

Notice of Meeting

Surrey Pension Fund Board



Date & time
Friday, 31 May 2013
at 9.30 am
This meeting will
adjourn periodically
for training sessions.

Place
Committee Room A,
County Hall, Penrhyn
Road, Kingston-upon-
Thames, KT1 2DN

Contact
Cheryl Hardman
Room 122, County Hall
Tel 020 8541 9075

cherylh@surreycc.gov.uk

Chief Executive
David McNulty

If you would like a copy of this agenda or the attached papers in another format, eg large print or braille, or another language please either call 020 8541 9068, write to Democratic Services, Room 122, County Hall, Penrhyn Road, Kingston upon Thames, Surrey KT1 2DN, Minicom 020 8541 8914, fax 020 8541 9009, or email cherylh@surreycc.gov.uk.

This meeting will be held in public. If you would like to attend and you have any special requirements, please contact Cheryl Hardman on 020 8541 9075.

Elected Members

Ms Denise Le Gal (Chairman), Mr Nick Skellett CBE (Vice-Chairman), Mr W D Barker OBE, Mr Mike Goodman, Mr John Orrick and Mr Stuart Selleck

Co-opted Members:

Mr Tony Elias (District Representative) and Ian Perkin (Office of the Surrey Police and Crime Commissioner)

One District Representative vacancy and one Employee Representative vacancy

TERMS OF REFERENCE

The Committee is responsible for the following areas:

- a) To undertake statutory functions on behalf of the Local Government Pension Scheme and ensure compliance with legislation and best practice.
- b) To determine policy for the investment, funding and administration of the pension fund.
- c) To consider issues arising and make decisions to secure efficient and effective performance and service delivery.
- d) To appoint and monitor all relevant external service providers:
 - fund managers;
 - custodian;
 - corporate advisors;
 - independent advisors;
 - actuaries;
 - governance advisors;

- all other professional services associated with the pension fund.
- e) To monitor performance across all aspects of the service.
- f) To ensure that arrangements are in place for consultation with stakeholders as necessary
- g) To consider and approve the annual statement of pension fund accounts.
- h) To consider and approve the Surrey Pension Fund actuarial valuation and employer contributions.

AGENDA

1 APOLOGIES FOR ABSENCE AND SUBSTITUTIONS

2 MINUTES OF THE PREVIOUS MEETING [15 FEBRUARY 2013]

(Pages 1
- 10)

To agree the minutes of the Pension Fund Investment Advisors' Group as a true record of its last meeting.

3 DECLARATIONS OF INTEREST

To receive any declarations of disclosable pecuniary interests from Members in respect of any item to be considered at the meeting.

Notes:

- In line with the Relevant Authorities (Disclosable Pecuniary Interests) Regulations 2012, declarations may relate to the interest of the member, or the member's spouse or civil partner, or a person with whom the member is living as husband or wife, or a person with whom the member is living as if they were civil partners and the member is aware they have the interest.
- Members need only disclose interests not currently listed on the Register of Disclosable Pecuniary Interests.
- Members must notify the Monitoring Officer of any interests disclosed at the meeting so they may be added to the Register.
- Members are reminded that they must not participate in any item where they have a disclosable pecuniary interest.

4 QUESTIONS AND PETITIONS

To receive any questions or petitions.

Notes:

1. The deadline for Member's questions is 12.00pm four working days before the meeting (*24 May 2013*).
2. The deadline for public questions is seven days before the meeting (*24 May 2013*).
3. The deadline for petitions was 14 days before the meeting, and no petitions have been received.

5 GOVERNANCE POLICY STATEMENT

(Pages
11 - 22)

Administering authorities are required to prepare, approve and publish a governance policy statement. This report recommends a Governance Policy Statement for approval by the Surrey Pension Fund Board.

6 GOVERNANCE COMPLIANCE STATEMENT

(Pages
23 - 32)

Local authority pension funds are required to publish a Governance Compliance Statement. A statement has been drafted for consideration and approval.

7 PENSION FUND BUSINESS PLAN 2013/14

(Pages
33 - 44)

The 2001 Myners Report recommended that local authority pension funds should approve an annual business plan in respect of the objectives

required for the ensuing year. Business planning is regarded as an important tool, assisting in the identification of how service delivery can be maximised within resource constraints. A business plan has been drafted for consideration and approval.

8 PENSION FUND RISK REGISTER

(Pages
45 - 50)

Surrey County Council, as administering authority for the Surrey Pension Fund, is responsible for the delivery of benefit promises made to members of the Surrey Pension Fund. It achieves this by setting objectives and goals with varying timeframes. Risks lie in failing to meet the intended goals.

