

Supplementary Agenda

Surrey Pension Fund Committee



Date & time
Friday, 20
December 2019 at
10.30 am

Place
Ashcombe Suite,
County Hall, Penrhyn
Road, Kingston upon
Thames, Surrey, KT1
2DN

Contact
Amelia Christopher
Room 122, County Hall
Tel 020 8213 2838

Chief Executive
Joanna Killian



We're on Twitter:
[@SCCdemocracy](https://twitter.com/SCCdemocracy)

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This meeting will be held in public. If you would like to attend and you have any special requirements, please contact Amelia Christopher on 020 8213 2838.

Elected Members

Ms Charlotte Morley, Mr Tim Evans (Chairman), Mr Ben Carasco (Vice-Chairman), Mr John Beckett (Ewell), Mr David Mansfield and Mrs Hazel Watson

Co-opted Members:

Borough Councillor Ruth Mitchell (Hersham), District Councillor Tony Elias (Bletchingley and Nutfield), Vacancy (Employers) and Philip Walker (Employees)

Mission statement

“The Surrey Pension Fund will deliver a first-class service through strong partnerships with scheme members, employers, the Border to Coast Pool and the wider LGPS community. Environmental, Social and Governance factors are fundamental to our approach which is underpinned by risk management, informed decision making, the use of technology and the highest standards of corporate governance.”

PART 1
IN PUBLIC

- 2 MINUTES OF THE PREVIOUS MEETING: 13 SEPTEMBER 2019** (Pages 1 - 14)
To agree the minutes as a true record of the meeting, as amended.
- 7 LOCAL BOARD REPORT** (Pages 15 - 26)
Annex 3 - Minutes of the Local Pension Board meeting 24 October 2019, as amended.

Joanna Killian
Chief Executive
Published: Monday 16 December 2019

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MINUTES of the meeting of the **SURREY PENSION FUND COMMITTEE** held at 10.00 am on 13 September 2019 at Ashcombe Suite, County Hall, Penrhyn Road, Kingston upon Thames, Surrey, KT1 2DN.

These minutes are subject to confirmation by the Committee at its next meeting.

Elected Members:

- * Ms Charlotte Morley
- * Mr Tim Evans (Chairman)
- Mr Ben Carasco (Vice-Chairman)
- Mr John Beckett
- * Mr David Mansfield
- * Mrs Hazel Watson

Co-opted Members:

- * Borough Councillor Ruth Mitchell, Hersham
- District Councillor Tony Elias, Bletchingley and Nutfield
- * Philip Walker, Employees

In attendance

Nick Harrison, Chairman of the Surrey Local Pension Board

37/19 APOLOGIES FOR ABSENCE AND SUBSTITUTIONS [Item 1]

Apologies were received from John Beckett, Ben Carasco and Tony Elias.

38/19 MINUTES OF THE PREVIOUS MEETING: 7 JUNE 2019 [Item 2]

The minutes were approved as an accurate record of the meeting.

39/19 DECLARATIONS OF INTEREST [Item 3]

None received.

40/19 QUESTIONS AND PETITIONS [Item 4]

One question was received from a member of the public. The response can be found as an annex to these minutes.

A supplementary question was asked from the member of the public and a verbal answer was provided.

41/19 COMPANY ENGAGEMENT & VOTING [Item 5]

Witnesses:

Neil Mason, Strategic Finance Manager (Pensions)
Mamon Zaman, Senior Accountant (Pensions)

Key points raised during the discussion:

1. The Chairman informed the Committee about the following meetings and training sessions that Members were invited to attend:
 - Thursday 26 September 2019 – ESG Engagement Forum
 - Wednesday 6 November 2019 – Valuation Training for Members
 - Wednesday 6 November 2019 – Impact Investment Training for Members
2. Referring to paragraph 20 of the report, which was concerned with the Climate Change Working Party that had been established by the Border to Coast Pensions Partnership (BCPP), a Member of the Committee asked officers to include clearer references to it when responding to questions from members of the public. This, they went on to say, showed that the Committee was making positive steps towards the commitments it had made.
3. A Member of the Committee welcomed the additional information on share voting and resolutions that had been defeated, as it showed what influence the Surrey Pension Fund was having.
4. The Strategic Finance Manager informed the Committee that the Climate Change Working Party had met that week and had engaged with the Head of Pensions for the Church of England, whose approach to ESG issues is broadly consistent with that of the Surrey Pension Fund. Officers were in the process of drawing conclusions from these sessions, and these would be brought to the Committee in December 2019. This would include a re-drafting of the BCPP responsibility policy.

Actions/further information to be provided:

Members of the Committee are to receive invitations to the ESG Engagement Forum and two upcoming training sessions.

Resolved:

The Surrey Pension Fund Committee reaffirmed that ESG factors are fundamental to the Fund's approach, consistent with the Mission Statement through:

- Becoming a supporter of the Taskforce for Climate Related Financial Disclosures (TCFD) with the objective to begin to report against its disclosures for the 2019/20 Annual Report
- Commending the outcomes achieved for the quarter ending 30 June 2019 by Robeco in their Active Ownership approach and the LAPFF in its engagement with multinational companies as at 31 March 2019
- Noting the positive results achieved in relation to ESG issues, through the Fund's share voting for the quarter ending 30 June 2019
- Supporting the work carried out by BCPP as well as its Climate Change Working Party in understanding climate change risk, and the outcomes achieved by Fund managers during the quarter ending 30 June 2019

42/19 DRAFT ANNUAL REPORT & AUDITED STATEMENT OF ACCOUNTS [Item 6]

Witnesses:

Nick Harrison, Chairman of the Surrey Local Pension Board
Neil Mason, Strategic Finance Manager (Pensions)

Key points raised during the discussion:

1. A discussion was had about potential amendments that needed to be made to the annual report, with one Member of the Committee highlighting that they were a member of the Conservative Party and not an independent.
2. The Chairman informed officers that the Vice-Chairman's name had been misspelled and that the report needed to be written in the past tense throughout.
3. The Committee heard from the Chairman of the Surrey Local Pension Board, who explained that his statement had been sent to officers and would be shared with Members after the meeting.
4. It was agreed that Members of the Committee would have a week to inform officers of any amendments that needed to be made to the report.

