

## Brunel Oversight Board Meeting Minutes

**Purpose:** To review Brunel/Client progress agree next steps

**Date and time:** Thursday 25th March 2021, 10:30 – 12:10

**Location:** Microsoft teams

<i>Pension Committee Representatives</i>		
Bruce Shearn	Avon	
Tim Butcher	Buckinghamshire	
Derek Holley	Cornwall	Apologies
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	
Mark Gayler	Devon	
Graham Cook	EAPF	
Craig Martin	EAPF	
Matthew Trebilcock	Gloucestershire	
Sean Collins	Oxfordshire	
Jenny Devine	Wiltshire	
Nick Buckland	Mercer - Client Side Executive	
Bijal Patel	Mercer – Client Side manager	Minutes

Brunel Pension Partnership Ltd		
Denise Le Gal	Brunel, Chair	
Liz McKenzie	Brunel, Shareholder NED	
Miles Geldard	NED	
Patrick Newberry	Brunel, NED	
James Russell-Stracey	Brunel, CSO	
Joe Webster	Brunel, COO	
Laura Chappell	Brunel, CEO	
David Vickers	Brunel, CIO	
Alice Spikings	Brunel, CRA	
David Anthony	Brunel, HoF & CS	
Bethan Jones	Brunel, CRA	
Kevin Jones	Brunel, DoR & GC	
Catherine Dix	Brunel, CRM	
Chris Crozier	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>DH provided his apologies.</p> <p>The Chair welcomed Liz Mackenzie (LM) to her first meeting as Shareholder Non-Executive Director (NED).</p> <p>DLG updated the Board on two new recent NED appointments, Miles Geldard (MG) and Roelie van Wijk (RvW) who both have broad investment experience. She also thanked the Chair and LW for their involvement in the selection process.</p> <p>MG introduced himself and gave an update on his background and the work he is currently undertaking and noted he was looking forward to working for Brunel.</p> <p>DLG explained that RvW would be attending the Annual General Meeting (AGM), scheduled for later in the day, to introduce herself.</p> <p>It was noted that there were no new declarations of conflicts of interest.</p>		
2	Review 28 January BOB minutes	Minutes	
	The minutes of the previous meeting were agreed.		

3	Client assurance framework (including Investment Update)	Paper	
	<p>SJ explained that Client Group and Brunel had been reviewing the content and format of the investment performance reporting. A survey was completed by officers in the Client Group, following which the project scope and requirements are currently being finalised and will be sent to Client Group for sign off.</p> <p>SJ also confirmed that a review of investor communications processes is also being undertaken to ensure that enough information is being provided in the correct context and that broader engagement is being reviewed.</p> <p>SJ noted that, with the exception of the investment assessment for the secured income portfolio, all other aspects of the portfolio monitoring assurance summary for the quarter ending 31 December 2020 remained green. SJ went on to explain that the reason for an amber rating in the investment assessment for the secured income portfolio was due to the pace of drawdowns during the quarter, but noted that since the quarter end, the pace has improved and this is expected to revert to green in the Q1 21 report.</p> <p>RT raised concerns regarding the departure of two Managing Directors (MD's) from Capital Dynamics, as detailed in the report. JRS confirmed that the MD's (who were essentially the portfolio managers of our fund) had moved to another firm and that the team were still well resourced and there wasn't any immediate concern. Nevertheless, the manager would be kept under review.</p> <p>DV explained that Brunel's view of Capital Dynamics is that they remain resilient and have a strong business model. He agreed to check with them whether or not they had been questioned by the FCA following the departure of the two MD's.</p> <p>The Performance Report for the quarter ending 31 December 2020 was discussed and in response to a query raised by RT, SJ explained that the speed at which the shareholders asset were transitioned was very much dependant on the portfolios which the individual funds were invested in and any restrictions at fund level. He went on to explain that the fixed income portfolios were due to be transitioned in the coming months.</p>		DV
4	Budget Update	Paper	
	<p>MG noted that the Finance Sub Group had reviewed the budget forecast for 2020/21 and the variance of £633k was largely due to delays as a result of COVID19. He also noted that the carry forward arrangements were due to be reviewed.</p> <p>DA explained the main areas of underspend were due to the delay in the fixed income portfolio transition, reduced consultancy fees and lower travel costs as a result of COVID19. DA noted that whilst</p>		

	<p>there was underspend in private markets, this was expected to increase as transitions into these portfolios commenced.</p> <p>DA went on to explain that unbudgeted maternity cover, significant additional work in implemented the FCA rules on ICAAP risk assessment and the replacement of the finance system from Sage to Oracle NetSuite were the biggest contributors to the overspend.</p> <p>DA noted that Client Group had the ability to agree up to 5% of the budget into the following year to allow for timing adjustments.</p> <p>Following some concerns raised regarding the term “profit” used in both the Budget Forecast Report and the Annual Report and Financial Statement 2019-20, JW confirmed that whilst Brunel is a non-profit organisation, they are required under regulations to report in this manner.</p> <p>JW went on to note that currently Brunel is well capitalised and going forward the right cash balance would need to be agreed.</p>	
5	Brunel CEO Report	Paper
	<p>LC noted the following highlights of the Brunel CEO Report:</p> <ol style="list-style-type: none"> <li>1. Fixed income transition was expected to be completed by the end of April.</li> <li>2. Brunel, along with five of the Client Funds, had become a signatory to the Net Zero Investor Framework and are working on aligning to net zero, starting with the review of passive assets. Brunel along with Avon, Cornwall, Devon, the EAPF and Oxfordshire have signed the Paris-aligned commitment statement.</li> <li>3. Budget for 2020/21 showed a variance of £633k and DA had highlighted the various factors contributing to this variance earlier under agenda item 4.</li> <li>4. Value for money assessment was currently being planned with the Strategy and Governance Sub Group</li> <li>5. As previously noted, the project to review the Quarterly Performance Reporting was being carried out and the requirements have nearly been defined</li> <li>6. Brunel had recently welcomed DV, the new CIO and LM the new Shareholder NED. In addition the appointment of the two new NED’s, as discussed at the start of the meeting, were noted which completed the Board restructure with five NEDs and four executive directors in place.</li> <li>7. LC noted that despite the changes experienced due to COVID19, Brunel remained on track to deliver what was required of them and LC gave reassurance that things are going well.</li> </ol> <p>In response to several questions raised in relation to the recent collaboration with Northern Pool, DV explained that this project is currently going in the right direction, however the Private Markets</p>	