Risks that are established as an issue must be identified and evaluated via a risk register. The risks must be prioritised with existing controls or new controls implemented to mitigate the risks. This should be recorded in a risk register, which needs regular monitoring.

A risk register has been drafted for consideration and approval.

9 COMMUNICATION POLICY STATEMENT

(Pages
51 - 56)

Local authority pension funds are required to publish a communication policy. A schedule has been drafted for consideration and approval.

10 KEY PERFORMANCE INDICATORS

(Pages
57 - 62)

In line with best practice, Pension Fund Board members will be supplied with Pension Fund key performance indicators (KPIs) on a quarterly basis, covering investment and administration practices.

A KPI Statement format has been drafted for consideration and approval.

11 KNOWLEDGE & SKILLS FRAMEWORK (CIPFA) FOR THE PENSION FUND

(Pages
63 - 66)

The 2001 Myners Report recommended that local authority trustees responsible for decision making on the investment of pension funds should have sufficient expertise to be able to understand the relevant issues, and to question recommendations put before them by officers and investment consultants.

A Knowledge and Skills Toolkit from the Chartered Institute of Public Finance and Accountancy (CIPFA), in collaboration with Hymans Robertson, has been developed in order to facilitate gaining knowledge of the current issues and technical knowledge required for decision making. The Board is to consider adopting the CIPFA Knowledge and Skills Framework.

12 AUTO-ENROLMENT

(Pages
67 - 70)

Starting from 1 October 2012, the Pensions Act 2008 requires all employers to automatically enrol employees classed as *eligible jobholders* into a pension scheme. Employers can either enrol eligible jobholders into their own qualifying pension scheme or the National Employment Savings

Trust (NEST) scheme set up by the Government. Public sector employers are however only able to enrol employees into their occupational pension schemes.

Auto-enrolment will be introduced gradually over a period of four years with each employer being given a “staging date” to auto-enrol their employees. The larger the employer the earlier the staging date.

The County Council counts as the pension fund’s largest employer type and its staging date was 1 April 2013. This report informs the board of the results of the County Council’s auto-enrolment experience.

13 RESPONSIBLE INVESTMENT AND STEWARDSHIP POLICY (Pages 71 - 80)

Shareholders have a clear interest in promoting the long term success of the companies in which they invest. As the ultimate owners of those companies, there is a clear incentive to vote the shares in a constructive way with the companies’ long-term sustainability the ultimate objective. This paper will recommend that the Pension Fund take responsibility for the voting of its shares according to its own Responsible Investment and Stewardship Policy, a draft of which is attached to the paper

14 PENSION FUND STOCK LENDING (Pages 81 - 86)

Stock lending is a long established way to generate substantial additional income for the pension fund within accepted risk parameters. Given the extensive variety of stocks within the Surrey Fund, consideration should be given to taking advantage of this additional income stream.

15 TOBACCO STOCK IN THE PENSION FUND (Pages 87 - 94)

The recent transfer of public health responsibilities to local authorities with effect from 1 April 2013 has resulted in significant publicity regarding the holding of tobacco stocks by the same local authorities’ pension funds. Questions have been raised as to whether this is compatible with the responsibilities held by administering authorities in relation to public health and the potential conflicts of interest that could result.

This report sets out the position with regard to the Pension Fund’s fiduciary duties with regard to environmental, social and governance (ESG) considerations. The transfer of public health responsibilities alongside the County Council’s responsibility to its pension fund has notably raised the profile of ethical investing.

16 MANAGER ISSUES AND INVESTMENT PERFORMANCE (Pages 95 - 122)

This report is a summary of all manager issues that need to be brought to the attention of the Pension Fund Board, as well as manager investment performance.

17 PRIVATE EQUITY INVESTMENT PERFORMANCE REVIEW (Pages 123 - 130)

The Surrey Pension Fund has a commitment to invest 5% of the fund in private equity. This is achieved by investing in funds of funds and directly

managed funds, managed by a number of private equity specialists.

The Pension Fund Board reviews the private equity strategy annually. This report is the 2012/13 review.

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| 18 | REVISED STATEMENT OF INVESTMENT PRINCIPLES | (Pages
131 -
148) |
| | With the introduction of a new Total Return investment asset class earlier in 2013, it is now necessary to approve a revised Statement of Investment Principles (SIP). | |
| 19 | FUNDING STRATEGY STATEMENT | (Pages
149 -
180) |
| | With the formation of a new Surrey Pension Fund Board, it is proper that the Board should approve the existing Fund Strategy Statement for the Pension Fund. | |

David McNulty
Chief Executive
Published: 22 May 2013

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- Interfere with the PA and Induction Loop systems
- Distract other people
- Interrupt presentations and debates
- Mean that you miss a key part of the discussion

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