

MINUTES of the meeting of the **SURREY PENSION FUND COMMITTEE** held at 10.00 am on 10 March 2022 at Council Chamber, Woodhatch Place, 11 Cockshot Hill, Reigate, Surrey ,RH2 8EF.

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

Elected Members:

- * Nick Harrison (Chairman)
- * David Harmer
- * Trefor Hogg (Vice-Chairman)
- George Potter
- * Richard Tear
- * Mark Sugden

Co-opted Members:

- * Borough Councillor Mark Maddox, Borough & Districts
- * Borough Councillor Steve Williams, Borough & Districts
- * Kelvin Menon, Employers
- Philip Walker, Employees

1/22 APOLOGIES FOR ABSENCE AND SUBSTITUTIONS [Item 1]

Apologies were received from Philip Walker and George Potter. George Potter attended remotely.

2/22 MINUTES OF THE PREVIOUS MEETING [10 DECEMBER 2021] [Item 2]

The Minutes were approved as an accurate record of the previous meeting.

3/22 DECLARATIONS OF INTEREST [Item 3]

There were none.

4/22 QUESTIONS AND PETITIONS [Item 4]

There was one Member question from Steve Williams. The Chairman took the supplementary question in conjunction with the following tabled urgent paper on the Ukraine Crisis.

There were five questions from members of the public. These and the responses were published as a supplement to the agenda. Supplementary questions and responses were: -

Q1 – Jenifer Condit asked on behalf of Jackie Macey – How are you dealing with the missing scope 3 emissions data and what can you do to get the data? The LGPS Senior Officer gave assurance that every endeavour would be made to obtain the information.

Q2 - Lindsey Coeur-Belle asked: Given the recent developments to sever dependency on Russian oil and gas it is logical to suppose an acceleration of alternative energy will be essential. She gave examples of the UK Infrastructure Bank investment in solar funding etc and asked if the Committee would give serious consideration to investments such as these? The LGPS Senior Officer stated that alternative funds were being looked at. A Member stated that the Responsible Investment Subcommittee were to discuss this at its next meeting.

Q3 – Ian Chappell asked: In your response to my question, you used the word ambitious. Can you assure me this means urgent and radical? Also, when you publish the RI Policy can you make it enlightening, accessible and justified? The Chairman confirmed that the Committee were serious in looking for alternative routes to net zero. He also confirmed that he had read the research information sent by Mr Chappell and whilst the statistical data was not fully understood he hoped it would be peer-reviewed, and that it would be taken into consideration. Lastly he stated that he hoped the RI Policy would meet everyone's needs.

Q4 – The Chairman took the supplementary question in conjunction with the following tabled urgent paper on the Ukraine Crisis.

Q5 – Lucianna Cole asked: In the response to the original question it referred to providing information on Border to Coast's steps taken to identify exposure across its asset book and looked forward to receiving this. She also stated that the SPC exposure to industrial livestock is held by JBS via Baillie Gifford. The LGPS Senior Officer responded that the fund no longer invested with Baillie Gifford and any investments had transferred to Border to Coast.

5/22 UKRAINE CRISIS - URGENT DECISION [Item 20]

Speakers:

Neil Mason. Assistant Director - LGPS Senior Officer

Anthony Fletcher – Independent Advisor

Key points raised during the discussion:

1. The Assistant Director - LGPS Senior Officer introduced this urgent report and explained that as a result of the situation in Ukraine he had been in consultation with the fund managers, Border to Coast and the Chairman regarding the Committee response. He explained that the Fund had minimal exposure to Russian/Belarus investments and that it was not currently possible to trade these funds. A statement had been drafted for the Committee to approve.
2. The Committee took the supplementary question for Jennifer Condit as this point and she asked that fund members also be kept informed with information updated regularly on the members website. The Chairman stated that that was the intention and whilst £12m was a substantial amount to any person, it was very small in relation to the Fund as a whole.
3. The Committee discussed the statement and possible variations to it. It was recognised that the situation was volatile and predictions could not be made and there was concern that money should not be thrown away.
4. The Independent Advisor explained that any assets owned as part of passive investment and index driven investment were being excluded

from the index and therefore there was no current control over the realisation of value from these holdings.. If there was any scope for the Committee to recover value they should do it and spoke of the Committee's fiduciary responsibility. If the Committee chose to ignore that it would need to be documented very carefully.

