921)	(63,113)	16,796
- FTSE Futures	676	2,111	(5,993)	3,567	361
<b>Sub Total</b>	<b>5,633,015</b>	<b>1,217,980</b>	<b>(1,140,512)</b>	<b>(454,875)</b>	<b>5,255,608</b>
Cash Deposits	170,915	2,913,842	(2,977,588)	6,428	113,597
Amount receivable for sales	97,069			(85,181)	11,888
Payable for purchases	(74,787)			74,505	(282)
Investment Debtors & Creditors	1,409			(565)	844
Total Investment Assets	5,827,621			(459,688)	5,381,655

#### Reconciliation to Fund Account:

	£'000
Change in market value of Investment Assets	(459,688)
Net Purchases & Sales	13,722
Movement in Long Term Debtors	54
Movement in Current Assets	13,130
Less Net Revenue of Fund	(42,101)

**Profits and losses on disposal of investments and change in value of investments** (474,883)

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.

The Net Revenue of Fund equals the Net Withdrawals / additions including fund management expenses (£19.807m) plus Investment income (£-61.908m) as shown in the Fund account.

### Change in Total Net Assets 2021/22

Change in Market Value of Investments	Value at 31/03/21 £'000	Purchases at Cost £'000	Sales Proceeds £'000	Change in Market Value £'000	Value at 31/03/22 £'000
Bonds	-	408,717	(411,838)	3,121	-
Equities	-	381,484	(377,279)	(4,205)	-
Long Term Investments	768	-	-	70	838
Pooled Investments-					
- Property	534,294	764,028	(672,123)	82,466	708,665
- Non Property	4,584,191	2,379,836	(2,410,237)	400,249	4,954,039
Derivatives					
- Foreign Exchange Hedge	63,767	28,231	(85,402)	(37,799)	(31,203)
- FTSE Futures	(110)	394	(5,329)	5,721	676
<b>Sub Total</b>	<b>5,182,910</b>	<b>3,962,690</b>	<b>(3,962,208)</b>	<b>449,623</b>	<b>5,633,015</b>
Cash Deposits	117,641	798,411	(779,890)	34,753	170,915
Amount receivable for sales				97,069	97,069
Payable for purchases				(74,787)	(74,787)
Investment Debtors & Creditors	1,438			(29)	1,409
Total Investment Assets	5,301,989			506,629	5,827,621

#### Reconciliation to Fund Account:

	£'000
Change in market value of Investment Assets	506,629
Net Purchases & Sales	19,003
Movement in Long Term Debtors	5
Movement in Current Assets	(12,355)
Less Net Revenue of Fund	13,413

**Profits and losses on disposal of investments and change in value of investments** 526,695

### 10 INVESTMENT ASSETS

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

## PENSION FUND ACCOUNTS 2022/23

	31 March 2023 £'000	31 March 2022 £'000
<b>Non-Property Pooled Investment Vehicles</b>		
Global Equity	1,897,256	2,176,034
Risk Management Strategy	1,300,555	1,119,140
Diversified Growth Funds	336,583	538,061
Infrastructure	633,970	653,396
Multi Asset Credit	304,609	315,433
Hedge Funds	22,891	109,262
Private Debt	128,903	42,713
	<u>4,624,767</u>	<u>4,954,039</u>
<b>Other Investments</b>		
Pooled Property Investments	612,977	708,665
Derivative contracts		
• Foreign Exchange Hedge	36,669	
• Derivative contracts: FTSE Futures	361	676
	<u>650,007</u>	<u>709,341</u>
Cash deposits	113,597	170,915
Investment Income due	844	1,409
Amounts receivable for sales	11,888	97,069
<b>Total Investment Assets</b>	<u><b>5,401,103</b></u>	<u><b>5,932,773</b></u>
<b>Long Term Investments</b>		
Equities	<u><b>707</b></u>	<u><b>838</b></u>
<b>Investment Liabilities</b>		
Derivative contracts		
• Foreign Exchange Hedge	(19,873)	(31,203)
• Derivative contracts: FTSE Futures		
Amounts payable for purchases	(282)	(74,787)
<b>Total Investment Liabilities</b>	<u><b>(20,155)</b></u>	<u><b>(105,990)</b></u>
<b>Total Investment Assets</b>	<u><u><b>5,381,655</b></u></u>	<u><u><b>5,827,621</b></u></u>

During the year a portion of the Fund's passive listed equities were redeployed to the BlackRock Qualified Alternative Investor Fund (QAIF) to ensure a stable liquidity position was maintained through the gilts crisis of September/October. The Fund's corporate bond cashflow matching strategy was topped up as a number of employers moved onto the low risk funding basis. Proceeds arising from the redemption of the Fund's hedge fund and core infrastructure mandates were used to fund existing investments in the Brunel Renewable Infrastructure, Secured Income and Private Debt Portfolios. Towards the end of the year a 3% allocation to a local impact portfolio and an increase to the passive equity strategic allocation was agreed by the Committee. These changes are due to take effect in the 2023/24 financial year.

The Long term investment of £0.707m represents Avon Pension Fund's share of the Brunel Pension Partnership. This share represents 10% of the Total Equity, as per Brunel's Statement of Financial Position, as at 30th September 2022.

Included within the equity of Brunel is a Pension Reimbursement Asset (PRA) created in 19/20. The implementation of the PRA provides certainty to Brunel that its shareholders will reimburse any LGPS pension related cashflows, including reimbursement of all regular ongoing contributions, all additional contributions (e.g. to fund discretionary early retirements or other discretionary benefits) and all exit payments. The current value of the PRA is £0.10m. The Fund previously elected to declare 10% of the PRA as a contingent liability (see Note 13). The value of the PRA is no longer material and has therefore been removed.

## PENSION FUND ACCOUNTS 2022/23

### DERIVATIVES ANALYSIS

Open Forward Currency Contracts

Settlement	Currency Bought	Local Value	Currency Sold	Local Value	Asset Value	Liability Value
		000		000	£'000	£'000
Up to one month	EUR	57,966	GBP	51,046	31	(100)
Up to one month	JPY	2,487,500	GBP	15,216	16	(71)
Up to one month	USD	134,079	GBP	109,382	429	(1,426)
Up to one month	GBP	15,753	JPY	2,487,500	593	-
Up to one month	GBP	51,667	EUR	57,966	691	-
Up to one month	GBP	104,550	USD	134,079	1,218	(5,052)
One to six months	EUR	15,936	GBP	14,090	59	(100)
One to six months	JPY	233,700	GBP	1,514	-	(78)
One to six months	USD	124,020	GBP	106,881	176	(6,940)
One to six months	GBP	227,080	EUR	257,506	844	(993)
One to six months	GBP	68,564	JPY	10,987,700	1,052	(280)
One to six months	GBP	481,870	USD	585,895	12,170	(3,225)
Six to twelve months	GBP	42,831	EUR	48,314	55	-
Six to twelve months	GBP	13,420	JPY	2,150,800	-	(18)
Six to twelve months	GBP	487,638	USD	580,946	19,297	-
Six to twelve months	USD	26,696	GBP	23,114	-	(1,589)
Six to twelve months	EUR	-	GBP	-	-	-
Six to twelve months	JPY	-	GBP	-	-	-
More than twelve months	GBP	74,526	USD	92,375	37	-
<b>Total</b>					<b>36,668</b>	<b>(19,872)</b>
<b>Net forward currency contracts at 31st March 2023</b>						<b>16,796</b>
Open forward currency contracts at 31 March 2022					10,012	(41,215)
<b>Net forward currency contracts at 31st March 2022</b>						<b>(31,203)</b>

Exchange Traded Derivatives held at 31 March 2023:-

Contract Type	Expiration	Book Cost	Unrealised Gain/(Loss)
		£'000	£'000
FTSE equity futures	June 2023	8,785	361

Exchange Traded Derivatives held at 31 March 2022:-

FTSE equity futures	June 2021	20,811	676
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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.

