

Bath & North East Somerset Council

MEETING:	AVON PENSION FUND COMMITTEE
MEETING DATE:	22 MARCH 2013
TITLE:	COMMITTEE TERMS OF REFERENCE
WARD:	ALL
AN OPEN PUBLIC ITEM	
List of attachments to this report: Appendix 1 – Draft Terms of Reference Appendix 2 – Decision-making framework	

1. THE ISSUE

- 1.1 Bath & North East Somerset Council are responsible for approving the Avon Pension Fund Committee's Terms of Reference. The Council's governance arrangements are reviewed at its AGM in May 2013. The Committee must agree a revised Terms of Reference to be submitted to the Council's AGM.
- 1.2 The changes to the Terms of Reference are in response to the changes to the investment strategy that were agreed at the Committee meeting on 6 March 2013.
- 1.3 The Committee's Terms of Reference must comply with the Council's constitution and governance arrangements.

2. RECOMMENDATION

That the Committee

- 2.1. Approves the Terms of Reference as set out in Appendix 1 for submission to the Council's AGM in May 2013.

3. FINANCIAL IMPLICATIONS

3.1. There are no financial considerations to consider.

4. THE REPORT

4.1. Bath and North East Somerset Council, as administering authority of the Avon Pension Fund, is responsible for approving the Avon Pension Fund Committee's Terms of Reference (ToR) and therefore the ToR must comply with the Council governance arrangements and Standing Orders.

4.2. The new investment strategy has a degree of flexibility built into the structure in order for the Fund to manage the market and funding risks more effectively. In particular, there is a need for speedier and timelier decision-making and for complex investment decisions to be taken by those with the appropriate knowledge. The Committee has already established a Sub-Committee, the Investment Panel ("the Panel"), to consider investment issues in greater detail. The Panel currently only makes recommendations to the Committee.

4.3. The proposed changes delegates some decision-making to the Panel in order to support the flexibility required if the new strategy is to be implemented and managed effectively. The proposed structure recognises that the strategic decisions have greatest impact on the investment return and the funding position whereas implementation and monitoring of the investment management structure require more detailed knowledge and in-depth consideration.

4.4. Under the proposal, all strategic decisions and the monitoring of those decisions will remain with the Committee as is current practice. However, it is proposed that decisions concerning the implementation of strategic policy are delegated formally to the Panel (as is often the Fund's practice but is decided on a case by case basis by the Committee). In addition, the Panel will remain responsible for the monitoring of the investment managers including termination of mandates due to performance issues and the use of tactical positions within the strategic ranges.

4.5. Operational implementation of the investment strategy and investment policies will be delegated to officers as is current practice.

4.6. The reporting process will be revised to provide full transparency to the Committee of the Panel's decisions and the outcomes of those decisions.

4.7. The revised ToR is set out in Appendix 1. For reference, the decision making framework agreed at the Committee meeting on 6 March 2013 is set out in Appendix 2.

4.8. Any changes to the decision making process require the approval of the Council. Therefore the TOR agreed by this Committee will be submitted to the Council Annual General Meeting in May 2013 for approval.

5. RISK MANAGEMENT

5.1. A key risk to the Fund is that the investments fail to generate the returns required to meet the Fund's future liabilities. This risk is managed via the Asset Liability Study which determines the appropriate risk adjusted return profile (or strategic benchmark) for the Fund and through the selection process followed before managers are appointed. An Investment Panel has been established to consider in greater detail investment performance and related investment issues.

6. EQUALITIES

6.1. An Equalities Impact Assessment is not relevant.

7. CONSULTATION

7.1. Democratic Services.

8. ISSUES TO CONSIDER IN REACHING THE DECISION

8.1. N/a

9. ADVICE SOUGHT

9.1. The Council's Monitoring Officer (Divisional Director – Legal and 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	None
Please contact the report author if you need to access this report in an alternative format	