Democratic Services
Guildhall, High Street, Bath BA1 5AW
Telephone: (01225) 477000 *main switchboard*
Direct Lines - Tel: 01225 395090
Web-site - http://www.bathnes.gov.uk

14 June 2019
Democratic_Services@bathnes.gov.uk

To: All Members of the Avon Pension Fund Committee

Bath and North East Somerset Councillors: Bruce Shearn (Chair), Shaun Stephenson-McGall (Vice-Chair), Chris Dando, Paul May and Manda Rigby

Co-opted Voting Members: Councillor Steve Pearce (Bristol City Council), Councillor Toby Savage (South Gloucestershire Council), William Liew (HFE Employers), Richard Orton (Trade Unions), Shirley Marsh (Independent Member) and Pauline Gordon (Independent Member)

Co-opted Non-voting Members: Wendy Weston (Trade Unions), Michael Rumph (Trade Unions) and Cllr John Goddard (Parish and Town Councils)

Chief Executive and other appropriate officers
Press and Public

Dear Member

Avon Pension Fund Committee: Friday, 21st June, 2019

Please find attached a SUPPLEMENTARY AGENDA DESPATCH of late papers which were not available at the time the agenda was published. Please treat these papers as part of the agenda.

Papers have been included for the following items:

Item 12: Appendix 1: Minutes of Brunel Oversight Board 30 April 2019

Yours sincerely

Sean O'Neill
for Chief Executive

If you need to access this agenda or any of the supporting reports in an alternative accessible format please contact Democratic Services or the relevant report author whose details are listed at the end of each report.

This Agenda and all accompanying reports are printed on recycled paper

Brunel Pension Partnership

BOB

Brunel Oversight Board Meeting
Minutes

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

Date and time: Tuesday 30 April 2019, 10:30 – 12:30

Location: Brunel Offices, 101 Victoria Street, Bristol, BS1 6PU

Dial-in details: Dial In: 0330 336 1949 | Participant Pin: 429632

Pension Committee Representatives		
David Veale	Avon	Apologies
John Chilver	Buckinghamshire	Phone
Derek Holley	Cornwall	
Ray Bloxham	Devon	
John Beesley	Dorset	Apologies
Hywel Tudor	EAPF	
Ray Theodoulou	Gloucestershire	Chair
Kevin Bulmer	Oxfordshire	Vice-Chair
Mark Simmonds (MSim)	Somerset	
Tony Deane	Wiltshire	
Member representative observers		
Andy Bowman	Scheme member rep.	Apologies
Ian Brindley	Scheme member rep.	
Fund Officers and Representatives		
Tony Bartlett	Avon	
Julie Edwards	Buckinghamshire	
Sean Johns	Cornwall	Apologies
Mark Gayler	Devon	
David Wilkes	Dorset	Phone
Marion Maloney (MMa)	EAPF CPO	
Mark Spilsbury	Gloucestershire	
Sean Collins	Oxfordshire	
Jenny Devine	Wiltshire	
Nick Buckland	JLT - Client Side Executive	
Sophie McClenaghan	JLT - Minutes	
Rebecca Roberts	JLT - Minutes	
Brunel Pension Partnership Ltd		
Denise Le Gal	Brunel, Chair	
Steve Tyson	Brunel Shareholder NED	
Matthew Trebilcock	Brunel, CRD	
Dawn Turner	Brunel, CEO	
Mark Mansley (MM)	Brunel, CIO	
Joe Webster	Brunel, COO	
Laura Chappell	Brunel, CCRO	
Chris Crozier	Brunel, CRM	
Alice Spikings	Brunel, CRA	

David Anthony	Brunel, HoF & CS	

Item	Agenda	Paper provided	Owner
1	Confirm agenda Requests for Urgent or items for Information only Any new declarations of conflicts of interest	Agenda C of Interests	Chair
	David Veale is no longer a member of the Avon Pension Committee. <u>Conflicts of Interest</u> • Apologies from JLT for sending an old copy of the Conflicts of Interest register • There are currently no Conflicts of Interest. • No new conflicts were raised.		
2	Review 31 January BOB minutes	Minutes	Chair
	The January minutes were agreed and confirmed as final. Matters arising: • Item 3 – MT confirmed that the Q4 Performance Report was circulated in February and has been included in the meeting packs for today as an Appendix to the Brunel update report. Brunel continues to work with the Operations sub group on the length and format of the report. • Item 3 – The status of the business case review was queried, following the issue raised at the last meeting regarding market conditions. CG officers and Brunel are reviewing the plan and this is still on going. MT advised they expect to table the next business plan for feedback at the September meeting, to then produce the final business plan for the November meeting. • RT questioned if the year end for Brunel being 30 September and the underlying funds being 31 March causes any issues. JW advised the current set up has been reviewed and considered acceptable. • DH queried if the money that was held in a cash account and not earning interest has been addressed. JW confirmed this was now receiving interest. • Item 7 – DT spoke with other LGPS pools about the appointment of the Shareholder NED and the issues raised regarding conflicts of interest. The Governance Review will specifically address how to select a Shareholder NED if the current appointee does not continue in the role, including who cannot hold the role. **Brunel is working to produce a job description for the Shareholder NED.** • RT asked over what period the original savings was calculated over. The calculations were based on estimates between 2016 and 2036 i.e. 20 years in accordance with the governments requirements. • Investment process slowed as a result of additional MIFID II regulation because it increased the level of due diligence that Brunel had to perform.		Brunel

