

Brunel Oversight Board Meeting Minutes

Purpose: To review Brunel/Client progress agree next steps
Date and time: Thursday 9th June 2022, 10:30 – 12.50
Location: Microsoft teams

Pension Committee Representatives		
Paul Crossley	Avon	
Timothy Butcher	Buckinghamshire	
Jayne Kirkham	Cornwall	
James Morrish	Devon	Apologies
John Beesley	Dorset	
Robert Gould	EAPF	Chair
Lynden Stowe	Gloucestershire	
Kevin Bulmer	Oxfordshire	Vice-Chair
Sarah Payne	Somerset	
Richard Britton	Wiltshire	

Member representative observers		
Andy Bowman	Scheme member rep.	
Alistair Bastin	Scheme member rep.	

Fund Officers and Representatives		
Liz Woodyard	Avon	
Julie Edwards	Buckinghamshire	
Sean Johns	Cornwall	
Mark Gayler	Devon	
David Wilkes	Dorset	
Craig Martin	EAPF	
Matthew Trebilcock	Gloucestershire	
Sean Collins	Oxfordshire	
Anton Sweet	Somerset	
Jenny Devine	Wiltshire	
Rob Edwards	Mercer	Secretariat
Toke Joseph	Mercer	Secretariat

Brunel Pension Partnership Ltd		
Laura Chappell	Brunel, CEO	
Joe Webster	Brunel, COO	
David Vickers	Brunel, CIO	
Denise Le Gal	Brunel, Chair	
Liz McKenzie	Brunel, SNED	

Tim Dickson	Brunel, HoCR	
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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>RG welcomed everyone to the meeting.</p> <p>The agenda was confirmed and it was noted that there were no new declarations of conflicts of interest or urgent actions.</p>		
2	Review 17 March BOB minutes	Minutes	
	The minutes of the previous meeting were agreed.		
3	Re-election of Scheme Member Rep		
	<p>RG introduced the newly elected scheme member representative Alistair Bastin (AB). AB gave a brief introduction on his background and experience noting that he is happy to be taking on this new role as member representative.</p>		
4	Brunel CEO Report	Paper	
	<p>LC presented the CEO report.</p> <p>LC noted the value of transitioned assets reached £31.3billion at the end of February with further progress being made in the current quarter, with an additional £380 million into the Property fund from external legacy managers on April 1 by Wiltshire.</p> <p>LC discussed the Fund's investment performance noting the impact the Russian invasion of Ukraine and inflationary pressures had on markets in Q1 2022. LC discussed how the Russian invasion of Ukraine in February accentuated pre-existing conditions of rising commodity prices that contributed to inflation.</p> <p>LC discussed the results from the Client Group strategic workshop, highlighting that a good discussion was held with the client group; that gave rise to a number of operational priorities that are to be addressed over a 3-year time horizon. LC noted that the items raised from the client group meeting are different from the strategic decision that are to be made at the BOB meeting today.</p> <p>LC discussed the client reporting project and highlighted that this is now flagged as red in regards to timescales. This is largely due to issues with data quality at State Street. LC highlighted that this project will not complete in Q2 as planned but will be delayed until Q3. LC highlighted that despite the delay, it is vital that data is correct, as it has been noted that client reporting is not at the desired quality and it needs to be improved. AB asked if there is a</p>		