Actions/further information to be provided:

1. The Chairman of the Surrey Local Pension Board's statement is to be circulated to Members of the Committee.
2. Members of the Committee are to inform the Strategic Finance Manager of any amendments that need to be made to the draft annual report.

Resolved:

The Pension Fund Committee:

1. Noted and approved the Draft Annual Report with the Audit Pension Fund Accounts for publication, subject to audit approval and any recommended alterations.
2. Noted the content of the 'External Audit Findings for Surrey Pension Fund' report, as set out in Annex 2, which reviewed the Surrey Pension Fund Statement of Accounts 2018/19.
3. Noted the Letter of Representation with regards to the Surrey Pension Fund Statement of Accounts, as set out in Annex 3.

43/19 LOCAL PENSION BOARD REPORT [Item 7]

Witnesses:

Nick Harrison, Chairman of the Surrey Local Pension Board
Andrew Marson, Pensions Lead Manager

Key points raised during the discussion:

1. The Chairman of the Surrey Local Pension Board introduced the report and explained to the Committee that one of the Board's main concerns over the previous year had been the Key Performance Indicators (KPIs). The Board, alongside the pensions administration and pensions fund teams, were in the process of refining those.
2. The Chairman of the Surrey Local Pension Board went on to discuss the backlog of work that currently existed and told the Committee that it amounted to more than one years' worth. A letter outlining concerns had been written to the Cabinet Member responsible for Orbis and the Section 151 Officer, who issued a response and committed to remedying those issues. The Committee also heard that a project had been put in place by the Pensions Administration department.
3. The Committee also heard about the work the Board had done on the risk register. Given the scale of the issues, the Board had tended to increase the scores as they needed to see greater delivery before reducing them.
4. The Pensions Lead Manager endorsed the Chairman of the Surrey Local Pension Board's summary and explained to the Committee that they were in a healthy position now the size of the task was known. It would take time to deal with the issues but officers were feeling optimistic.
5. Responding to a question from a Member of the Committee about the future changes that would be made to the administration of pensions, the Pensions Lead Manager explained that a significant part of the plan was to not only address the legacy issues but to make sure the administration service was fit for purpose, ready for the future and resilient.
6. A Member of the Committee questioned whether the 31 August 2019 deadline for benefit statements had been met and was told by the Pensions Lead Manager that it had.

Actions/further information to be provided:

None.

Resolved:

The Surrey Pension Fund Committee:

1. Approved the following governance steps in order to expedite progress of the Administration Service Improvement Plan and provide appropriate assurance:
 - a. Pension Administration officers are to provide cost estimates to Pension Fund officers for each project in the Administration Service Improvement Plan.
 - b. Pension Fund officers are to set out and agree with Pension Administration officers the appropriate assurances in support of the projects in the Administration Service Improvement Plan.
 - c. The Business Case for the Administration Service Improvement Plan is to be written and agreed by the Pension Administration officers and Pension Fund officers.

- d. Authorisation of the Business Case is to be delegated to officers (including the Director of Corporate Finance) in consultation with the Chairman of the Surrey Pension Fund Committee and the Chairman of the Surrey Local Pension Board.
2. Approved proposed changes to the risk register, as noted in the Risk Register section of the report.

44/19 GOVERNANCE COMPLIANCE STATEMENT [Item 8]

Key points raised during the discussion:

1. The Chairman explained to the Committee that the report was a brief one and outlined the update to the Governance Compliance Statement that were being proposed. These were concerned with changing mentions of the Pension Fund Board to the Pension Fund Committee.

Resolved:

The Surrey Pension Fund Committee noted the amendments to the Compliance to Statutory Guidance Statement and the Governance Policy Statement.

45/19 MINISTRY OF HOUSING, COMMUNITIES & LOCAL GOVERNMENT (MHCLG) - CONSULTATION ON CHANGES TO THE LOCAL VALUATION CYCLE AND THE MANAGEMENT OF EMPLOYER RISK [Item 9]

Witnesses:

Neil Mason, Strategic Finance Manager (Pensions)
Gemma Sefton, Hymans Robertson

Key points raised during the discussion:

1. The Committee heard from the Strategic Finance Manager, who ran through the proposed amendments to the local fund valuations from the current three-year cycle to a four-year cycle. The Fund did not believe that a persuasive business case had been set out by the Government regarding the proposed changes.
2. The Strategic Finance Manager went on to explain that the second area of proposed amendments was concerned with flexibility on exit payments. The proposals would allow the Fund to have more flexibility on how these payments were received and, from the view of the Fund, this represented a positive development for both scheme employers and the Fund.
3. Discussing the proposals for policy changes to employers required to offer LGPS membership, the Strategic Finance Manager outlined the changes being considered and explained that the Fund had responded the consultation noting that cash flows may end up being reduced and that the affected employers, by ending their intake of new members, would be accelerating their point of maturity. The Fund was wary this could bring about a situation where there were separate pension rights for the same set of employees.