## PENSION FUND ACCOUNTS 2022/23

### 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 2023 £'000	%	31 March 2022 £'000	%
<b>Investments managed by Brunel Pension Partnership:</b>				
BlackRock Risk Management Strategy	1,300,563	24.2	1,119,140	19.2
Brunel Renewables Portfolio	163,699	3.0	89,252	1.5
Brunel Secured Income Portfolio	435,092	8.1	468,845	8.0
Brunel Multi Asset Credit	304,609	5.7	315,433	5.4
Brunel Global Sustainable Equity	792,532	14.7	802,687	13.8
Brunel Paris Aligned Developed Equity	278,856	5.2	574,338	9.9
Brunel Diversified Returns Fund	336,583	6.3	538,061	9.2
Brunel UK Property	180,700	3.4	210,953	3.6
Brunel Global High Alpha Equity	698,860	13.0	695,906	11.9
Brunel Private Debt	128,903	2.4	42,713	0.7
Avon Transition Fund	5	-	137	0.0
	<b>4,620,402</b>	<b>85.9</b>	<b>4,857,465</b>	<b>83.4</b>
<b>Investments managed outside Brunel Pension Partnership:</b>				
Blackrock	127,088	2.4	105,135	1.8
Record	25,681	0.5	(10,360)	(0.2)
Partners Group	158,745	2.9	194,880	3.3
TT International	314	-	312	0.0
IFM Investors	313,207	5.8	427,128	7.3
Schroder Investment Management	13,473	0.3	13,510	0.2
JP Morgan	34,779	0.6	170,023	2.9
Custodian Cash	65,328	1.2	40,715	0.7
Long Term Investment	707	-	838	0.0
Treasury Management	21,931	0.4	27,975	0.5
	<b>761,253</b>	<b>14.1</b>	<b>970,156</b>	<b>16.6</b>
<b>TOTAL INVESTMENT ASSETS</b>	<b>5,381,655</b>	<b>100.0</b>	<b>5,827,621</b>	<b>100.0</b>

### 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 2023		Value at 31st March 2022	
	£'000	% of Net Asset	£'000	% of Net Asset
Blackrock Liability SOL Mutual Fund	1,300,563	24.13%	1,119,140	19.22%
Brunel Global Sustainable Equity	792,531	14.71%	802,687	13.79%
Brunel Global High Alpha Equity Fund	698,860	12.97%	695,906	11.95%
Brunel Diversified Returns Fund	336,583	6.25%	538,061	9.24%
IMF Global Infrastructure (UK)	313,207	5.81%	427,128	7.34%
Brunel Paris Aligned Developed Equity	278,856	5.17%	574,338	9.86%

## PENSION FUND ACCOUNTS 2022/23

### 12 CURRENT ASSETS AND CURRENT LIABILITIES

Provision has been made in the accounts for debtors and creditors known to be outstanding at 31 March 2023.

Debtors and creditors included in the accounts are analysed below:-

	31 March 2023 £'000		31 March 2022 £'000
<b>CURRENT ASSETS</b>			
Contributions Receivable			
- Employers	11,438		12,803
- Members	4,214		3,610
Discretionary Early Retirement Costs	489		214
Other Debtors	1,632	<u>17,773</u>	3,036
			<u>19,663</u>
<b>CURRENT LIABILITIES</b>			
Management Fees	(1,169)		(845)
Provision for Performance Fees	(4,136)		(9,798)
Lump Sum Retirement Benefits	(2,228)		(5,668)
Contributions received in advance	-		(2,658)
Other Creditors	(2,957)	(10,490)	(6,541)
		<u>7,283</u>	<u>(25,510)</u>
<b>NET CURRENT ASSETS</b>			<u>(5,847)</u>

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 2023.

	31 March 2023 £'000		31 March 2022 £'000
Reimbursement of lifetime tax allowances	<u>272</u>		<u>218</u>

The Lifetime tax allowance was introduced in 2006. 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. The LTA has been removed wef 6/4/23 and will be abolished altogether from 6/4/24.

### 13 CONTINGENT LIABILITIES

There were no contingent liabilities as at 31 March 2023. (31 March 2022 £0.768m)

### 14 EVENTS AFTER THE BALANCE SHEET DATE

There have been no events after 31 March 2023 that require any adjustment to these accounts.



## PENSION FUND ACCOUNTS 2022/23

### 15 ACTUARIAL PRESENT VALUE OF PROMISED RETIREMENT BENEFITS FOR THE PURPOSE 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 2023 (the 31 March 2022 assumptions are included for comparison):

	31st March 2023	31st March 2022
Rate of return on investments (discount rate)	4.8% per annum	2.8% per annum
Rate of CPI Inflation / CARE benefit revaluation	2.7% per annum	3.4% per annum
Rate of pay increases*	4.2% per annum**	4.9% per annum*
Rate of increases in pensions in payment (in excess of GMP) / Deferred revaluation	2.8% per annum	3.5% per annum

\*An adjustment has been made for the short term pay restraint in line with the 2019 actuarial valuation

\*\*An adjustment has been made for the short term pay restraint in line with the 2022 actuarial valuation

The demographic assumptions are the same as those used for funding purposes:

- the start of period assumptions are based on the 2019 actuarial valuation assumptions (but updated to the 2021 CMI future improvement tables)
- the end of period assumptions are based on the updated assumption adopted for the 2022 actuarial valuation, with a long-term rate of life expectancy improvement of 1.5% pa.

Full details of the demographic assumptions are set out in the formal reports to the respective valuations.

The movement in the value of the Fund's promised retirement benefits for IAS 26 is as follows:

	Liabilities
<b>Start of period</b>	<b>£8,631m</b>
Interest	£240m
Net benefits accrued/paid over the period*	£178m
Actuarial losses / (gains) - see below	(£2,889m)
<b>End of period</b>	<b>£6,160m</b>

\*this includes any increase in liabilities arising as a result of early retirements

Key factors leading to actuarial gains above year are:

- Change in financial assumptions: Corporate bond yields increased significantly over the year, with a corresponding increase in discount rate to 4.8% p.a. from 2.8% p.a. In addition, there has been a reduction in long-term assumed CPI to 2.7% p.a. from 3.4%. In combination, these factors lead to a significant reduction in liabilities
- Change in demographic assumptions: As noted above, the assumptions have been updated to reflect the 2022 actuarial valuation assumptions, with a lower rate of long term improvement of 1.5%. This acts to reduce the liabilities
- Pension increases / high short-term inflation: The figures allow for the impact of the April 2023 pension increase of 10.1%, along with the high levels of CPI since September 2023 (which will feed into the 2024 pension increase). As current inflation is higher than the long term assumption, this increases the liabilities
- 2022 actuarial valuation: The year-end liabilities allow for the final 2022 valuation results, and so will allow for the difference between the assumptions and actual member experience over 2019/22. This will include factors such as the impact of actual pay increases awarded, actual rates of ill-health retirement, etc.

#### Additional considerations

- The "McCloud judgment": The figures above allow for the impact of the judgment based on the proposed remedy.
- GMP indexation: The above figures allow for the provision of full CPI pension increases on GMP benefits for members who reach State Pension Age after 6 April 2016.
- Covid 19 / Ukraine: The financial assumptions allow for these factors to the degree that they are reflected in the market values on which the assumptions are based. The impact of COVID deaths over the period 2019/22 will be included in the actuarial gains / losses item above. The mortality assumption includes no specific adjustment for COVID as our view is that it is not possible at this point to draw any meaningful conclusions on the long-term impact.
- Current high inflation: The period-end above figures allow for the impact of actual known CPI at the accounting date as noted above. The period-end assumptions then allow for expected (market implied) CPI from that point.

### 16 TRANSFERS IN

During the year there were no group transfers into the fund.

## PENSION FUND ACCOUNTS 2022/23

### 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.

	2022/23 £'000	2021/22 £'000
<b>Benefits Paid and Recharged</b>	<u>5,497</u>	<u>5,562</u>

The Fund also administers £30.9m pension payments on behalf of the Fire Service and the Teachers' pension schemes. (£26.5m in 2021/22). In 2022/2023 there were £3.1m more pension payments, compared to the previous year. 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 (AVC's)

Scheme members may make Additional Voluntary Contributions that are invested in insurance policies. From January 2023 the main provider moved from Aviva to Legal & General. There are members still with Aviva or Utmost Life & Pensions due to their type of investments, however.

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

	Contributions		Contributions	
	paid 2022/23 £000	Market value 31 March 2023 £000	paid 2021/22 £000	Market value 31 March 2022 £000
Legal & General	136	4,787	0	0
Aviva	549	445	583	5,103
Utmost Life & Pensions	0	77	0	607
	<u>685</u>	<u>5,309</u>	<u>583</u>	<u>5,710</u>

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 2022/23 £36,922 was charged to the Fund in respect of Allowances paid to the voting Members of the Avon Pension Fund Committee (£38,722 in 2021/22). Seven voting members and one non-voting member of the Avon Pension Fund Committee (including two B&NES Councillor Members) were members of the Local Government Pension Scheme during the financial year 2021/2022. (Eight voting members and one non-voting member in 2021/2022, including three B&NES Councillor Members).

#### Independent Member Related:-

Three Independent Members were paid allowances of £14,822, £15,701 and £13,689 respectively during the year for their work in relation to the Pension Fund Committee and the Investment Panel. All three Members were paid in respect of the full year. They are entitled to claim reasonable expenses which are included in the above allowances. The Independent Members are not eligible to join the Local Government Pension Scheme.

