

**AVON PENSION FUND COMMITTEE INVESTMENT PANEL**

**Minutes of the Meeting held**

Wednesday, 23rd May, 2018, 2.00 pm

**Members:** Councillor Patrick Anketell-Jones (Chair), Councillor David Veale, Councillor Rob Appleyard, Councillor Mary Blatchford and Shirley Marsh

**Advisors:** Steve Turner (Mercer) and Ross Palmer (Mercer)

**Also in attendance:** Tony Bartlett (Head of Business, Finance and Pensions), Liz Woodyard (Investments Manager) and Nathan Rollinson (Assistant Investments Manager)

**1 EMERGENCY EVACUATION PROCEDURE**

The Democratic Services Officer advised the meeting of the procedure.

**2 DECLARATIONS OF INTEREST**

There were none.

**3 APOLOGIES FOR ABSENCE AND SUBSTITUTIONS**

Apologies were received from Paul Scott.

**4 TO ANNOUNCE ANY URGENT BUSINESS AGREED BY THE CHAIR**

There was none.

**5 ITEMS FROM THE PUBLIC - TO RECEIVE DEPUTATIONS, STATEMENTS, PETITIONS OR QUESTIONS**

There were none.

**6 ITEMS FROM COUNCILLORS AND CO-OPTED AND ADDED MEMBERS**

There were none.

**7 MINUTES: 21ST FEBRUARY 2018**

The public and exempt minutes of the meeting of 21<sup>st</sup> February 2018 were approved as a correct record and signed by the Chair.

**8 REVIEW OF INVESTMENT PERFORMANCE FOR PERIODS ENDING 31 MARCH 2018**

The Assistant Investments Manager summarised the key information for the quarter ending 31 March 2018:

- The Fund's assets decreased by about 1.1% over the period.

- Sterling appreciated against the dollar by 3.7% over the quarter, which resulted in a negative impact on overseas returns. In line with expectation, the currency overlay programme compensated the Fund for this impact.
- Manager absolute returns were broadly negative over the quarter in line with wider market returns.
- The majority of managers failed to achieve their targets on a three-year rolling basis.
- Leverage in the BlackRock Qualified Investor Fund had increased over the period, so assets that could easily be utilised as collateral had been added by transitioning the Invesco enhanced indexation global equity mandate to a global passive equity fund managed by BlackRock.
- Agreement was reached between the Fund's currency overlay manager, Record, and BlackRock on the treatment of the currency exposure created by the non-GBP base options contracts, The changes to the currency overlay program, which will ensure consistency with the Fund's strategic policy on currency hedging, will commence in May.
- The remaining assets in regional BlackRock funds had been transferred to the Low Carbon Fund.

Mr Turner presented the Mercer Investment Performance Report. He drew attention to the table on agenda page 44, which showed that all managers for which data was available had failed to achieve their 3-year performance targets. He reminded Members that the overall investment strategy was more important than the performance of an individual manager and of the need to maintain assets with growth potential in order to meet current pension payments. Responding to a comment from a Member he confirmed that the funding level had fallen.

The Head of Business, Finance and Pensions reminded Members that the transition of assets to Brunel would take in excess of two years. The Fund would be dealing with some of the current set of managers for some time to come, so pressure on them to perform needed to be maintained. The Investment Manager pointed out that moving mandates to alternative managers before transitioning to Brunel could be quite expensive, as the Fund would effectively be doing 2 transitions. Therefore, if a mandate needs to be terminated for poor performance it will be, and an analysis of transition costs will be undertaken beforehand. Brunel was under pressure to deliver cost savings in line with the Full Business case timeline; operational risk also had to be managed, so the order of transitioning assets has taken both these into account.

Mr Turner and officers discussed the performance of individual managers with Members.

Before receiving the Mercer Risk Management Framework Quarterly Monitoring Report, the Panel, having been satisfied that the public interest would be better served by not disclosing relevant information, **RESOLVED**, in accordance with the provisions of section 100(A)(4) of the Local Government Act 1972, that the public should be excluded from the meeting for the consideration of Appendix 4 to the

report, and that the reporting of this part of the meeting be prevented, because of the likely disclosure of exempt information as defined in paragraph 3 of Part I of Schedule 12A of the Act as amended.

**RESOLVED:**

- 1. To note the information as set out in the reports;
- 2. To report issues identified to the Committee.

**9 BRUNEL PENSION PARTNERSHIP - UPDATE ON POOLING**

**RESOLVED**, in accordance with the provisions of section 100(A)(4) of the Local Government Act 1972, that the public be excluded from the meeting for this item and that the reporting of this part of the meeting be prevented, because of the likely disclosure of exempt information as defined in paragraph 3 of Part I of Schedule 12A of the Act as amended.

The Investment Manager presented the report.

After discussion it was **RESOLVED:**

- 1. To note progress made on the pooling of assets;
- 2. to agree that the revised portfolio specifications for the private asset portfolios are in line with the Fund’s strategic policy;
- 3. to note the project plan for the transition of assets.

**10 WORKPLAN**

**RESOLVED** to note the workplan.

The meeting ended at 3.52 pm

Chair(person) .....

Date Confirmed and Signed .....

Prepared by Democratic Services

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