

THE AVON PENSION FUND – BACKGROUND

Bath & North East Somerset Council administers the Avon Pension Fund on behalf of approximately 400 employing bodies (i.e. those with current contributors) mostly situated in the former Avon County Council area. The four unitary councils account for c. 56% of the contributing members. The total number of scheme members as at 31 March 2019 was 111,145, of whom 33% were contributors, 29% were pensioners and 38% deferred pensioners.

Bath & North East Somerset Council is one of 89 Councils which administer the Local Government Pension Scheme (LGPS) in the United Kingdom. At c. £4.7bn, the Avon Pension Fund is one of the larger funds.

The LGPS is a statutory scheme, with all benefits guaranteed. The LGPS provides pensions based on final salary for service until 31 March 2014 and on Career Average Revalued Earnings (CARE) for service accruing from 1 April 2014.

Fund Governance

As administering authority for the Avon Pension Fund, Bath & North East Somerset Council has delegated responsibility for the Fund to the pensions committee, the primary decision making body for the Fund. The Public Service Pensions Act 2013 also requires each local LGPS fund to have a Pensions Board. This Board does not replace the pensions committee; its role is to ensure compliance with the relevant regulations and codes of practice and also to assist the administering authority in achieving its administration strategy.

Administration Strategy

The administration strategy sets out policies in relation to its liaison and communication with scheme employers and how it intends to improve performance and meet all statutory requirements.

Investment Strategy

The Fund can meet its pension payments from contributions paid into the fund and from its investment income. The investment strategy is determined by the pensions committee, and is currently implemented by external managers appointed by the Fund and by Brunel Pension Partnership.

The Fund is a member of the Brunel Pension Partnership (Brunel) who, from April 2018 has been responsible for implementing the Fund's Investment Strategy. The Fund's assets are transferring to portfolios offered by Brunel with most of the quoted assets transferring by end 2021. Once Avon's assets are within a Brunel portfolio, the appointment, monitoring and deselection of managers will be the responsibility of BPP Ltd, the FCA asset manager owned by the partnership.

Funding Strategy

The regulations require that the liabilities are valued every three years. The actuarial valuation sets the contribution rates and the deficit payments for the next three years. Each employer in the fund has an employer specific contribution rate set and deficit payment plan.

The last valuation was done at 31 March 2016. At this date the liabilities were valued at £4.355 billion and the assets at £3.737 billion giving a deficit of £618 million. This equated to a funding level of 86%. The next valuation is due as at 31 March 2019, with new contribution rates effective from 01 April 2020.

The funding position is reviewed regularly by the Committee. At 31 March 2019 the funding level had improved to 96% and the deficit fallen to £181m. Strong returns from the investment portfolio since 2016 means the Fund is in a much better position going into the 2019 valuation

The Fund has its own website www.avonpensionfund.org.uk which contains extensive information about the Fund.