

## PENSION FUND ACCOUNTS 2020/21

### Fund Account

For the Year Ended 31 March 2021

	Notes	2020/21 £'000	2019/20 £'000
<b>Dealing with members, employers and others directly involved in the fund</b>			
Contributions Receivable	4	(211,176)	(161,648)
Transfers In		(8,235)	(20,452)
		<b>(219,411)</b>	<b>(182,100)</b>
Benefits Payable	5	183,251	181,242
Payments to and on account of Leavers	6	4,701	12,818
		<b>187,952</b>	<b>194,060</b>
<b>Net (additions) / withdrawals from dealings with members</b>		<b>(31,459)</b>	<b>11,960</b>
Management Expenses	7	23,684	31,102
<b>Net (additions)/withdrawals including fund management expenses</b>		<b>(7,775)</b>	<b>43,062</b>
<b>Returns on Investments</b>			
Investment Income	8	(21,017)	(32,568)
Profits and losses on disposal of investments and change in value of investments	9	(808,096)	335,511
<b>Net Returns on Investments</b>		<b>(829,113)</b>	<b>302,943</b>
<b>Net (Increase) in the net assets available for benefits during the year</b>		<b>(836,888)</b>	<b>346,005</b>
<b>Opening Net Assets of the Fund</b>		<b>4,471,822</b>	<b>4,817,827</b>
<b>Closing Net Assets of the Fund</b>		<b>5,308,710</b>	<b>4,471,822</b>

### Net Assets Statement at 31 March 2021

	Notes	31 March 2021		31 March 2020	
		£'000	%	£'000	%
<b>INVESTMENT ASSETS</b>					
Equities		0	-	147,306	3.3
Bonds		0	-	0	-
Property Pooled Investment vehicles		534,294	10.1	424,153	9.5
Non Property Pooled Investment Vehicles	10	4,584,191	86.4	3,778,471	84.5
Cash Deposits		117,641	2.2	143,135	3.2
Derivative Contracts (Foreign Exchange hedge)		63,767	1.2	0	-
Derivative Contracts: FTSE Futures		0	-	1,078	-
Long-Term Investments		768	-	427	-
Other Investment balances		1,438	-	3,249	0.1
Total Investment Assets		<b>5,302,099</b>		<b>4,497,819</b>	
<b>INVESTMENT LIABILITIES</b>					
Derivative Contracts (Foreign Exchange hedge)		-	-	(30,367)	(0.7)
Derivative Contracts: FTSE Futures		(110)	-	0	-
Other Investment balances		-	-	(413)	-
Total Investment Liabilities		<b>(110)</b>		<b>(30,780)</b>	
<b>TOTAL NET INVESTMENTS</b>	10	<b>5,301,989</b>		<b>4,467,039</b>	
Long Term Debtors	12a	213	-	212	-
<b>Net Current Assets</b>					
Current Assets	12	15,019	0.3	14,206	0.3
Current Liabilities	12	(8,511)	(0.2)	(9,635)	(0.2)
<b>Net assets of the scheme available to fund benefits at the period end</b>		<b>5,308,710</b>	<b>100.0</b>	<b>4,471,822</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 2021. The actuarial present value of these liabilities is disclosed in note 15.

## Notes to Accounts - Year Ended 31 March 2021

### 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 2020 to 31 March 2021.

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 2020/21 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 1.23. They do not take account of liabilities to pay pensions and other benefits in the future.

#### Impact of COVID-19 Pandemic

1.4 The Accounts and Audit (Coronavirus) (Amendment) Regulations 2021 came into force on 31 March 2021. The Regulations extend the publication date for local authority audited accounts to 30 September 2021. The public inspection period will start on 1 August 2021. These regulations apply only in relation to annual accounts relating to the 2020/21 financial year. These regulations were provided in order for authorities to have additional time to complete the audit of their accounts for 2020/21, given the likely impact of the COVID19 virus on availability of local authority staff and auditors to complete the audit process within current deadlines.

1.5 Staff have been working from home during the year end process and audit. The Fund is largely operating as business as usual having adapted work processes to be delivered remotely.

Although investment markets were very volatile during 2020, most assets have recovered from low valuations at March 2020 and into 2021 volatility has subsided. However, the environment in which our employers operate has been negatively affected by the economic shock from the pandemic and the significant lockdowns in the UK. Any long term impact of the pandemic on the Fund is as yet uncertain but there could be consequences in terms of the investment and funding strategies and managing employer risk. The funding and investment strategies are kept under review as are employer contribution plans so that any potential changes can be managed effectively.

#### 1.6 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 2019. The market value of the Fund's assets at the valuation date was £4,818m. The Actuary estimated that the value of the Fund was sufficient to meet 94% of its expected future liabilities of £5,102m in respect of service completed to 31 March 2019, with a deficit of £284m.

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

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

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

1.9 The 2019 triennial valuation was completed during 2019/20 using market prices and membership data as at 31 March 2019. The 2019 valuation set the employer contribution rates for future service and deficit recovery payments (expressed as a monetary amount payable annually) with effect from 1 April 2020. The discount rate used in the 2019 valuation is based on CPI plus a real investment return of 1.75% p.a. for past service (the secondary contribution rate) and CPI plus 2.25% p.a. for future service (the primary contribution rate). The discount rate for the lower risk investment strategy was 2.6% p.a..

1.10 The Actuary has estimated that the funding level has increased to 96.9% from 84% a year earlier based on the 2019 valuation financial assumptions. The improvement in the funding level is due to the recovery in asset values over the same period.

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

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- 1.12 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.
- 1.13 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

- 1.14 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.
- 1.15 The Fund's assets are currently managed externally by investment managers appointed and monitored by the Fund. The Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016 require funds to pool their investments assets from 1 April 2018. As a consequence the Fund is a member of Brunel Pension Partnership, a pool of 10 LGPS funds, which has established an FCA regulated company, Brunel Pension Partnership Limited (Brunel), to manage the assets of the pool. Each LGPS fund in the pool is a shareholder owning an equal share of the company. Since July 2018 the Fund's assets have gradually transitioned to Brunel. Once assets have transferred, Brunel is responsible for appointing and monitoring managers and other investment related operational aspects of the Fund. The Investment Strategy Statement will be updated during this transition to reflect the changing responsibilities.
- 1.16 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 index option contracts.
  - (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

- 1.17 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

- 1.18 Investments are shown in the accounts at fair value, which has been determined as follows:
- i) Quoted Securities have been valued at 31 March 2021 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, unutilised 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 2021 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 and their external auditors.
  - 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 2021.
  - 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.

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### Contributions

- 1.19 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 2020/21 relate to the 2019 valuation and the employer contribution rates range from 9.4% 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 2021.
- 1.20 Normal contributions both from members and the employer are accounted for on an accruals basis in the payroll period to which they relate. Employer deficit funding contributions are accounted for on the due dates on which they are payable under the schedule of contributions set by the scheme actuary or on receipt if earlier than the due date.

### Benefits, Refunds of Contributions and Cash Transfer Values

- 1.21 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.
- 1.22 Benefits payable and refunds of contributions have been brought into the accounts as they fall due.
- 1.23 Cash Transfer Values are those sums paid to or received from other pension schemes and relate to previous periods of pensionable employment. Individual transfers in/out are accounted for when received/paid, which is normally when the member liability is accepted or discharged. Accruals are only made when it is certain that a transfer is to take place.
- 1.24 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

- 1.25 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

- 1.26 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.
- 1.27 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

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

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

1.29 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

**Market Value of investments**

The Fund's investments are revalued on a monthly basis using quoted prices in active markets or by reference to markets which are not considered to be active but are valued based on quoted market prices, dealer quotations or alternative pricing sources supported by observable inputs with the exception of unlisted assets such as the Hedge Funds (£277m), the Property (£362m) and Infrastructure (£514m) Limited Partnerships and the shareholding in Brunel Pension Partnership (£0.8m). While market values are not estimates, the method of valuation does mean that future values may fluctuate.

