

Bath & North East Somerset Council		
MEETING:	AVON PENSION FUND COMMITTEE	
MEETING DATE:	24 MARCH 2017	AGENDA ITEM NUMBER 15
TITLE:	INVESTMENT PANEL ACTIVITY	
WARD:	ALL	
AN OPEN PUBLIC ITEM		
List of attachments to this report: Appendix 1 – Minutes from Investment Panel meeting held 22 February 2017 EXEMPT Appendix 2 – Exempt Minutes from Investment Panel meeting held 22 February 2017 EXEMPT Appendix 3 – Recommendation: Low Carbon Indices		

1 THE ISSUE

- 1.1 The Investment Panel is responsible for addressing investment issues including the investment management arrangements and the performance of the investment managers. The Panel has delegated responsibilities from the Committee and may also make recommendations to Committee. This report informs Committee of decisions made by the Panel and any recommendations.
- 1.2 The Panel has held one formal meeting since the December 2016 committee meeting, on 22 February 2017. The draft minutes of this meeting provides a record of the Panel's debate before reaching any decisions or recommendations and can be found in Appendix 1 and Exempt Appendix 2.
- 1.3 The recommendations and decisions arising from the meeting are set out in paragraphs 4.2 and 4.3.

2 RECOMMENDATION

That the Committee:

- 2.1 **Notes the recommendation as summarised in paragraph 4.2(1)**
- 2.2 **Notes the Panel noting of the investment manager appointment decision as summarised in paragraph 4.3**
- 2.3 **Notes the minutes of the Investment Panel meeting on 22 February 2017 at Appendix 1 and Exempt Appendix 2.**

3 FINANCIAL IMPLICATIONS

- 3.1 In general the financial impact of decisions made by the Panel will have been provided for in the budget or separately approved by the Committee when authorising the Panel to make the decision.
- 3.2 There are transactional costs involved in appointing and terminating managers. Where these arise from a strategic review allowance will be made in the budget. Unplanned changes in the investment manager structure may give rise to transition costs which will not be allowed for in the budget.

4 RECOMMENDATIONS AND DECISIONS

- 4.1 The following decisions and recommendations were made by the Panel at the Investment Panel meeting on 22 February 2017:

4.2 Responsible Investing – Low Carbon Indices

Committee agreed the Fund's Responsible Investing (RI) Policy in November 2016. The Policy identifies the evaluation and management of carbon exposure as one of the Fund's strategic RI priorities and commits the Fund to actively examine measures for reducing carbon exposure (decarbonisation) without negatively impacting financial objectives. Low carbon indices offer an efficient way of reducing carbon exposure and a priority for 2017/18 is to review the Fund's benchmark for its passive equity exposure and consider a low carbon index to reduce carbon exposure.

The Panel evaluated which low carbon index is most suitable to recommend for consideration by the Committee. Following the Panel discussion (included in the minutes in the Appendices) and on advice from the Investment Consultant, the Panel made the following recommendation:

- (1) Recommendation – if the Committee decide to introduce a low carbon index in the Investment Strategy Review to be undertaken in 2017, then the most appropriate index adopts a broad market optimised approach, with more detail set out in Exempt Appendix 3.

Rationale: As set out in Exempt Appendix 3

Any decision to invest in a low carbon index will be taken by Committee as part of the upcoming Investment Strategy Review and considered in the context of the whole portfolio.

4.3 Manager Appointment

The Panel also noted the appointment decision for the investment manager to manage the Liability Risk Management Framework mandate. The selection process was delegated to officers in consultation with Mercer. The decision is subject to successful completion of the legal agreement.

5 INVESTMENT PANEL DELEGATION

- 5.1 The activity was undertaken under in line with the delegation set out in the Fund's Terms of Reference approved in May 2015:

The Investment Panel will:

- 1. Review strategic and emerging opportunities outside the strategic asset allocation and make recommendations to the Committee.*
- 2. Review the Statement of Investment Principles and submit to Committee for approval.*

3. *Report regularly to Committee on the performance of investments and matters of strategic importance and have delegated authority to:*
4. *Approve and monitor tactical positions within strategic allocation ranges.*
5. *Approve investments in emerging opportunities within strategic allocations.*
6. *Implement investment management arrangements in line with strategic policy, including the setting of mandate parameters and the appointment of managers.*
7. *Approve amendments to investment mandates within existing return and risk parameters.*
8. *Monitor investment managers' investment performance and make decision to terminate mandates on performance grounds.*
9. *Delegate specific decisions to Officers as appropriate.*

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. An Investment Panel has been established to consider in greater detail investment performance and related matters, and to carry out responsibilities delegated by the Committee.
- 6.2 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.

7 EQUALITIES

- 7.1 An equalities impact assessment is not necessary as the report is primarily for information only.

8 CONSULTATION

- 8.1 This report is primarily for information and therefore consultation is not necessary.

9 ISSUES TO CONSIDER IN REACHING THE DECISION

- 9.1 The issues to consider 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 – Business Support) have had the opportunity to input to this report and have cleared it for publication.

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Background papers	
Please contact the report author if you need to access this report in an alternative format	