Bath & North East Somerset Council

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Date: 10 July 2013
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To: All Members of the Avon Pension Fund Committee - Investment Panel

Councillor Charles Gerrish (Chair), Councillor Gabriel Batt, Ann Berresford, Roger Broughton, Councillor Mary Blatchford, Councillor Lisa Brett and Councillor Katie Hall

Chief Executive and other appropriate officers
Press and Public

Dear Member

Avon Pension Fund Committee - Investment Panel: Thursday, 18th July, 2013

You are invited to attend a meeting of the **Avon Pension Fund Committee - Investment Panel**, to be held on **Thursday, 18th July, 2013** at **9.30 am** in the **Avon Room - Fry Club and Conference Centre.**

The agenda is set out overleaf.

The public meeting will be followed by a private "Meet the Managers Workshop".

Yours sincerely

Sean O'Neill
for Chief Executive

If you need to access this agenda or any of the supporting reports in an alternative accessible format please contact Democratic Services or the relevant report author whose details are listed at the end of each report.

This Agenda and all accompanying reports are printed on recycled paper

NOTES:

1. **Inspection of Papers:** Any person wishing to inspect minutes, reports, or a list of the background papers relating to any item on this Agenda should contact Sean O'Neill who is available by telephoning Bath 01225 395090 or by calling at the Riverside Offices Keynsham (during normal office hours).

2. **Public Speaking at Meetings:** The Council has a scheme to encourage the public to make their views known at meetings. They may make a statement relevant to what the meeting has power to do. They may also present a petition or a deputation on behalf of a group. Advance notice is required not less than two full working days before the meeting (this means that for meetings held on Wednesdays notice must be received in Democratic Services by 4.30pm the previous Friday)

   The public may also ask a question to which a written answer will be given. Questions must be submitted in writing to Democratic Services at least two full working days in advance of the meeting (this means that for meetings held on Wednesdays, notice must be received in Democratic Services by 4.30pm the previous Friday). If an answer cannot be prepared in time for the meeting it will be sent out within five days afterwards. Further details of the scheme can be obtained by contacting Sean O'Neill as above.

3. **Details of Decisions taken at this meeting** can be found in the minutes which will be published as soon as possible after the meeting, and also circulated with the agenda for the next meeting. In the meantime details can be obtained by contacting Sean O'Neill as above.

   Appendices to reports are available for inspection as follows:-

   Public Access points - Riverside - Keynsham, Guildhall - Bath, Hollies - Midsomer Norton, and Bath Central, Keynsham and Midsomer Norton public libraries.

   For Councillors and Officers papers may be inspected via Political Group Research Assistants and Group Rooms/Members' Rooms.

4. **Attendance Register:** Members should sign the Register which will be circulated at the meeting.

5. THE APPENDED SUPPORTING DOCUMENTS ARE IDENTIFIED BY AGENDA ITEM NUMBER.

6. **Emergency Evacuation Procedure**

   When the continuous alarm sounds, you must evacuate the building by one of the designated exits and proceed to the named assembly point. The designated exits are sign-posted.

   Arrangements are in place for the safe evacuation of disabled people.

Avon Pension Fund Committee - Investment Panel - Thursday, 18th July, 2013

at 9.30 am in the Avon Room - Fry Club and Conference Centre

A G E N D A

1. EMERGENCY EVACUATION PROCEDURE

The Chair will draw attention to the emergency evacuation procedure as set out under Note 9.

2. DECLARATIONS OF INTEREST

At this point in the meeting declarations of interest are received from Members in any of the agenda items under consideration at the meeting. Members are asked to indicate:

(a) The agenda item number in which they have an interest to declare.

(b) The nature of their interest.

(c) Whether their interest is **a disclosable pecuniary interest** *or* an **other interest**, (as defined in Part 2, A and B of the Code of Conduct and Rules for Registration of Interests)

Any Member who needs to clarify any matters relating to the declaration of interests is recommended to seek advice from the Council's Monitoring Officer before the meeting to expedite dealing with the item during the meeting.

3. APOLOGIES FOR ABSENCE AND SUBSTITUTIONS

To receive any declarations from Members of the Committee and Officers of personal/prejudicial interests in respect of matters for consideration at this meeting, together with their statements on the nature of any such interest declared.

4. TO ANNOUNCE ANY URGENT BUSINESS AGREED BY THE CHAIR

5. ITEMS FROM THE PUBLIC - TO RECEIVE DEPUTATIONS, STATEMENTS, PETITIONS OR QUESTIONS

6. ITEMS FROM COUNCILLORS AND CO-OPTED AND ADDED

MEMBERS

To deal with any petitions or questions from Councillors and, where appropriate, co-opted and added members.

7. MINUTES: 4 JUNE 2013 (Pages 5 - 12)

8. EMERGING MARKETS EQUITY MANDATE (Pages 13 - 34) 09:30

20 mins

Before discussing exempt appendices 1 and 2, Members are invited to pass the following resolution:

> The Committee having been satisfied that the public interest would be served by not disclosing relevant information, the public shall be excluded from the meeting for the duration of the discussion of exempt appendices 1 and 2 of this item, in accordance with the provisions of section 100(A)(4) of the Local Government Act 1972, because of the likely disclosure of exempt information as defined in paragraph 3 of Part 1 of Schedule 12A of the Act as amended.

9. IMPLEMENTATION (Pages 35 - 58) 09:50

30 mins

10. MANAGER SELECTION PRESENTATION (JLT) 10:20

45 mins

11. WORKPLAN (Pages 59 - 62) 11:05

5 mins

The Committee Administrator for this meeting is Sean O'Neill who can be contacted on 01225 395090.

Bath and North East Somerset Council

AVON PENSION FUND COMMITTEE - INVESTMENT PANEL

Minutes of the Meeting held

Tuesday, 4th June, 2013, 2.00 pm

Members: Councillor Charles Gerrish (Chair), Councillor Gabriel Batt, Roger Broughton, Councillor Nicholas Coombes, Councillor Mary Blatchford and Ann Berresford
Advisors: Tony Earnshaw (Independent Advisor) and John Finch (JLT Investment Consultancy)
Also in attendance: Tony Bartlett (Head of Business, Finance and Pensions), Liz Woodyard (Investments Manager), Matt Betts (Assistant Investments Manager) and Matthew Clapton (Investments Officer)

1 EMERGENCY EVACUATION PROCEDURE

The Democratic Services Officer read out the procedure.

2 DECLARATIONS OF INTEREST

There were none.

3 APOLOGIES FOR ABSENCE AND SUBSTITUTIONS

There were none.

4 TO ANNOUNCE ANY URGENT BUSINESS AGREED BY THE CHAIR

There was none.

5 ITEMS FROM THE PUBLIC - TO RECEIVE DEPUTATIONS, STATEMENTS, PETITIONS OR QUESTIONS

There were none.

6 ITEMS FROM COUNCILLORS AND CO-OPTED AND ADDED MEMBERS

Cllr Coombes announced that he was resigning from the Pensions Committee in the middle of June because of other commitments, and that he would not be attending further meetings of the Panel or Committee. The Chair paid tribute to Cllr Coombes' contributions to the work of the Panel and the Committee over the last two years.

7 MINUTES: 22 FEBRUARY 2013

These were approved as a correct record and signed by the Chair.

8 REVIEW OF INVESTMENT PERFORMANCE FOR PERIODS ENDING 31 MARCH 2013

The Assistant Investments Manger introduced the report. He drew attention to the new section contained in the individual manager reports contained in the JLT report, which stated why each particular mandate was included in the portfolio and the reasons each manager was selected.

