

## **BRUNEL PENSION PARTNERSHIP – PROGRESS REPORT**

### **Report of the County Treasurer**

Please note that the following recommendations are subject to consideration and determination by the Board before taking effect.

**Recommendation: That the Board notes the progress with the transition of assets to Brunel**

#### **1. Introduction**

- 1.1. Following approval of the full business case for the setting up of a Financial Conduct Authority (FCA) regulated company to be named Brunel Pension Partnership Limited (BPP Ltd.) by the ten participating LGPS administering authorities, the company has now been established.
- 1.2. This report outlines the progress that has been made since October 2017 meeting of the Pension Board.

#### **2. Appointment and Transition of Custody Arrangements**

- 2.1 One of the first actions of Brunel was to award a contract for Third party Administrator service to State Street Global Services. Significant work was undertaken in planning the transition of assets from each of the participating funds existing custodians across to State Street.
- 2.2 In order to avoid any issues with the production of the annual fund accounts that were required to be published by the end of May, the Devon fund transitioned to State Street in early April.

#### **3. Passive Manager Selection and transition**

- 3.1 Following a comprehensive tender process under the LGPS National Framework for Passive Services, Brunel has appointed Legal and General Investment Management (LGIM) to manage its passive equity portfolios.
- 3.2 The Devon Fund's passive allocations, previously managed by UBS and State Street were transitioned across to the Brunel portfolios during July.
- 3.3 As part of the contract, LGIM agreed to meet £1 million of the transition costs incurred. As a result the costs for the passive transition are likely to be below the initial estimates. A full analysis of the costs is currently awaited from Brunel.

#### **4. Property – Current Aviva Mandate**

- 4.1 Aviva informed the Fund in June that they had agreed to sell their property multi-manager business to La Salle Investment Management. The Devon Fund's contract has now been novated across to La Salle. The Aviva multi-manager team have also transferred across to La Salle so there will be no change in the team managing the assets.
- 4.2 With the establishment of the Brunel Private Markets Team, the intention is that Brunel will take on responsibility for the management of the investments in the underlying property funds, making the role of the multi manager, currently undertaken by La Salle, redundant and thus saving a layer of manager fees. It is expected that Brunel would be in a position to take on this role in the late Autumn.

#### **5. Infrastructure**

- 5.1 The Brunel Private Markets Team has now set out its proposed process to deal with infrastructure commitments. All funds have been asked to submit how much they wish to commit to infrastructure by the end of September.
- 5.2 All commitments notified to Brunel by that date will be deployed over a two year period to March 2020. Over that period Brunel will be looking to source 5-6 opportunities comprising a mix of Co-investments, Secondary Funds and Primary funds.
- 5.3 The additional Devon funds agreed at the February 2018 committee meeting will therefore be aggregated with the sums notified by the other Brunel client funds and deployed over the two year period, split between the opportunities that Brunel decide to commit to.

#### **6. Transition of Active Equities**

- 6.1 Following the transition of the passive equity assets, the next assets that will transition across to Brunel will be the active equity portfolios. Brunel have been working on a procurement exercise for active UK Equities and Low Volatility Equities, and the transition of those portfolios is likely to take place in around December. However, the Devon Fund has no current allocation to active UK or Low volatility equities.
- 6.2 Brunel is currently working on a revised business plan, which will be presented to the Oversight Board in November for endorsement before shareholder agreement is sought. This will include a revised transition timetable. The next procurement exercises to be undertaken by Brunel are still likely to be for Emerging Market Equities and High Alpha Global Equities. However, the timing of the transition to these portfolios is likely to be later than originally envisaged.

Mary Davis

Electoral Divisions: All  
Local Government Act 1972

List of Background Papers – Nil

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