

Brunel Oversight Board Meeting Minutes

Purpose: To review Brunel/Client progress agree next steps

Date and time: Thursday 1st July 2021, 10:30 – 12:03

Location: Microsoft teams

<i>Pension Committee Representatives</i>		
Paul Crossley	Avon	
Tim Butcher	Buckinghamshire	
Jayne Kirkham	Cornwall	
James Morrish	Devon	
John Beesley	Dorset	
Robert Gould	EAPF	Chair
Lynden Stowe	Gloucestershire	
Kevin Bulmer	Oxfordshire	Vice Chair
Sarah Payne	Somerset	
Richard Britton	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	
Sean Johns	Cornwall	
Mark Gayler	Devon	
Graham Cook	EAPF	
Craig Martin	EAPF	
Matthew Trebilcock	Gloucestershire	
Sean Collins	Oxfordshire	
Jenny Devine	Wiltshire	
Bijal Patel	Mercer – Client Side manager	Minutes

Brunel Pension Partnership Ltd		
Denise Le Gal	Brunel, Chair	Items 1-2 only
Liz McKenzie	Brunel, Shareholder NED	
Patrick Newberry	Brunel, NED	
Miles Geldard	Brunel, NED	
Roelie Van Wijk-Russchen	Brunel, NED	
James Russell-Tracey	Brunel, CSO	
Joe Webster	Brunel, COO	
Laura Chappell	Brunel, CEO	
David Vickers	Brunel, CIO	
Catherine Dix	Brunel, CRM	
Chris Crozier	Brunel, CRM	
Alice Spikings	Brunel, CRA	
Bethan Jones	Brunel, CRA	

Item	Agenda	Paper provided	Action
1	Confirm agenda Requests for Urgent or items for Information Any new declarations of conflicts of interest	Agenda Verbal C of Interest policy	
	The Chair welcomed the returning and new pension committee representatives. The Chair noted that the Brunel Oversight Board (BOB) is a non-decision making board and each Client would have their own conflicts of interest policy in place, but members should raise any conflicts of interest throughout the meeting, if needed.		
2	Welcome and introduction to the new BOB members		
	For the benefit of the new BOB members, the pension committee representatives, scheme member representatives and key Brunel personnel introduced themselves. DLG left the meeting.		
3	Review 25 March BOB minutes	Minutes	
	The minutes of the previous meeting were agreed.		
4	Introduction to Brunel	Presentation	
	MG and LC presented the slides, which were shared on screen and were circulated ahead of the meeting, as follows: <ul style="list-style-type: none"> • MG introduced himself as the Vice Chair of Client Group (CG) and the Fund Officer for Devon • He explained that before Brunel was formed, each Client had to run their investments on their own • In July 2015 following an announcement by the Government in the Budget, Local Government Pension 		

