

Extract from the minutes of the Pension Fund Committee meeting held on 9 January 2017.

LGPS Investment Reform and Pooling - Approval of the Full Business Case for the Brunel Pension Partnership

5 The Committee considered a report by the Fund Administrator setting out the Full Business Case (FBC) for the Brunel Pension Partnership (BPP). He highlighted the clear legal requirement for Local Government Pension Scheme (LGPS) funds to pool investments, including the provision for the Secretary of State to intervene should funds not meet this requirement satisfactorily. He also reminded members that the feedback from the Department for Communities and Local Government (CLG) on earlier proposals had been that the pooling vehicle must be subject to Financial Conduct Authority (FCA) regulation.

The Fund Administrator told members that the key sensitivity to the Financial Case was the level of estimated savings from investment manager fees. The level of estimated savings had been 'stress tested' by Bfinance, investment consultants, who had extensive knowledge of the market and had worked with the Fund previously. A member asked if the pessimistic scenario of minus 2 basis points (0.02%) was too low. The Fund Administrator replied that he was reasonably confident that the level of savings achieved would be within the sensitivity range set out in the FBC.

The Fund Administrator confirmed that progress on developing BPP was significantly advanced compared to most other pools but the timetable for implementing the FBC was tight. Progress would be reported to the Committee as a standing item on the agenda of all future meetings. It was agreed that the standing item would include details of the five major risks facing the project.

The Independent Adviser commented that the FBC reflected a great deal of good quality work to get to this stage. He also highlighted that the estimated savings needed to be viewed in the context of the size of the deficit. He asked for clarity of the precise legal status of the Collective Investment Vehicle (CIV). The Chairman asked officers to liaise with Osborne Clarke, the project's legal advisers, to provide a detailed explanatory note.

One member noted the significant costs of transition and queried whether central government should be asked for financial support as investment pooling was now a legal requirement for LGPS funds, not a choice. The Chairman confirmed this had been raised with Marcus Jones MP, Minister for Local Government, who had replied that no funding was available from CLG and that funds were effectively 'investing to save'. The Chairman added however that funds would continue to lobby government for an exemption to the application of Stamp Duty Land Tax (SDLT) on the transfer of assets from individual funds to their respective pooled vehicles as this was viewed as an unintended windfall gain for HM Treasury.

The Interim Chief Treasury and Pensions Manager reported that a recruitment agency had been appointed to recruit the chairman of BPP Ltd by March 2017, and two non-executive directors (NEDs) thereafter. A third NED would be appointed at a later date, and would represent the shareholders (the ten member funds). Members requested that the Committee be informed of the process and deadlines for appointing the shareholders' representative NED when known.

One member asked if the staff employed by BPP Ltd would have local government and LGPS experience. The Fund Administrator replied that recruitment to the new company would be open, and not subject to Transfer of Undertakings Protection of Employment (TUPE) regulations. In order to meet the needs of the company, staff appointed were likely to be a mix of those with previous local government and LGPS

experience, and those with FCA regulated experience.

On member asked if the IT systems required by the new company would be bespoke or 'off the shelf'. The Fund Administrator anticipated that it would mostly be 'off the shelf' but requirements, such as performance reporting, may require a bespoke solution.

Resolved

1. That the Brunel Pension Partnership investment pool be developed, funded and implemented substantially in accordance with the terms and provisions described in the Full Business Case, and more particularly:
 - that a FCA regulated company to be named Brunel Pension Partnership Limited be established, and that the company be operated with all necessary and appropriate arrangements as to its ownership, structure, governance and services capability;
 - that a new supervisory body comprising representatives of the Council and all other participants in the Brunel Pension Partnership be established to ensure oversight of the Council's investment and participation in the Brunel Pension Partnership;
 - that Dorset County Council as administering authority owns a 10% share in Brunel Pensions Partnership Limited.
2. That the Chief Finance Officer and Chief Legal Officer be authorised and granted delegated powers to undertake such tasks as they think appropriate to progress implementation of investment pooling, and to take such decisions and do all things deemed necessary in order to support the Pension Fund Committee and to promote the interests of the Council with respect to pooling, which without limitation shall include informing and advising the Pension Fund Committee on the continued viability and suitability of investment pooling in light of any developments, financial or otherwise, in the period up to the establishment of the Brunel Pension Partnership.
3. That, subject to the above, all such matters be carried out with the aim of achieving a target date for investment pooling of 1 April 2018, and otherwise subject to such intermediate steps and timescales as may be considered appropriate and necessary by the Pension Fund Committee.
4. That there be a standing item on all future agendas to update progress against implementing the Full Business Case.
5. That recommendations 1 to 3 above are reported to Dorset County Council, as administering authority for the Fund.