

## Bath & North East Somerset Council

MEETING:	AVON PENSION FUND COMMITTEE	
MEETING DATE:	22 MARCH 2019	AGENDA ITEM NUMBER
TITLE:	INVESTMENT PANEL ACTIVITY	
WARD:	ALL	
AN OPEN PUBLIC ITEM		
List of attachments to this report:  Appendix 1 – Minutes from Investment Panel meeting held 27 February 2019 [TO FOLLOW]  EXEMPT Appendix 2 – Exempt Minutes from Investment Panel meeting held 27 February 2019 [TO FOLLOW]		

### 1 THE ISSUE

- 1.1 The Investment Panel is responsible for addressing investment issues including the investment management arrangements and the performance of the investment managers. The Panel has delegated responsibilities from the Committee and may also make recommendations to Committee. This report informs Committee of decisions made by the Panel and any recommendations.
- 1.2 The Panel has held one formal meeting since the December 2018 Committee meeting, on 27 February 2019. The draft minutes of this meeting provides a record of the Panel's debate before reaching any decisions or recommendations. Due to timing issues these will be tabled at the meeting.
- 1.3 There were no recommendations or decisions arising from this meeting.

### 2 RECOMMENDATION

- 2.1 Notes the minutes of the Investment Panel meeting on 27 February at Appendix 1 and Exempt Appendix 2.

### **3 FINANCIAL IMPLICATIONS**

- 3.1 In general the financial impact of decisions made by the Panel will have been provided for in the budget or separately approved by the Committee when authorising the Panel to make the decision.
- 3.2 There are transactional costs involved in appointing and terminating managers. Where these arise from a strategic review allowance will be made in the budget. Unplanned changes in the investment manager structure may give rise to transition costs which will not be allowed for in the budget.

### **4 RECOMMENDATIONS AND DECISIONS**

#### **4.1 Private Debt – Asset Class Update**

The Panel considered a background paper about Private Debt which was one of the long term allocation recommendations from the 2017 strategic review and it is envisioned that this asset class will be included in the 2019 review. The Panel noted the key risks associated with private debt as well as the return profile and extent of diversification it offers in the context of the Fund's wider investments portfolio. The discussion addressed features of private debt such as the 'illiquidity premium' that investors should expect over and above publically traded bonds and the importance of selecting an appropriate private debt strategy (given that different fund managers target different levels of credit risk). Members also discussed Brunel's ability and timeline for building out its private debt portfolio.

#### **4.2 Strategy Updates for Periods Ending 31 December 2018**

Officers provided an update on the cash management strategy that was agreed by Panel in the December 2018 meeting. The new strategy was expected to be fully implemented before the end of March 2019.

Members were informed that the bespoke corporate bond portfolio that was approved at the December meeting and delegated to Officers and Mercer to implement had been scheduled to complete before March 2019. Officers and Mercer have since delayed the implementation of this strategy until April 2019 to avoid transitioning over the year end and the Brexit period (potential risk of higher than normal volatility in corporate bond prices).

#### **4.3 There were no recommendations or decisions made by the Panel at the Investment Panel meeting on 27 February 2019.**

### **5 INVESTMENT PANEL DELEGATION**

- 5.1 The activity was undertaken under in line with the delegation set out in the Fund's Terms of Reference approved in May 2015:

*The Investment Panel will:*

- 1. *Review strategic and emerging opportunities outside the strategic asset allocation and make recommendations to the Committee.*
- 2. *Review the Statement of Investment Principles and submit to Committee for approval.*
- 3. *Report regularly to Committee on the performance of investments and matters of strategic importance*

*and have delegated authority to:*

4. *Approve and monitor tactical positions within strategic allocation ranges.*
5. *Approve investments in emerging opportunities within strategic allocations.*
6. *Implement investment management arrangements in line with strategic policy, including the setting of mandate parameters and the appointment of managers.*
7. *Approve amendments to investment mandates within existing return and risk parameters.*
8. *Monitor investment managers' investment performance and make decision to terminate mandates on performance grounds.*
9. *Delegate specific decisions to Officers as appropriate.*

## **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. An Investment Panel has been established to consider in greater detail investment performance and related matters, and to carry out responsibilities delegated by the Committee.
- 6.2 A key risk to the Fund is that the investments fail to generate the returns required to meet the Fund's future liabilities. This risk is managed via the Asset Liability Study which determines the appropriate risk adjusted return profile (or strategic benchmark) for the Fund.

## **7 EQUALITIES**

- 7.1 An equalities impact assessment is not necessary as the report is primarily for information only.

## **8 CONSULTATION**

- 8.1 This report is primarily for information and therefore consultation is not necessary.

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

- 9.1 The issues to consider are contained in the report.

## **10 ADVICE SOUGHT**

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

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<b>Background papers</b>	none
<b>Please contact the report author if you need to access this report in an alternative format</b>	