

Pension Fund Committee

Dorset County Council



Date of Meeting	21 June 2017
Officer	Pension Fund Administrator
Subject of Report	The Brunel Pensions Partnership – project progress report
Executive Summary	At its meeting 7 January 2017, the Pension Fund Committee approved the Full Business Case (FBC) for the establishment of the Brunel Pensions Partnership. This report provides an update to the Committee on progress in implementing the FBC.
Impact Assessment:	Equalities Impact Assessment: N/A
	Use of Evidence: Extensive use of finance industry expertise has been drawn on during the development of the Full Business Case.
	Budget: Details of the expected costs of implementing the project are included in the report.
	Risk Assessment: Details of the expected risks of implementing the project are included in the report
	Other Implications: None.

Recommendation	That the Committee notes the progress establishing the Brunel Pension Partnership.
Reason for Recommendation	To ensure that the Fund has the appropriate management arrangements in place.
Appendices	Appendix 1 Corporate Structure and Governance Summary Appendix 2 Brunel Pension Partnership (BPP) Business Plan 2017-18
Background Papers	Brunel Pensions Partnership Full Business Case
Report Originator and Contact	Name: Tom Wilkinson Tel: 01305 224366 Email: thomas.wilkinson@dorsetcc.gov.uk

1. Introduction

- 1.1 Following the Government's announcement in the July 2015 budget statement that they intended to work with Local Government Pension Scheme (LGPS) administering authorities to ensure that they pool investments to significantly reduce costs, considerable work has been undertaken by the Fund, in conjunction with nine neighbouring funds, to set up the Brunel Pension Partnership.
- 1.2 Regular reports have been brought to this Committee at all stages of the process, with additional engagement events also being held to provide the opportunity for Committee members to provide input to the proposals. As required by Government an initial joint submission from the ten Brunel funds was approved by this Committee in February 2016 and a more detailed response in June 2016 which was submitted to the Government in July 2016.
- 1.3 At the additional meeting on 9 January 2017 the Committee resolved that the Brunel Pension Partnership investment pool be developed, funded and implemented in accordance with the Full Business Case (FBC), including the setting up of a Financial Conduct Authority (FCA) regulated company to be named Brunel Pension Partnership Limited (BPP Ltd.). This was then ratified by Council on 16 February 2017. The FBC had also been approved by the nine other nine participating administering authorities.
- 1.4 This report provides members with update on progress against implementing the FBC, in particular work that is now underway to form the company.

2. Recruitment of the BBP Ltd Company Board

- 2.1 As reported at the last meeting of the Committee, Korn Ferry, an executive search agency, were appointed to carry out recruitment processes, and had embarked on the initial task of organising the recruitment of the chair and two external non-executive directors (NEDs). Denise Le Gal was appointed to the position of chair during March and took up the position at the beginning of April. She was previously the chair of the Surrey County Council Pension Fund, but stood down as a councillor in May, and she has significant experience of working within financial services and investments.
- 2.2 Interviews were also held for the two external NEDs and the shareholder NED on 1 and 2 June. The outcome of those interviews will be reported to the Committee at the meeting.
- 2.3 Advertisements have also been placed for the BPP Ltd's operational directors, with a closing date for applications of 9 June 2017. The posts advertised are:
 - Chief Executive Officer (CEO);
 - Chief Investment Officer (CIO);
 - Chief Compliance and Risk Officer (CCRO); and
 - Chief Operating Officer (COO).
- 2.4 As it may be some time before these individuals are in post it was agreed to appoint an interim Managing Director for BPP Ltd drawn from the chief pensions officers of the ten funds. Dawn Turner from the Environment Agency Pension Fund was appointed to this role, which she will hold until the permanent Chief Executive Officer is appointed and in post.
- 2.5 It will be the responsibility of the Company's Remuneration Committee to put together a remuneration policy for its employees. However, some general principles

have been agreed, including no bonus payments and a potential salary cap. The company will be an admitted body in the LGPS on an open basis for all employees for the first three years, at which point the position will be reviewed. This is in line with the policy adopted by other pools, and is therefore required to ensure that Brunel can compete for the best staff available.

3. Legal Agreements

3.1 A key part of setting up the company will be the agreement of various legal agreements that govern the operations of BPP Ltd. These documents have been developed by the project's Legal Services Group comprising representatives of Osborne Clarke, who have been providing legal support to the project, and legal officers from the administering authorities.

3.2 The Shadow Oversight Board (SOB) considered and agreed the following legal documents at their meeting on 30 May:

- the Articles of Association;
- the Shareholders' Agreement;
- the Services Agreement; and
- the terms of reference of the Company Board, the Oversight Board and other committees.

3.3 A summary of the content of these documents and related corporate governance issues, prepared by legal advisors Osborne Clarke, is attached at Appendix 1 to this report.

3.4 The Oversight Board is to include two representatives of scheme members in a non-voting capacity. They will be chosen and nominated for this role by the local pension boards for the ten funds, and will be drawn from the current member representatives appointed to either pension committees or local pension boards.

3.5 These documents will need to be agreed by each of the ten administering authorities and they will be signed off on behalf of Dorset by the Chief Financial Officer and the Chief Legal Officer as appropriate, in consultation with the Chairman, under the delegation agreed by the Committee [and Council] in January.

4. Appointment of Administrator to BPP Ltd

4.1 Each LGPS Fund employs a custodian bank (or banks) to safeguard its investment assets and process transactions. The Dorset Fund employs HSBC and Banque Pictet as their custodians for UK and overseas holdings respectively. BPP Ltd. will also need to appoint a custodian. However, the nature of the business they will be undertaking and the requirement for Financial Conduct Authority (FCA) regulation will mean that the role will be wider than the custodian's current role. As a result, the role is defined by the FCA as an "administrator" rather than a custodian, as it encompasses other tasks beyond the custodian role.

4.2 An Invitation to Tender (ITT) was published at the end of April and six submissions have been received in response. The responses are currently being evaluated by representatives of BBP Ltd and officers of each of the ten client funds and it is anticipated that an appointment should be made by the end of July.

5. Business Plan 2017/18

5.1 An updated business plan for the Brunel Pension Partnership for 2017/18 is attached at Appendix 2. This sets out the key activities required during the year in order to

meet the target dates for the company to commence operation. It also sets out the key risks to the project.

6. Conclusion

- 6.1 The Brunel project continues to make good progress, and is currently on track to meet the target date of April 2018 for the company to begin transitioning assets from the participating funds.

Richard Bates
Pension Fund Administrator
June 2017