#### Employer Related:-

During the year 2022/23 the Fund paid B&NES Council £536,575 for administrative services (£518,585 in 2021/22). Various Employers paid the Fund a total of £224,911 for pension related services including pension's payroll and compiling data for submission to the actuary (£283,170 in 2021/22).

#### Pension Board Related:-

In 2022/23 £7,714 was charged to the Fund in respect of Allowances and expenses paid to the Members of the Pension Board (£7,306 in 2021/22). Six members of the Pension Board were members of the LGPS during 2022/2023 (seven members in 2021/2022).

#### 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 administering authorities, including Bath & North East Somerset Council own 10% of BPP Ltd. In 2022/23 the Pension Fund paid BPP £1,513,855 (2021/22 £1,218,692).

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.

## PENSION FUND ACCOUNTS 2022/23

### 20 KEY MANAGEMENT REMUNERATION

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

	31 March 2023 £'000	31 March 2022 £'000
Proportion of salary Recharged to Avon Pension Fund	87	52
Proportion of employers contributions recharged to Avon Pension Fund	19	11
	<u>106</u>	<u>63</u>

The Head of Business Finance & Pensions charged approximately 50% of their time to the fund. The post was replaced by the Head of Pensions who now charges 100% of their time to the fund.

### 21 OUTSTANDING COMMITMENTS

As at 31 March 2023 the Fund had outstanding commitments relating to investments in Property, Infrastructure, Secured Income and Private Debt funds that will be drawn down in tranches by the Investment Managers totalling £772.0m (31 March 2022 £468.2m)

### 22 FINANCIAL INSTRUMENTS

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

2022/23	Fair Value through Profit and Loss £'000	Assets at amortised cost £'000	Financial liabilities at amortised cost £'000
<b>Financial Assets</b>			
Long Term Investment	707		
Pooled Investments (Non-Property)	4,624,767		
Pooled Property Investments	612,977		
Derivative contracts Futures	361		
Derivative Contracts FX Hedge	36,669		
Derivative Contracts Equity Options	-		
Cash	11,469	102,128	
Other investment balances		12,732	
Debtors		18,045	
<b>Total Financial Assets</b>	<u>5,286,950</u>	<u>132,905</u>	-
<b>Financial Liabilities</b>			
Other investment balances			(282)
Derivative contracts Futures	-		
Derivative Contracts FX Hedge	(19,873)		
Creditors			(10,490)
<b>Total Financial Liabilities</b>	<u>(19,873)</u>	-	<u>(10,772)</u>
<b>Total Net Assets</b>	<u>5,267,077</u>	<u>132,905</u>	<u>(10,772)</u>
2021/22	Fair Value through Profit and Loss £'000	Assets at amortised cost £'000	Financial liabilities at amortised cost £'000
<b>Financial Assets</b>			
Long Term Investment	838		
Pooled Investments (Non-Property)	4,954,039		
Pooled Property Investments	708,665		
Derivative contracts Futures	676		
Derivative Contracts FX Hedge	-		
Derivative Contracts Equity Options	-		
Cash	26,120	144,795	
Other investment balances		98,478	
Debtors		19,881	
<b>Total Financial Assets</b>	<u>5,690,338</u>	<u>263,154</u>	-
<b>Financial Liabilities</b>			
Other investment balances			(74,787)
Derivative contracts Futures	-		
Derivative Contracts FX Hedge	(31,203)		
Creditors			(25,510)
<b>Total Financial Liabilities</b>	<u>(31,203)</u>	-	<u>(100,297)</u>
<b>Total Net Assets</b>	<u>5,659,135</u>	<u>263,154</u>	<u>(100,297)</u>

## PENSION FUND ACCOUNTS 2022/23

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

### Net gains and losses on Financial Instruments

	31st March 2023 £'000	31st March 2022 £'000
<b>Financial assets</b>		
Fair value through profit & loss	3,567	491,627
Amortised Cost - realised gains on derecognition of assets		
Amortised cost - unrealised gains	(20,008)	77,072
<b>Financial Liabilities</b>		
Fair value through profit & loss	(458,442)	(42,004)
Amortised Cost - realised losses on derecognition of assets		
Amortised cost - unrealised losses		
	<u>(474,883)</u>	<u>526,695</u>

## 23 NATURE AND EXTENT OF RISKS ARISING FROM FINANCIAL INSTRUMENTS

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 Fund. Policies are reviewed regularly to reflect changes in activity and in market conditions.

As at 31 March 2023 Brunel Pension Partnership (Brunel) manages £4.62 billion of the Fund's assets while the remaining assets are managed by other external Investment Managers. Managers 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 portfolio and its Investment Consultant advises on the nature of the investments made and associated risks.

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

Because the Fund adopts a long-term investment strategy, the high-level risks described below will not normally alter significantly during any one year unless there are significant strategic or tactical changes to the portfolio. The risk management process identifies and mitigates the risks arising from the Fund's investment strategy and policies which are reviewed regularly to reflect changes in market conditions. Although Brunel is the investment manager for a number of asset classes, it appoints a number of underlying managers to each portfolio, so there is sufficient manager diversification within the Fund.

## PENSION FUND ACCOUNTS 2022/23

### (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 investment portfolio to all these risks. The level of risk 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 underlying investment managers.

### Market Price Risk

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

All investments present a risk of loss of capital. By diversifying its investments across asset classes, geography and industry sectors, investment mandate guidelines and 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 covenants underpin 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 and is structured to protect the downside and to cap the upside above a fully funded position based on the current funding plan.

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

### Market Price Risk - Sensitivity Analysis

The sensitivity of the Fund's investments to changes in market prices has been analysed using the volatility of returns of the assets held within the Fund (provided by the Fund's advisors). The potential volatilities are consistent with a one standard deviation movement in the change in value of the assets over the three years to 31 March 2023. 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 analysis for the year ending 31 March 2023:

Asset Type	Value	% Change	Value on Increase	Value on Decrease
	£'000		£'000	£'000
Global Equities	1,897,617	13.8%	2,159,488	1,635,746
Risk Management Strategies	1,300,555	20.3%	1,564,568	1,036,542
Diversified Return Funds	336,583	7.8%	362,836	310,330
Multi Asset Credit	304,609	7.5%	327,455	281,763
Property	612,977	7.1%	656,498	569,456
Fund of Hedge Funds	22,891	4.0%	23,807	21,975
Infrastructure	633,970	12.8%	715,118	552,822
Private Debt	128,903	7.5%	138,571	119,235
Long Term Investment	707	15.0%	813	601
Cash & Equivalents	142,843	0.3%	143,272	142,414
<b>Total Investment Assets</b>	<b>5,381,655</b>		<b>6,092,425</b>	<b>4,670,885</b>

## PENSION FUND ACCOUNTS 2022/23

The analysis for the year ending 31 March 2022 is shown below:

Asset Type	Value	% Change	Value on Increase	Value on Decrease
	£'000		£'000	£'000
Global Equities	2,176,710	13.6%	2,472,743	1,880,677
Risk Management Strategies	1,119,140	15.4%	1,291,488	946,792
Diversified Return Funds	538,061	8.4%	583,258	492,864
Multi Asset Credit	315,433	8.2%	341,299	289,567
Property	708,665	3.8%	735,594	681,736
Fund of Hedge Funds	109,262	5.5%	115,271	103,253
Infrastructure	653,396	17.3%	766,434	540,358
Private Debt	42,713	9.6%	46,813	38,613
Long Term Investment	838	15.0%	964	712
Cash & Equivalents	163,403	0.1%	163,566	163,240
<b>Total Investment Assets</b>	<b>5,827,621</b>		<b>6,517,429</b>	<b>5,137,813</b>

### 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, as held through the Fund's Risk Management Strategy and Multi Asset Credit (MAC) portfolio.

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

	31/03/2023 £'000	31/03/2022 £'000
Cash and Cash Equivalents	142,843	163,402
Multi Asset Credit	304,609	315,433
Risk Management Strategy	1,300,555	1,119,140
<b>Total</b>	<b>1,748,007</b>	<b>1,597,976</b>

### 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 Risk Management Strategy and MAC portfolio as at 31 March 2023 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 through its Risk Management Strategies. The primary 'matching' instruments used in these strategies include physical instruments such as fixed interest and index-linked Government bonds (financed through "repurchase" agreements), corporate bonds and derivative instruments such as interest-rate and inflation swaps.