4. Referring to the employees listed in paragraph 18 of the report (“further education corporations, sixth form corporations and higher education corporations in England”), the Chairman asked to what extent the changes would impact the Fund. In response, the Strategic Finance Manager explained that the proposed changes would affect some of the Fund’s larger employers but that the exact numbers would need to be confirmed. It was then agreed that these would be provided outside of the meeting.

Actions/further information to be provided:

The Strategic Finance Manager is to provide the Committee with figures relating to the number of effected further education corporations, sixth form corporations and higher education corporations.

Resolved:

The Pension Fund Committee noted the report and annexes.

46/19 SCHEME ADVISORY BOARD REVIEW OF GOVERNANCE IN THE LGPS [Item 10]

Witnesses:

Neil Mason, Strategic Finance Manager (Pensions)

Key points raised during the discussion:

1. The Strategic Finance Manager thanked those Members who had engaged and responded to the survey and explained that the general consensus was that the existing structures were satisfactory provided the Fund was ring-fenced from the wider Council.
2. The Committee heard that the Section 151 Officer would be provided with the necessary support and ongoing training to understand their role as lead officer of the Fund.
3. Referring to the establishment of two working groups, as outlined in Paragraph 9, the Strategic Finance Manager explained that they had not yet been established but that representatives from the Fund would be happy to be involved with them.
4. The Chairman asked that updates on developments relating to the Good Governance project were provided at future Committee meetings.

Actions/further information to be provided:

Updates on developments relating to the Good Governance project are to be provided at future Committee meetings.

Resolved:

The Pension Fund Committee noted the content of the report.

47/19 SURREY PENSION FUND LOGO [Item 11]

Key points raised during the discussion:

1. A Member of the Committee highlighted Paragraph 3, which explained that the new logo had been funded internally, and spoke of the importance of communicating that to the public.

Actions/further information to be provided:

None.

Resolved:

The Pension Fund Committee approved the new Surrey Pension Fund logo and its alignment with the Fund's Mission Statement, approved on 7 June 2019.

48/19 2019 VALUATION UPDATE [Item 12]

Witnesses:

Gemma Sefton, Hymans Robertson
Neil Mason, Strategic Finance Manager (Pensions)

Key points raised during the discussion:

1. The Committee heard from the representative from Hymans Robertson, who provided an update on the delivery of the 2019 actuarial valuation and highlighted the next stages.
2. Members viewed a graphic that showed the change in membership makeup from 2016 and were told that the Fund was continuing to grow in size, with 20% more records at the 2019 valuation and a continued growth in payroll and the amount of benefits that are paid out each year.
3. The representative from Hymans Robertson explained that the Fund was in a healthy place and was 96% funded, with much of that being as a result of asset returns. She went on to highlight the assumed investment return and the funding level that mapped to, as well as showing Members a graphic that illustrated how the Fund's assets and liabilities had changed since 2016.
4. Members went on to view changes to the funding strategy and other policy areas that were under review. The representative from Hymans Robertson explained that everything included in the 2019 valuation was in draft until 31 March 2020 and further consultation would take place before then.
5. Responding to a request from the Chairman, the representative from Hymans Robertson expanded on the McCloud Judgement and GMP equalisation and the potential impact these could have.
6. Referring to the whole fund funding position graphic provided to Members and the assumed future investment return, the representative from Hymans Robertson explained that an asset model

that contained long-term assumptions about all of the asset classes held by the Fund over 20 years had been run in order to formulate the figures.

7. The Committee heard that conversations would be had with employers about multiple investment strategies and that the intention would be that no one would be moved without their understanding. There was a need to be pragmatic and proportionate to make sure everything had an appropriate award for employers and that different funding objectives were kept in mind.
8. A Member of the Committee asked for information about how other Funds had approved similar strategies and names of these funds would be provided to the Strategic Finance Manager by the representative from Hymans Robertson so they could be contacted on the Fund's behalf. The Strategic Finance Manager also informed the Committee that case studies were included in the funding strategy statement paper.

Actions/further information to be provided:

The representative from Hymans Robertson is to provide the Strategic Finance Manager with names of pension funds that had approved similar investment strategies so that they can be contacted on the Fund's behalf.

Resolved:

The Pension Fund Committee:

1. Noted progress on the delivery of the 2019 actuarial valuation of the Pension Fund.
2. Approved for officers to work with the investment consultant and the actuary to implement multiple investment strategies for employers.

49/19 CASHFLOW ANALYSIS [Item 13]

Witnesses:

Neil Mason, Strategic Finance Manager (Pensions)

Key points raised during the discussion:

1. The Strategic Finance Manager introduced the report and explained that officers had received key management information that was needed in order to provide a more detailed cashflow analysis. This would be completed in the new year.

Actions/further information to be provided:

None.

Resolved:

The Pension Fund Committee:

1. Noted the cashflow positions for quarters four and one.

2. Determined that no change was required to the investment or funding strategy as a result of the current cashflow position.