	<p>Schemes (LGPS) were required to pool together to save on costs, however the Government didn't dictate which LGPS should pool together</p> <ul style="list-style-type: none"> • Slide 3 showed the pooling proposed at the time, and MG noted there had since been some changes, mainly in the naming convention • The pools weren't necessarily arranged by region, but by commonality • 8 Clients from the South West agreed to form a pool, subsequently joined by Oxfordshire and Buckinghamshire to form the creation of the Brunel Pension Partnership (Brunel) • Brunel appoint investment managers and set up portfolios that each Client can choose to invest in • Brunel have an executive board in place, the 10 Clients are clients of Brunel and each hold a 10% share of Brunel • This subsequently led to BOB being set up • The main role of BOB is to make sure that Brunel are delivering on savings, investment performance as well providing stewardship and the resources to run the portfolios • Slide 5 set out the initial portfolios that were proposed and MG noted these have since evolved slightly • Slide 6 showed the initial transition timetable, whilst some of these were ambitious from the outset, there had been some challenges along the way • Legal & General were appointed in 2018 to manage the transition of the passive equities • Slide 7 showed the transition costs for the different asset groups and MG noted the importance of transition in a cost effective way • The original business case (OBC) set a fee saving of £28m p.a. by 2025 and a cumulative net savings of £550m to 2030 and this was split out by the Clients on slide 8 • LC noted that Brunel was founded in 2017 to manage 10 like-minded funds and whilst each Client has its own priorities, they broadly agreed on their aims and values • LC believes there has been a strong and united partnership from the outset • The governance structure of Brunel was set out on slide 10 and LC noted that BOB is supported and underpinned by CG • Slide 11 set out the roles and responsibilities of the stakeholder groups within Brunel The shareholders approve budgets and strategic objectives. The Brunel board set out strategic aims, provide oversight and assurance of activities in relation to budgets, performance and implementation of strategy. The Brunel ExCo provide the definition of strategy to achieve the strategic aims against the budget and implementation of strategy to budget. BOB provides oversight and assurance to shareholders on performance and objectives • As previously noted, BOB is a non-decision making board and there are some issues BOB solely considers and others that are considered along with the shareholders. There are also some issues, such as remuneration, that the shareholders solely consider 	
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	<ul style="list-style-type: none"> • The vision “forging better futures by investing for a world worth living in” was set from the outset • The OBC set 5 key objectives, which were revisited at the start of last year: <ol style="list-style-type: none"> 1. Client-driven range of products and services 2. Outperformance vs benchmark (min 3-5 years listed, longer for private markets) 3. Additional benefits (beyond financials) not available pre-pooling: including stewardship, responsible investment (RI), diversification and risk analysis 4. Risk management through robust governance and controls 5. Fee savings, whilst maintaining performances of £27.8m annually (8.9 basis points) by 2025 and cumulative net savings of £550m to 2030 • LC noted that slide 15 showed the achievements made to date • Slide 16 showed the asset transitions projected to the end of Q3 2021 and LC noted this demonstrated the vote of confidence that the 10 Clients have in Brunel to deliver • Slide 17 showed when the listed funds were launched and when property transfers took place. LC noted that whilst this may have not been the original timeline, the transitions were carried out in a cost effective manner and ahead of the other pools • Slide 18 showed the savings on carbon, calculated by the weighted average carbon intensity (WACI), across the listed portfolios • LC explained that Brunel are working hard to push on issues such as RI not just for the benefit of Brunel but industry-wide • Brunel are currently working with FTSE Russell on launching Paris-aligned benchmarks • Slides 18 and 19 made reference to the RI and Stewardship Outcomes Report and Climate Change Action Plan Report and LC encouraged BOB members to read the reports, which can be found on the website, as these demonstrate that Brunel ‘walk the talk’ • LC noted that there is a glossary of acronyms supplied via CG • Slide 21 showed that the cost saving of £616m is ahead of the OBC, largely due to better fees being negotiated • The next slide broke down the savings before performance into various components and LC noted that this demonstrated that pooling is working • Slide 24 set out the work coming up in the remainder of 2021 and slide 25 set out the awards that Brunel has achieved. LC noted the recent achievement of Faith Ward being named environmental finance personality of the year • RG thanked MG and LC for their presentation and emphasised the pivotal role played by CG 	
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5	Client assurance framework (including Investment Update)	Paper	
	<p>SJ introduced himself as the Chair of the Operations sub-group and an investment manager for Cornwall. SJ presented the following reports:</p> <p>BOB Assurance Report</p> <p>SJ noted that the purpose of the Assurance Report is to support the standard performance reporting.</p> <p><u>Reporting project</u></p> <p>On the reporting project, SJ noted that CG and Brunel had been reviewing the content and the format of the investment performance reporting. The requirement gathering stage of the project has been completed and the Operations sub-group have been working with Brunel to ensure the output aligns with the requirements for each Client.</p> <p>SJ noted that CG would report back to BOB with progress at the next meeting.</p> <p><u>Property assurance review</u></p> <p>SJ noted that Brunel had been given full discretionary control of the property assets and as a result the assurance structure had been set as follows:</p> <ul style="list-style-type: none"> • Annual Property Report • Quarterly reporting • Quarterly assurance reporting • Detailed reports on any new investments • Client specific updates on their convergence to the target Brunel property portfolios <p><u>Appendix 1</u></p> <p>SJ explained that CG review the RAG status of the listed markets, passive equity and private markets portfolios on a quarterly basis and these were shown on appendix 1. SJ noted that all the portfolios remained as green but highlighted the following:</p> <ul style="list-style-type: none"> • There was some concern around the pace of drawdown for the Secured Income Portfolio in cycle 1. SJ further went on to explain that this issue is close to being resolved and therefore the Secured Income portfolio remained green. • There had been some changes to key personal at Capital Dynamics, a fund manager in Infrastructure Cycle 1 and 2 portfolios, however it was noted that there is a well-resourced team in place therefore the infrastructure portfolios remained green. <p><u>Appendix 2</u></p> <p>SJ noted that appendix 2 is the BOB Performance Report for the quarter ending 31st March 2021.</p>		