Mr Finch summarised the market background. As shown on page 19 of the agenda, recovery had been strong in equities in all regions except emerging markets, yet the latter were those where growth was strongest. This apparent paradox was explained by the way the indices were constructed; the indices recorded exports, which were depressed, but economic growth was in the domestic economies. Most bond markets had had a poor quarter, with concerns about inflation still remaining. In the latest quarter, every investment manager had had a positive return. This was because all the managers in the portfolio did well in rising markets. The only manager whose relative performance had fallen short of the benchmark over three years was MAN. It was the hedge funds which had struggled most over the past three years.

The Chair noted that Schroder Global Equity had underperformed over the year and had only just outperformed in the quarter. Mr Finch replied that Schroder's philosophy emphasised value. They had been hit in the past year, but he was comfortable with their current progress. He agreed that Schroder tended not to perform so well in rising markets, but the value approach tended to work better when markets were less strong.

A Member asked about Schroder's property portfolio. Mr Finch said that the property sector was struggling, with no significant rental or capital growth and he does not have concerns with this manager.

The Chair asked whether the economic situation had improved since March. Mr Finch replied that since the end of the previous quarter bond yields had increased, reflecting concerns about the situation in Europe. Markets were also waiting to see what the new Governor of the Bank of England would do. There were encouraging signs in the US economy and there was even some inflation in Japan. Even so, there were plenty of potential shocks in the system.

In response to a question from a Member, Officers confirmed that no rebalancing of the Equity:Bond allocation had taken place and was not required at present.

RESOLVED to note the report.

9 MAN MANDATE

RESOLVED that, the Committee having been satisfied that the public interest would be better served by not disclosing relevant information, in accordance with the provisions of section 100(A)(4) of the Local Government Act 1972, the public be excluded from the meeting for the following two items of business because of the likely disclosure of exempt information as defined in paragraph 3 of Part 1 of Schedule 12A of the Act as amended.

Following discussion, the Panel **RESOLVED** on a course of action in relation to this matter.

10 CHANGES TO LIQUID GROWTH PORTFOLIO

The Investments Manager presented the report.

Following discussion, the Panel **RESOLVED** on a course of action in relation to this matter.

11 DIVERSIFIED GROWTH MANDATE

The Assistant Investments Manager presented the report. Members were invited to approve the mandate specification contained in exempt Appendix 1 and to agree one of the options for the selection meeting given in paragraph 5.4 of the report.

A Member suggested it would be helpful to seek information about fees and to ask those tendering for the mandate to justify their fees.

Two Members expressed a preference for the selection meeting to comprise the full Panel.

RESOLVED:

1. To agree the proposed mandate specification in exempt Appendix 1.

2. That the selection meeting should be arranged as a meeting of the full Panel.

12 INVESTMENT PERFORMANCE MONITORING AND REPORTING

The Assistant Investments Manager presented the report. He said that recent changes to the Fund's structure and delegation arrangements heightened the importance of a robust monitoring and reporting framework. There were two things to be monitored: strategic performance and the performance of individual managers. It was proposed that quarterly reports to the Committee would focus more on strategic performance and that an annual report to Committee on all aspects of investment strategy would be introduced. The monitoring of individual managers had been delegated to the Panel. It was proposed that the normal quarterly reports on manager performance would be supplemented by Red Amber Green (RAG) reporting as demonstrated in Exempt Appendix 2.

Members agreed that it was essential to know the direction of travel of managers as well as their current RAG rating.

A Member wondered whether managers should be given more time to state their case at meet the manager meetings. Another Member suggested they should not; it was useful to test whether managers could explain what they were doing and why they were doing it simply and concisely.

RESOLVED:

1. To agree the new monitoring policy and reporting arrangements by Officers to Panel and by Panel to Committee as set out in section 6 of the report.

2. To note the new arrangements for investment performance monitoring by Officers to support the RAG reporting process, as set out in Appendix 1.

13 WORKPLAN

RESOLVED to note the workplan to be included in Committee papers.

The meeting ended at 3.35 pm

Chair(person) ....

Date Confirmed and Signed ....

Prepared by Democratic Services

By virtue of paragraph(s) 3 of Part 1 of Schedule 12A
of the Local Government Act 1972.

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Bath & North East Somerset Council		
MEETING:	**AVON PENSION FUND INVESTMENT PANEL**	
MEETING DATE:	**18 JULY 2013**	**AGENDA ITEM NUMBER** **8**
TITLE:	**EMERGING MARKET EQUITY MANDATE – SPECIFICATION AND TENDER PROCESS**	
WARD:	**ALL**	
AN OPEN PUBLIC ITEM		
List of attachments to this report: Exempt Appendix 1 – Mandate Specification Exempt Appendix 2 – JLT Brief on Emerging Markets manager search		

1 THE ISSUE

1.1 In the new Investment Strategy agreed at the Special Committee Meeting on 6 March 2013, an additional 5% of the Fund's assets are to be allocated to emerging market equities. The Fund is seeking to appoint one manager to manage these assets.

1.2 The Panel have a standing delegation from Committee to select and appoint new investment managers.

1.3 This report sets out the proposed mandate specifications and selection process for the new emerging market equity mandate.

2 RECOMMENDATION

That the Investment Panel:

2.1 Agree the proposed mandate specification at Exempt Appendix 1

2.2 Select their preference for the selection panel makeup from section 5.4

3 FINANCIAL IMPLICATIONS

3.1 The budget provides for investment advice for tendering the emerging market equity mandate.

4 MANDATE SPECIFICATION

4.1 The proposed mandate specification is included at Exempt Appendix 1. JLT have provided a brief on the search process for an emerging markets equity manager at Exempt Appendix 2. Key considerations are as follows:

(1) **Fund Structure** – The Fund will invite tenders from both segregated and pooled products in order to ensure the tender is as inclusive as possible and seeks to evaluate a broad range of products. A segregated mandate provides the potential to customise requirements to the Fund's needs and offers more control (within reason). Where the investment structure is via a pooled fund this minimises administration and custody requirements for investors as these elements are carried out at the pooled fund level. It is important that any pooled fund is of sufficient size so that the Fund does not own too large a share of the pooled fund. For that reason the tender will specify a minimum size such that if the Avon Pension Fund invests it holds no more than 20% at the outset.

(2) **Management style / approach** – Due to the inefficiency of emerging markets, the Fund is seeking a bottom-up approach that focuses on selecting stocks based on strong company fundamentals. The Fund will not consider top down or quantitative approaches that select stocks by taking sector or country views, (although a top down risk assessment process alongside a fundamental bottom-up stock picking process is desirable). This will be evaluated as part of the selection process.

(3) **Assessment of ESG risks** – The nature of emerging markets companies means there is more often a controlling shareholder (government, family or a shareholder group). This increases the importance of due diligence undertaken by investment managers on the governance of companies and their management to protect minority shareholder value. This reinforces the importance of a fundamental approach to investing. Although specific ESG engagement programmes and use of bespoke ESG analysis is developing, the focus remains on the quality of the company analysis.

