

AVON PENSION FUND COMMITTEE INVESTMENT PANEL

Minutes of the Meeting held

Monday, 2nd September, 2019, 2.00 pm

Members: Councillor Shaun Stephenson-McGall (Chair), Councillor Chris Dando, Pauline Gordon, Shirley Marsh-Hughes and Councillor Bruce Shearn

Advisors: Steve Turner (Mercer) and Ross Palmer (Mercer)

Also in attendance: Donna Parham (Interim Director - Finance), Liz Woodyard (Investments Manager), Nathan Rollinson (Assistant Investments Manager) and Carolyn Morgan (Governance and Risk Advisor)

1 EMERGENCY EVACUATION PROCEDURE

The Democratic Services Officer advised the meeting of 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

There were none.

7 MINUTES: 27 FEBRUARY 2019

The public and exempt minutes of the meeting of 27 February 2019 were approved as a correct record and signed by the Chair.

8 BRUNEL PENSION PARTNERSHIP - UPDATE ON POOLING

The Investment Manager presented the report.

She said that transition was on track. The Emerging Markets transition was now under way. The manager selection for the Global High Alpha Equity was nearing its conclusion, and it was expected that information would be received next week about

what that portfolio would look like. Work on the passive Global Sustainable Equities portfolio had begun. Avon is very interested in this portfolio, because the existing mandate with Jupiter should map into it very well. It is hoped that the scoping paper for it will be received within the next few weeks, and that by the time of the Strategic Review it will be sufficiently developed for a judgement to be made as to whether it is a potential solution for Avon. Brunel continues to draw down for Secured Income and Renewable Infrastructure.

A Member noted that paragraph 6.1 of the covering report stated that the Fund's strategic allocation to Low Carbon Equities and renewable energy addressed the financial risk to the Fund's assets from climate change rather than a strategy to address the risk itself. Officers agreed to amend the wording.

Before discussing the exempt appendices to this report, the Panel, having been satisfied that the public interest would be better served by not disclosing relevant information, **RESOLVED** that the public should be excluded for the remainder of this item and that the reporting of this part of the meeting should be prevented, 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 Schedule 12A of the Act as amended.

After the discussion had been completed, the Panel returned to open session and **RESOLVED:**

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

9 REVIEW OF INVESTMENT PERFORMANCE FOR PERIODS ENDING 30 JUNE 2019

The Assistant Investments Manager presented the covering report.

Mr Turner presented the Mercer Performance Monitoring Report. He said that one area where Brexit was having an impact was the sterling exchange rate. He suggested that there was no reason for the Fund to change its currency hedging policy at the moment, as this would be equivalent to taking a bet on the outcome of Brexit and guessing whether it will be hard or soft, which is impossible to know.

The Chair asked whether it was normal for bond and equity markets to move in opposite directions. Mr Turner replied that the signals from the equity and bond markets had been completely different over the past ten years. There is a strange situation at the moment where the more bond yields fall, the more attractive equities appear. However, if bond yields were to fall sharply and quickly, this would impact on sentiment in the equity market, so there was still a rationale for the Fund to maintain equity protection.

RESOLVED:

1. to note information as set out in the reports;
2. that there were no issues to be notified to the Committee.

10 ANNUAL REVIEW OF RISK MANAGEMENT STRATEGIES

The Assistant Investments Manager introduced this item. He reminded Members that while the Committee had delegated monitoring of the operation of the Risk Management Framework to the Panel, it is the Committee which determines risk management strategies.

Before discussing the Mercer Risk Management Framework Overview the Panel, having been satisfied that the public interest would be better served by not disclosing relevant information, **RESOLVED** that the public should be excluded for the remainder of this item and that the reporting of this part of the meeting should be prevented, 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 Schedule 12A of the Act as amended.

Mr Ross and Mr Turner presented the Mercer Risk Management Framework Overview.

After discussion the Panel **RESOLVED**:

1. to note Mercer's report reviewing the strategies and collateral position;
2. to recommend to the Committee that the existing trigger framework for the LDI strategy should be maintained;
3. to note Mercer's recommendation to put in place another static EPS for the short term (12-18 months) once the current strategy begins to roll off, before evolving the strategy into a longer-term dynamic approach. The Committee is asked to consider these recommendations following the second Investment Strategy Review on 7 November 2019 and, if in agreement, delegate implementation of the new static EPS to the Investment Panel and Officers.

11 WORKPLAN

The Investment Manager presented the report. She said the workplan included Panel meeting dates for 2020 and 2021 and invited Members to let her know if any of these caused problems; the Panel had only five members and it was important that meetings were well attended. Dates had been chosen to allow Mercer time to prepare reports and to fit in with Committee meetings.

RESOLVED to note the Panel workplan for inclusion in Committee papers.

The meeting ended at 3.57 pm

Chair(person)

Date Confirmed and Signed

Prepared by Democratic Services