Notice of Meeting

Surrey Pension Fund Committee

SURREY COUNTY COUNCIL

Date & time	Place	Contact	Chief Executive
Friday, 10 March 2023 at 12.45 pm	Council Chamber, Woodhatch Place, 11 Cockshot Hill, Reigate, Surrey, RH2 8EF	Angela Guest angela.guest@surreycc.gov.uk	Joanna Killian We're on Twitter: @SCCdemocracy

Please note that the meeting will be held in public. if you would like to attend or you have any special requirements, please email angela.guest@surreycc.gov.uk

The meeting will also be webcast live, and can be viewed here: https://surreycc.public-I.tv/core/portal/webcasts

If you would like a copy of this agenda or the attached papers in another format, e.g. large print or braille, or another language please email angela.guest@surreycc.gov.uk.

Elected Members

Nick Harrison (Chairman), David Harmer, Trefor Hogg (Vice-Chairman), George Potter, Richard Tear and Robert Hughes

Co-opted Members:
Robert King (Borough & Districts) Steve Williams (Borough & Districts), Kelvin Menon (Employers) and Philip Walker (Employees)

PART 1
IN PUBLIC

1 APOLOGIES FOR ABSENCE AND SUBSTITUTIONS

2 MINUTES OF THE PREVIOUS MEETING - 16 DECEMBER 2022 (Pages 1 - 16)

To agree the minutes as a true record of the meeting.

3 DECLARATIONS OF INTEREST

All Members present are required to declare, at this point in the meeting or as soon as possible thereafter

(i) Any disclosable pecuniary interests and / or

(ii) Other interests arising under the Code of Conduct in respect of any item(s) of business being considered at this meeting

NOTES:

- Members are reminded that they must not participate in any item where they have a disclosable pecuniary interest
- As well as an interest of the Member, this includes any interest, of which the Member is aware, that relates to the Member's spouse or civil partner (or any person with whom the Member is living as a spouse or civil partner)
- Members with a significant personal interest may participate in the discussion and vote on that matter unless that interest could be reasonably regarded as prejudicial.

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 (*6/3/2023)*.
2. The deadline for public questions is seven days before the meeting (*3/3/2023)*.
3. The deadline for petitions was 14 days before the meeting, and no petitions have been received.

5 ACTION TRACKING AND WORKPLAN (Pages 17 - 22)

An action tracker is attached, detailing actions from previous meetings. The Board is asked to review progress on the item listed.

6 SUMMARY OF THE LOCAL PENSION BOARD REPORT (Pages 23 - 44)

This report provides a summary of administration and governance issues reviewed by the Local Pension Board (the Board) at its last meeting (17 February 2023) for noting or actioning by the Pension Fund Committee (the Committee).

7	**INVESTMENT MANAGER PERFORMANCE AND ASSET/LIABILITIES UPDATE** This report is a summary of manager issues for the attention of the Pension Fund Committee (Committee), as well as an update on investment performance and the values of assets and liabilities. Part 2 Annex at item 18	(Pages 45 - 62)
8	**RESPONSIBLE INVESTMENT UPDATE** A key priority of the Pension Fund Committee (Committee) is to approve the Responsible Investment (RI) policy after considering the consultation feedback and set a net zero date consistent with its fiduciary responsibility of meeting pension liabilities. Part 2 annexes 3 an 5 attached at item 19	(Pages 63 - 82)
9	**COMPANY ENGAGEMENT & VOTING** This report is a summary of various Environmental Social & Governance (ESG) issues that the Surrey Pension Fund (the Fund), Local Authority Pension Fund Forum (LAPFF), Robeco, and Border to Coast Pensions Partnership (BCPP) have been involved in, for the attention of the Pension Fund Committee (Committee).	(Pages 83 - 152)
10	**ASSET CLASS FOCUS - CREDIT MARKETS** As part of good governance, the Pension Fund Committee (Committee) periodically reviews the performance of the Fund's investments. There is a further focused review of different asset classes each quarter. This quarter the paper concentrates on credit markets.	(Pages 153 - 162)
11	**2021/22 EXTERNAL AUDIT UPDATE** This report provides an update to the External Audit of the 2021/22 Financial Statements.	(Pages 163 - 166)
12	**2022 VALUATION** This report provides an update on the progress of the 2022 triennial valuation being undertaken by the Fund actuary, Hymans Robertson.	(Pages 167 - 170)
13	**PROGRESS OF THE 2023/24 BUSINESS PLAN** This report sets out service priorities for 2023/24 and progress of the 2023/24 Business Plan.	(Pages 171 - 174)
14	**COMMUNICATIONS POLICY 2023/2024** Surrey Pension Fund recognises the importance of providing timely, relevant and engaging communication utilising a variety of channels to our members and stakeholders. The Communications Policy outlines our approach and obligations.	(Pages 175 - 194)

15 **TRAINING POLICY 2023/2024** (Pages 195 - 258)

This report introduces the Pension Fund training policy.

16 **LGPS UPDATE (BACKGROUND PAPER)** (Pages 259 - 264)

This report considers recent developments in the LGPS.

17 **EXCLUSION OF THE PUBLIC**

Recommendation: 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.

18 **INVESTMENT MANAGER PERFORMANCE AND ASSET/LIABILITIES UPDATE** (Pages 265 - 266)

Part 2 Annex for item 7 is attached.

Confidential: Not for publication under Paragraph 3
Information relating to the financial or business affairs of any particular person (including the authority holding that information)

19 **RESPONSIBLE INVESTMENT UPDATE** (Pages 267 - 318)

Part 2 Annexes for item 9 attached

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Information relating to the financial or business affairs of any particular person (including the authority holding that information)

20 **BORDER TO COAST PENSIONS PARTNERSHIP UPDATE** (Pages 319 - 370)

Confidential: Not for publication under Paragraph 3
Information relating to the financial or business affairs of any particular person (including the authority holding that information)

21 **REAL ESTATE UPDATE** (Pages 371 - 458)

Confidential: Not for publication under Paragraph 3
Information relating to the financial or business affairs of any particular person (including the authority holding that information)

22 **INVESTMENT STRATEGY REVIEW, CURRENCY HEDGING** (Pages 459 - 478)

Confidential: Not for publication under Paragraph 3
Information relating to the financial or business affairs of any particular person (including the authority holding that information)

23 **PUBLICITY OF PART 2 ITEMS**

To consider whether the item considered under Part 2 of the agenda should be made available to the Press and public.

24 DATE OF NEXT MEETING

The next meeting of the Surrey Pension Fund Committee will be on 16 June 2023.

Joanna Killian
Chief Executive
Published: Thursday, 2 March 2023

MOBILE TECHNOLOGY AND FILMING – ACCEPTABLE USE

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MINUTES of the meeting of the **SURREY PENSION FUND COMMITTEE** held at 10.00 am on 16 December 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
- * Robert Hughes

Co-opted Members:

- * Robert King, Borough & Districts
- * Borough Councillor Steve Williams, Borough & Districts
- * Kelvin Menon, Employers
- Philip Walker, Employees

64/22 APOLOGIES FOR ABSENCE AND SUBSTITUTIONS [Item 1]

Apologies were received from Philip Walker. Philip Walker joined the meeting virtually and was therefore unable to vote.

65/22 MINUTES OF THE PREVIOUS MEETING - 23 SEPTEMBER 2022 [Item 2]

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

66/22 DECLARATIONS OF INTEREST [Item 3]

There were none.

67/22 QUESTIONS AND PETITIONS [Item 4]

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

1. Lindsey Coeur-Belle asked on behalf of Janice Baker: when will the achievements / outcomes of engagement be available, and can you please provide an example of a successful outcome.

The Chairman said that the TCFD report was published on the website. The LGPS Senior Officer added that successful outcomes from engagement were ongoing and that it was difficult to give a specific example. The Senior Officer further added that it was likely something that the Committee would consider as part of the Responsible Investment Policy (RI).

2

2. Jennifer Condit provided a summary of her question and the response received and stated that she wished the response included more detail relate to AIG. The Chairman stated that officers had very recently received some further information on AIG from BCPP and so they would consider the information and then any appropriate detail would be passed on as a further written response. The Chairman also confirmed that the follow-up response would be circulated to Members and included within the meeting's minutes.

The response provided outside the meeting was:

In terms of specifics regarding AIG, BCPP contacted the external manager that holds the position and received the following response. 'AIG have not released any public statements either saying that they are involved in the EACOP project or committing not to be involved with it. The manager engaged with the management team and CEO of AIG to determine the company's position on this project and believe that AIG is not involved in the EACOP project, although they are waiting on formal confirmation from the company on this matter.'

Jennifer Condit asked whether there would ever be the opportunity for residents to raise particular matters of concern, irrespective of agreed themes, with management. The Chairman said that officers would do their best to explore topics of concern and provide responses as appropriate.

The Chairman reminded the committee that there was no debate during the question and answer session. Cllr Williams stated that he felt there should be better transparency around where investments were made, and especially with companies aligned with the 1.5c temperature rise. The chairman said that it would be appropriate to raise this issue during the item related to engagement, and that Members were welcome to contact the Chairman, or officers, outside the meeting to raise any concerns.

3. Jennifer Condit asked on behalf of Kevin Clarke: whether the committee would consider a proposal which included asking the committee to close fossil fuel holdings on the same schedule as BCPP. Jennifer Condit stated that she would provide the full proposal to officers for their consideration.

The Chairman agreed to receive the proposal for consideration. The LGPS Senior Officer further added that they agreed with the principals of transparency, and the Pension Team would consider the proposals and then provide a response.

4. Lindsey Coeur-Belle stated: that she was pleased to see an evidence based approach being used however was shocked to see that BCPP's climate change policy was based on the IPCC's report in 2018 which was four years old. Lindsey Coeur-Belle asked if the committee would use the latest evidence to inform development of its net-zero trajectory, including a recognition that net-zero must include a fossil free portfolio.

The Chairman said that the committee would be developing a net-zero strategy and that the comments made would be taken into consideration.

5. Trish Kiy asked: please can the committee explain what they define 'net-zero' to be, and highlighted that net-zero was only a starting point for achieving zero emissions and was by no means an end point.

The Chairman stated that this was something for the RI Sub-Committee to consider.

The Chairman reminded the committee that there was no debate during the question and answer session.

6. Lucianna Cole asked: please can you confirm how the date for net-zero would be agreed, and whether the committee would seek outside support from fully knowledgeable and experienced parties.

The Chairman stated the topic would be considered by the RI Sub-Committee and that he was unable to provide further detail at this stage.

68/22 ACTION TRACKER AND FORWARD WORK PROGRAMME [Item 5]

Witnesses:
Neil Mason, LGPS Senior Officer

Key points raised during the discussion:

1. The Senior Officer highlighted that officers were working on the Strategic an Operational Business Plan and that a proposed version would be considered by the committee at its next meeting.
2. In regard to Action A4/22, Cllr Potter stated that the information had not yet been received. Officers agreed to check the current status and speak to the Member outside the meeting.

Actions/ further information to be provided:

None.

Resolved:

The Committee:

1. Monitored progress on the implementation of recommendations from previous meetings

2. Reviewed the workplan.

69/22 LOCAL PENSION BOARD UPDATE [Item 6]

Witnesses:
Tim Evans, Chairman of the Local Pension Board (LBP)
Neil Mason, LGPS Senior Officer
Colette Hollands, Head of Service Delivery

Key points raised during the discussion:

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1. The Chairman of the LPB introduced the report and provided a brief summary. The Chairman of the LPB highlighted the improved layout the administration performance measures table, the Risk Register with the inclusion of the heat map and the work of Internal Audit in support of their work.
2. The Chairman said that he was pleased with the improved layout of the performance report, and asked whether it was possible to get a more rigorous analysis of terminated cases through the system. The Head of Service Delivery confirmed that the system is able to provide a comprehensive list of terminated cases, however noted that the system did sometimes produce small anomalies around the closing number of cases at the end of a period and the opening number of cases at the beginning of a period. The Chairman said that he looked forward to seeing an analysis of terminated cases in future.
3. The LGPS Senior Officer announced that the Local Pension Board had appointed a further employer representative who is a Senior Finance Officer at Epsom and Ewell Borough Council.
4. The LGPS Senior Officer announced that a new Head of Change Management and new Head of Service Delivery had been appointed within his team.
5. Committee Member Kelvin Menon highlighted that there was a large future workload for deferred status and LGPS transfers in, and asked if any additional resource would be allocated. The Head of Service Delivery recognised that the case numbers were high in both areas and that consideration was being put into clearing the backlog using technology. The Officer also highlighted the expected timeline for clearing cases but noted that it was open to change. The LGPS Senior Officer stated that three junior posts had been recruited to the team recently to support both the Service Delivery and Accounting & Governance teams.

Actions/ further information to be provided:

The Senior Pensions Programme Manager to provide a comprehensive list of all terminated cases.

Resolved:

The Committee noted the report.

70/22 INVESTMENT AND FUNDING UPDATE [Item 7]

Witnesses:
Lloyd Whitworth, Head of Investment & Stewardship
Stephen Scott, Hymans

Key points raised during the discussion:

1. The Head of Investment & Stewardship introduced the report and provided a brief overview. Details could be found from page 45 of the report.
2. In regard to discount rates, Cllr Williams said that it seemed like an appropriate approach in the current difficult climate. Cllr Williams said that modelling different scenarios with different discount rates would be a factor in decision making and asked how modelling had been a

factor of the methodology. The representative from Hymans explained that the discount rate was not being set in an arbitrary way and that it was consistent with how the assumption was set at the 2022 valuation and that it was important to keep a consistent level of prudence when setting a discount rate.

3. Cllr Potter noted the assumption salary increases of 3.6% and asked if it was for the next period or a long-term average, and the reason why it was 3.6% during the current economic circumstances. The representative from Hymans confirmed that the salary assumption was for the long-term and that it was assuming 3.6% per annum over the next 20 years and that this was set relative to CPI inflation. The representative from Hymans also stated that it was important to note that the importance of the assumption within future valuation would diminish over time.
4. In regard to the summary of quarterly results, Cllr Potter noted LGIM Gilts' performance, and stated that there were a number of benchmarks that were either identical, or very similar, to the actual performance and asked how the benchmarks had been calculated. The Head of Investment & Stewardship said that, because the holding in LGIM Gilts' came out of a product that was established years ago regarding equity protection, it was never subscribed a benchmark, so for consistency on the table, the performance was mirrored on the benchmark. Members further noted a brief summary of how the other benchmarks were produced. Cllr Potter said that the relative performance was often the most significant metric and so it was understood why there were benchmarks that reflect the market as a whole, however, for those that do not have a benchmark, it was slightly misleading to include a benchmark that reflects the actual performance. The Member suggested that, in future reports, the benchmark section was left blank when no benchmark is available.
5. Committee Member Kelvin Menon asked for clarification on what had changed in the previous six months to enable officers to believe that there would be almost 50% more return over the 20 year period. The representative from Hymans explained that the significant change had been rising interest rates over the period, and that it was expected that rates would be sustained over the coming years,
6. The Committee noted that there had been benefits of investing outside of the United Kingdom and during times of fluctuating rates of pound sterling.

Actions/ further information to be provided:

None.

Resolved:

The Pension Fund Committee noted the main findings of the report in relation to the Fund's valuation and funding level, performance returns and asset allocation.

71/22 BORDER TO COAST UPDATE [Item 8]

Witnesses:
Neil Mason, LGPS Senior Officer
Milo Kerr, Border to Coast

Key points raised during the discussion:

1. The LGPS Senior Officer introduced the report and highlighted that Recommendation 4b should state the BCPP Joint Committee meeting of 30 November 2022. The officer further highlighted and noted details of the revised responsible investment policy, the changes to the voting guidelines, changes to the climate change policy and detail on approvals for changes to the governing documents
2. Cllr Harmer asked for clarification on the terms 'thermal coal' and 'oil sands'. The representative from Board to Coast explained that thermal coal was commonly referred to as 'dirty fossil fuels' and was used for energy production. Oil sands was for the use of oil for energy production.
3. In regard to thermal coal and oil sands, Cllr Potter noted the decrease in the revenue threshold to 70% for public markets but did not understand the lower threshold of 25% for private markets as he expected both private and public to be at the same percentage rate. The representative from Border to Coast highlighted that as the world progressed to a lower carbon position it was expected for the use of oil and coal to reduce, and while it was set for 70% for public markets today, it was expected to strengthen over the coming years. The biggest difference between public and private markets in this respect was that private markets capital was locked in for a longer period of time and therefore it was believed that a stronger threshold was needed. Cllr Potter stated that he did not see the logic in that strategy as Border to Coast were adopting a policy to move away from the market and so the threshold should be stricter.
4. Cllr Williams stated that there were reasons, other than for climate purposes, to consider withdrawing from investment in fossil fuels altogether.
5. Cllr King asked if a policy was in development related to the removal of existing carbon emissions from the atmosphere. The representative from Border to Coast highlighted that the Climate Opportunities fund had a target allocation to forestry as a means of positive carbon removal.
6. Members noted that there had been a focus on cluster munitions due to a focus from the United Nations.
7. The LGPS Senior Officer highlighted details of Recommendation 3a and 3b.
8. The Chairman highlighted Recommendation 1 and stated that the Surrey Pension Fund was continuing to work on its own RI Voting Policy, and that it may come to a point where there were inconsistencies between BCPP's policy and the Surrey Pension Fund's policy.
9. Cllr Potter proposed that Recommendation 1 was changed from 'supported' to 'noted'. Cllr Turner and Cllr Harmer supported the proposal. The Committee agreed to amend Recommendation 1 to 'noted;.

Actions/ further information to be provided:

None.

Resolved:

The Committee:

1. Noted the revised Border to Coast Responsible Investment (RI) Policy 2023, Climate Policy 2023 and Corporate Governance & Voting Guidelines 2023, subject to the continuing work between the Fund and Border to Coast to align our approaches consistent with the Fund's standalone RI Policy, Voting Policy and commensurate with feedback from the Fund, as set out in paragraph 18.

2. Approved the proposed changes to the Stakeholder agreement, Articles of Association and Inter Authority Agreement outlined in this report and recommends approval by full Council.

3. Recommended to full Council that all future decisions in respect of BCPP matters are delegated in the following way:
    a) Inter authority agreement matters (joint committee) – to the Pension Fund Committee
    b) Articles of Association and shareholder agreement matters – to the shareholder representative (the Section 151 officer or their delegate, in consultation with the Chair of the Pension Fund Committee).

4. Noted the background and progress of BCPP activity, including details of the following:

    a) Schedule of activity since the last Committee meeting of 23 September 2022 until the end of the calendar year.
    b) BCPP Joint Committee (JC) meeting of 30 November 2022.

72/22 ASSET CLASS FOCUS - PRIVATE MARKETS [Item 9]

Witnesses:
Neil Mason, LGPS Senior Officer
Lloyd Whitworth, Head of Investment & Stewardship
Anthony Fletcher, Senior Advisor MJHudson

Key points raised during the discussion:

1. The Head of Investment & Stewardship introduced the report and provided a brief summary. The Senior Advisor provided Members with an overview of private markets. Details could be found from page 167 of the agenda.
2. Cllr Potter stated that he found the presentation very helpful and asked for detail on how 'focus' deep dive items were selected going forward. The Chairman stated that the goal was to cover the whole universe within the year. The LGPS Senior Officer stated that a focus on fixed interest would be considered at the next meeting. Cllr Potter said that he would offer suggestions for future topics outside the meeting. Cllr Harmer agreed that he found the overview to be insightful.
3. Councillor Hughes asked if officers were aware whether Darwin Leisure invested within the Haulfryn Group. Officers agreed to provide a response outside the meeting.

Actions/ further information to be provided:

None.

Resolved:

The Committee noted the Fund's private market holdings and commitments, respective funds' investment performance and review from the Fund's independent investment adviser.

73/22 COMPANY ENGAGEMENT & VOTING [Item 10]

Witnesses:
Lloyd Whitworth, Head of Investment & Stewardship

Key points raised during the discussion:

1. The Head of Investment & Stewardship introduced the report.
2. There were no questions so the Chairman moved the recommendations outlined in the report.

Actions/ further information to be provided:

None.

Resolved:

The Committee:

1) Reaffirmed that the Fund believes that the United Nations Sustainable Development Goals (UN SDGs) represent an appropriate foundation in terms of the Fund's overall RI approach

2) Reaffirmed that ESG Factors are fundamental to the Fund's approach, consistent with the Mission Statement through:

   a) Continuing to enhance its own Responsible Investment (RI) approach, its company engagement policy, and SDG alignment.

   b) Acknowledging the outcomes achieved for quarter ended 30 September 2022 by Robeco in their Active Ownership approach and the LAPFF in its engagement with multinational companies.

Noted the voting by the Fund in the quarter ended 30 September 2022.

74/22 CASH FLOW REVIEW [Item 11]

Witnesses:
Neil Mason, LGPS Senior Officer

Lloyd Whitworth, Head of Investment & Stewardship
Stephen Scott, Hymans
Steve Turner, Mercer

Key points raised during the discussion:

1. The Head of Investment & Stewardship introduced the report. The representative from Hymans provided Members with a brief overview and focused on the detail related to the recent cashflow position, projected net cashflow (all adjustments) and projected benefit outflows (inflation scenarios). The Chairman stated that the report was timely as there had been some change in the overall environment. The Committee went on to note the operational decision to utilise income from CBRE and initiate the income withdrawal plan for the Multi-Asset Credit (MAC) Fund to support the cash flow position.
2. Members noted that Mercer aimed to conduct a cashflow review on an annual basis to consider cashflows over the next three years and that it was envisaged to change and evolve.
3. Members further noted that, when setting contribution rates, the position of each individual employer was considered with their assets measured relative to their own liabilities, and then contribution rates were set that were sufficient to meeting those liabilities.
4. Members noted that the assumption was made that wages would increase in line with the salary growth assumption sent to the valuation date.
5. Committee Member Kelvin Menon asked if a future change in demographic was reflected within assumptions. The representative from Hymans explained that there was uncertainty around demographics and that a key element was when members decided to retire.
6. The LGPS Senior Manager highlighted that historically a small section of the employers cohort have had their deficit calculated on a prudent basis, which still continued to be the case, and that it led to some significant liabilities for smaller employers. Due to recent economic conditions, the funding discount rate and gilts discount had narrowed to such an extent that the deficits for some employers had been almost eliminated.
7. In regard to members leaving the LGPS due to the cost of living crisis, the LGPS Senior Officer explained that communications had been circulated to highlight the benefits of the scheme and alternative options to consider before opting out.

Actions/ further information to be provided:

None.

Resolved:

The Committee:

1) Noted the Fund's current and projected cash flow position.
2) Approved an annual review of the cash flow position given heightened uncertainty related to inflation expectations.

3) Noted the operational decision to utilise income from CBRE and initiate the income withdrawal plan for the Multi-Asset Credit (MAC) Fund to support the cash flow position.
4) Agreed that the Local Pension Board (LPB) be tasked with reviewing the impact of inflation on cash flows and the entry within the Risk Register.

75/22 COMPETITION AND MARKETS AUTHORITY CMA): INVESTMENT CONSULTANT STRATEGIC OBJECTIVES [Item 12]

Witnesses:
Neil Mason, LGPS Senior Officer

Key points raised during the discussion:

1. The Committee agreed to consider the entirety of this item within Part 2.

Actions/ further information to be provided:

None.

76/22 RESPONSIBLE INVESTMENT NEXT STEPS [Item 13]

Officers:
Neil Mason, LGPS Senior Officer

Key points raised during the discussion:

1. The LGPS Senior Officer introduced the report and highlighted that the recommendations sought to deal with the responses to the consultation in a timely manner by delegating some of the tasks to a Responsible Investment Sub-Committee. The officer also highlighted that it was proposed that the Responsible Investment Sub-Committee consider the question of selecting a net-zero carbon date. Members further noted that the Sub-Committee would aim to agree a brief to be put to an investment consultant for the purpose of making a recommendation regarding a net zero date.
2. Cllr Williams stated that he agreed with the recommendations and felt that they were a measured way of dealing with the issues.
3. Cllr Williams stated that there were two issues that were not dealt with within the consultation process which was 1. whether the Surrey Pension Fund should withdraw from all fossil fuel investments at the earliest opportunity and 2. the date in which the Surrey Pension Fund assets should reach the target of a net-zero carbon footprint. Whether it was 2030, 2035, 2040 or 2050. Cllr Williams further stated that

Waverley Borough Council had provided its views on both issues and that he was interested to see if other key stakeholders provided their views on the two questions. Cllr Williams went on to say that it would be helpful have extensive research into the implications of the different net-zero target dates for consideration by the Responsible Investment Sub-Committee. Following any research, there would be an opportunity to reconsult with stakeholders on the two questions noted above. Cllr Potter agreed and said that it would be sensible to consult key stakeholders on the specific topic of a net-zero target date.

4. Cllr Harmer stated that it would be helpful to understand the district council's view on a net-zero target date.
5. Cllr Williams further emphasised that he felt there was not a need to repeat the consultation but to specifically consult key stakeholders on a net-zero target date. The Chairman said that his view was that the Responsible Investment Sub-Committee should consider whether stakeholders should be further consulted on the net-zero target date
6. Cllr David Harmer said that consulting borough and districts on an individual basis would be time consuming and that his opinion was that borough and district councils should be asked to provide a joint view on the net-zero target date issue. Cllr King highlighted that many of the borough and districts had only recently agreed their corporate plans and would now be in a better position to provide views on the matter.
7. Kelvin Menon said that, from an employer's point of view, it would be helpful to understand the implications for the surrey pension fund on the different net-zero target date options.
8. Cllr Potter proposed an additional recommendation to be included within Recommendation 2, which was 'To agree a process for consultation with key stakeholders with regard to net-zero'. The Chairman moved a vote on each of the recommendations, including the additional recommendation proposed. The recommendations received unanimous support from the committee.

Resolved:

1. Approve the delegation of the following to the Responsible Investment Sub Committee (RISC) regarding the consultation
   a. Review the results of the RI policy consultation in January 2023.
   b. Agree any recommendations resulting from the consultation to be put to the PFC in March 2023.

2. Approve the delegation of the following to the RISC regarding setting a net zero date
   a. Agree a brief to be put to an investment consultant for the purpose of making a recommendation regarding a net zero date.
   b. Receive analysis from the consultant.
   c. Recommend a net zero date to be brought to PFC for approval at 16 June 2023 meeting.
   d. To consider the pathway to the net zero date.
   e. To agree a process for consultation with key stakeholders with regard to net-zero.

3. Approve officers to continue to work with the RISC, investment consultant and independent advisor to facilitate this process.

77/22 DEPARTMENT OF LEVELLING UP, HOUSING & COMMUNITIES CONSULTATION ON GOVERNANCE AND REPORTING OF CLIMATE CHANGE RISK [Item 14]

Witnesses:
Neil Mason, LGPS Senior Officer

Key points raised during the discussion:

1. The LGPS Senior Officer introduced the report and provided a brief summary. Members noted a summary of the responses as outlined within the report.

Actions/ further information to be provided:

None.

Resolved:

The Committee noted the report.

78/22 2022 VALUATION [Item 15]

Witnesses:
Neil Mason, LGPS Senior Officer
Lloyd Whitworth, Head of Investment & Stewardship

Key points raised during the discussion:

1. Members noted that the key activities for the 2022 Valuation were on track and that work on the larger employers showed that the stabilisation mechanism remained appropriate and that contribution rates were not required for them. The recent Scheme Advisory Board statement had been considered as part of the Actuary's work and that due regard was given to the wider regulatory environment, and that careful consideration was given to all the factors aligning risk with individual employer circumstances. A draft of the Funding Strategy Statement had been included within the report.
2. The LGPS Senior Officer highlighted that employers would be consulted on the Funding Strategy Statement

Actions/ further information to be provided:

None.

Resolved:

The Committee noted an update on the progress of the 2022 triennial valuation.

79/22 LGPS UPDATE (BACKGROUND PAPER) [Item 16]

Witnesses:
Neil Mason, LGPS Senior Officer

Key points raised during the discussion:

1. The Chairman thanked officers for the summary included within the report.
2. The LGPS Senior Officer highlighted that there had been a delay in councils' having their account audited which would lead to a delay in the LGPS releasing its full annual report. The Pension Fund had however issued its unaudited annual report by the deadline. Further to this, the Scheme Advisory Board has written to Government to outline a recommendation to decouple the Pension accounts from the Council accounts so that one was not dependent on the other.
3. The LGPS Senior Officer highlighted paragraph 8 which covered detail on the reclassification of further education colleges.

Actions/ further information to be provided:

None.

Resolved:

The Committee noted the report.

80/22 EXCLUSION OF THE PUBLIC [Item 17]

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

81/22 INVESTMENT STRATEGY REVIEW [Item 18]

Witnesses:
Neil Mason, LGPS Senior Officer
Lloyd Whitworth, Head of Investment & Stewardship
Steve Turner, Mercer

Key points raised during the discussion:

2

1. The Committee considered a Part 2 report that provided an update on the investment strategy review.

Actions/ further information to be provided:

None.

Resolved:

See exempt minute – E-34-22

82/22 INVESTMENT AND FUNDING UPDATE [Item 19]

Witnesses:
Neil Mason, LGPS Senior Officer
Lloyd Whitworth, Head of Investment & Stewardship

Key points raised during the discussion:

1. The Committee considered a Part 2 report that provided an update on investment and funding.

Actions/ further information to be provided:

None.

Resolved:

Noted the Part 2 Annex

83/22 BORDER TO COAST UPDATE [Item 20]

Witnesses:
Neil Mason, LGPS Senior Officer
Lloyd Whitworth, Head of Investment & Stewardship

Key points raised during the discussion:

1. The Committee considered a Part 2 report that provided an update on border to coast.

Actions/ further information to be provided:

None.

Resolved:

Noted the Part 2 Annex

84/22 COMPETITION AND MARKETS AUTHORITY CMA): INVESTMENT CONSULTANT STRATEGIC OBJECTIVES [Item 21]

Witnesses:
Neil Mason, LGPS Senior Officer
Lloyd Whitworth, Head of Investment & Stewardship

Steve Turner, Mercer

Key points raised during the discussion:

1. The Committee considered a Part 2 report that provided an update on the CMA: Investment Consultant Strategic Objectives.

Actions/ further information to be provided:

None.