<p>timescale for State Street to present the data as required. LC stated that a revised timeline has been agreed with State Street to enable the parallel runs required in Q3 2022.</p> <p>LC explained that the Fund experienced its first dealing error in Q1 2022. LC highlighted that this was due to human error and that Tim Dickson's team have looked into this error and have redesigned the dealing procedure to avoid an operational error occurring again. LC highlighted that a full report has been provided to the operational sub group and that actions to prevent further errors have been agreed and provided.</p> <p>Jayne Kirkham emphasised LC's point, highlight that new and more detailed procedures have been put into place to avoid this happening again. JW also highlighted that if such an error was to occur again, there is insurance in place across the whole Fund to find this. However due to the amount being c£300,000 from this error, it was decided that Brunel would not claim on the insurance as it would result in higher premiums in future years.</p> <p>LC and TD confirmed a report was sent to FSG last week highlighting the new procedures put into place for the control operations and gave some insight into these procedures to the BOB. JK asked what the threshold is for an insurance claim and what loss had to be hit to claim. TD stated that what was discussed at the FSG meeting was £500k but the Fund can claim a lot lower than that.</p> <p>Kevin Bulmer asked if the operations team had checked that there were no silo situations as this error seemed to occur because of one. LC confirmed that this had been checked and the procedures put in place would avoid this.</p> <p>LC discussed the financials and confirmed that over the last year the Fund kept to budget confirming that Client had signed off on this. LC confirmed that work had been started with clients to undergo some cost saving analysis, she highlighted that the figures so far look good, although subject to further validation by client group.</p> <p>LC mentioned that discussions had begun with Teresa Clay, from the department of levelling up, surrounding the pooling consultation. LC said that updates had been given from TC and that the team were becoming more active concerning the pooling consultation project. LC highlighted that herself and Sean Collins recently met with TC to discuss Brunel's positions and what the team want to do with the pooling decisions.</p> <p>John Beasley gave an update from the scheme advisory board perspective. JB highlighted that he was happy that there was engagement between Brunel and the department of levelling up. JB stated that the 80% pooling of the Brunel Fund is excellent</p>	
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	<p>progress and that it is important to reinforce to TC's team that this is good.</p> <p>JB stated that he was concerned that the SAB hadn't engaged sufficiently and not as much as the Brunel pool (noting that this opinion was to be kept within the Brunel pool only). He also highlighted that the SAB need to become more actively engaged to avoid the board following the department as oppose to department being guided by the board. JB suggested that the funds start feeding into the SAB as to where they see the pooling consultation going and where they can add value, through conversations with LC and the Chair of Brunel, Denise Le Gal (DG). DG asked JB if he had an insight into what the department might be thinking in terms of a worst case scenario regarding pooling. JB said that concernedly, the SAB didn't discuss this.</p> <p>Liz McKenzie (LM) highlighted that another source of engagement with DLUHC was the Cross Pool Group and invited Sean Collins (SC) to comment on their recent discussions with Teresa SC confirmed that the group have scheduled a meeting on 11 July where all 8 pools will be represented with himself, Matthew Trebilcock (MT) and Laura Chappell (LC) expected to attend to represent Brunel.</p> <p>AB circled back to the cost-saving analysis LC mentioned and asked LC if the same metrics were used for all funds in regards to the costing saving analysis to guarantee a level playing field. LC confirmed that they are working towards a standard approach but 100% consistency may not always be possible.</p>	
5a	Brunel CIO Update	Verbal
	<p>David Vickers (DV) presented the CIO update.</p> <p>DV noted that, with the exception of Cornwall, he had now had meetings with all of the Funds within the pool for their quarterly review meeting.</p> <p>DV started by discussing recent market conditions. He discussed the Russia/Ukraine crisis, highlight how this crisis had propelled market conditions that were starting to come into light post COVID-19. DV discussed how the Omicron strain of the COVID-19 virus was still present in China Q1 2022, which caused already apparent supply chain problems to be exaggerated. DV highlighted how increases in interest rates actioned by the Fed and Central Banks and current inflation expectations had affected the value of both the Fund's assets and liabilities.</p> <p>DV discussed the Fund's performance over Q1 22 highlighting that the global market was down 2.3% over the quarter, with value stocks up 2.4%, growth stocks down 7.0% and quality stocks down 5.9% DV confirmed that the Fund's private markets performance numbers were good. DV further highlighted that the Fund's diversified risk fund was up, the Fund's MAC fund was operating within its remind and that the Fund's low volatilely funds were also</p>	