50/19 INVESTMENT STRATEGY REVIEW [Item 14]

Witnesses:

Neil Mason, Strategic Finance Manager (Pensions)
Hemal Popat, Director (Investments) – Mercer
Steve Turner, Partner – Mercer

Key points raised during the discussion:

1. The Committee heard from the Strategic Finance Manager, who explained that the investment strategy review built on the draft report that had been brought to the last meeting regarding changes in the asset allocation. He then explained to those present the key points from the report and the proposals that the Committee was being asked to consider, as outlined in the Part 2 papers.
2. The Partner from Mercer provided Members with more information on the changes that had been made to the investment strategy since the last meeting of the Committee. Members also heard about the further work being done with Border to Coast regarding the development of the global equity fund.
3. The Committee worked through the investment strategy review and were informed of the key points of consideration by the Director (Investments) from Mercer, who explained in detail the equity portfolio comparison and total portfolio impact before moving on to the review of the equity protection strategy. Members were informed about the objectives for the current strategy and reviewed graphics relating to performance before analysing the possible actions that could be taken at the expiry of protection. It was recommended that a working group was convened to work through the options.
4. The Strategic Finance Manager explained that the issue being considered was an extremely complex one and that the establishment of a working group was being recommended due to the limited time available for discussion in a formal Committee meeting. It was proposed that the working group would meet on the morning of 16 October 2019 and that all Members of the Committee would be invited to attend.

Actions/further information to be provided:

Members of the Committee are to be invited to attend a working group to decide what approach to endorse regarding equity protection renewal.

Resolved:

The Pension Fund Committee:

1. Approved the proposed changes to the asset allocation as outlined in the Part 2 report.
2. Authorised officers to work with the independent advisor, investment consultant and Border to Coast to explore a solution incorporating a

regional/GDP based approach to global equities including additional allocation to emerging market equities.

3. Approved the convening of and delegation of authority to an investment sub-committee in respect of the decisions regarding the continuation of the equity protection strategy. This sub-committee will include members, officers and advisors and will consider options regarding the equity protection strategy, including:
 - i. Renew the entirety of the protection
 - ii. Renew a portion of the protection
 - iii. Cease equity protection when the current contract expires

51/19 BORDER TO COAST UPDATE [Item 16]

Witnesses:

Neil Mason, Strategic Finance Manager (Pensions)
Andrew Stone, Border to Coast

Key points raised during the discussion:

1. The Chairman asked for Item 16 to be considered before Item 15 due to time constraints.
2. The Strategic Finance Manager congratulated the Chairman of the Committee for being re-elected as vice-chair of the Border to Coast Joint-Committee and informed those present that there was a typo in Paragraph 21, where it referred to “UK equity” rather than “global equity”.
3. The Strategic Finance Manager went on to update Members on the progress that had been made since the last meeting of the Committee and explained the work being undertaken with other pension funds on regional GDP-based funds.
4. The Committee viewed a presentation from the representative from Border to Coast, who provided Members with an introduction to the new asset class.

David Mansfield left the meeting at 12:24pm.

Actions/further information to be provided:

None.

Resolved:

The Pension Fund Committee agreed the recommendations outlined in the Part 2 report.

52/19 INVESTMENT MANAGER ISSUES [Item 15]

Witnesses:

Adrian Brown, Independent Advisor (MJ Hudson)
Neil Mason, Strategic Finance Manager (Pensions)

Key points raised during the discussion:

1. The Chairman introduced the report and explained that he would have discussions with officers about future reporting and formats used.
2. The Committee heard from the Independent Advisor, who informed those present about the manager review meeting of 16 July 2019 and discussions that had been undertaken with Fund managers.

Actions/further information to be provided:

None.

Resolved:

The Pension Fund Committee noted the main findings outlined in the Part 2 paper.

53/19 DATE OF NEXT MEETING [Item 17]

The next meeting of the Surrey Pension Fund Committee will take place on 13 December 2019.

Meeting ended at: 12:32 pm

Chairman

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SURREY PENSION FUND COMMITTEE – 13 SEPTEMBER 2019

PROCEDURAL MATTERS – QUESTIONS

1. Question submitted by Barry Staff**Question:**

With your policy of engagement with the fossil fuel industry bringing a risible response from it (merely a “2-3% reduction in carbon over the next three years”), why don’t you give a deadline – the very near future – by which time it should profoundly and irrevocably change its business model away from FF exploitation – with failure to do so resulting in your immediate divestment?

Response:

The Surrey Pension Fund fully supports and incorporates ESG issues when making investment decisions. ESG includes a whole range of factors, and we would like to emphasise that this isn’t only limited to climate change.

Evidence of the range of ESG issues the Fund and its associated partners engage on can be found in our most recent Quarterly Company Engagement & Voting Report: <https://mycouncil.surreycc.gov.uk/documents/s56836/Report.pdf>

Currently, commitments made by countries under the Paris Agreement are expected to increase global temperatures by around three degrees. The IPCC report says in order to limit global warming to 1.5 degrees, we would need to cut global emissions by 45 percent by 2030 (comparable to 2010 levels) and bring them to net zero by 2050. This emphasises a few clear points:

- It is evident that countries and their national governments across the globe are not currently moving fast enough. Nationally Determined Contributions submitted under the Paris Agreement are not ambitious enough to limit global warming to 1.5 degrees.
- Consequently, engagement is required with regulators, governments and across industries, as well as with individual companies, who all need to move forward in the transition to a low carbon economy.
- Divesting a sector-wide strategy therefore downplays the importance all sectors play. Engaging with high emitting industries reliant on fossil fuels, in order to influence and change their behaviour, is equally as important as engaging with the suppliers; they are the companies who drive energy demand.
- Setting a target to reduce emissions by 45% by 2030 does not happen instantly for industries or governments. Shorter term targets of 3-5 years need to be set to reach the 20-year target.