Resolved:

The Pension Fund Committee:

1. Noted the Strategic Objectives for Investment Consultants of the Fund as approved in December 2021.
2. Noted compliance against these strategic objectives by the IC provider for 2022.
3. Approved for the submission of the CMA Compliance Statement and Certificate for 2022.
4. Noted the Part 2 Annex

85/22 PUBLICITY OF PART 2 ITEMS [Item 22]

The Committee agreed to keep the confidential items in Part 2.

86/22 DATE OF NEXT MEETING [Item 23]

The date of the meeting was noted.

2

Meeting ended at: 1.30 pm

Chairman

Surrey Pension Fund Committee
10 March 2023

RECOMMENDATIONS TRACKER AND WORKPLAN

PURPOSE OF REPORT:

For Members to consider and comment on the Committee's recommendations tracker and workplan.

INTRODUCTION:

A recommendations tracker recording actions and recommendations from previous meetings is attached as Annex A, and the Committee is asked to review progress on the items listed. The Committee's workplan is attached as Annex B for noting.

RECOMMENDATION:

The Committee is asked to:

1. Monitor progress on the implementation of recommendations from previous meetings in annex A.
2. Review the workplan in annex B and any changes to it.

REPORT CONTACT: Angela Guest, Committee Manager
angela.guest@surreycc.gov.uk

Sources/background papers: None

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Annexe A

Surrey Pension Fund Committee Action Tracker

ACTIONS

Number	Meeting Date	Item	Recommendation / Action	Action by whom & when	Action update
A3/22	23/09/22	Questions & Petitions	Investments financing Russian carbon projects	Chair December 2022	Chair to raise the question at the next joint Committee of Border to Coast
A9/22	16/12/22	Analysis of terminated cases	Minutes 69/22 A more comprehensive list of all terminated cases	Chair December 2022	**Service delivery to provide** additional information that presents a summary of the most common categories of cases being terminated. To be presented on 10 March 2023

COMPLETED RECOMMENDATIONS/REFERRALS/ACTIONS – TO BE DELETED

A8/21	10/09/2021	Draft Annual Report 2020/21 and Statement of Accounts	That next year's report shows the year-on-year progress regarding responsible investments.	Sept 2022	**Work on Ri policy supersedes this action** **Complete**
A2/22	23/09/22	Questions & Petitions	Fossil Fuels exploration or extraction, - update fund did not contain the exclusion	Head of Investments & Stewardship December 2022	**Border to Coast will be available at the meeting 16 December 2022** **Complete**
A6/22	23/09/22	Responsible Investment Policy Update	To extend the consultation by two weeks, to circulate a reminder. to consultees to complete the consultation, Possibility of an extra committee meeting to take the consultation extension into account, and, following reaching a conclusion on net-zero, to consider whether a consultation was necessary.	Head of Investments & Stewardship December 2022	**Complete**

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Annexe B: Surrey Pension Fund Committee: Forward Plan

Standing Items

a) Border to Coast Update
- **Investment & Stewardship** | **Accounting & Governance**

b) Investment and Funding Update
- **Investment & Stewardship** | **Accounting & Governance**

c) Local Pension Board Update
- **Accounting & Governance** | **Service Delivery**

d) Engagement and Voting Update
- **Investment & Stewardship**

e) LGPS update paper
- **Accounting & Governance**

Additional items

Date	Investment & Stewardship	Change Management	Accounting & Governance	Service Delivery
10 Mar 2023	a) Responsible Investment - Net zero updating - Results from Consultation b) policy, subject to consultation c) Investment Strategy review – Currency hedging updates d) Asset class focus – Credit markets	a) Communication Policy b) Training Policy	a) 2021/22 External Audit update b) Business Plan c) Valuation 2022 Update	a) Local Pension Board Summary Update

	e) Responsible investments implementation plan f) Border to Coast – Property Update g) Real Estate update			
16 Jun 2023	a) Asset class reviews b) RI implementation Report c) Net Zero update		a) Strategic 3-year Plan	a) Local Pension Board Summary Update
8 Sept 2023	a) Asset class reviews b) RI implementation Report		a) Cyber security review b) Financial Update Unit 4 c) Annual Report	a) Local Pension Board Summary Update
15 Dec 2023	a) Asset class reviews b) TCFD report RI implementation Report			a) Local Pension Board Summary Update
8 Mar 2024	a) Asset class reviews RI implementation Report		Workplan a) Board reports review b) LPB Chair appointment update c) Budget 2024/25	a) Local Pension Board Summary Update

All items are subject to review and content, other items for the forward plan to be added and confirmed in line with the business plan scheduled for approval in March 2023

SURREY COUNTY COUNCIL

PENSION FUND COMMITTEE

DATE: **10 MARCH 2023**

LEAD OFFICER: **ANNA D'ALESSANDRO, DIRECTOR CORPORATE FINANCE & COMMERCIAL**

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SUBJECT: **SUMMARY OF THE LOCAL PENSION BOARD REPORT**

SUMMARY OF ISSUE:

This report provides a summary of administration and governance issues reviewed by the Local Pension Board (the Board) at its last meeting (17 February 2023) for noting or actioning by the Pension Fund Committee (the Committee).

RECOMMENDATIONS

This report recommends that the Committee:

1. Notes the support of the Board for the following policies to be approved:

    a) Communications Policy

    b) Training Policy

2. Make recommendations to the Board if required.

REASONS FOR RECOMMENDATIONS:

The Public Sector Pensions Act 2013 requires Local Pension Boards to assist the Scheme Manager in securing compliance with the Local Government Pension Scheme (LGPS) Regulations and requirements imposed by the Pensions Regulator. This report provides the Committee with insight into the activities of the Board and furthers the successful collaboration of the Committee and Board in managing risk and compliance and promoting effective governance.

This meets the Fund's strategic governance and delivery objectives.

DETAILS:

Risk Registers Update 2022/23 Quarter 3

1. The below commentary was highlighted to the Pension Board members on the areas in the risk register – December 2022 (Annexe 1). This reflects the request from the Committee at its December meeting for the Board to examine the Inflation risk and inter connectivity with cashflow.

6

The impact of inflation has been recognised

2. The impact of inflation is reflected in the risk register in several places:

Taken into account in actuarial assumptions	2.1	Risk 3A makes specific reference to inflation within the overall risk concerning actuarial assumptions. The market outlook using recent forecasts for inflation were used within the 2022 valuation work.
Impact on employers considered	2.2	A general risk (2C) has been articulated for employers in relation to affordability or cashflow issues – this could be for many reasons including inflationary pressures. Payments are monitored to ensure timely application of funds.
Cashflow implications reviewed	2.3	Risks 5A and 8A deal with potential cashflow issues – the first in relation to matching of assets and liabilities and the latter in connection with cashflows. Both of these address issues regarding investment that take account of inflation. A detailed review of cashflow by both Mercer and Hymans was presented to the Pension Fund Committee in late 2022. The fund recognises the potential issues and the possible need to pivot on investment types in future.

Changes planned to controls

3. No changes to have been made to risk articulation or scoring. The following enhancements are planned:

Risk ID	Area	Changes
2C	A&G Funding	Employer engagement commenced to address delay in receiving payment notification by March 2023. The objective is to improve timely application of funds to relevant employer accounts.
4A	Investment	Final sign off of Responsible Investment Policy by March 2023.
4B	Investment	Task Force on Climate-Related Financial Disclosure (TCFD) report published by Oct 2023 with increasing amounts of information.
6A	Investment	Dynamic asset allocation analysis. Q4 2022/3 review of fixed income exposure.
12A/ 12B	Service Delivery	Business Continuity plans and Cyber security approach for the Fund to be reviewed during Q4 of 2022/23 with a view to an audit review in 2023/24.
13G	Service Delivery	Technical team to engage with consultations on the proposed framework for Dashboard implementation by March 2023.
15B	A&G Governance	Knowledge assessment undertaken in Q2 of 2022/23 to inform 2023/24 training plans.

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4. Commentary previously provided on the three risk areas in the risk register with the highest combined likelihood and impact scores has also been updated below.

Risk	**Implementation of new financial systems leads to delayed processing, data integrity issues or financial loss**	**Skills / knowledge gaps lead to inefficiency and poor performance**	**Funding requirements higher due to actuarial assumptions materially different to experience**
Risk ID	16	9	3
Score	20	16	16
Comment	The change from SAP to Unit 4 is still in the planning stage.	This risk manifested itself with the resignation of the Funding Manager in summer 2022.	Uncertainty in markets has led to some volatility and prospective headwinds.
Action	The Change team is coordinating efforts to understand the transition. Ongoing monitoring of implementation timescales.	Swift backfilling with temporary resource was undertaken. Recruitment for full-time replacement is complete. Organisational structure remains under review for resilience and succession planning.	Latest market outlook and Club Vita analysis used in valuation. Other implications of higher inflation modelled in relation to cashflow. In addition to using latest market outlook data, the Actuary has also undertaken sensitivity analysis to evaluate resilience of preliminary calculations.
Residual risk	Remains a significant risk pending experience of implementation.	Remains a risk – particularly in relation to knowledge no longer with the organisation. There have been consequential issues with e.g. progress of external audit process.	Actions address a degree of near term risk but uncertainty remains and will be monitored.

5. In respect of Risk 16 – Unit 4 a member of the Board highlighted the need for a project plan in terms of timescales for implementation Unit 4, and noted this as an area of concern.

6. The Accounting and Governance Manager provided a response explaining that the project was under the control of Surrey County Council and that a plan had not been sighted in terms of final implementation timescales. The Surrey Pension Team Change Management Team are working in conjunction with the Unit4 team.

7. The Board member would like to escalate the Board's concern to the Pension Fund Committee, and it was agreed that a request for an update on the project by individuals closer to the programme be provided to the Board in May.

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8. A member of the board also highlighted the recently published consultation for the proposed changes to the LGPS CARE revaluation date and the risks involved in feeding back to the consultation and undertaking the proposed changes in the time available.

Administration Performance Report and Update

9. The Board were provided with an update on performance for the quarter 1 October 2022 to 31 December 2022. **Annexe 2**. Highlighting the performance level in this period which has fallen, an overall score of 80% has been achieved and specifically for The Pensions Regulator (tPR) work area this is 80%.

10. In response to the Board and Committees request, a comparative quarterly performance trend analysis was provided, **Annexe 3**.

11. In response to the committee's request, additional information has been supplied within **Annexe 4** that presents a summary of the most common categories of cases being terminated.

12. Reducing the backlog is a high priority for the Service Delivery team. A work plan to identify resource requirements and/or training needs is being compiled and will be presented to the Board.

<u>GMP</u>

13. The Board was advised by the Head of Service Delivery that we have experienced delays from our third-party provider Mercer. We now have received a revised plan and are on track for delivery by the summer.

<u>McCloud</u>

14. The Head of Service Delivery explained to the Board that the team have continued to liaise with employers who have not yet provided the necessary data. We currently have 113 returns out of the 127 expected. Initial findings have identified some employers will need to provide additional information.

<u>Pension Dashboard</u>

15. The Board members were made aware that plans were underway to cleanse the data in preparation of the expected go live date set for April 2025, with the eco-system connectivity dates set for September 2024.

Change Programme Update

16. The Board was provided with a verbal update from the Assistant Director – LGPS Officer. A permanent Head of Change Management, Nicole Russell, is now in post. The team are working on several key areas, that will be included in our strategic 3-year plan.

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Progress of 2021/22 Internal Audit Plan

17. An update on Internal Audit activities was provided to the Board. This report provided an update on five completed internal audits. Officers are working through the findings. The planned programme for the year was reviewed.

18. The Board was also provided with a verbal update on the transfer out Administration review, which has been issued with a Reasonable Assurance rating, with two medium and one low recommendations.

2021/22 External Audit Update

19. Covered in separate report.

Valuation 2022

20. Covered in separate report.

Training Policy

21. The Board recommended approval of the Training Policy to the Pension Fund Committee (Committee) on 10 March 2023 (please see separate report).

Communications Policy

22. The Board recommended approval of the Communications Policy to the Pension Fund Committee (Committee) on 10 March 2023 (please see separate report).

CONSULTATION:

23. The Chairs of the Pension Fund Committee and the Board has been consulted on this report.

RISK MANAGEMENT AND IMPLICATIONS:

24. Risk related issues have been discussed and are included within the report.

FINANCIAL AND VALUE FOR MONEY IMPLICATIONS

25. The performance of administration and governance presents potential financial and value for money implications to the Pension Fund. The monitoring of these implications is addressed within the report.

6

DIRECTOR CORPORATE FINANCIAL & COMMERCIAL COMMENTARY

26. The Director of Corporate Financial & Commercial is satisfied that all material, financial and business issues and possibility of risks have been considered and addressed.

LEGAL IMPLICATIONS – MONITORING OFFICER

27. A Local Pension Board is a requirement under the Public Service Pensions Act 2013. There are no legal implications or legislative requirements.

EQUALITIES AND DIVERSITY

28. The approval of the various options will not require an equality analysis, as there is no major policy, project or function being created or changed.

OTHER IMPLICATIONS

29. There are no potential implications for council priorities and policy areas.

WHAT HAPPENS NEXT

30. The following next steps are planned:

    a) The Committee will receive further reports and continue to work with the Board where necessary and appropriate.

Contact Officer:
Adele Seex, Governance Manager
Neil Mason, Assistant Director, LGPS Senior Officer

Annexes: Risk Register – December 2022- Annexe 1
Service Delivery Performance Report- Annexe 2
Quarterly performance trend analysis -Annexe 3
Terminated Case Summary - Annexe 4

Annexe 1

Pension Team Risk Heat Map

December 2022

LIKELIHOOD		Minimal 1	Minor 2	Moderate 3	Major 4	Severe 5
5	**Very Likely**					
4	**Likely**				**9** Skills / knowledge gaps lead to inefficiency and poor performance **3** Funding requirements higher due to actuarial assumptions materially different to experience	**16** Implementation of new financial systems leads to delayed processing, data integrity issues or financial loss
3	**Possible**			**10** Data administration failure / fraud leads to data integrity issues **11** Work volume mismatch with capacity leading to backlogs	**5** Investment strategy/implementation affects performance **6** Investment returns impacted by mkt volatility/performance **7** Investment returns impacted by 3rd party performance/default **13** Impact from lack of regulatory/legal compliance **14** Reputational issues due to inaccurate public domain info	
2	**Unlikely**			**2** Employers delay making payments	**1** Employers unable/unwilling to make payments **12** Business interruption/cyber security breach **15** Internal protocols for governance not followed	
1	**Rare**		**8** Insufficient liquidity to meet obligations for rebalancing / payments		**4** Investment performance impacted by insufficient attention to ESG	

IMPACT: **Minimal** 1 · **Minor** 2 · **Moderate** 3 · **Major** 4 · **Severe** 5

Pension Team Risk Summary

December 2022

Risk ID	Risk Title	Risk Owner	Likelihood (1-5)	Impact (1-5)	Overall Score
			Risk with current mitigation controls in place		
16	Implementation of new financial systems leads to delayed processing, data integrity issues or financial loss	A&G	4	5	**20**
9	Skills / knowledge gaps lead to inefficiency and poor performance	SD	4	4	**16**
3	Funding requirements higher due to actuarial assumptions materially different to experience	A&G	4	4	**16**
5	Investment strategy and proposed implementation materially affects investment performance	I&S	3	4	12
6	Investment returns impacted by market volatility/ performance	I&S	3	4	12
7	Investment returns impacted by third party or counter party performance/default	I&S	3	4	12
13	Scheme is financially or reputationally impacted by failure to adhere to (changes in) regulatory and legislative compliance requirements	SD	3	4	12
14	Reputational issues due to inaccurate public domain information (external stakeholder relationships / comms) or inefficient service	A&G	3	4	12
10	Data administration failure / fraud leads to data integrity issues	SD	3	3	9
11	Work volume mismatch with operational capacity leading to backlogs	SD	3	3	9
1	Employers unable/unwilling to make payments	A&G	2	4	8
12	Business interruption or cyber security breach leads to data integrity issues or financial loss	SD	2	4	8
15	Internal protocols for governance not followed	A&G	2	4	8
2	Employers delay making payments	A&G	2	3	6
4	Investment performance materially impacted by insufficient attention to ESG factors	I&S	1	4	4
8	Insufficient liquidity / lack of cash to meet obligations for collateral rebalancing / payments out	I&S	1	2	2

Risk ID	Risk Title	Risk Area	Risk sub-ID	Causes	Effect	Risk Owner	Likelihood (1-5)	Impact (1-5)	Overall Score	Key Existing Management Controls	Planned Enhancements to Controls (Actions)	Target Date
1	Employers unable/unwilling to make payments	A&G - Funding	1A	Structural changes in an employer's membership or an employer fully/partially closing the scheme. Employer bodies transferring out of the pension fund or employer bodies closing to new membership. An employer ceases to exist with insufficient funding or adequacy of bond.	Insufficient funding	A&G	2	4	**8**	TREAT/TOLERATE 1) Administering Authority actively monitors prospective changes in membership. 2) Maintain knowledge of employer future plans. 3) Contributions rates and deficit recovery periods set to reflect the strength of the employer covenant. 4) Periodic reviews of the covenant strength of employers are undertaken and indemnity applied where appropriate. 5) Risk categorisation of employers implemented as part of 2022 actuarial valuation. 6) Monitoring of gilt yields for assessment of pensions deficit on a termination basis.		
2	Employers delay making payments	Service Delivery	2A	Rise in ill health retirements	Impact on employer organisations leading to delay in payments	A&G	2	3	6	TREAT 1) Self-insurance implemented across the fund 2) Reactive reposition investment strategy if necessary		
		Service Delivery	2B	Rise in ill health retirements	Rise in self insurance costs impact employer organisations leading to delay in payments					TREAT 1) Pension Fund monitors ill health retirement awards which contradict IRMP recommendations		
		A&G - Funding	2C	Employer issues with affordability and/or cashflow	Delay in payments					TREAT 1) Pension Team monitors covenant of employers	Engagement with employers commenced on delay of receipt of payment notifications - with objective to improve timely application of funds to relevant employer accounts.	Mar-23
3	Funding requirements higher due to actuarial assumptions materially different to experience	A&G - Funding	3A	Price inflation is significantly more or less than anticipated	An increase in CPI inflation by 0.1% would increase the liability valuation by 1.4%	A&G	4	4	**16**	TOLERATE- 1) The discount rate used for the 2022 actuarial valuation is derived from CPI inflation, so the value of Fund liabilities will be calculated with reference to CPI. 2) The assumptions of the Fund actuary are prudent and allow for variations in inflation and interest rate fluctuations.	Latest market outlook to be used in valuation Other implications of higher inflation modelled in relation to cashflow	Mar-23
		A&G - Funding	3B	Members living longer	Adding one year to life expectancy would approximately increase the liability by 3-5%.					TOLERATE- 1) The Fund Actuary uses long term longevity projections in the actuarial valuation process. 2) SCC has joined Club Vita, which allows monitoring of mortality rates that are employer and postcode specific.	Latest Club Vita analysis to be used in valuation	Mar-23
		A&G - Funding	3C	Pay increases are significantly more than anticipated for employers within the Fund.	Pension liability increases					TREAT / TOLERATE- 1) Fund employers should monitor own experience. 2) Assumptions made on pay and price inflation (for the purposes of IAS19/FRS102 and actuarial valuations) should be long term assumptions, any employer specific assumptions above the actuaries long term assumption would lead to further review. 3) Employers to be made aware of generic impact that salary increases can have upon final salary linked elements of LGPS benefits.		
		A&G - Funding	3D	Actuarial work determines the need for increases to employer contributions	Employers need to pay additional funds into the scheme					TREAT- 1) Officers to consult and engage with employer organisations in conjunction with the actuary. 2) Actuary will assist where appropriate with stabilisation and phasing in processes.		
		A&G - Funding	3E	Future member population and/or demographic changes as a result of government policy	Employers need to pay additional funds into the scheme					TREAT / TOLERATE- 1) The Fund actuary uses prudent assumptions on future of workforce. The fund has regular communciations with employer to allow them to flag up major changes in workforce. 2) Need to make worst case assumptions about diminishing workforce when carrying out the actuarial valuation.		
		A&G - Funding	3F	HM Treasury and Scheme Advisory Board cost management process has an implied increase in employer contributions.	Employers need to pay additional funds into the scheme					TREAT / TOLERATE - 1) The Fund actuary stabilises employer contribution, which reduces the impact of conditions which could otherwise produce spikes in contribution rates. 2) Communicate with employers and explore the opportunity for the strengthening of their covenant by the provision of additional security to the Fund.		

Pension Team Risk Register

Risk ID	Risk Title	Risk Area	Risk sub-ID	Causes	Effect	Risk Owner	Likelihood (1-5)	Impact (1-5)	Overall Score	Key Existing Management Controls	Planned Enhancements to Controls (Actions)	Target Date
4	Investment performance materially impacted by insufficient attention to ESG factors	Investment	4A	Insufficient attention to environmental, social and governance (ESG) factors	Insufficient attention leads to underperformance and reputational damage.	I&S	1	4	4	TREAT- 1) Review ISS in relation to published best practice (e.g. Stewardship Code). 2) Ensure fund managers are encouraged to engage and to follow the requirements of the BCPP Responsible Investment Policy. 3) The Fund is a member of the Local Authority Pension Fund Forum (LAPFF) and all assets held with BCPP are monitored by Robeco, this raises awareness of ESG issues and facilitates engagement with fund managers. 4) The Fund has approved a Stewardship Code and a share voting policy which provides specific guidance in the voting of company resolutions. 5) The Fund complies with the BCPP Responsible Investment Policy. 6) Fund reviewing a responsible investment approach, assisted by a dedicated Responsible Investment sub-committee. 7) Fund engaging with lobbying groups.	Final sign off of Responsible Investment Policy	Mar-23
		Investment	4B	Stranded assets, regulatory fines, failing to adapt to a low carbon economy, in light of IPCC's 2021 report on Climate Change.	Detrimental impact on value of Fund's investments.					TREAT- 1) Ensure fund managers are encouraged to engage and to follow the requirements of the BCPP Responsible Investment Policy, more specifically its Climate Change Engagement Policy. 2) The Fund is a member of the Local Authority Pension Fund Forum (LAPFF) and all assets held within BCPP are monitored by Robeco, this facilitates engagement with companies who operate in carbon intensive industries. 3) The Fund is also part of the BCPP Climate Change Working Group. 4) Continued review of carbon exposure within current portfolio; all global indexed assets now held in the LGIM Future World Index. 5) Fund reviewing a responsible investment approach, assisted by a dedicated Responsible Investment sub-committee.	Task Force on Climate-Related Financial Disclosure (TCFD) report published each year with increasing amounts of information.	Oct-23
5	Investment strategy and proposed implementation materially affects investment performance	Investment	5A	Mismatching of assets and liabilities, inappropriate long-term asset allocation or investment strategy, mistiming of investment strategy.	Investment returns not at expected level for the risk appetite	I&S	3	4	12	TREAT- 1) Active investment strategy and asset allocation monitoring from Committee officers and consultants. 2) Investment strategy reviewed in 2022/3 in light of 2022 valuation 3) Separate source of advice from Fund's independent advisor. 4) Setting of Fund specific benchmark relevant to the current position of fund liabilities. 5) Fund manager targets set and based on market benchmarks or absolute return measures. Overall investment benchmark and out-performance target is fund specific.		
		Investment	5B	Implementation of proposed changes to the LGPS (pooling) does not conform to plan or cannot be achieved within time scales.	Investment returns not at expected level for the risk appetite					TREAT / TOLERATE 1) Officers consult and engage with DHULC, LGPS Advisory Board, BCPP OOG, consultants, peers, seminars, conferences. 2) Officers engage in early planning for implementation against agreed deadlines. 3) Participation in Cross Pool Collaboration Groups. 4) Recent government guidance continues to endorse pooling.		
		Investment	5C	That the Border to Coast Pensions Partnership disbands or the partnership fails to produce a proposal deemed sufficiently ambitious.	Investment returns not at expected level for the risk appetite					TOLERATE- 1) Partners for the pool were chosen based upon the perceived expertise and like-mindedness of the officers and members involved with the fund to ensure compliance with the pooling requirements. 2) Ensure that ongoing fund and pool proposals are comprehensive and meet government objectives. 3) Engage with advisors throughout the process.		

Risk ID	Risk Title	Risk Area	Risk sub-ID	Causes	Effect	Risk Owner	Likelihood (1-5)	Impact (1-5)	Overall Score	Key Existing Management Controls	Planned Enhancements to Controls (Actions)	Target Date
6	Investment returns impacted by market volatility/ performance	Investment	6A	Increased risk to global financial stability. Outlook deteriorates in advanced economies because of heightened uncertainty and setbacks to growth and confidence, leading to tightened financial conditions, reduced risk appetite and raised credit risks.	Investment returns materially impacted	I&S	3	4	12	TREAT / TOLERATE- 1) Increased vigilance and continued dialogue with managers as to events on and over the horizon. 2) Continued investment strategy involving portfolio diversification and risk control. 3) Investment strategy review accompanied the 2022 actuarial valuation.	Dynamic asset allocation analysis. Q4 2022/3 review of fixed income exposure.	23-Mar
		Investment	6B	Investment markets fail to perform in line with expectations	Investment returns impacted leading to deterioration in funding levels and increased contribution requirements from employers.					TREAT / TOLERATE- 1) Proportion of asset allocation made up of equities, bonds, property and alternatives, limiting exposure to one asset category. 2) The investment strategy is continuously monitored and periodically reviewed to ensure optimal asset allocation. 3) Actuarial valuation and asset/liability study take place automatically at least every three years. 4) FRS102/IAS19 data is received annually and provides an early warning of any potential problems. 5) The actuarial assumption regarding asset outperformance is a measure of CPI over gilts, which is regarded as achievable over the long term when compared with historical data.		
7	Investment returns impacted by third party or counter party performance/default	Investment	7A	Investment Managers fail to achieve performance targets over the longer term	A shortfall of 0.1% on the investment target will result in an annual impact of c£5m	I&S	3	4	12	TREAT- 1) The Investment Management Agreements clearly state SCC's expectations in terms of performance targets. 2) Investment manager performance is reviewed on a quarterly basis. 3) The Pension Fund Committee should be positioned to move quickly if it is felt that targets will not be met. 4) Having Border to Coast as an external manager facilitates a smooth transition of assets into the pool and provides an additional layer of investment due diligence. 5) The Fund's investment management structure is highly diversified, which lessens the impact of manager risk compared with less diversified structures.		
		Investment	7B	Financial loss of cash investments from fraudulent activity.	Investment returns not at expected level					TREAT / TOLERATE - 1) Policies and procedures are in place which are regularly reviewed to ensure risk of investment loss is minimised. Governance arrangements are in place in respect of the Pension Fund. External advisors assist in the development of the Investment Strategy. Fund Managers/BCPP have to provide SAS70 or similar (statement of internal controls). 2) The pensions team is currently working to get more direct control of pension fund banking.		
		Investment	7C	Financial failure of a fund manager	Increased costs and service impairment.					TREAT - 1) Fund is reliant upon current adequate contract management activity. 2) Fund is reliant upon alternative suppliers at similar price being found promptly. 3) Fund is reliant on the scale and risk management opportunity offered by BCPP.		
		Investment	7D	Counterparty poor performance or default	Loss of investment return					TOLERATE - 1) Lending limits with approved banks and other counterparties are set at prudent levels 2) The pension fund treasury management strategy is based on that of SCC.		
		Investment	7E	Poor performance or financial failure of third party supplier	Service impairment and financial loss.					TOLERATE- 1) Performance of third parties (other than fund managers) monitored. 2) Regular meetings and conversations with Northern Trust take place. 3) Actuarial work and investment work are provided by two different consultancies.		

Pension Team Risk Register

December 2022

Risk ID	Risk Title	Risk Area	Risk sub-ID	Causes	Effect	Risk Owner	Likelihood (1-5)	Impact (1-5)	Overall Score	Key Existing Management Controls	Planned Enhancements to Controls (Actions)	Target Date
8	Insufficient liquidity / lack of cash to meet obligations for collateral rebalancing / payments out	Investment	8A	Inaccurate cash flow forecasts or drawdown payments	Shortfalls on cash levels and borrowing becomes necessary to ensure that funds are available.	I&S	1	2	2	TOLERATE / TREAT- 1) Borrowing limits with banks and other counterparties are set at levels that are more than adequate should cash be required at short notice. 2) Cashflow analysis of pension fund undertaken quarterly. 3) Comply with the Pension Fund Cash Management Strategy. 4) Annual Cash flow analysis on ongoing basis.	Detailed review of cashflow by both Mercer and Hymans Robertson presented to Pension Fund Committee in Q3 2022/3	22-Dec
9	Skills / knowledge gaps lead to inefficiency and poor performance	Service Delivery	9A	Lack of capability of the admin system	Inefficiency and disruption.	SD	4	4	**16**	TREAT/TOLERATE 1) Ensure system efficiency is included in the annual improvement review. 2) Monitor system review and provide extra resource where business case supports it.		
		Service Delivery	9B	Gaps in skills and knowledge due to key person/single point of failure and different skill requirements.	Inefficiency and poor performance.					TREAT 1) 'How to' notes in place. 2) Development of team members & succession planning needs to be improved. 3) Officers and members of the Pension Fund Committee will be mindful of the proposed CIPFA Knowledge and Skills Framework when setting objectives and establishing training needs. 4) Skills Matrices completed by all staff and standardised Personal Development Plans being introduced.		
		Service Delivery	9C	Lack of productivity	Impaired performance.					TREAT 1) Regular appraisals with focused objectives for pension fund and admin staff 2) Productivity outputs are being measured and reported on a monthly basis. 3) Enhance performance management		
		Service Delivery	9D	Concentration of knowledge in small number of officers and risk of departure of key staff.	Poor perfromance and disruption					TREAT- 1) 'How to' notes in place. 2) Development of team members & succession planning needs to be improved. 3) Officers and members of the Pension Fund Committee and Local Pension Board will be mindful of the proposed CIPFA Knowledge and Skills Framework and appropriate tPR Codes of Conduct when setting objectives and establishing training needs. 4) Skills Matrices completed by all staff and standardised Personal Development Plans being introduced.		