	<p>up. DV highlighted how it was mostly the Fund's actively managed funds that suffered over the quarter.</p> <p>DV continued presenting the report and discussed some of the macro trends that the Fund could expect to continue. DV highlighted how these persistence events were already being priced into the market.</p> <p>AB asks DV if the consensus of the continuing trends DV presented was that many of the items that could potentially, distress the market the damage has already been done? DV confirms that he believes 'majority' of the damage is done with market valuations beginning to capture these items.</p>		
6	Client assurance framework	Paper	
	<p>Sean Johns (SJ) presented the client assurance framework section.</p> <p>SJ discussed the reporting project and highlighted that the draft report would now go to BOB on 8th September and the first revised report will be as at 30 September, ready in time for the November committee meeting.</p> <p>SJ provided a refresher summary on Brunel's approach to ongoing manager monitoring and noted the depth of work provided a key part of the assurance that the Client Group were able to provide to BOB on the management of the investment portfolios.</p> <p>SJ next presented the red, amber and green table on appendix 6B of the pack papers. SJ highlighted how the UK equity portfolio had now been moved to the minor concern status regarding its performance as the fund had passed its 3-year anniversary with performance still below its benchmark. SJ noted that this is largely due to portfolio tilt to higher quality names and ESG considerations.</p> <p>SJ discussed commentary for the two emerging markets funds Wellington and Genesis on the report. The Fund flagged that Wellington had undergone changes to the composition of their investment teams and this was being monitored. He also noted how Genesis has been moved to the minor concern watch list due to poor performance.</p> <p>SJ highlights how post quarter end the diversified growth fund had a significant event. William Blair, one of 4 managers in portfolio, had closed down a strategy that Brunel is invested in. SJ explained that Brunel had reallocated the funds to the other 3 managers in the portfolio whilst looking into other manager's best suited for the money to be reinvested with.</p>		

	SJ highlighted the core global equity portfolio moving to the red watch list. SJ noted that Cornwall are in the process of selling out this portfolio, which was due to complete in the next few days once that is done portfolio will be done and issue will be closed.	
7	Brunel SNED/Chair Update	Verbal
	<p>LM presented the SNED/CHAIR Update section.</p> <p>LM noted that since the last SNED update in March there had been a shareholder forum straight after the meeting where she met with representatives from Avon, Wilshire, EAPF, Dorset and Somerset. LM noted that the Board have now met with all shareholders and agreed that it was beneficial to do so to maintain a good relationship with shareholders. LM mentioned that the consensus from the meeting was that Brunel was the best pool and that the shareholder would like to keep it that way. It was confirmed that the Board would try and hold shareholder meetings annually to maintain the relationship with shareholders.</p> <p>DLG mentioned that shareholders are currently undergoing a Board effectiveness review of the Brunel Board by an external provider. She confirmed that this would be a less of a quantitative but more of a qualitative effectiveness review. DLG confirmed that the results of this review would be fed back at the next BOB meeting.</p>	
8	Strategy Review Workshop	Paper
	<p>RG opened the strategy review workshop section of the meeting and asked that all constituent Funds talk about what they saw as their priority objectives and how they saw Brunel supporting te delivery of these objectives.</p> <p>KB from Oxfordshire opened the conversation and stated that improved data quality is important to Oxfordshire and it is currently difficult to evaluate the performance of underlying investee companies due to poor data reporting. KG also highlighted a want for better governance reporting particular as issues such as the Russia/Ukraine conflict and events between Taiwan/China have emphasised how important social governance is.</p> <p>LC asked KB if there was one thing keeping him up at night concerning the Fund what it would be. KB stated that this would be the unknown surrounding the future of the Fund and lack of governance data.</p> <p>Lynden Stowe (LS) from Gloucestershire stated that the priority for Gloucestershire was ensuring the best possible returns for the Fund while keeping costs down, stating that a concern for him would be going to the council and asking for more money for the Fund, which would lead to a reduction in the money provided to other public service. LS stated that Brunel are doing a good job regarding ESG. He further highlighted that, despite not being able to respond to inflationary and cost of living issues for the members,</p>	

