

<b>Bath &amp; North East Somerset Council</b>		
MEETING:	<b>AVON PENSION FUND INVESTMENT PANEL</b>	
MEETING DATE:	<b>16 SEPTEMBER 2010</b>	<b>AGENDA ITEM NUMBER</b>
TITLE:	<b>TT's Holding in BP</b>	
WARD:	ALL	
<b>AN OPEN PUBLIC ITEM</b>		
List of Attachments:		
Exempt Appendix 1 – TT UK Equity Mandate - Positioning in BP		

## **1 THE ISSUE**

- 1.1 The Committee considered a brief on the implication and effects of the recent BP oil spill at their meeting on 25 June 2010. Following concerns about TT's actions regarding their holding in BP, the Committee requested a written response from TT to explain their investment decisions on BP since the oil spill, and also requested they present the explanations to the Investment Panel so that they could respond to any supplementary questions by the Panel.
- 1.2 TT's response is in Exempt Appendix 1 and they are attending the meeting to present their explanation and respond to any questions. The response from TT will also be included in the Committee papers for their meeting on 24 September 2010.
- 1.3 Following the presentation, the Panel are asked to identify any issues with TT and recommend any action required to the Committee.

## **2 RECOMMENDATION**

**The Panel agrees:**

- 2.1 Whether or not to make any recommendations to the Committee regarding this issue**

### **3 FINANCIAL IMPLICATIONS**

- 3.1 A manager's evaluation of the risks within their stock selection process will impact the potential returns to the Fund.

### **4 TT ACTIONS ON BP**

- 4.1 At the time of the BP oil spill on 22 April 2010 TT's portfolio was underweight BP compared to the index. This reflected their view that Shell provided better relative value within the UK oil sector. They subsequently reduced this overweight position in BP in May 2010 by buying BP shares, thereby returning to a more neutral position versus the index.
- 4.2 Following TT's purchase of BP shares, the BP share price continued to fall as further information about the oil spill became available.
- 4.3 TT's response in Appendix 1 provides further detail on how the investment decisions developed and the assumptions on which the decisions were based. It also quantifies the effects of those decisions on the portfolio.
- 4.4 TT's portfolio currently has a neutral weighting in BP.
- 4.5 The BP share price at 2 September 2010 remains below the price at which TT bought BP shares in May 2010.

### **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.

### **7 CONSULTATION**

- 7.1 N/a

### **8 ISSUES TO CONSIDER IN REACHING THE DECISION**

- 8.1 No decisions are being made. The issues being considered to make a recommendation to the committee are contained in the report and comments are sought in the report.

**9 ADVICE SOUGHT**

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

<b>Contact person</b>	Liz Feinstein, Investments Manager 01225 395306
<b>Background papers</b>	
<b>Please contact the report author if you need to access this report in an alternative format</b>	