

Brunel Oversight Board Meeting Minutes

Purpose: To review Brunel/Client progress agree next steps

Date and time: Thursday 28th January 2021, 10:30 – 12:30

Location: Microsoft teams

<i>Pension Committee Representatives</i>		
Bruce Shearn	Avon	
Tim Butcher	Buckinghamshire	
Derek Holley	Cornwall	
Ray Bloxham	Devon	
John Beesley	Dorset	
Robert Gould	EAPF	Chair
Ray Theodoulou	Gloucestershire	
Kevin Bulmer	Oxfordshire	Vice Chair
Sarah Payne	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	
Julie Edwards	Buckinghamshire	
Sean Johns	Cornwall	Apologies
Mark Gayler	Devon	
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-Tracey	Brunel, CSO	
Joe Webster	Brunel, COO	
Laura Chappell	Brunel, CEO	
David Vickers	Brunel, CIO	
David Anthony	Brunel, HoF & CS	
Alice Spikings	Brunel, CRA	
Catherine Dix	Brunel, CRM	
Chris Crozier	Brunel, CRM	
Bethan Jones	Brunel, CRA	

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>Graham Noel and Sean Johns provided apologies. Sarah Payne represented Somerset and Derek Holley represented Cornwall.</p> <p>The Chair updated the Board on the Shareholder NED appointment process. He explained that Sean Collins, Mark Gayler and Anton Sweet had represented the Client Group, and supported the shareholders involved in the process. He concluded by adding that he felt happy with the process and the outcome.</p> <p>DLG explained that they had selected LM who had board experience sitting on 4 different boards and had previously been a COO, she added that she had extensive portfolio experience in finance and had a strategic mind-set with her manufacturing background.</p> <p>LM introduced herself, and thanked the group and explained that she was looking forward to becoming the Shareholder NED. LM explained that she is wanting to build strong relationships on a one to one basis with the shareholders and added that she was impressed with the development of Brunel since its creation and was looking forward to its next stages.</p>		
2	Review 3 December BOB minutes		
	The minutes of the previous meeting were agreed.		

3	Brunel CEO Report	
	<p>LC explained that the report was slightly shorter than normal as it didn't cover the usual quarter end updates as we are out of cycle and this meeting is to focus on the budget for next year. She explained she had two things to cover:</p> <ol style="list-style-type: none"> 1. Lockdown - She explained that although the situation with respect to working remotely and COVID lockdown was difficult for all, the Brunel team were still set to meet their targets as a result of continued strong morale within the team. LC explained that some priorities had been changed and some deadlines had been pushed back, despite the changes, overall the targets and objectives were still on track. 2. EAPF position: LC noted the positive outcomes and thanked all involved for their hard work <p>TD explained that Wiltshire also had highlighted its concerns, he questioned whether there were any KPI's from the EAPF. RG explained he was in a better position to answer this; one of their key conditions was the governance review which the EAPF Board was pleased with, other items including RI has been given strong reassurance. RG acknowledged that not everything was perfect but added that they would be monitoring the position but feel that the best interests of the fund are still with Brunel.</p> <p>BS passed on their thanks to DLG and Brunel for all their hard work over the pandemic on behalf of the Avon pension fund.</p> <p>In response to a question from RT concerning the role of the client officers LC explained that the CG are the client officers which sit on a client group and deal with day to day business. There was a suggestion that it may be appropriate to rename this group the Client Officer Group.</p> <p>AB asked about the passive net zero portfolios, he questioned whether the report, which was being presented in April 2021, could be shared with the wider group. LC explained she would share the document however there was still quite a bit of work to do before it could be shared.</p> <p>DH inquired how the Brunel team were coping with the lockdown restrictions and the extra regulatory work coming from government. LC explained that everyone had to overcome challenges and adapt, she explained that the people at Brunel are driven and enjoy and rise to the challenge which had helped everyone at Brunel with morale. LC explained that she felt that everyone within the team were doing very well and the recent accomplishments had boosted spirit, but she noted that like everyone right now, the environment was very difficult and they were looking forward to the lockdown being lifted.</p>	