5. Following advice from the Independent Advisor the Committee discussed further the recommendations and the agreed statement.

Resolved:

1. That the Surrey Pension Fund is aware that there is a high level of interest in our investments in Russia and our response to the invasion of Ukraine.
2. That officers will continue to monitor events, in consultation with the Fund's asset managers, consultant and advisors and to keep the committee and fund members informed.
3. That the following statement be agreed in response to the crisis:
"The Surrey Pension Fund is saddened by and strongly condemn the invasion of Ukraine by Russia. Given the current circumstances we have immediately suspended making any further investments in Russia and Belarus and continue to review our existing investments with a view to exiting in due course as and when markets permit as long as the current circumstance prevail. This is above and beyond the UK sanctions currently in place."

6/22 ACTION TRACKER [Item 5]

Speakers:

Nick Harrison, Chairman

Key points raised during the discussion:

1. There were no comments made on the action tracker.

Resolved:

The action tracker was noted.

7/22 FORWARD PLAN [Item 6]

Speakers:

Neil Mason. Assistant Director - LGPS Senior Officer

Key points raised during the discussion:

1. The Assistant Director - LGPS Senior Officer updated the Committee on amendments made to the workplan since the last meeting.

Resolved:

The forward plan was noted.

8/22 LOCAL PENSION BOARD REPORT [Item 7]

Speakers:

Tim Evans, Independent Chairman of the Local Pension Board

Neil Mason. Assistant Director - LGPS Senior Officer

Key points raised during the discussion:

1. The Local Board Chairman introduced the report and highlighted the following areas:
 - Detailed changes to the risk register and that the registers were to be combined so there would only be one register in the future
 - the continual improvement over the last year and much due to the Turnaround Programme
 - The clearing of the backlog of work and the new staff members employed to the team
 - The work of the internal audit team which was welcomed.
2. The Chairman stated that the work from the McCloud judgement was a major piece of work that was expected to last two years and thanked the Pension Team for the revamp of the risk register.
3. The Assistant Director - LGPS Senior Officer explained that Phase 1 of the Turnaround Programme was now complete and that all staff were now in place for the integrated Pension Team from May 2022.

Actions/ further information to be provided:

That the Committee and Board Members receive newsletters by email or be sent the link when published.

Resolved:

1. That the following changes to the administration risk register be approved:
 - i. Total Residual Risk scores (column R) of F3, F4, F13, F14, F16 and F17 have been lowered by reducing its likelihood.
 - ii. Total Inherent Risk score (column J) of F19 has been increased by increasing its likelihood.
 - iii. Risk F12 is no longer relevant.
2. That the following changes to the Fund risk register be approved:
 - a) Total Inherent Risk scores (column J) have been lowered by reducing the various impacts (in columns E to I and shown below in brackets) of the following risks:
 - i. A1 and A9 (Financial),
 - ii. A2, A17 and A18 (Services and Reputational),
 - iii. A3, A4, A5, A12, A23 and A24 (Financial, Services and Reputational),
 - iv. A10 (Financial and Reputational),
 - v. A13 (Likelihood)
 - b) Risk A19 to be modified for more general system transition risk.
 - c) The following risks are being suggested to be removed with reasons (shown in brackets) and see details in Risks Removed section below:
 - i. A7 (suggested closure due to risk mitigation)
 - ii. A8 (suggested closure due to Surrey only now)
 - iii. A15 (proposed closure due to Risk A2 above)
 - d) No change – A14, A16
3. That the following risks be removed:
 - a) Risk F12 in Annexe 1: Volatility caused by uncertainty with regard to the withdrawal of the UK from the European Union and its aftereffects.

