

## Bath & North East Somerset Council

MEETING:	<b>AVON PENSION FUND INVESTMENT PANEL</b>	
MEETING DATE:	<b>19 November 2021</b>	<b>AGENDA ITEM NUMBER</b>
TITLE:	<b>Infrastructure Portfolios</b>	
WARD:	<b>ALL</b>	
<b>AN OPEN PUBLIC ITEM</b>		
List of attachments to this report: Exempt Appendix 1 – Mercer report Exempt Appendix 2 – Brunel Portfolio Scoping paper		

### **1 THE ISSUE**

- 1.1 At its meeting in May 2021 the Panel considered the plan to manage down the legacy assets with the aim of having all the Fund's assets eventually managed by Brunel.
- 1.2 One of the actions was for Mercer to assess how Brunel's core infrastructure offer compares to the Fund's legacy infrastructure mandate and how over time the allocation to infrastructure could potentially transfer to Brunel.
- 1.3 This report sets out the initial advice from Mercer (see Exempt Appendix 1). They are not recommending any action at this stage.

### **2 RECOMMENDATION**

- 2.1 **That the Panel notes the report and next steps.**

### **3 REPORT**

- 3.1 The Fund has an infrastructure allocation of 10%, split 50/50 between core infrastructure (legacy portfolio) and renewable energy (Brunel portfolio). It should be noted that we also have renewable infrastructure exposure through the Secured Income Fund so on a look through basis, once fully invested, we will have more than 5% invested in renewables.
- 3.2 The legacy portfolio is 'generalist' in that it invests across a range of infrastructure assets whereas the to date Fund has invested in the renewables portfolio (note Brunel have also offered a 'generalist' infrastructure portfolio in each investment cycle). Therefore the legacy portfolio provides diversification within infrastructure for the Fund.
- 3.3 Brunel is in process of finalising the private market portfolio specifications for the next cycle of private market investments. Their scoping paper for the Infrastructure portfolios is included as Exempt Appendix 2 for reference only. The portfolio specification has not been agreed as yet; a verbal update will be

provided at the meeting and Mercer advice is subject to the final portfolio offered.

- 3.4 The Panel do not have to make any decisions at this meeting. This paper is for the Panel to explore the potential options and implications (operationally, timing) for the legacy portfolio. Allocations to the next cycle of private market portfolios offered by Brunel will be agreed at the Panel meeting in 1Q22, once portfolio specifications are available. The Fund can allocate to the next Brunel infrastructure portfolio to maintain the current strategic allocation independently of any decision concerning the legacy portfolio. *(Note: Panel are responsible for committing to private market at each cycle to maintain the strategic allocations).*

#### **4 FINANCIAL IMPLICATIONS**

- 4.1 The 2021/22 budget provides for investment management fees. Any changes to the investment structure could change the fees charged to the Fund in future years.

#### **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 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 Paris Aligned Global Equities, Sustainable 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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<b>Background papers</b>	May 2021 Investment Panel paper 'Legacy Portfolio Plan'
<b>Please contact the report author if you need to access this report in an alternative format</b>	