DRAFT

	• **Brunel's glossary of terms to be attached to all documents circulated to the BOB and included with all meeting packs.**		Brunel/ JLT
3	Brunel Update Report	Update report	MT/CC
	This is the usual standing item update report. It was requested that all items be combined into an individual PDF to reduce the number of documents that need to be open. **JLT & Brunel to arrange for the documents to be combined and compressed.** Key points of the report include an overview of the original objectives, an organisational chart showing the recruitment progress, and the outcome of the data breach with Colmore the PM operator who Brunel have worked with and the issue has now been resolved. • DH queried the advantages of strategic partnerships with 3rd party providers, JW explained that it is very much a two way relationship where they learn from each other to the benefit of both parties. • DH queried the information in the report regarding State Street as the report both raises issues with the service and notes that the relationship is deepened. JW advised that whilst this appears contradictory, Brunel are providing feedback to State Street on the service issues to enable them to improve the service and Statestreet have been taking this feedback on board. <u>CEO Update</u> • RT requested an update on the fee savings calculations following errors in the original data provided by Wiltshire and Oxfordshire where the passive asset fees were provided as TER rather than AMC. DT advised that this is an on-going task for the Finance sub group. Brunel has received the correct data for Wiltshire and Oxfordshire and is requesting information from all funds to ensure the base figures are correct. **Funds to feedback by 30 April, Finance sub group to discuss at its call on 8 May.** DT confirmed the fee savings have reduced as a result, but this was not a significant impact. For the business case comparison, it has been agreed that this will be made on the AMC basis to ensure consistency with the original data available and supplied by the Funds. Going forward, focus will be on TER, but funds have agreed that we cannot recreate TER costs for legacy mandates to recalculate the business case on a TER basis. • RT queried the information provided in paragraph 4 regarding the transition costs, stating it is not clear how this relates to the overall figure. **Brunel will amend the report to clarify in the future.** DT confirmed that currently the transition costs are less than the business case predicted. • Brunel explained that the rebate from LGIM included in the report was		Brunel/ JLT Funds/ FSG Brunel

DRAFT

a result of negotiations with LGIM when appointing the manager. The rebate effectively nullifies the management fee for the first year. Brunel reassured the Group that this is a legitimate business practice and not something the FCA would query.

- JC queried if any of the transaction cost savings were a result of timings, Brunel planned the transitions to minimise any timing risk be it positive or negative.
- MS asked if the figures could be recalculated following the implementation of each portfolio to show what costs are still to be incurred. Discussion followed about the availability of Brunel resources to complete this task, with MT proposing that Brunel work with the CG to achieve the right level of transparency, but that the overall forecast remains the one given on the business case.

<u>COO report</u>

- No comments or questions

<u>Business Plan Budget Forecast Report</u>

- The format of the report provided in the meeting pack will be used going forward and has been approved by the Financial sub group ("FSG"). MS confirmed the FSG are aware that some figures may change and these will be reviewed by the FSG and fed back to the Client Group.

<u>CIO update</u>

- KB requested an RI update. Brunel advised that the 31 March investment report will see the inclusion of ESG data, with the report due on May 2nd 2019. KB queried how Brunel is engaging with the fund managers and asked if targets are being set. Brunel advised that they are producing a Climate Change Statement followed by a Climate Change Policy and welcome feedback and suggestions. Brunel confirmed the policy is being written by Faith Ward and will be reviewed by the RI sub group.
- DLG has been invited to join the Prince of Wales Sustainable investing group. This group is looking to engage with companies that have a large impact on the environment, but are targeting shipping companies and similar, rather than the obvious targets such as BP and Shell.
- Brunel will be producing a voting report, expected in late summer.
- The Unison report was discussed, with KB commenting that the funds across Brunel varied significantly and it would be preferred that they become aligned.
- MM, the new Chair for the RI sub group confirmed monthly meetings will commence on 9th May and asked funds who were not represented to put members forward.
- Brunel advised that ESG policies should not detract from returns and in the long term would be expected to have a positive effect as part of a de-risking process, and that they would be interrogating managers

