

Brunel Oversight Board Meeting

Minutes

Purpose: To review Brunel/Client progress agree next steps

Date and time: Thursday 18 January 2018, 10:30 – 13:00

Location: Brunel Offices, 101 Victoria Street, Bristol, BS1 6PU

Dial-in details: 0330 336 1949 leader pin 461405 participant pin 429632

Invited:		
<i>Pension Committee Representatives</i>		
David Veale	Avon	
John Chilver	Buckinghamshire	Apologies
Derek Holley	Cornwall	Phone
Rufus Gilbert	Devon	
Peter Wharf	Dorset	Phone
Joanne Segars	EAPF	Apologies
Ray Theodoulou	Gloucestershire	Chair
Kevin Bulmer	Oxfordshire	Vice-Chair
Mark Simmonds	Somerset	
Tony Deane	Wiltshire	
<i>Member representative observers</i>		
Andy Bowman	Scheme member rep.	
Ian Brindley	Scheme member rep.	
<i>Fund Officers and Representatives</i>		
Liz Woodyard	Avon, CG	Apologies
Tony Bartlett	Avon	
Julie Edwards	Buckinghamshire	
Mark Gayler	Devon	
Richard Bates	Dorset (finance)	Phone
Craig Martin	EAPF CPO	
Mark Spilsbury	Gloucestershire	
Sean Collins	Oxfordshire	
Anton Sweet	Somerset	Apologies
Nick Weaver	Wiltshire	
Nick Buckland	JLT Client Side Executive	
Sophie McClenaghan	JLT Client Side Assistant	Minutes
<i>Brunel Pension Partnership Ltd</i>		
Denise Le Gal	Brunel, Chair	
Steve Tyson	Brunel Shareholder NED	Phone
Matthew Trebilcock	Brunel, CRD	
Dawn Turner	Brunel, CEO	
Mark Mansley	Brunel, CIO	
Laura Chappell	Brunel, CCRO	
Mike Clark	NED and Chair of ARC	

Item	Agenda	Paper provided	Owner
1	Confirm agenda Requests for AOB Any new declarations of conflicts of interest	Agenda C of Interests	Chair
	No AOB was requested. There were no new conflicts of interest received.		
2	Review 24 November BOB minutes	Minutes	Chair
	<p>The BOB approved the minutes. All actions had been completed/ were covered on the agenda.</p> <p>NB summarised LC's answers to questions raised at the previous meeting regarding the code of conduct. The answers were as follows:</p> <ol style="list-style-type: none"> 1. <i>whether members would be required to disclose all personal dealings;</i> <p>At this stage we think not, BOB members are far enough removed from the process to not be in a position to influence our choice of manager, nor for them to know what transactions we would be completing. Generally they would only know after we have appointed a manager and not play any part in the selection process.</p> <p>However we should discuss the use of a stop list with the CG while we are procuring managers – i.e. not dealing personally in shares for the underlying managers for a short period while contracts are agreed and made public so as to avoid any potential front running considerations by CG.</p> 2. <i>whether members have to disclose any level of interest in the fund or if there will be a minimum disclosure level;</i> <p>Did BOB mean fund manager or membership of the LGPF? If they hold the funds of the manager its unlikely there would be a conflict as I can't see a situation where having any knowledge might influence fund unit price, it would only influence the price of the shares of the manager. The only conflict would be if they held shares in the underlying managers, and again as per above, they are far enough removed from the process not to have any insider knowledge. We should remind them of the obligation to act with integrity and not to front run if they do have insider knowledge in the code though. I will do edits to the code to reflect this, although they're going to be a bit legalese!</p> 3. <i>relevant legislation from the employment act to be referenced as a definition for bullying in section 10;</i> 		