Risk ID	Risk Title	Risk Area	Risk sub-ID	Causes	Effect	Risk Owner	Likelihood (1-5)	Impact (1-5)	Overall Score	Key Existing Management Controls	Planned Enhancements to Controls (Actions)	Target Date
10	Data administration failure / fraud leads to data integrity issues	Service Delivery	10A	Incorrect data due to employer error, user error or historic error.	Service disruption, inefficiency and conservative actuarial assumptions.	SD	3	3	9	TREAT 1) Update and enforce admin strategy to assure employer reporting compliance 2) Pension Fund team, Pension Fund Committee and Local Board members are able to interrogate data to ensure accuracy.		
		Service Delivery	10B	Poor reconciliation process	Incorrect contributions.					TREAT 1) Ensure reconciliation process notes are understood by Pension team 2) Ensure that the Pension team is adequately resourced to manage the reconciliation process 3) Officers to undertake quarterly reconciliation to ensure contributions are paid on time. With a view to moving to monthly reconciliation as employers engage with I-connect.		
		Service Delivery	10C	Unit 4 - Payments made manually outside of monthly payroll has been integrated (SAP & Altair) since Jan 2021 with SCC's banking processes to offer sound financial controls. However, SCC's ERP system is due to change to Unit 4 in 2022-23 and hence the integration between Unit 4 and Altair for monthly and daily payments need to be developed.	Process errors leading to incorrect contributions or benefits					TREAT Integration between Unit 4 and Altair for monthly and daily payments needs to be developed.		
11	Work volume mismatch with operational capacity leading to backlogs	Service Delivery	11A	Processes do not all have a standardised approach	This could lead to inefficiencies	SD	3	3	9	TREAT 1) Review processes to ensure workflows are in line with regulatory requirements 2) Document processes and ensure guidance and checklists are in place 3) Report updates to the Local Pension Board.		
		Service Delivery	11B	Failure to follow up on outstanding issues	Inefficiency and damaged reputation.					TREAT 1) Include monitoring of task follow-up times as part of the revised service standards in the Administration Strategy		
		Service Delivery	11C	Backlog cases in the administration system are not dealth with in a timely manner and require careful management to see a reduction moving forward.	Inefficiency and poor performance.					TREAT 1) Ensure total backlog is recorded accurately (backlog should include cases in Altair). 2) Ensure only completed BAU cases are recorded in Key Performance Indicators. 3) Ensure total number of backlog cases is correctly recorded on the system and presented accurately in the quarterly Administration Performance Report. 4) Continuously work towards improving the accuracy of the reported figures. 5) Backlog to be closely monitored by the management board.		

Risk ID	Risk Title	Risk Area	Risk sub-ID	Causes	Effect	Risk Owner	Likelihood (1-5)	Impact (1-5)	Overall Score	Key Existing Management Controls	Planned Enhancements to Controls (Actions)	Target Date
12	Business interruption or cyber security breach leads to data integrity issues or financial loss	Service Delivery	12A	Inability to respond to a significant event	Prolonged service disruption and damage to reputation.	SD	2	4	8	TREAT/TOLERATE 1) Disaster recovery plan to be closely monitored by the management board. 2) Ensure system security and data security is in place 3) Business continuity plans regularly reviewed, communicated and tested 4) Internal control mechanisms should ensure safe custody and security of LGPS assets. 5) Gain assurance from the Fund's custodian, Northern Trust, regarding their cyber security compliance 6) Tolerate consequences of McCloud judgement.	Business Continuity plans and Cyber security approach to be reviewed during 2022/23	Mar-23
		Service Delivery	12B	Failure to implement proper cyber security policies.	Prolonged service disruption and damage to reputation.					TREAT 1) Ensure the Fund's memorandum of understanding and privacy notice is compliant with current legislation. 2) Regularly engage with the host authority IT team to ensure security protocols are up to date. 3) Maintain a central registry of key partners' business continuity plans. 4) Ensure staff are aware of their roles and responsibilities under Surrey's cyber security policy. 5) Ensuring members data is remotely and securely backed up.	Business Continuity plans and Cyber security approach to be reviewed during 2022/23	Mar-23
		Service Delivery	12C	Failure to hold personal data securely.	Personal financial impact and damage to reputation.					TREAT- 1) Data encryption technology is in place, which allow secure the sending of data to external service providers. 2) Phasing out of holding records via paper files. 3) Any hardcopy pension admin records are locked daily in a secure place. 4) SCC IT data security policy adhered to. 5) SCC carries out Security Risk Assessments. 6) Custodian proactively and reactively identifies and responds to cyber threats.		

Risk ID	Risk Title	Risk Area	Risk sub-ID	Causes	Effect	Risk Owner	Likelihood (1-5)	Impact (1-5)	Overall Score	Key Existing Management Controls	Planned Enhancements to Controls (Actions)	Target Date
13	Scheme is financially or reputationally impacted by failure to adhere to (changes in) regulatory and legislative compliance requirements	Service Delivery	13A	Non-compliance with regulation changes relating to the pension scheme or data protection	Fines, penalties and damage to reputation.	SD	3	4	12	TREAT 1) There are generally good internal controls with regard to the management of the fund. These controls are assessed on an annual basis by internal and external audit as well as council officers. 2) Through strong governance arrangements and the active reporting of issues, the Fund will seek to report all breaches as soon as they occur in order to allow mitigating actions to take place to limit the impact of any breaches. 3) Ensure processes are completed in a timely manner and that post 2014 refunds are paid within 5 years.		
		Service Delivery	13B	Failure to identify GMP liability	Data or calculation errors leading to incorrect benefits and ongoing costs for the pension fund					TREAT 1) GMP to be closely monitored by the management board. 2) Stage 1 reconciliation reviews have been completed. 3) Mercer have been appointed to carry out an intermim stage 2 review 4) GMP Reconciliation project is being progressed by Mercer (formerly JLT). 5) Separate updates being issued.		
		Service Delivery	13C	Additional resources required to deal with consequences of McCloud judgement	Backlog of processes; data or calculation errors leading to incorrect benefits and ongoing costs for the pension fund					TOLERATE/TREAT 1) The Pension Fund Team can allocate additional funds / resources to mitigate the impact and avoid reputational damage. 2) The proposed remedy will require additional resource and members who have already left will be prioritised.		
		A&G - Funding	13D	Additional resources required to deal with consequences of McCloud judgement; additional costs required to pay higher benefits	Backlog of processes; data or calculation errors leading to incorrect benefits and ongoing costs for the pension fund; possible impact on employers with additional contributions required					TOLERATE / TREAT - 1) Depending on DLUHC's response to the ruling, the actuary may reconsider the funding position, the investment advisers may reposition assets to compensate and the Service Delivery Team may need more resource but ultimately, it is likely to have an impact on employers' contribution rates.		
		A&G - Technical	13E	Failure to comply with changes in LGPS regulations	Incorrect benefits and ongoing costs for the pension fund; possible impact on employers with additional contributions required					TREAT / TOLERATE- 1) Impact on contributions and cashflows will be considered during the 2022 valuation process. 2) Fund will respond to consultations and statutory guidance. 3) Impact of LGPS (Management of Funds) Regulations 2016 to be monitored.		
		A&G - Governance	13F	Failure to comply with legislative requirements e.g. ISS, FSS, Governance Policy, Freedom of Information requests.	Backlog of processes; data or calculation errors leading to incorrect benefits and ongoing costs for the pension fund					TREAT- 1) Publication of relevant documents on external website. 2) Managers monitored on their compliance with ISS and IMA. 3) Pension fund committee and Local Pension Board self-assessment to ensure awareness of all relevant documents. 4) Annual audit review. 5) Pension team reorganisation has provided additional resource in this area.		
		Service Delivery	13G	Additional resources required to deal with consequences of Dashboard implementation	Backlog of processes; data or calculation errors leading to incorrect benefits disclosed; system interfaces inoperative or introducing errors					TOLERATE/TREAT 1) The Pension Fund Team can allocate additional funds / resources to mitigate the impact and avoid processing issues or reputational damage.	Technical team to engage with consultations on proposed framework	Mar-23

Pension Team Risk Register

December 2022

Risk ID	Risk Title	Risk Area	Risk sub-ID	Causes	Effect	Risk Owner	Likelihood (1-5)	Impact (1-5)	Overall Score	Key Existing Management Controls	Planned Enhancements to Controls (Actions)	Target Date
14	Reputational issues due to inaccurate public domain information (external stakeholder relationships / comms) or inefficient service	A&G - Comms	14A	Inaccurate information in public domain	Damage to reputation and loss of confidence.	A&G	3	4	12	TREAT- 1) Ensure that all requests for information (Freedom of Information, Member & Public questions at Council, etc) are managed appropriately and that Part 2 items remain so. 2) Maintain constructive relationships with employing bodies to ensure that communication is well managed. 3) Update website information as and when required and at least quarterly.		
		Service Delivery	14B	Poor data processing, manipulation and transfer	Incorrect contributions or benefits					TREAT - 1) Improve metrics to better measure performance and monitor the pension administration service.		
15	Internal protocols for governance not followed	A&G - Governance	15A	Failure to take difficult decisions inhibits effective Fund management.	Inefficiency and poor performance.	A&G	2	4	8	TREAT- 1) Ensure activity analysis encourages decision making on objective empirical evidence. 2) Ensure that basis of decision making is grounded in ISS/FSS/Governance statement/Responsible investment policy and that appropriate advice is sought. 3) Ensure the Governance Matrix is made visible to all stakeholders in the pension team enabling clear identification of roles and responsibilities.		
		A&G - Governance	15B	Change in membership of Pension Fund Committee or Local Pension Board leads to dilution of member knowledge and understanding.	Inefficiency and poor performance.					TREAT 1) Ongoing training of Pension Fund Committee and Local Pensions Board members. 2) Pension Fund Committee and Local Pensions Board new member induction programme. 3) Enhance the training for the new and existing Pension Fund Committee and Local Board members. As each bodies members are new to their respective roles.	Knowledge assessment undertaken to inform 2023 training plans	Mar-23
		A&G - Governance	15C	Failure to comply with recommendations from the local pension board, resulting in the matter being escalated to the scheme advisory board and/or the pensions regulator.	Damage to reputation and loss of confidence.					TOLERATE - 1) Ensure that an cooperative, effective and transparent dialogue exists between the pension committee and local pension board. 2) Officers to carry out annual measurement against TPR code of conduct.		
		A&G - Governance	15D	Procurement processes may be challenged if seen to be non-compliant with OJEU rules. Poor specifications lead to dispute. Unsuccessful fund managers may seek compensation following non compliant process	Damage to reputation and financial loss					TREAT / TOLERATE - 1) Ensure that assessment criteria remains robust and that full feedback is given at all stages of the procurement process. 2) Use the National LGPS or other established procurement frameworks.		
16	Implementation of new financial systems leads to delayed processing, data integrity issues or financial loss	A&G - Funding	16A	Insuffcient opportunity for detailed testing of new systems leads to need for additional resources and/or remediation. Inadequate system configuration results in workarounds, delayed processing and/or data integrity issues.	Prolonged financial service disruption, lack of visibility of transactions and financial loss.	A&G	4	5	20	TREAT 1) Testing of new system to the extent possible. 2) Ensure resources available at cutover. 3) Ensure data has migrated correctly and remains accurate. 4) Reconciliation of opening position. 5) Monitoring of use/capability of new system. 6) Communication with stakeholders with respect to potential issues.	Monitor timescales for implementation	Ongoing

Oct - Dec 2022

Case Type	Performance standard	Tolerable performance	A % completed within SLA	B Case opening balance	C New cases received	D Cases completed	E Terminated Cases (Calculated)	F Closing balance	G Future Workload (days)
DEATH NOTIFICATION (tPR)	5 working days	90%	93%	27	210	212	12	13	4 days
SURVIVOR'S PENSIONS (tPR)	10 working days	90%	78%	18	94	70	19	23	20 days
DEATH BENEFITS PAYABLE (tPR)	10 working days	90%	79%	30	66	62	17	17	16 days
BALANCE OF PAYMENTS (tPR)	10 working days	90%	88%	29	203	172	6	54	19 days
RETIREMENT (COMPLETE) (tPR)	15 working days	85%	89%	280	488	445	47	276	37 days
ILL HEALTH RETIREMENT (COMPLETE) (tPR)	15 working days	90%	83%	2	5	6	-	1	10 days
REFUNDS (tPR)	20 working days	80%	93%	492	1,201	1,198	245	250	13 days
RETIREMENT (INITIAL NOTIFICATION)	15 working days	80%	86%	219	743	631	90	241	23 dys
ILL HEALTH RETIREMENT (INITIAL)	15 working days	90%	95%	11	26	13	9	15	69 days
DEFERRED STATUS	2 months	80%	86%	3,929	1,470	997	383	4,019	11 months
EMPLOYER ESTIMATE	10 working days	80%	68%	14	73	59	12	16	16 days
LGPS TRANSFER IN (ESTIMATE)	20 working days	80%	84%	587	687	367	218	689	113 days
NON-LGPS TRANSFER IN (ESTIMATE)	20 working days	80%	68%	169	42	31	32	148	286 days
LGPS TRANSFER OUT (ESTIMATE)	20 working days	80%	99%	79	407	168	105	213	76 days
NON-LGPS TRANSFER OUT (ESTIMATE)	20 working days	80%	83%	90	74	55	27	82	89 days
LGPS TRANSFER IN (ACTUAL)	20 working days	80%	76%	507	654	482	114	565	70 days
NON-LGPS TRANSFER IN (ACTUAL)	20 working days	80%	65%	46	38	31	11	42	81 days
LGPS TRANSFER OUT (ACTUAL)	20 working days	80%	75%	68	150	88	19	111	76 days
NON-LGPS TRANSFER OUT (ACTUAL)	20 working days	80%	29%	19	20	13	8	18	83 days
NEW STARTER	30 working days	80%				3426			
TOTAL OPEN CASES			80%	6,616	6,651	8,526	1,374	6,793	

Summary
Q3 performance had an overall SLA average of 80% for all work areas and 86% for tPR cases.
Performance dipped due to a combination of reasons: staff resources as a result of sickness, annual leave commitments and the Christmas period
Future Benefits Team developing staff knowledge in Transfers after resignation of experienced team member
Transfer cases increased within period following targetted work in CRT to remove the Transfer email backlog

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Performance Trend Analysis

Case Type	KPI Performance Comparison			Future Workload Time Comparison		
	Q1 % completed within SLA	Q2 % completed within SLA	Q3 % completed within SLA	Q1 Future Workload	Q2 Future Workload	Q3 Future Workload
DEATH NOTIFICATION (tPR)	98%	82%	93%	8 days	6 days	4 days
SURVIVOR'S PENSIONS (tPR)	91%	90%	78%	8 days	18 days	20 days
DEATH BENEFITS PAYABLE (tPR)	92%	86%	79%	15 days	16 days	16 days
BALANCE OF PAYMENTS (tPR)	94%	93%	88%	8 days	9 days	19 days
RETIREMENT (COMPLETE) (tPR)	90%	76%	89%	44 days	36 days	37 days
ILL HEALTH RETIREMENT (COMPLETE) (tPR)	100%	70%	83%	7 days	13 days	10 days
REFUNDS (tPR)	95%	97%	93%	12 days	31 days	13 days
RETIREMENT (INITIAL NOTIFICATION)	94%	87%	86%	25 days	20 days	23 days
ILL HEALTH RETIREMENT (INITIAL)	100%	86%	95%	53 days	39 days	69 days
DEFERRED STATUS	89%	89%	86%	9 months	11 months	11 months
EMPLOYER ESTIMATE	89%	78%	68%	45 days	12 days	16 days
LGPS TRANSFER IN (ESTIMATE)	83%	92%	84%	56 days	70 days	113 days
NON-LGPS TRANSFER IN (ESTIMATE)	71%	73%	68%	280 days	234 days	286 days
LGPS TRANSFER OUT (ESTIMATE)	87%	94%	99%	32 days	20 days	76 days
NON-LGPS TRANSFER OUT (ESTIMATE)	91%	86%	83%	82 days	77 days	89 days
LGPS TRANSFER IN (ACTUAL)	75%	80%	76%	52 days	48 days	70 days
NON-LGPS TRANSFER IN (ACTUAL)	87%	84%	65%	70 days	66 days	81 days
LGPS TRANSFER OUT (ACTUAL)	88%	90%	75%	26 days	33 days	76 days
NON-LGPS TRANSFER OUT (ACTUAL)	86%	93%	29%	72 days	88 days	88 days

Terminated Case Overview

This is a summary of where cases have been closed (not completed) during this quarter. The below tables Includes categories where 50 or more case types have been terminated in this period.

KPI Category	Case Numbers
Deferred Status	381
Refunds	201
LGPS Transfer In (Estimate)	184
Concurrent Service	89
LGPS Transfer In (Actual)	88
Retirement (Initial Notification)	86
LGPS Transfer Out (Estimate)	75
Total	**1104**

The information below provides further information as to the common causes for why cases are terminated.

Categorisation change on review	Most commonly due to the member requiring an aggregation, concurrent or a transfer (or vice versa) rather than initial set-up as Deferred or Refund. This is the same for concurrent cases, whereby the record may actually require deferring or a transfer.
Categorisation change on transition from estimate to actual	Most common cause is due to the receipt of correspondence from a member or employer and, is then set up in the system as an estimate, whereby it is actually ready to be processed as an actual (or vice versa). Other causes are whereby a member has returned their forms to the incorrect authority. The case is then closed and the member is notified.
Categorisation change on requirement for processing	Noted as Retirement Notifications – most commonly due to the member actually requiring an estimate at this stage.

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SURREY COUNTY COUNCIL

Surrey Pension Team

PENSION FUND COMMITTEE

DATE: 10 MARCH 2023

LEAD OFFICER: ANNA D'ALESSANDRO, DIRECTOR CORPORATE FINANCIAL & COMMERCIAL

SUBJECT: INVESTMENT MANAGER PERFORMANCE AND ASSET/LIABILITIES UPDATE

7

SUMMARY OF ISSUE:

This report is a summary of manager issues for the attention of the Pension Fund Committee (Committee), as well as an update on investment performance and the values of assets and liabilities.

RECOMMENDATIONS:

It is recommended that the Committee:

1) Notes the main findings of the report in relation to the Fund's valuation and funding level, performance returns and asset allocation.

REASON FOR RECOMMENDATIONS:

To assess and acknowledge performance of the Fund's investment managers against the Fund's target returns, and whether it is meeting its Strategic Investment objective in line with the Business Plan.

DETAILS:

Funding Level

1. The funding level is derived as the ratio of the value of the Fund's assets to the value of its liabilities. The Fund's liabilities are the future benefit payments due to members in respect of their service accrued in the Fund. The Fund's assets are used to pay member benefits accrued to date.

2. For the purpose of providing the quarterly funding updates following the 2022 valuation, it is appropriate (and the Fund Actuary's recommendation) that the 70% level of prudence remains fixed in the determination of the discount rate. This 'dynamic' discount rate each quarter-end would therefore reflect the change in investment return expectations since the 2022 valuation date.

3. Assessing the liabilities using the 'dynamic' discount rate also ensures that the factors leading to a change in asset values are being reflected in liability values. There is not a direct relationship (ie assets and liabilities do not react in the exact same way to changes in market conditions) but measuring the liabilities using the 'dynamic' discount rate means that the assets and liabilities are being measured on a consistent market basis over time.

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4. Results and assumptions

	31 March 2022	30 September 2022	31 December 2022
Assets (£m)	5,358	4,906	5,074
Past service liabilities (£m)	5,257	4,228	4,080
Surplus (£m)	**101**	**678**	**994**
Funding level	102%	116%	124%
Discount Rate	4.4%	6.3%	6.2%
Salary Increases	3.7%	3.6%	3.2%
Pension Increases	2.7%	2.6%	2.2%
Likelihood of success	70%	70%	70%

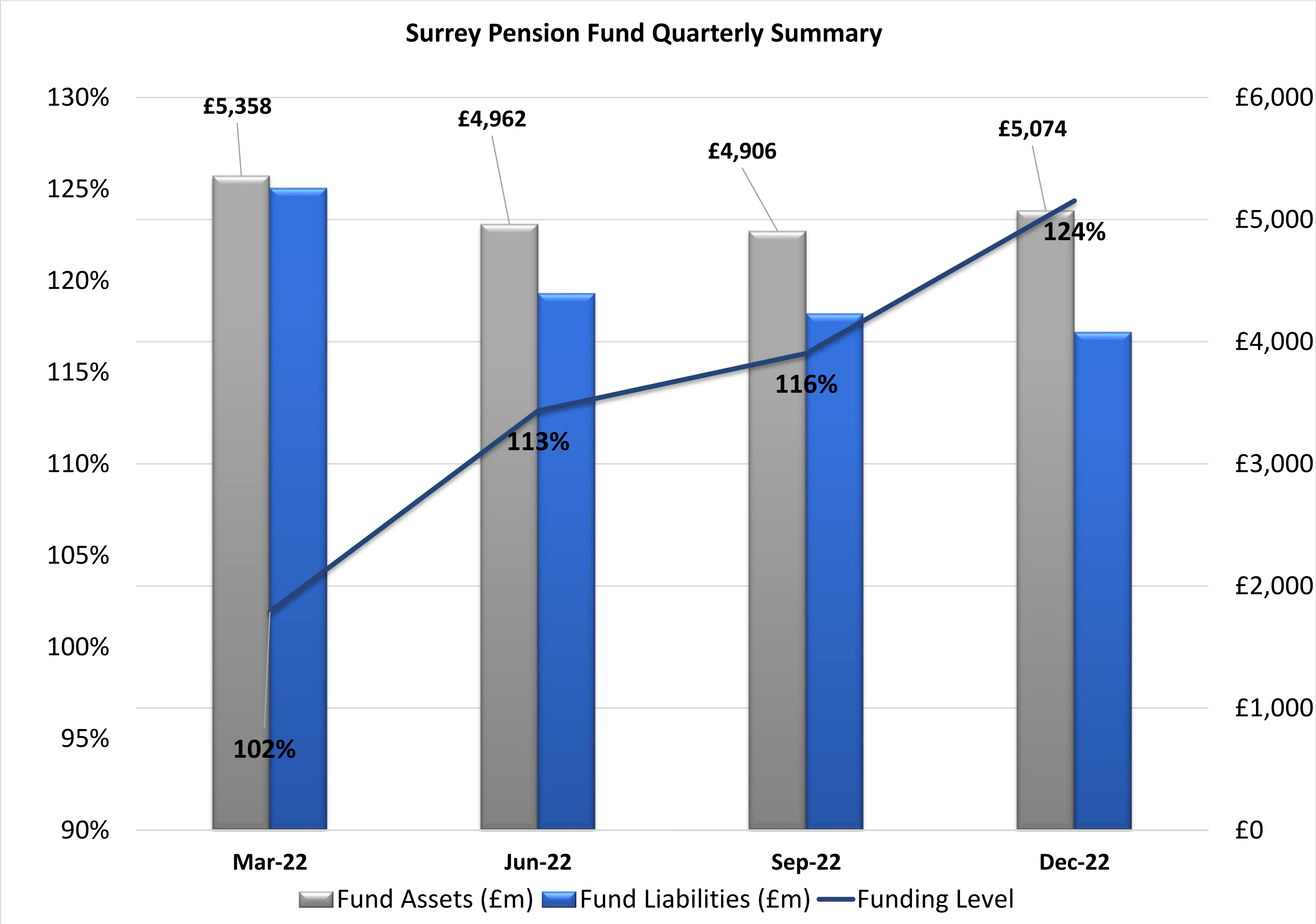
5. The discount rate assumptions at each date are based on the return expected from the Fund's assets with a 70% likelihood, ie based on our asset return expectations as at 31 December 2022, there is an 70% likelihood that the Fund's assets will generate returns over the next 20 years at the level of at least 6.2% per annum.

6. The increase in the discount rate (6.2%) as at 31 December 2022 compared to 31 March 2022 (4.4%) is due to an increase in asset return expectations since the 2022 valuation which has been driven in part, by a significant increase in long dated gilt yields since then. Asset return expectations have reduced slightly since the previous funding update as at 30 September 2022.

7. The assumptions for Pension Increases (CPI) reflects the central projection of CPI from the Hymans ESS model (as at the effective date).

    a. The CPI assumption set at the 2022 valuation (31 March 2022) recognises a one-year spike in inflation of c. 8%.
    b. Since then, the change in CPI over the 12 months to September 2022 has been confirmed to be 10.1% and this is the expected 2023 Pension Increase order. This has been allowed for in the value of the liabilities as at 31 December 2022 (and 30 September 2022).

8. The graph below shows that funding level has reached 124% (102% as at 31 March 2022), updated for market conditions at 31 December 2022. The market value of assets is approximately £5.1bn and the value placed on the liabilities is £4,1bn.



Surrey Pension Fund Quarterly Summary
130%
125%
120%
115%
110%
105%
100%
95%
90%
£6,000
£5,000
£4,000
£3,000
£2,000
£1,000
£0
£5,358
£4,962
£4,906
£5,074
102%
113%
116%
124%
Mar-22
Jun-22
Sep-22
Dec-22
Fund Assets (£m)
Fund Liabilities (£m)
Funding Level

9. Global equities rose over the fourth quarter amid increasing optimism about inflation moderating in 2023. Europe was the best performer as warmer-than-average weather sent European gas prices lower and risks of severe recession appeared to lessen. The Asia Pacific region also outperformed, with China's sudden relaxation of many of its COVID-19 restrictions surprising the market and expected to boost economic activity. While an increase in COVID infections could hamper recovery somewhat, investors remain optimistic about the prospects for the Chinese economy in 2023.

   The US Federal Reserve (Fed) went ahead with two interest rate hikes over the quarter, the second of which was for 50 basis points (bps) rather than the 75bps enacted in previous meetings. US inflation slowed for the fifth consecutive month in November, to 7.1% and Euro area inflation declined for the first time since June 2021, from 10.6% to 10.1%. The US labour market remained tight but showed signs of normalising, reminding the market of the possibility of recession this year if the labour market cools too much.

   It was a mixed picture for global government bonds over the fourth quarter of 2022, with the 10-year US Treasury yield roughly flat, German and Japanese yields rising and UK gilt yields falling.

   European bond yields rose, with the German 10-year bund yield rising from 2.11% to 2.56%. The European Central Bank (ECB) raised interest rates twice over the quarter, by 75bps in October and a further 50bps in December. Central bank guidance indicated that rates would continue to rise "significantly" to get eurozone inflation back down from November's 10.1% to the bank's 2.0% target.

   UK gilt yields fell over the fourth quarter, from 4.10% to 3.67%. Yields spiked in late September and early October after the 'mini-budget', but with the new government focusing on balancing the books, gilt yields trended down before rising again in December. The Bank of England raised interest rates twice over the quarter, by 75bps and 50bps.

   Japanese government bond yields rose suddenly on 20 December when the Bank of Japan (BoJ) unexpectedly announced that it had raised its target on the 10-year bond yield from +/- 0.25% to +/- 0.5%. Yields on 10-year bonds ended the quarter at 0.41%. The central bank now owns more than half the country's outstanding bonds.

   Yields on global credit fell in the fourth quarter, and credit spreads tightened. With consumer price indices indicating slowing inflation rates, and speculation over a possible US Federal Reserve (Fed) pause in rate hikes, some investors began to feel that bad news was already priced in.

   The US dollar fell against sterling, the euro and the Japanese yen in the fourth quarter of 2022. While the dollar's rise earlier in the year drove global currencies to near historic lows versus the US currency, this began to revert in the fourth quarter. Economies proved more resilient than some had feared. Meanwhile, the UK and eurozone continued to narrow the gap between US and European interest rates. Sterling rose against the dollar but weakened slightly against the euro and the yen.

10. Overall, the Fund returned +3.48% in Q3 2022/23 (Oct-Dec 2022), in comparison with the benchmark of +1.31%. As well as a return to an absolute increase in value, the Fund also outperformed the benchmark by 2.17%.

    The best absolute performance came from the exposure to European, UK and Asia Pacific equities, for the reasons previously discussed. However, there was positive absolute performance from all funds and asset classes except for real estate and a marginal fall for the Gilts exposure. The real estate sector is going through a period of re-pricing reflecting rising interest rates and the availability of income elsewhere. There is also pressure in terms of capital flow out of real estate funds, partly driven by asset allocation decisions following the LDI debacle.

    Whilst the absolute value of the Fund's real estate investment fell, the performance was better than the benchmark. There were also better relative performances over the period for BCPP Global Equity Alpha, driven by strong performance by the value managers, and BCPP MAC, where there was some recovery at the end of the year from lower levels.