(4) **Restrictions and off benchmark characteristics** – Investments will be limited to equities or equity related securities, with no investments in debt allowed. No shorting of stocks or portable alpha (i.e. where outperformance generated on another asset class is transported onto an emerging markets portfolio) will be allowed. Investments in companies in frontier and developed markets will be allowed up to a limit when they are selected as a result of stock selection i.e. not an attempt to outperform the index by benefitting from the relative value between emerging, developed or frontier markets. The constraints in the tender specification will be minimised to leave it to the discretion of the manager as to their investment in frontier or developed market stocks but any developed market companies they invest in must derive at least 50% of their revenues from emerging markets.

(5) **Performance target** – The performance target is to outperform the MSCI Emerging Markets Index (or FTSE Emerging Index) by +2% to +4% per

annum, net of fees, over rolling three year periods. The tender brief will not place additional constraints on the manager by imposing specific volatility or equity correlation targets, but the tender process will evaluate proposals from managers as to how they expect to achieve the return target.

(6) **Fees** – Fundamental approaches to investing across emerging markets are relatively resource intensive and so attract higher fee levels than some developed markets or quantitative based approaches. It should be noted that the fee estimate in the specification is a realistic assessment of achievable fee levels and the invitation to tender will specify a performance target net of total expenses and fees.

5 SELECTION PROCESS

5.1 Due to the size of the mandate (c. £150m) the fees over the life of the tender exceed the OJEU (Official Journal of the European Union) limit and therefore a full OJEU procurement exercise is required.

5.2 An open OJEU tender will be conducted (where all investment managers that express an interest will be invited to submit a bid). The Fund has commissioned its investment consultant, JLT, to manage the tender process. The process will be as follows:

(1) JLT develop tender questionnaire based on agreed mandate specification and evaluation criteria

(2) JLT issue open invite for all qualified organisations to submit a tender bid.

(3) JLT evaluate bids and draw up a long list report, including combination analysis with Fund's existing assets

(4) Following meeting on long list with officers, short list drawn up

(5) Officers and JLT do further due diligence on short listed managers

(6) Selection meeting to appoint from short listed managers

5.3 It is expected that the process will take 6 months from advertising the tender until the investments are made in the successful tenderers. The tender will be managed through the Council's fully auditable online procurement portal.

5.4 The selection meeting can be arranged as:

(1) A meeting of the full Panel (an extra meeting would be arranged);

or

(2) Delegate selection decision to a meeting of a selection panel including Officers, JLT and those members of the Panel who wish to attend

Comments from the Panel on their preference will be sought at the meeting.

5.5 Proposed dates for an all-day selection meeting to be held in Bath are as follows: Weds 4th Dec, Fri 6th Dec, Mon 9th Dec, Tues 10th Dec.

6 EVALUATION CRITERIA

6.1 The evaluation of the tenders will adhere strictly and transparently to the tender process. The following criteria will be used to evaluate each tender:

Investment Process, Philosophy and Style
Corporate Governance and Responsible Investment
Risk Management and Portfolio Construction
Resources
Commitment to strategy / asset class
Corporate Structure
Performance
Fees
Client service

6.2 The tender questionnaire is designed to specifically address the above criteria and the evaluation will be based on the evidence put forward in the tender submissions.

7 RISK MANAGEMENT

7.1 A key risk to the Fund is that the investments fail to generate the returns required to meet the Fund's future liabilities. This risk is managed via the Asset Liability Study which determines the appropriate risk adjusted return profile (or strategic benchmark) for the Fund. The selection and implementation of new investment mandates seeks to achieve the target strategic asset allocation and return profile. The Committee has delegated the manager selection and monitoring process to the Investment Panel.

8 EQUALITIES

8.1 An equalities impact assessment is not necessary.

9 CONSULTATION

9.1 N/a

10 ISSUES TO CONSIDER IN REACHING THE DECISION

10.1 The issues to consider are contained in the report.

11 ADVICE SOUGHT

11.1 The Council's Monitoring Officer (Divisional Director – Legal & Democratic Services) and Section 151 Officer (Divisional Director - Finance) have had the opportunity to input to this report and have cleared it for publication.

Contact person	Matt Betts, Assistant Investments Manager (Tel: 01225 395420)

Background papers	
Please contact the report author if you need to access this report in an alternative format	

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Bath & North East Somerset Council

Access to Information Arrangements

Exclusion of access by the public to Council meetings

Information Compliance Ref: LGA-843-13

Meeting: Avon Pension Fund Investment Panel
Date: 18 July 2013

Author: Matt Betts
Report / Appendix Title/s: Emerging Market Equity Mandate – Specification and Tender Process Exempt Appendix 1 – Mandate Specification Exempt Appendix 2 – JLT Brief on Emerging Markets manager search

The appendices contain exempt information, according to the categories set out in the Local Government Act 1972 (amended Schedule 12A). The relevant exemption is set out below.

Stating the exemption: *3. Information relating to the financial or business affairs of any particular person (including the authority holding that information).*

The public interest test has been applied, and it is concluded that the public interest in maintaining the exemptions outweighs the public interest in disclosure at this time. It is therefore recommended that the Panel resolve to exclude the public, should they wish to discuss the appendices to the report. The paragraphs below set out the relevant public interest issues in this case.

Factors for withholding:

- the specification for a new emerging markets equities investment mandate and discusses issues around the tender

- The exempt appendices includes details on fees and how we wish to ensure the tender specification meets our needs as well as our consultants advice on these matters

- Investment is a highly competitive market and release of this information could prejudice the competition and fair evaluation if it is released to the public before tender responses are submitted

- The contract for the services has not yet been awarded. Disclosure of this information is likely to prejudice the Council's ability to negotiate suitable contracts for the provision of these services to ensure the Council gets best value for money, as its funds are in essence public funds.

Factors for disclosure:

Disclosure would:

- Further public understanding of the issues concerned.

- Promote accountability and transparency by the Council for the decisions it takes.

- Allow individuals and companies to understand decisions made by the Council affecting their lives and assist individuals to challenge those decisions.

- Promote accountability and transparency in the spending of public money.

Reasons why the public interest favours withholding:

- The tender process for the services has not yet been commenced.

- There is strong public interest in the Council delivering cost effective services and obtaining best value for money. Release of this information would prejudice this function, as outlined above, and is therefore not in the public interest.

- It would not be in the public interest if advisors and officers could not express in confidence opinions which are held in good faith and on the basis of the best information available.

- It is also important that the Panel should be able to retain some degree of private thinking space while decisions are being made, in order to discuss openly and frankly the issues under discussion in order to make a decision which is in the Council's best interests.

- The tender is a full OJEU tender so will meet all transparency rules at the appropriate time

- The Council considers that the public interest has been served by the fact that a significant amount of information has been made available on these issues – by way of the main report and additional appendix.

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By virtue of paragraph(s) 3 of Part 1 of Schedule 12A
of the Local Government Act 1972.

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Bath & North East Somerset Council		
MEETING:	AVON PENSION FUND INVESTMENT PANEL	
MEETING DATE:	18 JULY 2013	AGENDA ITEM NUMBER
TITLE:	INVESTMENT STRATEGY IMPLEMENTATION WITHIN EQUITY AND BOND PORTFOLIOS	
WARD:	ALL	
AN OPEN PUBLIC ITEM		
List of attachments to this report: Appendix 1 – Global Equity Portfolio, JLT Appendix 2 – Bond Portfolio, JLT		

1 THE ISSUE

1.1 The Committee agreed the new investment strategy at the Special Committee Meeting on 6 March 2013. The implementation of the new strategy was delegated to the Panel and a workplan was agreed.

