

Notice of Meeting

Surrey Pension Fund Committee

**Date & time**

Monday, 11 July
2016 at 10.00 am

Place

Members Conference
Room, County Hall,
Kingston upon
Thames, Surrey KT1
2DN

Contact

Angela Guest
Room 122, County Hall
Tel 020 8541 9075

Chief Executive

David McNulty



We're on Twitter:
@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 Angela Guest on 020 8541 9075.

Elected Members

Ms Denise Le Gal (Chairman), Mr Alan Young (Vice-Chairman), Mr W D Barker OBE, Mr Tim Evans, Mr Stuart Selleck and Mrs Hazel Watson

Co-opted Members:

Mr Tony Elias (Borough/District Representative), Ian Perkin (Office of the Surrey Police and Crime Commissioner), District Councillor Peter Stanyard (Borough/District representative) and Philip Walker (Employees)

AGENDA

PART ONE – IN PUBLIC

1 APOLOGIES FOR ABSENCE AND SUBSTITUTIONS

2 MINUTES OF THE PREVIOUS MEETING [13 MAY 2016]

(Pages 1
- 6)

To agree the minutes as a true record of the 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 (*5 July 2016*).
2. The deadline for public questions is seven days before the meeting (*4 July 2016*).
3. The deadline for petitions was 14 days before the meeting, and no petitions have been received.

5 ACTION TRACKING AND FORWARD PLAN

(Pages 7
- 10)

The Committee's forward plan is attached for information. An action tracker is also attached, detailing actions from previous meetings. The Committee is asked to review progress on the item listed.

6 EXCLUSION OF PUBLIC

Recommendation: That under Section 100(A) of the Local Government Act 1972, the public be excluded from the meeting for the following two items of business on the grounds that they involve the likely disclosure of exempt information under the relevant paragraphs of Part 1 and Part 3 of Schedule 12A of the Act.

PART TWO – IN PRIVATE

7 NATIONAL POOLING: PROPOSAL TO GOVERNMENT (Pages 11 - 46)

The Committee is recommended to approve the pooling submission.

8 CONSIDERATION PROCESS: DIVERSIFIED GROWTH MANAGER (Pages 47 - 86)

The Committee are asked to consider the Exempt report and attachments.

9 DATE OF NEXT MEETING

The next meeting of the Surrey Pension Fund Committee will be on 23 September 2016.

David McNulty
Chief Executive

Published: Friday 1 July, 2016

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Thank you for your co-operation

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MINUTES of the meeting of the **SURREY PENSION FUND COMMITTEE** held at 1.00 pm on 13 May 2016 at Members Conference Room, County Hall, Kingston upon Thames, KT1 2DN.

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

Elected Members:

- * Ms Denise Le Gal (Chairman)
- * Mr Alan Young (Vice-Chairman)
- * Mr W D Barker OBE
- * Mr Tim Evans
- Mr Stuart Selleck
- * Mrs Hazel Watson

Ex officio Members:

Mrs Sally Ann B Marks, Chairman of the County Council
Mr David Hodge, Leader of the Council
Mr Peter Martin, Deputy Leader and Cabinet Member for

Economic Prosperity
Mr Nick Skellett CBE, Vice-Chairman of the County Council

Co-opted Members:

- Mr Tony Elias, Borough/District Representative
- Ian Perkin, Office of the Surrey Police and Crime Commissioner
- * District Councillor Peter Stanyard, Borough/District representative
- Philip Walker, Employees

In attendance

Jason Bailey, Pensions Services Manager
Angela Guest, Committee Manager
John Harrison, Surrey Pension Fund Advisor
Sheila Little, Director of Finance
Ayaz Malik, Trainee Accountant
Neil Mason, Senior Special Advisor (Pension Fund)
Barry McKay, Hymans
Phil Triggs, Strategic Finance Manager (Pension Fund & Treasury)

29/16 APOLOGIES FOR ABSENCE AND SUBSTITUTIONS [Item 1]

Apologies were received from Stuart Selleck, Ian Perkins, Tony Elias and Philip Walker.

**30/16 MINUTES OF THE PREVIOUS MEETING HELD ON 25 FEBRUARY 2016
[Item 2]**

The Minutes of the meeting held on 25 February 2016 were agreed as a true record subject to the deletion of David Munro as an ex officio member.

31/16 DECLARATIONS OF INTEREST [Item 3]

There were no declarations of disclosable pecuniary interests.

32/16 QUESTIONS AND PETITIONS [Item 4]

No questions or petitions were received.

33/16 ACTION TRACKING [Item 5]

Key points raised during the discussion:

1. That the Committee should look at the future of the Pension Fund if Britain was to leave the European Union. It was noted that this was contained in the Risk Register at item 14.

