

Bath & North East Somerset Council		
MEETING:	AVON PENSION FUND COMMITTEE	
MEETING DATE:	21 June 2019	AGENDA ITEM NUMBER
TITLE:	Brunel Pension Partnership – Update on pooling	
WARD:	ALL	
AN OPEN PUBLIC ITEM		
<p>List of attachments to this report:</p> <p>Appendix 1 – Minutes of Brunel Oversight Board meeting - to be tabled at 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>Exempt Appendix 3 – Fees savings and Transition Costs</p> <p>Appendix 4 – APF Risk Dashboard March 2019</p> <p>Appendix 5 - Brunel Climate Change Position Statement</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 will review specific investment aspects at its next meeting in September 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 2019/20. They have been calculated in line with the current pricing policy. The fees and pricing policy have been approved by the Shareholders.

4 PROGRESS UPDATE

4.1 Governance:

- a) Brunel Oversight Board (BOB) has met once since the March 2019 update report. The draft minutes of the April 2019 meeting have yet to be circulated. They will be tabled if available by the 21 June. The next BOB meeting is 25 July 2019.
- b) The Client Group (CG) meets each month for a full meeting; there are weekly update calls as required. Six sub-groups work with Brunel on specific aspects of the services to be delivered. Sub-group activity and output is discussed at each meeting/call.
- c) Work is progressing to provide full KPI monitoring of Brunel to BOB. An assurance framework for monitoring the transition process by the CG is in place and CG provides independent assurance to BOB at the end of each transition. Quarterly investment performance reports covering all the portfolios they manage for the clients are now provided by Brunel for BOB. CG considers a detailed version as part of its monitoring process with a summary version being presented to BOB. Each client receives its own quarterly report covering just the portfolios that the client is invested in. The 'business as usual' reports for monitoring Brunel are being finalised by CG in conjunction with Brunel.
- d) Brunel is reviewing the governance arrangements to ensure they are aligned with best practice, operate efficiently, and are consistent with the operating model of Brunel now operational. An update is due to be considered at July BOB meeting.

The review covers the Articles of Association, the Shareholders Agreement (not all the related policies) and the Services Agreement. The Client Group is working with Brunel on the review, with the intention of concluding the review during 2019. Any changes to the governance arrangements will require unanimous approval of the shareholders.

- e) One Special Reserve matter (requesting flexibility in managing the budget) and a number Reserve Matters were considered by BOB. All were recommended for approval to the Shareholders.

4.2 Investments:

- a) The transition of the UK Equity assets has completed and CG provided BOB with assurance on the selection and transition process at its April meeting. The transition outcome will be reviewed by the Investment Panel at its next meeting in September.
- b) The selection process to appoint managers for three portfolios is underway: Emerging Market equities, Global High Alpha equities and Liability Driven Investing. All on track with the transition plan.

- c) Discussions have begun between Brunel and CG on the structure of the DGF portfolio.
- d) Brunel provides quarterly reports covering investment performance and stewardship activity. These reports will be discussed in detail by the Investment Panel and then reported to Committee as part of the normal quarterly investment report.
- e) Brunel has published a position statement on Climate Change to help explain their approach when managing assets (see Appendix 5). The implications of climate change on our investment strategy will be covered in detail in our investment review planned for 3/4Q19.

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 March update. The timing of transitioning of assets is continuously reviewed by Brunel and CG 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.
- c) There have been no further transitions to report. Exempt Appendix 3 has been updated to include the transition costs for the UK Equity portfolio.

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. The forecast outturn for 2018/19 was an underspend of £49k.
- b) Brunel's 3 year business plan and budget for 2019/20 was agreed by Shareholders at the AGM in January. The plan allowed for an increase in resources; recruitment has progressed which reduces the risk to the transition plan and service delivery once assets have transitioned.
- c) The Business Case for pooling is updated following each transition, once fees and costs are known, and is reviewed by CG. To date only 3 portfolios have transitioned: UK equities, passive equities and Low Volatility equities. The actual savings and transition costs realised to date are ahead of the budget (i.e. savings are greater than estimated; transition costs are lower than expected).

4.5 The Avon Brunel Risk dashboard is in Appendix 4.

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 CLIMATE CHANGE

6.1 The Fund is implementing a digital strategy across all its operations and communications with stakeholders to reduce its internal carbon footprint. The Fund acknowledges the financial risk to its assets from climate change and addresses this through its strategic asset allocation to Low Carbon Equities and renewable energy opportunities. The strategy is monitored and reviewed by the Committee.

7 EQUALITIES

7.1 An equalities impact assessment is not necessary.

8 CONSULTATION

8.1 The Investment Panel is consulted on investment related issues.

9 ISSUES TO CONSIDER IN REACHING THE DECISION

9.1 Report is for noting.

10 ADVICE SOUGHT

10.1 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	Client Group and BOB papers
Please contact the report author if you need to access this report in an alternative format	