1.2 This report makes the following proposals for the implementation of the new strategic asset allocation:

(1) **Equity Portfolio** – Following agreement to fund the allocations to diversified growth and emerging market equities from the passive BlackRock equity portfolio, this paper proposes the appropriate regional allocation within the overseas equity portfolio and the timing for changes to be made.

(2) **Bond Portfolio** – Proposes changes within the bond portfolio to move towards the new target allocations and the timeframe for the changes.

(3) **Investments income** – Sets out how income will be taken from the passive equity portfolio and the UK corporate bond fund when it becomes necessary.

2 RECOMMENDATION

That the Investment Panel:

2.1 Agree the overseas regional equity allocation and arrangements for annual rebalancing set out in paragraph 4.9

2.2 Agree the changes to the allocation within the bond portfolio and timescale for the changes set out in paragraph 5.5

2.3 Note the intention to take income from the investments portfolio in line with the Cash Management Policy, as set out in paragraph 6.7

3 FINANCIAL IMPLICATIONS

3.1 Changes to the investments structure will impact investment management costs. The level of management fees reflects the nature of the mandate and approach taken by the manager. For example, appointing an active mandate which is funded from passively managed assets will have a corresponding increase in fees reflecting the more resource intensive (and therefore expensive) management approach of an active mandate. There will also be costs incurred in implementing changes to the investment management structure which include consultant's advice (for strategy and manager selection) and transition management costs.

3.2 Provision for advice and the cost of new mandates have been included in the budget. For budgeting purposes transition management costs and changes in management fees have been estimated prior to any mandates being agreed.

4 EQUITY PORTFOLIO – Overseas Regional Equity Allocation

4.1 At the Panel meeting on 4 June 2013, the Panel agreed to fund the new DGF and Emerging markets mandates from the BlackRock passive equity portfolio in two stages and use the opportunity to restructure the BlackRock passive portfolio to deliver appropriate regional allocations and options to take income.

4.2 The appropriate regional split within the overseas developed market equity portfolio was reviewed by JLT and their analysis is set out in Appendix 1. JLT advise a fixed regional allocation for developed market equities in order to address certain biases present in the market cap weighted global indices used as benchmarks by the Fund's equity portfolios. The proposed fixed split of 50% North America, 25% Europe, 12.5% Pacific Rim and 12.5% Japan mitigates against the market cap indices' heavy weighting towards the US markets in particular, and broadly maintains the current allocation. The regional allocation will be reviewed annually by JLT and any rebalancing activity driven by cash flows will take these target regional allocations into account. JLT's report at Appendix 1 provides further rationale for the regional split and rebalancing arrangements.

4.3 Table 1 reprises the changes to the strategic allocation agreed by Committee in March 2013:

Table 1 – Liquid Growth Portfolio (% of Fund Assets)

	Old Strategy	**New Strategy** (Target Allocation)	**Change**
Equities	**60%**	**50%**	**-10%**
UK	18%	15%	-3%
Overseas	42%	35%	-7%
(of which Developed markets)	*37%*	*25%*	*-12%*
(of which Emerging markets)	*5%*	*10%*	*+5%*
Diversified Growth	**0%**	**10%**	**+10%**
Total Liquid Growth	**60%**	**60%**	**=**

4.4 Focussing on the reduction in Overseas equities (including emerging markets) from 42% to 35%, Table 2 summarises the changes required from the current overseas equity allocation to achieve the proposed regional allocations after the

DGF and emerging markets allocations have been made (note that the Fund is currently overweight equities):

Table 2 - Overseas Equity Allocations (% of Fund Assets)

Equity Region	Current look through allocation (March 2013)	JLT proposed regional allocation (after allocations to DGF and EM Equity)	Change required
North America	18.49%	12.50%	-5.99%
Europe (xUK)	9.77%	6.25%	-3.52%
Japan	4.56%	3.13%	-1.43%
Pacific	4.20%	3.12%	-1.08%
Emerging Markets	5.80%	10.00%	4.20%*
Total Overseas Equities	**42.83%**	**35.00%**	

*Note that the Fund is currently tendering for an EM equity mandate to manage 5% of fund assets the result of which theoretically results in a small overweight to EM but this analysis includes the small allocation to EM within the Schroder active global equity portfolio which may or may not be maintained as it is at the discretion of the manager.

4.5 As agreed the allocations to DGF and emerging market equities are to be funded from the BlackRock passive equity portfolio. The Fund's active overseas equity mandates (managed by Genesis, Invesco, SSgA and Schroder) will remain unchanged. At the same time as implementing the new mandates, the passive equity portfolio managed by BlackRock will be adjusted to:

(1) reflect the revised regional allocations, and

(2) incorporate income units where available (this is discussed further in section 6).

4.6 The resulting changes within the BlackRock passive overseas equity portfolio are included in Appendix 1, at Table 3.1.

4.7 Implementation of the changes has been delegated to Officers. The changes will take place in two stages in line with when the two new mandates are invested. It is anticipated that the DGF mandate will be funded in October/November 2013 and the emerging markets mandate in January 2014. It should be noted that the proceeds from the redemption of the Man portfolio will initially be used to fund the DGF mandates (due to timing), so the Fund will remain overweight equities until the planned infrastructure investments are made, or until JLT advises differently on tactical grounds. In addition, Officers may seek to sell down the overweight UK passive fund before selling down the passive global fund to stay nearer the 30:70 UK:Overseas target through the period of change.

4.8 BlackRock will facilitate any switches within the passive portfolio via in specie transfers from existing funds thereby minimising transaction costs and the number of trades required to achieve required outcome. Officers will investigate the benefits of using an independent transition manager versus the services of BlackRock to achieve fund movements.

4.9 PROPOSAL: That the Fund's overseas developed market equity regional allocation is a fixed split of 50% North America, 25% Europe, 12.5% Pacific Rim and 12.5% Japan, rebalanced annually following review by JLT and Panel.

5 BOND PORTFOLIO

5.1 The new strategic allocation reduced the allocation to conventional gilts and increased the allocation to UK corporate bonds. Table 3 summarises these changes and provides the current allocation.

Table 3 - Bond Portfolio (% of Fund Assets)

	Old Strategy	New Strategy (Target Allocation)	Change in Strategic allocation	Current Allocation (31 March)	Change required in actual allocation
UK Gilts	**6%**	**3%**	**-3%**	**3.5%**	**-0.5%**
Index Linked UK Gilts	**6%**	**6%**	**=**	**6.7%**	**-0.7%**
UK Corporate Bonds	**5%**	**8%**	**+3%**	**6.2%**	**+1.8%**
Overseas bonds/ Other	**3%**	**3%**	**=**	**2.6%**	**+0.4%**

5.2 As the Fund was underweight gilts and overweight corporate bonds compared to the old strategy, the movement required to achieve the new strategic allocations is relatively small. Given the amount of changes being made to the investments portfolio at this time, it is proposed to make a significant move towards the target allocations within gilts, index linked gilts and corporate bonds and then 'fine tune' the allocations when the Fund is rebalanced once all the changes within the investments portfolio have bedded in. The proposed moves can be incorporated within the current investment structure. It is therefore proposed to allocate c.1.2% (actual amount is dependent on changes to market values in the interim) from the BlackRock Gilts and Index Linked Gilts funds to the RLAM UK Corporate Bond Fund.

5.3 JLT's brief at Appendix 2 discusses the timing for the switch and recommends an immediate allocation based on their outlook for yields and the relative value between gilts, index linked gilts and corporate bonds. JLT do not advise any tactical allocations within the bond portfolio at this time and so the proposed moves are towards the central target allocations. The rationale for these recommendations is further explained in Appendix 2.

