

BRUNEL OVERSIGHT BOARD

Public Minutes

Thursday 7th September 2023, 10:30 am – 12:35 pm

Attendees

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

Member Representative Observers		
Andy Bowman	Scheme Member rep.	
Alistair Bastin	Scheme Member rep.	

Fund Officers and Representatives		
Nick Dixon	Avon	
Julie Edwards	Buckinghamshire	
Sean Johns	Cornwall	
William Cresswell	Cornwall	Minutes
James Rich	Cornwall	
Mark Gayler	Devon	
David Wilkes	Dorset	
Craig Martin	EAPF	
Matthew Trebilcock	Gloucestershire	
Sean Collins	Oxfordshire	
Anton Sweet	Somerset	
Jenny Devine	Wiltshire	

Brunel Pension Partnership		
Laura Chappell	Brunel, CEO	
Denise Le Gal	Brunel, Chair	
Liz Mckenzie	Brunel, SNED	
David Vickers	Brunel, CIO	
Joe Webster	Brunel, COO	
James Harbutt	Brunel, Systems Manager	Item 6 only
Tim Dickson	Brunel, HoCRT	
Alice Spikings	Brunel, SO	

Public Minutes

No.	Item
1.	<p>Confirm agenda</p> <p>Requests for urgent or for information items</p> <p>Any new declarations of conflicts of interest</p>
	There were no new declarations of interest or AOBs.
2.	<p>Review 8th June BOB minutes</p> <p>- Review and sign-off of the previous meeting minutes.</p>
	<p>LS noted, previously the BOB meeting wasn't deemed the correct forum for a discussion on absence rates figures and requested Brunel direct them to the correct forum.</p> <ul style="list-style-type: none"> - LC noted Brunel have had no issues with their absence rates. An issue was raised previously on the turnover rate which is a separate issue. LC offered to catch up with LS offline regarding the absence rate figures. - JW noted the absence rate is included on the VFM Scorecard included in the CEO report and therefore can be discussed as long as it is not on an individual basis. <p>The minutes were approved.</p>
3.	<p>Brunel Chair Recruitment update</p>
	<p>RG confirmed the Brunel Chair Recruitment working group has met and are working well. The group has good shareholder representation with Angie Sinclair from Devon, Andy Brown from Dorset, and RG from the EAPF.</p> <p>The requirements will be published and open to the market shortly.</p>
4.	<p>Brunel CEO report</p> <p>- An update from the Brunel CEO on its business activities.</p>

	<p>LC presented the CEO report.</p> <p>LC highlighted the government consultation.</p> <p>LC confirmed the People Strategy has been resolved, vacancies filled, and Brunel are back to full capacity. There is another governance review as requested by Shareholders to ensure future resilience.</p> <p>LC reminded attendees to register for the Brunel investor day in September.</p> <p>LC noted risks have started to stabilise. The current greatest risks are procurement risk, outsourcing risk, and climate risk.</p> <p>JK asked for clarity on the hostile external environment for climate, legal obstacles to Brunel's governance review, and revisiting exclusion lists.</p> <p>LC continued the report and noted the dealing process has been reviewed. Brunel are assured the dealing process is robust, but still contains manual steps and therefore contains some risk.</p> <p>ABa asked if the dealing process has been compared with other pools. LC noted the dealing process has been compared and other pools have easier process to correcting errors due to their differing business model.</p>
<p>5.</p>	<p>Brunel CIO update</p>
	<p>DV noted regarding the hostile external climate environment, the US climate debate is becoming weaponised, and RI can result in litigious challenges, especially in Texas.</p> <p>DV noted regarding revisiting exclusions, a number of Clients have requested the current policy is tightened to allow exclusions and this is in discussion between the clients. CofE have implemented exclusions on oil and gas stocks. In Brunel's perspective everything currently invested in meets Brunel's current Climate Change Policy requirements and the TCFD reports offers more detail.</p> <p>ABo highlighted human rights abuses, especially in Saudi Arabia. ABo asked if Brunel take this account under the "Social" aspect of ESG.</p> <ul style="list-style-type: none"> - DV noted this is taken into account. Difficulties arise as the human rights abuses are not reported in the accounts as they are illegal. Therefore the "Social" data is hidden. - Managers are challenged when the abuses become noticed. <p>DV presented the CIO report.</p> <p>On a macro scale, DV noted the market is predicting inflation in under control and there will not be a recession. DV noted this is possible but unlikely, and therefore they are expecting some volatility.</p> <p>DV noted 80% of Q2 market performance driven by 7 largest stocks. This has created difficulties for active managers the majority of which are underweight the 7 largest stocks for diversification reasons.</p> <p>DV provided the headline for Brunel's Q2 performance noting, 3 funds outperformed, the 2 target return funds MAC and DRF posted positive returns, 4 funds underperformed. The global sustainable fund performed the worst due to being the most underweight to the 7 largest stocks.</p> <p>DV noted the PAB outperformed traditional indexes. Property portfolio continues to outperform. Cycle 1 portfolios performance is becoming more meaningful as they have been deployed for a couple of years, and the numbers are good.</p> <p>DV noted there are no new managers on yellow or no new controversial holdings.</p> <p>DV noted they are redesigning RAG reports to provide a better one-page snapshot.</p>

