

PENSION FUND COMMITTEE – 2 SEPTEMBER 2016

COLLABORATION UPDATE

Report by Chief Financial Officer

Introduction

1. Since the special meeting of this Committee on 1 July 2016 to approve the outline business case, considerable work on developing the full business case for the Brunel Pension Partnership has been completed, though a significant amount still remains to be achieved. The full business case will be presented to the Committee at its meeting on 2 December 2016.
2. This report provides an outline of the latest position. Due to the speed and scale of developments, more details will be provided at the Committee itself. We have also arranged a further Joint Seminar to which members of both this Committee and the Oxfordshire Pension Board will be invited, alongside members of the Gloucestershire and Buckinghamshire Committees and Boards. This Seminar will take place at 10:00 on 17 October 2016.

Current Position

3. Since the submission of the Outline Business Case to the Government in July, we have received limited feedback. An email from the Department for Communities and Local Government (DCLG) was received on 17 August 2016. This stated that no new areas of concern had been identified, and the submissions from each pool were to be discussed at an evaluation panel scheduled for 8 September 2016. DCLG are seeking to set up clarification phone calls with each pool on 30/31 August 2016.
4. Officers have therefore continued to proceed with developing the full business case to be presented to each Committee/Council during November/December. This timescale has been established to fit with the Government's aim for the first assets to transition to the new pooled arrangements from April 2018.
5. The work has focussed on two main areas – the Brunel Company, and the new investment portfolios and the potential performance and fee improvements and the costs of the transition. The work is being overseen by both the Shadow Oversight Board and FLAG – the Finance and Legal Officers Assurance Group.
6. For both the main workstreams, additional support is being bought in to provide some of the specialist knowledge, and a degree of independent assurance on the work undertaken within the Project Teams.

7. In the case of the Brunel Company, specialist expertise has been procured to provide support on the process for gaining the necessary approvals from the Financial Conduct Authority (FCA). This advice includes a view on the level and type of resources required to meet FCA expectations. Separate advice is also being sought by way of QC opinion on the legal issues associated with the establishment of the Company.
8. Within the project team, work has continued on specifying the services to be provided by the Brunel Company, and the roles and responsibilities that will remain with the 10 Funds. It is clear that the costs of running the Brunel Company will not be covered by way of savings within the 10 Funds, reflecting the resources required to meet the compliance requirements of the FCA. The key savings should come from the savings in investment manager fees and improved performance through the pooling arrangements.
9. The Project Team is also developing proposals on the future location of the Brunel Company and any reserved matters which the Brunel Company will need to refer back to the 10 Funds for approval before enacting.
10. The work on developing the job descriptions for the new roles and the recruitment process for filling them is being led by PwC to ensure there is no conflict of interest with members of the project team who may see their future working within the Brunel Company.
11. On the investment portfolios, the project team has developed more detailed specifications for each of the proposed portfolios, including likely performance targets and fee levels. Independent financial advisers have been appointed to review these specifications and provide assurance on the potential performance and fee levels.
12. Each of the Funds will provide details of their current asset allocations, and their potential allocations to the new portfolios. This will allow an analysis of potential performance improvements and fee savings to be completed on an individual Fund level as well as for the Brunel Pension Partnership as a whole.
13. The Financial Advisers have also been asked to provide assurance on the appropriateness of the assumptions which underlie the transition costs, as well as reviewing the merits of the current in-house management arrangements within two Funds for the passive equity mandates.
14. All of this work will then be pulled together to form the Full Business Case to be presented to Pension Fund Committees in November/December. As the proposal includes the establishment of a new company in which each of the Administering Authorities will become shareholders, the proposals will be reported through to full Councils as appropriate.
15. Much of this work will be completed during September, and at the suggestion of FLAG, we will again be holding cross Fund workshops in October to cover the key issues arising. We will host one of these workshops in County Hall, Oxford on the morning of 17 October, which will be the main session for the

Oxfordshire, Buckinghamshire and Gloucestershire Committee and Board Members. Identical sessions will happen in Exeter on 7 October and Keynsham on 14 October for the remaining Funds, although members are free to attend whichever session is most convenient for themselves.

RECOMMENDATION

- 16. The Committee is RECOMMENDED to note the latest position on developing the full business case, and the importance of the joint workshops to be held in October, which will update members of the Committee and Board on the key details.**

Lorna Baxter
Chief Finance Officer

Background Papers: None

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August 2016