

Brunel Oversight Board Meeting

Minutes

Purpose: To review Brunel/Client progress agree next steps
Date and time: Thursday 27 September 2018, 10:30 – 13:00
Location: Brunel Offices, 101 Victoria Street, Bristol, BS1 6PU
Dial-in details: Dial In: 0330 336 1949 | Participant Pin: 566525

<i>Pension Committee Representatives</i>		
David Veale	Avon	
John Chilver	Buckinghamshire	
Derek Holley	Cornwall	Phone
Ray Bloxham	Devon	
Peter Wharf	Dorset	Apologies
Joanne Segars	EAPF	Apologies
Hywel Tudor	EAPF	
Ray Theodoulou	Gloucestershire	Chair
Kevin Bulmer	Oxfordshire	Vice-Chair - Apologies
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>		
Tony Bartlett	Avon	
Julie Edwards	Buckinghamshire	Phone
Mark Gayler	Devon	
David Wilkes	Dorset	Phone
Craig Martin	EAPF	
Mark Spilsbury	Gloucestershire	
Sean Collins	Oxfordshire	Chair – CG
Nick Weaver	Wiltshire	
Jenny Devine	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	
Matthew Trebilcock	Brunel, CRD	
Dawn Turner	Brunel, CEO	
Joe Webster	Brunel, COO	
Mark Mansley	Brunel, CIO	
Faith Ward	Brunel, CRIO	Item 5 only

David Anthony	Brunel, CFO	
Laura Chappell	Brunel, CCO	Item 4 only

Item	Agenda	Paper provided	Owner
1	Apologies and welcomes Confirm agenda Requests for AOB Any new declarations of conflicts of interest	Agenda C of Interests	Chair
	<p>Apologies were received from Joanne Segars, Kevin Bulmer and Peter Wharf.</p> <p>NW introduced Jenny Devine who will be taking over from him at Wiltshire.</p> <p>No AOB was received.</p> <p>No new conflicts of interest were received.</p>		
2	Review 18 July BOB minutes <ul style="list-style-type: none"> Matters arising - SRMs 	Minutes	Chair
	<p>A query was received from HT around the level of detail included in the July minutes and whether the exact figures should be included. It was noted that the minutes were written to be publically available and as such, in some instances, are deliberately light in detail. Any supporting figures will be included in the supporting documentation.</p> <p>The July minutes were agreed and confirmed as final.</p> <p><u>Matters arising</u></p> <p>Two shareholder reserved matters requests (SRMs) were issued in July, both of which required 100% shareholder approval.</p> <ol style="list-style-type: none"> Private markets – approved Remuneration policy – consisted of 4 items <ol style="list-style-type: none"> Maximum chair and NED payments – approved Recognition awards - rejected Salary caps linked to CPI - rejected External review, once every 2 year – approved <p>Brunel has confirmed it can continue to be operational for this year (to the end 31 March) without the two remuneration policy items having been approved.</p>		
3	Pricing Policy	Report	DT/JW
	The original interim pricing policy expires in March 2019, however the review needs to be brought forward as the ACS is not included in the		

	<p>current policy. The paper presented was designed to be futureproof by detailing the high level principles of the pricing policy rather than exact detail.</p> <p>MG noted that the original pricing policy was always intended to be an interim policy during the set up of Brunel. He confirmed that the CG had reviewed the document and believes the principles are fair and appropriate. It was queried whether the CG are happy with the definition of direct costs. MG and MS confirmed this has been reviewed by the CG.</p> <p>It is a requirement of the shareholders agreement that Brunel provide a pricing schedule to Clients for the following year by the end of February. The Clients will receive invoices to provide evidence of the Brunel costs. Investment management fees within the ACS will be charged as units but Clients will receive statements that will detail the amounts.</p> <p>The CG will bring the draft reporting templates to BOB before they are finalised. The costs will be reported in the business plan which will also come to BOB for approval.</p> <p>Track changes had not been used for this policy as this was a significant rewrite from the previous version; however, the main changes were highlighted in the cover report.</p> <p>The BOB supported the recommendations included in the cover report.</p> <p>I. The Oversight Board support the revised Pricing Policy and the issuing of a Special Reserve Matter.</p>		
4	<p>Business Plan</p> <ul style="list-style-type: none"> • Draft Business Plan • Business Case Review • Transition Plan options 	Report and presentation	DT/JW
	<p>DT provided an overview of the business case review via a presentation. It was noted that the figures included in the report have been calculated using a sophisticated financial model. The FSG had not yet scrutinised and audited the model and they would be doing so the following week during a full day meeting.</p> <p>The original business case demonstrated that pooling would be advantageous to Clients. Brunel has updated the business case to reflect its position today, then it is evaluating how Brunel can proceed going forward.</p> <p>MS noted that the FSG has invited any additional CG members to attend the upcoming meeting, and that three additional CG members will be attending the FSG model validation session.</p>		

The UK active equities transition resulted in investment management fees of around 50% of the original estimate. Part of the reason for this high level of saving was the full procurement exercise that was undertaken. However because of this, where Brunel had originally estimated that each selection process would take 6 months per portfolio, it revised its estimates to around 9 months. This was a key learning point for future transitions. In addition to the desire to do a fully transparent procurement, FundRock, the ACS provider will require Brunel to undergo a significant level of due diligence. DT highlighted that in addition to the lack of resource identified within Brunel the underlying Funds have also struggled to meet timelines.

The open, transparent tender process meant that Brunel can build up research on all managers in that area. Portfolios include a blend of managers so mitigate the risk of a manager underperforming. Brunel is using other companies' assessments such as Analytics. MM was keen to point out that they didn't select a manager because of the lowest fee, the weighting is quite low for fees in the selection process, they attempt to find the best managers and then negotiate on fees.