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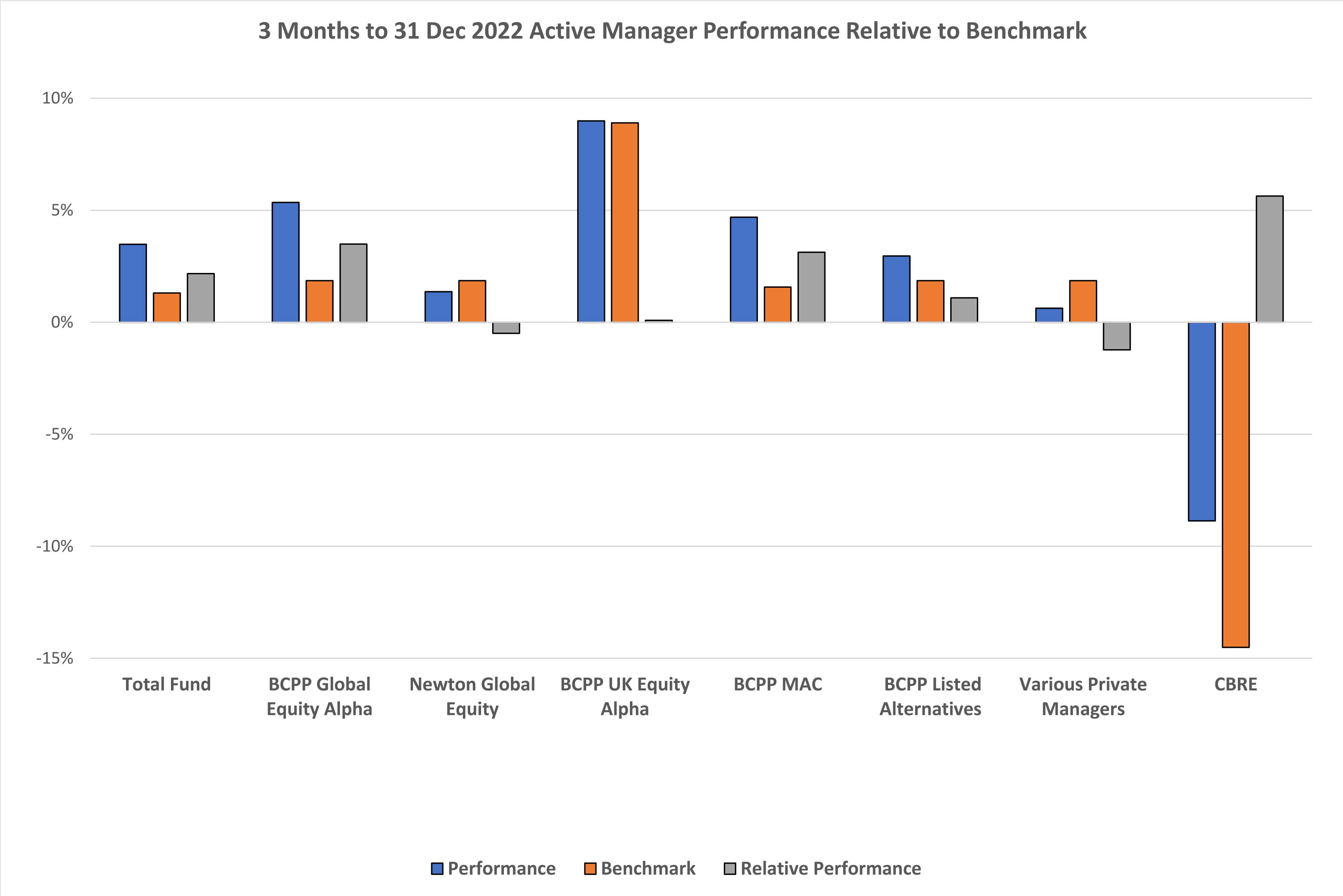
Fund Performance - Summary of Quarterly Results

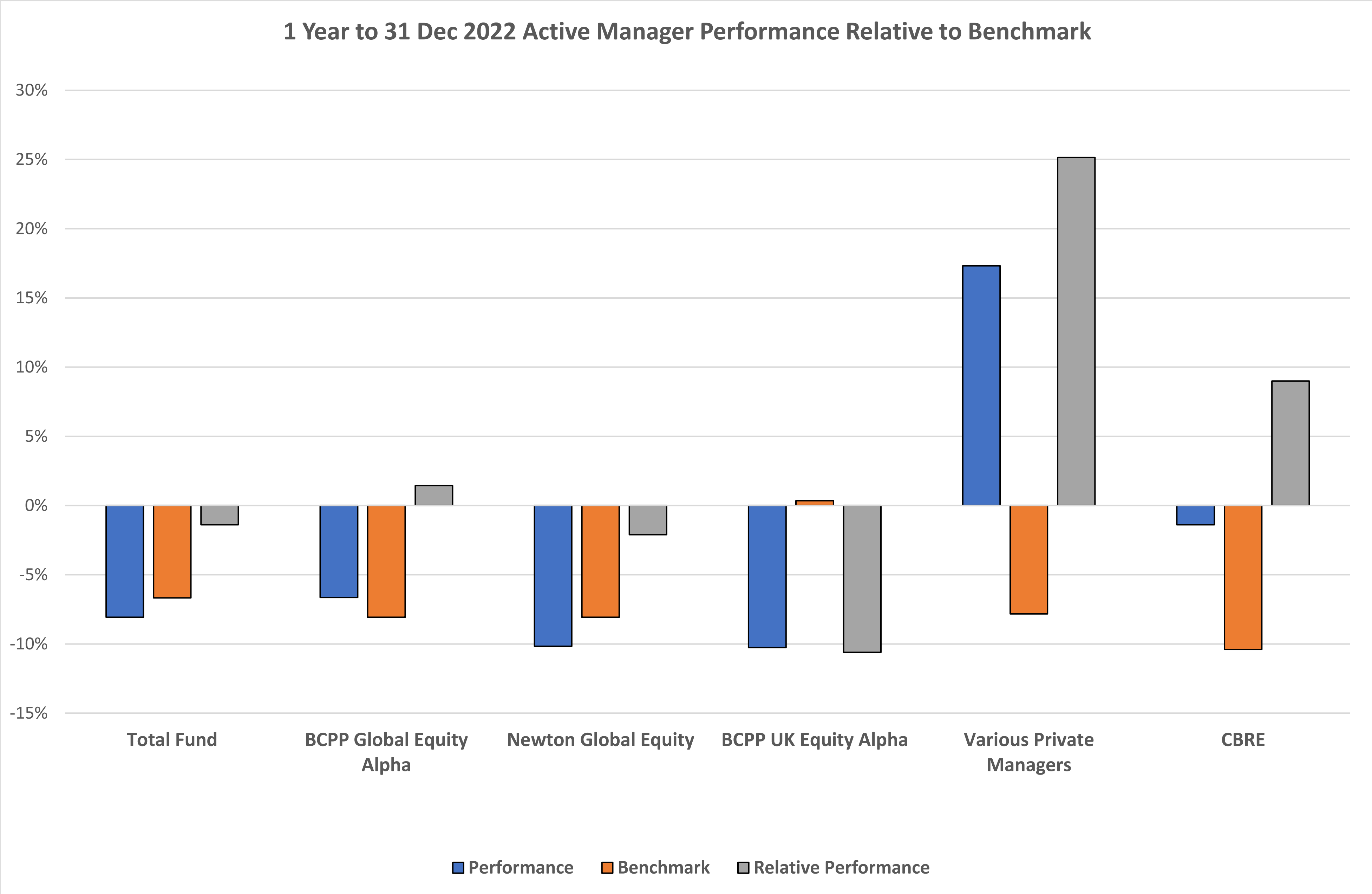
The table below shows manager performance for Q3 2022/23 (October – December 2022), net of investment manager fees, against manager specific benchmarks using Northern Trust data.

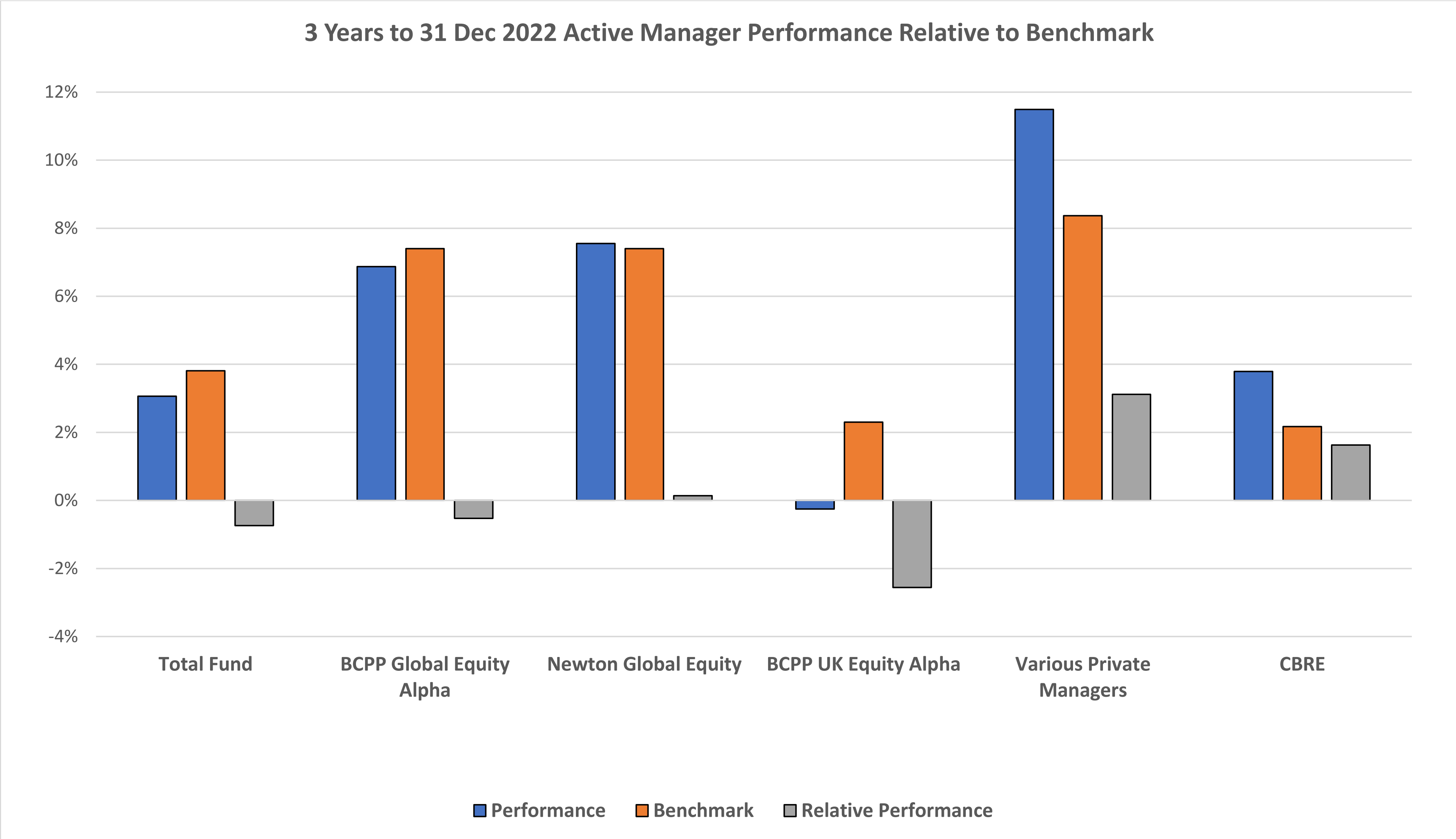
As at 31 Dec 2022		3M			1Y			3Y		
Asset Class	£m	Performance	Benchmark	Relative Performance	Performance	Benchmark	Relative Performance	Performance	Benchmark	Relative Performance
Total Fund	**5,076.7***	3.48%	1.31%	2.17%	-8.07%	-6.68%	-1.39%	3.06%	3.81%	-0.74%
Active Global Equity	**1,157.9**									
BCPP Global Equity Alpha	694.3	5.35%	1.86%	3.49%	-6.65%	-8.08%	1.43%	6.87%	7.40%	-0.53%
Newton Global Equity	463.6	1.37%	1.86%	-0.49%	-10.17%	-8.08%	-2.10%	7.55%	7.40%	0.14%
Active Regional Equity	**473.5**									
BCPP UK Equity Alpha	473.5	8.99%	8.90%	0.09%	-10.27%	0.34%	-10.61%	-0.25%	2.30%	-2.56%
Passive Global Equity	**894.5**									
LGIM - Future World Global	894.5	1.84%	1.86%	-0.02%	-9.19%	-8.91%	-0.28%			
Passive Regional Equity	**393.2**									
LGIM - Europe Ex-UK	48.1	11.66%	11.65%	0.02%	-7.74%	-8.20%	0.46%			
LGIM Emerging Markets	286.1	0.59%	0.69%	-0.11%	-6.90%	-6.84%	-0.05%	1.56%	1.53%	0.03%
LGIM - Japan	15.2	4.84%	4.81%	0.03%	-4.81%	-5.19%	0.38%			
LGIM - Asia Pacific ex-Japan	43.9	8.06%	8.04%	0.02%	-1.58%	-1.61%	0.03%			
Fixed Income	**672.3**									
BCPP MAC	548.7	4.69%	1.57%	3.13%	-10.53%	4.96%	-15.49%			
LGIM Gilts **	123.6	-0.30%			-26.61%			-6.28%		
Private Markets Proxy	**291.2**									
BCPP Listed Alternatives	291.2	2.96%	1.86%	1.09%						
Private Markets	**785.4**									
Various Private Managers	785.4	0.63%	1.86%	-1.23%	17.32%	-7.83%	25.15%	11.49%	8.37%	3.12%
Real Estate	**319.4**									
CBRE	319.4	-8.87%	-14.51%	5.64%	-1.39%	-10.39%	9.00%	3.79%	2.17%	1.63%
L&G Currency Overlay	- 12.5									
Total Cash & Equivalents	101.8									

* Includes £7.55m of money market funds

** Performance figures represent total Bespoke Fund (3M Gilt Return -0.41%, Liquidity Return 0.68%)


3 Months to 31 Dec 2022 Active Manager Performance Relative to Benchmark
10%
5%
0%
-5%
-10%
-15%
Total Fund
BCPP Global Equity Alpha
Newton Global Equity
BCPP UK Equity Alpha
BCPP MAC
BCPP Listed Alternatives
Various Private Managers
CBRE
Performance
Benchmark
Relative Performance


1 Year to 31 Dec 2022 Active Manager Performance Relative to Benchmark
30%
25%
20%
15%
10%
5%
0%
-5%
-10%
-15%
Total Fund
BCPP Global Equity Alpha
Newton Global Equity
BCPP UK Equity Alpha
Various Private Managers
CBRE
Performance
Benchmark
Relative Performance



3 Years to 31 Dec 2022 Active Manager Performance Relative to Benchmark
12%
10%
8%
6%
4%
2%
0%
-2%
-4%
Total Fund
BCPP Global Equity Alpha
Newton Global Equity
BCPP UK Equity Alpha
Various Private Managers
CBRE
Performance
Benchmark
Relative Performance

7

Recent Transactions

11. In October 2021 the Fund purchased units in the BCPP Multi-Asset Credit Fund to a value of £613.5m. This was funded from the disposal of units in the Western Multi-Asset Credit Fund and units in the Templeton Global Total Return Fund.

12. In October 2021 the Fund purchased units in the LGIM Future World Global Equity Index Fund to a value of £996m. This was funded from the disposal of units in the LGIM RAFI Multi-Factor Developed Index Fund and units in the LGIM MSCI World Low Carbon Target Index Fund.

7

13. In February 2022 the Fund purchased units in the BCPP Listed Alternatives Fund to a value of £386.5m. This was funded from the disposal of units in the Baillie Gifford Diversified Growth Fund, units in the Aviva Investors Multi-Strategy Target Return Fund, and units in the Ruffer Absolute Return Fund.

14. During the second half of 2022 the Fund has used BCPP Listed Alternatives, BCPP UK Equity Alpha and LGIM Liquidity Fund as a source of funds for private market capital calls.

Stock Lending

15. In the quarter to 31 December 2022, stock lending earned a net income for the Fund of £3,634 compared with £2,939 for the quarter ended 30 September 2022.

Mandate Change

16. Since the period end, the investment management agreement with CBRE has been amended. As discussed in the Committee meeting of 16 December 2022, CBRE will now cease to re-invest returns of income and instead pay that income out to the Fund. Given the potential launch and Fund investment in the new BCPP real estate funds, and the potential lack of liquidity of some real estate investments, new investment commitments by CBRE will solely be made to (i) open ended funds, or (ii) funds with at least an annual redemption window.

Asset allocation

17. The table and the graph below show the target and actual asset allocations for the quarter ending 31 December 2022. These allocations were agreed by the Pension Fund Committee in the December 2022 meeting.

Asset class	Total Fund (£M)	Actual (%)	Target (%)	Advisory ranges %	Role(s) within the strategy
Listed Equities		**57.5%**	**54.8**	**51.8 – 57.8**	Generate returns in excess of inflation, through exposure to the shares of domestic and overseas companies.
UK	473.5	9.3%	6.6		
Global Market Cap	1,157.9	22.8%	21.4		
Global Regional	107.1	2.1%	2.2		
Emerging Markets	286.1	5.6%	5.5		
Global Sustainable	894.5	17.6%	19.1		
Alternatives		**27.5%**	**27.6**	**22.6-32.6**	Generate returns in excess of inflation, through exposure to illiquid assets that are not publicly traded, whilst providing some diversification away from listed equities and bonds.
Private Markets	785.4	15.5%	17	7.0-25.0	
Listed Alternatives	291.2	5.7%	3	0.0-6.0	
Real Estate	319.4	6.3%	7.6	4.6–10.6	
Multi Asset Credit		**10.8%**	**12.1**	**9.1-15.1**	Offer diversified exposure to global credit markets to capture both income and capital appreciation of underlying bonds.
Multi Asset Credit	548.7	10.8%	12.1		
Fixed Interest Gilts				**2.5-8.5**	Low risk income stream
Fixed Interest Gilts	123.6	2.4%	5.5		
Cash & Currency Overlay	89.3	**1.8%**			
Total	**5,076.7**		**100**		

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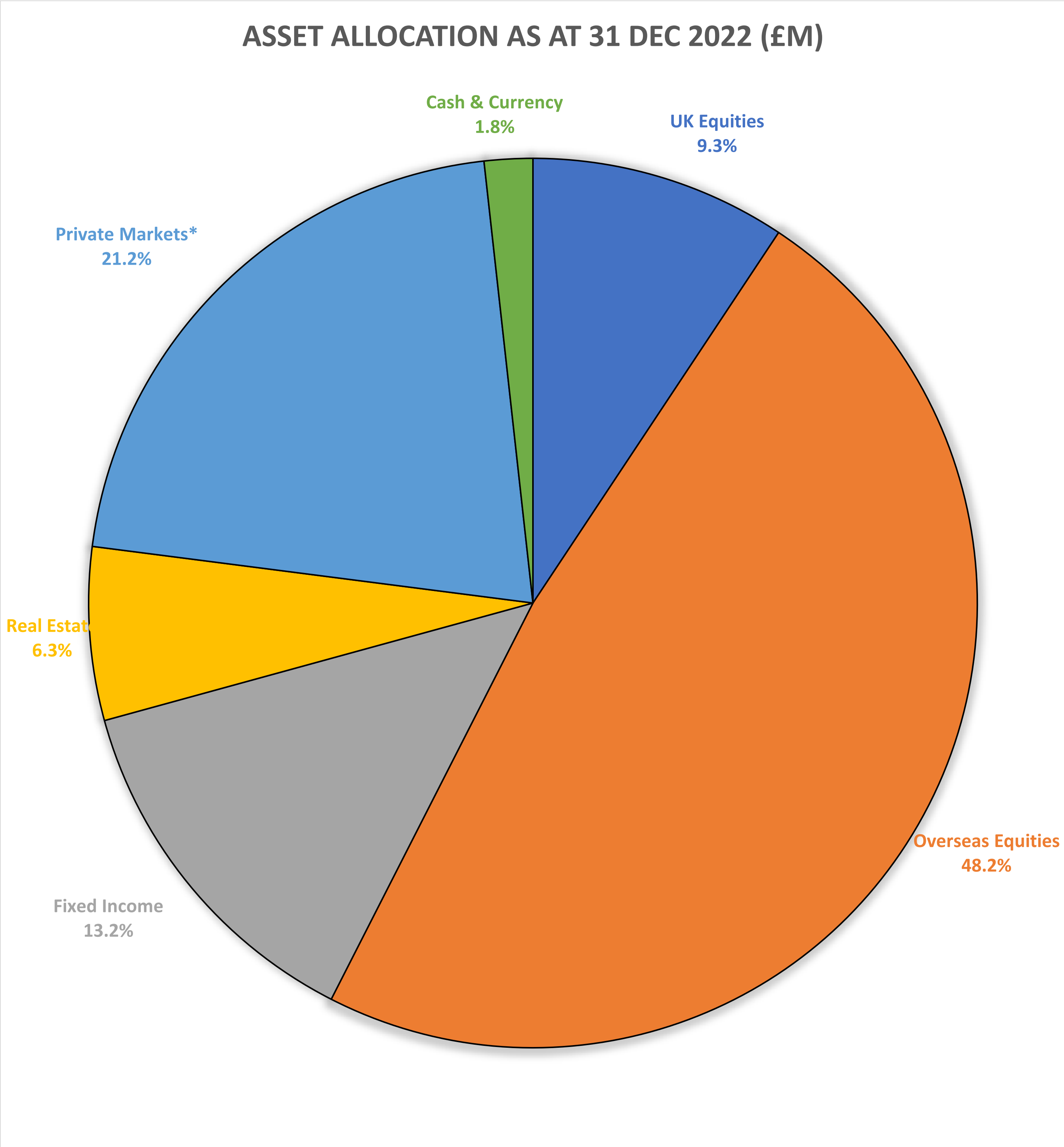
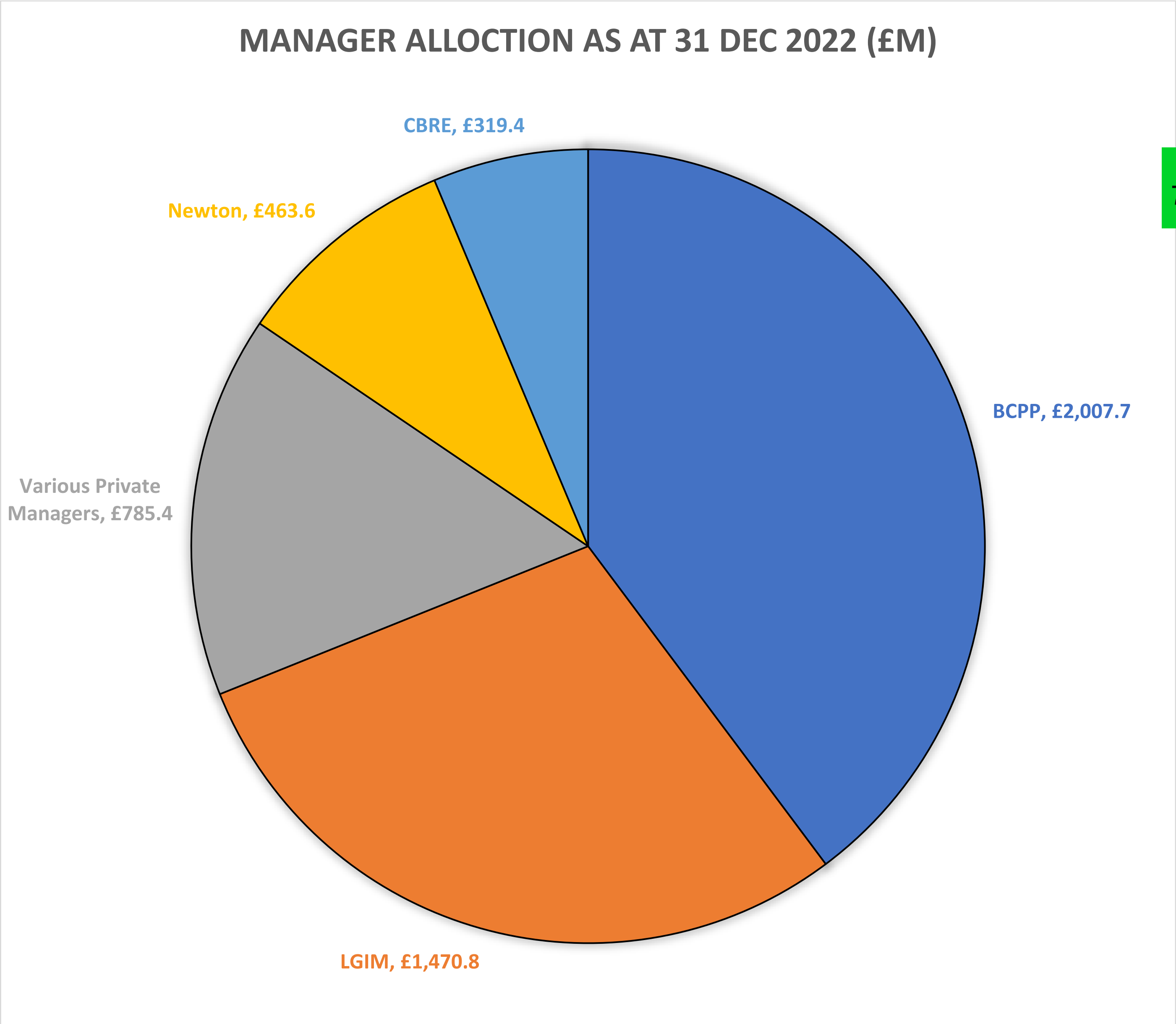


*Includes Listed Alternatives

Manager Allocation

The graph below shows the manager allocation for the quarter ending 31 December 2022.



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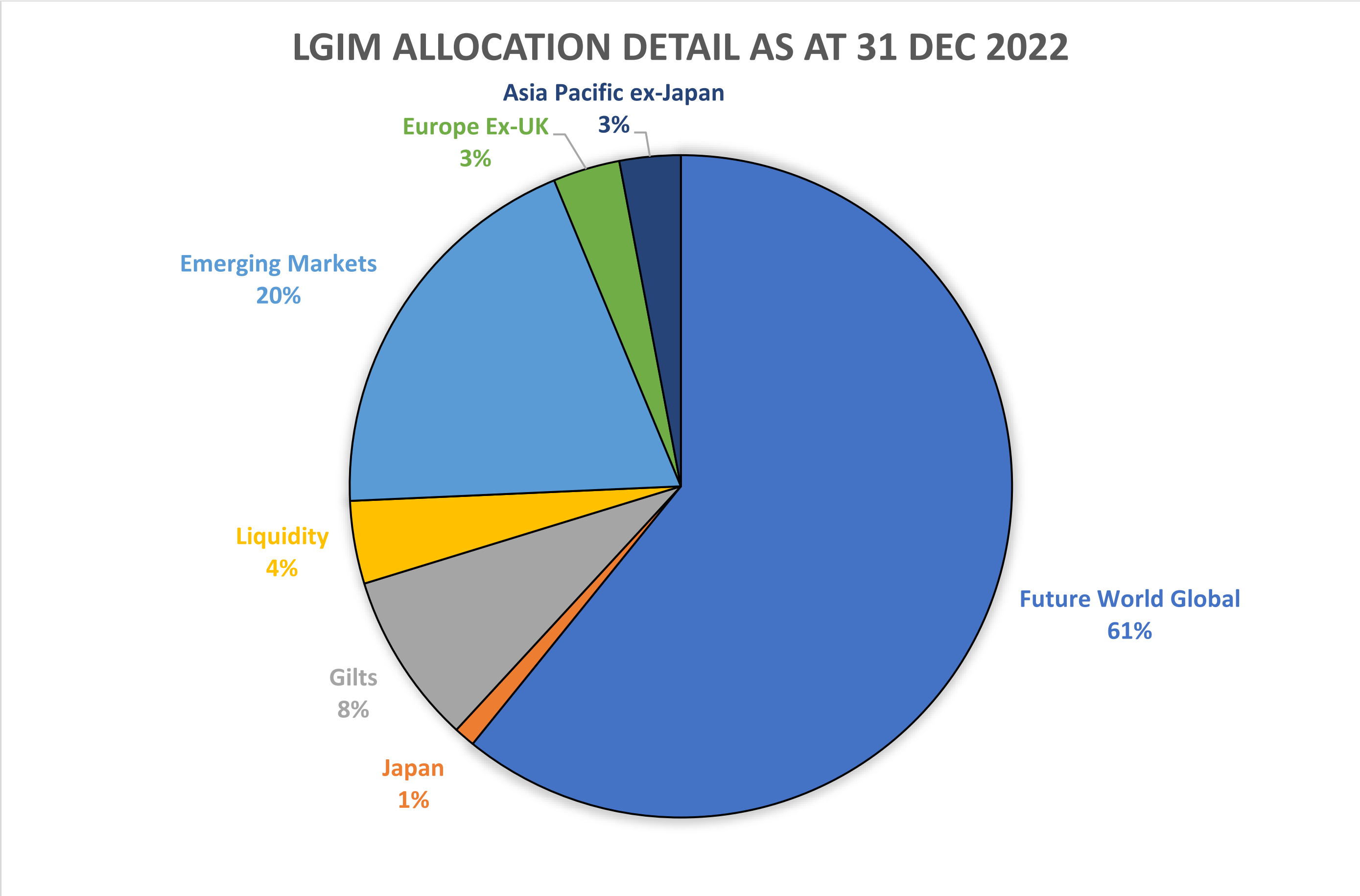
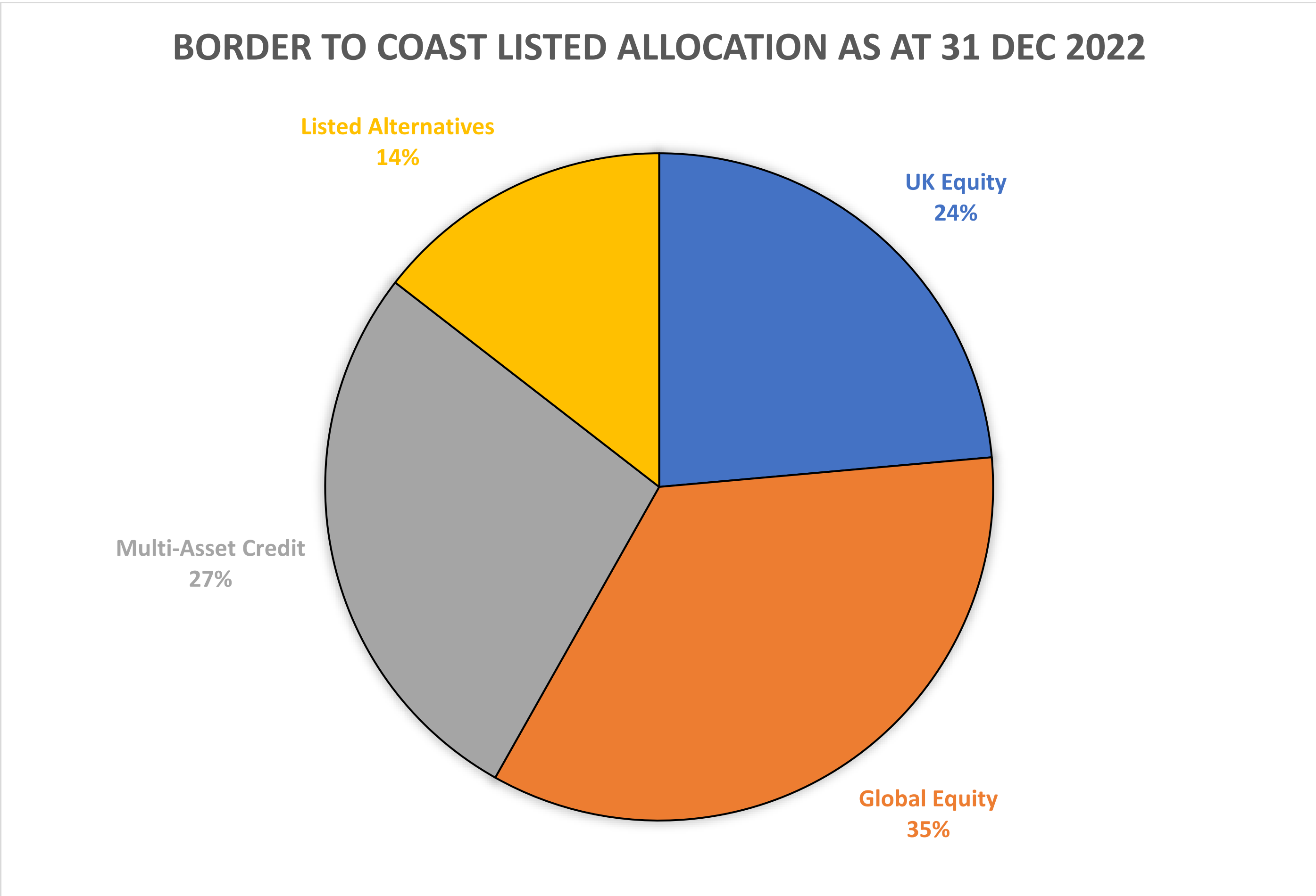

LGIM ALLOCATION DETAIL AS AT 31 DEC 2022
Asia Pacific ex-Japan
3%
Europe Ex-UK
3%
Emerging Markets
20%
Liquidity
4%
Gilts
8%
Japan
1%
Future World Global
61%


BORDER TO COAST LISTED ALLOCATION AS AT 31 DEC 2022
Listed Alternatives
14%
UK Equity
24%
Multi-Asset Credit
27%
Global Equity
35%

Cashflow

18. Pensions Funds have a positive cash-flow when their contribution inflows exceed pension benefits paid.

19. Contributions are derived from employers and employees. Pension benefits are derived from pensions and lump sum benefits paid to retired members and benefits paid to employees on leaving the Fund.

