

Bath & North East Somerset Council		
MEETING:	AVON PENSION FUND INVESTMENT COMMITTEE	
MEETING DATE:	23 MAY 2018	AGENDA ITEM NUMBER
TITLE:	Brunel Pension Partnership – Update on pooling	
WARD:	ALL	
AN OPEN PUBLIC ITEM		
List of attachments to this report: Exempt Appendix 1a & b – Brunel paper on Passive Portfolio Manager Appointment Exempt Appendix 2a – Mapping of assets to Brunel portfolios Exempt Appendix 2b – Portfolio Specifications Exempt Appendix 3a – Project plan for transition of Avon’s assets to Brunel portfolios Exempt Appendix 3b – Risk Register for transition of Avon’s assets to Brunel portfolios		

1 THE ISSUE

- 1.1 This report outlines the progress on pooling of assets with specific reference to the investment activities.
- 1.2 Brunel’s transition plan has been refined providing more detail on the transition to the equity portfolios offered by Brunel.
- 1.3 The private market portfolio specifications have also been revised and discussed with the client group.
- 1.4 The Avon Risk Register for the transition of its assets to Brunel is included as an appendix.
- 1.5 A verbal update will be provided at the meeting.

2 RECOMMENDATION

That the Panel:

- 2.1 **Notes the progress made on pooling of assets.**
- 2.2 **Agrees the revised portfolio specifications for the private asset portfolios are in line with the Fund’s strategic policy.**
- 2.3 **Notes the project plan for the transition of assets.**

3 FINANCIAL IMPLICATIONS

- 3.1 The fees that Avon will pay to Brunel are included in the budget for 2018/19. They have been calculated in line with the pricing policy that was agreed for 2018/19. As this is a year of transition, the fees are based on a mixture of equal1/10ths and AUM.

4 PROGRESS UPDATE

4.1 Investments:

- a) Brunel is in the process of establishing the Tax Transparent Vehicle structure to ensure both the initial transition of assets and the portfolios once operating are managed efficiently with regard to transaction and taxation costs. Progress is on track.
- b) Brunel has selected the passive equity manager for the pool. Exempt Appendix 1a & 1b is a paper prepared by Brunel explaining the decision and impact on the Avon Pension Fund.
- c) The portfolio specifications for the private market and alternative assets have been discussed with the Client Group and have since been finalised (see Exempt Appendix 2b – this only includes the private market specifications, not all that are listed on p.2).
- d) Brunel has started the selection process for two active equity portfolios, UK Equities and Low Volatility Equities.
- e) Brunel has appointed advisors to assist with specific aspects of the transition. An advisor will assist Brunel in analysing the transactional costs and implementation shortfall aspects of the Passive transition. Another advisor has been appointed to assist with the evaluation of the UK Equity and Low Volatility tenders.
- f) Brunel has published its Responsible Investing Policy. It includes all the aspects within Avon's current RI policy.

5 MAPPING OF ASSETS TO BRUNEL PORTFOLIOS & PROJECT PLAN

- 5.1 At the March Committee meeting the Committee agreed the mapping of the Avon mandates to the Brunel portfolios, subject to the final portfolio specifications for private markets being reviewed by the Panel. These specifications have now been finalised and are in line with the Fund's strategic objectives at the asset class level. The Panel are asked to confirm that the portfolios specifications are in line with our strategic policy.

5.2 The table in Exempt Appendix 2a shows the mapping of Avon's current mandates to the Brunel portfolios. It includes benchmarks, performance targets and indicative fee ranges of Brunel and our mandates. This version has been updated for the private market portfolios (property, infrastructure and Secured Income for Avon) where some benchmarks and performance targets have been revised since the last version. *(In the table, the private market portfolios are in bold).*

- 5.3 Avon's project plan for the transition of its assets (see Exempt Appendix 3a) which is based on Brunel's current timeline for transitioning the assets has been updated. The timing of transitioning of assets is still indicative but further granularity has been provided since the previous version; actual timing will depend on a number of considerations including the complexity of each transition

and market conditions. Please note that this plan only includes the portfolios relating to Avon mandates; additional portfolios will be established along the same timelines.

- 5.4 Avon's project plan includes a Risk Register (see Exempt Appendix 3b) of risks specific to the transition for Avon. There are no changes to this since the March Committee meeting.

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. 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.

7 EQUALITIES

- 10.1 An equalities impact assessment is not necessary.

8 CONSULTATION

- 8.1 N/a

9 ISSUES TO CONSIDER IN REACHING THE DECISION

- 9.1 Are considered in this report.

10 ADVICE SOUGHT

- 10.1 The Council's Section 151 Officer has 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	