5.4 Please note, the intention is to incorporate Signet's fund into the bond portfolio when make future changes to the portfolio to invest in infrastructure.

5.5 PROPOSAL: That the Fund switches assets from the BlackRock Gilt and Index Linked Gilt funds to RLAM UK Corporate Bond Fund to move towards the target allocations, as soon as is practically possible.

6 INVESTMENT INCOME

6.1 The Cash Management Policy allows for income to be taken to meet any shortfall in cash at the discretion of the Investments Manager taking into account the Fund's cash flow requirements. The income from the passively managed gilt and index linked gilt portfolios are no longer automatically reinvested, and the passively managed pooled equity funds will be invested in distributing units.

6.2 In 2012/13 c.£10m was taken from the investments portfolio to fund cash flow requirements, £6m of this was income from the gilt portfolios. Current cash flow forecasts show the requirement to take income from the investments portfolio rising to c.£17m in 2013/14 and c.£25m in 2014/15.

6.3 BlackRock intend to create income distributing units for the regional equity funds in their life fund range. The World fund that the Fund currently invests in will not have distributing units (it invests via the regional funds). Therefore the passive portfolio will be structured around the regional life income distributing funds as summarised in Appendix 1 at Table 3.1.

6.4 The estimated size of the passive equity funds managed by BlackRock under the proposed changes will fall from c22% of Fund assets to c10% of Fund assets (a fall of c.£380m at March 2013 market values). This reduces the opportunity to take income, however the reduction is offset by moving the assets held in the World fund (c10% of Fund assets at March 2013) which can't distribute income, to the regional funds which can. This results in the estimated income available from the passive equity portfolio to be of a similar scale despite the changes reducing the overall size of the passive equity portfolio – estimated at c. £20m for 2013/14.

6.5 Given the proposed reduction in gilt holdings it may also be necessary to invest a proportion of the enlarged UK corporate bond portfolio in the income distributing corporate bond fund managed by RLAM. This fund follows exactly the same investment strategy as the accumulating fund that the Fund currently invests in. Officers will decide the extent to which this portfolio needs to be invested in the income distributing fund based on the estimated cash flow requirements of the Fund.

6.6 It should be noted that where income is distributed from an investments portfolio, investment returns will be diminished and the cumulative effect of reinvestment is lost, which over a period of years can be significant. The decision not to re-invest income also impacts the performance monitoring of the mandates.

6.7 FOR NOTING: Income to be taken from the BlackRock passive equity portfolio and from the RLAM UK Corporate Bond Fund when it becomes necessary, in line with the Fund's Cash Management Policy

7 RISK MANAGEMENT

7.1 A key risk to the Fund is that the investments fail to generate the returns required to meet the Fund's future liabilities. This risk is managed via the Asset Liability Study which determines the appropriate risk adjusted return profile (or strategic benchmark) for the Fund. The Committee has delegated implementation of the new target strategic asset allocation and return profile to the Investment Panel.

8 EQUALITIES

8.1 An equalities impact assessment is not necessary.

9 CONSULTATION

9.1 N/a.

10 ISSUES TO CONSIDER IN REACHING THE DECISION

10.1 The issues to consider are contained in the report.

11 ADVICE SOUGHT

11.1 The Council's Monitoring Officer (Divisional Director – Legal & Democratic Services) and Section 151 Officer (Divisional Director - Finance) have had the opportunity to input to this report and have cleared it for publication.

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Background papers	
Please contact the report author if you need to access this report in an alternative format	

Avon Pension Fund

Global Equity Portfolio

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1 Introduction

This report is written for the Investment Panel and Officers of the Avon Pension Fund. It provides advice as to the allocation within the BlackRock global equity portfolio in anticipation of the changes to the Fund's asset allocation following the conclusions of the recent investment strategy review. Throughout this report, the equities held within the BlackRock No 2 (property) portfolio are ignored.

1.1 The current portfolio

Prior to the investment strategy review, the benchmark position for the Fund's equities was as follows:

Table 1.1 – Strategic Benchmark prior to Review

Region	Target allocation %	Of equity portfolio %
UK	18%	30%
Overseas / Global	42%	70%
Of which explicitly Emerging	*5%*	*8.3%*

Source: Avon Pension Fund Statement of Investment Principles

The following table shows how the equity portfolio was allocated based on values as at 31 March 2013 and the benchmark of the individual funds. The table splits the global portfolios (Invesco and Schroder) out into their constituent weights based on the benchmark. It should be noted that, for Schroder in particular, the actual weights could deviate materially from the benchmark weights to each region.

Table 1.2 – Actual Allocations

Region	% of Fund at 31 March 2013 with global funds split out by benchmark weights	% of equity portfolio at 31 March 2013 with global funds split out by benchmark weights
UK	21.20%	33%
Europe ex UK	9.77%	15%
North America	18.49%	29%
Asia Pacific ex Japan	4.20%	7%
Japan	4.56%	7%
Emerging markets	5.80%	9%
TOTAL	**64.02%**	**100%**

Source: Avon Pension Fund, JLT

1.2 The revised portfolio

Following the investment strategy review, it was agreed that the allocation to emerging markets would be increased. Using the existing target split between UK and non UK, of 30% / 70%, the target allocations are as follows.

Table 1.3

Region	Target allocation % of Fund assets	Target allocation % equity portfolio
Equities	50%	100%
UK	*15%*	*30%*
Overseas	*35%*	*70%*
of which DM	*25%*	*50%*
of which EM	*10%*	20%
Total UK	**15%**	**30%**
Total Overseas	**35%**	**70%**

Source: Avon Pension Fund

The remainder of this report provides a recommendation as to how the allocation to equities within the BlackRock portfolio should be split by region.

2 Equity allocation by region

2.1 Setting a Regional Equity Benchmark

There are a number of ways to set a regional equity benchmark. They can broadly be categorised as follows:

- Fixed weight
  - There is a fixed percentage weight for each region
- Market weight
  - Based on the relative allocations within the overall market
- Economic weight
  - By some other measure, eg. GDP weighting or some measure of wealth
- Quant
  - Eg. Minimum variance weighting

The Fund has already taken a partial approach to a fixed weight approach, by setting fixed allocations to developed overall relative to emerging markets, and also between the UK and overseas / global.

There is some merit in exploring alternative weighted indices but the evidence as to whether such an approach will outperform the market is not conclusive.

Financial theory would suggest the market weighted approach is most efficient. In particular, the efficient market hypothesis ("EMH"), developed by Professor Eugene Fama in the 1960s, states that markets are "informationally efficient" and therefore one cannot consistently outperform the market. Informationally efficient means that all information: historical price information, public information and private information, is fully reflected in an asset's price. The logic would follow that the most efficient portfolio is therefore one that is weighted by stock (and therefore region) in the same proportion as the market. So for example, there would be no point in an active investment manager undertaking more research to pick better stocks, because that information is already contained within the price. This conclusion relies on a number of assumptions that are not reflected in reality and many empirical studies have contradicted the EMH's assertion. Furthermore, we are only considering equities whereas the overall market contains many asset classes.

The biggest concern with the market approach is its concentration in some regions (i.e. North America) and its low exposure to other regions (UK and emerging in particular). This is to some extent mitigated by the fact that the Fund has a fixed exposure to UK and emerging market equities. It must also be remembered that, if considering the source of company earnings rather than the domicile of the listing of that company, then the exposure is less concentrated.

