

Brunel Oversight Board Meeting Minutes

Purpose: To review Brunel/Client progress agree next steps

Date and time: Thursday 3rd December 2020, 10:30 – 12:35

Location: Microsoft teams

Pension Committee Representatives		
Shaun McGall	Avon	
Tim Butcher	Buckinghamshire	
Derek Holley	Cornwall	
Ray Bloxham	Devon	Apologies
Richard Hopkins	Devon	
John Beesley	Dorset	
Robert Gould	EAPF	Chair
Ray Theodoulou	Gloucestershire	
Kevin Bulmer	Oxfordshire	Vice Chair
Graham Noel	Somerset	
Tony Deane	Wiltshire	

Member representative observers		
Andy Bowman	Scheme member rep.	
Ian Brindley	Scheme member rep.	

Fund Officers and Representatives		
Tony Bartlett	Avon	
Liz Woodyard	Avon	
Sean Johns	Cornwall	
Mark Gayler	Devon	
Craig Martin	EAPF	
Graham Cook	EAPF	
Matthew Trebilcock	Gloucestershire	
Sean Collins	Oxfordshire	
Jenny Devine	Wiltshire	
Nick Buckland	Mercer - Client Side Executive	
Daniel Wilson	Mercer – Client Side manager	Minutes

Brunel Pension Partnership Ltd		
Denise Le Gal	Brunel, Chair	
James Russell-Stracey	Brunel, CSO	
Faith Ward	Brunel, CRIO	
Joe Webster	Brunel, COO	
Laura Chappell	Brunel, CEO	
David Cox	Brunel, HoLM	
David Anthony	Brunel, HoF & CS	
Alice Spikings	Brunel, CRA	
Catherine Dix	Brunel, CRM	

Item	Agenda	Paper provided	Action
1	<p>Confirm agenda</p> <p>Requests for Urgent or items for Information</p> <p>Any new declarations of conflicts of interest</p>	<p>Agenda</p> <p>Verbal</p> <p>C of Interest policy</p>	
	<p>There were no urgent items of business or conflicts of interest to note.</p> <p>Cllr Ray Bloxham sent apologies with Richard Hopkins attending on behalf of Devon. Bruce Shearn had also sent apologies with Sean McCall attending on behalf of the Avon Fund.</p> <p>Ahead of the start of the formal meeting RT explained that he is stepping down for from Gloucestershire County Council in May, and had therefore not stood for re-election as Chair of BOB. He congratulated RG on his election thanked the Board for their hard work over the 2 years of his chairmanship.</p> <p>RG thanks RT for his work as Chair of the Oversight Board and his influence both inside and outside of the group, he continued to thank him for his contributions to the Board and the partnership as a whole. RG thanked the group for electing him as chair and explained he is looking forward to working with and Chairing the Board.</p> <p>DLG noted some recent positive news for the partnership, she explained that in total the partnership had been nominated for 9 awards at the LAPF awards. She congratulated the EAPF on their RI award and congratulated Cornwall for their success in winning the fund of the year award. Brunel had also won the climate risk management award and the ESG award. DLG congratulated FW on her nomination to chair the IIGCC.</p>		

2	Review of 3 September 2020 BOB minutes	Minutes	
	<p>The minutes from the 3rd September were agreed. It was explained that any actions contained in the minutes were either completed or to be covered in the meeting.</p>		
3	Client Assurance Framework		
	<p>SJ explained that the operation sub-group had been busy undergoing a review of all the partnerships reporting gathering feedback from all interested parties. He added to aid with this review and the on-going improvements, Brunel had hired a project manager who was starting in December.</p> <p>SJ noted paper 4b where all monitoring metrics were showing as green other than the secured income investment assessment on page 3 which was yellow, SJ explained that this was as a result of the COVID impact which has resulted in a slower pace of drawdown, SJ noted that this was close to being resolved and will soon be green.</p> <p>RT noted that it would be helpful to understand which managers are performing best and worse, potentially adding a comment to which are exceeding expectations and one which are falling short. SJ commented that the detailed portfolio monitoring report shows the detail around the managers, he did accept the point that any outlying managers could be commented on but did note that any concerns with manger performance would be raised by the officers.</p> <p>RT noted to the sector exposure section of the papers and the top 20 holdings for each one, it was explained that on page 11 of the report there seemed to be high concentration of big names such as Apple and Microsoft, RT questioned if there is a mechanism for tracking allocations to individual stocks over the different portfolio's? DC explained that they do look at the individual stock exposure regularly, DC explained that the high concentration is down to passive equities which often do have the big names. DC added that liquidity and stock exposure is monitored daily and any over exposures would result in a trigger.</p> <p>DH explained that he has some concern around the low carbon equities portfolio, he explained that holding big names such as Apple who often use backdoor methods to contribute large amounts of carbon means they are not fulfilling the objectives set out for the low carbon portfolio. DC explained that Brunel would be producing a piece of work around Paris Alignment and this would be taken into account. KB noted that carbon and petroleum products are often looked at in a negative light, he explained that there are lots of positives and that these also need to be considered. RH endorsed these comments and he had requested some detail around the difference between lubricants and emissions. DC agreed and explained that this is the main reason for choosing to transition rather than disinvest.</p>		