- b) Risks A6, A11, A20 and A22 in Annexe 2 to be removed as detailed in the Revised Risk Register Cover Report of 11 November 2021 – Minute Item 53/20).
- c) Risk A7 is being suggested to be closed due to risk mitigating measures implemented - Training plans and matrices are now in place for all staff to enhance development, including formal external training which provides accreditation. The introduction of a Training Officer has formalised this and reduced the risk, giving the structure required.
- d) Risk A8 is being suggested to be closed due to the risk reduced - With the final LOBO partner having migrated in January, it is proposed this risk be closed as we are now a single provider to Surrey Scheme only.
- e) A15 is being proposed to be closed in view of the changes made to reduce the Inherent Risks in Risk A2.

9/22 RESPONSIBLE INVESTMENT POLICY UPDATE [Item 8]

Speakers:

Neil Mason, Assistant Director - LGPS Senior Officer

Key points raised during the discussion:

1. The Chairman introduced the report by saying that the sub-committee had met for a second time. Border to Coast had made comments on the current draft version of the policy and other feedback was welcome from the Committee for consideration at the next meeting of the sub-committee. He also stated that in relation to recommendation four, the Taskforce for Climate Related Financial Disclosures would be available in September 2022.

Resolved:

- 1) That the progress of the sub-committee on drafting a Responsible Investment Policy be noted.
- 2) That officers to continue work with the sub-committee, the independent investment advisor, investment consultant, Minerva and Border to Coast to receive further feedback on the Responsible Investment Policy be approved.
- 3) That the progress on drafting the Fund's Taskforce for Climate Related Financial Disclosures (TCFD) report be noted.
- 4) That officers continue work with the sub-committee, the independent investment advisor, investment consultant, Minerva and Border to Coast to receive further feedback on the Fund's TCFD report be approved.
- 5) That officers to continue work with the sub-committee, the independent investment advisor, investment consultant and Border to Coast to establish a decarbonisation curve that is ambitious enough to align with a 1.5°C scenario above pre-industrial levels be approved.

10/22 PENSION FUND BUSINESS PLAN 2022/23 [Item 9]

Speakers:

Neil Mason, Assistant Director - LGPS Senior Officer

Key points raised during the discussion:

1. The Assistant Director - LGPS Senior Officer introduced the report and stated that he was happy to supply any further information or detail that Members wanted to see.

Resolved:

That the objectives for the Fund that will underpin the Business Plan be noted. Revisions and updates to be brought back to the Committee as appropriate.

11/22 COMPANY ENGAGEMENT AND VOTING [Item 10]

Speakers:

Ayaz Malik, Senior Pensions Finance Specialist
Neil Mason. Assistant Director - LGPS Senior Officer

Key points raised during the discussion:

1. The Senior Pensions Finance Specialist introduced the report that incorporated comments and requests for the way in which it was presented.
2. The Chairman thanked officers for breaking down the roles of Minerva and Robecco within the report.
3. The Assistant Director – LGPS Senior Officer welcomed any further feedback or comments on changes needed to be made.

Resolved:

That the Pension Fund Committee reaffirmed ESG Factors were fundamental to the Fund's approach, consistent with the Mission Statement through;

- a) Continuing to enhance its own Responsible Investment Approach, its Company Engagement policy, and SDG alignment.
- b) Acknowledging the outcomes achieved for quarter ending 31 December 2021 by Robeco in their Active Ownership approach and the LAPFF in its Engagement with multinational companies as at 31 December 2021.

12/22 INVESTMENT MANAGER ISSUES AND PERFORMANCE AND ASSET/LIABILITIES UPDATE [Item 11]

Speakers:

Ayaz Malik, Senior Pensions Finance Specialist
Neil Mason. Assistant Director - LGPS Senior Officer

Key points raised during the discussion:

1. The Chairman stated that work would be undertaken to revamp this report in order to make it shorter but more explanatory and that he hoped this

would be ready for the next meeting in June. He also pointed out the additional information requested on stock lending.

2. The Senior Pensions Finance Specialist highlighted a few areas of report:
 - a) the positive cashflow position and being fully funded at over 100% but that this may change this quarter
 - b) the transition from diversified growth fund to BCPP alternative funds in February 2022
 - c) that the asset allocation in the report were as of 31 December 2021.
3. The Assistant Director - LGPS Senior Officer stated that 31 December was the height of the market and the funds as of this week was £4.9bn which showed how volatility was affecting funds. He also confirmed that the fund was on track to meet its objectives of the last valuation and was in a good triennial position.