Divesting from one specific industry will not mitigate climate change, it only reduces the amount Surrey Pension Fund have chosen to invest in a particular company or sector. While divesting addresses the moral dilemma of investing in contentious industries, it doesn’t actually contribute to promoting better behaviours within those same industries. An example of this was the closure of 23 nickel mines in the Philippines in 2017. Improved battery technology is essential in reducing fossil fuel dependency, which in itself there are prominent environmental issues which need to be improved. The nickel mines in the Philippines produced approximately 8% of the world’s nickel supply, which directly contributes to the production of battery technology, but the mines closed due to environmental concerns, more

specifically deforestation. It demonstrates the need to engage with companies to improve their own behaviours, as these companies can potentially be the world's energy suppliers of the future. <https://www.ft.com/content/9fef91e-e96a-11e6-967b-c88452263daf>

Surrey Pension Fund chooses to engage, and this is also the view backed by industry experts such as Robeco. "Divestment simply transfers a problem, and an investor cannot sell out of an entire sector if they want to make a long-term impact... Divesting an entire sector may lower the carbon footprint of a portfolio, but it makes absolutely no impact on the environment." <https://www.robeco.com/uk/insights/2017/12/we-need-decarbonization-not-divestment.html>

Surrey Pension Fund's Full Responsible Investment Policy can be found in our Investment Strategy Statement using the link below:
<https://www.surreypensionfund.org/media/4424/20190208-investment-strategy-statement.pdf>

MINUTES of the meeting of the **SURREY LOCAL PENSION BOARD** held at 10.00 am on 24 October 2019 at Ashcombe Suite, County Hall, Penrhyn Road, Kingston upon Thames, Surrey, KT1 2DN.

These minutes are subject to confirmation by the Board at its meeting on Thursday, 13 February 2020.

Members:

- * Paul Bundy
Mr Graham Ellwood (Vice-Chairman)
- * Mr Nick Harrison (Chairman)
Tina Matravers
- * David Stewart
- * Trevor Willington

58/19 APOLOGIES FOR ABSENCE AND SUBSTITUTIONS [Item 1]

Apologies were received from Graham Ellwood and Tina Matravers.

59/19 MINUTES FROM THE PREVIOUS MEETING: 18 JULY 2019 [Item 2]

The minutes were agreed as an accurate record of the meeting.

60/19 DECLARATIONS OF INTEREST [Item 3]

None received.

61/19 QUESTIONS AND PETITIONS [Item 4]

None received.

62/19 CYBER SECURITY [Item 5]

Witnesses:

David John, Audit Manager
Michael Wingrave, Team Manager – Networks and Security

Key points raised during the discussion:

1. The Team Manager introduced the presentation and ran the Board through the cyber measures that were in place. In particular he spoke about password issues, which was a matter frequently raised by Members.
2. Responding to a question about the suppliers the Fund worked with and the relationship with them, the Team Manager spoke about suppliers needing to follow certain rules and regulations that were dealt with by Information Governance.
3. The Board heard from the Audit Manager, who explained that an audit had been undertaken on cyber security that gave an opinion of “reasonable assurance”. Small changes needed to be made but things were in a good place.
4. It was agreed that an item on cyber security would be added to the forward plan to be considered annually.

5. The Board discussed the number of IT attacks and were told by the Team Manager that these occurred every day. They mainly included small issues, such as malicious emails and breached passwords.

Actions/further information to be provided:

An item on cyber security is to be added to the forward plan to be considered annually by the Board.

Resolved:

The Board received a presentation on the Council's implementation of cyber security.

63/19 ACTION TRACKER [Item 6]

Witnesses:

Andrew Marson, Pensions Lead Manager
Neil Mason, Strategic Finance Manager
John Smith, Senior Advisor (Pensions)

Key points raised during the discussion:

1. The Board heard from the Pensions Lead Manager, who explained that, regarding the trace addressing exercise (A11/18), approval for funding had been signed off and a contract with ITM signed. The data was expected to be with them the day after the meeting and results were to be returned in a couple of weeks.
2. Moving on to discretions (A7/19), the Board was informed by the Senior Advisor that it was a rolling process and that mailshots were being sent every few months. There were currently 90 policies and one or two were coming in every week. He went on to explain that there were around 300 employers and approximately a third had been contacted, and it was agreed that the officer would report back to the Board on progress in six months.
3. The Chairman requested that the Data Improvement Plan (A13/19) was reported on by the Pensions Lead Manager each meeting as a standing item.
4. Discussing risk registers (A30/19), the Chairman confirmed that he and the Vice-Chairman had met with officers and completed a thorough review of the register.
5. Moving to AVCs (A32/19), the Strategic Finance Manager explained that there were two workstreams. Firstly, a review had been undertaken on the AVC provision by Prudential that concluded they were an appropriate provider. The second issue concerned the proposed acquisition of Equitable Life by Utmost Life and the consequent transfer of AVC policies. The Policy Holder Independent Expert and the Fund's advisor were of the view that no members would be materially worse off if the acquisition went ahead, and the Fund intended to use its votes in favour of the transfer.

Actions/further information to be provided:

The data improvement plan is to be reported on by the Pensions Lead Manager at each meeting as a standing item.

Resolved:

The Board reviewed its action tracker.

64/19 FORWARD PLAN [Item 7]**Key points raised during the discussion:**

1. The Chairman reiterated that items relating to the discretions exercise and data improvement plan would be added to the forward plan.

Actions/further information to be provided:

None.

Resolved:

The Board reviewed its forward plan.

