

## **BATH AND NORTH EAST SOMERSET**

### **AVON PENSION FUND COMMITTEE INVESTMENT PANEL**

#### **EXEMPT MINUTES OF THE MEETING OF FRIDAY, 6TH MARCH, 2020 AVON PENSION FUND COMMITTEE INVESTMENT PANEL**

### **Minutes of the Meeting held**

Friday, 6th March, 2020, 2.00 pm

**Members:** Councillor Shaun Stephenson-McGall (Chair), Councillor Chris Dando, John Finch and Pauline Gordon

**Advisors:** Steve Turner (Mercer), Ross Palmer (Mercer), Nick Page (Mercer), Chris Crozier (Brunel Pension Partnership) and Daniel Spencer (Brunel Pension Partnership)

**Also in attendance:** Tony Bartlett (Head of Business, Finance and Pensions), Liz Woodyard (Investments Manager), Nathan Rollinson (Assistant Investments Manager) and Carolyn Morgan (Governance and Risk Advisor)

- 1 EMERGENCY EVACUATION PROCEDURE**
  
- 2 DECLARATIONS OF INTEREST**
  
- 3 APOLOGIES FOR ABSENCE AND SUBSTITUTIONS**
  
- 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**
  
- 7 MINUTES - 20TH NOVEMBER 2019**
  
- 8 REVIEW OF INVESTMENT PERFORMANCE FOR PERIODS ENDING 31 DECEMBER 2019**

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 from the meeting during the consideration of the exempt appendices to 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.

The Mercer team presented the Mercer Risk Management Monitoring Report.

Members noted that as at the end of December all indicators were at or above expectations (agenda page 81), though equity markets had recently fallen considerably. The Investment Manager pointed out that the overall funding position was given on the basis of the old Funding Strategy Statement, not the new one approved in December 2019, so that the Plan's funding level was 96%, not 99% as stated in the report.

It was noted that a decision not to rollover equity protection would leave the Fund vulnerable to further market falls. The Head of Business, Finance and Pensions suggested that the rollover should be flexible enough to protect the Fund against further immediate market falls while allowing it to benefit from a market rebound. The Investment Manager suggested that the rollover might be renewed for three months after which it could be revisited. After discussion the Panel **RESOLVED** to delegate to officers in consultation with Mercer to decide on a rollover of equity protection that protected the Fund from immediate risks of market falls while minimizing the loss of upside gains. A cost of £1m was regarded as reasonable for this. A report would be made to the Panel about actions taken. There would be a conference call between officers and Mercer the following Monday.

Mercer presented their paper *Implications of potential RPI reform on assets*. Copies of this had been circulated to Members before the meeting, but it was not included in the agenda pack.

After the presentation Members discussed the three options identified by Mercer. On advice from officers the Panel felt that it was less risky to take positive action than adopt the 'Do Nothing' approach. Option 3 offered a better RPI-linked hedge ratio and a lower cost than Option 2. It was therefore **RESOLVED** to agree Option 3.

## **9 BRUNEL PENSION PARTNERSHIP - UPDATE ON POOLING**

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 from the meeting during the consideration of the exempt appendices to 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.

The Investments Manager presented the exempt appendices.

She said that transition remains on track. Multi-Asset Credit is supposed to be completed by the end of this year, but might slip. However, transitioning as a whole is ahead of plan.

The Client Group looks at the report on each transition to assure themselves that it was well-managed and that the costs were reasonable and then makes a report to the Oversight Board. Transition costs are shared according to the pricing policy. When assets are transitioned to a portfolio of the same kind, e.g. UK equity assets to a UK asset portfolio, cost are shared so that there is no incentive or penalty if a client's incumbent

managers are not selected. Transition reports will only come to Avon if Avon was involved in the transition. This report is on the Emerging Markets and Global High Alpha transitions.

It was considered that they were managed very effectively. The Global High Alpha transition was complex, with 40 different parties to manage. The transition manager, Macquarries, was

very good and on the ball and kept Avon in the loop. Brunel had evidently learned a lot from the UK Equity transition. Transition had now become a very efficient process. Analytics had provided advice

to Brunel during the transition and provided an independent analysis of the outcome.

Avon's transition costs were about £9m, slightly below what was expected. The next transition, Diversified Growth, could be quite expensive because we are selling out from a pooled fund into a new pooled fund. Macquarrie will be helping with that transition. A Committee paper in March will give transition cost and impact on investment

management fees.

## 10 WORKPLAN

The meeting ended at 4.00 pm

Chair(person) .....

Date Confirmed and Signed .....

Prepared by Democratic Services