<p>he hopes that Gloucestershire can continue benefiting from being within the Brunel pool.</p> <p>JK from Cornwall discussed that Cornwall want to remain stewards of the Fund and retain control over the decisions made about the investment strategy. JK explained how she wants Brunel to manage investments as best as possible and keep on a path to net zero. JK further suggested improved data reporting quality, particularly on the social and governance side of ESG, and not just the environmental aspect. JK also highlighted how Cornwall are keen to do more with regards to local social impact.</p> <p>Paul Crossley (PC) from Avon stated that it was clear that ESG considerations and decarbonisation was becoming of more importance to members and highlighted his want for Brunel to keep on the path of net zero.</p> <p>Tim Butcher (TB) from Buckinghamshire echoed points made by LS, highlighting that for Buckinghamshire, the primary objective was delivering the best investment returns. TB mentioned that what keeps him awake at time would be going to the leader of the council and telling them there is a deficit in the Fund. TB noted that it is important that Brunel are a selector of strong investment Funds and that Brunel offer a return that it is in the top quartile amongst its peers, highlighting that it would be useful to look into whether Brunel can add more Funds to its portfolio. TB also commented on the need to improved data reporting quality especially with comparisons to Brunel's peers performance returns and the Fund in general. TB noted that he looks to Brunel to manage Funds efficiently and effectively, learning from dealing errors when they occur so that they do not occur again. TB further highlighted that he wants to demonstrate to the Buckinghamshire committee that the Brunel pool represents savings and value for money, something he does not think he can see currently.</p> <p>John Beesley from Dorset stated that Dorset's key objective is to maximise their return and attack their deficit. He highlighted that he looks to Brunel to hold investment managers to account concerning the Fund' strategic allocation decisions. JB also highlighted that he would like to see a two way flow on information as it is hard for member to engage directly with Brunel, JB stated that more evidence is needs to flow through to members of whether Brunel is holding investment managers to account. JB explained that governance reporting of investee companies needs to be improved and that Brunel need to do better with regards to communicating and engagement with members.</p> <p>Richard Britton (RB) from Wiltshire explained what he wanted from Brunel with regards to the Wiltshire. He explained that he wanted Brunel to be looked to as an exemplar pool. RB also highlighted how Brunel need to be an exemplar pool with regards to governance and communication, highlighting that it's important that results are communicated to members in the correct way. RB</p>	
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	<p>highlighted that he looks to Brunel to maintain investment control and flexibility as well as provide value for money for the pool, with Brunel being the example that pooling works.</p> <p>Sarah Payne (SP) from Somerset highlighted that Somerset's key objective is investment returns to attack their deficit. SP mentioned that a new committee is currently forming for the Somerset Fund and that targets such as investment returns and net zero will be prominent among the committee. SP also, highlighted that improved data quality is important from Brunel currently.</p> <p>Mark Gayer spoke as a representative from Devon and gave apologies on behalf of James Morrish. MG confirmed that communication with members was important to the committee at Devon, ensuring member's communications are delivered in a digestible form with little jargon.</p> <p>All representatives from the geographical Funds had given their suggestions on ways Brunel can move forward as a pool.</p> <p>AB explained that scheme member surveys had been conducted on Brunel and it was the consensus that Brunel was further along in terms of being responsible investors. It was also confirmed that the most important factors of the Fund, for members, where, financial sustainability, followed by ESG sustainability.</p> <p>LC summarised the comments and suggestions brought from each Funds highlighting that key themes that emerged from the strategic workshop were:</p> <ul style="list-style-type: none"> • Delivering sustainable investment returns • Keeping on a path to net zero • Improved quality of data reporting • Increased and better member communications • Brunel to be an exemplar LGPS pooling <p>Sean Collins agreed that the comments brought up in the workshop were similar to comments brought up in Client Group meeting. SC explained that next steps would include talking to the shareholder group and bringing together all suggestions from all 3 groups on how to move forward and improve the Brunel pool Fund.</p>	
9	Any other Urgent or items for Information	
	<p>It was confirmed that there were no AOB. RG confirmed that the future meeting dates were 8 September 2022 and 15 December 2022. RG concluded the meeting.</p> <p>Meeting close: 12:50pm</p>	