

Bath & North East Somerset Council

MEETING:	AVON PENSION FUND COMMITTEE		
MEETING DATE:	24 September 2010	AGENDA ITEM NUMBER	14
TITLE:	RECOMMENDATIONS FROM THE INVESTMENT PANEL		
WARD:	ALL		
AN OPEN PUBLIC ITEM			
List of attachments to this report: Exempt Appendix 1 – TT brief on BP Exempt Appendix 2 – Partner's IMA Guidelines (Current and Proposed) and Partner's rationale for change Appendix 3 – Definitions of terms within Partners IMA Guidelines			

1 THE ISSUE

- 1.1 The Investment Panel meeting on 16 September is after the deadline for distributing the Committee papers. Therefore it is not possible to put forward recommendations on the issues that will be discussed at the Panel meeting. Any urgent recommendations will be received from the Panel at the Committee meeting.
- 1.2 The issues to be discussed at the Investment Panel meeting are:
- (1) TT's holding in BP
 - (2) The Fund's passive investments
 - (3) Annual review of property mandates
- 1.3 As the minutes of the Panel meeting are not available for distribution with these papers, appendices 1-3 to this report replicate the information provided to the Panel with regard to TT's holding in BP and the annual review of the property mandates. These are appended to provide background information to the Committee should the Panel make a recommendation to the Committee regarding either issue.
- 1.4 The minutes from the Panel meeting of 16 September will be included in the agenda for the December committee meeting.

2 RECOMMENDATION

- 2.1 Any recommendations will be received from the Panel at the Committee meeting.

3 FINANCIAL IMPLICATIONS

- 3.1 The budget provides for investment management fees and the procurement of investment advice. Any changes to the investment strategy may incur costs not yet provided for.

4 BACKGROUND

- 4.1 The Panel will discuss various reports at their meeting on 16 September 2010 and may recommend action which needs to be considered immediately by the Committee on the following investment issues:

(1) **TT's recent actions regarding BP** (see appendix 1)

At the meeting on 25 June 2010, the Committee considered the implications for the Fund of its investment in BP following the fall in the BP share price. As a result, the Committee requested a written response from TT explaining their investment decisions on BP during the period since the oil spill. TT's explanation of their decisions is in Exempt Appendix 1 and they also presented to the Investment Panel on 16 September. The Panel will make any urgent recommendations regarding this issue to the Committee following the presentation/meeting on 16 September.

(2) **The Fund's passive investments**

The Panel is currently considering a number of issues regarding the investment management structure and allocation between passive and active equity mandates that have arisen following their meetings with the investment managers and the BP incident. Any conclusions from these ongoing discussions will be brought to the Committee at a later date.

(3) **Annual review of the property mandates** (see appendices 2&3)

The illiquid nature of property assets increases the importance of portfolio planning when compared with mandates of more liquid assets, and requires the property managers to take a long term investment horizon. Each year the Fund will review each manager's investment strategy and **how that strategy is to be implemented** in the light of new investment opportunities and the reinvestment of any asset sales within each portfolio.

As the property managers have been in place for at least a year, as part of the first annual review, both property managers presented their investment strategy to the Panel at the workshop on 16 September. The Panel will review strategy implementation and performance at the workshop and bring any issues to the attention of the Committee.

Potential recommendations:

(i) Partners are proposing revisions to their investment guidelines in order to implement their long term strategy and the Panel will be asked to consider whether to recommend the revised guidelines to the Committee.

(ii) The Panel will be asked to consider whether they wish to recommend that in future the annual reviews of the property mandates should be delegated to the Officers in consultation with the Panel rather than being presented automatically to the Committee. The reasoning for having delegated powers is that the

implementation of a strategy over a longer period will need to respond to the constantly evolving outlook for property in order for the manager to be able to take advantage of opportunities as they develop. The Officers and Panel, through their meetings with the managers, will have a more informed basis to make such decisions. However, any changes of a strategic nature i.e. that materially affect the risk return profile of either portfolio within the Fund would be referred to full Committee.

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. 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.

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 The issues being considered are contained in the report.

9 ADVICE SOUGHT

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

Contact person	Liz Feinstein, Investments Manager 01225 395306
Background papers	JLT reports prepared for Investment Panel meetings Investment Panel reports and minutes.