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

#### As at 31 March 2023

Value	Change in net assets	
	+100 bps	-100 bps
£'000	£'000	£'000
Cash and Cash Equivalents	142,843	-
Multi Asset Credit	304,609	(6,884)
Risk Management Strategy	1,300,555	(286,252)
<b>Total</b>	<b>1,748,007</b>	<b>(293,136)</b>

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 2022 is shown below:

#### As at 31 March 2022

Value	Change in net assets	
	+100 bps	-100 bps
£'000	£'000	£'000
Cash and Cash Equivalents	163,402	-
Multi Asset Credit	315,433	(9,403)
Risk Management Strategy	1,119,140	(181,860)
<b>Total</b>	<b>1,597,976</b>	<b>(191,263)</b>

**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 equities, overseas property funds, infrastructure funds and hedge funds (where the shares are denominated in US dollars). The Multi Asset Credit (MAC) portfolio also holds some assets originally denominated in foreign currencies, but as this is fully hedged at the underlying manager level a breakdown of exposures by currency was not provided for 2022/23. 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 31st March 2023	Asset value as at 31st March 2022
	£'000	£'000
Global Equities	2,107,722	1,791,741
Global Property Funds	144,114	169,986
Multi Asset Credit	-	52,733
Fund of Hedge Funds	22,891	109,262
Infrastructure Funds	44,133	34,427

**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 2023. The analysis reflects the Fund's passive hedging policy of a 50% hedge ratio on the global equity assets, and a 100% hedge ratio on the global property and hedge fund assets. Therefore, there is no currency exposure on the assets that are 100% hedged. Currency exposure and risk was reported for MAC in 2021/22 as the Fund doesn't actively hedge the portfolio, however, as currency risk is hedged at the individual underlying investment manager level, the net result is no exposure for the fund. The infrastructure assets are not currently hedged due to the relatively small exposures they contain.

A strengthening / weakening of Sterling against the various currencies by one standard deviation (expressed as a percentage) at 31 March 2023 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
Global Equities	2,107,722	4.3%	2,198,354	2,017,090
Infrastructure	44,133	6.8%	47,134	41,132

The same analysis for the year ending 31 March 2022 is shown below:

Currency Risk by Asset Type:

Asset Type	Value	% Change	Value on Increase	Value on Decrease
	£'000		£'000	£'000
Global Equities	1,791,741	4.0%	1,863,958	1,719,525
Multi Asset Credit	52,733	5.3%	55,552	49,913
Infrastructure	34,427	6.9%	36,795	32,058

**(b) Credit Risk**

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

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

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

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

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

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

## PENSION FUND ACCOUNTS 2022/23

The MAC portfolio is comprised of assets with the following array of credit ratings as at 31st March 2023:

Credit Rating	Value £'000
AAA	20,085
AA+ to AA-	326
A+ to A-	9,584
BBB+ to BBB-	48,066
BB+ to BB-	70,538
B+ to B-	113,738
CCC+ to C-	30,574
Unrated	11,699

The Fund is subject to credit risk within its general debtors although none of these would represent a material risk to the Fund. General debtors were £1.6m for 2022/23 (£3.0m for 2021/22)

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 2023 was £111.3m. This was held with the following institutions:

	31st March 2023		31st March 2022	
	Rating	Balance £'000	Rating	Balance £'000
<b>Custodian's Liquidity Fund</b>				
State Street Global Services	AAA	89,454	AAA	100,279
<b>Money Market Funds</b>				
Goldman Sachs Global Treasury Fund	AAA	2,519	AAA	1,420
Aberdeen Liquidity Fund	AAA	970	AAA	6,570
Federated Investors	AAA	30	AAA	8,840
State Street Global Advisors	AAA	950	AAA	950
CCLA - The Public Sector Deposit Fund	AAA	7,000	AAA	8,340
<b>Bank</b>				
NatWest Special Interest Bearing Account	A+	410	A+	1,840
Handelsbanken	AA	10,000		
NatWest Current Account	A+	-	A+	6

The balance on the Custodian's Liquidity Fund includes cash held across all mandates.

Brunel may conduct security lending within pooled equity portfolios. For the year ending 31 March 2023 the market value of shares on loan totalled £12.8m, which generated £0.09m in income. Lending was conducted solely through the Brunel Global High Alpha portfolio.

### (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 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, although this is rarely utilised.

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 even though they are held in pooled funds. In addition, the Fund invests in a range of Exchange Traded Funds that provide a similar liquidity profile to cash so that capital calls from the private market portfolios can be managed efficiently. The main liabilities of the Fund are the benefits payable as they fall due over a long period and the investment strategy reflects the long-term nature of these liabilities. As a result, the Fund is able to manage the liquidity risk that arises from its investments in less liquid asset classes such as property, infrastructure, private debt 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 2023 the value of the illiquid assets was £1,399m, or 26% of the total Fund assets (31 March 2022: £1,514m which represented 26% of the total Fund assets).

## 24 FAIR VALUE HIERARCHY

Fair value is the value at which the investments could be realised within a reasonable timeframe. The Fund measures fair values using the following fair value hierarchy that reflects the subjectivity of the inputs used in making an assessment of fair value. This hierarchy is not a measure of investment risk but a reflection of the ability to value the investments at fair value. Transfers between levels are recognised in the year in which they occur. 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.



## PENSION FUND ACCOUNTS 2022/23

### 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	Level 1	Published exchange prices at the year end.	Not required.	Not required.
Forward currency contracts	Level 2	Market forward exchange rates at the year end	Price of recent transactions in identical instruments, exchange rate risk	Not required.
Pooled Investment vehicles including unitised insurance policies and other managed 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 (Open Ended)	Level 2	Closing bid price where bid and offer prices are published; closing single price where single price published. Market values are in accordance with RICS valuation standards and FV processes with IPEV guidelines.	NAV based pricing set on a forward looking basis using transactional data and cash flow forecasts.	Not required.
Private Debt	Level 3	Private Debt investments are valued at the end of each quarter by the underlying fund manager and annually appraised by a 3rd party for appropriateness. The valuation method employed for each asset is at the discretion of the valuer but must fall within the standards prescribed by the relevant accounting bodies as appropriate (US GAAP and IFRS) and be in accordance with IPEV guidelines.	Initial recognition cost, principal repayments, effective interest method, impairment reductions	Valuations could be affected by material events occurring between the date of the financial statements provided and the Fund's own reporting date, by changes to expected cash flows and any differences between 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. Market values are determined as of the last calendar day of each month. Where the underlying investment funds do not report a month end NAV on a timely basis, the NAV will be determined using the most recently available month end valuation as well as other relevant information available including market inputs that may impact the performance of a particular fund.	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 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 (Property)	Level 3	Valued using a number of different market and income valuation methods as well as comparable market transactions prices. The market values are in accordance with IPEV guidelines.	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 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 regularly by the underlying manager, and appraised annually by 3rd parties for appropriateness, or by independent valuation firms. The valuation method is employed for each asset at the discretion of the appointed valuer but must fall within the standards prescribed by the relevant accounting bodies as appropriate (US GAAP and IFRS) and be in accordance with IPEV guidelines.	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 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 Fund's own reporting date, by changes to expected cash flows and any differences between audited and unaudited accounts.

## PENSION FUND ACCOUNTS 2022/23

The following sets out the Fund's financial assets and liabilities measured at fair value according to the fair value hierarchy at 31 March 2023.

	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
Pooled Investments:-				-
Equities	127,009	1,770,247		1,897,256
Risk Management Strategy	-	1,300,555		1,300,555
Fund of Hedge Funds	-	-	22,891	22,891
Diversified Return Funds	-	336,583	-	336,583
Multi Asset Credit	-	304,609		304,609
Property	-	173,098	439,879	612,977
Infrastructure	-	-	633,970	633,970
Private Debt	-	-	128,903	128,903
Long Term Investment	-	-	707	707
Cash	113,597	-		113,597
Derivatives: Forward FX	-	16,796		16,796
Derivatives: Futures	361			361
Investment Debtors/Creditors	12,450			12,450
	<b>253,417</b>	<b>3,901,888</b>	<b>1,226,350</b>	<b>5,381,655</b>

The fair value hierarchy as at 31 March 2022 was:

	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
Pooled Investments:-				-
Equities	103,102	2,072,932		2,176,034
Risk Management Strategy	-	1,119,141		1,119,141
Fund of Hedge Funds	-	-	109,262	109,262
Diversified Return Funds	-	538,061	-	538,061
Multi Asset Credit	-	315,433		315,433
Property	-	202,979	505,686	708,665
Infrastructure	-	-	653,396	653,396
Private Debt	-	-	42,713	42,713
Long Term Investment	-	-	838	838
Cash	170,915	-		170,915
Derivatives: Forward FX	-	(31,203)		(31,203)
Derivatives: Futures	676			676
Investment Debtors/Creditors	23,690			23,690
	<b>298,383</b>	<b>4,217,343</b>	<b>1,311,895</b>	<b>5,827,621</b>

There were no re-classifications of assets between levels in 2022/23.

