

<b>Bath &amp; North East Somerset Council</b>		
MEETING:	<b>AVON PENSION FUND INVESTMENT PANEL</b>	
MEETING DATE:	<b>2 September 2019</b>	<b>AGENDA ITEM NUMBER</b>
TITLE:	<b>Brunel Pension Partnership – Update on pooling</b>	
WARD:	ALL	
<b>AN OPEN PUBLIC ITEM</b>		
<p>List of attachments to this report:</p> <p>Exempt Appendix 1 - UK Equity Portfolio Transition</p> <p>Exempt Appendix 2 – Emerging Markets Portfolio</p> <p>Exempt Appendix 3 – LDI portfolio update</p> <p>Exempt Appendix 4 – Mapping of Avon mandates to Brunel portfolios</p> <p>Exempt Appendix 5 – Plan for transition of Avon’s assets to Brunel portfolios</p> <p>Exempt Appendix 6 – Risk Register for transition of Avon’s assets to Brunel portfolios</p>		

## **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 2019/20. They have been calculated in line with the pool's pricing policy. During the transition, the fees are based on a mixture of equal 1/10ths and AUM. In later years a greater element of costs will be paid via portfolio fees.
- 3.2 The fees for 2019/20 were discussed at the March Committee meeting.

### 4 INVESTMENTS UPDATE

- 4.1 Assets that have transitioned:

Brunel portfolio	Value (30/6/19)	Transitioning Mandates / Managers	Date transitioned
Passive Equities	£557m	Low Carbon Global Equities / Blackrock	July 2019
UK Equities	£193m	UK Equities / TT International	Nov 2019

- 4.2 A summary of the UK Equity transition outcome is in Exempt Appendix 1 (for information only).
- 4.3 The construction of the Emerging Market Equities portfolio is nearing completion. An update is in Exempt Appendix 2 (for information only).
- 4.4 The tenders for the Global High Alpha Equities and Diversified Growth portfolios are underway. The launch of the Sustainable Global Equity and the Smaller Companies portfolios has been announced.
- 4.5 Exempt Appendix 3 provides an update on the LDI portfolio.
- 4.6 Exempt Appendix 4 maps the Fund's current investment mandates to the Brunel portfolios. The mapping of mandates to portfolios was agreed by Panel in September 2017. This will be subject to change following the Strategic Review later this year.
- 4.7 Exempt Appendix 5 shows the transition plan for Avon's assets. The transition plan 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. The plan is still on track to complete on time as set out in Brunel's 2019/20 Business Plan.
- 4.8 Brunel is managing the Fund's allocation to Secured Income and Renewable Infrastructure. The drawdowns of commitments have begun; see Quarterly Investment Monitoring report for details. In 2020, a new 2 year investment cycle will commence for all private market portfolios, and if required, new commitments will be made following the outcome of the 2019 strategic review.
- 4.9 The process for client side monitoring the portfolios once into Business as Usual is being finalised. Brunel is already providing quarterly investment reports client group and pension committees. The report for Avon is included as an appendix to the Quarterly Investment Monitoring report on this agenda.

- 4.10 There has been no new savings from pooling since the update provided at the June committee meeting.
- 4.11 Avon's project plan includes a Risk Register (see Exempt Appendix 6) 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 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 ISSUES TO CONSIDER IN REACHING THE DECISION**

- 7.1 Report is for noting only.

## **8 CONSULTATION**

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

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<b>Background papers</b>	Brunel Client Group papers
<b>Please contact the report author if you need to access this report in an alternative format</b>	