20. Any positive cash-flow is invested in accordance with the Fund's cash management plan.

21. We are reviewing cashflow information and in due course will review the prospective cashflow requirements taking account of likely pension increases and the new schedule of employer contributions following the actuarial valuation.

7

£m **Period**	**Total contributions received**	**Total pension benefits paid**	**Net cash-flow**
Quarter Two 2022/23 (1 Jul 2022 – 30 Sep 2022)	56.3	48.6	7.7
Quarter Three 2022/23 (1 Oct 2022 – 31 Dec 2022)	53.6	46.9	6.7

22. An indication of the current membership trends is shown by movements in membership over quarters two and three. Member data listed below.

Period	**Active members**	**Deferred members**	**Pension members**	**Total members**
Quarter Two 2022/23 (1 Jun 2022 – 30 Sep 2022)	35,010	43,728	30,264	109,002
Quarter Three 2022/23 (1 Oct 2022 – 31 Dec 2022)	35,473	43,744	30,482	109,699

Fund Manager Benchmarks

Fund	Portfolio	Benchmark Index	Performance Target relative to Benchmark
Surrey Pension Fund	Total Portfolio	Weighted across fund	+1.0%

Manager	Portfolio	Benchmark Index	Performance Target relative to Benchmark
BCPP	UK Equities Alpha	FTSE All Share	+2.0%
BCPP	Global Equities Alpha	MSCI ACWI	+2.0%
BCPP	MAC	SONIA + 3.5%	
BCPP	Listed Alternatives	MSCI AC World Index	
Newton	Global Equities	MSCI AC World Index	+2.0%
Various	Private Equity	MSCI World Index	+5.0%
CBRE	Real Estate	MSCI/AREF UK QPFI All Balanced Property Fund Index (for UK Assets) Global Alpha Fund Absolute Return 9-11%	+0.5%
LGIM	Europe ex-UK Equities Future World Global Equity Index Japan Equity Asia Pacific ex-Japan Development Equity World Emerging Markets Equity LGIM Bespoke & Cash	FTSE Developed Europe ex-UK Net Solactive L&G ESG Global Markets Net FTSE Japan Net FTSE Developed Asia Pacific ex-Japan Net FTSE Emerging Net Fund return	To track the performance of the respective indices within a lower level of tracking deviation (gross of fees) over rolling 3-year periods

7

CONSULTATION:

23. The Chair of the Pension Fund Committee has been consulted on this report

RISK MANAGEMENT AND IMPLICATIONS:

24. Risk related issues have been discussed and are contained within the report.

FINANCIAL AND VALUE FOR MONEY IMPLICATIONS

7

25. Financial and value for money implications are discussed within the report.

DIRECTOR CORPORATE FINANCIAL & COMMERCIAL COMMENTARY

26. The Director Corporate Financial & Commercial is satisfied that all material, financial and business issues and possibility of risks have been considered and addressed.

LEGAL IMPLICATIONS – MONITORING OFFICER

27. There are no legal implications or legislative requirements.

EQUALITIES AND DIVERSITY

28. The approval of the various options will not require an equality analysis, as there is no major policy, project or function being created or changed.

OTHER IMPLICATIONS

29. There are no potential implications for council priorities and policy areas.

WHAT HAPPENS NEXT

30. The following next steps are planned:

- Implement equity asset allocation restructure as agreed in the Committee meeting in December 2022.
- Continue to monitor performance and asset allocation.

Contact Officer:
Lloyd Whitworth, Head of Investment & Stewardship

Consulted:
Pension Fund Committee Chair

Annexes:
Annexe 1 - Manager Fee Rates (Part 2)

Sources/background papers:

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SURREY COUNTY COUNCIL

PENSION FUND COMMITTEE

DATE: **10 MARCH 2023**

LEAD OFFICER: **ANNA D'ALESSANDRO, DIRECTOR CORPORATE FINANCIAL & COMMERCIAL**

SUBJECT: **RESPONSIBLE INVESTMENT UPDATE**

SUMMARY OF ISSUE:

A key priority of the Pension Fund Committee (Committee) is to approve the Responsible Investment (RI) policy after considering the consultation feedback and set a net zero date consistent with its fiduciary responsibility of meeting pension liabilities.

RECOMMENDATIONS:

It is recommended that the Committee:

1. Accept the recommendation of the Responsible Investment Sub Committee (RISC), that the RI Policy be approved.
2. Approve officers and consultant to review the wording within the RI Policy regarding 'engagement with consequences' to make the escalation process clearer.
3. Note the net zero brief agreed by the RISC.
4. Note the decision of the RISC to appoint Mercer to answer the net zero brief.
5. Approve officers to continue to work with the RISC, investment consultant and independent advisor to facilitate this process.
6. Approve the priority elements regarding implementation of the RI Policy for 2023/4.

REASON FOR RECOMMENDATIONS:

To enable the Committee to fulfil the key priority of agreeing the Responsible Investment Policy and setting of a net zero date and pathway.

BACKGROUND:

1. A key priority for the Committee is to agree the RI policy and set a net zero date. This must be consistent with the fiduciary responsibility of the Committee.

2. The Committee approved the RI policy at the 17 June 2022 meeting subject to consultation. The feedback from the consultation was presented to the RISC on 13 January 2023.

3. Given the uncertainty regarding any impact a particular net zero date could have on the future funding position of the Fund, the Committee requires further exploration of potential net zero dates.

DETAILS:

Consultation feedback

4. The RI policy consultation was launched on 12 September 2022 and closed on 6 November 2022. There were over 7000 responses, of which over 1100 included written comments in the freeform text box. There were also 80 direct submissions.

8

5. The analysis of the consultation responses was presented to the RISC on 13 January 2023. Annexe 1 contains the independent review of the data produced by Surrey Says.

6. 92% of the responses came through the members channel, 3% from employers and 5% used the public access survey.

7. There was strong support for all areas of the RI Policy. For each question, the average response rate within the Agree or Strongly Agree categories was 70%. No question had more than 7% in Disagree or Strongly Disagree combined.

8. Reviewing the individual sections within the consultation, there was 68.3% in Agree or Strongly Agree for the Fund to use the UN Sustainable Development Goals as the guiding principles for Environmental, Social and Governance (ESG) engagement. For the 11 Beliefs laid out in the Policy there was an average level of Agree or Strongly Agree of 70.4%. There was 67.4% support for the Fund's managers to have an ESG engagement process with investee companies, including an escalation policy with an ultimate sanction of exclusion or divestment considered. Working collectively had the highest level of support at 78.8%.

9. A point of note for Belief 9, regarding 'engagement with consequences', is that there was a higher level of response rate for 'Neither Agree nor Disagree' compared to other questions. This may imply that the wording of this section is not clear enough. Officers propose reviewing the wording with Minerva.

10. In summary, there was strong support for the RI Policy.

11. All consultation results and feedback will be published on the Fund's website.

Net zero date setting

12. A key element of the RI policy is for the Committee to agree a net zero date. At the meeting of 23 September 2022, the Committee did not feel it had enough information to set a net zero date whilst maintaining confidence that it was consistent with its fiduciary duty.

13. In line with the delegated powers of the RISC, a brief was agreed at the RISC meeting of 13 January 2023 to be given to Mercer, the Investment Consultant. The brief is attached in Annexe 2.

14. Mercer responded to the brief at the RISC meeting on 27 January 2023. The presentation is attached in Annexe 3, Part 2

15. In response to the Mercer presentation, the RISC requested a follow-up presentation by Mercer on 13 February 2023, focusing on model choices and assumptions. The follow-up questions can be found in Annexe 4. Mercer's second presentation can be found in Annexe 5, Part 2.

16. Following Mercer's presentation on 13 February 2023, the RISC agreed to appoint Mercer to answer the brief.

8

RI Policy Implementation

17. Following analysis of the consultation feedback by the RISC, it is proposed that the RI Policy gain final approval from the Committee on 10 March 2023.

18. In line with the RI Policy, the priorities for the year 2023/4 are the following:

a: Set a net zero date and trajectory.

b: Update the voting policy.

c: Submit the RI Policy to the Fund's equity managers for them to report on current compliance and alignment.

d: Submit application to become a signatory of the UK Stewardship Code.

CONSULTATION:

19. The Chair of the Pension Fund Committee has been consulted on this report.

RISK MANAGEMENT AND IMPLICATIONS:

20. The consideration of risk related issues, including investment, governance, and reputational risk, are an integral part of this project and will be considered as part of the project development.

FINANCIAL AND VALUE FOR MONEY IMPLICATIONS

21. There are no financial and value for money implications contained in this report.

DIRECTOR CORPORATE FINANCIAL & COMMERCIAL

22. The Director Corporate Financial & Commercial is satisfied that all material, financial and business issues, and possibility of risks have been considered and addressed.

LEGAL IMPLICATIONS – MONITORING OFFICER

23. There are no legal implications or legislative requirements.

EQUALITIES AND DIVERSITY

24. There are no equality or diversity issues.

OTHER IMPLICATIONS

25. There are no potential implications for council priorities and policy areas.

8

WHAT HAPPENS NEXT

26. The following next steps are planned:

    a. Officers and Minerva to re-write the engagement with consequences section of the RI Policy.

    b. Mercer to carry out their analysis in response to the net zero brief and report back to the RISC.

    c. Prepare updated Voting Policy for Committee approval.

Contact Officer:
Lloyd Whitworth, Head of Investment & Stewardship

Consulted:
Pension Fund Committee Chair

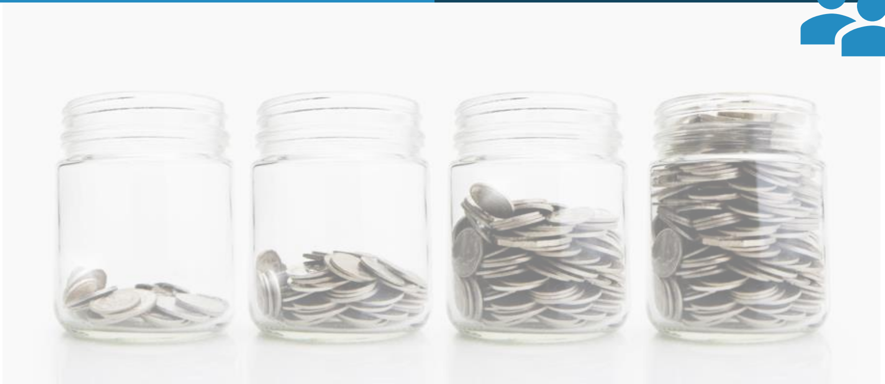
Annexes:
1. Independent review of the data produced by Surrey Says – Annexe 1
2. Investment Consultant Brief – Annexe 2
3. Mercer presentation 27 January 2023 – Annexe 3 (Part 2)
4. Follow up questions from Mercer presentation of 27 January – Annexe 4
5. Mercer presentation 13 February 2023 – Annexe 5 (Part 2)

Sources/background papers:

Surrey Pension Fund

Responsible Investment Policy – Survey Findings

Contents



Introduction

Surrey Pension Fund believes that investments made on behalf of their scheme members should be sustainable and so the Fund recently reviewed their Responsible Investment Policy to reflect these beliefs. The draft Responsible Investment Policy sets out the Fund's approach in addressing Responsible Investment issues associated with its investment strategy.

From September to November 2022, Surrey Pension Fund invited LGPS members, Employers, Board or Committee members and the general public to share their feedback on the Fund's draft Responsible Investment (RI) policy. The Surrey Pension team are keen to better understand members views and will use the findings presented in this report to inform future investment.

A total of **7,337** consultation responses were collected through Snap Survey, Surrey Says and via postal surveys. The majority of respondents (91%) were received from LGPS members, with the remaining from the general public (5%), Employers (3%) and Board or Committee members (<1%).

The five pillars of Surrey Pension Fund's Responsible Investment (RI) Policy:

1: Governance: sets out the background, objectives and governance arrangements of the Fund, and introduces Surrey's RI Beliefs.

2: Process: explains the approach employed by the Fund in identifying RI risks, expectations of where RI risks should be addressed in the investment process, and highlights some examples of the investment risks and opportunities that arise from RI considerations.

3: Implementation: describes how the Fund's RI beliefs and objectives are best delivered over short, medium and long-term investment timeframes, sets out some high-level expectations of any third parties working on behalf of the Fund, and covers the topic of working collaboratively with other likeminded investors.

4: Stewardship: focusses on the main tools available for the delivery of Surrey's RI Policy, which are through voting (for all listed assets) and engagement (for a wider set of assets).

5: Monitoring and Reporting: sets out the Fund's views on reporting on RI matters, including defining some reporting expectations of its investment managers, and covers the Fund's own bespoke RI reporting needs, including communicating with scheme members and other stakeholders.

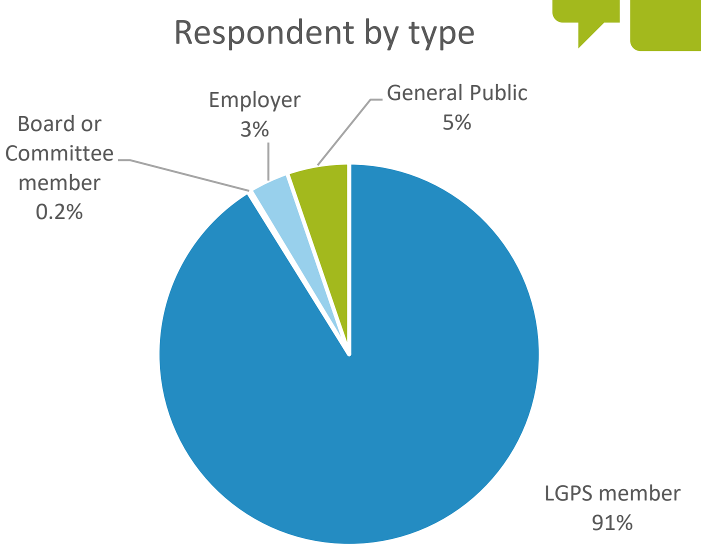


Figure 1: Breakdown of respondents by type (Base size: 7,337)

UN Sustainable Development Goals

The United Nations (UN) Sustainable Development Goals (SDGs) are a collection of 17 interlinked global goals designed to be a *"blueprint to achieve a better and more sustainable future for all"*.

The Sustainable Development Goals (SDGs) are led by United Nations Development Programme (UNDP). The 17 SDGs include new development challenges, such as climate change, sustainable consumption and peace and justice. They place increased importance on issues of disability, gender and equality.

A total of 68% respondents agreed or strongly agreed that the UN SDGs should be the guiding principle for any involvement relating to Environmental, Social or Governance engagement.

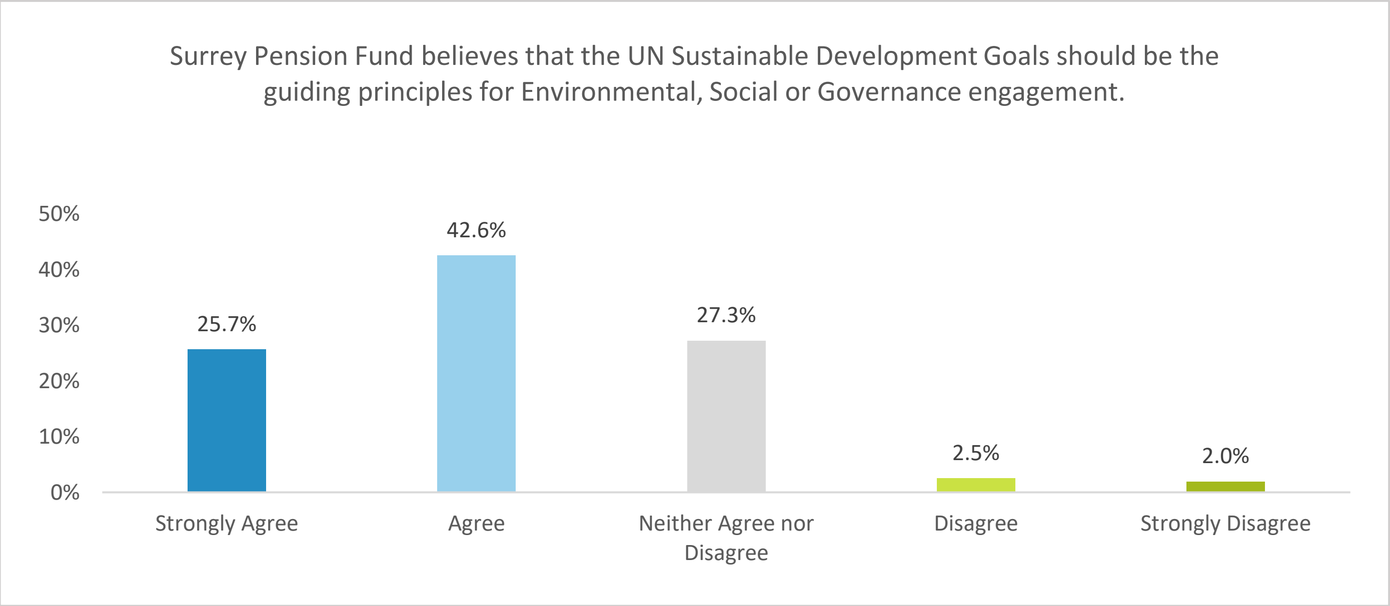


Figure 2: The UN SDGs should be the guiding principles for ESG engagement. (Base size: 7,085)

Responsible Investment beliefs

The consultation set out each of the 11 individual Responsible Investment (RI) beliefs. Respondents were able to select the extent to which they agreed with each of the beliefs on a 5-point scale from ‘Strongly Agree’ to ‘Strongly Disagree’.

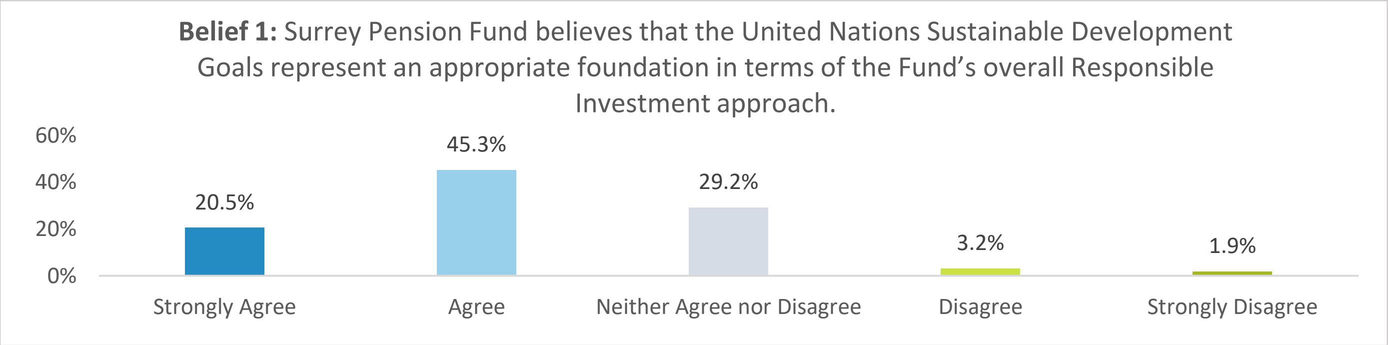


Figure 3: The UN SDGs represent an appropriate foundation. (Base size: 7,337)

The majority of respondents (66%) agreed or strongly agreed that UN SDGs represent an appropriate foundation of the Fund’s overall Responsible Investment approach.

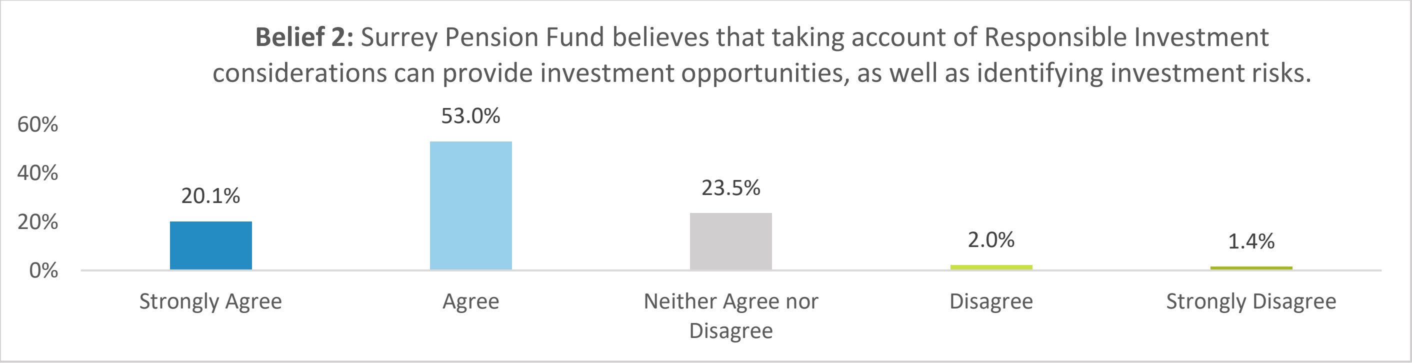


Figure 4: Taking account of Responsible Investment considerations can provide investment opportunities. (Base size: 7,331)

Just under 3 in 4 respondents agreed or strongly agreed that taking account of RI consideration can provide investment opportunities, in addition to identifying investment risks.

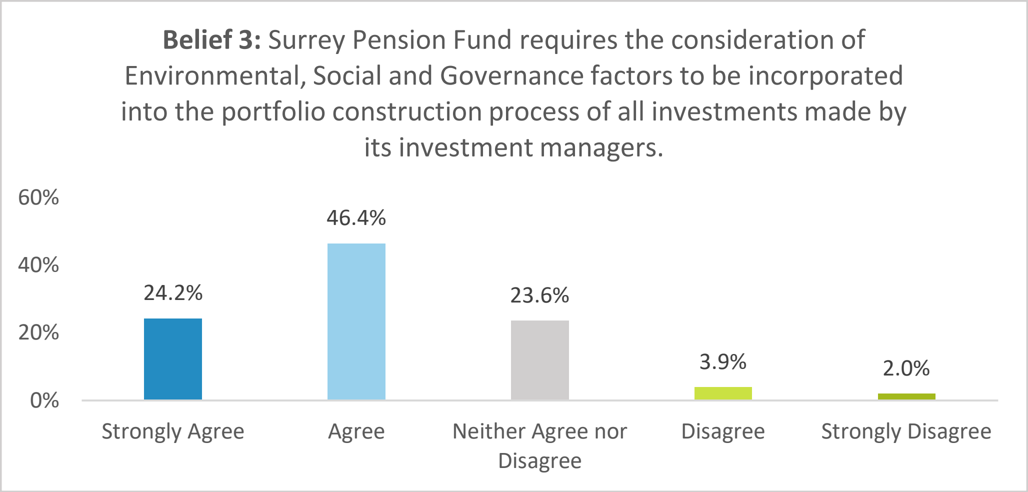


Figure 5: Consideration of ESG factors. (Base size: 7,336)

- When thinking about investments made by investment managers, over 7 in 10 respondents agreed there should be consideration of ESG principles and factors into the portfolio construction process.
- Around 72% of respondents agreed or strongly agreed that RI considerations are important regardless of asset class.
- Just under 3 in 4 respondents agreed or strongly agreed that RI investment considerations are important across all time horizons, both in terms of protecting and enhancing long-term investment return and also stakeholder interests .

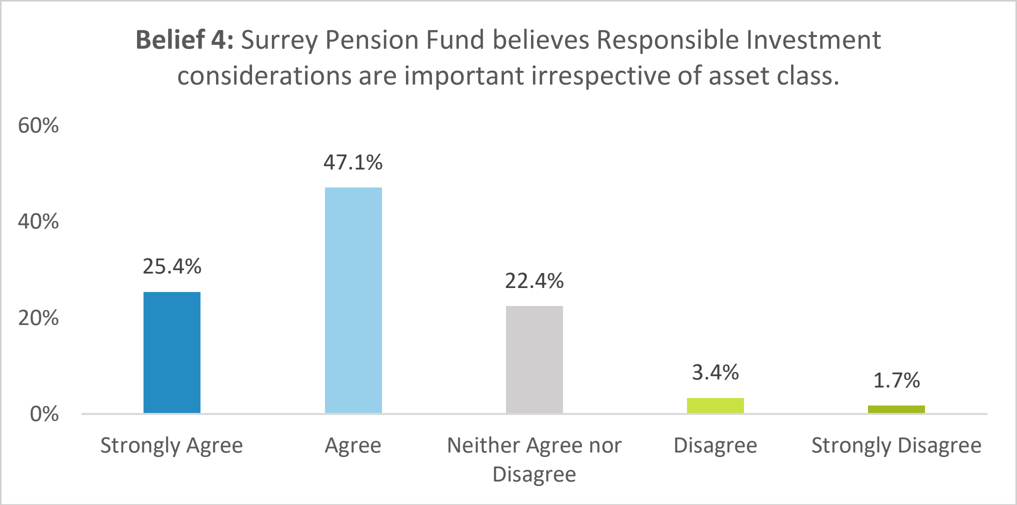


Figure 6: RI considerations are important irrespective of asset class. (Base size: 7,335)

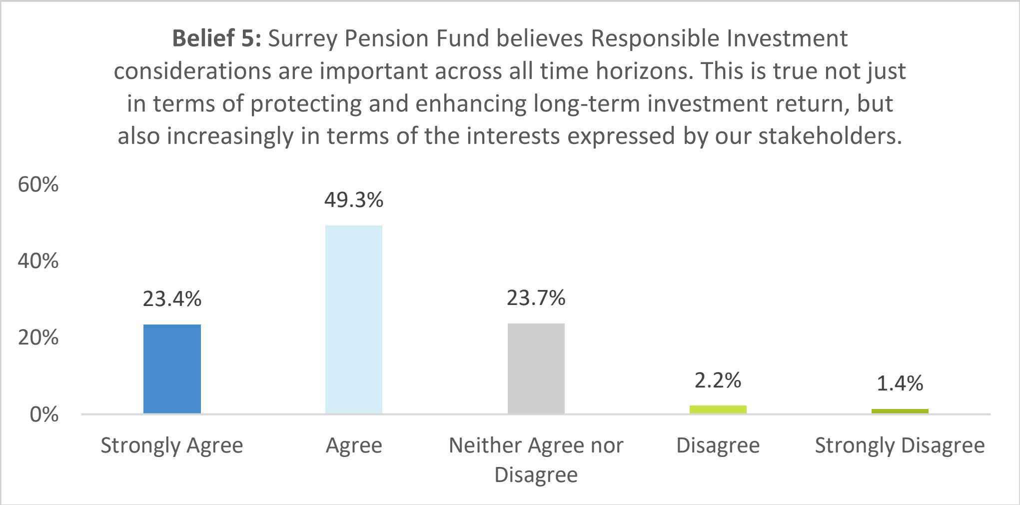


Figure 7: RI considerations are important across all time horizons (Base size: 7,329)

Belief 6: Surrey Pension Fund believes that Environmental, Social or Governance factors are relevant in the context of benchmarking, risk analysis and investment opportunity identification.

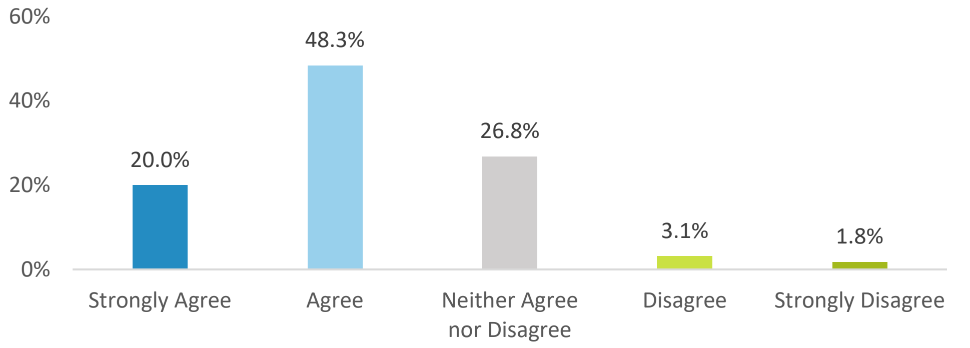


Figure 8: Relevance of ESG factors (Base size: 7,328)

Belief 7: Surrey Pension Fund believes responsible management of Responsible Investment issues by Surrey Pension Fund and its agents is considered a reputationally important issue.