### Reconciliation of Fair Value measurements within Level 3

Level 3	Market value 31 March 2022 £'000	Transfer into Level 2 £'000	Purchases during the year and derivative payments £'000	Sales during the year and derivative receipts £'000	Unrealised gains / losses £'000	Realised gains / losses £'000	Market value 31 March 2023 £'000
Property	505,686		43,003	(12,309)	(100,455)	3,954	439,879
Fund of Hedge Funds	109,262		-	(126,634)	2,509	37,754	22,891
Infrastructure	653,396		82,411	(159,235)	57,390	8	633,970
Private Debt	42,713		89,594	(341)	(3,063)		128,903
Long Term Investment - Equities	838				(131)		707
	<b>1,311,895</b>	<b>-</b>	<b>215,008</b>	<b>(298,519)</b>	<b>(43,750)</b>	<b>41,716</b>	<b>1,226,350</b>

## PENSION FUND ACCOUNTS 2022/23

### 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 2023.

	Assessed valuation range +/-	Value at 31 March 2023	Value on increase	Value on decrease
		£'000	£'000	£'000
Property	10%	439,879	483,867	395,891
Fund of Hedge Funds	10%	22,891	25,180	20,602
Infrastructure	15%	633,970	729,066	538,875
Private Debt	15%	128,903	148,238	109,568
Long Term Investment - Equities	15%	707	813	601
<b>Total</b>		<b>1,226,350</b>	<b>1,387,164</b>	<b>1,065,536</b>

The same analysis for 31 March 2022:

	Assessed valuation range +/-	Value at 31 March 2022	Value on increase	Value on decrease
		£'000	£'000	£'000
Property	10%	505,686	556,254	455,117
Fund of Hedge Funds	10%	109,262	120,189	98,336
Infrastructure	15%	653,396	751,406	555,387
Private Debt	15%	42,713	49,120	36,306
Long Term Investment - Equities	15%	838	964	713
<b>Total</b>		<b>1,311,895</b>	<b>1,477,933</b>	<b>1,145,859</b>

## 25 EMPLOYING BODIES

As at 31 March 2023 the following employing bodies had contributing scheme members in the Avon Pension Fund:

### Principal Councils and Service Providers

Avon Fire & Rescue Service  
Bath & North East Somerset Council  
Bristol City Council

North Somerset Council  
South Gloucestershire Council  
West of England Combined Authority

### Further & Higher Education Establishments

Bath College  
Bath Spa University  
City of Bristol College  
Offender Learning Services (part of Weston College)  
Restart Employment and Skills Limited (part of Weston College)

South Gloucestershire & Stroud College  
St. Brendan's Sixth Form College  
University of the West of England  
Weston College

### Academies and Schools

Abbeywood Community School  
Abbot Alphege Academy  
All Saints East Clevedon C of E Primary School  
Ashcombe Primary School  
Ashton Park School  
Ashton Vale Primary School  
Aspire Academy  
Avanti Gardens School  
Backwell C of E Junior School  
Backwell School  
Badock's Wood E-ACT Academy  
Bannerman Road Community Academy  
Banwell Primary School  
Barton Hill Academy  
Bathampton Primary School  
Batheaston Church School  
Bathford Church School  
Bathwick St Mary Church School  
Becket Primary School  
Bedminster Down School  
Beechen Cliff School  
Begbrook Primary Academy  
Birdwell Primary School  
Bishop Sutton Primary School  
Blagdon Primary School  
Blaise High School  
Bournville Primary School  
Bradley Stoke Community School  
Bridge Farm Primary School  
Bridge Learning Campus  
Bristol Cathedral School Trust  
Bristol Free School  
Broadlands Academy  
Broadoak Academy  
Brook Academy  
Burrington C of E Primary School  
Cabot Learning Federation  
Cabot Primary School  
Callicroft Primary School  
Cameley CEVC Primary School  
Castle Batch Primary School  
Castle Primary School (Keynsham)  
Chandag Infant School  
Chandag Junior School  
Charborough Road Primary School  
Charfield Primary School  
Charlton Wood Primary Academy  
Cheddar Grove Primary School  
Chestnut Park Primary School  
Chew Magna Primary School  
Chew Stoke Church School  
Chew Valley School  
Chipping Sodbury School  
Christ Church C of E Primary School (Bristol)  
Christ Church C of E Primary School (WSM)  
Churchill Academy  
Churchill C of E Primary School  
City Academy  
Clevedon School  
Clutton Primary School  
Combe Down C of E Primary School  
Compass Point South Street Primary School  
Corpus Christi Catholic Primary School  
Cotham Gardens Primary School  
Cotham School  
Court de Wyck Church School  
Crockerne C of E Primary School

Minerva Primary Academy  
Montpelier High School  
Moorlands Infant School  
Moorlands Junior School  
Mulberry Park Educate Together Primary  
Nailsea School  
New Siblands School  
North Star 240°  
North Star 82°  
Northleaze C of E Primary School  
Norton Hill Primary School  
Notton House Academy  
Oasis Academy Bank Leaze  
Oasis Academy Brightstowe  
Oasis Academy Brislington  
Oasis Academy Connaught  
Oasis Academy John Williams  
Oasis Academy Long Cross  
Oasis Academy Marksburby Road  
Oasis Academy New Oak  
Oldfield Park Infant School  
Oldfield Park Junior School  
Oldfield School  
Oldmixon Primary School  
Olympus Academy Trust (Central Functions)  
Orchard School Bristol  
Parklands Educate Together Primary  
Parson Street Primary School  
Patchway Community School  
Paulton Infant School  
Peasedown St John Primary School  
Pensford Primary School  
Perry Court E-ACT Academy  
Portishead Primary School  
Priory Community School  
Ralph Allen School  
Redfield Educate Together Primary Academy  
Roundhill Primary School  
Saltford C of E Primary School  
Sandford Primary School  
Severn Beach Primary School  
SGS Pegasus School  
Shoscombe Church School  
Sir Bernard Lovell Academy  
Snowdon Village  
Somerdale Educate Together Primary Academy  
Soundwell College  
St Andrews C of E Primary School  
St Andrew's Church School  
St Anne's C of E VA Primary School  
St Bede's Catholic College  
St Bernard's Catholic Primary School  
St Francis Catholic Primary School  
St Georges Church School  
St John The Evangelist Church School  
St John's C of E Primary School (Keynsham)  
St John's C of E Primary School (MSN)  
St Julian's C of E Primary School  
St Katherine's School  
St Mark's C of E School (Bath)  
St Mark's Ecumenical Anglican/Methodist Primary School  
St Martin's C of E Primary School  
St Martin's Garden Primary School  
St Mary Redcliffe C of E Primary School  
St Marys C of E Primary School (Timsbury)  
St Marys C of E Primary School (Writhlington)  
St Mary's C of E VA Primary School

## PENSION FUND ACCOUNTS 2022/23

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CST Trinity Academy	St Matthias Academy
Culverhill School	St Michael's C of E Junior Church School
Digitech Studio School	St Nicholas Chantry C of E VC Primary School
Diocese of Bristol Academy Trust (Central Functions)	St Nicholas Church School
Downend School	St Nicholas of Tolentine Catholic School
Dundry C of E Primary School	St Patrick's Catholic Primary School (Bristol)
E-Act (Central Functions)	St Peter's C of E Primary School
East Harptree Primary School	St Philip's C of E Primary School (Bath)
Easton C of E Academy	St Saviours Infant Church School
Elmlea Infant School	St Saviours Junior Church School
Elmlea Schools' Trust	St Stephen's Primary Church School
Endeavour Academy Trust (Central Functions)	St Teresa's Catholic Primary School (Bristol)
Evergreen Primary Academy	St Ursula's E-ACT Primary Academy
Fairfield High School	St Werburghs Primary School
Fairlawn Primary School	Stanton Drew Primary School
Farmborough Church Primary School	Stoke Bishop C of E Primary School
Farrington Gurney C of E Primary School	Stoke Lodge Primary School
Filton Avenue Primary School	Stoke Park Primary School
Filton Hill Primary School	Summerhill Academy
Fishponds Church of England Academy	Swainswick Church School
Flax Bourton C of E Primary School	The Castle School
Fonthill Primary School	The Dolphin School
Fosse Way School	The Kingfisher School
Four Acres Academy	The Meadows Primary School
Freshford Church School	The Mendip Studio School
Frome Vale Academy	The Sky Academy
Gatehouse Green Learning Trust	Three Ways School
Golden Valley Primary School	Tickenham C of E Primary School
Gatehouse Green Learning Trust (Central Functions)	Trinity Anglican Methodist Primary School
Gordano School	Trinity Church School
Greenfield E-ACT Primary Academy	Trust in Learning (Academies) (Central Functions)
Grove Junior School	Two Rivers C of E Primary School
Hanham Woods Academy	Tyndale Primary School
Hannah More Infant School	Ubley Primary School
Hans Price Academy	Uphill Village Academy
Hareclive E-ACT Academy	Venturers' Academy
Hayesfield Girls School	Venturers' Trust (Central Functions)
Haywood Village Academy	Victoria Park Primary School
Headley Park Primary School	Walliscote Primary School
Henbury Court Primary Academy	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	Whitchurch Primary School
Knowle DGE Academy	Wicklea Academy
Lansdown Park Academy	Widcombe C of E Junior School
Lime Hills Academy	Widcombe Infant School
Little Mead Primary Academy	Windwhistle Primary School
Locking Primary School	Winford C of E Primary School
Longvernal Primary School	Winscombe Primary School
Luckwell Primary School	Winterbourne International Academy
Lyde Green Primary School	Winterstoke Hundred Academy
Mangotsfield School	Woodlands Academy
Marksbury C of E Primary School	Woodlands Primary School
Marlwood School	Worle Community School
Mary Elton Primary School	Worle Village Primary School
May Park Primary School	Wraxall C of E VA Primary School
Mead Vale Community Primary School	Wrington C of E Primary School
Meadowbrook Primary School	Writhlington School
Mendip Green Primary School	Yate Academy
Merchants' Academy	Yatton C of E Junior School
Midsomer Norton Primary School	Yatton Infant School
Midsomer Norton Schools Partnership	Yeo Moor Primary School
Milton Park Primary School	