Historic returns show that there can be significant deviations between returns from different regions. Over the 10 years to 30 April 2013, the lowest return in sterling terms was Japan (8.2% p.a.) whilst the highest was Emerging markets (17.3% p.a.). This is the same ranking in local currency terms also. However, whilst it may be sensible to strategically position a global equity portfolio to areas of expected higher growth (eg. emerging markets), there is little evidence that tactical asset allocation between regions can provide consistent outperformance. This suggests a market weighted allocation is a sensible starting point. Utilising fixed weights that broadly reflect this approach is also a sensible means of rebalancing and addressing any concentrations that may be evident in a pure market weighted approach.

2.2 Current Regional Allocation Versus a Global Equity Index

The following table repeats table 1.2 from the previous section, but this time ignoring the specific Emerging markets (Genesis) and UK mandates (BlackRock, TT and Jupiter). The second column "looks through" the global portfolios (Schroder and Invesco) to the underlying allocations within their respective benchmark. A third column is included, showing the allocation to the FTSE World ex UK Index. This is a global index that excludes the UK and emerging markets. An alternative index would have been the MSCI World ex UK Index but the allocations are very similar.

Table 2.1

Region	% of overseas equity portfolio at 31 March 2013 with global funds split out by benchmark weights	% of FTSE World ex UK Index
UK	3%	-
Europe ex UK	21%	19%
North America	44%	61%
Asia Pacific ex Japan	15%	9%
Japan	13%	11%
Emerging markets	4%	-
TOTAL	**100%**	**100%**

Source: Avon Pension Fund, JLT, MSCI, FTSE

The table shows that the allocations to the overseas developed equity regions is fairly close to the market weights. The biggest differences are a higher weighting to Asia ex Japan equities within the Fund portfolio compared to the market, and a lower weighting to North American equities (which is predominantly US equities).

3 Recommendation

3.1 Developed overseas equity recommendation

Given that the current exposure to developed overseas equity markets is within a reasonable margin of the market weighted allocation, and that certain biases have been addressed through the fixed weights to the UK and emerging markets and an underweight position to North America in the rest of the portfolio (as well as currency hedging, which aims to dampen volatility due to currency movements), we recommend that a fixed weight portfolio is targeted based on the current exposures for developed overseas equity. That is:

- Europe ex UK: 25% (6.25% of total Fund)
- North America: 50% (12.5% of total Fund)
- Asia Pacific ex Japan: 12.5% (3.13% of total Fund)
- Japan: 12.5% (3.12% of total Fund)

This also reduces another risk within the Fund, associated with the timing of changing asset allocation. Whilst there are parts of the total portfolio that are being changed, this is for strategic reasons where there is a strong conviction for those reasons.

3.2 Implementation within the Portfolio

The allocation to developed market equities will be adjusted from 55% of the total Fund to 40% (made up of 15% UK equities and 25% Overseas equities). It may be most efficient to enact the change through the passive portfolio given that there are expected to be lower transaction costs. Table 3.1 looks at the allocation within the global equity portfolio if the active managers (Invesco overseas equity, Schroder global equity and the State Street Europe and Asia Pacific enhanced funds) retain their current allocations. Once again, the allocations to regions in these funds is based on the benchmarks rather than the actual portfolio. [1] (see the note at the end of this Section.)

The table shows that the current exposure to overseas developed market equity when ignoring the equities currently managed by BlackRock on a passive basis, comprises 15.3% of the Fund. That leaves c.9.7% of the Fund to allocate between the BlackRock regional overseas funds in order to achieve the 25% overall allocation to Developed markets overseas equities.

The recommendation above in 3.1 implies that the BlackRock portfolio should be providing the following exposures for the developed market overseas portfolio (adjusted to take account of the small existing allocations to UK and emerging markets).

Table 3.1

Region	Target (adjusted for EM and UK)	Schroder Index	Invesco Index	SSgA Index	Implied BlackRock % of Fund	Current BlackRock Holding on lookthrough basis
N. America	**12.50%**	3.26%	4.41%	0.00%	**4.83%**	10.82%
Europe ex UK	**6.25%**	0.97%	1.37%	1.09%	**2.81%**	6.33%
Asia ex Japan	**3.13%**	0.37%	0.46%	1.03%	**1.27%**	2.34%
Japan	**3.12%**	0.50%	0.72%	1.15%	**0.76%**	2.20%
Total	**25.00%**	5.10%	6.96%	3.27%	**9.67%**	21.69%

Source: Avon Pension Fund, JLT, MSCI, FTSE

3.3 Reviewing the allocations

On a strategic basis, it would be appropriate to review whether an alternative approach (relative to market weights) may be sensible but this should be given due consideration and due diligence. This could include making a longer term assessment of each equity region, although given the global nature of equity markets this is less relevant than perhaps it was in the past. It may also include looking at approaches that weight allocations based on criteria such as wealth creation or GDP.

On a tactical basis, it should be noted that Schroder in particular has an unconstrained approach so there will be some element of tactical allocation within their portfolio, although their philosophy is based on the long term fundamentals of stocks rather than considering tactical allocations to regions.

The allocation to diversified growth funds will provide exposure to tactical asset allocation that is expected to include allocating between equity regions.

Nonetheless, it may be appropriate to review, on a tactical basis, whether any over or underweighting is appropriate. JLT will bring forward any strong views from our Tactical Allocation Group but the allocations should also be reviewed on not less than an annual basis.

Rebalancing of the portfolio can be beneficial in that it should sell regions that have performed relatively well and purchase those that have underperformed. However, rebalancing on too regular a basis can incur transaction charges that offset any gains, as well as risk buying into a falling market or selling a rising market. As such, it would be appropriate to rebalance the portfolio on an annual basis. Any interim rebalancing activity within the investment portfolio driven by cash flows should take into account these fixed regional allocations.

[1] **Why consider the benchmark instead of the actual allocation for the overseas / global portfolios?**
The recommendation has been based on the benchmark position for the Schroder Global Equity and Invesco overseas equity portfolios rather than the actual positioning. Whilst the Invesco portfolio is unlikely to differ significantly from the benchmark, the unconstrained nature of the Schroder portfolio means that significant deviations can occur. If the balancing BlackRock portfolio took into account these deviations, then it would firstly imply that that it should be rebalanced based on changes made to the Schroder portfolio, which increases transaction costs and can lead to excessive trading.

More importantly however, deviations from the benchmark from Schroder should generally lead to over or underperformance, even if those deviations are a function of stock selection rather than intended tactical positions on different regions. As such, it would be counter-intuitive to then offset those positions with a passive portfolio.

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Avon Pension Fund

Bond portfolio

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1 Gilts to corporate bonds switch

1.1 Introduction

As part of the recent investment strategy review, it was agreed to increase the benchmark allocation to corporate bonds and reduce the allocation to fixed government bonds. The agreed change was as follows, with the current allocation also shown:

	Original benchmark allocation	New benchmark allocation	Change in strategic allocation	Current allocation (31 March 2013)	Change required in actual allocation
UK Gilts	6%	3%	-3%	3.5%	-0.5%
Index Linked UK Gilts	6%	6%	-	6.7%	-0.7%
UK Corporate Bonds	5%	8%	+3%	6.2%	+1.8%

Data Source: Avon Pension Fund.