Resolved:

That the main findings of the report in relation to the Fund's valuation and funding level, performance returns, asset allocation and performance fees be noted.

13/22 EXCLUSION OF THE PUBLIC [Item 12]

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

PART TWO – IN PRIVATE

14/22 INVESTMENT STRATEGY REVIEW [Item 13]

Speakers:

Steve Turner, Mercer

Anthony Fletcher– Independent Advisor

Neil Mason, Assistant Director – LGPS Senior Officer

Key points raised during the discussion:

1. Mercer introduced this Part 2 report and described in detail the high level focus areas for the Investment Strategy Review. At its meeting of 10 December 2021 the Committee approved the high level project plan for the Investment Strategy Review. This paper sought agreement from the Committee on the key areas of focus of the review.
2. The Chairman stated the need for a robust strategy and the importance of consultation at least with himself and the Vice Chairman.
3. The Independent Advisor suggested rebalancing on a monthly/quarterly basis due to higher than expected inflation levels.
4. The Assistant Director – LGPS Senior Officer confirmed that there would be meetings to take this forward, outside of the Committee, with relevant partners and officers to which the Chairman and Vice Chairman would be invited.

Resolved:

1. That the focus areas for the Investment Strategy review as detailed in this report be noted.
2. That officers work with the Independent Investment Advisor, Investment Consultant, Fund actuary and Border to Coast, in consultation with the Chairman and Vice Chairman, to progress the review in accordance with the high level project plan.

15/22 BORDER TO COAST UPDATE [Item 14]

Speakers:

Neil Mason, Assistant Director - LGPS Senior Officer
Rachel Elwell, Border to Coast
Anthony Fletcher, Independent Advisor

Key points raised during the discussion:

1. The Committee considered a Part 2 report that provided an investment and governance update from Border to Coast. Rachel Elwell, Border to Coast gave a presentation to the Committee and responded to Member questions.

Resolved:

1. That the shareholder approval of the Border to Coast Strategic Plan 2022-25 Border to Coast Strategic Plan be noted.
2. Approves (subject to meeting necessary conditions prior to launch) a 2022 commitment consistent with the Surrey Pension Fund current target alternatives allocation to the Border to Coast Alternatives (Series 2) investment proposition, including a new and additional commitment to the Border to Coast Climate Opportunities Fund of up to 5%.
3. That compliance with the “necessary conditions” of governance for the Border to Coast Listed Alternatives Fund has been met and that the transition of assets into this sub-fund is in progress be noted.

16/22 RESPONSIBLE INVESTMENT POLICY UPDATE [Item 15]

Speakers:

Neil Mason,

Key points raised during the discussion:

1. Further to Minute 9/22 the Committee considered a Part 2 annex to the submitted report.

Resolved:

See Minute 9/22

17/22 COMPANY ENGAGEMENT AND VOTING [Item 16]

Speakers:

Nick Harrison, Chairman

Key points raised during the discussion:

1. Further to Minute 11/22 the Committee considered a Part 2 annex to the submitted report.
2. A Member requested more specific and substantive information in commentaries around changes. Border to Coast responded that there was very much information behind this but that the top five did not change much but would take back the feedback.

Resolved:

See Minute 11/22

18/22 INVESTMENT MANAGER ISSUES AND PERFORMANCE AND ASSET/LIABILITIES UPDATE [Item 17]

Speakers:

Anthony Fletcher, Independent Advisor

Key points raised during the discussion:

1. Further to Minute 12/22 the Independent Advisor introduced and explained the two Parts 2 annexes to the submitted report.

Resolved:

See Minute 12/22

19/22 PUBLICITY OF PART 2 ITEMS [Item 18]

Resolved:

That none of the Part 2 items be shared with the public.

20/22 DATE OF NEXT MEETING [Item 19]

The date of the meeting was NOTED.

Meeting ended at: 12.35 pm

Chairman