## PENSION FUND ACCOUNTS 2022/23

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### Designating Bodies

Aequus Developments Limited  
Almondsbury Parish Council  
Backwell Parish Council  
Bitton Parish Council  
Bradley Stoke Town Council  
Bristol Waste Company  
Charter Trustees of the City of Bath  
Churchill Parish Council  
Clevedon Town Council  
Congresbury Parish Council  
Dodington Parish Council  
Downend and Bromley Heath Parish Council  
Emersons Green Town Council  
Filton Town Council  
Frampton Cotterell Parish Council  
Hanham Abbots Parish Council  
Hanham Parish Council  
Keynsham Town Council  
Midsomer Norton Town Council  
Nailsea Town Council

Oldland Parish Council  
Patchway Town Council  
Paulton Parish Council  
Peasedown St John Parish Council  
Pill & Easton in Gordano Parish Council  
Portishead Town Council  
Radstock Town Council  
Salford Parish Council  
Sodbury Parish Council  
Stoke Gifford Parish Council  
Stoke Lodge & the Common Parish Council  
Thornbury Town Council  
Futura Commercial Services Limited  
Westerleigh Parish Council  
Westfield Parish Council  
Weston Super Mare Town Council  
Whitchurch Parish Council  
Winterbourne Parish Council  
Yate Town Council  
Yatton Parish Council

### Community Admission Bodies

Adoption West  
Alliance Homes  
Ashley House Hostel  
Bristol Music Trust  
Clifton Suspension Bridge Trust  
Destination Bristol  
Merlin Housing Society Ltd (New Staff Since 2007)  
Merlin Housing Society Ltd (SGC)

Play Station Nursery Ltd - Barley Close (SGC)  
Sirona Care & Health (Telecare Service)  
The Care Quality Commission  
The Park Community Trust Ltd  
University of Bath  
Writhlington Trust

## PENSION FUND ACCOUNTS 2022/23

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### Transferee Admission Bodies

ABM Catering Limited - Athelstan Trust	Compass Contract Services (UK) Ltd - St Mary's C of E Primary School, Writhlington
ABM Catering Limited - SGC Schools	Compass Contract Services (UK) Ltd - St Patrick's Catholic Primary School
Access Your Care Ltd (North Somerset Council)	Compass Contract Services (UK) Ltd - St Teresa's Catholic Primary School
Active Community Engagement Limited (Bristol City Council)	Compass Contract Services (UK) Ltd - St Werburgh's Primary School (BCCfw)
Active Nation UK Limited (Filton Town Council)	Compass Contract Services (UK) Ltd - Waycroft MAT (BCCfw)
Adapt Business Services Limited - North Somerset Council Campus Schools	Compass Contract Services (UK) Ltd - Westbury Park Primary School
Agilisys Limited (North Somerset Council)	Creative Youth Network - South Gloucestershire Council Youth Service
Agilisys Limited 2015 (North Somerset Council)	Direct Cleaning Services (South West) Limited - DBAT MAT
Alliance Homes - Ebdon Court	Direct Cleaning Services (South West) Limited - Palladian MAT
Alliance in Partnership Limited - Beacon Rise (SGC)	Direct Cleaning Services (South West) Limited - St Gregory's Catholic College
Alliance in Partnership Limited - Bowsland Green Primary School	Dolce Ltd - Mangotsfield C of E Primary School
Alliance in Partnership Limited - Parkwall Primary School	Edwards and Ward Ltd - Henleaze Academy
Alliance in Partnership Limited - St Anne's CEVC Primary School	Edwards and Ward Ltd - Paulton Infant School
Alliance in Partnership Limited - St Mary's CE Primary School	Edwards and Ward Ltd - St Keyna Primary School
Alliance in Partnership Limited - The Park Primary School	Expedite Complete Business Solutions Ltd - Clevedon Learning Trust
Alliance in Partnership Limited - Westbury on Trym C of E Academy	Foundation for Active Community Engagement (FACE) - South Gloucestershire Council Youth Service
Aspens Services Limited - Academies Enterprise Trust	Future Stars Coaching Limited - High Down Schools
Aspens Services Limited - Blackhorse Primary School	Glen Cleaning Company Limited - City of Bristol Council (2020)
Aspens Services Limited - Bristol City Council PFI Contract	Glen Cleaning Company Limited - Excalibur Academies Trust
Aspens Services Limited - Cabot Learning Federation	Greenwich Leisure Ltd - Bath & North East Somerset Council
Aspens Services Limited - Castle Primary School (Keynsham)	HCRG Care Services Limited (Bath & North East Somerset Council)
Aspens Services Limited - Cathedral Schools Trust	Home Life Carers Limited (North Somerset Council)
Aspens Services Limited - Culverhill School	Imperial Cleaning Services - The Tynings Primary School
Aspens Services Limited - E-ACT	Innovate Services Ltd - Cathedral Schools Trust
Aspens Services Limited - Elmlea Schools Trust	Innovate Services Ltd - Gatehouse Green Learning Trust
Aspens Services Limited - Extend Learning Academies Network	KGB Cleaning (South West) Ltd - Cathedral Schools Trust
Aspens Services Limited - Hanham Primary Federation	KGB Cleaning South West Ltd - Cabot Learning Federation
Aspens Services Limited - Kaleidoscope MAT	Lex Leisure C.I.C. (Bristol City Council)
Aspens Services Limited - The Tynings School	Liberata UK Ltd (North Somerset Council)
Aspens Services Limited - Venturers Trust	Mentoring Plus (Bath and North East Somerset Council)
Aspens Services Limited - Warmley Park Primary School	Nobilis Care West Ltd (North Somerset Council)
Atalian Servest Food Company Limited - City of Bristol College	Prestige Cleaning & Maintenance Limited - Circadian Trust
Ategi limited (South Gloucestershire Council)	Purgo Supply Services Ltd - Castle School Education Trust
BAM Construction UK Limited (Bristol City Council)	Purgo Supply Services Ltd - E-ACT
Bespoke Cleaning Services Limited - Olympus Academy Trust	Purgo Supply Services Ltd - Gatehouse Green Learning Trust
Bespoke Cleaning Services Limited - South Gloucestershire & Stroud College	Purgo Supply Services Ltd - Lighthouse Schools Partnership
Cater Link Limited - Castle Schools Education Trust	Ridge Crest Cleaning Ltd - Bristol City Council
Cater Link Limited - Cotham School	Sansum Solutions Group Limited - ELAN
Churchill Contract Services Ltd - Futura Learning Partnership	Sansum Solutions Group Limited - St Bede's Catholic College
Churchill Contract Services Ltd - Westhaven School	Shaw Healthcare - The Granary
Circadian Trust (South Gloucestershire Council)	Skanska Rashleigh Weatherfoil Ltd (Bristol City Council)
City Leap Energy Partnership Limited	SLM Community Leisure Trust (Bristol City Council)
Clever Chefs Limited - BAM Construction	SLM Fitness & Health Ltd (Bristol City Council)
Compass Contract Services (UK) Ltd - Bath and Wells MAT	Sodexo Ltd - Diocese of Bristol Academies Trust (DBAT)

## PENSION FUND ACCOUNTS 2022/23

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Compass Contract Services (UK) Ltd - Bristol City Council	Taylor Shaw - Olympus Academy Trust
Compass Contract Services (UK) Ltd - Four Acres Academy	The Brandon Trust
Compass Contract Services (UK) Ltd - North Star Academy Trust	Weston Support Services - Ashcombe Primary School
Compass Contract Services (UK) Ltd - Palladian Academy Trust	Weston Support Services - The Priory Learning Trust
Compass Contract Services (UK) Ltd - St Bede's Catholic College	Xerox (UK) Limited
Compass Contract Services (UK) Ltd - St Bernards Catholic Primary School	Youth Connect (Bath & North East Somerset Council)



## 13. Statement of Responsibilities for Avon Pension Fund Accounts

### The Council is required to:

- Make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. The Council has made the Chief Financial Officer 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.

