

Bath & North East Somerset Council

MEETING:	AVON PENSION FUND COMMITTEE	
MEETING DATE:	16 March 2012	AGENDA ITEM NUMBER
TITLE:	RECOMMENDATIONS FROM THE INVESTMENT PANEL	
WARD:	ALL	
AN OPEN PUBLIC ITEM		
List of attachments to this report: Exempt Appendix 1 – Summary of Investment Panel Meeting with TT (7 Sept 2011) Exempt Appendix 2 - TT Peer Group Analysis Exempt Appendix 3 - Summary of Investment Panel meeting with TT (22 February 2012)		

1 THE ISSUE

- 1.1 The Investment Panel is responsible for exploring investment issues including the investment management arrangements and the performance of the investment managers, and making recommendations to the Committee.
- 1.2 The Panel has held one meeting since the December 2011 committee meeting and the recommendations from the Panel are set out in this report. The minutes of the Investment Panel meeting provide a record of the Panel's debate before reaching any recommendations. These can be found in an earlier agenda item.
- 1.3 The Committee requested that the Investment Panel review the performance of the Fund's UK Equity mandate managed by TT following a deterioration in the longer term performance trend over the last 12 months.

2 RECOMMENDATION

- 2.1 **That the Committee agrees the recommendation from the Investment Panel regarding TT's current mandate:**
 - (i) **Officers will continue to closely monitor TT's performance and report back to the Panel any issues resulting in significant underperformance**

3 FINANCIAL IMPLICATIONS

3.1 There is a potential impact on costs should there be any change to the investment manager structure. Careful analysis would be undertaken on the impact of any change in costs before any changes would be made.

4 BACKGROUND

4.1 Following a period in which TT failed to achieve their performance target the Investment Panel met with TT on September 7 2011. A summary of that meeting is provided in Exempt Appendix 1. Subsequently, the Panel considered a report from the Fund's investment consultant which provided a peer group analysis of performance and risk. This analysis is included again at Exempt Appendix 2. The analysis concluded that

- (1) TT's active decisions appear consistent with its peers;
- (2) TT are managing the portfolio in a way that is consistent with the mandate; and
- (3) There are areas for further analysis at the next presentation by TT

4.2 The Investment Panel received a further presentation from TT at their meeting on 22nd February 2012 which provided more detail to give greater insight into the drivers of performance. Exempt Appendix 3 provides a summary of the meeting.

4.3 TT provided information on the following:

- (1) attribution of performance to sector and stock selection, highlighting the reasons for the underperformance
- (2) measures taken to improve performance
- (3) impact on performance of measures taken

4.4 The Panel were satisfied that:

- (1) TT have identified the reasons for the weak performance
- (2) TT have taken measures to address the weak performance that have had an initial beneficial effect
- (3) These measures, though fairly significant, do not alter the philosophy or investment approach or the appropriateness of the risk return targets of the mandate

5 CONCLUSION

5.1 The Panel were encouraged by the action TT have taken and were reassured that TT have the potential to achieve their risk return targets.

5.2 The Panel requested that Officers continue to monitor performance closely, and report any issues resulting in significant underperformance to the Panel.

6 RISK MANAGEMENT

6.1 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. In addition it monitors the benefits administration, the risk register and compliance with relevant investment, finance and administration regulations. The creation of an Investment Panel further strengthens the governance of investment matters and contributes to reduced risk in these areas.

7 EQUALITIES

7.1 An equalities impact assessment is not necessary.

8 CONSULTATION

8.1 N/a

9 ISSUES TO CONSIDER IN REACHING THE DECISION

9.1 The issues being considered are contained in the report.

10 ADVICE SOUGHT

10.1 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	Investment Panel reports and minutes.