In the 2019/20 accounts the impact of the pandemic on market prices meant that less certainty could be attached to valuations than would normally be the case. For 2020/21 markets have recovered and we can attach more weight to previous market evidence and other inputs to inform opinions of value. The subjectivity of the inputs used in making an assessment of fair value is explained in Note 24.

For every 1% increase in Market Value the value of the Fund will increase by £53m with a decrease having the opposite effect.

**Unlisted Assets**

The Hedge Fund, Infrastructure and Property Limited Partnerships 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 +/- £115m in total Fund assets. Note 24 shows the sensitivity of these assets to changes in value in more detail.

**Actuarial present value of promised retirement benefits (Note 15)**

Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. Mercer, a firm of consulting actuaries, is engaged to provide the authority with expert advice about the assumptions to be applied.

The effects on the actuarial present value of promised retirement benefits (the Fund's liabilities) of changes in individual assumptions can be measured. For instance, based on the 2019 actuarial valuation results:

- a 0.25% per annum reduction in the real investment return assumption would increase deficit by £219m (to £503m)
- a 0.25% per annum increase in the assumed pensionable salary growth would increase the deficit by £16m (to £300m)
- a 0.25% per annum increase in the long term improvement rate in life expectancy would increase the deficit by £34m (to £318m)
- a 25% fall in asset value would increase the deficit by £1,205m (to £1,489m)

### Events After the Balance Sheet Date

1.30 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

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

### Critical Judgements in Applying Accounting Policies

1.32 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.

The net pension fund liability is recalculated every three years by the Scheme Actuary. The methodology used is in line with accepted guidelines. This estimate is subject to significant variances based on changes to the underlying assumptions which are agreed with the Actuary and have been summarised in Note 1.8 above. These actuarial revaluations are used to set future contribution rates and underpin the fund's most significant investment management policies, for example in terms of the balance struck between longer term investment growth and short-term yield/return.

Note 23 Nature and extent of risks arising from financial instruments details the Fund's approach to managing risk. None of the Fund's investments are impaired.

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.

IFRS 16 Lease Accounting will apply to CIPFA Accounts for the financial year 21/22 onwards. 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.

1.33 There has been a reclassification of investment assets in the accounts for 2019/20. It is considered that the reclassification is a more appropriate representation of the assets held by the Fund and provides consistency with the Net Assets statement (NAS) and throughout the notes. The reclassification affects the following notes where the investments are analysed at the asset level, Note 10 - Investment Assets, Note 23 – Financial Risk Management, Note 24 – Fair Value Hierarchy.

In these notes the changes are as follows: The Secured Income Portfolio of £69.1m as at 31 March 2020 included pooled property (£17.6m) and infrastructure (£51.5m) funds. These are now split between pooled property and pooled infrastructure. The Risk Management Strategy (£937.2m as at 31 March 2020) was split into its component parts, namely, Liability Driven Investments (£287.6m), Equity Protection Strategy (£118.8m), pooled Equity Fund (£414.9m), Corporate Bond Portfolio (£113.5m) and Cash (£1.3m). It has been reclassified as a single pooled vehicle consistent with the other pooled vehicles held by the Fund.

The reclassification does not materially affect the NAS and so no restatement is required. In terms of Secured Income, the notes have been reclassified to match the NAS. Predominantly the changes relating to the Risk Management Strategy were all within non-property pooled. This leaves one immaterial difference remaining between NAS and the notes of £1.3m in Cash which has been reclassified to Pooled Investment Vehicles as it relates to the cash held in the Risk Management Strategy.

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### 2 MEMBERSHIP

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

	31 March 2021	31 March 2020
<b>Employed Members</b>	<b>39,159</b>	38,064
<b>Pensioners</b>	<b>34,885</b>	33,602
<b>Members entitled to Deferred Benefits</b>	<b>42,538</b>	42,508
<b>Undecided Leavers</b>	<b>8,740</b>	7,538
<b>TOTAL</b>	<b><u>125,322</u></b>	<u>121,712</u>

A further estimated 818 (818 in 2019/20) ex-members whose membership was for up to 2 years before 1 April 2014 or up to 3 months after that date are due refunds of contributions.

### 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:-

	2020/21 £'000	2019/20 £'000
<b>Employers' normal contributions</b>		
Scheduled Bodies	99,345	83,909
Administering Authority	10,192	8,538
Admission Bodies	8,024	7,829
	<u>117,561</u>	<u>100,276</u>
<b>Employers' deficit Funding</b>		
Scheduled Bodies	40,175	16,498
Administering Authority	6,817	0
Admission Bodies	1,429	699
	<u>48,421</u>	<u>17,197</u>
<b>Total Employer's normal &amp; deficit funding</b>	<b><u>165,982</u></b>	<b><u>117,473</u></b>
<b>Employers' contributions - Augmentation</b>		
Scheduled Bodies	628	1,318
Administering Authority	29	950
Admission Bodies	157	319
	<u>814</u>	<u>2,587</u>
<b>Members' normal contributions</b>		
Scheduled Bodies	37,181	34,623
Administering Authority	3,907	3,704
Admission Bodies	2,579	2,719
	<u>43,667</u>	<u>41,046</u>
<b>Members' contributions toward additional benefits</b>		
Scheduled Bodies	541	450
Administering Authority	118	56
Admission Bodies	54	36
	<u>713</u>	<u>542</u>
<b>Total</b>	<b><u>211,176</u></b>	<b><u>161,648</u></b>

The increase in Employers' contributions between 2019/20 and 2020/21 is mainly due to employers paying deficit contributions for three years in advance (£37.96m). The remaining increase is due to an overall increase in the primary contribution rate between valuation periods

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

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

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### 5 BENEFITS PAYABLE

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

	2020/21 £'000	2019/20 £'000
Retirement Pensions	155,336	149,862
Commutation of Pensions and Lump Sum Retirement Benefits	24,017	27,527
Lump Sum Death Benefits	3,898	3,853
	<u>183,251</u>	<u>181,242</u>

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

	2020/21 £'000	2019/20 £'000
Scheduled & Designating Bodies	149,709	148,027
Administering Authority	18,694	18,338
Admission Bodies	14,848	14,877
	<u>183,251</u>	<u>181,242</u>

### 6 PAYMENTS TO AND ON ACCOUNT OF LEAVERS

#### Leavers

	2020/21 £'000	2019/20 £'000
Refunds to members leaving service	695	1,148
Individual Cash Transfer Values to other schemes	4,006	11,670
Group Transfers	0	0
	<u>4,701</u>	<u>12,818</u>



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### 7 MANAGEMENT EXPENSES

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

	2020/21	2019/20
	£'000	£'000
Administrative Costs	2,456	2,408
Oversight & Governance Costs	1,840	1,752
Investment Management Expenses	19,388	26,942
	<u>23,684</u>	<u>31,102</u>

#### Further Analysis of Management Expenses:-

<b>Administrative Costs</b>		
Management Costs	1,571	1,555
Administration and Processing	578	568
Service from Administrating Body	506	490
Fees and Income	(199)	(205)
	<u>2,456</u>	<u>2,408</u>
<b>Oversight &amp; Governance Costs</b>		
Management costs	682	609
Specialist advice and Governance	1,293	1,349
Actuarial recharges	(206)	(244)
Audit Fees	57	32
Audit Related Service	14	6
	<u>1,840</u>	<u>1,752</u>
<b>Investment Management Expenses (Note 7a)</b>		
	19,388	26,942
	<u>23,684</u>	<u>31,103</u>

Management costs in Oversight & Governance Costs include investments, actuarial and accounting staff costs. Audit fees include; £0.037m external audit fee as set out in the Audit Plan (2019/20 £0.022m) and £0.020m internal audit charge (2019/20 £0.008m) The audit related service of £0.014m is for an additional external fee relating to information provided to the actuary regarding individual employers' IAS19 disclosures in 2019/20 and 2020/21 (£0.007m per year).