### Chief Financial Officer responsibilities:

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

In preparing this Statement of Accounts, the Chief Financial Officer has:

- Selected suitable accounting policies and then applied them consistently.
- Made judgements which were reasonable and prudent.
- Complied with the local authority Code of Practice.

The Chief Financial Officer 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 Chief Financial Officer

I hereby certify that this statement of accounts presents a true and fair view of the financial position of the Council at the accounting date and the income and expenditure for the year ended 31 March 2023.

**Andy Rothery**

**Chief Financial Officer (S151)**

## 14. Auditors report

### Independent auditor's report to the members of Bath & North East Somerset Council on the pension fund financial statements of Avon Pension Fund by Grant Thornton UK LLP

#### Opinion on financial statements

We have audited 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 2023, which comprise the Fund Account, the Net Assets Statement and notes to the pension fund accounts, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2022/23.

In our opinion, the financial statements:

- give a true and fair view of the financial transactions of the Pension Fund during the year ended 31 March 2023 and of the amount and disposition at that date of the fund's assets and liabilities;
- have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2022/23; and
- have been prepared in accordance with the requirements of the Local Audit and Accountability Act 2014.

#### Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law, as required by the Code of Audit Practice (2020) ("the Code of Audit Practice") approved by the Comptroller and Auditor General. Our responsibilities under those standards are further described in the 'Auditor's responsibilities for the audit of the financial statements' section of our report. We are independent of the Authority in accordance with the ethical requirements that are relevant to our audit of the Pension Fund's financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### Conclusions relating to going concern

We are responsible for concluding on the appropriateness of the Chief Financial Officer's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Pension Fund's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify the auditor's opinion. Our conclusions are based on the audit evidence obtained up to the date of our report. However, future events or conditions may cause the Pension Fund to cease to continue as a going concern.

In our evaluation of the Chief Financial Officer's conclusions, and in accordance with the expectation set out within the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2022/23 that the Pension Fund's financial statements shall be prepared on a going concern basis, we considered the inherent risks associated with the continuation of services provided by the Pension Fund. In doing so we had regard to the guidance provided in Practice Note 10 Audit of financial statements and regularity of public sector bodies in the United Kingdom (Revised 2022) on the application of ISA (UK) 570 Going Concern to public sector entities. We assessed the reasonableness of the basis of preparation used by the Authority in the Pension Fund financial statements and the disclosures in the Pension Fund financial statements over the going concern period.

In auditing the financial statements, we have concluded that the Chief Financial Officer's use of the going concern basis of accounting in the preparation of the Pension Fund financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Pension Fund's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the Chief Financial Officer with respect to going concern are described in the relevant sections of this report.

### **Other information**

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

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

We have nothing to report in this regard.

### **Opinion on other matters required by the Code of Audit Practice (2020) published by the National Audit Office on behalf of the Comptroller and Auditor General (the Code of Audit Practice)**

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

### **Matters on which we are required to report by exception**

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

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

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

## **Responsibilities of the Authority and the Chief Financial Officer**

As explained more fully in the Statement of Responsibilities for the accounts the Authority is required to make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. In this authority, that officer is the Chief Financial Officer. The Chief Financial Officer is responsible for the preparation of the Statement of Accounts, which includes the Pension Fund's financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2022/23, for being satisfied that they give a true and fair view, and for such internal control as the Chief Financial Officer determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the Pension Fund's financial statements, the Chief Financial Officer is responsible for assessing the Pension Fund's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless they have been informed by the relevant national body of the intention to dissolve the Pension Fund without the transfer of its services to another public sector entity.

## **Auditor's responsibilities for the audit of the financial statements**

Our objectives are to obtain reasonable assurance about whether the Pension Fund's financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. The extent to which our procedures are capable of detecting irregularities, including fraud, is detailed below.

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the Pension Fund and determined that the most significant which are directly relevant to specific assertions in the financial statements are those related to the reporting frameworks (the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2022/23, the Local Audit and Accountability Act 2014, the Accounts and Audit Regulations 2015 the Public Service Pensions Act 2013, The Local government Pension Scheme Regulations 2013 and the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016.
- We enquired of management and the Corporate Audit Committee, concerning the Authority's policies and procedures relating to:
  - the identification, evaluation and compliance with laws and regulations;
  - the detection and response to the risks of fraud; and
  - the establishment of internal controls to mitigate risks related to fraud or non-compliance with laws and regulations.
- We enquired of management, internal audit and the Corporate Audit Committee, whether they were aware of any instances of non-compliance with laws and regulations or whether they had any knowledge of actual, suspected or alleged fraud.
- We assessed the susceptibility of the Pension Fund's financial statements to material misstatement, including how fraud might occur, by evaluating management's incentives and opportunities for manipulation of the financial statements. This included the evaluation of the risk of management override of controls. We determined that the principal risks were in relation to the valuation of level 3 investments.
- Our audit procedures involved:
  - evaluation of the design effectiveness of controls that management has in place to prevent and detect fraud,
  - journal entry testing, with a focus on large and unusual entries,

- challenging assumptions and judgements made by management in its significant accounting estimates in respect of level 2 and level 3 Investments and IAS 26 pensions liability valuations, and
- assessing the extent of compliance with the relevant laws and regulations as part of our procedures on the related financial statement item.
- These audit procedures were designed to provide reasonable assurance that the financial statements were free from fraud or error. The risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error and detecting irregularities that result from fraud is inherently more difficult than detecting those that result from error, as fraud may involve collusion, deliberate concealment, forgery or intentional misrepresentations. Also, the further removed non-compliance with laws and regulations is from events and transactions reflected in the financial statements, the less likely we would become aware of it.
- We communicated relevant laws and regulations and potential fraud risks to all engagement team members, including the risk of management override. We remained alert to any indications of non-compliance with laws and regulations, including fraud, throughout the audit.
- Our assessment of the appropriateness of the collective competence and capabilities of the engagement team included consideration of the engagement team's.
  - understanding of, and practical experience with audit engagements of a similar nature and complexity through appropriate training and participation
  - knowledge of the local government pensions sector
  - understanding of the legal and regulatory requirements specific to the Pension Fund including:
    - the provisions of the applicable legislation
    - guidance issued by CIPFA/LASAAC and SOLACE
    - the applicable statutory provisions
- In assessing the potential risks of material misstatement, we obtained an understanding of:
  - the Pension Fund's operations, including the nature of its income and expenditure and its services and of its objectives and strategies to understand the classes of transactions, account balances, expected financial statement disclosures and business risks that may result in risks of material misstatement.
  - the Authority's control environment, including the policies and procedures implemented by the Authority to ensure compliance with the requirements of the financial reporting framework.

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

### **Use of our report**

This report is made solely to the members of the Authority, as a body, in accordance with Part 5 of the Local Audit and Accountability Act 2014 [and as set out in paragraph 44 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

**28 November 2023**

## **15. Summary of Financial Statistics.**

See overleaf.

<b>SUMMARY REVENUE FUND ACCOUNT</b>					
<b>Year Ended 31 March</b>	<b>2023</b>	<b>2022</b>	<b>2021</b>	<b>2020</b>	<b>2019</b>
<b>Revenue Account</b>	<b>£m</b>	<b>£m</b>	<b>£m</b>	<b>£m</b>	<b>£m</b>
<b>Income</b>					
Net Contributions	202.8	185.7	211.2	161.6	153.9
Investment Income	61.9	25.7	21.0	32.5	37.0
Net Cash Transfer	0.5	4.5	3.6	7.7	-0.7
<b>Total</b>	<b>265.2</b>	<b>215.9</b>	<b>235.8</b>	<b>201.8</b>	<b>190.2</b>
<b>Expenditure</b>					
Pension & Benefits	197.8	192.4	183.2	181.2	171.9
Investment Management Expenses	19.7	32.2	19.4	26.9	19.3
Administration Costs	5.6	4.7	4.3	4.2	3.5
<b>Total</b>	<b>223.1</b>	<b>229.3</b>	<b>206.9</b>	<b>212.3</b>	<b>194.7</b>
Surplus for the Year	42.1	-13.4	28.9	-10.5	-4.5
Revaluation of Investments	-474.9	526.7	808.0	-335.5	221.4
Change in Fund Value	-432.8	513.3	836.9	-346.0	216.9
<b>Total Fund Value</b>	<b>5389.2</b>	<b>5822.0</b>	<b>5308.7</b>	<b>4471.8</b>	<b>4817.8</b>
	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.				