65/19 SUMMARY OF THE PENSION FUND COMMITTEE MEETING OF 13 SEPTEMBER 2019 [Item 8]**Witnesses:**

Neil Mason, Strategic Finance Manager (Pensions)
Andrew Marson, Pensions Lead Manager

Key points raised during the discussion:

1. The Chairman informed the Board that he had written to the Section 151 Officer and both the Chairman's letter and the response were included in the report. He also explained that the issue had been discussed at the most recent Surrey Pension Fund Committee meeting.
2. A Member of the Board questioned the reference in the papers to the business case being prepared and whether there was a definitive timetable. In response, the Strategic Finance Manager explained that the Pensions Administration team had put forward the business cases included in the service improvement plan and that the Pensions Fund team were satisfied that those met the standards they would expect. The business cases would then be passed to the Chairman and Vice-Chairman of the Board and Committee, as well as the Section 151 Officer.
3. Responding to a question about costs, the Strategic Finance Manager explained that it would be a Fund cost and he did not expect it to have any financial effect on changes to employers.
4. The Pensions Lead Manager explained that the Pensions Administration team would be responsible for day to day administration and implementation of the Improvement Plan and would report to the Pensions Administration Executive, which comprised

senior representatives from the service, Fund officers and finance officers from within the Council. The group would then report through to the Board and Committee.

5. With regards to the proposed tailored employer investment strategies, a Member of the Board drew attention to a reference in the report that the intention was that “no one will be moved without their understanding” and asked if the Fund was initiating the multiple investment strategies. In response, the Strategic Finance Manager said that the Fund would take broader views and it was not something they would impose. In response, the Strategic Finance Manager said that the Fund would take a broad spectrum of views into account and it was not something it would impose. The Fund was planning to cooperate with members, but its primary concern was to protect the Fund.
6. Referring to the continued progress in pooling, the Chairman questioned what percentage of assets would be managed by the pool. The Strategic Finance Manager explained that it was a new allocation and that that week they had completed the transition of part of the Fund’s global equity assets, which did not include any transition costs. The total percentage was around £1bn out of the £4.4bn the Fund had with Border to Coast, as well as another £1bn in passive that was not going to be transferred in the short term and around £400m the Fund was looking to transition over the next two quarters.

Actions/further information to be provided:

None.

Resolved:

The Board noted the report.

**66/19 ADMINISTRATION UPDATE (1 JULY 2019 TO 30 SEPTEMBER 2019)
[Item 9]**

Witnesses:

David John, Audit Manager
Andrew Marson, Pensions Lead Manager

Key points raised during the discussion:

1. The Board heard from the Pensions Lead Manager, who explained that a lot of work had taken place in response to the concerns raised at the last meeting. There had been a wide and varied level of engagement, and the Pensions Lead Manager was pleased with the progress made and the level contained within the plans. The service was now at a place where it was able to step into the delivery of the Service Improvement Plan.
2. Referring to the outstanding cases detailed on page 62, the Chairman said that it was difficult to identify whether tasks held as uncategorised were new or old and asked the Board to keep a close eye on how the number of outstanding cases were diminishing. In response, the Pensions Lead Manager explained that, in addition to the KPI reporting, he wanted to develop a single-page view of whether cases

were new or related to legacy issues, which would allow the Board to see the overall totals coming down more clearly.

3. A Member questioned whether any of the outstanding pieces of work could generate more than one task per case and was told by the Pensions Lead Manager that the service was experiencing a ripple effect as they worked through the cases. There were almost 11,000 cases where officers knew there was a job to be done, and there had been a significant step up in the refund cases, with 10,968 of those being able to be progressed to the next stage. In there, there could well be additional jobs to action, with most cases being solitary but around 1 in 10 creating new ones.
4. The Board discussed the internal audit actions highlighted on page 99 and were told by the Pensions Lead Manager that in the months prior to the introduction of the second stage of the Service Improvement Plan, the Pensions Administration team had been carrying out a number of improvements to the service. In response to the internal audit findings, a project board of senior officers tracked the service's progress. The next stage was to make sure all of those actions had been mapped into the new plan.
5. Members heard from the Audit Manager, who explained that the original audit had timescales for actions between the end of June and September 2019, but it became evident that the time required was a lot longer and these had been revised. He went on to say that auditors would prepare a position statement audit in Q3 to provide both management and the Board with assurance that the direction of travel reported was underpinned by solid evidence. A full audit of the Pension Administration service would then take place in early Q1 the next financial year, as that would be an appropriate time to check that controls were fully in place. It was subsequently agreed that the Audit Manager would attend future Board meetings to provide updates.
6. Responding to a question about the systems review, the Pensions Lead Manager explained that the framework should be set up and in place for April 2020. The service was also planning to seek a modification to the contracts as they stand in order to give more breathing space for a full procurement process.
7. Turning to the increasing use of robotics, the Board heard that significant user testing had taken place and validation processes had been passed. Senior officers were going to carry out assessments and report back on the quality of the work.
8. The Pensions Lead Manager spoke about the draft communications strategy and explained to the Board that it was produced in response to the Fund's. It provided clarification on the service's method of communication and timescales, as well as more information about delivery.
9. The Chairman requested that draft versions of future member newsletters were presented to the Board.
10. Discussing presentations, roadshows and seminars, the Pensions Lead Manager explained that support had been given to events such as retirement seminars, where members were presented with opportunities to ask questions. He also highlighted the information contained on the website and support that can be provided by the pensions helpdesk.
11. The Chairman suggested that newsletters were sent out around the time of annual statements, and that guidance was sought as to

whether workshops were needed and what topics would be beneficial to explore in greater detail.