	to ensure standards continued to be met. Brunel Organisation Chart • RT requested a formatting change to ensure it is legible. **Brunel to action for next meeting pack** • MM advised that an independent transition manager will be appointed as soon as possible, with a focus on project management skills. DH queried why a transition manager wasn't used for the UK Equities transition; MM advised the timescale of the transition didn't allow and Invesco (one of the managers) are a strong transition manager. Media Coverage Update • No comments or questions Governance Review Indicative Timetable • Further update in July BOB meeting. Q4 2018 performance report • Included within the CIO report • **Q1 report to be circulated by Brunel outside of the meeting as per the previous quarter.** • **Future BOB meeting dates for 2020 are to be aligned to the publication of the report to allow discussion at the meeting.** MHCLG consultation response • Discussed the next steps of the process, with MT confirming they were waiting for a response to the challenge over the legality. There was some criticism on the consultation process. Compliance and Risk Update • CC summarised the report, noting the Chief Compliance and Risk Officer report. • It was confirmed that the colour ratings used by Brunel are in line with Deloitte, though there is a different statement to describe Amber. • Brunel requested that they be invited to all fund committee meetings to enable them to improve the relationship and offered meetings with any new members. Brunel confirmed that they aren't requesting to attend the whole meeting and are happy to attend for part only. • **DLG requested that the client risk paragraph in the compliance update specifically mentions DGF as a risk due to the potential complexity of the portfolio.** Brunel continues to work with CG and advisors on this matter after the workshop held the previous day.		Brunel Brunel Brunel
4	SRM / RM's	4x Papers	MT/SC

DRAFT

	• SRM 11 - Budget phasing • RM 12 – Amendment to the Terms of reference of RemCo • RM 13 - LGPS framework • RM 14 - Statestreet access policy		
	MT provided an overview of the SRM/ RMs that have previously been discussed with CG. An SRM requires 100% approval; an RM requires 80% approval. <u>Special Reserve Matters</u> • SRM 11 - previously rejected by 3 shareholders. Brunel has engaged with these 3 funds and the FSG to redraft the proposal. • All present (including those that dialled into the meeting) approved that this should now go to the shareholder reps. <u>Reserve Matters</u> • RM 12 – Terms of reference to state the Chair of RemCo should not be the Brunel Chair of the Board, and that the Shareholder NED should always be a member of RemCo. ST stated that it could state the Shareholder NED should always be the Chair of RemCo but this is dependent on the Shareholder NED's experience and skillset. • Support was given for RM 12 to go to the shareholder reps. • RM 13 & 14 –these allow Brunel to sign indemnities with unlimited liabilities. **It was requested that the wording is clarified to make it clear that access is only being given to Brunel staff.** • Support was given for RM 13 & 14 to go to shareholder reps.		Brunel
5	Shareholder NED update	Paper	ST
	ST provided a summary of the circulated report, providing assurance to Brunel and BOB that everything is on track. ST emphasised that the upcoming Governance Review is an important event as the pace of the launch of portfolios is speeding up. ST noted that the DGF workshop held the day before went well and SIC should be pleased with the outcome. This has provided ST with assurance on the matter. ST also advised that the RemCo brief is being widened. ST requested feedback on the client investment reports to allow for continual improvement. DH requested that Brunel give its definitive opinion of DGFs ahead of its August committee meeting. MM confirmed the information will be available by this date.		
6	UK Equity Transition	Paper	JD/MMa
	JD presented the ISG's report on the conclusion of the UK Equity transition. CG		

	concluded this was acceptable, but as discussed, an independent transition manager should be appointed to ensure transparency for future transitions. TD asked if there was an update on Stamp Duty payments as a result of pooling. RT advised it has been made clear that there will be no refund from the Treasury and it is a cost that the Funds must bear. RT queried the AXA pooled fund transfer. MM explained that it wasn't preferable after investigation to do an in-specie transition for Dorset, who was in the fund, and instead a cash redemption was received. This resulted in some cost differences, but was the cleaner way to complete the transition.		
7	Any other Urgent or items for Information only. Future meeting dates • 25th July • 26th September • 5th November		Chair/ MT
	• No urgent items were declared at the start of the meeting. • It was noted that next PLSA conference is in May. • RT requested suggestions of additional items that would help to reassure committees. • MSim queried when BOB will receive assurance from ARC. Brunel confirmed a report is provided twice a year to BOB. • JLT / Mercer confirmed email change following Mercer takeover, and introduced Rebecca Roberts.		

DRAFT

This page is intentionally left blank