Brunel presented three potential options for the transition of assets two of which resulted in some delay in the remaining portfolios. Option 2 was highlighted as the favoured option. It was also noted that the UK and Low Vol portfolios were completed early, transitioning in November 2018 rather than in July 2019, as per the indicative timetable in the original business case. In addition the private markets portfolios have been brought forward vs the business case.

Brunel doesn't believe option 3 is deliverable, as it will take time to get additional resource.

Option 2 is indicative. Option 1 pushes out the business plan to 2024 which Brunel and the CG think is too far to produce the benefits.

Option 2 is a halfway house but the assumptions are to be assessed by the FSG and then the timetable will be finalised. Brunel and the CG are looking for support from BOB that options 1 and 3 are not attractive and that the direction of travel that should be further explored is option 2.

It was asked whether the right resource was available. DT responded that this was the issue with option 3, Brunel and the CG do not believe recruitment can happen fast enough to make option 3 feasible, however it is believed that option 2 is a reasonable lead time, and, to date. Brunel has not had any problems with recruitment.

DH asked if next year there will be another set of delays. SC as Chair of the CG noted that the CG has emphasised to Brunel that the business plan in November needs to be a realistic timetable and therefore needs to include sufficient recourse. The UK and Low Vol portfolios are the first time the process has been thoroughly tested; previous timeframes have been

	<p>based on estimates.</p> <p>LC joined the meeting and provided an overview of the impact regulation has caused. MiFID II has put some robust and painful requirements around transparency on the entire firm in addition to the day to day work. The ACS vehicle also brings with it additional regulatory requirements; however this method reduces the tax burden significantly.</p> <p>LC left the meeting.</p> <p>A question was asked on "Overlay services", and these were described as bring more bespoke to individual funds such as LDI or TAA.</p> <p>BOB agreed that option 2 is the favoured direction of travel and supported Brunel refining the detail with examination of the figures from the FSG, to be presented at the 1 Nov BOB meeting.</p> <p>The timeline was highlighted as the new business plan being presented to the BOB meeting on 1 November, and provided it was agreed, the business plan will be incorporated in the engagement days 5, 6, and 7 Nov. this will provide addition opportunity for the shareholder reps to ask any questions.</p> <p>A Special Reserved Matter Request will be issued after the engagement days on 8 November with shareholders having 20 business days to respond. It was emphasised that the agreement of this SRM is crucial to Brunel's on-going operation so Brunel requested that Funds raise any potential issues early.</p> <p>It was requested that Brunel send this timetable to the shareholder reps notifying them of the process and indicating the significance. The notice should indicate that this was agreed in March.</p> <p>It was noted that it is the CG representatives' role to keep the shareholders informed throughout this process.</p> <p>The BOB supported the recommendations included in the cover report.</p> <ul style="list-style-type: none"> I. The Oversight Board note the figures included in this report are indicative and although they provide a robust view of the potential outcomes they still require the detailed assurance review by the Financial Services Group (FSG) II. ii. The Oversight Board note the progress made on the full review of the Original Business Case. III. iii. The Oversight Board note the lessons learnt from establishing the first three portfolios within the core markets and the implications for the core markets transition plan. IV. iv. The Oversight Board noted the options under consideration and resolved to ask Brunel to incorporate a worked up option 2 into the Business Plan to be presented to the Oversight Board 01 November 	<p>Brunel</p>
--	---	---------------

	2018.		
5	Stewardship policy	Paper	FW/MM
	<p>FW joined the meeting and presented the Brunel policy. She highlighted that it had been written for multiple audiences which is why definitions are included in text boxes.</p> <p>The RI sub Group have extensively reviewed the policy but have not highlighted any fundamental issues. The policy will be published in November so FW asked for any comments by end October, however this is a dynamic document and will evolve over time.</p> <p>The policy goes above and beyond the UK Stewardship Code as Brunel is a global investor. The Policy incorporates issues from other regions, particularly any areas Brunel believes may be incorporated in the UK stewardship code in the next year. There will be a slight adjustment in the wording around the split voting to make it stronger.</p> <p>Stock lending won't be available until early 2019 so the policy will come out towards the end of the year. Brunel will provide a paper indicating the stock lending discussion factors for the end October. The stewardship policy and stock lending will be discussed at the November engagement days.</p> <p>FW is happy to draft the individual stewardship statement should Funds wish.</p> <p>IB requested that it was made clear that shareholder resolutions shouldn't attempt to influence the business plan of companies. FW agreed to make that reflection, but some judgement calls will be required.</p>		Brunel
6	<p>AOB</p> <p>Future meeting dates</p> <ul style="list-style-type: none"> - 1 November 2018 - Agree next year dates <p>Engagement days</p> <ul style="list-style-type: none"> - Oxford - Mon 5 Nov - Bristol - Tue 6 Nov - Exeter - Wed 7 Nov 		Chair
	<p>MT attended the CPCG on 26 September 2018, and a meeting of Chairs of Funds had been scheduled by the LGA to look at Infrastructure. MT noted that if Chairs haven't been invited they should ask their officers to contact Jeff Houston at the LGA.</p> <p>JLT and Brunel agreed to plan next year's BOB meeting dates.</p>		<p>Chairs/ Officers</p> <p>JLT/ Brunel</p>

	The engagement days are open to all attendees. BOB members were encouraged to promote the dates to Committee and Board members.	All
--	--	-----

Produced: JLT on 02/10/2018