	I'll add it's actually harassment, bullying isn't covered by law curiously. The relevant regulation has now been included.		
3	Brunel Update Report	Update report	Chair/ MT
	<p>MT presented the papers with a focus on Appendix 1. This report will be a standing item going forward since the shareholders agreement requires regular business updates from Brunel. Brunel is still in its formation stages so not all required areas are yet relevant but the report will evolve over time. The report will be updated quarterly so may be some repetition depending on the dates of BOB.</p> <p>Key points included:</p> <ul style="list-style-type: none"> • 7 of the funds have now transitioned custody across to Statestreet • FCA application is ongoing. Brunel envisages approval will be received prior to 1 April target. Example of the Central Pool was given. • Tax management solutions – Brunel have worked with PWC, Alpha and other relevant bodies to establish the most cost effective tax solution. Brunel haven't seen the level of response from the fund managers they were hoping for so are investigating alternative approaches to effectively manage the potential tax implications. Work has been shared and agreed with Client Group. • There have been numerous personnel appointments including the Head of Private Markets; Richard Fanshawe. 8 appointments remain outstanding but Brunel expects many to be filled in the near future. The investment team will total 12 when complete. • IB questioned whether the failure or disruption of another pool is a real risk. DT confirmed that this could be an issue, changes in senior management of other pools and a change of minister is a risk for pools. An additional concern is that the Government may wish to see results of pooling faster than it is possible therefore may change the initiative. • 3 reserved matters were issued before Christmas. All matters were approved. Brunel will write to shareholders shortly to confirm the result. • DH asked if FCA approval wasn't received by 1 April, would this hold everything up. LC, in short yes, but it would depend on how long the delay was to what the cost saving impact would be. There is nothing to lead Brunel to believe at this stage that there will be any hold up. Positive feedback from FCA so far, only the IT side is outstanding. The Central pool received approval this week. • DH queries Brunel's relationship with Future-fit. DT explained that Future-fit is an organisation which collects data from companies such as Brunel with the aim of encouraging them to become more sustainable. Brunel to evaluate the wording in the business report. • KB noted that the sustainability section is very helpful for members. MC also noted that there will be political and public interest in sustainability going forward. • RT requested updates on cost savings to follow. DT replied 		<p>MT/ 26 Jan</p> <p>MT/ 22 Mar</p>

	that as soon as Brunel begin transitions it will provide a saving summary however as of yet there is nothing to report.		
4	ARC report	ARC report	LC/MC
	MC, Chair of Audit, Risk & Compliance Committee (ARC) provided an update on the Committee's progress. ARC met once in December and has a second meeting booked in February. The Committee's next agenda item is to appoint an internal auditor. MSI asked if the risk could be demonstrated with its relevant mitigation. Brunel agreed to look at the format to ensure risks are disclosed clearly for members. It was agreed the main body would remain high level supported by a detailed Appendix.		LC/ 22 Mar
5	Code of conduct policy	Code of conduct	SC
	<p>The special reserve matter has been approved therefore members of this board are now obliged to follow this code of conduct.</p> <p>One previously raised issue was ownership. BOB is the owner of the report. Any breaches should be reported to the Secretary (currently JLT) and the Chair of BOB, unless the Chair is reporting a breach, then they should report to the Secretary and the Vice Chair of BOB.</p> <p>If there is an investigation, whether the member steps down until the investigation is complete, is the discretion of the Chair. It is unlikely that a member of BOB would be in breach without breaching their local authority conduct requirements.</p> <p>Include the following wording in section 21/ 22 "In the first instance, the matter will be referred to the appropriate local authority monitoring officer"</p> <p>Subject any minor edits and the wording amendment which was delegated to the Chair of Client Group, the Code of Conduct Policy was approved.</p>		SC/ 31 Jan
6	Services Agreement	Services Agreement	LC
	<p>MG introduced the document which was initially formed by a sub-group of the Client Group who produced a list of required and elected services that should be provided by Brunel. The agreement was then developed between the Client Group, Brunel, Osborne Clarke and legal representatives of the Funds.</p> <p>LC looking for endorsement of the agreement, subject to any minor changes delegated to Chair of CG and Chair of BOB with the aim of getting the document signed and sealed in February.</p> <ul style="list-style-type: none"> DH asked whether the agreement should be revisited after 		