	<p>team continues to look for investment in local infrastructure. The anticipated return for the investment with Northern Pool was noted and DV explained the importance of finding the right balance between the size of project and subsequently the potential return and sustainable investment. It was noted that this area of investment was of interest to many of the Client Funds and the work and collaboration with Northern Pool was supported.</p> <p>DV went on to note that since joining Brunel he was very impressed with the transparency and the collaboration between the Brunel investment team and Client Group.</p>	
6	<p>Presentation of the Annual Report and Financial Statement 2019-20</p>	<p>Paper</p>
	<p>PN explained that the Audit &amp; Risk Committee had reviewed the preparations of the Annual Report and Financial Statements 2019-20 (accounts) with the Finance Team in order to satisfy themselves with the process and judgements being made.</p> <p>PN confirmed that the external audit went smoothly and there were not any material issue to report. He also noted that the accounts would be formally approved at the AGM scheduled in the afternoon.</p> <p>JW went on to explain that the Pension Recharge Agreement (PRA) which was implemented on 24 September 2020, meant that additional capital was not required as the PRA was recognised as an asset in the accounts.</p> <p>JW continued to confirm that Brunel continues to adopt the going concern basis in preparing the accounts and is currently appropriately capitalised and ready to stand financial shocks. He noted that the year-end cash balance was £10.6m which included £3.1m of deferred revenue relating to the coming year.</p> <p>JW also noted that Brunel had voluntarily reported on gender pay and CEO pay gap. Whilst there had been some departures of woman in senior posts, the issue of the gender gap was being addressed and can be evidenced by welcoming the new NEDS to the board and several recent promotions of woman.</p> <p>It was also noted that Brunel had disclosed details on greenhouse emissions and fossil fuel emissions.</p> <p>In response to a question from RT, JW explained that the deficit in the Wiltshire Pension Fund reported in the accounts is calculated using a different basis to that used to calculate the funding basis shown in the triennial Actuarial Valuation. The deficit was approximately twice the amount on the accounting basis compared to the funding basis and contribution rates to reduce the deficit would be taken into account in the budget cycle.</p>	

	<p>JW went on to explain that the £3.3m deficit on the funding basis was affected by LGPS transfers-in, market movement and non-LGPS transfers in, although the latter would be limited where possible going forward.</p> <p>IB pointed out that the section on climate beliefs reflected the action taken by Brunel rather than their climate beliefs and it was agreed to adjust the wording for future reports.</p> <p>In response to a query raised by TD, DLG clarified that whilst the local authorities are the asset owners, their position is represented by Brunel and therefore as a partnership Brunel prefer to be classified as an asset owner rather than an asset manager.</p> <p>TD queried the order of the five targets mentioned in the report and LC confirmed that these weren't ranked in any particular order but Brunel believe that performance is a key driver. KB noted that whilst these target were important, it is worth remembering that fiduciary duty remains the most important principle.</p>	
7	Governance review update	Paper
	<p>JRS noted the following changes implemented as a result of the governance reviews with the Strategy and Governance Sub Group:</p> <ul style="list-style-type: none"> <li>• Formal appraisal process for the Chair and NED</li> <li>• The appointment of the new Shareholder NED and subsequent NED appointments, as noted at the start of the meeting</li> <li>• An established shareholder forum, with the first one being held later today</li> <li>• Process in place to resolve complex matters</li> <li>• Part 1 of the revisions to the Shareholder Agreement</li> </ul> <p>JRS also noted that there had been significant changes made with further work in the pipeline and thanked the Brunel Oversight Board Group and the Client Group for their involvement. The Chair thanked JRS and the Strategy and Governance Sub Group for all their work.</p> <p>AB noted the Governance Review Report made reference to a meeting between Brunel &amp; MHCLG re LGPS pooling and JB noted that they are currently planning to consult on cost transparency and value for money and that any further developments would be reported back.</p>	
8	AOB	
	<p>The following dates for the rest of the year were noted as follows:</p> <ul style="list-style-type: none"> <li>• Thursday 1 July 2021</li> <li>• Thursday 23 September 2021</li> <li>• Thursday 2 December 2021</li> </ul>	

	<p>The Chair noted that both RB and RT were not seeking re-election as councillors in the upcoming May elections and thanked them for their contribution to BOB, and wished those that were seeking re-election the best of luck; this was echoed by DLG.</p> <p>Meeting close: 12.10.</p>	
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