

## Bath & North East Somerset Council

MEETING:	AVON PENSION FUND COMMITTEE	
MEETING DATE:	18 March 2011	AGENDA ITEM NUMBER
TITLE:	RECOMMENDATIONS FROM THE INVESTMENT PANEL	
WARD:	ALL	
<b>AN OPEN PUBLIC ITEM</b>		
List of attachments to this report: Nil		

### 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 2010 committee meeting and the recommendations from the Panel are set out in this report. **The minutes of the Investment Panel meetings 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 has agreed to review the Fund's policy towards Socially Responsible Investing (SRI) during 2011. The Panel have recommended a brief for the review. It is envisaged that the SRI policy will be reviewed by the full Committee after the new Committee is confirmed following the May 2011 local elections. The review will be in two stages, the first to understand the background to SRI and agree an overall policy direction and the second to start developing an implementation strategy whilst recognising the impact/constraints of our existing investment strategy.

### 2 RECOMMENDATION

- 2.1 **That the Committee agrees the recommendation from the Investment Panel regarding the review of the SRI policy:**
- (i) **to agree the brief for the review as set out in section 4.2 below**

### 3 FINANCIAL IMPLICATIONS

3.1 The budget provides for investment advice to review the SRI policy.

### 4 PROPOSED REVIEW OF SRI POLICY

4.1 The Investment Panel recommend the following brief for the review of the Fund's SRI policy:

4.2 The project has been divided into two Committee workshops which will enable work to be developed once objectives and direction of travel agreed following the first workshop. It is proposed that the first workshop will be held in July 2011. Papers will be prepared ahead of the workshop to provide information.

#### First workshop

Overview & Direction of Policy		
1	Overview of SRI/ESG investing	<ul style="list-style-type: none"> <li>• How investment approaches to SRI/ESG/corporate governance have evolved</li> <li>• How UK regulations are influencing behaviour of UK plc               <ul style="list-style-type: none"> <li>- Examples of good/poor practice of UK plc</li> </ul> </li> <li>• Investment/Regulatory framework               <ul style="list-style-type: none"> <li>- Ethical debate versus legal framework – including responsibilities of trustees</li> <li>- UK versus overseas equities</li> <li>- Stewardship codes &amp; compliance regime</li> <li>- UN PRI – what it would mean for us to comply</li> </ul> </li> </ul>
2	Policy Development	<ul style="list-style-type: none"> <li>• Preferred v Deliverable policy (including case studies of approaches adopted by other funds)</li> <li>• Conflict of interest</li> <li>• Conflict of objectives</li> <li>• Timescales</li> </ul>
3	Define Fund's objectives	<ul style="list-style-type: none"> <li>• Define high level objective as to the Fund's role as a responsible investor and set realistic long term targets (direction of travel)</li> </ul>

#### Second workshop

Implementation of direction of travel		
1	Recap of the Fund's current policy	<ul style="list-style-type: none"> <li>• UK SRI equity portfolio</li> <li>• UK Stewardship Code compliance and voting policy</li> <li>• Manager selection process</li> <li>• Limitations of current investment structure – pooled funds, overseas assets</li> </ul>

2	Gap analysis of Fund's current approach with revised policy objectives	<ul style="list-style-type: none"> <li>• Voting policy</li> <li>• Jupiter portfolio</li> <li>• Other portfolios</li> </ul>
3	Implementation Assessment & options	<ul style="list-style-type: none"> <li>• Policy impact assessment</li> <li>• Overlays</li> <li>• Specialist mandates (ranging from "screened" to "sustainability" portfolios)</li> <li>• Activism / voting policy</li> </ul>
6	Action points	<ul style="list-style-type: none"> <li>• Agree direction of travel and action points</li> </ul>

## 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.

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