	<p>AB noted that some of the material wasn't easily readable and LC noted that they are looking at ways to improve the reporting.</p> <p>In response to a question raised by JK, DV explained that the report shows the top 10 contributors and whilst these are similar, if not the same, for the passive developed equities and the passive low carbon equities, the full holdings list is likely to defer.</p> <p>In response to a query raised by TB, JRS noted that aggregate performance for each Client could be provided. LC noted that the BOB report was to review performance of the portfolios as a whole, and the quarterly investment reports produced for each individual Fund Committee meeting did contain the Fund specific performance information.</p> <p>SJ noted that he would take away the requests for changes to the reporting and see what information could be provided.</p>	
6	Brunel CEO Report	Paper
	<p>LC presented the Brunel CEO report. LC noted that a report is provided quarterly which gives a progress update against the 5 objectives which were detailed earlier.</p> <p><u>Fund launches</u></p> <p>The investment team are currently finalising the transition to fixed income assets. This will complete the transition of listed markets assets.</p> <p>The Global Sustainable Equities fund launched in September 2020 with an AUM of £1.8bn and an additional £1.5bn is expected. A Product Governance Review was carried out which reviewed the number of managers and proposed an increase in the number to manage the increase in assets invested, the implementation of which is expected is Q3/Q4 2021.</p> <p>LC noted that the transition timeline showed that by the end of Q1 60% of Client funds had been transitioned and this is expected to increase to 80% following the transition of the fixed income and Global Sustainable Equities.</p> <p><u>Performance Reporting</u></p> <p>LC explained that the performance reporting is reviewed by DV and SJ, with CG providing BOB the full report, whilst she focuses more on longer-term performance.</p> <p>LC noted that the performance in Q1 2021 was largely positive which was pleasing to see given changes to the markets and value stocks, in particular in banks and energy companies. Multi-manager funds have a dedicated value manager. However, the sustainable fund suffered in Q1.</p>	

	<p><u>Additional benefits</u></p> <p>LC noted the ground-breaking work being carried out to provide solutions for Paris-aligned passive equity portfolios. Brunel is currently working with FTSE to create new benchmark indices which will allow access to low cost passive portfolios.</p> <p>LC also noted that this will provide supplementary fee savings as well as impacting the wider passive investment industry.</p> <p>LC noted that the private markets team were looking at affordable housing schemes. To date £40m had been committed however more local housing schemes are being sourced.</p> <p>LC explained the importance of external validation of the partnership as a leader in responsible investment and LC made reference to the Climate Change Strategy Market Practice Assessment conducted by EY which confirmed Brunel’s leading position relative to its peers.</p> <p><u>Risk management</u></p> <p>It was noted that there weren’t any red ratings but some of the risks are on the watch list.</p> <p>It was requested that some narrative is provided on the risk assessment, in particular when there is movement.</p> <p><u>Cost Savings</u></p> <p>LC noted that cost saving is still on track to meet the £616m to 2036, which is an increase of circa £66m on the OBC.</p> <p><u>Other activities</u></p> <p>LC noted that Brunel are working with CG to look at value add in a measurable way.</p> <p>It was requested that if available, comparisons against other pools is provided. LC explained they would provide this where available, but noted that all pools had different structures in place.</p> <p>LC noted they were tweeted by the FT, following the FT Global Boardroom Event which LC spoke at. She also took part on a panel at a Make My Money Matter event.</p> <p>LC provided details of two Investor Days scheduled on 27th September and 6th October.</p>	
7	AOB	
	The following BOB meeting dates for the remainder of the year were noted as follows:	

	<ul style="list-style-type: none">• Thursday 23 September 2021• Thursday 2 December 2021 <p>The Chair thanked all for attendees, in particular the new BOB members and noted any questions should be referred to Brunel.</p> <p>Meeting close: 12.03.</p>	
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