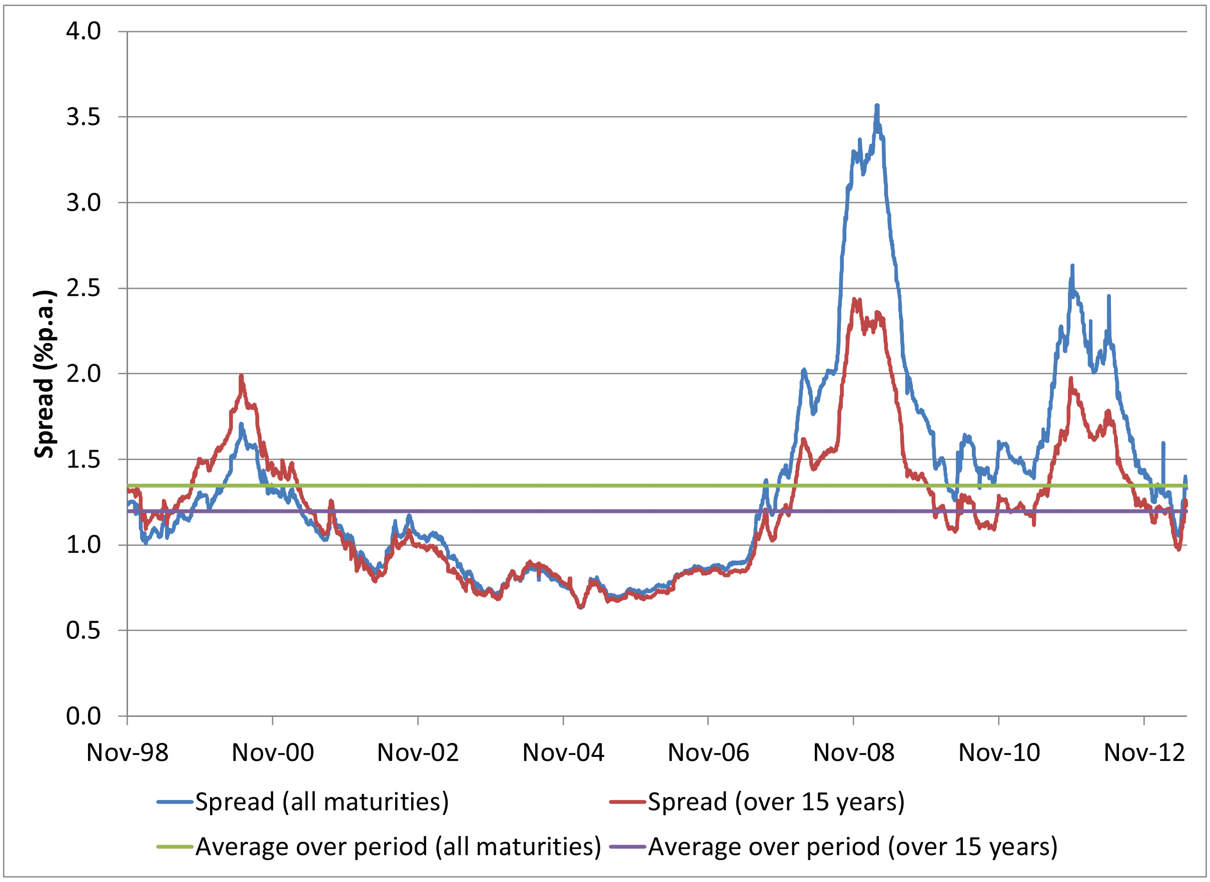
The Fund is currently already underweight to government bonds and overweight to corporate bonds compared to the original benchmark allocation and therefore the movement required to achieve the new benchmark allocation is relatively small. However, it can be seen that addressing the overweight position to index-linked gilts will also be required to bring the allocation to corporate bonds closer to its target. The remainder of this short paper discusses the timing of these moves.

1.2 Current credit spreads

The following table shows the current difference in yield (spread) between investment grade corporate bonds and UK government bonds (non-inflation linked) and the average of this spread since the end of November 1998. It is shown using indices representing bonds of all maturities and also for bonds of maturity 15 years and above. The Fund's corporate bonds and government bonds are managed against all maturities indices. The chart on the next page shows how these spreads have moved over the entire period.

	All maturities	Over 15 years
Current spread (2 July 2013) (p.a.)	1.33%	1.23%
Average spread since 1998 (p.a.)	1.35%	1.20%
Average spread since 2008 (p.a.)	1.91%	1.49%
Lowest spread (p.a.)	0.63% (01/03/2005)	0.63% (24/02/2005)
Highest spread (p.a.)	3.57% (30/03/2009)	2.44% (03/12/2008)

Data Source: Thomson Reuters.



Data Source: Thomson Reuters.

The chart shows that the current spread of corporate bonds over gilts, both all maturities and also when just considering bonds of maturity greater than 15 years, are broadly in line with their averages over the period since 1998. However, those averages include the impact of the extraordinary increase in spreads that were witnessed during the financial crisis of 2008 and 2009, and then again to a lesser extent during 2011 and 2012 during the Euro sovereign debt crisis. The chart shows that there has been an increase in spreads in 2013 to date, albeit a fairly limited increase compared to the previous two periods discussed.

1.3 Current and long term view

It is the view of the JLT Market Forecast Group ("MFG") that, over the longer term, corporate bond yields will be approximately 1% p.a. greater than government bond yields. As such, we believe the scope for further spread tightening is limited compared to the fall in spreads seen over the past 18 months or so.

However, whilst we believe that the spread may continue to be volatile within a range, as seen this year, we do not expect the spreads to increase to the levels seen in 2008/09 and 2011/12. This is because investment grade companies have, in general, improved balance sheets and their resilience to further credit and liquidity crunches as seen in 2008/09. By contrast, whilst UK government bonds have been seen as a safe haven, there are longer term structural issues (a large debt to GDP ratio and sluggish growth) that may put the UK government's ability to borrow under more scrutiny.

