

Brunel Pension Partnership

Proposal for asset pooling in the LGPS



Annex Number: 03

Document: High Level Timetable and reporting for stage 4 (asset transition)

Published notice: All decisions relating to the structure, constituents and managers within each portfolio will be made by the Brunel Company staff only after it is established.

Therefore it will be appreciated (and noted) if managers and advisors do not contact Fund Officers or Members regarding the portfolio structure and constituents as decisions will not rest with them.

Template Questions Addressed:

A5. The timetable for establishing the pool and moving assets into the pool. Authorities should explain how they will transparently report progress against that timetable and demonstrate that this will enable progress to be monitored.

b) Please provide as an ANNEX a high level timetable for the establishment of the structure and transition of assets as well as the proposed methodology for reporting progress against this timetable.

c) Please provide as an ANNEX an outline of how you will approach transition over the years and where possible by asset class (any values given should be as at 31.3.2015.)

Stage 4 High Level Timetable and Reporting Approach (Asset Transition)

1. Approach for the Asset Transition (stage 4)

The proposal is to phase the transition of assets over a 29 month timeframe that would see the initial transfer of passive equity assets from the 1 April 2018, and all assets transitioned to the pool by 31 March 2020. This is set out below.

The proposed transition is phased to take account of the resources that will be required to manage a selection process and then transition the assets. The order proposed is:

1. **Passive equities and fixed interest** – it is proposed to transition the passively managed assets first, as this should be the simplest transition to achieve. It is proposed to appoint one manager to manage all listed equities and fixed interest holdings that are to be held on a passive basis, although internal management capabilities will also be considered given that two of the Brunel funds manage passive equities internally.
2. **Active Equities** – The proposed order of transition is based on liquidity of assets. Listed equities are likely to be the most liquid assets held, and will therefore be transitioned next following the passively held assets. This also represents the highest allocation of funds and will ensure that the majority of assets will have transitioned at an early stage. Where funds have investments in less liquid funds (e.g. small cap funds) these may take longer to transition, but will only comprise a very small minority of assets.
3. **Active Fixed Interest** – These holdings are also relatively liquid and are the next major asset class in terms of asset allocation. These will therefore form the next stage of the transition process after equities.
4. **Alternatives / Other** – These tend to be the less liquid holdings and will therefore be left to the final stages of the transition process. This covers a variety of assets. Investments in diversified growth funds are included in this stage, and these provide a reasonable level of liquidity, but this stage will also include property, infrastructure and private equity holdings. Where Funds hold assets in illiquid vehicles, such as private equity and infrastructure assets, the majority of these assets will be locked up for periods beyond the March 2020 date. These assets will remain under the beneficial and legal ownership of the individual funds, but the management and the monitoring of these investments will become the responsibility of the Brunel Pension Partnership, and they have therefore been included within the timescales shown below on the basis of transition of the management of the assets.

In general, where Funds are considering changes to their asset allocation strategies, these will also be taken into account in managing the transition process in order to ensure maximum efficiency and minimum cost.

4. High Timetable for the Asset Transition (stage 4)

	2017												2018												2019												2020		
	Apr	May	June	July	Aug	Sept	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	June	July	Aug	Sept	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	June	July	Aug	Sept	Oct	Nov	Dec	Jan	Feb	Mar			
Passive Equities																																							
Passive Fixed Interest																																							
Active Equities																																							
Active Fixed Interest																																							
Alternatives																																							
Other																																							

Activities

Preparation
Selection and Appointment
Transition of Assets

The proposed timetable will need to be flexible. There may be a requirement to change the timings from those currently proposed as a result of market conditions and other factors, in order to ensure maximum efficiency and minimum cost.

5. Value of the assets transitioned

Value of assets in the pool at end of each financial year (£millions)	2017/ 2018	2018/ 2019	2019/ 2020	To remain outside the pool	Total assets across funds
Passive Equities		£4,228	£4,228		£4,228
Passive Fixed interest		£425	£425		£425
Active Equities		£3,125	£7,812		£7,812
Active Fixed Interest			£3,702		£3,702
Alternatives			£5,662		£5,662
Other			£1,127		£1,127
Cash (for operational purposes)				£248	£248
Total amount		£7,778	£22,957	£248	£23,204
Percentage		33.5%	98.9%	1.1%	

6. Reporting Method for Stage 4

The new organisational structure will be in place and the asset transition reporting will fall under the overall reporting remit of the Brunel Company. Please refer **Annex 06** for the full details of the reporting and monitoring framework. With respect to the asset transition timetable, the Brunel Company will report regularly to the Oversight Board, as part of the investment and operational performance reporting process. Details of progress will be included in the annual reports and on the website.