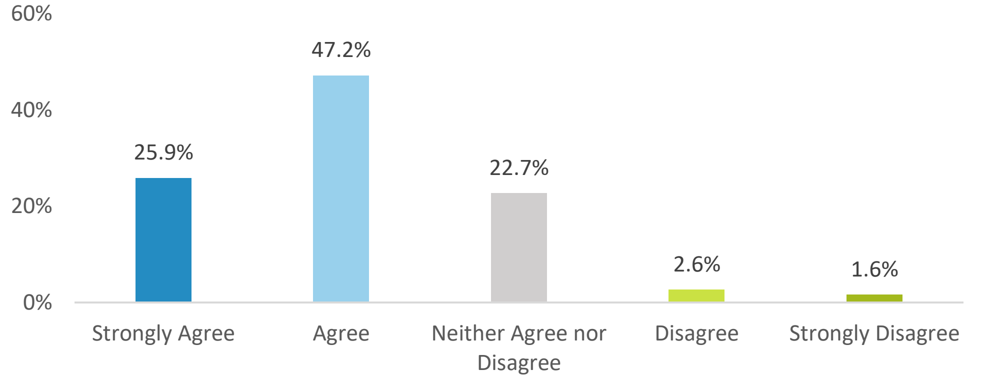


Figure 9: Responsible management is reputationally important (Base size: 7,330)

Belief 8: Surrey Pension Fund views climate risk - and the issues which contribute to it - as being of significant direct and indirect concern to all stakeholders, and as a result the Fund's approach towards 'Net Zero' is a prominent area of focus.

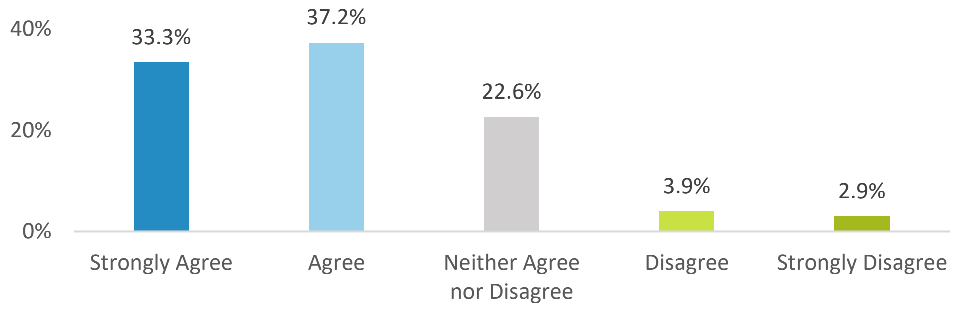


Figure 10: Climate risk as a concern (Base size: 7,331)

- Most respondents (68%) believed that ESG factors are relevant for benchmarking, risk analysis and identification of investment opportunities.
- Just under 3 in 4 respondents agreed that responsible management of RI issues is a reputationally important issue.
- A further 7 in 10 respondents were in agreement that the Fund's approach towards 'Net Zero' should be a prominent area of focus. 'Net Zero' means cutting greenhouse gas emissions to as close to zero as possible, with any remaining emissions re -absorbed from the atmosphere. Around 7% of respondents either disagreed or strongly disagreed with this belief.

Responsible Investment beliefs

Surrey Pension Fund

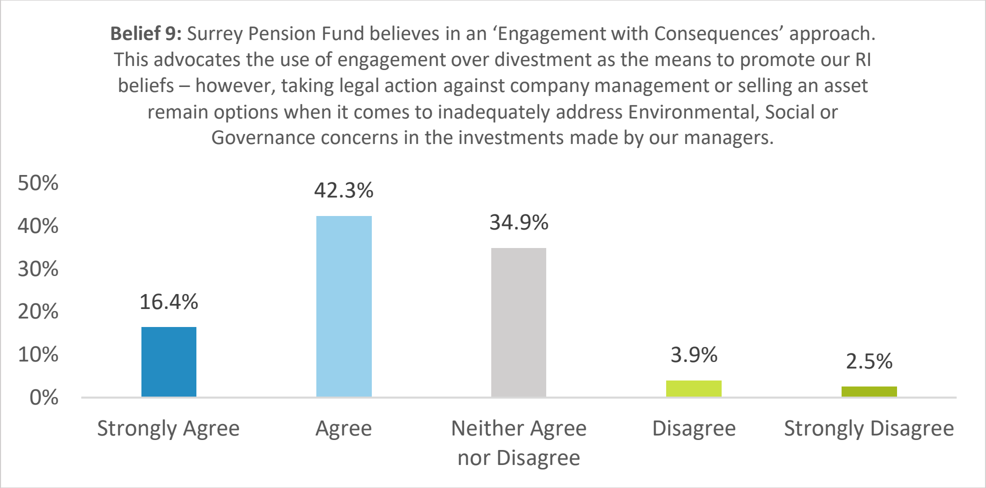


Figure 11: Engagement with consequences approach (Base size: 7,333)

- Many agreed (59%) with the Fund's 'Engagement with Consequences' approach to advocate the use of engagement over divestment. Over one third of respondents neither agreed nor disagreed with this belief, suggesting that Surrey Pension Fund could provide further clarity on the meaning of this term.
- Most respondents (70%) recognised the value in engaging collaboratively with other like-minded investors to leverage greater influence.
- Belief 11 demonstrated the highest level of agreement, with 78% of respondents believes that exercise of the Fund's ownership of rights through voting is an important part of RI beliefs.

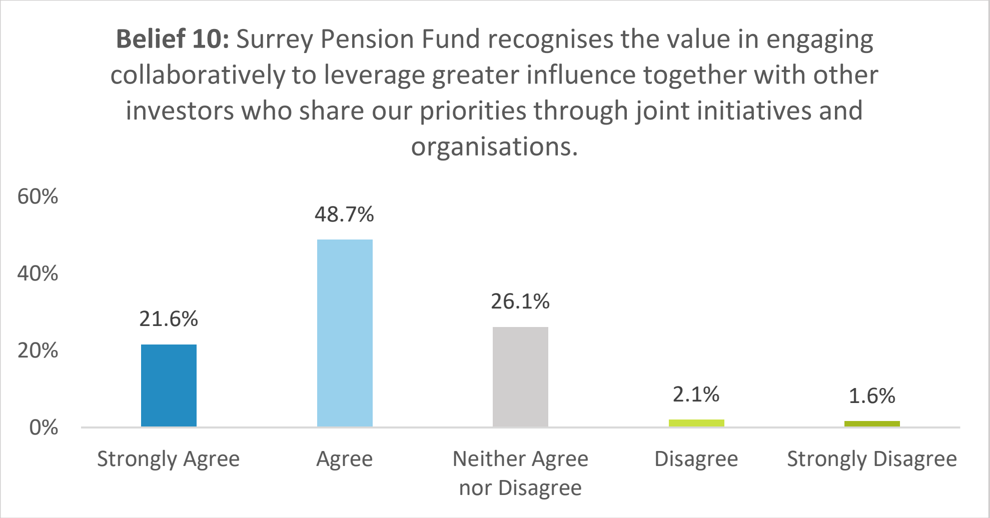


Figure 12: Engaging collaboratively to leverage greater influence (Base size: 7,334)

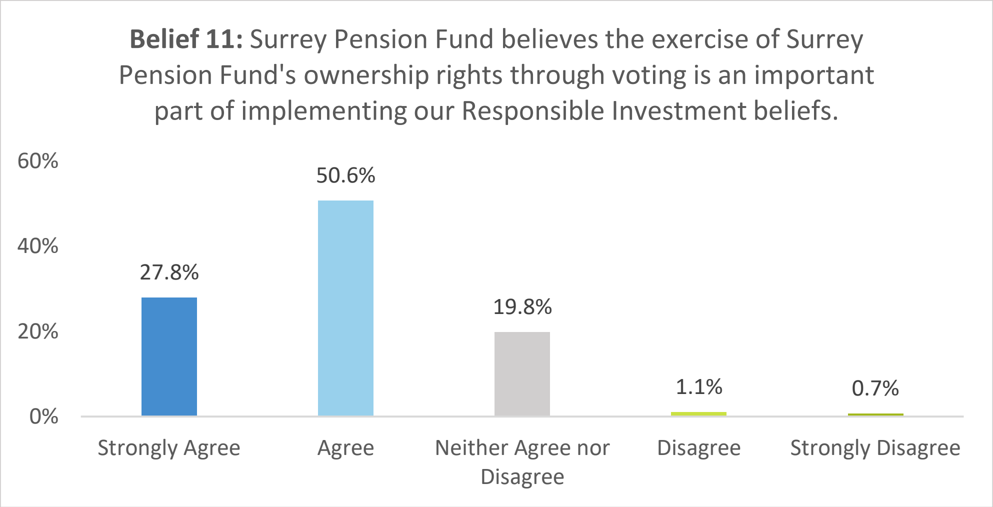


Figure 13: Ownership of rights through voting (Base size: 7,333)

Surrey Pension Fund

Divestment

Divestment means selling an existing investment for a specific reason(s), which can include Environmental, Social or Governance reasons. Surrey Pension Fund's approach to responsible investment is to engage with companies to improve their business practices toward Environmental, Social or Governance issues.

Around 67% of respondents agree or strongly agree that the Fund should firstly engage with companies to improve their practices and move towards adopting ESG principles. Respondents agree that where companies do not seek to improve their practice, Surrey Pension Fund should carry out an escalation process with the ultimate sanctions of exclusion or divestment considered.

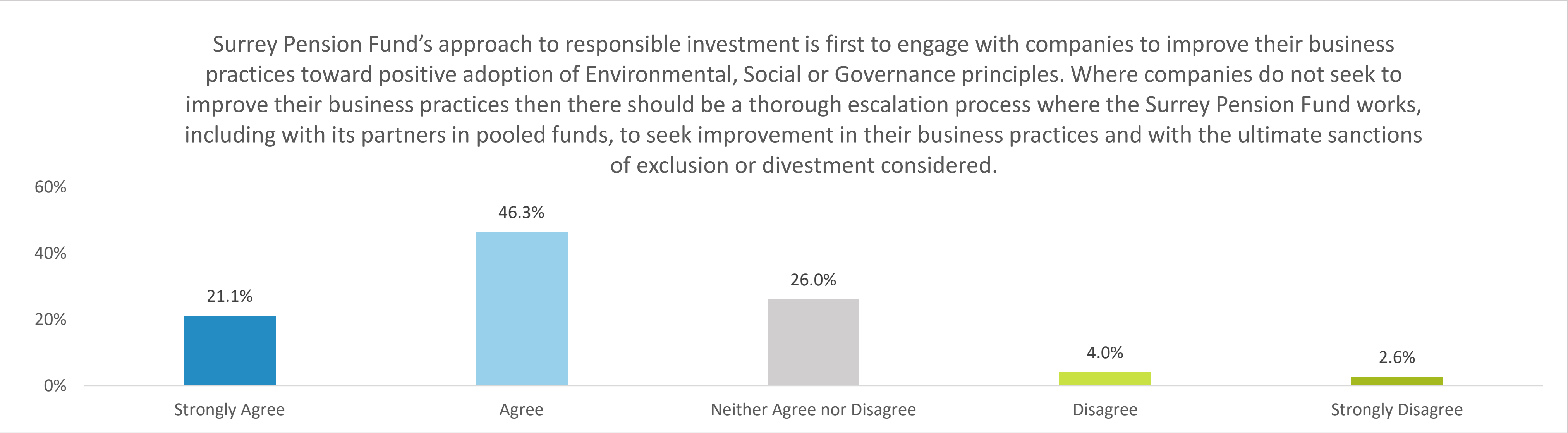
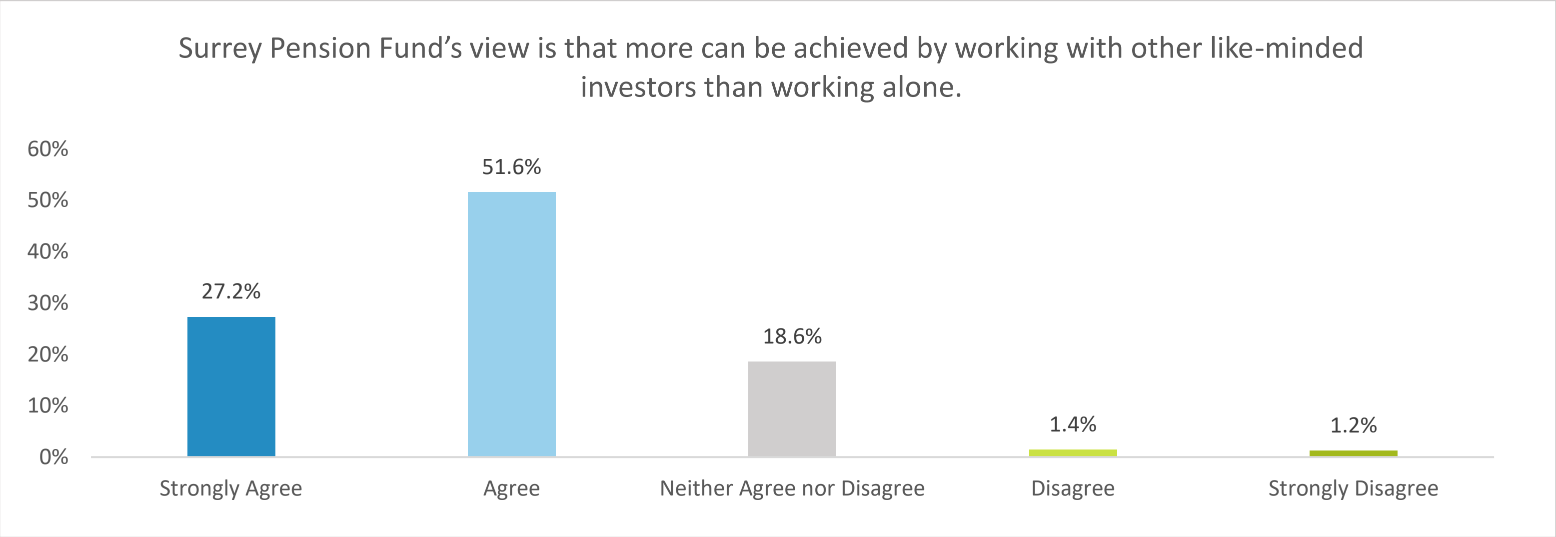


Figure 14: Divestment (Base size: 7,337)

Working Collectively

Surrey Pension Fund collaborates with a number of organisations including the the Local Authority Pension Fund Forum (LAPFF). Surrey Pension Fund is also one of 11 Local Government Pension Schemes Partner Funds within the Border to Coast Pensions Partnership. The Border to Coast Pensions Partnerships purpose is to make a difference for the Local Government Pension Scheme. We seek to do this by providing cost-effective, innovative, and responsible investment opportunities that deliver returns over the long-term.

While the assets within the Fund are in excess of £5 billion, this is small in comparison to market capitalisations, **hence collaborative efforts maximise impact**.



Around 8 in 10 respondents agree or strongly agree with the statement Surrey Pension Fund can achieve more by working with other like-minded investors rather than working alone.

Figure 15: More can be achieved by working with other like-minded investors (Base size: 7,286)

Surrey Pension Fund

Member’s voice

At the end of the consultation, respondents were provided with an opportunity to share any further thoughts and feedback. Below is a snapshot of some of the feedback received from LGPS members:

“Continue to work towards strengthening the fund whilst always considering the environment and global warming by liaising with the experts in these issues.”

“While I welcome the process of engagement over divestment, I would like some time scales included. In the current policy, the process of engagement can potentially be so long and drawn out that divestment never becomes a real option.”

“Priority should be given to maximum financial return from investments to ensure the continued strength of the fund. Other considerations should be secondary to this as the financial consequences of inadequate pension funds will detrimentally impact wider national finances and consequently impact climate on other initiatives.”

“It is a reasonable expectation that any investment should be made with due thought for the ecological and social implications of the investment's policies and that a straightforward explanation of the Fund's approach to investment and the resultant selection of investments should be available to those for whose benefit the investment has been made..”

“My preference would be to see an overt commitment to a carbon-free investment portfolio by 2030 in the responsible investment policy and for this commitment to shape engagement/escalation practices.”

“Whilst I hold the same views on investing ethically and using leverage to require businesses the Fund invests in to improve their environmental and social performance, it must always be measured against the performance of the markets. As the Fund is for peoples future wellbeing, the primary aim must be to ensure the Fund’s health..”

Note: All qualitative responses are being analysed by the Surrey Pension team independently from the quantitative consultation responses. The full list of qualitative responses includes general comments on the RI policy and beliefs, in addition to feedback on the consultation process, including questions tyle and format.

Key insights

Over 7,300 LGPS members (including active, deferred and pensioners), employers, Board or Committee members and the general public responded to Surrey Pension Fund's Responsible Investment Policy survey during September to November 2022.

Members were largely positive about the belief of working collectively. The majority of respondents, around 8 in 10, agreed or strongly agreed with the statement that Surrey Pension Fund can achieve more by working with other like-minded investors rather than working alone.

The majority of respondents felt the United Nations Sustainable Development Goals acted as a good foundation and guiding principle for the Fund. Almost 7 in 10 respondents agreed that UN SDGs should be the guiding principle for any involvement relating to Environmental, Social or Governance engagement.

When thinking about Environmental, Social and Governance factors, Most respondents (68%) agreed that ESG factors are relevant in the context of benchmarking, risk analysis and investment opportunity identification. Around 7 in 10 respondents also felt that ESG factors should be incorporated into the portfolio construction process of all investments made by its investment managers.

Investment Consultant Brief

The Surrey Pension Fund Responsible Investment Sub Committee, RISC, asks the Investment Consultant to consider various potential net zero dates and trajectories such that fiduciary duty to the members is not compromised and compliance with Government guidance is maintained.

In answering this question, the areas to be reviewed should include, but not be limited to, the following:

- Clearly define the methodology used to arrive at the conclusions for the potential choice of any net zero date, highlighting assumptions made and the limits to the accuracy of any predictions.
- Model investment scenarios and implications, including implications on the potential investment universe and risk to returns, for each of the years 2030, 2035, 2040, 2045 and 2050.
- Include potential trajectories and staging-post dates and targets on route to the ultimate net zero date.
- Have at least one option aligned to the Paris Agreement to limit global warming to well below 2, preferably 1.5, degrees Celsius, compared to pre-industrial levels.
- Consider the risk and return implications of not transitioning to a net zero date.
- Review the above issues by asset class such that diversification can be maintained.
- Identify and discuss any constraints to the target setting derived from Government guidance in relation to pooling, our investment partners and the products on offer.

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Annexe 4 - Follow Up Questions from Mercer Presentation on 27 January 2023

Please provide further information regarding the methodology and assumptions underpinning the climate scenario models (see slide 11) and why they were considered appropriate. In addition provide further insight in to the E3ME model and the rationale for why it was selected?

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SURREY COUNTY COUNCIL

PENSION FUND COMMITTEE

DATE: **10 MARCH 2023**

LEAD OFFICER: **ANNA D'ALESSANDRO, DIRECTOR CORPORATE FINANCIAL & COMMERCIAL**

SUBJECT: **COMPANY ENGAGEMENT & VOTING**

SUMMARY OF ISSUE:

This report is a summary of various Environmental Social & Governance (ESG) issues that the Surrey Pension Fund (the Fund), Local Authority Pension Fund Forum (LAPFF), Robeco, and Border to Coast Pensions Partnership (BCPP) have been involved in, for the attention of the Pension Fund Committee (Committee). The Fund is a member of LAPFF so enhances its own influence in company engagement by collaborating with other Pension Fund investors through the Forum. Robeco has been appointed to provide voting and engagement services to BCPP, so acts in accordance with BCPP's Responsible Investment (RI) Policy, which is reviewed and approved every year by all 11 partner funds within the Pool. 9

RECOMMENDATIONS:

It is recommended that the Committee:

1) Reaffirms the Fund's belief that the United Nations Sustainable Development Goals (UN SDGs) represent an appropriate foundation in terms of the Fund's overall Responsible Investment (RI) approach.

2) Reaffirms that ESG Factors are fundamental to the Fund's approach, consistent with the Mission Statement through:

    a) Continuing to enhance its own RI approach, its company engagement policy, and SDG alignment.

    b) Acknowledging the outcomes achieved for quarter ended 31 December 2022 by Robeco in their Active Ownership approach and the LAPFF in its engagement with multinational companies.

    c) Note the voting by the Fund in the quarter ended 31 December 2022.

REASONS FOR RECOMMENDATIONS

The Fund is required to fulfil its fiduciary duty to protect the value of the Fund, with a purpose to meet its pension obligations. Part of this involves consideration of its wider responsibilities in RI as well as how it exercises its influence through engaging as active shareholders.

DETAILS:

Background

9

1. The informed use of shareholder votes, whilst not a legal duty, is a responsibility of shareholders and an implicit fiduciary duty of pension fund trustees and officers to whom they may delegate this function. Such a process is strengthened by the advice of a consultant skilled in this particular field.

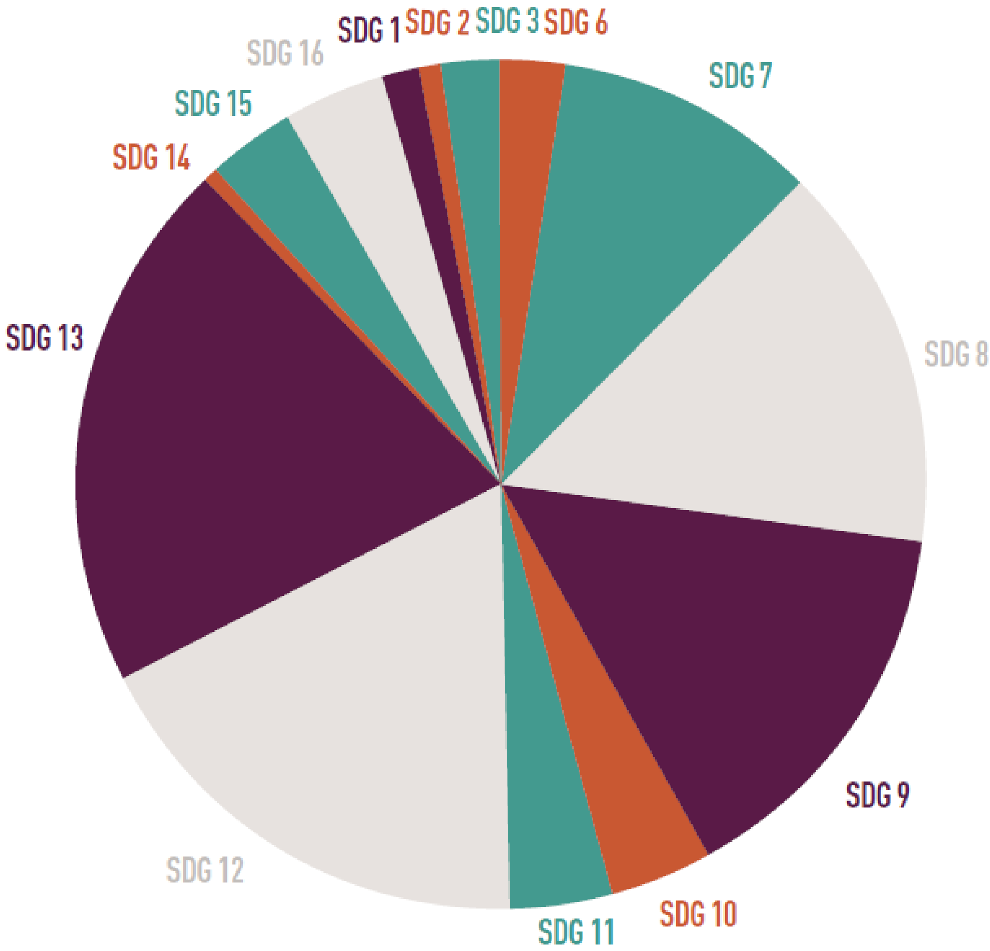
2. The Fund has commissioned Minerva Analytics (formerly Manifest) since 2013 to provide consultancy advice on share voting and the whole spectrum of company corporate governance. Minerva Analytics has assisted in ensuring the Fund's stewardship policy reflects the most up-to-date standards and that officers learn of the latest developments and can reflect these developments in the Investment Strategy Statement (ISS). Minerva operates a customised voting policy template on behalf of the Fund and provides bespoke voting guidance in accordance with the Fund's policies.

3. BCPP appointed Robeco as its Voting & Engagement provider to implement a set of detailed voting guidelines and ensure votes are executed in accordance with BCPP's Corporate Governance & Voting Guidelines. A proxy voting platform is used with proxy voting recommendations produced for all meetings, managed by Robeco as the Voting & Engagement provider.

4. LAPFF is a collaborative shareholder engagement group representing most of the Local Government Pension Scheme (LGPS) Funds and UK Pension Pools, including BCPP. Its aim is to engage with companies to promote the highest standards of corporate governance and corporate responsibility amongst investee companies.

LAPFF Engagement

5. The chart below shows how LAPFF engaged over the quarter in relation to the UN Sustainable Development Goals (SDGs). The LAPFF Quarterly Engagement Report is included in Annexe 1 which also details progress on all engagements. Some of the engagements from Q3 are summarised below.



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LAPFF SDG ENGAGEMENTS

SDG 1: No Poverty	2
SDG 2: Zero Hunger	1
SDG 3: Good Health and Well-Being	3
SDG 4: Quality Education	0
SDG 5: Gender Equality	0
SDG 6: Clean Water and Sanitation	3
SDG 7: Affordable and Clean Energy	13
SDG 8: Decent Work and Economic Growth	19
SDG 9: Industry, Innovation, and Infrastructure	19
SDG 10: Reduced Inequalities	5
SDG 11: Sustainable Cities and Communities	5
SDG12: Responsible Production and Consumption	23
SDG 13: Climate Action	26
SDG 14: Life Below Water	1
SDG 15: Life on Land	4
SDG 16: Peace, Justice, and Strong Institutions	5
SDG 17: Strengthen the Means of Implementation and Revitalise the Global Partnership for Sustainable Development	0

6. The Australian Centre for Corporate Responsibility filed three shareholder resolutions ahead of BHP's AGM. LAPFF issued a voting alert in favour of the resolutions, recommending that its members oppose the BHP Chair and vote in favour of the three resolutions aimed at improving the company's climate practices.

7. LAPFF would like to see Vale engage more effectively with workers and communities affected by its operations. The Vale Chair travelled to the LAPFF conference to speak in person to investors about Vale's work to provide adequate reparations and recover reputationally from the tailing dam disasters. LAPFF is encouraged that the company is taking investor action seriously in respect of these disaster but there is still a long way to go, for example, rebuilding houses for the local communities.

8. LAPFF is keen to share its findings from its visit to Brazil with other mining companies. To that end, there has been engagement with Anglo American and Glencore. The meeting with the Glencore Chair raised concerns that community members in Peru have about the company's activities in the country and covered the various bribery and corruption allegations against the company. The company has now entered settlements in relation to these allegations and it is hoped that better internal controls are now in place. Community members continue to raise concerns over water pollution and LAPFF will investigate further to understand what is happening in these situations.

9. LAPFF has been pleased to see some progress made by Rio Tinto after the company's destruction of a 46,000-year-old cultural heritage site. They have been particularly transparent about the challenges on both community relations and workplace culture. Reports have been published and LAPFF is keen to ensure that Rio Tinto is undertaking effective social and environmental impact assessments. There is concern that the company does not have a consistent or coherent approach to these assessments. LAPFF would like to work with a range of mining companies to determine how they could be feasibility done much more widely.

10. Engagement continues with Drax over its business model of burning imported wood pellets from North America, and their source.

11. Following heightened engagement with Chipotle, a resolution was first filed and then withdrawn, by Great Manchester Pension Fund, after formal commitments were made relating to the company's water stewardship programme. Chipotle has completed a materiality assessment covering ingredients, its supply chain and restaurants. LAPFF will continue to work with the company to develop targets that relate specifically to areas of the operation under high water stress.

12. Given the investment risks associated with global warming, LAPFF has been issuing climate change voting alerts focused on shareholder resolutions, including those seeking to ensure companies have 1.5C aligned targets and transition plans. LAPFF issued a voting alert for KLA regarding a proposal for a report on net zero targets and climate transition planning. The resolution secured the backing of a quarter of the votes.

13. LAPFF is asking UK companies to set out their carbon transition strategy to investors and put an appropriate resolution to shareholders at the AGM. The

LAPFF Chair again pressed the Rolls Royce board to put the plan to the AGM. This may be considered too soon for the 2023 AGM but has not been ruled out for future AGM's.

14. LAPFF has continued its engagement with electric vehicle manufactures to gain a better understanding of how they are addressing the risks associated with sourcing the minerals they need to produce the batteries for their vehicles. Meetings were held with Renault, General Motors and Mercedes. LAPFF impressed upon them the benefits of transparent reporting and enhanced due diligence and sought to better understand the management of a just transition.

15. Following the military coup in Myanmar in February 2021, Tesco announced a responsible exit from the country. This concluded in May 2022. LAPFF sought a meeting with the company to discuss this exit and gain insight into the company's global supply chain due diligence. LAPFF is continuing to monitor a number of companies that have supply chain links to Myanmar and will likely seek meetings with them. 9

LAPFF Collaborative Engagements

16. Meetings were held with Asian financial institutions and coal-exposed power companies in collaboration with investors in the Asia Transition Platform.

17. **CA 100+ Engagements**

LAPFF sought an update on Lyondell Bassell's decarbonisation strategy. It appears that much work has been put into an overall review of company strategy, with low carbon initiatives poised to be major part of company growth going forward.

ArcelorMittal appears to have made progress in decarbonising primary steelmaking. The Inflation Reduction Act is spurring similar initiatives in the US. In Europe, however, the pace of change appears to be slower.

Engagement with National Grid continues to identify and unlock potential policy barriers for the company's decarbonisation strategy. LAPFF and other CA100+ investors are interested in partnering with the company in calling for the necessary policies that can unlock the barriers to fast and decisive climate action.

In conjunction with Sarasin, LAPFF co-signed correspondence to the audit committee chairs of Equinor, CRH, Air Liquide and Rio Tinto setting out expectations on 1.5C aligned accounting and audit disclosures.