### 7a INVESTMENTS MANAGEMENT EXPENSES

2020/21	Total £000	Management	Performance	Transaction
		Fees £000	related fees £000	costs £000
Equity	415	414	0	1
Bonds	0	0	0	0
Pooled Property	1,404	3,144	(1,740)	0
Private Infrastructure	722	722	0	0
Derivatives	412	410	0	2
Pooled Investments *	16,392	13,309	3,058	25
	<u>19,345</u>	<u>17,999</u>	<u>1,318</u>	<u>28</u>
Custody Fees	43			
Total	<u>19,388</u>			
2019/20	Total £000	Management	Performance	Transaction
		Fees £000	related fees £000	costs £000
Equity	2,547	2,365	0	182
Bonds	138	138	0	0
Pooled Property	2,070	3,108	(1,038)	0
Private Infrastructure	264	264	0	0
Derivatives	435	429	0	6
Pooled Investments *	21,450	16,814	4,624	12
	<u>26,904</u>	<u>23,118</u>	<u>3,586</u>	<u>200</u>
Custody Fees	38			
Total	<u>26,942</u>			

\* Included within Pooled Investments is £1.278m (£1.437m in 19/20) paid to Brunel Pension Partnership for core investment services.

The analysis of Investment Management expenses has been changed to follow CIPFA guidance for the 20/21 Final Accounts.

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 20/21 represent a reduction in the provision for pooled property (£1.740m) and a payment in year for pooled investments (£3.058). The current total provision for performance fees is included in note 12 Current Asset and Liabilities.

Of the £19.3m of investment management fees, £7.3m relates to the fees paid to the underlying managers of the portfolios managed by Brunel. During the year assets transferred from the legacy equity manager to Brunel pooled funds causing the equity related fees to fall from 2019/20. Overall, pooling of assets has achieved investment fee savings to date.

## PENSION FUND ACCOUNTS 2020/21

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### 8 INVESTMENT INCOME

	2020/21 £'000	2019/20 £'000
Dividends from equities	2,153	13,020
Income from pooled Property Investments	13,003	14,810
Income from other pooled investment vehicles	5,650	3,977
Interest on cash deposits	202	556
Other Income (including Stock Lending)	9	205
<b>TOTAL</b>	<b><u>21,017</u></b>	<b><u>32,568</u></b>

The decrease in income from dividends from equities is because the fund has transitioned its assets away from segregated equities to pooled funds managed by Brunel in year.

The Fund had an arrangement with its custodian (State Street Trust and Bank) to lend eligible securities from its portfolio to third parties in return for which the third parties paid fees to the fund. The third parties provided collateral to the Fund which was held during the period of the loan. This arrangement ceased when the Fund's segregated equity assets transferred to Brunel in 2020/21. Brunel has a similar arrangement for select portfolios with their custodian. 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 £10.4m stock on loan, secured by collateral of £11.3m. During the year the Fund's share of stock lending income in this portfolio was £0.03m.

## PENSION FUND ACCOUNTS 2020/21

### 9 CHANGE IN TOTAL NET ASSETS

Change in Market Value of Investments	Value at 31/03/20 £'000	Purchases at Cost £'000	Sales Proceeds £'000	Change in Market Value £'000	Value at 31/03/21 £'000
Equities	147,306	384	(152,865)	5,175	-
Long Term Investments	427	-	-	341	768
Pooled Investments-					
- Property	424,153	288,021	(158,905)	(18,975)	534,294
- Non Property	3,778,471	1,191,182	(1,079,291)	693,829	4,584,191
Derivatives					
- Foreign Exchange Hedge	(30,367)	50,706	(57,775)	101,203	63,767
- FTSE Futures	1,078	580	(6,061)	4,293	(110)
<b>Sub Total</b>	<b>4,321,068</b>	<b>1,530,873</b>	<b>(1,454,897)</b>	<b>785,866</b>	<b>5,182,910</b>
Cash Deposits	143,135	511,950	(530,602)	(6,842)	117,641
Net Purchases & Sales		2,042,823	(1,985,499)	57,324	
Investment Debtors & Creditors	2,836			(1,398)	1,438
Total Investment Assets	4,467,039				5,301,989
Long Term Debtors	212			1	213
Current Assets	4,571			1,937	6,508
Less Net Revenue of Fund				(28,792)	
<b>Total Net Assets</b>	<b>4,471,822</b>			<b>808,096</b>	<b>5,308,710</b>

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 (£-7.775m) plus Investment income (£-21.017m) as shown in the Fund account.

### Change in Total Net Assets 2019/20

Change in Market Value of Investments	Value at 31/03/19 £'000	Purchases at Cost £'000	Sales Proceeds £'000	Change in Market Value £'000	Value at 31/03/20 £'000
Equities	554,790	106,998	(509,191)	(5,292)	147,305
Long Term Investments	395	-	-	32	427
Pooled Investments-					
- Property	428,752	31,992	(25,133)	(11,458)	424,153
- Non Property	3,718,767	1,221,116	(868,805)	(292,607)	3,778,471
Derivatives					
- Foreign Exchange Hedge	7,984	72,084	(57,050)	(53,385)	(30,367)
- FTSE Futures	349	5,651	(1,409)	(3,513)	1,078
<b>Sub Total</b>	<b>4,711,037</b>	<b>1,437,841</b>	<b>(1,461,588)</b>	<b>(366,223)</b>	<b>4,321,067</b>
Cash Deposits	105,377	291,448	(282,435)	28,745	143,135
Net Purchases & Sales		1,729,289	(1,744,023)	(14,734)	
Investment Debtors & Creditors	3,339			(503)	2,836
Total Investment Assets	4,819,753				4,467,038
Long Term Debtors	70			142	212
Current Assets	(1,996)			6,567	4,571
Less Net Revenue of Fund				10,494	
<b>Total Net Assets</b>	<b>4,817,827</b>			<b>(335,512)</b>	<b>4,471,821</b>

## PENSION FUND ACCOUNTS 2020/21

### 10 INVESTMENT ASSETS

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

	31 March 2021 £'000	31 March 2020 £'000 RESTATED
<b>Global Equity Segregated</b>	<u>0</u>	<u>147,306</u>
<b>Non-Property Pooled Investment Vehicles</b>		
Global Equity	2,031,146	1,277,334
Risk Management Strategy	942,816	937,195
Diversified Growth Funds	501,330	605,666
Infrastructure	513,891	409,957
Multi Asset Credit	317,539	291,661
Hedge Funds	277,469	257,967
	<u>4,584,191</u>	<u>3,779,780</u>
<b>Other Investments</b>		
Pooled Property Investments	534,294	424,153
Derivative contracts		
• Foreign Exchange Hedge	63,767	
• Derivative contracts: FTSE Futures		1,078
	<u>598,061</u>	<u>425,231</u>
Cash deposits	117,641	141,826
Investment Income due	1,438	2,848
Amounts receivable for sales		401
<b>Total Investment Assets</b>	<u><b>5,301,331</b></u>	<u><b>4,497,392</b></u>
<b>Long Term Investments</b>		
Equities	<u><b>768</b></u>	<u><b>427</b></u>
<b>Investment Liabilities</b>		
Derivative contracts		
• Foreign Exchange Hedge		(30,367)
• Derivative contracts: FTSE Futures	(110)	
Amounts payable for purchases		(413)
<b>Total Investment Liabilities</b>	<u><b>(110)</b></u>	<u><b>(30,780)</b></u>
<b>Total Investment Assets</b>	<u><u><b>5,301,989</b></u></u>	<u><u><b>4,467,039</b></u></u>

The 2019/20 analysis has been restated as follows: (a) the analysis of UK and Overseas assets plus quoted and unquoted has been removed in line with CIPFA guidance; (b) the assets held within the Secured Income Portfolio (£69.1m) have been split between Pooled Infrastructure (£51.5m) and Pooled Property Funds (£17.6m) to provide consistency with the Net Asset Statement; (c) the Risk Management Strategy (£937.2m) is included as a pooled fund consistent with other pooled funds held by the Fund. In 2019/20 it was split between the underlying assets (Liability Driven Investing (£287.6m), Equity Fund (£414.9m), Equity Protection Strategy (£118.8m), Corporate Bonds (£114.5m) and cash (£1.3m).