	<p>12 months. LC: Yes absolutely, as well as the ongoing monitoring of Brunel's performance against the service agreement. the Client Group will formally review this agreement every 12 months</p> <ul style="list-style-type: none"> • Fee schedule is currently draft as it uses assets under management as predicted at 31 March 2017. Brunel will be providing initial invoices no later than end February after it has received updated asset valuations. • (9.1) states reasonable, should it say best advice? LC confirmed that Osborne Clarke advised that reasonable is the best terminology. SC to share OC's rationale with BOB. • Elective services – is there a risk that if too many clients chose elective services, the core services would be compromised. DT – no, elective services will be charged accordingly to not compromise core services. Elective services each contain a termination notice period of at least 30 days' notice. • (9.3) states associates of the manager. DT confirmed this is currently not applicable but it is future proofing. The Business plan lists all Brunel contractors. Brunel confirmed that any plans for associates would be included in the business plan in due course. • (4.4) manager will notify each client in the portfolio. It was requested that the notification be made to all clients. LC confirmed any notification would be included in the risk update and the business update. • RT highlighted Brunel's principles on P67 as being particularly useful for members. <p>Members voted to endorse the services agreement.</p> <p>DLG mentioned the Local Authority Pension Fund Forum (LAPFF) – 7 of the 10 clients and Brunel are members. DLG noted that it would be great if all 10 were members.</p>	SC/ 26 Jan	
7	<p>Portfolio update</p> <ul style="list-style-type: none"> • Portfolio brochure 	Portfolio brochure	MM
	<p>SC introduced the paper which was a culmination of Client Group and Brunel interaction. BOB members are being asked to endorse the portfolio specifications to enable Funds to map across Fund strategies by the end March 2018. SC emphasised this doesn't mean the portfolios are set in stone, the CAD policy provides the ability for amendments to be made as portfolios evolve, however, Fund allocations to passive portfolios will be more than indicative as they will be the basis of the asset transition.</p> <p>MM provided an update of the detail of the document. Brunel have kept the document separate to services agreement to enable it to be a 'living' document. Fees haven't been included as this will become a public document and the inclusion of fees may undermine negotiations with managers.</p> <p>DT noted that the current paper should be treated as</p>		

	<p>confidential until the fees are removed, then the document may be shared. (Post meeting note-amended (non-confidential) version was circulated for use with Fund's Committees)</p> <p>The concern of sharing fees with pools is less of an issue as with Fund managers. CM to ensure understanding of the fee and non-fee versions is made clear with JS.</p> <p>Private market specifications are still draft so likely to discuss with client group and come back. Fixed income is rather light as struggled to find portfolios so may be revisited if potential additional areas of interest are highlighted.</p> <p>Brunel to reissue with the typos and fees removed.</p> <p>MM agreed to include a hedged version of the developed world passive equity fund and confirmed he may look at a hedged version of the smart beta fund. Going forward Brunel will look at currency overlay and equity futures. Currency will be discussed further with the client group. LDI to be researched further however leveraged ILG will be provided as an interim portfolio to LDI. Hedging will be operated by a third party not Brunel.</p> <p>Currency hedging as an overlay is a strategic decision for clients to make, although individual managers will make tactical hedging decisions within the portfolios.</p>	<p>CM/ 26 Jan</p> <p>MM/JLT/ 19 Jan</p>
<p>8</p>	<p>AOB</p> <p>Future meeting dates</p> <ul style="list-style-type: none"> - 18 January 2018 - 22 March 2018 - 31 July 2018 - 1 November 2018 	<p>Chair</p>
	<p>ST noted that he is looking to get out and meet all of the Funds over the next few months. Funds should receive an email asking for suitable dates shortly.</p> <p>MM offered his support on portfolio allocation discussions or including attendance at meetings should clients think it useful.</p> <p>It was suggested that the July BOB meeting could be held immediately after the Brunel Board meeting on 18 July to include a celebration for Brunel's 1 year anniversary. JLT to email members asking for availability for both the 18 July and 31 July.</p>	<p>JLT/ 31 Jan</p>

Produced: JLT on 24/01/2018