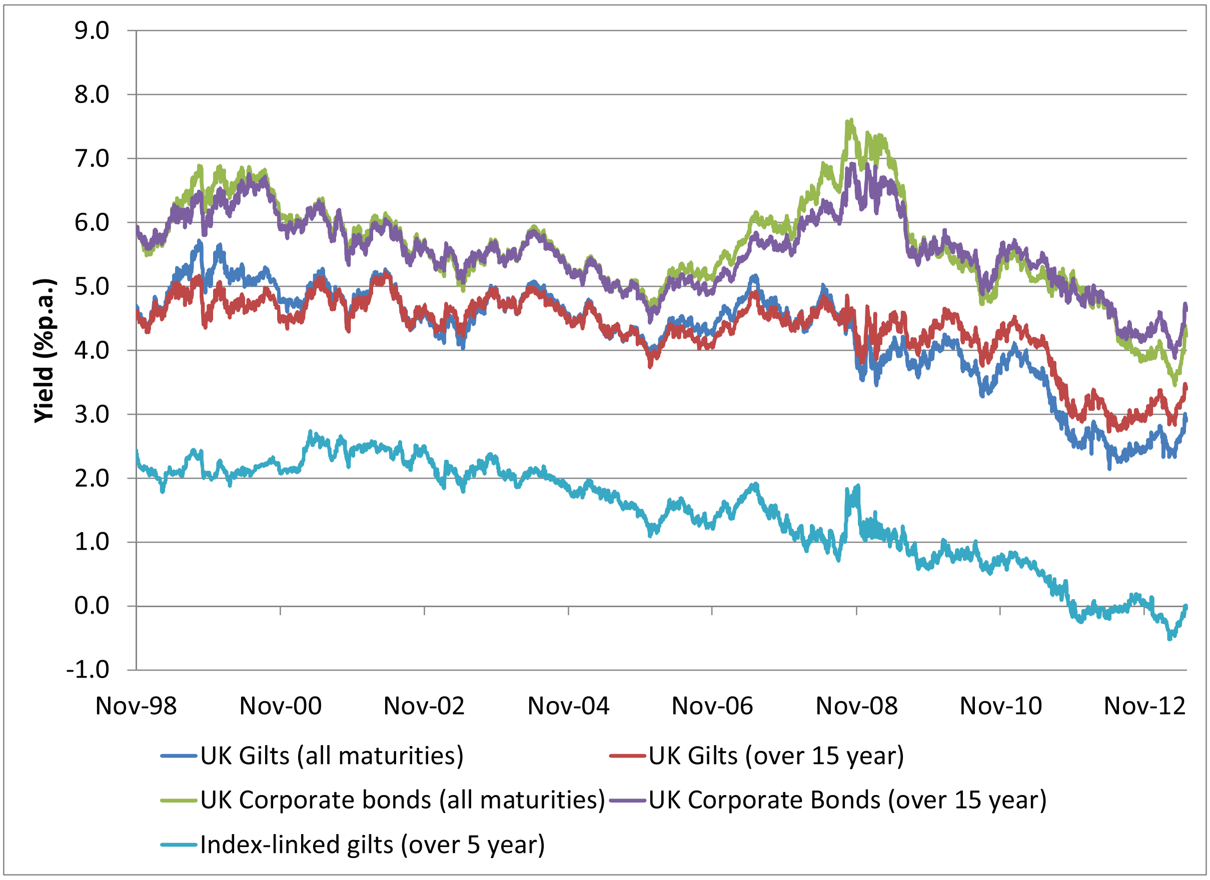
As such, we believe the switch from UK government bonds to corporate bonds should occur immediately rather than be based on a trigger mechanism, although the switch should occur over two to three tranches to diversify the risk of trading on a particularly inopportune day, particularly given the current volatility in markets.

1.4 Absolute yield levels

The following table shows the absolute level (i.e. not relative to each other) of the corporate bond and government bond indices used in the previous section, and additionally the real yield for index-linked government bonds. The chart shows how these yields have moved over time.

	UK Gilts (All mats)	UK Gilts (Over 15 yr)	UK Corporates (All mats)	UK Corporates (Over 15 yr)	UK Index Linked Gilts (Over 5 yr)
Current yield (2 Jul 2013) (% p.a.)	2.90%	3.40%	4.23%	4.63%	-0.03%
Average yield since 1998 (% p.a.)	4.27%	4.33%	5.61%	5.53%	1.45%
Average yield since 2008 (p.a.)	3.52%	3.90%	5.43%	5.39%	0.58%
Lowest yield (p.a.)	2.14% (06/06/2012)	2.73% (01/06/2012)	3.45% (02/05/2013)	3.88% (02/05/2013)	-0.53% (09/04/2013)
Highest yield (p.a.)	5.72% (14/10/1999)	5.23% (17/05/2002)	7.61% (04/11/2008)	6.92% (04/11/2008)	2.74% (30/04/2001)

Data Source: Thomson Reuters.



Data Source: Thomson Reuters.

Current absolute yields for government, index-linked government and corporate bonds are significantly below their averages over the period. It is expected that yields will rise over the longer term and this is priced into the current shape of the yield curve. This limits to some extent the return on government bonds and corporate bonds.

1.5 Conclusion

The spread of corporate bonds yields relative to government bond yields is slightly above the JLT MFG's long term view. Given the relative outlook for corporate bonds relative to gilts, the implementation of switching gilts to corporate bonds should occur immediately and not be based on any trigger mechanism, although the switch should potentially occur over two or three dealing dates to help diversify the impact of trading on a particularly inopportune day, although it may be advantageous to trade on a single day if there is an opportunity to mitigate dealing costs.

The outlook for bonds in general though is for yields to rise – this along with the low level of both corporate bond and government bond yields limits the return on these investments going forward.

Our outlook for index-linked government bonds is more favourable than conventional government bonds due to the effect of excess demand over supply. However, the JLT MFG has a more positive outlook for corporate bonds than index-linked government bonds as it expects real yields to move back into positive territory, which would limit the return on index-linked gilts. It would therefore be sensible to once again enact this change as soon as possible, although again splitting the transaction across two or three dealing dates for the same reason mentioned above.

It is of course possible that yields will fall further and in this respect the investments provide, albeit limited, protection from the impact of yields on the valuation of the Fund's liabilities.

Given our outlook and taking into account the hedging characteristics of the Fund's bond portfolio, it is our view that this switch should not be used to implement any tactical positions relative to the benchmark.

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Bath & North East Somerset Council		
MEETING:	**AVON PENSION FUND INVESTMENT PANEL**	
MEETING DATE:	**18 JULY 2013**	**AGENDA ITEM NUMBER**
TITLE:	**WORKPLAN**	
WARD:	ALL	
AN OPEN PUBLIC ITEM		
List of attachments to this report: Nil		

1 THE ISSUE

1.1 This report sets out the workplan for the Panel to March 2014. The workplan is provisional as the Panel will respond to issues as they arise and as work is delegated from the Committee. The workplan over this period will largely consist of projects arising from the recent changes to the Investment Strategy.

1.2 The workplan will be updated for each Panel meeting and reported to the Committee.

2 RECOMMENDATION

2.1 **That the Panel note the workplan to be included in Committee papers.**

3 FINANCIAL IMPLICATIONS

3.1 There are no financial implications arising from this report.

4 PROVISIONAL WORKPLAN

4.1 The provisional workplan is as follows:

Panel meeting / workshop	Proposed reports
18 July 2013	• Emerging Markets Mandate • Manager Selection • Meet the managers workshop (RLAM Property)
4 Sept 2013	• Review mangers performance to Jun 2013 • Projects arising from Investment Strategy Review • Meet the managers workshop (Schroder Property and Schroder Global Equity)
15 November 2013	• Review mangers performance to Sept 2013 • Projects arising from Investment Strategy Review • Meet the managers workshop (Managers to be confirmed)
February 2014 (tbc)	• Review mangers performance to Dec 2013 • Projects arising from Investment Strategy Review • Meet the managers workshop (Managers to be confirmed)

4.2 The Panel's workplan will be included in the regular committee report setting out the committee's and pensions section workplans. This will enable the Committee to alter the planned work of the Panel.

5 RISK MANAGEMENT

5.1 The Avon Pension Fund Committee is the formal decision-making body for the Fund. As such it has responsibility to ensure adequate risk management processes are in place. It discharges this responsibility by ensuring the Fund has an appropriate investment strategy and investment management structure in place that is regularly monitored. The creation of an Investment Panel further strengthens the governance of investment matters and contributes to reduced risk in these areas.

6 EQUALITIES

6.1 An equalities impact assessment is not necessary as the report contains only recommendations to note.

7 CONSULTATION

7.1 N/a

8 ISSUES TO CONSIDER IN REACHING THE DECISION

8.1 This report is for information only.

9 ADVICE SOUGHT

9.1 The Council's Monitoring Officer (Divisional Director – Legal and Democratic Services) and Section 151 Officer (Divisional Director - Finance) have had the opportunity to input to this report and have cleared it for publication.

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