	<p>LW explained that the Investment Sub Group usually present the transitions outcome report. She opened the floor to questions regarding the papers as she had taken them as read.</p> <p>RT noted that the transition process is controlled to somewhat by outside forces, he questioned whether any of the transitions had been affected by the highly volatile markets. DC explained that liquidity has not been a problem, there has been a lot of information from managers and their own analysis around liquidity throughout the COVID situation and explained that they have always been comfortable with the level of liquidity they have. DC explained that markets were still volatile but not as volatile as earlier on in the year. The costs of the transitions were reported to be slightly higher than they were expecting but they understand why this is and they are happy with the reasons.</p> <p>DH asked about the Diversified Growth Fund and whether the transition has caused any significant costs? DC explained that this was no, and that the tax burden on a number of the products was zero and with them being in Luxemburg and Ireland then the tax burden is very low anyway.</p>	
4	Brunel CEO Update	
	<p>LC provided an update, and she noted the acceleration on fixed income with a number of launches aimed for completion by Q2 2021. This means that in terms of transition the portfolios are now back on track.</p> <p>LC explained that in October and November, Brunel had held a number of workshops with Client Group(CG) to run through priorities and product developments, specifically around low carbon and RI. These discussions have aided the further discussions around business plan and budgets. These are being worked through Financial Sub Group(FSG) and results of this work will be shared in January.</p> <p>LC explained that in terms of budgets, Brunel are still on track and there was currently an underspend as a result of little travel over the year and reduced training and expenses, the FSG are currently reviewing whether to roll this over to next year.</p> <p>LC explained that in terms of the Shareholder Non-Executive Director, the recruitment process was live and the recruiters had reported that there were 60 applications so far, the recruiters explained that they expect over 100 application once the process has closed. RG, KB and SC are involved in the longlist process where interviews will be held in January.</p> <p>LC explained that work productivity had picked up to normal levels and in areas even increased, this is as a result of working from home now becoming the norm. Brunel are still satisfied that working from home remains suitable.</p>	

	<p>JB questioned how regular the investor days will be and how the information will be provided? LC explained that these are likely to be quarterly in a slightly different format, she added that the new CIO emphasises that it is key to have investors involved and this will likely be seen with increased information provided in communications.</p>	
5	<p>Governance Review update</p>	
	<p>RG explained that this has been guided by the CG and shareholders and also led by JRS. JRS expressed thanks to the parties involved. He explained that this stemmed from the meeting in June where initial issues had been raised and been worked through the S&G sub-group.</p> <p>The first paper detailed the changes to the SHA and recommendations from S&G and added that these had been through CG for agreement. JRS explained that a marked up revised SHA has been shared with the CG to then be taken to the legal teams of each fund, there have been a number of queries, most of which have been addressed. Once these have been rectified then an SRM will be issued and once done an active and new shareholder agreement will be in place.</p> <p>JRS explained that in the paper he had outlined the 6 most material changes.</p> <ol style="list-style-type: none"> 1. Board composition 2. Appointment of the SNED. 3. Efficiency of the partnership – SRM and RM to be changed from 20 days to 10 days with the ability for funds to request an extension. 4. Funding – the ability to carry forward budgets when needed. 5. SRM's and RM's – to be able to distinguish operational issues, operational issues should be in the remit of the company. 6. Shareholder rep meeting – commitment to hold at least 2 meetings per year. <p>RT explained that it needs to be recognised that there has been some tension between the board and the shareholders. RT explained that in his view some of this tension has exposed the need for an external look at the communication between the two parties.</p> <p>DLG noted that Brunel were happy for someone external to analyse the situation. It was CG who chose that Brunel were in the best place to evaluate the governance structure. It was explained that if the evaluation was too controversial then an external party could get involved.</p>	

<p>TD explained that he was disappointed that an external party was not brought in for the governance review, he explained that he felt the party who undertook the review were not the right team to carry out the review.</p> <p>KB explained that he disagreed with RT's suggestion, he noted that a delay at this stage would not be right and that BOB are not a decision making body and that this would have to go to the shareholders if there was something that needed changing.</p> <p>SM explained that he thinks first of all they need to see effectiveness of the changes made, he proposed reviewing after 6 months to see the real effect of the governance review and then make a decision whether further additions need making. RG explained this was sensible and explained that BOB will always want to analyse this in the future. The majority agreed with this approach.</p> <p>JRS explained that there are some items the Strategy and Governance Sub-group chose not to include in the first round of the revisions, he noted that there are areas in the second round of revisions where it may be useful to have an external party. RG added that the second part has more complex issues and it may be difficult to come to a broad agreement on these and it may be useful to get an external party to provide insight.</p> <p>DH explained that he felt that if a consultant was appointed to review, they would not have much to go on as the funds and partnership structure is so different to usual governance structures, he explained that this may result in major delays, and unsatisfactory results.</p> <p>DH questioned what would happen if a fund did not vote within the 10 days? LC explained that Brunel would work with the fund to look for an extension and that 10 should be suitable anyhow.</p> <p>JB agreed with the proposals set out by JRS and explained that the process has been a distraction for the executive members at Brunel. He added that in the future, he was not sure with the involvement of an external provider/advisor but was open to an external facilitator. JB explained that when setting up Brunel decisions were made that they knew they would have to return to and that there were always going to be complex issues to rectify.</p> <p>RG explained that they need to move forward with this and accepted the want for an external advisor/facilitator. There is a potential agenda item for a future meeting around this.</p> <p><u>Appraisal of the SNED</u></p> <p>JRS explained that there will be the opportunity for all shareholders to have an input to this and that they are working to the deadline</p>	
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	of the AGM in March. He explained that the appraisal forms will be sent to shareholders in early March.	
6	AOB	
	<p>There were no AOB's recorded.</p> <p>The next meeting will discuss the budgetary matters for 2021. The next meeting is on the 28th January.</p> <p>Meeting close: 12.00</p>	