

Bath & North East Somerset Council	
MEETING:	AVON PENSION FUND COMMITTEE
MEETING DATE:	7 DECEMBER 2018
	AGENDA ITEM NUMBER
TITLE:	Brunel Pension Partnership – Update on pooling
WARD:	ALL
AN OPEN PUBLIC ITEM	
List of attachments to this report:	
Appendix 1 – Minutes of Brunel Oversight Board meeting	
Exempt Appendix 2a – Project plan for transition of Avon's assets to Brunel portfolios	
Exempt Appendix 2b – Risk Register for transition of Avon's assets to Brunel portfolios	
Appendix 3 – APF Risk Dashboard June 2018	
Exempt Appendix 4 – Passive equities transition report	
Exempt Appendix 5 – Fee savings analysis	
Exempt Appendix 6 - Business Plan & Budget 2019/20	
Exempt Appendix 7 – MHCLG update report	

1 THE ISSUE

- 1.1 This report outlines the progress on pooling of assets covering governance, investments and operational/financial aspects of the pool.
- 1.2 The Investment Panel reviewed specific investment aspects at its meeting on 12 November 2018.
- 1.3 The Fund has its own project plan for transitioning its assets to Brunel, consistent with the Brunel project plan. The Fund's plan identifies governance and risks for the Fund and Committee.
- 1.4 A verbal update will be provided at the meeting.

2 RECOMMENDATION

That the Committee notes:

- 2.1 the progress made on pooling of assets.**
- 2.2 the updated project plan for the transition of assets.**

3 FINANCIAL IMPLICATIONS

- 3.1 The management 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.
- 3.2 Brunel's budget for 2019/20 is in the process of being approved by the shareholders.

4 PROGRESS UPDATE

4.1 Governance:

- a) Brunel Oversight Board (BOB) has met twice since the September update report. The minutes of September 2018 BOB meeting is attached in Appendix 1. (Minutes for November meeting not yet issued).
- b) The Client Group (CG) meets each month for a full meeting; there is also a weekly update call and 6 sub-groups working with Brunel on specific aspects of the services to be delivered. Sub-group activity and output is discussed at weekly calls.
- c) Client Group and Brunel are drafting the KPIs for monitoring all aspects of Brunel service that will be used for reporting back to BOB and Committees. This includes the assurance framework for monitoring the transition process to ensure the process is in line with Brunel policies and the process for monitoring portfolios once managed by Brunel.
- d) Engagement days for members were held during the week of 5 November. Members from Avon's committee and pension board attended.
- e) The Autumn Progress Report submitted to MHCLG is in Exempt Appendix 7.

4.2 Investments:

- a) The selection process for the two active equity portfolios, UK Equities and Low Volatility Equities is complete, on track with timetable. The Portfolio Selection Report for the UK Equity Portfolio was reviewed by the Investment Panel at its last meeting. Avon has transitioned c. £195m of its active UK Equity assets into the UK Equity Portfolio. Mercer has confirmed that this will meet our strategic objective.
- b) The transition report for the passive equity portfolios is in Exempt Appendix 4. The Brunel Report sets out the full transition outcome. Inalytics advised Brunel on the transition and provided separate external validation of the costs.
- c) Brunel has published its Stewardship Policy which sets out how it will fulfil its role as an active investor including its voting guidelines. The policy is attached as an Appendix to the Responsible Investing item elsewhere on the agenda.

4.3 Transition Plan:

- a) Avon's project plan for the transition of its assets (see Exempt Appendix 2a) which is based on Brunel's 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. Avon will only be responsible for the transition costs relating to the portfolios the Fund invests in.

- b) Avon's project plan includes a Risk Register (see Exempt Appendix 2b) of risks specific to the transition for Avon. There are no changes to this since the March Committee meeting.
- c) An update of the fee savings achieved to date from transitioning to Brunel Portfolios is included in Exempt Appendix 5.

4.4 Operational/Finance:

- a) Brunel provides BOB with a business update at each meeting which includes monitoring of the budget and the transition plan. Brunel has also prepared the Business Plan and Budget for 2019/20.
- b) Client Group and Brunel have reviewed the Original Business Case (OBC) which forms part of the business planning, for actual savings for completed transitions, cost changes and revised assumptions due to known changes. Following each transition the business case is updated with actual transition costs incurred and agreed management fee rates. A summary of the 2019/10 Business Plan and review of the OBC can be found in Exempt Appendix 6.
- c) Brunel is developing their Internal Control Environment for recording, monitoring (including compliance) and managing client assets and reporting to their clients. The systems required will be compliant with FCA standards. The Client portal is being rolled out to Clients following extensive testing.
- d) Middle office administration for the private market portfolios is operational with Colmore appointed to maintain client records for all private market assets.

4.5 The Avon Brunel Risk dashboard is in Appendix 3.

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 The Investment Panel is consulted on investment related issues.

8 ISSUES TO CONSIDER IN REACHING THE DECISION

8.1 Report is for noting.

9 ADVICE SOUGHT

9.1 The Council's Monitoring Officer and 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	