<b>Analysis of Fund's Investment Assets</b>	
	<b>Total</b>
Equities	2,479
Bonds	1,026
Property	628
Diversified Strategies	337
Infrastructure	634
Cash & Other	279
	<b>5,383</b>

An analysis of the movement in the Fund's non-investment assets is included in Note 12 and Note 12a to the Final Accounts

<b>Analysis of Investment Income accrued during the reporting period</b>	
	<b>Total</b>
Equities	-
Bonds	3.1
Property	32.6
Diversified Strategies	-
Infrastructure	2.5
Cash & Other	23.7
	<b>61.9</b>

<b>BUDGET v OUTTURN REPORT ON THE COSTS TO THE FUND</b>					
	<b>Budget</b>	<b>Budget</b>	<b>Actual</b>	<b>Budget</b>	<b>Actual</b>
	<b>2023/24</b>	<b>2022/23</b>	<b>22/23</b>	<b>2021/22</b>	<b>21/22</b>
	<b>£m</b>	<b>£m</b>	<b>£m</b>	<b>£m</b>	<b>£m</b>
<b>Administrative Costs</b>					
Management Costs	3,397	2,351	2,143	2,207	1,926
Administration and Processing	1,087	945	891	701	606
Service from Administrating Body	479	512	508	483	491
Fees and income	(420)	(402)	(316)	(221)	(277)
	<b>4,543</b>	<b>3,406</b>	<b>3,226</b>	<b>3,170</b>	<b>2,746</b>
<b>Investment Management Expenses</b>					
Fund Manager Base Fees	19,467	23,165	18,473	19,339	19,842
Custody & Transaction costs	46	44	55	44	51
	<b>19,513</b>	<b>23,209</b>	<b>18,528</b>	<b>19,383</b>	<b>19,893</b>
<b>Oversight &amp; Governance costs</b>					
Management Costs	980	878	872	785	765
Specialist advice and Governance	1,641	1,753	1,642	1,528	1,439
Actuarial recharges	(273)	(246)	(177)	(192)	(317)
Audit fees	88	63	69	56	54
	<b>2,436</b>	<b>2,448</b>	<b>2,406</b>	<b>2,177</b>	<b>1,941</b>
	<b>26,492</b>	<b>29,063</b>	<b>24,160</b>	<b>24,730</b>	<b>24,580</b>

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

<b>FUND CASH FLOW</b>	<b>FULL YEAR 2022/23</b>		
	<b>Forecast Per</b>		
	<b>Service Plan</b>	<b>Out-turn</b>	
		<b>£'000</b>	<b>£'000</b>
<b>Outflows</b>			
Benefits	Pensions	(167,388)	(164,599)
	Lump sums	(23,919)	(25,364)
Administration costs		(8,767)	(9,897)
<b>Total Outflows</b>		<b>(195,944)</b>	<b>(196,490)</b>
<b>Inflows</b>			
Deficit recovery		5,000	4,689
Deficit recovery - paid in advance		7,542	8,225
Future service Contributions		103,597	122,480
Future service Contributions - paid in advance		62,765	51,373
<b>Total Contributions</b>		<b>178,904</b>	<b>186,767</b>
<b>Net Cash Flow (excluding Investment Income and Transfers)</b>		<b>(21,170)</b>	<b>(13,093)</b>
Net Transfers In & Out (budgetted as zero)		-	221
Investment income received as cash		21,500	7,239
<b>Net Cash In-Flow (Out-Flow)</b>		<b>330</b>	<b>(6,075)</b>
<p>Future Service contributions paid in advance were lower than expected when an employer elected to not pay their contributions in advance after the budget was set. This did not have a detrimental effect on cashflows for the year.</p>			

<b>Timeliness Analysis of Contributions Payments</b>		<b>£'000</b>
Total Contributions due in year		202,854
Total contributions received late by:		<b>£'000</b>
	1 day	-
	2 days	-
	3 days	0
	Over 3 days	453
		<b>453</b>
Percentage of contributions received late		0.22%
<p>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.</p>		

<b>Pension Overpayments by financial year</b>			
<p>The table below shows an analysis of the pension benefits overpaid compared to the total retirement pensions paid for the year. Pension overpayments mainly relate to overpayment of pensioners between the date of their death and notification.</p>			
	Overpayments invoiced	Annual Payroll	% of payroll
	£000s	£000s	
2018/19	350	142,405	0.25%
2019/20	111	149,862	0.07%
2020/21	94	155,356	0.06%
2021/22	146	159,686	0.09%
2022/23	125	168,770	0.07%



## 16. 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 2022/23, which came into effect from the first Monday following the new tax year on 10 April 2023, was 10.1%. The full increase for the previous year 2021/22, which came into effect from 11 April 2022, was 3.1%.

### Active Members - CARE Pension Accounts

Career average pensions that have been built up by active fund members 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 2022/23, which came into effect from \*6 April 2023 was 10.1%, with the full increase for the previous year 2021/22, which came into effect from 1 April 2022, being 3.1%.

\* On 9 March 2023, the Department for Levelling Up, Housing and Communities (DLUHC) laid the LGPS (Amendment) Regulations 2023 ('the regulations'). The regulations moved the annual revaluation date for active members from 1 April to 6 April. The regulations are effective from 31 March 2023.

Currently in the LGPS, the scheme year runs from 1 April to 31 March. The scheme's revaluation was previously applied on 1 April each year, which is the first day of the LGPS scheme year. The change to the regulations means that the revaluation will now happen on 6 April each year to take account of the impact of inflation over the previous scheme year. **The new regulations will remove the impact of high inflation on the annual allowance and reduce the number of members incurring a tax charge.**

### The State Guaranteed Minimum Pension (GMP) Indexation

The public service schemes were previously required to provide full CPI pension increases on GMP benefits for members who reach State Pension Age between 6 April 2016 and 5 April 2021. This has been extended for all members reaching State Pension Age from 6 April 2021 onwards.

## 17. Contacts

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

Or you can write to us at:  
Avon Pension Fund,  
Bath and North East Somerset Council  
Lewis House  
Manvers Street  
Bath  
BA1 1JG

Telephone: 01225 395100  
Fax: 01225 395258

General information about the Avon Pension Fund can be found at:  
[www.avonpensionfund.org.uk](http://www.avonpensionfund.org.uk)

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

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

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

**Community Admission Bodies** Bodies which either have sufficient links with a Scheme employer, and provide 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 normally be claimed at any time between the ages of 55 and 75, but will be reduced if paid before the member's Normal Pension Age or increased if paid after.

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

**Fund Benchmark** The Fund benchmark reflects the asset mix determined by the Fund. It is expressed in terms of asset proportions and market indices (e.g. 45% UK Equities invested in the FTSE-Actuaries All Share Index). On this basis a benchmark return can

be calculated. The significance of this benchmark is that it represents 'normal fund policy'.

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

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

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

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

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

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

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

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

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

**Pooled Funds** Pooled Funds are funds which manage the investments of more than one investor on a collective basis. Each investor is allocated units in the fund which are

revalued at regular intervals. Income from these investments is normally reinvested in the pooled fund automatically which increases the value of the units.

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

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

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

## 19. Appendices

**Appendix A** – Avon Pension Fund Pension Board Annual Report 2022

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

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

<https://www.avonpensionfund.org.uk/how-avon-pension-fund-works>

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

**Appendix C** – Terms of Reference for the Local Pension Board

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

**Appendix D** - Governance Compliance Statement

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

**Appendix E** – Administration Strategy

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

**Appendix F** - Communications Policy Statement

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

**Appendix G** – Investment Strategy Statement

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

**Appendix H** - Funding Strategy Statement

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

## **Avon Pension Fund**

Bath and North East Somerset Council  
Lewis House  
Manvers Street  
Bath  
BA1 1JG

**Tel:** 01225 39 5100

**Email:** [avonpensionfund@bathnes.gov.uk](mailto:avonpensionfund@bathnes.gov.uk)

**Website:** [www.avonpensionfund.org.uk](http://www.avonpensionfund.org.uk)

Alternative formats of this document  
can be made available on request.

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