During the year there were a number of changes to the asset allocation. The allocation to Diversified Return Funds fell from 15% to 10% of total assets. The proceeds were used to fund investments in infrastructure and property as committed capital to the Brunel Renewable Infrastructure and Secured Income Portfolios were drawn down.

The Long term investment of £0.768m 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 2020.

Included within the equity of Brunel is a newly created Pension Reimbursement Asset (PRA). 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 £6.56m. The Fund has elected to declare 10% of the PRA as a contingent liability (see Note 13)

## PENSION FUND ACCOUNTS 2020/21

### 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	50,686	GBP	43,331	-	(136)
Up to one month	JPY	1,469,100	GBP	9,728	-	(90)
Up to one month	USD	103,182	GBP	75,379	-	(599)
Up to one month	GBP	10,874	JPY	1,469,100	1,236	-
Up to one month	GBP	46,515	EUR	50,686	3,320	-
Up to one month	GBP	81,965	USD	103,182	7,185	-
One to six months	EUR	6,587	GBP	5,820	-	(199)
One to six months	JPY	535,800	GBP	3,719	-	(202)
One to six months	USD	4,560	GBP	3,326	-	(22)
One to six months	GBP	218,277	EUR	244,047	9,945	-
One to six months	GBP	49,882	JPY	7,022,300	3,785	-
One to six months	GBP	383,163	USD	490,755	27,589	-
Six to twelve months	GBP	-	EUR	-	-	-
Six to twelve months	GBP	-	JPY	-	-	-
Six to twelve months	GBP	383,163	USD	2,848	-	(9)
Six to twelve months	USD	684,594	GBP	507,556	11,950	-
Six to twelve months	EUR	47,492	GBP	40,619	4	-
Six to twelve months	JPY	1,297,300	GBP	8,533	9	-
<b>Total</b>					<b>65,025</b>	<b>(1,258)</b>
<b>Net forward currency contracts at 31st March 2021</b>						<b>63,767</b>
Open forward currency contracts at 31 March 2020					13,715	(44,082)
<b>Net forward currency contracts at 31st March 2020</b>						<b>(30,367)</b>

Exchange Traded Derivatives held at 31 March 2021:-			
Contract Type	Expiration	Book Cost	Unrealised Gain/(Loss)
		£'000	£'000
FTSE equity futures	June 2021	33,659	(110)
Exchange Traded Derivatives held at 31 March 2020:-			
FTSE equity futures	June 2020	21,109	1,078

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 2020/21

### 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 2021 £'000		31 March 2020 £'000	
		%		%
<b>Investments managed by Brunel Pension Partnership:</b>				
BlackRock Risk Management Strategy	942,815	17.8	937,195	21.0
LGIM Low Carbon Global Equities	691,544	13.0	497,508	11.1
Brunel Renewables Portfolio	50,205	0.9	24,312	0.5
Brunel Secured Income Portfolio	280,324	5.3	69,107	1.5
Brunel Global Sustainable Equity	541,101	10.2	-	-
Brunel Diversified Returns Fund	501,330	9.5	-	-
Brunel UK Equity Portfolio	-	-	149,873	3.4
Brunel UK Property	106,841	2.0	-	-
Brunel Emerging Market Equity	286,760	5.4	196,232	4.4
Brunel Global High Alpha Equity	403,274	7.6	377,707	8.5
	<b>3,804,194</b>	<b>71.8</b>	<b>2,251,934</b>	<b>50.4</b>
<b>Investments managed outside Brunel Pension Partnership:</b>				
Blackrock	108,663	2.0	40,434	0.9
Record	97,316	1.8	(8,174)	(0.2)
Jupiter Asset Management	205	0.0	173,740	3.9
Partners Group	192,409	3.6	231,705	5.2
Loomis (Natixis)	317,539	6.0	291,661	6.5
Pyrford International	-	-	213,642	4.8
TT International	303	0.0	310	0.0
IFM Investors	365,544	6.9	334,132	7.5
Ruffer	-	-	392,024	8.8
Schroder Investment Management	92,048	1.7	228,380	5.1
JP Morgan	277,470	5.2	257,967	5.8
Custodian Cash	18,821	0.4	23,192	0.5
Long Term Investment	768	0.0	427	0.0
Treasury Management	26,709	0.5	35,665	0.8
	<b>1,497,795</b>	<b>28.2</b>	<b>2,215,105</b>	<b>49.6</b>
<b>TOTAL INVESTMENT ASSETS</b>	<b>5,301,989</b>	<b>100.0</b>	<b>4,467,039</b>	<b>100.0</b>

During 2020/21, the assets managed by Ruffer and Pyrford (both Diversified Growth Funds), Jupiter Investment Management (Equities) and Schroder Investment Management (UK Property funds) transitioned to the Brunel asset pool. In addition, new investments were made to the Renewable Infrastructure and Secured Income portfolios managed by Brunel.

### 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 2021		Value at 31st March 2020	
	£'000	% of Net Asset	£'000	% of Net Asset
Blackrock Liability SOL Mutual Fund	942,815	17.76%	937,195	20.96%
LGIM Low Carbon Global Equity	691,544	13.03%	497,508	11.13%
Brunel Global Sustainable Equity	541,101	10.19%	0	0.00%
Brunel Diversified Returns Fund	501,330	9.44%	0	0.00%
Brunel Global High Alpha Equity Fund	403,274	7.60%	377,707	8.45%
IMF Global Infrastructure (UK)	365,544	6.89%	334,132	7.47%
NATIXIS Investment Solutions	317,539	5.98%	291,661	6.52%
Brunel Emerging Market Equity	286,760	5.40%	196,232	4.39%
APF Absolute Return Strategies	277,469	5.23%	257,967	5.77%
CF Ruffer Absolute Return Fund	0	0.00%	392,024	8.77%

## PENSION FUND ACCOUNTS 2020/21

### 12 CURRENT ASSETS AND CURRENT LIABILITIES

Provision has been made in the accounts for debtors and creditors known to be outstanding at 31 March 2021.

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

	31 March 2021 £'000	31 March 2020 £'000
<b>CURRENT ASSETS</b>		
Contributions Receivable		
- Employers	9,642	8,723
- Members	3,610	3,340
Transfer Values Receivable	-	-
Discretionary Early Retirement Costs	278	537
Other Debtors	1,489	1,606
	<u>15,019</u>	<u>14,206</u>
<b>CURRENT LIABILITIES</b>		
Management Fees	(927)	(1,389)
Provision for Performance Fees	(2,055)	(3,795)
Transfer Values Payable	-	-
Lump Sum Retirement Benefits	(1,861)	(2,254)
Other Creditors	(3,668)	(2,197)
	<u>(8,511)</u>	<u>(9,635)</u>
<b>NET CURRENT ASSETS</b>	<u>6,508</u>	<u>4,571</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 2021.

	31 March 2021 £'000	31 March 2020 £'000
Reimbursement of lifetime tax allowances	<u>213</u>	<u>212</u>

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

### 13 CONTINGENT LIABILITIES

Brunel Pension Partnership, in which Avon Pension Fund have a 10% share, have recognised a Pension Reimbursement Asset of £6.556m. 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.