12. The Board noted the complaints update for Q3 and welcomed the End of Year and Annual Benefit Statement Review, which the Chairman said provided the Board with a lot of detailed information. He also congratulated the Pensions Administration service on meeting the deadline.
13. Speaking about the pensions helpdesk, the Pensions Lead Manager informed the Board that a video on annual benefit statements had been produced for the website and members had been signposted to that. The service was confident it had reduced the number of phone calls to the helpdesk.
14. Moving on to Annex 6, the Pensions Lead Manager told Members that they were close to finalising the GMP project. Most cases had been matched, but there were some stalemate cases where investigation work would be required. The Pensions Administration team was almost ready to start communicating with members, as well as dealing with under and overpayments and the recalculation of benefits. The plan was to do that from April 2020.

Actions/further information to be provided:

1. The Pensions Lead Manager is to author a single-page view of whether cases were new or related to legacy issues.
2. Draft versions of future member newsletters are to be presented to the Board.

Resolved:

The Board noted the report.

67/19 ADMINISTRATION PERFORMANCE REPORT (QUARTER 2) [Item 10]

Witnesses:

Andrew Marson, Pensions Lead Manager
John Smith, Senior Advisor (Pensions)

Key points raised during the discussion:

1. The Board heard from the Senior Advisor, who explained that the figures had changed slightly due to an amendment to the method of reporting. The numbers were lower than expected and a large proportion of work had carried over from another quarter and the numbers were lower than expected. It had been previously agreed that the method of reporting would be changed so that the number of cases received in the quarter and cases that were not completed would be included in the cumulative backlog recorded in the final column of the spreadsheet.
2. The future method of reporting was discussed, with Members asking if it would be possible to differentiate between new and old cases. In response, the Pensions Lead Manager suggested that older cases from before July 2019 could be stripped out so the Board could get a picture of how the Pensions Administration service was performing against new cases every quarter. It was agreed that this would be

addressed by only reporting on cases received during the quarter. The Board would be able to understand movements in the backlog by monitoring the cumulative backlog figure in the final column of the spreadsheet.

3. Members agreed that the method of reporting was distorted by the large number of cases being carried over from the previous quarter, and it was suggested that the outstanding backlog cases could be included on the extreme right of the performance report.

Actions/further information to be provided:

1. Future performance reports are to differentiate between new and old cases.
2. Future performance reports are to include a section on how the number of backlog cases is decreasing.

Resolved:

The Board noted the report.

68/19 RISK REGISTERS 2019 (QUARTER 2) [Item 11]

Witnesses:

Ayaz Malik, Pensions Accountant Advisor
Andrew Marson, Pensions Lead Manager

Key points raised during the discussion:

1. The Pensions Accountant Advisor explained that the changes made to the risk register since the last meeting had been presented to the Surrey Pension Fund Committee. He also informed the Board that the future move out of County Hall had been added to the risk register, and this was flagged as a red risk due to many Pensions Administration employees living within five miles of County Hall and the effect the move may have on staff retention rates. The Pensions Lead Manager explained that it represented the biggest risk in the Service Improvement Plan in terms of potential disruption.
2. Asked by a Member if the Pensions Administration team had considered offering retention payments, the Pensions Lead Manager said that it was something they were considering but that staff members might leave because they wanted greater security and stability.
3. Referring to the proposed relocation, the Chairman asked the Surrey Pension Fund Committee to note that although the inherent risk was red and the resident risk amber, the latter was only an ambition as it was difficult for anyone outside the leadership team to anticipate where the new premises might be.
4. A Member of the Board asked for risk A1 (provision of incorrect data) to mention the Surrey Local Pension Board alongside the Surrey Pension Fund Committee and Pension Fund team. He also questioned what progress had been made regarding risk A19 (proposed payroll migration from SAP to Altair) and was told by the Pensions Lead Manager that the treatment was in progress and that until

development was complete the total risk score needed to be amended to amber.

Actions/further information to be provided:

The total risk score for A19 is to be amended to amber.

Resolved:

The Board noted the report and the Fund and Administration risk registers.

69/19 REVIEW OF INTERNAL DISPUTE RESOLUTION CASES IN 2019/20 (QUARTER 2) [Item 12]

Key points raised during the discussion:

1. Referring to the case in item 5, the Chairman explained that the Pension Fund would be putting the case back to the employing authority.

Actions/further information to be provided:

None.

Resolved:

The Board noted the content of the report.

70/19 COMPLIANCE WITH THE PENSIONS REGULATOR'S CODE OF PRACTICE NO. 14 [Item 13]

Witnesses:

Ayaz Malik, Pensions Accountant Advisor
Neil Mason, Strategic Finance Manager (Pensions)

Key points raised during the discussion:

1. Referring to publishing information about schemes, as outlined on page 141, the Chairman asked who was responsible for updating, reviewing and approving this and was informed by the Pensions Accountant Advisor that it was a collaboration between the Pension Fund and Pension Administration team. The Strategic Finance Manager also added that the website was run by Hymans Robertson.
2. The Chairman highlighted scheme recordkeeping, as outlined on page 143, and informed the Board that the administration strategy and communication plan would be going to the Surrey Pension Fund Committee for approval at its December meeting. He also asked for a report to come back to the Board in six months, focusing on the items highlighted in red.
3. A Member of the Board questioned the "partially" compliant rating for the maintaining contributions entry and was informed by the Pensions Accountant Advisor that this was because reconciliation was currently being carried out on a quarterly basis, with the aim to transition to monthly.

Actions/further information to be provided:

An updated report on compliance is to come back to the Board in six months.

Resolved:

The Board noted the report.

