

Bath & North East Somerset Council		
MEETING:	AVON PENSION FUND INVESTMENT PANEL	
MEETING DATE:	6 March 2020	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>Exempt Appendix 1 – Transition Report</p> <p>Exempt Appendix 2 – Small Cap Equity Portfolio</p> <p>Exempt Appendix 3 – Diversifying Returns Fund Portfolio</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 2019 Committee meeting.

4 INVESTMENTS UPDATE

- 4.1 Assets that have transitioned now total £1.5bn (at 31/12/19):

Brunel portfolio	Value at transition	Transitioning Mandates / Managers	Date transitioned
Passive Equities	£581m	Low Carbon Global Equities - Blackrock	July 2018
UK Equities	£194m	UK Equities - TT International	Nov 2018
Emerging Market Equities (EM)	£237m	EM Equities – Genesis, Unigestion	Oct 2019
Global High Alpha Equities (GHA)	£421m	Global Equities - Schroders	Nov 2019

- 4.2 There will be a verbal update at the meeting regarding the portfolios that are in transition.
- 4.3 Exempt Appendix 1 summarises the EM and GHA transitions.
- 4.4 Exempt Appendix 2 & 3 provides an update on the construction of the Small Cap Equity Portfolio and the Diversifying Returns Fund Portfolio (for information only).
- 4.5 Work has now begun on the fixed income and bond portfolios. A CG workshop was held in January to discuss the strategic requirements in the bond and credit assets.
- 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. There is a slight change from the last meeting. 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 overall 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.

- 4.9 In April 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.
- 4.10 Brunel provides 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.
- 4.11 The next update of investment fee savings and transition costs will be provided at the March Committee meeting following the EM and GHA transitions. The last update was in June 2019.
- 4.12 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 is in the process of addressing this through its strategic asset allocation to Low Carbon Equities and renewable energy opportunities. The strategy is monitored and reviewed by the Committee.

7 OTHER OPTIONS CONSIDERED

- 7.1 None.

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