Accordingly the Pension Fund have recognised a contingent liability of £0.656m, representing 10% of its share in the Brunel Pension Partnership. It has elected to treat this as a contingent liability because the value and timing of this is uncertain and subject to change.

### 14 EVENTS AFTER THE BALANCE SHEET DATE

There have been no events after 31 March 2021 that require any adjustment to these accounts.

## PENSION FUND ACCOUNTS 2020/21

### 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 2021 (the 31 March 2020 assumptions are included for comparison):

	31st March 2021	31st March 2020
Rate of return on investments (discount rate)	2.1% per annum	2.4% per annum
Rate of CPI Inflation / CARE benefit revaluation	2.7% per annum	2.1% per annum
Rate of pay increases*	4.2% per annum	3.6% per annum
Rate of increases in pensions in payment (in excess of GMP) / Deferred revaluation	2.8% per annum	2.2% per annum

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

The demographic assumptions are the same as those used for funding purposes. Full details of these assumptions are set out in the formal report on the actuarial valuation dated March 2020.

During the year corporate bond yields decreased, resulting in a lower discount rate being used for IAS26 purposes at the year-end than at the beginning of the year (2.1% p.a. vs 2.4%). In addition, the expected long-term rate of CPI inflation increased during the year, from 2.1% p.a. to 2.7%. Both of these factors served to increase the liabilities over the year.

The value of the Fund's promised retirement benefits for the purposes of IAS 26 as at 31 March 2020 was estimated as £7,111 million including the potential impact of the McCloud Judgment.

Interest over the year increased the liabilities by c£169 million, and allowing for net benefits accrued/paid over the period also increased the liabilities by c£83 million (this includes any increase in liabilities arising as a result of early retirements/augmentations). There was also an increase in liabilities of £1,001 million due to "actuarial losses" (i.e. the effects of the changes in the actuarial assumptions used, referred to above, offset to a small extent by the fact that the 2021 pension increase award was less than assumed).

The net effect of all the above is that the estimated total value of the Fund's promised retirement benefits as at 31 March 2021 is therefore £8,364 million.

#### 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. The UK Government has recently confirmed that it will extend this to include members reaching State Pension Age from 6 April 2021 onwards. This will give rise to a further cost to the LGPS and its employers, and an estimation of this cost was included within the IAS26 liabilities calculated last year and is again included in the overall liability figure above.

### 16 TRANSFERS IN

During the year ending 31 March 2021 there were no group transfers in to the fund.

### 17 AGENCY SERVICES

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

	2020/21	2019/20
	£'000	£'000
<b>Benefits Paid and Recharged</b>	<b>5,758</b>	<b>5,845</b>

The Fund also administers £24.2m pension payments on behalf of the Fire Service and the Teachers' pension schemes. (£24.3m in 2019/20, including a large number of Retirement Lump Sum payments). These are not funded by the Fund and are recharged in full. They are not included in the Fund Account. The Fire Service and Teachers' employers also pay for the cost of providing this service.



## PENSION FUND ACCOUNTS 2020/21

### 18 ADDITIONAL VOLUNTARY CONTRIBUTIONS (AVC's)

Scheme members may make Additional Voluntary Contributions that are invested in insurance policies with Utmost Life & Pensions or Aviva, the Fund's nominated AVC providers. Additional Voluntary Contributions received from employees and paid to Utmost Life & Pensions during 2020/21 were £55 (2019/20 £55). Additional Voluntary Contributions received from employees and paid to Aviva during 2020/21 were £522,078 (2019/20 - £434,272).

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

	31 March 2021 £'000	31 March 2020 £'000
<u>Utmost Life &amp; Pensions (Equitable Life in 2018/19)</u>		
With Profits Retirement Benefits	-	-
Unit Linked Retirement Benefits	647	678
Building Society Benefits	<u>647</u>	<u>678</u>
Death in Service Benefit	<u>53</u>	<u>53</u>
<u>Aviva</u>		
With Profits Retirement Benefits	264	73
Unit Linked Retirement Benefits	3,951	3,438
Cash Fund	749	455
	<u>4,964</u>	<u>3,966</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 2020/21 £40,801 was charged to the Fund in respect of Allowances paid to the voting Members of the Avon Pension Fund Committee (£39,331 in 2019/20). 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 2019/2020. (Six voting members and one non-voting member in 2019/2020, including two B&NES Councillor Members)

#### Independent Member Related:-

Three Independent Members were paid allowances of £13,231, £13,164 and £11,664 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 2020/21 the Fund paid B&NES Council £444,893 for administrative services (£426,662 in 2019/20). Various Employers paid the fund a total of £215,804 for pension related services including pension's payroll and compiling data for submission to the actuary (£223,831 in 2019/20).

#### Pension Board Related:-

The Pension Board came in to operation in July 2015. In 2020/21 £7,180 was charged to the Fund in respect of Allowances and expenses paid to the Members of the Pension Board (£7,574 in 2019/20). Six members of the Pension Board were members of the Local Government Pension Scheme during the financial year 2019/2020. (Four members in 2019/2020).

#### Officer and Manager related:-

The officers administering the Avon Pension Fund are all eligible to be members of the Avon Pension Fund.

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

#### Brunel Pension Partnership Limited

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

Each of the 10 local authorities, including Bath & North East Somerset Council own 10% of BPP Ltd. In 2019/20 the Pension Fund paid BPP £1,277,972 (2019/20 £1,436,784).

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

### 20 KEY MANAGEMENT PERSONNEL

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

	31 March 2021 £'000	31 March 2020 £'000
Proportion of salary Recharged to Avon Pension Fund	49	50
Proportion of employers contributions recharged to Avon Pension Fund	<u>11</u>	<u>12</u>
	60	62

## PENSION FUND ACCOUNTS 2020/21

### 21 OUTSTANDING COMMITMENTS

As at 31 March 2021 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 £687.2m (31 March 2020 £428.6m). The increase is due to new commitments made in the year to Secured Income, Renewable Infrastructure, UK Property and Private Debt.

### 22 FINANCIAL INSTRUMENTS

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

2020/21	Fair Value through Profit and Loss £'000	Assets at amortised cost £'000	Financial liabilities at amortised cost £'000
<b>Financial Assets</b>			
Equities	0		
Long Term Investment	768		
Pooled Investments (Non-Property)	4,584,191		
Liability Driven Pooled investments	-		
Pooled Property Investments	534,294		
Derivative contracts Futures	-		
Derivative Contracts FX Hedge	63,767		
Derivative Contracts Equity Options	-		
Cash		117,641	
Other investment balances		1,438	
Debtors		15,232	
<b>Total Financial Assets</b>	<b>5,183,020</b>	<b>134,311</b>	<b>-</b>
<b>Financial Liabilities</b>			
Other investment balances			
Derivative contracts Futures	(110)		
Derivative Contracts FX Hedge	-		
Creditors			(8,511)
<b>Total Financial Liabilities</b>	<b>(110)</b>	<b>-</b>	<b>(8,511)</b>
<b>Total Net Assets</b>	<b>5,182,910</b>	<b>134,311</b>	<b>(8,511)</b>
<b>2019/20</b>			
	Fair Value through Profit and Loss £'000	Assets at amortised cost £'000	Financial liabilities at amortised cost £'000
<b>Financial Assets</b>			
Equities	147,306		
Long Term Investment	427		
Pooled Investments (Non-Property)	3,372,054		
Liability Driven Pooled investments	287,601		
Pooled Property Investments	406,560		
Derivative Contracts Futures	1,078		
Derivative contracts Equity Options	118,816		
Cash		143,123	
Other investment balances	2,848		
Debtors		14,418	
<b>Total Financial Assets</b>	<b>4,336,690</b>	<b>157,541</b>	<b>-</b>
<b>Financial Liabilities</b>			
Other investment balances			
Derivative Contracts FX Hedge	(30,367)		
Creditors			(9,635)
<b>Total Financial Liabilities</b>	<b>(30,367)</b>	<b>-</b>	<b>(9,635)</b>
<b>Total Net Assets</b>	<b>4,306,323</b>	<b>157,541</b>	<b>(9,635)</b>

## PENSION FUND ACCOUNTS 2020/21

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 2021 £'000	31st March 2020 £'000
<b>Financial assets</b>		
Fair value through profit & loss	804,841	32
Amortised Cost - realised gains on derecognition of assets		
Amortised cost - unrealised gains	22,230	30,711
<b>Financial Liabilities</b>		
Fair value through profit & loss	(18,975)	(366,255)
Amortised Cost - realised losses on derecognition of assets		
Amortised cost - unrealised losses		
	<u>808,096</u>	<u>(335,512)</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 pension fund. Policies are reviewed regularly to reflect changes in activity and in market conditions.

