

## AVON PENSION FUND COMMITTEE INVESTMENT PANEL

### Minutes of the Meeting held

Monday, 10th September, 2018, 2.00 pm

**Members:** Councillor Patrick Anketell-Jones (Chair), Councillor David Veale, Councillor Mary Blatchford, Pauline Gordon and Shirley Marsh

**Advisors:** Steve Turner (Mercer) and Nick Page (Mercer)

**Also in attendance:** Tony Bartlett (Head of Business, Finance and Pensions), Liz Woodyard (Investments Manager), Nathan Rollinson (Assistant Investments Manager) and Ileana Constantinescu (Investments Officer)

#### 11 EMERGENCY EVACUATION PROCEDURE

The Democratic Services Officer advised the meeting of the procedure.

#### 12 DECLARATIONS OF INTEREST

There were none.

#### 13 APOLOGIES FOR ABSENCE AND SUBSTITUTIONS

There were none.

#### 14 TO ANNOUNCE ANY URGENT BUSINESS AGREED BY THE CHAIR

The Chair welcomed Pauline Gordon to her first meeting of the Panel since her appointment as an Independent Member.

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

There were none.

#### 16 ITEMS FROM COUNCILLORS AND CO-OPTED AND ADDED MEMBERS

There were none.

#### 17 MINUTES: 23RD MAY 2018

The public and exempt minutes of the 23<sup>rd</sup> May were approved as a correct record and signed by the Chair.

#### 18 UPDATE ON POOLING OF ASSETS

The Investments Manager presented the report.

She said the Fund had made its first commitments to the Secure Income and Infrastructure portfolios set up by Brunel. It was good to note that establishing the

private market portfolios was ahead of schedule. The Authorised Contractual Scheme (ACS), the tax transparent vehicle for actively-managed equity assets for the pool, would comprise segregated portfolios, giving Brunel, with its approach to stewardship and stock lending as set out in Exempt Appendix 4, a greater degree of control over them.

The Panel, having been satisfied that the public interest would be better served by not disclosing relevant information, **RESOLVED**, in accordance with the provisions of section 100(A)(4) of the Local Government Act 1972, that the public be excluded from the meeting during the consideration of Exempt Appendices 1-5b and that the reporting of this part of the meeting be prevented, because of the likely disclosure of exempt information as defined in paragraph 3 of Part I of Schedule 12A of the Act as amended.

After discussion it was **RESOLVED**:

1. To note the progress made on pooling of assets;
2. to note the project plan for the transition of assets.

## **19 LDI TRIGGER FRAMEWORK ANNUAL REVIEW**

The Assistant Investments Manager presented the report. He reminded Members that the LDI framework triggers are reviewed annually to ensure that they remain appropriate. A full review of the Liability Risk Management Framework would be considered by the Committee at its meeting on 21<sup>st</sup> September.

The Panel, having been satisfied that the public interest would be better served by not disclosing relevant information, **RESOLVED**, in accordance with section 100(A)(4) of the Local Government Act 1972, that the public should be excluded from the meeting for the consideration of the Mercer LDI Trigger Annual Review, and that the reporting of this part of the meeting should be prevented, because of the likely disclosure of exempt information as defined by paragraph 3 of Part I of Schedule 12A of the Act as amended.

After discussion it was **RESOLVED** to recommend to the Avon Pension Fund Committee:

1. To maintain the current trigger framework and monitor the viability of either increasing the interest rate hedge or lowering the interest rate triggers over time and as the funding level improves;
2. that monitoring and implementation of any change to the framework should be delegated to officers in conjunction with the investment consultant.

## **20 CORPORATE BOND INVESTMENT**

The Panel, having been satisfied that the public interest would be better served by not disclosing relevant information, **RESOLVED**, in accordance with section 100(A)(4) of the Local Government Act 1972, that the public should be excluded from the meeting for the consideration of this item, and that the reporting of this part of the meeting should be prevented, because of the likely disclosure of exempt

information as defined by paragraph 3 of Part I of Scheduled 12A of the Act as amended.

After discussion the Panel **RESOLVED** to approve the recommendations.

## **21 REVIEW OF THE ROLE OF DIVERSIFIED GROWTH FUNDS**

The Investments Manager presented the report.

The Panel noted that the review of the role of the Diversified Growth Fund had been prompted by recent underperformance against absolute returns specific to these mandates. There had also been discussion about the timing of transitioning these funds to Brunel.

The Panel having been satisfied that the public interest would be better served by not disclosing relevant information, **RESOLVED**, in accordance with section 100(A)(4) of the Local Government Act 1972, that the public be excluded during the consideration of the Mercer Review of the Diversified Growth Funds and that the reporting of this part of the meeting be prevented, because of the likely disclosure of exempt information as defined in paragraph 3 of Part I of Schedule 12A of the Act as amended.

After discussion it was **RESOLVED** to note:

1. The information contained at Exempt Appendix 1;
2. that a detailed review of DGFs will be undertaken as part of the investment strategy review in 2019.

## **22 REVIEW OF INVESTMENT PERFORMANCE FOR PERIODS ENDING 30 JUNE 2018**

The Assistant Investments Manager presented this item and summarised the key facts.

- Manager absolute returns over the quarter were broadly positive, reflective of market returns.
- Developed market equity mandates delivered the strongest growth.
- One LDI inflation trigger was breached in the fifth maturity bucket.
- The equity protection strategy detracted value on an aggregate basis and was performing in line with expectations.
- Collateral in the QIF remained within its prescribed parameters. The QIF now holds a passive equity fund which will be called on if additional collateral is required.

Mr Turner presented the Mercer performance monitoring report.

Before consideration of the Mercer Risk Management Framework Quarterly Monitoring Report the Panel, having been satisfied that the public interest would be better served by not disclosing relevant information, **RESOLVED** in accordance with the provisions of section 100(A)(4) of the Local Government Act 1972, that the public should be excluded for the consideration of this report, and that the reporting of this part of the meeting be prevented, because of the likely disclosure of exempt information as defined in paragraph 3 of Part I of Schedule 12A of the Act as amended.

Mr Page presented the Mercer Risk Management Quarterly Monitoring Report.

After discussion the Panel **RESOLVED**:

- 1. To note the information as set out in the reports.

**23      WORKPLAN**

The Investments Manager presented this item.

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

The meeting ended at 4.17 pm

Chair(person) .....

Date Confirmed and Signed .....

**Prepared by Democratic Services**