Actions/further information to be provided:

1. That A3/16 should be renamed 'Pension Fund Pooling Proposal'.
2. To include Pension Fund Pooling Proposal as an item on the forward plan for July 2016.

Resolved:

That the action tracker was noted and the committee agreed to remove the completed actions from the tracker.

34/16 EXCLUSION OF PUBLIC [Item 6]

Resolved:

That under Section 100(A) of the Local Government Act 1972, the public be excluded from the meeting for the following item of business on the grounds that they involve the likely disclosure of exempt information under the relevant paragraphs of Part 3 of Schedule 12A of the Act.

35/16 CHOICE OF DISCOUNT RATE METHODOLOGY: 2016 VALUATION [Item 7]

The representative for Hymans was asked to confirm Hymans' position regarding valuation methodology before being asked to leave the room. Further to Minute 24/16 the Committee considered a restricted report setting out the three options for the actuarial valuation methodology. The Committee were unhappy with the option being recommended in the report and discussed ways forward to enable the preferred option of the Committee [Minute E1/16].

The representative for Hymans was called into the meeting during the debate to answer specific questions in order to inform the debate.

Resolved:

1. To request that Hymans formally respond to the Committee's request that option 2 be considered with no costs attached and to include stabilisation within the valuation methodology.
2. To delegate authority to a sub group to decide on option 1 or 2, as contained in the report, depending on the outcome of the response from Hymans.
3. That the sub group be made up of the Chairman, Vice Chairman, Tim Evans assisted by the S151 Officer and the Strategic Finance Manager (Pension Fund & Treasury).

36/16 POOLED ILL HEALTH RETIREMENT SELF INSURANCE [Item 8]**Key points raised during debate:**

1. The Senior Specialist Advisor introduced the report, which outlined the case for pooled ill health retirement (IHR) self insurance as an efficient and cost effective method of mitigating IHR risk to the Fund.
2. One member asked whether there would be assets to borrow from in the scenario that the segregated sub fund would be underfunded. The Chairman confirmed that some assets would need to be sold to cover that.
3. In response to a member's queries regarding safeguards and dealing with new members to the scheme the Senior Advisor responded that he was confident there were sufficient safeguards in place and that if there were more claims than could be substantiated the decision could be appealed. He also stated that new members to the scheme would not have riskier job roles than existed already and pooling was a mitigation of risk. The Director of Finance stated that the Council would not transfer out to any organisation they were not happy with, in regards to conditions and contracts for workers.

Resolved:

That the implementation of pooled Ill Health Retirement (IHR) self insurance was approved as an efficient and cost effective method of mitigating IHR risk to the Fund.

37/16 KEY PERFORMANCE INDICATORS & ADMINISTRATION UPDATE [Item 9]**Key points raised during debate:**

1. The Senior Special Advisor introduced the report, which outlined key performance indicators for the last quarter and an update on administrative issues.
2. The Pension Services Manager reported that two new staff had been recruited to key posts, one of which would be looking at continuous improvement. He also reported on the campaign for the recruitment of new staff ahead of the partnership.

3. The Pension Services Manager reported that the time taken to work out dependent pension retirements, which was 56% the total, was a worry for staff.
4. One member requested that numbers or units also be shown in the measures, as well as percentages, to give a clearer understanding of the margin by which a target had not been reached.
5. Congratulations were given for the targets on data quality and investment performance.
6. In response to a member query regarding the taking on of other pension funds not being at the detriment to Surrey County Council employees RB reported that a new IT system had been purchased within the same cost envelope so had increased bargaining power at no further cost.
7. He also reported that payslips were only posted to pensioners in March and April and if the changes amounted to more than £5 as this was more economical than posting every month. Payslips were available online for members to view.
8. The Director of Finance reported that she was now receiving communications of 'thank you', rather than problems, so thanked the Pensions Team for their hard work.

Resolved:

1. That the report, including the KPI statement shown in Annex 1, was noted.

38/16 PENSION FUND BUSINESS PLAN 2015/16: OUTTURN REPORT [Item 10]

Key points raised during debate:

The Strategic Finance Manager (Pension Fund & Treasury) introduced the report, which set out the outturn of the annual business plan for 2015/16. The results chart from the Committee's effectiveness self assessment questionnaire was tabled.

Resolved:

That the achievements and progress made with regard to the Business Plan objectives shown in Annex 1 in respect of the 2015/16 financial year was noted.

39/16 LGPS INVESTMENT REGULATIONS - CONSULTATION REPORT [Item 11]

Key points raised during discussion:

1. It was reported that a Memorandum of Understanding was being drafted as well as Terms of Reference for the Shadow Board and the Shadow Executive Board of the Border to Coast pool.
2. A shadow board would be set up and a choice of operating structure would be made at their meeting on 6 June 2016. Data from all 13 funds would be submitted along with cost and forward projections to be undertaken.
3. The committee noted that they would need to decide on whether to invest in infrastructure as being suggested by the Chancellor of the Exchequer and if so, where that allocation would come from. A broad definition of infrastructure would need to be agreed.