As at 31 March 2021 Brunel Pension Partnership (Brunel) manages £3.804 billion of the Fund's assets while the remaining assets are managed by 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 the manager diversification is greater under Brunel than it was before pooling.

In the following tables, for consistency, the asset previously classified as Secured Income has been included within Infrastructure. Additionally, where previously assets within the Risk Management Strategy pooled vehicle were split into their component parts (including Liability Driven Investments, Global Equities and UK Bonds), this is now included as a pooled vehicle, Risk Management Strategy. These changes have been restated as such for 2019/20.

## PENSION FUND ACCOUNTS 2020/21

### (a) Market Risk

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

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

### Market Price Risk

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

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

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

The Fund has an equity hedging strategy in place to protect from a significant fall in equity values and equity index options have been used to protect the downside and to cap the upside above a fully funded position based on the current funding plan.

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

### Market Price Risk - Sensitivity Analysis

The sensitivity of the Fund's investments to changes in market prices has been analysed using the volatility of returns of the assets held within the Fund (provided by the Fund's advisors). The potential volatilities are consistent with a one standard deviation movement in the change in value of the assets over the three years to 31 March 2021. 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 2021:

Asset Type	Value	% Change	Value on Increase	Value on Decrease
	£'000		£'000	£'000
UK Equities	-	0.0%	-	-
Global Equities	1,744,275	14.2%	1,991,962	1,496,588
Emerging Market Equities	286,760	16.0%	332,641	240,878
Risk Management Strategies	942,815	12.4%	1,059,724	825,906
Diversified Return Funds	501,330	8.4%	543,442	459,219
Multi Asset Credit	317,539	6.7%	338,815	296,264
Property	534,294	2.0%	544,980	523,608
Fund of Hedge Funds	277,469	5.9%	293,840	261,099
Infrastructure	513,891	17.2%	602,281	425,502
Long Term Investment	768	15.0%	884	653
Cash & Equivalents	182,846	0.1%	183,029	182,663
<b>Total Investment Assets</b>	<b>5,301,989</b>		<b>5,891,597</b>	<b>4,712,380</b>

## PENSION FUND ACCOUNTS 2020/21

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

Asset Type	Value	% Change	Value on Increase	Value on Decrease
	£'000		£'000	£'000
UK Equities	299,855	14.3%	342,734	256,975
Global Equities	929,632	12.1%	1,042,117	817,146
Emerging Market Equities	196,232	16.0%	227,629	164,835
Risk Management Strategy	937,195	9.9%	1,029,978	844,413
Diversified Return Funds	605,666	7.4%	650,485	560,847
Multi Asset Credit	291,661	7.3%	312,952	270,369
Property	424,153	1.8%	431,788	416,518
Fund of Hedge Funds	257,967	5.4%	271,897	244,036
Infrastructure	409,957	15.9%	475,141	344,774
Long Term Investment	427	15.0%	491	363
Cash & Equivalents	114,295	0.1%	114,409	114,181
<b>Total Investment Assets</b>	<b>4,467,039</b>		<b>4,899,620</b>	<b>4,034,458</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.

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

	31/03/2021 £'000	31/03/2020 £'000 Restated
Cash and Cash Equivalents	182,846	114,295
Risk Management Strategy	942,815	937,195
<b>Total</b>	<b>1,125,661</b>	<b>1,051,490</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 as at 31 March 2021 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 2021

Value	Change in net assets	
	+100 bps	-100 bps
£'000	£'000	£'000
Cash and Cash Equivalents	182,846	-
Risk Management Strategy	942,815	(126,054)
<b>Total</b>	<b>1,125,661</b>	<b>(126,054)</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 2020 is shown below:

#### As at 31 March 2020 (Restated)

Value	Change in net assets	
	+100 bps	-100 bps
£'000	£'000	£'000
Cash and Cash Equivalents	114,295	-
Risk Management Strategy	937,195	(42,642)
<b>Total</b>	<b>1,051,490</b>	<b>(42,642)</b>

## PENSION FUND ACCOUNTS 2020/21

### 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). 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 2021	Asset value as at 31st March 2020
	£'000	Restated £'000
Global Equities	1,744,275	929,632
Global Property Funds	178,563	194,926
Fund of Hedge Funds	276,402	257,967
Infrastructure Funds	21,389	-

### 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 2021. 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. The infrastructure assets are not currently hedged as the investment cycle is at an early stage.

A strengthening / weakening of Sterling against the various currencies by one standard deviation (expressed as a percentage) at 31 March 2021 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 £'000	% Change	Value on Increase £'000	Value on Decrease £'000
Global Equities	1,744,275	3.97%	1,813,482	1,675,069
Infrastructure	21,389	6.40%	22,761	20,016

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

Currency Risk by Asset Type (Restated)

Asset Type	Value £'000	% Change	Value on Increase £'000	Value on Decrease £'000
Global Equities	929,632	4.05%	967,243	892,021

### (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 through the failure to settle transactions in a timely manner.

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

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

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

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

The fund is subject to credit risk within its general debtors although none of these would represent a material risk to the fund. General debtors were £1.5m for 20/21 (£1.6m for 19/20)

## PENSION FUND ACCOUNTS 2020/21

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 2021 was £104.8m. This was held with the following institutions:

	31st March 2021		31st March 2020	
	Rating	Balance £'000	Rating	Balance £'000
<b>Custodian's Liquidity Fund</b>				
State Street Global Services	AAA	78,134	AAA	23,193
<b>Money Market Funds</b>				
Goldman Sachs Global Treasury Fund	AAA	-	AAA	7,800
Aberdeen Liquidity Fund	AAA	7,470	AAA	9,950
Federated Investors	AAA	9,730	AAA	9,780
State Street Global Advisors	AAA	950	AAA	950
CCLA - The Public Sector Deposit Fund		7,190		-
<b>Bank</b>				
Handelsbanken	AA	-	AA	1,410
Bank of Scotland Corporate Deposit Account	A+	-	A+	90
State Street Bank and Trust Co	AA+	-	AA+	3,629
NatWest Special Interest Bearing Account	A+	1,360	A+	1,960
NatWest Current Account	A+	9	A+	30

The balance on the Custodian's Liquidity Fund now includes cash held across all mandates. Previously only cash held in the Custodian's general account has been included. For comparative purposes the balance held as at 31st March 2020 was £98.9m

Following the transition of the segregated equity portfolios to Brunel, the Fund's Stock Lending programme that was managed by the custodian, is no longer in place as at year end March 2021. The investment managers may do security lending within pooled vehicles.

