

Bath & North East Somerset Council		
MEETING:	AVON PENSION FUND COMMITTEE	
MEETING DATE:	22 March 2019	AGENDA ITEM NUMBER 12
TITLE:	Brunel Pension Partnership – Update on pooling	
WARD:	ALL	
AN OPEN PUBLIC ITEM		
<p>List of attachments to this report:</p> <p>Appendix 1 a & b – Minutes of Brunel Oversight Board meeting</p> <p>Exempt Appendix 2a – Project plan for transition of Avon’s assets to Brunel portfolios</p> <p>Exempt Appendix 2b – Risk Register for transition of Avon’s assets to Brunel portfolios</p> <p>Appendix 3 – APF Risk Dashboard March 2019</p>		

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 27 February 2019.
- 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 once since the December update report. The minutes of the November 2018 meeting is attached in Appendix 1a and draft minutes (cleared for issuing) in Appendix 1b.
- 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) Work is progressing to provide Brunel level KPI monitoring reports to BOB. 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. The first report on the performance of the Brunel portfolios has been issued to BOB for period to 31 December 2018. The report for the quarter ending March 2019 will be revised to reflect feedback from BOB.
- d) Brunel has drafted a summary of the Stakeholder Engagement they will provide to its clients (at a minimum). Engagement at the committee level will be driven by client requests.
- e) Following feedback from clients a formal review of the governance arrangements relating to Brunel is required to ensure that all parties are operating effectively, the arrangements are consistent with the operating model of Brunel now operational and the levels of oversight and control are appropriate. The review will cover the Articles of Association, the Shareholders Agreement (not all the related policies) and the Services Agreement. The Client Group will work with Brunel on the review, with BOB considering the issue at their meeting in April 2019; with the intention of concluding the review mid-2019. Any changes to the governance arrangements will require unanimous approval of the shareholders.

4.2 Investments:

- a) The transition of the UK Equity assets has completed and the transition outcome report will be considered by the Investment Panel in due course (not available for Panel on 27 February). Inalytics advised Brunel on the transition and provided separate external validation of the costs. The CG will provide assurance to BOB on the transition process once the outcome report has been finalised.
- b) The tender process to select managers for the Emerging Markets portfolio is underway; the Global High Alpha portfolio tender process has been launched. Both are in track with the transition plan.

- c) Discussions have begun on how LDI strategies could be managed under pooling. This is an important strategic aspect for Avon given its Risk Management Strategies.

4.3 Transition Plan:

- a) Avon's project plan for the transition of its assets (see Exempt Appendix 2a) is based on Brunel's timeline for transitioning the assets. There is no change from December update. 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. With agreement of the revised transition plan by shareholders in January 2019, the risk of delay to the transition has been downgraded.
- c) There is no change to the actual fee savings reported to December meeting.

4.4 Operational/Finance:

- a) Brunel provides BOB with a business update at each meeting which includes high level monitoring of the budget and the transition plan. CG monitors the budget variances in detail on a quarterly basis, raising any issues with BOB.
- b) Brunel's 3 year business plan and budget for 2019/20 was agreed by Shareholders at the AGM in January. This plan provided for an increase in resources over the transition period to ensure the plan could be delivered within a timeframe that supports strategic decision making by its clients.
- c) The Business Case for pooling is update following each transition, once fees and costs are known, reviewed by CG.

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.

Contact person	Liz Woodyard, Investments Manager 01225 395306
Background papers	CG and BOB papers
Please contact the report author if you need to access this report in an alternative format	