Resolved:

1. That the Surrey Pension Fund response sent to Government, shown in Annex 1 to the report was noted.
2. That authority be delegated to a sub group of four members of the Committee (Denise Le Gal, Alan Young, Stuart Selleck and Tim Evans) to work with fund officers on the national asset pooling submission.
3. That an extraordinary meeting of the Surrey Pension Fund Committee be scheduled for 11 July 2016 to sign off the pooling submission.

40/16 MANAGER ISSUES AND INVESTMENT PERFORMANCE UPDATE [Item 12]**Key points raised during debate:**

1. The Strategic Finance Manager (Pension Fund & Treasury) introduced the report, which outlined a summary of all manager issues that needed to be brought to the attention of the Pension Fund Committee, as well as details of manager investment performance.
2. Several members expressed concern about Standard Life and whether the committee should reduce their exposure and considered arranging a meeting with Standard Life to discuss their concerns.
3. It was noted that Surrey would not join Border to Coast until 2018 so acting on the concerns about Standard Life, sooner rather than later, would make a difference.
4. It was discussed and agreed that the strategic review of asset allocations should be put on the forward plan.
5. The Vice Chairman requested that committee members be invited to meetings with Fund managers as observers.
6. With regard to Franklin Templeton, members accepted that results would go up and down as they were an active manager and a long term view was needed.
7. The Surrey Pension Fund Advisor expressed concern about the plans with Capital Dynamics in that investment would be drawn down over 3 years and tied up for 10 plus years. Whilst a credible product the concern was more to do with timing in that the Council were going into a pooling situation. The Strategic Finance Manager explained that the Council would maintain control of this scheme after joining the pool and it was a long term investment.
8. The Surrey Pension Fund Advisor expressed concern about the plans with Capital Dynamics in that investment would be drawn down over 3 years and tied up for 10 plus years. Whilst a credible product the concern was more to do with timing in that the Council were going into a pooling situation. The Strategic Finance Manager explained that the Council would maintain control of this scheme after joining the pool and it was a long term investment.

Resolved:

1. That the report was noted.
2. That a £24m commitment to Capital Dynamics LGPS Collective Private Equity Vehicle was approved.

41/16 CORPORATE GOVERNANCE SHARE VOTING [Item 13]**Key points raised during discussion:**

Committee Members confirmed they had read the report and had no further comments or questions of officers.

Resolved:

That the report was noted.

42/16 REVISED STATEMENT OF INVESTMENT PRINCIPLES [Item 14]**Key points raised during discussion:**

Committee Members confirmed they had read the report and had no further comments or questions of officers.

Resolved:

1. That the Statement of Investment Principles was approved.
2. That the Core Brief Statement, as in annex 2 to the report, was approved.

43/16 PENSION FUND RISK REGISTER [Item 15]**Key points raised during discussion:**

1. The committee noted there was one new item added to the risk register (No.5)
2. The Chairman stated that there was to be a strategic review of asset allocation at the earlier possible opportunity.

Resolved:

The Committee noted the Pension Fund risk register.

44/16 PUBLICITY FOR PART TWO ITEMS [Item 16]

It was agreed that non-exempt information may be made available to the press and public, where appropriate.

45/16 DATE OF NEXT MEETING [Item 17]

That an Extraordinary Meeting of the Surrey Pension Fund Board be arranged for 11 July 2016 to discuss the final submission for the pooling proposal. It was noted that the next ordinary meeting would be held on 9 September 2016.

Meeting ended at: 3.57 pm

Chairman

Surrey Pension Fund Committee: Forward Plan

<p>23 September 2016</p>	<ul style="list-style-type: none"> • Manager Issues, etc • KPIs • Risk Register • Share voting • Private equity review • Pension Fund accounts 15/16
<p>11 November 2016</p>	<ul style="list-style-type: none"> • Manager Issues, etc • KPIs • Risk Register • Share voting • PF Pooling proposal • Review of actuary
<p>February 2017</p>	<ul style="list-style-type: none"> • Manager Issues, etc • KPIs • Risk Register • Share voting • Business plan 17/18

Next training

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Surrey Pension Fund Committee – ACTION TRACKING

ACTIONS

Number	Meeting Date	Item	Recommendation / Action	Action by whom	Action by when	Action update
A3/16	13 May 16	PF pooling proposal – Final Submission	Extraordinary Meeting to be arranged for sign off in July	Committee Manager	15 May 2016	EO Meeting arranged for 11 July

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