### (c) Liquidity Risk

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

The Fund has immediate access to its cash holdings and a substantial portion of the Fund's investments consist of readily realisable securities, in particular equities 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 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 2021 the value of the illiquid assets was £1,326m, or 25% of the total Fund assets (31 March 2020: £1,093m which represented 24.5% 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 2020/21

### 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 exchange rates at 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	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.
Hedge Funds	Level 3	Closing bid price where bid and offer prices are published; closing single price where single price published.	NAV based pricing set on a forward looking basis.	Valuations can be affected by material events between the date of the financial accounts provided and the pension fund's own reporting date, by changes to expected cash flows and by any differences between the audited and unaudited accounts.
Limited Partnerships and closed ended funds	Level 3	Valued using a number of different market and income valuation methods as well as comparable market transactions prices. 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 pension fund's own reporting date, by changes to expected cash flows and any differences between audited and unaudited accounts.
Infrastructure funds	Level 3	Infrastructure investments are valued at the end of each quarter by independent valuation firms. The valuation method is employed for each asset at the discretion of the appointed independent valuer but must fall within the standards prescribed by the relevant accounting bodies as appropriate (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 pension fund's own reporting date, by changes to expected cash flows, significant increases and decreases in the discount rate and any differences between audited and unaudited accounts.
Long Term Investments - Equities	Level 3	Brunel Share Capital is valued at the Equity value as stated in Brunel Pension Partnership Statement of Accounts	Earnings and revenue multiples; discount for lack of marketability; control premium	Valuations could be affected by material events occurring between the date of the financial statements provided and the pension fund's own reporting date, by changes to expected cash flows and any differences between audited and unaudited accounts.



## PENSION FUND ACCOUNTS 2020/21

The following sets out the Fund's financial assets and liabilities measured at fair value according to the fair value hierarchy at 31 March 2021.

	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
Equities	108,467	1,922,679		2,031,146
Pooled Investments:-				-
Risk Management Strategy		942,816		942,816
Fund of Hedge Funds			277,469	277,469
Diversified Return Funds		501,330		501,330
Multi Asset Credit		317,539		317,539
Property		172,346	361,948	534,294
Infrastructure			513,891	513,891
Long Term Investment			768	768
Cash	117,641			117,641
Derivatives: Forward FX	-	63,767		63,767
Derivatives: Futures	(110)			(110)
Investment Debtors/Creditors	1,438			1,438
	<b>227,436</b>	<b>3,920,477</b>	<b>1,154,076</b>	<b>5,301,989</b>

The fair value hierarchy as at 31 March 2020 was:

	Level 1 £'000	Level 2 £'000	Level 3 £'000 RESTATED	Total £'000
Equities	187,555	1,237,086		1,424,641
Pooled Investments:-				-
Risk Management Strategy	-	937,195		937,195
Fund of Hedge Funds	-		257,967	257,967
Diversified Return Funds	-	605,666		605,666
Multi Asset Credit	-	291,661		291,661
Property	-	211,633	212,519	424,153
Infrastructure	-	-	409,957	409,957
Long Term Investment	-	-	427	427
Cash	141,826			141,826
Derivatives: Forward FX	(30,367)			(30,367)
Derivatives: Futures	1,078			1,078
Investment Debtors/Creditors	2,836			2,836
	<b>302,927</b>	<b>3,283,241</b>	<b>880,871</b>	<b>4,467,039</b>

The 2019/20 Fair Value analysis has been restated to be consistent with other notes to the accounts.

There has been one re-classification between 31 March 2020 and 31 March 2021 from Level 1 to Level 2. Having reviewed the valuation basis, it was concluded that Level 2 was a more appropriate valuation basis for the Forward currency contracts.

There were no transfers between Level 2 and Level 3 assets in the year.

### Reconciliation of Fair Value measurements within Level 3

Level 3	Market Value 01 April 2020 £'000 RESTATED	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 2021 £'000
Property	212,519		172,002	(10,317)	(17,431)	5,175	361,948
Fund of Hedge Funds	257,967		-		19,502		277,469
Infrastructure	409,957		88,815	(18,638)	33,751	6	513,891
Long Term Investment - Equities	427				341		768
	<b>880,871</b>	<b>-</b>	<b>260,817</b>	<b>(28,955)</b>	<b>36,163</b>	<b>5,181</b>	<b>1,154,076</b>

## PENSION FUND ACCOUNTS 2020/21

### 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 2021. The sensitivity of property assets was raised to 15% in last year's assessment due to the ongoing impact of the COVID-19 pandemic. However, this has now reverted back down to a pre-pandemic 10%.

	Assessed valuation range +/-	Value at 31 March 2021 £'000	Value on increase £'000	Value on decrease £'000
Property	10%	361,948	398,142	325,753
Fund of Hedge Funds	10%	277,469	305,216	249,723
Infrastructure	15%	513,891	590,975	436,808
Long Term Investment - Equities	15%	768	884	653
<b>Total</b>		<b>1,154,077</b>	<b>1,295,217</b>	<b>1,012,936</b>

The same analysis for 31 March 2020 (Restated):

	Assessed valuation range +/-	Value at 31 March 2020 £'000	Value on increase £'000	Value on decrease £'000
Property	15%	212,519	244,397	180,641
Fund of Hedge Funds	10%	257,967	283,764	232,170
Infrastructure	15%	409,957	471,451	348,463
Long Term Investment	15%	427	491	363
<b>Total</b>		<b>880,870</b>	<b>1,000,102</b>	<b>761,638</b>

## 25 EMPLOYING BODIES

As at 31 March 2021 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 Spa University  
Bath College  
City of Bristol College  
South Gloucestershire & Stroud College

St. Brendan's Sixth Form College  
University of the West of England  
Weston College  
Offender Learning Services

### 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  
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 Learning Campus  
Bristol Cathedral School Trust  
Bristol Free School  
Bristol Futures Academy  
Bristol Technology & Engineering Academy  
Broadlands Academy  
Broadoak Academy  
Cabot Learning Federation  
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  
Chew Magna Primary School  
Chew Stoke Church School  
Chew Valley School  
Christ Church C of E Primary School (Bristol)  
Christ Church C of E Primary School (WSM)  
Churchill Academy  
City Academy  
Clevedon School  
Clutton Primary School  
Colston's Girls' School  
Combe Down C of E Primary School  
Compass Point South Street Primary School  
Cotham Gardens Primary School  
Cotham School  
Court de Wyck Church School  
Crockerne C of E Primary School  
CST Trinity Academy  
Culverhill School  
Digitech Studio School  
Diocese of Bristol Academy Trust (Central Functions)  
Downend School  
Dundry C of E Primary School

Midsomer Norton Schools Partnership  
Milton Park Primary School  
Minerva Primary Academy  
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 Marksbury 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  
Severn Beach Primary School  
SGS Pegasus School  
Shoscombe Church School  
Sir Bernard Lovell Academy  
Somerdale Educate Together Primary Academy  
Soundwell College  
St Andrew's Church School  
St Anne's C of E VA Primary School  
St Bede's Catholic College  
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) (Ann Harris)  
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  
St Matthias Academy  
St Michael's C of E Junior Church School  
St Nicholas Chantry C of E VC Primary School  
St Nicholas of Tolentine Catholic School

