

Bath & North East Somerset Council		
MEETING:	AVON PENSION FUND INVESTMENT PANEL	
MEETING DATE:	20 November 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 – Diversified Returns Fund Transition outcome</p> <p>Exempt Appendix 2 – Plan for transition of Avon’s assets to Brunel portfolios</p> <p>Exempt Appendix 3 – 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 2020/21. They have been calculated in line with the pool's pricing policy. During the transition, the fees are based on a mixture of equal1/10ths and AUM. In later years a greater element of costs will be paid via portfolio fees.

4 INVESTMENTS UPDATE

- 4.1 Assets that have transitioned now total £3.19bn (at 31/09/20). In addition, Brunel invests £109.3m in secured Income and £40.2m in Renewable Infrastructure on behalf of the Fund. The investments in private Debt has yet to commence.

Brunel portfolio	Value at 30/09/20	Transitioning Mandates / Managers	Date transitioned
Passive Equities	£616.9m	Low Carbon Global Equities - Blackrock	July 2018
UK Equities	£0m	UK Equities - TT International	Nov 2018
Emerging Market Equities (EM)	£246.6m	EM Equities – Genesis, Unigestion	Oct 2019
Global High Alpha Equities (GHA)	£358.0m	Global Equities - Schroders	Nov 2019
Risk Management Strategies	£981.9m	Blackrock LDI and EPS	Oct 2019
Diversified Return Funds	£493.1m	Diversified Growth Funds – Pyrford, Ruffer (partial)	July 2020
Sustainable Equities	£494.0	Jupiter UK Equities, Jupiter Global Sustainable Fund, Brunel UK Equities, Brunel Global High Alpha (partial)	September 2020

- 4.2 To fund the allocation to Sustainable Global Equities in line with the strategic allocation the Brunel UK Equity fund was sold as were the two mandates with Jupiter. The balance was funded by the partial sale of the Brunel Global Equity portfolio.
- 4.3 There will be a verbal update at the meeting regarding the portfolios that are in transition.
- 4.4 Exempt Appendix 1 provides an update of the transition outcome for the Diversified Returns Portfolio.
- 4.5 Exempt Appendix 2 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 2020/21 Business Plan.

4.6 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.

4.7 Avon's project plan includes a Risk Register (see Exempt Appendix 3) of risks specific to the transition for Avon. One risk has reduced from Medium to Low.

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 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 EQUALITIES

7.1 A proportionate equalities impact assessment has been carried out using corporate guidelines and no significant issues have been identified.

8 OTHER OPTIONS CONSIDERED

8.1 None.

9 CONSULTATION

9.1 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	