18. **Investor Alliance for Human Rights, IAHR**

LAPFF joined the IAHR Uyghur Working Group in 2022 to engage with companies alleged to use Uyghur forced labour in their supply chains. LAPFF is lead for engagement with Home Depot.

The PRI, Eurosif and IAHR drafted an investor statement in relation to proposed changes to the EU's Corporate Sustainability Due Diligence Directive. The statement proposed five improvements, all of which align with LAPFF positions on human rights, corporate governance, supply chain and climate. LAPFF signed this statement.

Canadian investor body, SHARE, circulated a sign-on letter to Amazon for investors to support. The letter asks the Board to produce a report analysing how Amazon's current human rights policies and practices protect the rightful application of the fundamental rights to freedom of association and collective bargaining. LAPFF signed the letter.

Robeco Engagement

In the quarter ended 31 December 2022, Robeco voted at 126 shareholder meetings, voting against at least one agenda item in 44% of cases. The Robeco report is included in Annexe 2 which also highlights all companies under engagement. Some of the engagements from the quarter are included below**.**

19. **Social Impact of Artificial Intelligence**

9 Robeco are closing the engagement on the Social Impact of Artificial Intelligence (AI), launched in 2019. For three years, technology companies were supported in creating holistically responsible AI frameworks to govern their technological development, deployment and end use. Robeco successfully closed 40% of the engagements, with many of the companies having formalised responsible AI principles. They have shared how the principles of inclusiveness, fairness and transparency are being integrated into their developer trainings, enterprise risk management systems and board responsibilities. However, companies remain resistant to publicly disclosing their systematic responsible AI practices, a critical challenge as AI is starting to be regulated.

Additionally, companies are increasingly pursuing a collaborative approach by actively participating and contributing to cross-industry multi-stakeholder initiatives that aim to advance responsible governance and best practices in AI. These types of initiatives play a decisive role in guaranteeing trustworthy AI across the industry.

Next steps

The alignment of AI technologies with ethical values and principles will be critical to promote and protect human rights in society. Even though much work has been done in this area, the implementation of AI principles and management of AI risks remains a critical area for improvement. As a result, Robeco will continue its engagement work with a selection of companies in the ICT sector under the 'Sustainable Development Goals (SDG) engagement' theme. These dialogues have a strong focus on human rights and societal impact, and highlight topics like misinformation, content moderation and stakeholder collaboration. They will focus on how companies can contribute to SDG 10 (Reduced inequalities) and SDG 16 (Peace, justice and strong institutions) by safeguarding human rights in the development and use of AI and promoting social, economic and political inclusion.

20. **Social Impact of Gaming**

For the consumers playing video games, companies are expected to develop strategies that prevent harassment occurring between players, especially within Massively Multiplayer Online Role-Playing Games (MMORPGs), where large numbers of players interact at once. Automatic chat text filtering has emerged as a standard technology deployed by most companies under engagement.

Other elements of player behaviour that warrant attention are the money and time spent within games. A straightforward measure implemented by at least half of the companies has been to ban spending abilities for accounts below an early-teen age group, though age restrictions and time restraints are largely implemented through the consoles on which the games are played and must be actively set by parents. In September 2021, the Chinese government introduced limits on children's gaming time for which functions such as account verification had to be integrated. This had a significant effect on the total time and money spent by young players, as already evidenced by one company

Where companies have developed across the board is in their reporting. All companies under engagement now publish annual ESG reports, when at the beginning of the engagement, three had yet to do so. The reports highlight initiatives that relate to many of Robeco's objectives, and largely conform to frameworks that include metrics deemed important for transparency, in particular those that are related to the workforce. 9

21. **Biodiversity**

A multi-layered engagement strategy

As the financial materiality of biodiversity and the impact that companies and financial institutions have on nature is becoming clearer, Robeco has set out to create a holistic, multi-layered and scalable engagement approach towards biodiversity. As such, they are not only engaging the various relevant stakeholders, from governments and companies to data providers, but also exploring how stewardship efforts can be scaled through proxy voting and collaborative engagements.

Engagement: From impact assessments to incentive structures

Robeco's engagement initially started off with a focus on addressing biodiversity loss linked to deforestation among companies exposed to high-risk commodities. The engagement program has since been extended in both time and scope to accommodate engagements on other drivers of biodiversity loss, from pollution to overfishing. Through the engagements, they expect companies to assess their biodiversity impacts and dependencies and set a biodiversity strategy that includes, for instance, no-deforestation targets. Robeco also expect them to report key impact indicators following recognised reporting frameworks such as the Task Force for Nature-Related Financial Disclosures.

Voting for nature

To scale up the efforts, Robeco has introduced a new voting approach around deforestation, targeting companies that have high exposure to deforestation risk, but do not have adequate policies and processes in place to reduce their impact, or are involved in severe and repeated deforestation-linked controversies. Drawing on the insights from benchmarks such as Global

Canopy's Forest500 ranking, they will start by focusing on companies involved in the key forest risk sectors: palm oil, soy, beef and leather, timber, pulp and paper.

Collaboration

Robeco recently signed the Business for Nature statement calling for mandatory corporate reporting for nature by 2030. They also joined the letter campaign and ESG data provider engagement by the Finance Sector Deforestation Action, a group of over 30 investors calling for increased action and transparency on protecting our forests. Furthermore, Robeco was honoured to be part of the core investor group that launched the Nature Action 100 initiative during the UN Biodiversity Conference in Montreal in December. This aims to harness the power of collaborative engagement to address nature loss and biodiversity decline, focusing on the 100 companies with the largest impacts and dependencies on nature. The initiative will be co-
9 led by the sustainability advocacy group Ceres, the Institutional Investors Group on Climate Change (IIGCC), the Finance for Biodiversity Foundation and the financial think tank Planet Tracker.

22. **Corporate Governance Standards in Asia**

There are two broad streams of engagement in Asia. Firstly, Robeco work with regulators and policy stakeholders such as financial regulators and local stock exchanges in Japan, South Korea, and to a lesser extent in China, to ensure an improved and level playing field for ESG issues. Secondly, they work constructively with companies in Japan and South Korea to improve their disclosure, communication and financial performance.

Their policy engagement included a virtual meeting with Japan's Ministry of Economy, Trade and Industry. One of the issues raised was the disclosure timing of annual reports, and they noted that it is of utmost importance to investors that these be released prior to the annual general meetings. In addition, they were co-signatories of a letter to Japan's Financial Services Agency and the Tokyo Stock Exchange on two pathways to address the low rate of female participation and changes to the listing rules.

Company engagements

Robeco have written in previous reports that the essentials of good corporate governance go beyond using 'check-list' assessments of governance codes and are closely related to the two principles of transparency and accountability. Therefore, they ask companies to improve transparency by publishing narrative reporting on their corporate strategy and having a distinct financial strategy.

There is much to celebrate given the increased emphasis on reporting on material environmental and social (E&S) issues, including setting targets on greenhouse gas emissions reductions. Robeco have commended companies when they have not only reported on material E&S issues but have also set credible near-and long-term targets. However, there are still significant opportunities for companies to improve reporting of their financial strategy and to give robust explanations on specific targets that would support their business strategy.

Surrey Share Voting

23. The full voting report produced by Minerva is included in Annexe 3. The table below shows the total number of resolutions which the Fund was entitled to vote, along with the number of contentious resolutions voted during the quarter as produced by Minerva.

Votes against Management by Resolution Category:

Resolution Category	Total Resolutions	Voted Against Management	% votes Against Management
Audit & Reporting	5	2	40%
Board	34	4	12%
Capital	7	1	14%
Corporate Action	1	0	0.0%
Remuneration	4	3	75%
Shareholder Rights	1	1	100%
Sustainability	7	3	43%
Total	59	14	24%

9

24. The Surrey Pension Fund voted against management on 24% of the resolutions for which votes were cast during the quarter ended 31 December 2022. General shareholder dissent stood at 4% in the same period.

Shareholder Proposed Resolutions/ Management Resolutions

25. The 'Dissent by Resolution Category' section in the full voting report in Annexe 3 provides emphasis on vote outcomes - in particular whether there were any management-proposed resolutions defeated; any successful shareholder proposals; and how many resolutions received high dissent.

26. During the quarter ended 31 December 2022, no resolutions proposed by management were defeated and no shareholder proposed resolutions were successful.

27. The UK Corporate Governance Code recommends boards to act where 20% or more of votes are cast against the board recommendation on a resolution. As such, a shareholder dissent level of 20% is generally considered to be significant. During the Quarter, Surrey voted against management on one resolution that received shareholder dissent of more than 20%.

28. Surrey voted in favour of a shareholder proposal at Microsoft Corp requesting the Board of Directors issue a tax transparency report which received over 20% votes in favour. The proposal requested the report be prepared in consideration of the indicators and guidelines set forth in the Global Reporting Initiative's (GRI) Tax Standard. The GRI Tax Standard was developed in response to investor concerns regarding the lack of corporate tax transparency

and the impact of tax avoidance on governments' ability to fund services and support sustainable development. It is the first comprehensive, global standard for public tax disclosure and requires public reporting of a company's business activities, including revenues, profits and losses, and tax payments within each jurisdiction.

BCPP Responsible Investment

29. Annexes 4 & 5 provide a high-level overview of ESG performance for UK Equity Alpha and Global Equity Alpha using a variety of measurements. The reports highlight specific examples which provide insight into how ESG integration works in practice.

30. Annexe 6 contains the press release issued by BCPP regarding strengthening the expectations of oil and gas companies' climate progress and details how it will use voting and engagement to hold them to account.

9

CONSULTATION:

31. The Chair of the Pension Fund Committee has been consulted on this report.

RISK MANAGEMENT AND IMPLICATIONS:

32. There are no risk related issues contained within the report.

FINANCIAL AND VALUE FOR MONEY IMPLICATIONS

33. There are no financial and value for money implications.

DIRECTOR CORPORATE FINANCIAL & COMMERCIAL COMMENTARY

34. The Director Corporate Financial & Commercial is satisfied that all material, financial and business issues and possibility of risks have been considered and addressed.

LEGAL IMPLICATIONS – MONITORING OFFICER

35. There are no legal implications or legislative requirements

EQUALITIES AND DIVERSITY

36. The Company Engagement Review does not require an equality analysis, as the initiative is not a major policy, project or function being created or changed.

OTHER IMPLICATIONS

37. There are no potential implications for council priorities and policy areas.

WHAT HAPPENS NEXT

38. The Pension Fund will continue to monitor the progress of the voting and engagement work carried out by the LAPFF and Robeco over the medium and long term, and how this can impact investment decisions.

Contact Officer:
Lloyd Whitworth, Head of Investment & Stewardship

Consulted:
Pension Fund Committee Chair

Annexes:

1. Engagement & Voting – LAPFF Quarterly Engagement Report Q4 2022
2. Engagement & Voting – Robeco Active Ownership Report Q4 2022
3. Engagement & Voting – Surrey Voting Report (Minerva) Q4 2022
4. Engagement & Voting – BCPP ESG Global Equity Alpha Q4 2022
5. Engagement & Voting – BCPP ESG UK Equity Alpha Q4 2022
6. Engagement & Voting – BCPP Press Release

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Quarterly Engagement Report

October-December 2022

Local Authority Pension Fund Forum

Human Rights, Mining, Drax, Renault, Mercedes, Chipotle

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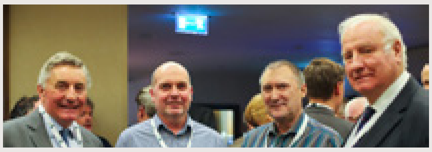

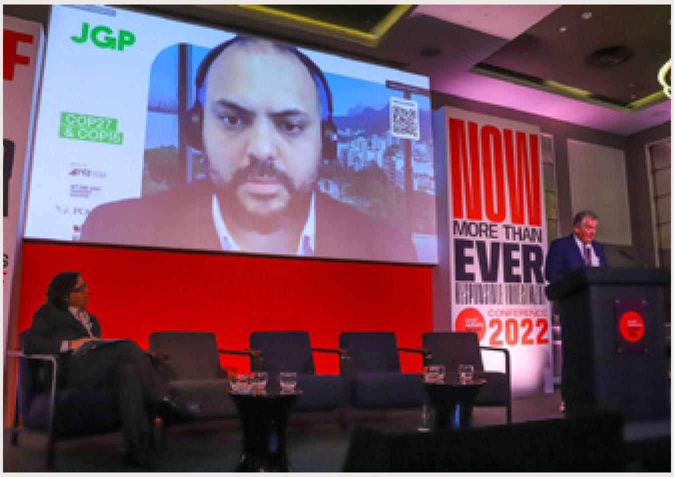



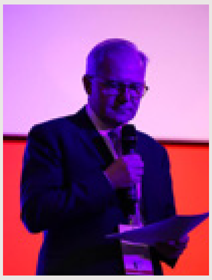


LAPFF Conference 2022

LAPFF held its annual conference in Bournemouth this quarter with a heavy focus on human rights and climate. On the first afternoon, delegates heard from a Total representative about the company's decision to withdraw from Myanmar and from the Vale Chair about his company's efforts to move on from the 2015 and 2019 tailings dam disasters in Brazil. The LAPFF Chair also thanked a Brazilian communities' representative for hosting LAPFF's visit in August and September, and spoke with José Pugas of JGP Asset Management about his organisation's work with Vale, as well as on deforestation.

On the second day, the conference delegates heard from a range of asset managers about their experiences of working to implement sustainability in their operations. Moving onto climate specifically, engaging non-executive directors on the topic, and a panel on electric vehicles followed, along with a session on executive remuneration. There was a fascinating, if disturbing, session on the fall of FTX and a panel discussing the growing importance of the 'S' in ESG. An LGPS panel on 'levelling up' was followed by two sessions on the need for sustainable water use. The day ended with an update on shareholder resolutions requesting racial equity audits.

The final day of the conference opened with a recount of the Covid pandemic from Devi Sridhar, a University of Edinburgh professor who has been vocal about government and societal responses to the pandemic. She was followed by Nell McShane, who has written a book about sex discrimination and harassment against female flight stewardesses and their path to unionising. Brendan Curran from the Grantham Institute at the London School of Economics then spoke about the just transition to a zero-carbon economy. The day ended with a synopsis of the state of affairs globally by political editor and broadcaster, Robert Peston.

COMPANY ENGAGEMENTS

UN Forum on Business and Human Rights

In light of LAPFF's summer visit to Brazil, the LAPFF Chair, Cllr Doug McMurdo, was invited to speak on an investor panel at the 2022 UN Forum on Business and Human Rights in Geneva. He was joined by colleagues from Principles for Responsible Investment, Domini Impact Investments, and Business for Social Responsibility. Cllr McMurdo spoke about the need to engage with affected stakeholders, including communities affected by company operations, in order for investors to understand better the true value of their investments. He implored investors to do more on human rights as a matter of financial materiality.

BHP

Objective: LAPFF attended a BHP webinar on the company's sustainability activities and met with CEO, Mike Henry, informing a position for a voting alert ahead of BHP's November AGM. The LAPFF Chair, Cllr Doug McMurdo, also met with the Australasian Centre for Corporate Responsibility (ACCR) to find out more about why the organisation filed three shareholder resolutions ahead of BHP's AGM.

Achieved: LAPFF issued a voting alert in favour of the ACCR resolutions, recommending that its members oppose the BHP Chair, Ken MacKenzie, and vote in favour of three shareholder resolutions aimed at improving the company's climate practices.

In Progress: While LAPFF was grateful to the CEO for meeting to discuss the shareholder resolutions put to the AGM, there is still concern that the company has denied a meeting on the Samarco tailings dam collapse that occurred in 2015. LAPFF is continuing to engage BHP on both human rights and climate, but the views of both parties diverge significantly at the moment.

Vale Chair, José Penido, speaking at the LAPFF conference

Vale

Objective: One of LAPFF's main objectives with Vale is to have the company engage effectively with stakeholders affected by its operations. While Vale, and particularly the Chair, has remained open to engagement with LAPFF and other investors, LAPFF would still like to see the company engage more effectively with workers and communities affected by its operations.

Achieved: Vale Chair, José Penido, travelled to the LAPFF conference to speak in person to investors about Vale's work to provide adequate reparations and recover reputationally from the Mariana and Brumadinho tailings dam collapses from 2015 and 2019, respectively. LAPFF is therefore encouraged that the company is taking investor action seriously in respect of these disasters.

In Progress: It remains the case that the vast majority of houses in the various resettlements need to be rebuilt for affected community members. These houses are among many other reparations that still need to be carried out to an acceptable standard. LAPFF also has continued to express concerns that the company is not yet engaging in a meaningful way with affected community members. Fulfilment of Vale's reparations obligations and establishing a process for effective engagement with all stakeholders therefore remain high priorities for LAPFF.

Anglo American

Objective: Cllr McMurdo wrote to Anglo American Chair, Stuart Chambers, and offered to report back on his findings from speaking to communities in Brazil impacted by Anglo American operations.

Achieved: Mr Chambers appeared to be receptive to LAPFF's findings and requested more detailed information from LAPFF.

COMPANY ENGAGEMENT

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In Progress: LAPFF is in the process of compiling the detailed findings from the Brazil visit to share with Mr Chambers and his colleagues. After this process has been completed, LAPFF is planning to meet with Anglo American's technical staff to talk them through the findings.

Glencore

Objective: Although LAPFF was keen to meet Anglo American, BHP, and Vale in relation to its Brazil visit, it wanted to share its findings and observations with other mining companies covered in LAPFF's mining and human rights report issued earlier this year. Therefore, Cllr McMurdo met with Glencore Chair, Kalidas Madhavpeddi, to talk about LAPFF's work in Brazil, to discuss concerns community members in Peru have raised about Glencore's activities in that country, and to discuss various bribery and corruption allegations against the company. Glencore's approach to climate was also discussed.

Achieved: For a number of years, LAPFF had requested that Glencore undertake an independent assessment of the company's internal controls. This request stemmed from an investor collaboration spearheaded by Sarasin when details of Glencore's business relationships in the Democratic Republic of Congo raised concerns of bribery and corruption. Although Glencore does not appear to have heeded this request, the company has now entered settlements in numerous countries in relation to various bribery and corruption allegations. It is hoped that these settlements will place internal control requirements on Glencore to prevent the occurrence of future problems in this area.

In Progress: LAPFF is hearing concerns from community members affected by Glencore's operations in Peru that are eerily similar to those LAPFF encountered in Brazil, Colombia, Mexico, Papua New Guinea, and elsewhere. Namely, communities allege that mining companies have polluted, and are continuing to pollute, their water. The companies respond by stating that the water is naturally polluted. LAPFF needs to investigate to understand what is happening in these situations.

Rio Tinto

Objective: LAPFF has been pleased to see some progress made by Rio Tinto after the company's destruction of a 46,000-year-old cultural heritage site at Juukan Gorge, Australia. Rio Tinto has been particularly transparent about its challenges on both community relations and workplace culture. During the year, the company issued both a community engagement update and a workplace culture report by a reputed independent consultant that highlighted a range of practices that need to be improved at the company. LAPFF is keen to ensure that Rio Tinto is undertaking effective social and environmental impact assessments and that the company does not face the same problems in relation to reparations at Juukan Gorge that BHP and Vale are facing in relation to reparations for the Mariana tailings dam collapse in Brazil.

Achieved: LAPFF attended an ESG briefing for investors to discuss the company's new 'Communities and Social Performance (CSP) Commitments Disclosure Final Report'. Given Rio Tinto's description of increased cultural heritage assessments, LAPFF asked if the company has also committed to independent environmental and social impact assessments (ESIAs) as part of its CSP approach.

In Progress: Although it seems that there is a fair amount of external input into various assessments, LAPFF is concerned that the company does not have a consistent or coherent approach to ESIAs. The independent assessment at Panguna in response to the OECD National Contact Point complaint on this issue is apparently underway and is to be commended, but it is reportedly a one off. Acknowledging the expense and resources involved in this type of assessment, LAPFF would like to work with a range of mining companies to determine how it could be feasibly done much more widely.

Drax

Objective: LAPFF has been increasingly concerned about the business model of Drax Group plc, which runs the UK's largest power plant at Drax in Yorkshire. Instead of coal, the plant burns imported wood pellets, mainly from North America. The concerns about sustainability flow from the burning of wood on such a scale, as well as the harvesting of wood, removing a near-term living carbon sink (trees) that can only be replaced over a long period.

Achieved: LAPFF requested a meeting with the chair of Drax Group. A meeting was held, and a comprehensive follow-up letter has been sent to the chair as a result.

In Progress: Because discussions are ongoing, further reporting and updates will occur in due course.

Drax Power Station

COMPANY ENGAGEMENT

Chipotle

Objective: LAPFF has been engaging with Chipotle on the company's approach to water stewardship for three years. The focus of the engagement has been to encourage the company to undertake a full value chain water risk assessment. After a period of heightened engagement with the company, LAPFF member Greater Manchester Pension Fund filed a resolution on this issue ahead of Chipotle's 2022 AGM. Following discussions between LAPFF and the company, an agreement was reached that would see the resolution withdrawn from the ballot. The withdrawal was conditional upon formal commitments being made relating to the company's water stewardship programme.

Achieved: LAPFF held a follow-up call with Chipotle to measure progress made against LAPFF's initial asks. In response to the resolution, the company has completed a materiality assessment covering ingredients, its supply chain and restaurants.

In Progress: Given the company now has a better understanding of the water-related risks facing the business, the next phase of the stewardship plan is to develop context-based targets that relate specifically to areas of the operations under high water stress. LAPFF will continue to work with the company to develop these goals.

KLA

Objective: Given the investment risks associated with global warming LAPFF has been issuing climate change voting alerts focused on shareholder resolutions, including those seeking to ensure companies have 1.5°C aligned targets and transition plans.

Achieved: LAPFF issued a voting alert at US company, KLA, regarding a proposal for a report on net zero targets and climate transition planning. LAPFF recognised the work being undertaken by the company. However, given the risks posed by climate change and the need to disclose a strategy for addressing climate risk and carbon emissions (covering Scopes 1, 2 and 3 and targets aligned to a 1.5°C trajectory) LAPFF recommended a vote in favour of the resolution. In the end, the resolution secured the backing of a quarter of the votes, sending a strong message to the board about what action a significant minority of shareholders want to see.

In Progress: LAPFF expects companies to reflect and respond to such results given the level of support from shareholders. LAPFF will continue to issue climate-related voting alerts in 2023.

Rolls Royce production site

Rolls Royce

Objective: A meeting with Rolls Royce Chair, Anita Frew, was held to follow up on LAPFF's collaborative correspondence to FTSE All Share chairs requesting they set out the company's carbon transition strategy to investors and put an appropriate resolution to shareholders at the AGM.

Achieved: A meeting with the head of sustainability and others covered various aspects of business strategy, targets, governance and disclosure. LAPFF asked

COMPANY/COLLABORATIVE ENGAGEMENT

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if a timeline to commercialisation could be given for the company's development of electric prototypes for commuter aircraft and regional flights, noting that Norwegian airline Widerøe, that Rolls Royce has partnered with, has targeted 2025 for its first commercial launch. A separate meeting of the LAPFF Chair with Anita Frew, provided insight into the workings and chairing of the 13-strong board. Discussions on the company's carbon impact and transition plan made evident the emphasis placed on the development of new businesses and products.

In Progress: The LAPFF Chair again pressed for the board to put the transition plan to the AGM for shareholder approval. This may be considered too soon for the 2023 AGM but has not been ruled out for future AGMs.

Responsible Mineral Sourcing

Objective: LAPFF has continued its engagement with electric vehicle manufacturers to gain a better understanding of how they are addressing the risks associated with sourcing the minerals they need to produce the batteries for their vehicles. LAPFF met with Renault and General Motors on this issue for the first time this quarter and with Mercedes for the second time.

Achieved: An overview of Renault's work on risk assessments for the minerals it sources and contingent reporting was discussed. LAPFF also raised the potential benefits of membership of the Initiative for Responsible Mining Assurance (IRMA).

The discussion with Mercedes provided an in-depth view of the work the company was doing with regards to risk assessment of minerals and some of the work the company was doing in the Democratic Republic of the Congo.

General Motors laid out new additions to its board and the skills they would bring in the transition to electric vehicles. The company also spoke about the aspirations it had with its risk assessment process, audit programme and its dialogue with suppliers on the IRMA.

In Progress: LAPFF is continuing to seek engagements with electric vehicle manufacturers, impressing upon them the benefits of transparent reporting and enhanced due diligence, whilst seeking to better understand what work companies are doing and how they are managing a just transition.

Tesco

Objective: Following the military coup in Myanmar in February 2021, it has been widely reported that there has been a drop in human rights and labour standards throughout the country, with union leaders targeted, internet connections cut, wages withheld, and a lack of freedom of assembly for workers. Tesco announced a responsible exit from the country, concluding in May 2022. LAPFF sought a meeting with the company to discuss this responsible exit and gain insight into the company's global supply chain due diligence.

Achieved: When LAPFF met with Tesco, a range of factors for the company's withdrawal from Myanmar were discussed. The Ethical Trade Initiative's recommendations for responsible business in the garment sector arose as a point of reference. There was also a useful discussion about whether companies are able to maintain leverage over factories and the human rights situation on the ground with the Junta in power.

In Progress: LAPFF is continuing to monitor a number of companies that have supply chain links to Myanmar and will likely seek meetings with those that are seeking to exit the country or have already done so to gain a broader picture of how companies are approaching a 'responsible exit'.

COLLABORATIVE ENGAGEMENTS

Asia Transition Platform (MUFG, SMBC, Kasikornbank, J Power)

Objective: Meetings were held with Asian financial institutions and coal-exposed power companies in collaboration with investors in the Asia Transition Platform. Meetings with banks focused on strategies to anticipate regulatory developments, mitigate risks to capital and capitalise on investment opportunities. Engagement with J-Power followed up on LAPFF's voting recommendation for the 2022 AGM, advising support for a resolution requesting carbon emission reduction targets aligned with the goals of the Paris Agreement.

Achieved: Engagement with MUFG sought to elicit further details on the company's proposed transition plan. LAPFF executive member, Cllr Wilf Flyn, pressed particularly on ostensible support for ammonia co-firing in the power industry, given that it delays transition

Workers ride a ferry truck as they go to a factory in the morning in Yangon, Myanmar

COLLABORATIVE ENGAGEMENT

Metal manufacturing and recycling

to renewables and may not provide much benefit due to marginal emission reductions and high costs relative to renewables.

At SMBC, progress was recognised since the last meeting, with the bank setting absolute reduction targets for the oil, gas and coal sectors. It appeared that targets for investment and underwriting were still under development.

A discussion with the President of Kasikornbank, Khun Krit Jitjang, focused on how to work with client companies and bring industry along, noting work undertaken with members of the Thai bankers' association. It appears that there is now no financing for new coal plants or expansion of existing ones.

A meeting with J-Power's Executive Vice President and Director, Hitoshi Canno, covered the company's target to achieve net zero for all operations. Critical points of discussion included a stable supply of electricity for the Japanese domestic market, and a roadmap on these issues.

In Progress: LAPFF intends to continue challenging J-Power's strategy to invest in carbon capture and co-firing, with the associated risk of being 'locked-in' to coal fired plants. Regular meetings continue with Asia Research and Engagement to determine company-specific coverage for 2023, including Chinese-listed companies.

CA100+ ENGAGEMENTS

Lyondell Bassell

Objective: LAPFF sought an update on the multinational chemical company's decarbonisation strategy, subsequent to Peter Vanacker having taken over as CEO in May.

Achieved: With the arrival of the new CEO, it appears that much work has been put into an overall review of company strategy, with low-carbon initiatives poised to be a major part of company growth going forward. The meeting provided initial feedback on progress against the CA100+ benchmark results, set out investor expectations on lobbying and explored policy challenges facing the company and where there might be areas for collaboration. Company representatives noted that engagement with the investor group has helped to promote this low-carbon focus.

In Progress: On Lyondell Bassell's lobbying activities, the company discloses the trade associations it is part of but little else. It is hoped that more company policies will be disclosed by next March when the full revised company business strategy is due to be announced.

ArcelorMittal

Objectives: LAPFF has undertaken a number of engagements with ArcelorMittal and wished to determine progress in implementing zero-carbon technologies, as well as press for shareholders to be able to endorse company initiatives through a 'Say on Climate' resolution at the AGM.

Achieved: ArcelorMittal has joined the Energy Transition Commission (a LAPFF request from 2019) and referred to the

COLLABORATIVE ENGAGEMENT

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Mission Possible Partnership's 'net zero steel' report which shows two thirds of the US$5 trillion required to decarbonise the global steel industry is in enabling infrastructure for green hydrogen and renewable electricity. There was a discussion about the Science-Based Targets initiative to develop appropriate methodology for the steel sector. This approach differentiates between primary and secondary steelmaking. The latter is based on recycling scrap steel and accounts for about one-third of production. It is hoped that ArcelorMittal will issue its next climate report after the AGM so it appears there is no plan for a 'transition plan' resolution for the 2023 AGM.

In Progress: The company appears to have made progress in decarbonising primary steelmaking. The Inflation Reduction Act is spurring similar initiatives in the US. In Europe however, the pace of change appears to be slower.

National Grid

Objective: A meeting with National Grid representatives sought to ascertain why the company is not aiming to align with proposed ambitious US state policy for the decarbonisation of heat, and to follow-up on requests around policy disclosure.

Achieved: In the meeting, as ever, the divergence between the US and UK businesses was apparent. The north eastern US states where National Grid operates have set policies for 100% electrification of households in the decarbonisation of heat by 2050. It appears that the company wishes to keep the benefit of existing gas infrastructure. Cllr Chapman attended the meeting and highlighted comments made by the company, which LAPFF shares, that there is no long-term future in gas and that the future is in electrification.

In Progress: Engagement continues to identify and unlock potential policy barriers for National Grid's decarbonisation strategy. LAPFF and other CA100+ investors are interested in partnering with the company in calling for the necessary policies that can unlock the barriers to fast and decisive climate action.

Sarasin – Paris-aligned accounts

Objective: In conjunction with Sarasin, LAPFF co-signed correspondence to the audit committee chairs of Equinor, CRH, Air Liquide and Rio Tinto setting out investor expectations on 1.5°C aligned accounting and audit disclosures.