## PENSION FUND ACCOUNTS 2020/21

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East Harptree Primary School	St Patrick's Catholic Primary School, Bristol
Easton C of E Academy	St Peter's C of E Primary School
Elmlea Infant School	St Philip's C of E Primary School, Bath
Elmlea Schools' Trust	St Saviours Infant Church School
Endeavour Academy Trust (Central Functions)	St Saviours Junior Church School
Evergreen Primary Academy	St Stephen's Primary Church School
Fairfield High School	St Teresa's Catholic Primary School, Bristol
Fairlawn Primary School	St Ursula's E-ACT Primary Academy
Farmborough Church Primary School	Stanton Drew Primary School
Farrington Gurney C of E Primary School	Stoke Bishop C of E Primary School
Filton Avenue Primary School	Stoke Lodge Primary School
Filton Hill Primary School	Stoke Park Primary School
Fishponds Church of England Academy	Summerhill Academy
Flax Bourton C of E Primary School	Swainswick Church School
Fonthill Primary School	The Castle School
Fosse Way School	The Dolphin School
Four Acres Academy	The Kingfisher School
Freshford Church School	The Meadows Primary School
Frome Vale Academy	Three Ways School
Gatehouse Green Learning Trust	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
Little Mead Primary Academy	Widcombe Infant School
Locking Primary School	Windwhistle Primary School
Longvernal Primary School	Winford C of E 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	Writhlington School
Meadowbrook Primary School	Yate Academy
Mendip Green Primary School	Yatton C of E Junior School
Merchants' Academy	Yatton Infant School
Midsomer Norton Primary School	Yeo Moor Primary School

### Designating Bodies

Aequus Developments Limited  
Almondsbury Parish Council  
Backwell Parish Council  
Bradley Stoke Town Council  
Bristol Waste Company  
Charter Trustees of the City of Bath  
Clevedon Town Council  
Congresbury Parish Council  
Destination Bristol  
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  
Saltford Parish Council  
Sodbury Parish Council  
Stoke Gifford Parish Council  
Stoke Lodge & the Common Parish Council  
Thornbury Town Council  
Wellsway MAT Trading Company 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  
Disability Equality Forum  
Learning Partnership West Ltd  
Merlin Housing Society Ltd (New staff since 2007)  
Merlin Housing Society Ltd (SG)  
Play Station Nursery Ltd - Barley Close (SGC)

Sirona Care & Health (Telecare Service)  
Southwest Grid for Learning Trust  
The Care Quality Commission  
The Holburne Museum  
The Park Community Trust Ltd  
University of Bath  
Vision North Somerset CIO  
West of England Sport Trust (WESPORT)  
Writhlington Trust

## PENSION FUND ACCOUNTS 2020/21

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### Transferee Admission Bodies

ABM Catering Limited - SGC Schools	Compass Contract Services (UK) Ltd - St Bede's Academy
Active Community Engagement Limited (Bristol City Council)	Compass Contract Services (UK) Ltd - St Patrick's Catholic Primary School
Adapt Business Services Limited - North Somerset Council	
Campus Schools	Compass Contract Services (UK) Ltd - St Teresa's Catholic Primary School
Agilisys Limited (North Somerset Council)	Compass Contract Services (UK) Ltd - Westbury Park Primary School
Agilisys Limited 2015 (North Somerset Council)	Creative Youth Network - South Gloucestershire Council Youth Service
Alliance in Partnership Limited - Beacon Rise (SGC)	Direct Cleaning Services (South West) Limited - Newbridge Primary School
Alliance in Partnership Limited - Westbury on Trym C of E Academy	
	Direct Cleaning Services (South West) Limited - Palladian MAT
Alliance Living Care Limited - Ebdon Court	
	Dolce Ltd - Mangotsfield C of E Primary School
Alliance Living Care Limited - North Somerset Council	
	Edwards and Ward Ltd - Bath & Wells MAT
Aramark Limited - South Gloucestershire and Stroud College	
	Edwards and Ward Ltd - Courtney Primary School
Aspens Services Limited - Begbrook Primary Academy	
Aspens Services Limited - Blackhorse Primary School	Edwards and Ward Ltd - Henleaze Academy
	Edwards and Ward Ltd - Paulton Infant School
Aspens Services Limited - Bristol City Council PFI Contract	
	Edwards and Ward Ltd - St Keyna Primary School
Aspens Services Limited - Castle Primary School (Keynsham)	
	Edwards and Ward Ltd - St Mark's C of E School (Bath)
Aspens Services Limited - Castle School Education Trust	
	Expedite Complete Business Solutions Ltd - Clevedon Learning Trust
Aspens Services Limited - Cathedral Schools Trust	
	Future Stars Club Limited (Bath & Wells MAT)
Aspens Services Limited - Charfield School	
	Glen Cleaning Company Limited - City of Bristol Council (2020)
Aspens Services Limited - Cherry Garden Primary School	
Aspens Services Limited - Culverhill School	Glen Cleaning Company Limited - Henleaze Junior Academy
	Glen Cleaning Company Limited - Lighthouse Schools Partnership
Aspens Services Limited - Downend School	
	Greenwich Leisure Ltd - Bath & North East Somerset Council
Aspens Services Limited - E-ACT	
	Innovate Services Ltd - Cathedral Schools Trust
Aspens Services Limited - Frome Vale Academy	
	Innovate Services Ltd - Gatehouse Green Learning Trust
Aspens Services Limited - Hanham Abbots Junior School	
	KGB Cleaning (South West) Ltd - Cathedral Schools Trust
Aspens Services Limited - Hanham Woods Academy	
	Lex Leisure C.I.C. (Bristol City Council)
Aspens Services Limited - King's Oak Academy	
	Liberata UK Ltd (North Somerset Council)
Aspens Services Limited - Lighthouse Schools Partnership	
	Mentoring Plus (Bath and North East Somerset Council)
Aspens Services Limited - Longwell Green Primary School	
	Nobilis Care West Ltd (North Somerset Council)
Aspens Services Limited - Mangotsfield School	
	Notaro Homecare Limited (North Somerset Council)
Aspens Services Limited - Minerva Academy	
	Prestige Cleaning & Maintenance Limited - Circadian Trust
Aspens Services Limited - New Horizons Learning Centre	
	Prestige Cleaning & Maintenance Limited - ELAN MAT
Aspens Services Limited - Staple Hill Primary School	
	Purgo Supply Services Ltd - E-ACT
Aspens Services Limited - Summerhill Academy	
	Purgo Supply Services Ltd - Gatehouse Green Learning Trust
Aspens Services Limited - The Tynings School	
	Relyon Cleaning Services - Cotham Gardens Primary School
Aspens Services Limited - Venturers Trust	
	Ridge Crest Cleaning Ltd - Bristol City Council
Aspens Services Limited - Warmley Park Primary School	
	Shaw Healthcare - The Granary
Ategi limited (South Gloucestershire Council)	
BAM Construction UK Limited (Bristol City Council)	Skanska Rashleigh Weatherfoil Ltd (Bristol City Council)
Bespoke Cleaning Services Limited - Castle School Education Trust	SLM Community Leisure Trust (Bristol City Council)
Bespoke Cleaning Services Limited - Olympus Academy Trust	
Bespoke Cleaning Services Limited - South Gloucestershire & Stroud College	SLM Fitness & Health Ltd (Bristol City Council)
	Sodexo Ltd - Diocese of Bristol Academies Trust (DBAT)
Cater Link Limited - BAM Construction	
Cater Link Limited - Cotham School	Southern Brooks - South Gloucestershire Council Youth Service
Churchill Contract Services Ltd - Cabot Learning Federation	
	Suez Recycling And Recovery South Gloucestershire Ltd
	Taylor Shaw - City of Bristol College
	Taylor Shaw - Olympus Academy Trust
Churchill Contract Services Ltd - Churchill CofE Primary School	
	The Brandon Trust
Churchill Contract Services Ltd - Wellsway MAT	
Churchill Contract Services Ltd - Westhaven School	Trowbridge Office Cleaning Services Ltd - Learn@MAT
	Virgin Care Services Limited (Bath & North East Somerset Council)

## PENSION FUND ACCOUNTS 2020/21

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Circadian Trust (South Gloucestershire Council)  
Compass Contract Services (UK) Ltd - Bristol City Council

Weston Support Services Ltd (Extend Learning Academies Network)  
Youth Connect (Bath & North East Somerset Council)

Compass Contract Services (UK) Ltd - Palladian Academy Trust