

Bath & North East Somerset Council		
MEETING:	AVON PENSION FUND INVESTMENT PANEL	
MEETING DATE:	12 November 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 1 – Passive Equities Transition Report (Brunel) Exempt Appendix 2 – Passive Equities Transition Report (Analytics) Exempt Appendix 3 – Portfolio Selection Report Exempt Appendix 4 – Fee savings update Exempt Appendix 5a – Project plan for transition of Avon’s assets to Brunel portfolios Exempt Appendix 5b – 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 is monitored by the Client Group Investment sub-group on a regular basis.
- 1.3 The Avon Risk Register for the transition of its assets to Brunel is included as an appendix.
- 1.4 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 **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. In later years a greater element of costs will be paid via portfolio fees.

### **4 PROGRESS UPDATE**

#### **4.1 Investments:**

- a) The transition reports for the passive equity portfolios are in Exempt Appendices 1 & 2. The Brunel Report sets out the full outcome. Inalytics advised Brunel on the transition and provides external validation of the costs.
- b) The tender process to select managers for the Active UK Equity portfolio and Low Volatility Global Equity portfolio is now complete. The Selection paper for the UK Equity Portfolio is in Exempt Appendix 3.

Avon is transitioning its active UK Equity assets into the UK Equity Portfolio. Mercer has confirmed that this will meet our strategic objective.

- c) The Client Group and Brunel are finalising the process for monitoring the transition process for each portfolio to ensure the process is in line with Brunel policies. They are also developing the process for monitoring the portfolios once into Business as Usual.
- 4.2 An update of the fee savings achieved to date from the Brunel Portfolios is included in Exempt Appendix 4.
- 4.3 Avon's project plan for the transition of its assets (see Exempt Appendix 5a) which is based on Brunel's current timeline for transitioning the assets has been updated. The timing of transitioning of assets is continuously reviewed by Brunel and the Client Group to ensure Client priorities are considered. 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.
- 4.4 Avon's project plan includes a Risk Register (see Exempt Appendix 5b) of risks specific to the transition for Avon.

### **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. The creation of an Investment Panel further strengthens the governance of investment matters and contributes to reduced risk in these areas.

### **6 EQUALITIES**

- 10.1 An equalities impact assessment is not necessary.

## **7 CONSULTATION**

7.1 N/a

## **8 ISSUES TO CONSIDER IN REACHING THE DECISION**

8.1 Report is for noting only.

## **9 ADVICE SOUGHT**

9.1 The Council's Section 151 Officer has had the opportunity to input to this report and have cleared it for publication.

<b>Contact person</b>	Liz Woodyard, Investments Manager 01225 395306
<b>Background papers</b>	Brunel Client Group, Oversight Board papers, Brunel papers
<b>Please contact the report author if you need to access this report in an alternative format</b>	