71/19 DRAFT ADMINISTRATION STRATEGY [Item 14]**Witnesses:**

Ayaz Malik, Pensions Accountant Advisor
Neil Mason, Strategic Finance Manager (Pensions)

Key points raised during the discussion:

1. The Board heard from the Pensions Accountant Advisor, who explained that the previous Administration Strategy had been presented in 2017 and that many changes had been made since then. The strategy set out the expected levels of performances and actions that would be taken. The aim was to present a report to the Surrey Pension Fund Committee in December 2019, and consultation with employees would run until the end of January 2020.
2. The Strategic Finance Manager informed the Board that the Administration Strategy had been produced with the Pensions Administration team and that officers were confident that some of the reservations they had about previous versions of the Strategy had been alleviated.
3. The Chairman ran through some of the key sections in the Administration Strategy and highlighted that it introduced supplementary charges and dealt with penalties, which was an issue that the Board had raised before. He also asked for any comments received from employers to be brought to the Board's attention.

Actions/further information to be provided:

The Board is to receive information about any comments received from employers.

Resolved:

The Board noted the Draft Administration Strategy.

72/19 NEW SERVICE SPECIFICATION BETWEEN THE PENSION FUND AND THE PENSION ADMINISTRATION FUNCTION [Item 15]**Witnesses:**

Ayaz Malik, Pensions Accountant Advisor
Andrew Marson, Pensions Lead Manager
Neil Mason, Strategic Finance Manager (Pensions)

Key points raised during the discussion:

1. The Pensions Accountant Advisor explained that the previous service specification had been presented to the Board in 2017 and the new version would go to the Surrey Pension Fund Committee in December 2019, with an implementation date of 1 April 2020.
2. The Chairman highlighted the information contained on page 201 relating to the monitoring of administration performance and the monthly meetings that were scheduled to take place between the Pension Fund and Pension Administration teams. He said it was a good standard to aim for and commended the effort.
3. A Member of the Board questioned the process relating to breaches of law and was informed by the Strategic Finance Manager that if a breach was material it was the duty of everybody to report it. There was a policy in place for reporting a breach internally to the Chairmen of the Surrey Local Pension Board and Surrey Pension Fund Committee.
4. Responding to a question about Orbis annually surveying a sample of members and scheme employers to gain feedback on the quality of service and to inform the Annual Continuous Improvement Report, the Pensions Lead Manager explained that members were surveyed when they interacted with the Fund.
5. Discussing the disaster recovery plan, the Chairman highlighted that there was a brief mention included in the Service Review and Continuous Improvement section on page 202 but that the wording needed to be refined.

Actions/further information to be provided:

None.

Resolved:

The Board noted the new Service Specification.

73/19 RISK MANAGEMENT POLICY [Item 16]**Witness:**

John Smith, Senior Advisor (Pensions)

Key points raised during the discussion:

1. The Senior Advisor introduced the report and explained that the Risk Management Policy was closely aligned with the Council's policy. He also informed the Board that it was the basis for the Fund's risk register and how risks were assessed and mitigated. He went on to explain that the Policy had not changed significantly since the last version.
2. Referring to the risk scores section on page 219, the Chairman suggested there should be an agreed plan rather than a high-level idea.

Actions/further information to be provided:

None.

Resolved:

The Board noted and approved the Risk Management Policy.

74/19 THE PENSIONS REGULATOR LGPS COHORT REPORT [Item 17]**Witnesses:**

Neil Mason, Strategic Finance Manager (Pensions)
John Smith, Senior Advisor (Pensions)

Key points raised during the discussion:

1. The Senior Advisor explained that the Pensions Regulator had identified 10 LGPS for review and it reported back on that cohort. The report focused on the particular issues that affect the LGPS.
2. The Strategic Finance Manager explained that as the Fund was now compliant with Code of Practice 14, there would be additional work to consider a combined code of practice document later in the year.
3. A Member of the Board expressed their concern at the basic nature of some of the Pensions Regulator's recommendations, such as preventing a single officer raising and authorising payments, as outlined on page 244. In response, the Chairman said that it was a relatively new area of focus for them and they were making general suggestions after looking at what a selection of the funds were doing.

Actions/further information to be provided:

None.

Resolved:

The Board noted the report.

75/19 INVESTMENT CONSULTANT STRATEGIC OBJECTIVES [Item 18]**Witness:**

Neil Mason, Strategic Finance Manager (Pensions)

Key points raised during the discussion:

1. The Strategic Finance Manager confirmed that investment consultants were covered by the Strategic Objectives for Investment Consultants but that the role of independent advisors was still with the LGPS for guidance and needed further clarification. Measurements standard for the performance of the Fund's independent consultant was being developed and would feed into the tender for a new investment consultant in the new year.

Actions/further information to be provided:

None.

Resolved:

The Board noted the report.

76/19 ANNUAL REPORT/STATEMENT OF ACCOUNTS 2018/19 [Item 19]**Key points raised during the discussion:**

1. The Chairman introduced the report and explained that his synopsis of the work done by the Board could be found on page 271. He told Members that he had highlighted the work undertaken on dealing with administration backlogs, as well as a comment on the annual benefit statements.
2. Two Members of the Board said that they would inform officers about updates that needed to be made to their personal details.

Actions/further information to be provided:

Members are to inform officers about any updates that need to be made to their personal details in the Annual Report.

Resolved:

The Board noted the Annual Report and financial statements.

77/19 DATE OF THE NEXT MEETING [Item 20]

The next meeting of the Surrey Local Pension Board will be held on 13 February 2020.

Meeting ended at: 12:41 pm

Chairman