	<p>DLG commented on DV noting there is a bull market and asked if there is potentially a bubble, which is a view expressed elsewhere?</p> <ul style="list-style-type: none"> - DV noted the top stocks are expensive and many multiples their revenue. DV has sympathy for views noting there is a bubble. <p>ND noted there are different valuations across regions and asked if Brunel are beginning to look regionally and focus on better value.</p> <ul style="list-style-type: none"> - DV noted Brunel don't have mandate to set up regional funds and they would have to be requested by Clients. Managers do undertake the analysis on their own. <p>ABa asked if there are any areas DV recommends Shareholders should be asking Brunel to look at or create.</p> <ul style="list-style-type: none"> - DV noted convertible bonds is an asset class that doesn't usually get recommended by investment consultants, but they would recommend clients look at it.
<p>6.</p>	<p>Client assurance framework (including Investment Update)</p> <ul style="list-style-type: none"> - Cyber Security presentation
	<p>SJ presented the Client Assurance Framework</p> <p>SJ noted Brunel's Cyber Security was reviewed at the Operations Sub-Group and there will be an annual review going forward to provide assurance to Clients. Clients also shared their own cyber security processes at the Operations Sub-Group.</p> <p>SJ highlighted the underperformance since inception on the portfolio and confirmed the client group have discussed it and received assurance from Brunel.</p> <p>JH presented the Cyber security paper.</p> <p>The presentation focused on Brunel's 4-Layer approach to cyber security, training and user awareness, independent assessments, and case studies.</p> <p>KB noted their belief that strong passwords create weaknesses as it encourages users to write down passwords they can't easily remember.</p> <ul style="list-style-type: none"> - JH agreed and confirmed Brunel use additional security such as 2 factor authentication and single sign on, both minimising the risks from passwords and allowing them to not be overly complex. - DLG confirmed they had cyber security training recently and passwords will be potentially replaced with facial recognition and other processes. <p>JH noted Brunel staff undertake yearly cyber security training and additional initiatives are set up across the year to keep users engaged with cyber security.</p> <p>ABa noted they have experience in IT and emphasised the importance of strong links between HR process and IT process.</p> <ul style="list-style-type: none"> - JH confirmed there is strong workflow process between HR and IT. - JW confirmed the HR was audited this year and all yellow audit comments have been resolved and taken into account.
<p>7.</p>	<p>Cross Pool Performance Data</p>
	<p>JB noted Dorset's independent advisor has recommended using relative performance with other pools to provide assurance and performance comparisons. JB recognises establishing mechanisms to compare performance across pools would</p>

	<p>be difficult and therefore they would like a discussion to see if the data would be meaningful and value for money.</p> <p>DV noted they personally prefer comparing against a wider peer group than just the pools and has introduced these comparisons into the BIRC reports. This will be pulled out into the RAG report update alongside a crib sheet helping to arm councillors.</p> <p>DV noted the majority of performance is driven by the Clients individual investment strategy and the asset allocation. DV noted they could create attribution between Clients' performance and their investment management, e.g., being overweight to property and now looking to sell would create a loss.</p> <p>DLG noted independent advisors are providing advice on the strategic allocations and therefore should already have the knowledge DV provides.</p> <p>LS asked if Brunel have benchmarking figures against other pools.</p> <ul style="list-style-type: none"> - LC confirmed benchmarking figures to other pools are not available but individual client figures are available. - LC noted the government are consulting on how to best benchmark between pools. <p>ND noted longer term performance is more important than performance over the quarter.</p>
8.	LGPS Consultation
	<p>SC noted the Client Group have attempted to set out where they believe is consensus with regards to the response to the government consultation.</p> <p>ABo noted for information, their union is planning on responding to the consultation with similar views expressed.</p> <p>JB noted the Scheme Advisory Board communications are sharing the same views.</p>
9.	Brunel Chair/SNED Update
	<p>DLG noted there are currently 9 consultations on going regarding pensions reform and goes way beyond the LGPS.</p> <p>DLG noted the Shareholder Forum was great. There will be further engagements in the Autumn.</p>
10.	Any other urgent or for information items
	<p>Future Meeting Dates:</p> <ul style="list-style-type: none"> • 13th December 2023 • 25th January 2024 • 7th March 2024 • 6th June 2024 • 5th September 2024 • 5th December 2024
	RG noted the future meeting and there were no AOBs