

Pension Fund Committee

Dorset County Council



Date of Meeting	13 September 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	None.
Background Papers	Brunel Pensions Partnership Full Business Case
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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. Establishment of BPP Ltd

- 2.1 BPP Ltd was formally created on 18 July 2017, with representatives from the administering authorities of each of the ten founding funds signing the shareholders agreement to establish the company.
- 2.2 The leadership team has now been established in full, with the following non-executive and executive appointments to the company board:
 - Denise Le Gal, Independent Chair
 - Mike Clark, Non-Executive Director (NED)
 - Frederique Pierre-Pierre, Non-Executive Director (NED)
 - Steve Tyson, Shareholder Non-Executive Director (NED)
 - Dawn Turner, Chief Executive Officer (CEO)
 - Mark Mansley, Chief Investment Officer (CIO);
 - Laura Chappell, Chief Compliance and Risk Officer (CCRO); and
 - Joe Webster, Chief Operating Officer (COO).
- 2.4 The process to recruit the operational staff reporting to the executives has begun with interviews taking place during August and September of officers from the client funds who expressed an interest in joining BBP Ltd. External recruitment plans are also being developed, taking account of this 'internal' process.
- 2.5 Following formal creation, BPP Ltd has been able to progress a number of practical operational requirements, including signing a lease for office space (101 Victoria Street, Bristol, United Kingdom, BS1 6PU), submission of HMRC registrations, opening a bank account, and commencement of the procurement of IT services.
- 2.6 The next major hurdle is for BPP Ltd to achieve Financial Conduct Authority (FCA) approval, with the final submission of forms targeted for September/October 2017.

- 2.7 Each of the founding funds have made their first shareholder contribution of £300k towards the regulatory capital requirements of BPP Ltd, with a second contribution of approximately £500k to be requested in December 2017.

3. Appointment of Administrator / Custodian

- 3.1 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 and will become a role defined by the FCA as an "administrator" rather than a custodian.
- 3.2 An Invitation to Tender (ITT) was published at the end of April and six submissions were received in response. Following evaluation of the responses by representatives of BPP Ltd and officers of each of the ten client funds, State Street has been selected as the preferred bidder. Contracts with State Street are currently being finalised, and transition plans are being developed.

4. Portfolio Development

- 4.1 Following the results of the triennial actuarial valuation most of the client funds have undertaken a review of their strategic asset allocation. As these reviews have now largely concluded, the client group will shortly be reviewing with Mark Mansley, Chief Investment Officer, BPP Ltd, the investment portfolios required compared to those identified in the FBC. BPP Ltd will then begin to develop detailed plans to make those portfolios available for client funds to invest in. Further details will be reported to the next meeting of the Committee, 23 November 2017.

5. Engagement Events November 2017

- 5.1 A number of engagement events have been scheduled for November, open to members of each client fund's Pension Fund Committee (or equivalent) and each client fund's Local Pension Board. Details of these events will be emailed to Committee members.

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
September 2017