4	Business Plan and Budget	
	<p>MG explained that the Finance Sub-Group had discussed the budget and business plan in detail and taken it to the client officer group who had approved it. He added that the completion of the transition of assets had the effect of reducing parts of the budget for 2021/22. MG noted to the increase in clients' requirements of Brunel in terms of reporting, RI and net-zero portfolio generation had increased areas of spending. There had been an overall increase of 1.6% to the overall budget taking it to £10.6m.</p> <p>DH explained that from his understanding, he thought that following the transition, the proposal was to reduce the staffing level, he questioned if this was still the plan? LC explained that DH was correct, she added that this reduced staffing level for the end of the transition had been built into the plan but the plan had also taken into account the clients' extra needs.</p> <p>RB explained that he felt the budget was rather easy to work through and thanked Brunel for the work they have done. RB explained he felt the budget was reasonable and added that the increase of £490k with the clients additional requirements over the year was very good and reasonable.</p> <p>RT also had concerns around the increase in regulatory capital. JW explained that his work had been to agree the pension recharge agreement with the funds, JW explained that this had significantly decreased the regulatory capital and explained he was pleased to share that there is no need to increase the regulatory capital as a result of all the funds signing the recharge agreement. There is no additional costs to the funds.</p> <p>DA explained that the budget had been built looking over the next 3 to 5 years looking at the outcomes of the client discussions around deliveries.</p> <p>The 3 key areas of client outcomes are:</p> <ul style="list-style-type: none"> - Investment solutions - This has been building out the private markets team, looking to add resilience. DA added that there is a further £8m saving from the multi-manager strategy through Brunel. DA explained that the portfolios will be looked at as Clients look to review their strategic asset allocations as part of the triennial actuarial reviews that may lead to more private market investment. - Leading in RI - Brunel are keen to ensure that RI remains a unique selling point for Brunel, developing the net-zero portfolios is very important for this and they was also the potential to develop the reporting and ESG data. - Delivery of the business case - Coming out of the transition period next year will develop further savings and Brunel are positive on delivering the business case. Brunel are still on track to deliver against the 20 year business case. 	

	<p>DA explained that in terms of the budget cycle the work began on the budget in September. The October investment workshops helped drive the key priorities for the clients for the year. In November there was a review of costs and Brunel looked at what they could save and looked at where they could move costs. In December and January, the finance sub-group reviewed this along with the client officers group.</p> <p>The cost base for 2020/21 was £10.5m, the costs dropping out had mainly come from transition research and tax advice but also savings as a result of reductions in training and travel resulting in a total of £593k. Cost pressures had counteracted these savings with pressure coming from increased client services and increased insurance premiums, the total cost pressures amount to £760k with a total increase in budget of £167k for the year 2021/22.</p> <p>There is projected an increase in pensions contributions in the year 2023/24 as a result of the triennial actuarial valuation and Brunel were discussing with the actuaries to gain a better understanding of these costs but estimate them to be around the £166k area.</p> <p>DA explained that there had been an increase in headcount for the year 21/22 to 55 from 45 the previous year. This had been as a result of moving HR in-house, and increasing the Private Markets team's resilience. The reasoning for bringing HR in-house is for this to be Brunel's own, there is no cost difference and the currently third party costs would be no different to hiring a HR manager.</p> <p>In terms of RI, the increase in costs stemmed directly from the client's requests, the increase in costs is as a result of the increase in support and the climate stock take which will cost £107k.</p> <p>DH questioned the name changes in a number of the team's roles; LC and JW explained that this was just a name change to give a specific role to each of the different jobs, unless there is a promotion there will not be any significant pay rises.</p> <p>RT asked about insurance, was there indemnity insurance? DA explained that this was the investment insurance and covers the business on anything on the investment side and is related to the AUM and covers against investment errors and fraud insurance and director's indemnity insurance. All members of the board are covered under the director's indemnity.</p> <p>All members were content with the budget. RT explained that this will be passed through the committee in Gloucester. RG explained that an SRM will be issued to the funds. The SRM will be issued next week with 20 BD response.</p>	
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5	Governance Review	
	<p>JRS explained that he had been pleased to issue the SRM for the first round of revisions to the SHA. JRS explained that the next stage of revisions contain 4 key items:</p> <ul style="list-style-type: none"> - Capital – Key thing here is that regulations change, the proposed item places a responsibility on shareholders to provide capital for specific regulatory needs. - Reporting and assurance – There was a specific requirement initially which was extensive which Brunel had to report on, the intention is to take out these items and replace with a clause stating that reasonable items would be reported. - Establishment of the shareholder representative meeting - Partner funds change of status <p>JRS explained that there was still work to do with some issues which still need more thought and input. One particular area is the need for external counsel on topics should as activities within the partnership such as the un-willingness of a fund/s to pay invoices, topics such as these will be taken through S&G and then to the shareholders. RG added he would be leading on the appraisal of the chair and had previously requested input from other shareholders for comments to assist with the appraisal, the process is expected to be completed by the end of February, this process further strengthening the governance process.</p>	
6	AOB	
	<p>Future BOB meeting dates would be circulated once these had been agreed.</p> <p>Meeting close: 12.30.</p>	