Achieved: This was a follow up to previous correspondence with the committee chairs, who were also provided with Carbon Tracker's assessment of the company's 2021 audited accounts. In all four cases, there has been evidence of progress. The most substantive was Equinor's accounts where there were additional notes to the accounts and a 1.5°C sensitivity analysis for Property, Plants and Equipment. This led to the identification of a potential impairment of $11.4 billion, equivalent to just under 30% of reported 2021 equity.

In Progress: Correspondence with all four companies recognised inherent uncertainties in the transition to net zero, and responses were welcomed with a meeting offered to discuss the requests made.

Investor Alliance for Human Rights (IAHR) – The Home Depot

Objective: LAPFF joined the Investor Alliance for Human Rights (IAHR) Uyghur Working Group earlier in 2022 as part of a collaborative effort in engaging companies with alleged Uyghur forced labour in their supply chains. Through this group,

LAPFF has taken the lead on The Home Depot, a company with alleged links to forced labour in its polyvinyl chloride (PVC) supply chain noted in the 'Built on Repression' report produced by Sheffield Hallam University.

Achieved: LAPFF met with The Home Depot in December after an initial letter was sent with multiple expectations. These expectations included asking the company to complete a mapping of its value chain both inside and outside of China. The objective of this mapping is to identify both direct and indirect business relationships that are connected to the East Turkestan/Xinjiang region. Other questions were raised around the company's audit programme, including issues with undertaking thorough audits in Xinjiang.

In Progress: LAPFF is continuing to participate in the IAHR's Uyghur working group and will look to follow up with The Home Depot in 2023 to ask further questions about the company's audit programme and mapping process.

Principles for Responsible Investment (PRI) – Advance Human Rights Initiative

Over the course of the year, the PRI has been developing its Advance initiative for investors to promote corporate respect for human rights. The programme was launched at the annual PRI in Person conference this quarter. LAPFF has been assigned to investor groups engaging with Anglo American and Vale. Planning for these group engagements is already under way and will complement LAPFF's own work on human rights, as well as its collaborations through IAHR.

Investor Alliance for Human Rights (IAHR) – Investor Statement on the Corporate Sustainability Due Diligence Directive

The PRI, Eurosif, and IAHR drafted an investor statement in relation to proposed changes to the EU's Corporate Sustainability Due Diligence Directive (CSDDD). The statement proposed five improvements, all of which align with LAPFF positions on human rights, corporate governance, supply chain, and climate. These proposed improvements

COLLABORATIVE/POLICY ENGAGEMENT

are aimed at greater inclusion of financial companies and value chains, strengthening board responsibility for human rights and environmental due diligence (including through executive remuneration), and ensuring alignment with other corporate sustainability legislation within the EU. LAPFF signed onto this statement along with other investors.

SHARE – Amazon Sign-On Letter
Canadian investor body, SHARE, circulated a sign-on letter to Amazon for investors to support. The letter followed a shareholder proposal at the company's AGM asking the Board of Directors to produce a report analysing how Amazon's current human rights policies and practices protect the rightful application of the fundamental rights of freedom of association and collective bargaining. The letter requested that the Board conduct an independent third-party assessment of Amazon's commitment, policies, practices on freedom of association to identify, address and prevent any misalignments with the ILO Declaration on Fundamental Principles and Rights at Work and the UN Guiding Principles on Business and Human Rights. LAPFF joined other investors in signing onto this letter.

POLICY ENGAGEMENT

All-Party Parliamentary Group for Local Authority Pension Funds

Objective: LAPFF supports the All-Party Parliamentary Group (APPG) for Local Authority Pension Funds, established to discuss the issues and concerns of local authority pension funds. The APPG hosted a meeting in October to discuss the issue of levelling up. Part of the government's levelling up agenda has been to encourage and support private investment into local areas. The levelling up white paper also highlighted the role that local authority pension funds could play and called for LGPS funds to invest 5% locally. Through this white paper, the UK Infrastructure Bank has been tasked with engaging LGPS funds on supporting local growth. The meeting provided an opportunity to discuss barriers facing funds to reaching a local investment target as well as the potential opportunities.

Achieved: At the meeting chaired by Clive Betts MP, Lord Jim O'Neill, Vice-Chair of the Northern Powerhouse Partnership, set out the role investment could play in supporting local growth and how some LGPS funds had backed Northern Gritstone, which is financing companies being spun out of northern universities. Kate McGavin, Policy and Strategy Director at the UK Infrastructure Bank, focused on risk appetite, green infrastructure opportunities and investment some local authority pension funds had already made. The meeting provided an opportunity to hear about what funds were doing and their focus on their fiduciary duties and securing returns.

In Progress: The APPG for Local Authority Pension Funds will continue to discuss relevant policy issues facing the LGPS.

Party Political Conferences

Objective: LAPFF supports fringe events at political party conferences; they are an effective way to raise issues that LAPFF has been involved in with national politicians and among stakeholders. This year the focus of the meetings was on investing in a just transition, following the launch of the report into the issue by the LAPFF-supported APPG on Local Authority Pension Funds. The meetings provided the opportunity for LAPFF to highlight the work of the Forum on the just transition and take part in a discussion about the respective roles of government and investors.

Achieved: LAPFF held meetings at Labour, Conservative and SNP conferences, with the Liberal Democrat conference being cancelled due to the Queen's funeral. At the meetings, LAPFF highlighted why ensuring a just transition was important for investors, including reducing the risks of political resistance to climate action. LAPFF set out how it seeks to reduce risks for members by engaging companies on ESG issues and showcased the engagement work that it has undertaken on a just transition. LAPFF Executive representatives were able to discuss the issues with politicians from the respective parties and answer questions from the audience about the work of LAPFF.

In Progress: LAPFF will continue to be involved in discussions with national politicians given the importance legislation and regulation plays in shaping the environment in which LAPFF members operate.

Government Taskforce on Social Factors

Objective: Since it was founded over 30 years ago, LAPFF has been engaging on social issues and highlighting the importance of social factors to investment value. Despite the importance of social risks to responsible investors, it has often not had as much attention as governance and environmental risks. LAPFF has sought to change this situation, including among policymakers by engaging them through events and responding to consultations. In June last year LAPFF responded to the Department for Work and Pensions' call for evidence on consideration of social risks and opportunities by occupational pension schemes. As part of the Government's response, it decided to establish a Taskforce on Social Factors and LAPFF was invited to be a member.

Achieved: The establishment of the taskforce is to be welcomed and hopefully marks greater emphasis on the social risks that LAPFF engages on, including around human rights and employment standards. It is testament to the work of LAPFF and its members on social issues that it has been invited to take part in the taskforce and shows the importance of engagement with policymakers.

In Progress: The taskforce is running for a year with the expectation that it will culminate in a final report with recommendations.

ENGAGEMENT

CONSULTATION RESPONSES

LGPS Climate Governance and Reporting

In September, the Department for Levelling Up, Housing and Communities issued a consultation on governance and reporting of climate change risks for LGPS funds. The proposals within the consultation would broadly align LGPS funds with the Task Force on Climate-Related Financial Disclosures (TCFD) requirements introduced for DWP regulated funds. LAPFF responded to the consultation welcoming the move and noting LAPFF's long support for TCFD reporting. The response, based on LAPFF's policies and its Climate Change Investment Policy Framework, set out the Forum's positions on alignment with a 1.5°C scenario, the importance of a just transition, and called for further consultation on any guidance to funds that might be issued.

CA100+ Benchmark

LAPFF's response to proposed amendments for the CA100+ benchmark provided input to several proposed amendments. For example, LAPFF supported a new indicator on climate solutions where the proposed definition was for technologies, infrastructure or other activities "which help displace fossil fuels". Areas of concern included a new indicator citing 2050, which current indicators do not. LAPFF considers a 2050 focus to be unhelpful, as recent IPCC reports show the global carbon budget for remaining within 1.5°C is very likely to be used up well before then.

WEBINARS

IndustriALL Social Protection Webinar

IndustriALL and LAPFF joined forces to co-host a second webinar on the need for universal social protection. This webinar focused specifically on an ILO employee injury protection pilot project in Bangladesh. Representatives from brands H&M and Associated British Foods spoke about the reason that their companies see the need for this type of social protection. The Rana Plaza factory collapse in Bangladesh was cited as a catalyst for understanding why social protection is so important, but more brand support is needed (although there are fears of freeriding). It is hoped the pilot leads to long-term, permanent, systemic solutions. You can find a film with worker testimonials here and a brief from IndustriALL here.

MEDIA COVERAGE

Environment

ESG Investor: Firms Looking for the Right Lever to Lead on Net Zero

Mining and Human Rights:

ESG Investor: "Work Still to Do" on Brazilian Tailings Dams
Sydney Morning Herald: BHP investors dial up scrutiny of fatal dam disaster remediation and in the Age
Instit Invest: Un fonds de pension britannique mène son engagement actionnarial sur le terrain
Responsible Investor: Investor pressure builds over human rights in mining
Conectas: Tragedy in Mariana: With no agreement with affected people, companies are under pressure from international investors [in Portuguese]
BN Americas: Horizonte Minerals awards feasibility study contract for Brazil nickel-cobalt project

Health

City Wire: Firms with €5.7tn in total assets join new health coalition
ESG Investor: Investors Unite on Public Health
The Actuary: Investor alliance launched to support "healthier and fairer" societies
Ethical Marketing News: Global investor alliance managing $5.7 trillion unites to improve population health
IPE: Group of investors form health alliance

Due Diligence

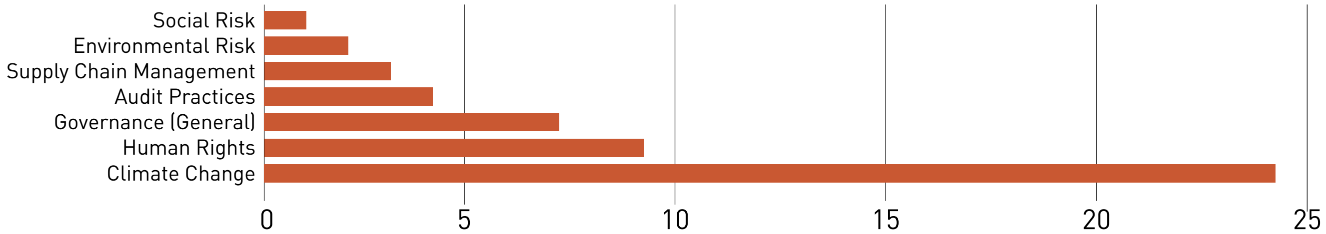
Responsible Investor: Alarm sounded over push for exclusion of FIs from EU due diligence directive

CHAIR'S QUOTE

"The LAPFF Conference this year showcased the breadth of LAPFF's work and the range of its network and partnerships. All of these endeavours and partnerships are aimed at informing our members in the best possible way so that they can make good, responsible investment decisions."

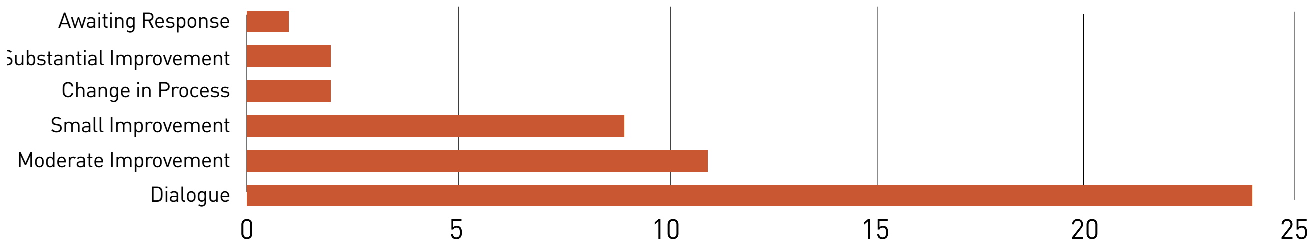
ENGAGEMENT DATA

ENGAGEMENT TOPICS

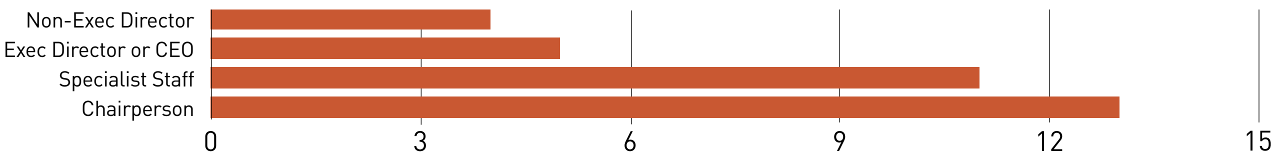


ACTIVITY

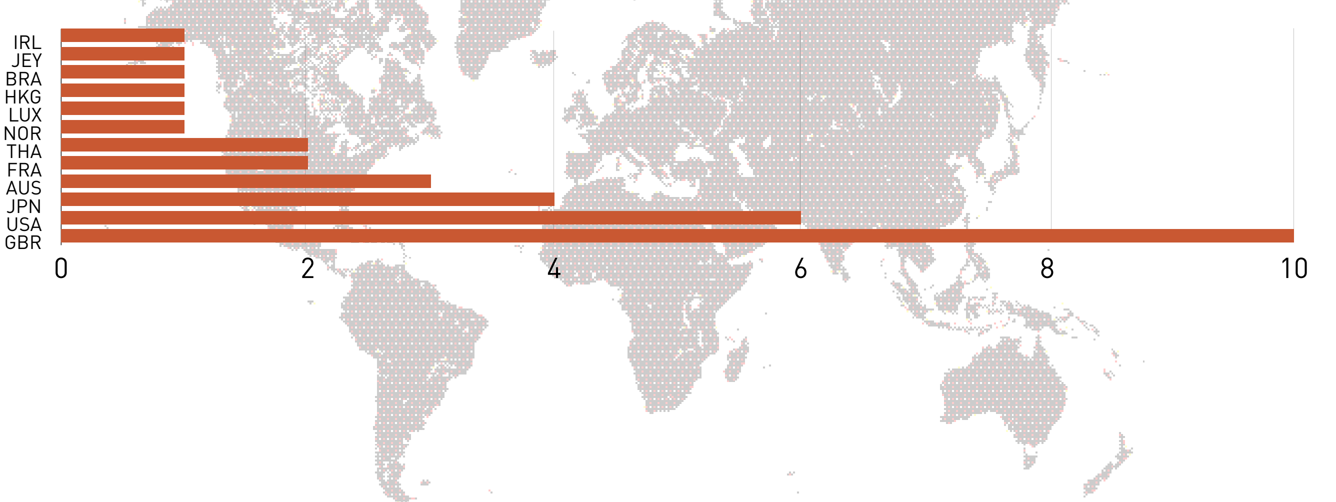
MEETING ENGAGEMENT OUTCOMES



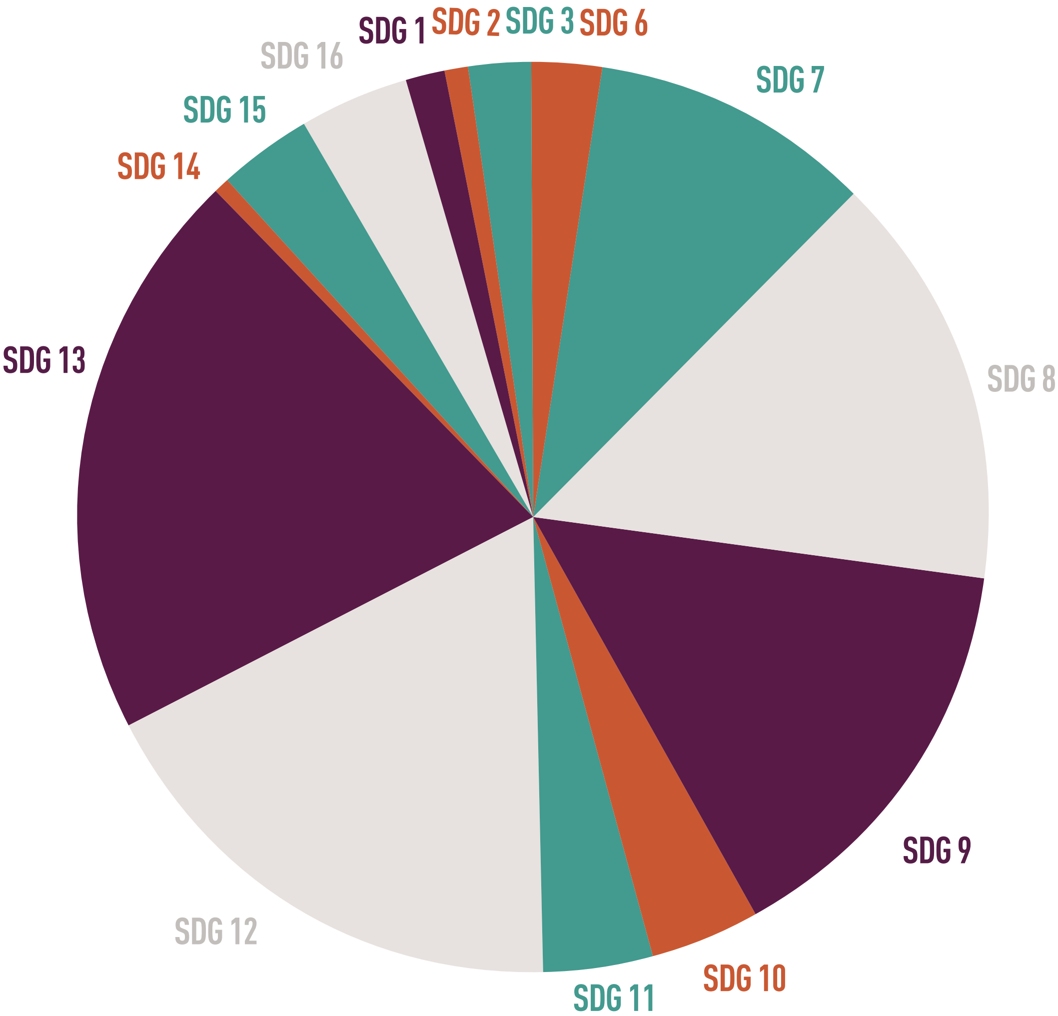
POSITION ENGAGED



COMPANY DOMICILES



ENGAGEMENT DATA



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LAPFF SDG ENGAGEMENTS

SDG 1: No Poverty	2
SDG 2: Zero Hunger	1
SDG 3: Good Health and Well-Being	3
SDG 4: Quality Education	0
SDG 5: Gender Equality	0
SDG 6: Clean Water and Sanitation	3
SDG 7: Affordable and Clean Energy	13
SDG 8: Decent Work and Economic Growth	19
SDG 9: Industry, Innovation, and Infrastructure	19
SDG 10: Reduced Inequalities	5
SDG 11: Sustainable Cities and Communities	5
SDG12: Responsible Production and Consumption	23
SDG 13: Climate Action	26
SDG 14: Life Below Water	1
SDG 15: Life on Land	4
SDG 16: Peace, Justice, and Strong Institutions	5
SDG 17: Strengthen the Means of Implementation and Revitalise the Global Partnership for Sustainable Development	0

COMPANY PROGRESS REPORT

26 Companies engaged over the quarter

*The table below is a consolidated representation of engagements so reflects the number of companies engaged, not the number of engagements

Company/Index	Activity	Topic	Outcome
AIA GROUP LTD	Sent Correspondence	Climate Change	Awaiting Response
AIR LIQUIDE SA	Sent Correspondence	Climate Change	Moderate Improvement
ANGLO AMERICAN PLC	Meeting	Human Rights	Dialogue
ARCELORMITTAL SA	Meeting	Climate Change	Moderate Improvement
BHP GROUP LIMITED (AUS)	Meeting	Governance (General)	Dialogue
BHP GROUP LIMITED (AUS)	Alert Issued	Governance (General)	Dialogue
CHIPOTLE MEXICAN GRILL INC	Meeting	Environmental Risk	Moderate Improvement
CRH PLC	Sent Correspondence	Climate Change	Moderate Improvement
DRAX GROUP PLC	Meeting	Climate Change	Dialogue
ELECTRIC POWER DEVELOPMENT CO	Meeting	Climate Change	Small Improvement
EQUINOR ASA	Sent Correspondence	Climate Change	Substantial Improvement
GLENCORE PLC	Meeting	Governance (General)	Change in Process
KASIKORNBANK PCL	Meeting	Climate Change	Moderate Improvement
KELLOGG COMPANY	Sent Correspondence	Social Risk	Dialogue
KLA CORPORATION	Alert Issued	Environmental Risk	Dialogue
LYONDELLBASELL INDUSTRIES N.V.	Meeting	Climate Change	Small Improvement
MITSUBISHI UFJ FINANCIAL GRP	Meeting	Climate Change	Small Improvement
NATIONAL GRID PLC	Meeting	Climate Change	Change in Process
RENAULT SA	Meeting	Supply Chain Management	Small Improvement
RIO TINTO GROUP (AUS)	Meeting	Governance (General)	Dialogue
RIO TINTO PLC	Sent Correspondence	Climate Change	Moderate Improvement
ROLLS-ROYCE HOLDINGS PLC	Meeting	Climate Change	Moderate Improvement
SUMITOMO MITSUI FINANCIAL GROUP	Meeting	Climate Change	Moderate Improvement
TESCO PLC	Meeting	Human Rights	Small Improvement
THE HOME DEPOT INC	Meeting	Human Rights	Small Improvement
VALE SA	Meeting	Governance (General)	Dialogue

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LOCAL AUTHORITY PENSION FUND FORUM MEMBERS

Avon Pension Fund
Barking and Dagenham Pension Fund
Barnet Pension Fund
Bedfordshire Pension Fund
Berkshire Pension Fund
Bexley (London Borough of)
Brent (London Borough of)
Cambridgeshire Pension Fund
Camden Pension Fund
Cardiff & Glamorgan Pension Fund
Cheshire Pension Fund
City of London Corporation Pension Fund
Clwyd Pension Fund (Flintshire CC)
Cornwall Pension Fund
Croydon Pension Fund
Cumbria Pension Fund
Derbyshire Pension Fund
Devon Pension Fund
Dorset Pension Fund
Durham Pension Fund
Dyfed Pension Fund
Ealing Pension Fund
East Riding Pension Fund
East Sussex Pension Fund
Enfield Pension Fund
Environment Agency Pension Fund
Essex Pension Fund
Falkirk Pension Fund
Gloucestershire Pension Fund
Greater Gwent Pension Fund
Greater Manchester Pension Fund
Greenwich Pension Fund
Gwynedd Pension Fund
Hackney Pension Fund
Hammersmith and Fulham Pension Fund
Haringey Pension Fund
Harrow Pension Fund
Havering Pension Fund
Hertfordshire Pension Fund
Hounslow Pension Fund
Isle of Wight Pension Fund
Islington Pension Fund
Kensington and Chelsea (Royal Borough of)
Kent Pension Fund
Kingston upon Thames Pension Fund
Lambeth Pension Fund
Lancashire County Pension Fund
Leicestershire Pension Fund
Lewisham Pension Fund
Lincolnshire Pension Fund
London Pension Fund Authority
Lothian Pension Fund
Merseyside Pension Fund
Merton Pension Fund
Newham Pension Fund
Norfolk Pension Fund
North East Scotland Pension Fund
North Yorkshire Pension Fund
Northamptonshire Pension Fund
Nottinghamshire Pension Fund
Oxfordshire Pension Fund
Powys Pension Fund
Redbridge Pension Fund
Rhondda Cynon Taf Pension Fund
Scottish Borders Council
Shropshire Pension Fund
Somerset Pension Fund
South Yorkshire Pension Authority
Southwark Pension Fund
Staffordshire Pension Fund
Strathclyde Pension Fund
Suffolk Pension Fund
Surrey Pension Fund
Sutton Pension Fund
Swansea Pension Fund
Teesside Pension Fund
Tower Hamlets Pension Fund
Tyne and Wear Pension Fund
Waltham Forest Pension Fund
Wandsworth Borough Council Pension Fund
Warwickshire Pension Fund
West Midlands Pension Fund
West Yorkshire Pension Fund
Westminster Pension Fund
Wiltshire Pension Fund
Worcestershire Pension Fund

Pool Company Members

Border to Coast Pensions Partnership
LGPS Central
Local Pensions Partnership
London CIV
Northern LGPS
Wales Pension Partnership

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ROBECO
The Investment Engineers

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ACTIVE OWNERSHIP REPORT

ROBECO | 01.10.2022 - 31.12.2022

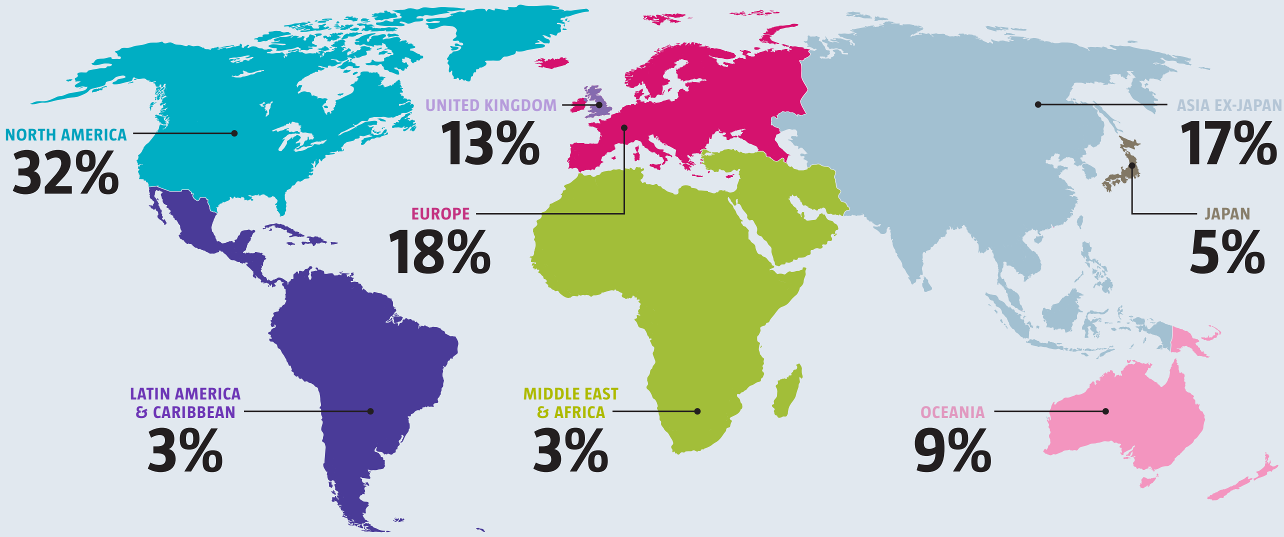
Q4 2022

BORDER TO COAST PENSIONS PARTNERSHIP

Sustainable Investing Expertise by ROBECOSAM

Q4|22 FIGURES ENGAGEMENT

Engagement activities by region



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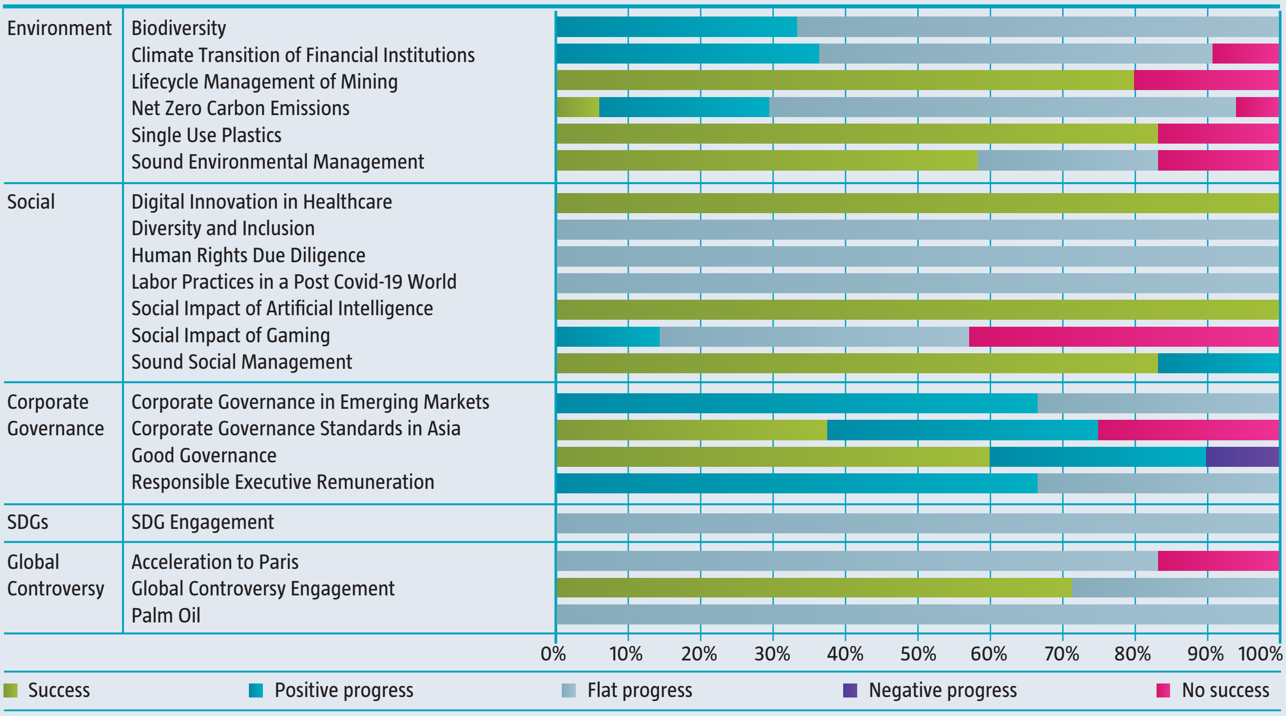
Number of engagement cases by topic*

	Q1	Q2	Q3	Q4
Environment	23	25	17	34
Social	12	17	14	13
Corporate Governance	13	13	10	10
SDGs	10	14	9	18
Global Controversy	9	7	5	2
Total	67	76	55	77

Number of engagement activities per contact type

	Q1	Q2	Q3	Q4	YTD
Meeting	1	1	2	13	17
Conference call	42	44	32	46	164
Written correspondence	50	68	34	55	207
Shareholder resolution	0	1	0	3	4
Analysis	9	15	17	25	66
Other	1	6	1	2	10
Total	103	135	86	144	468

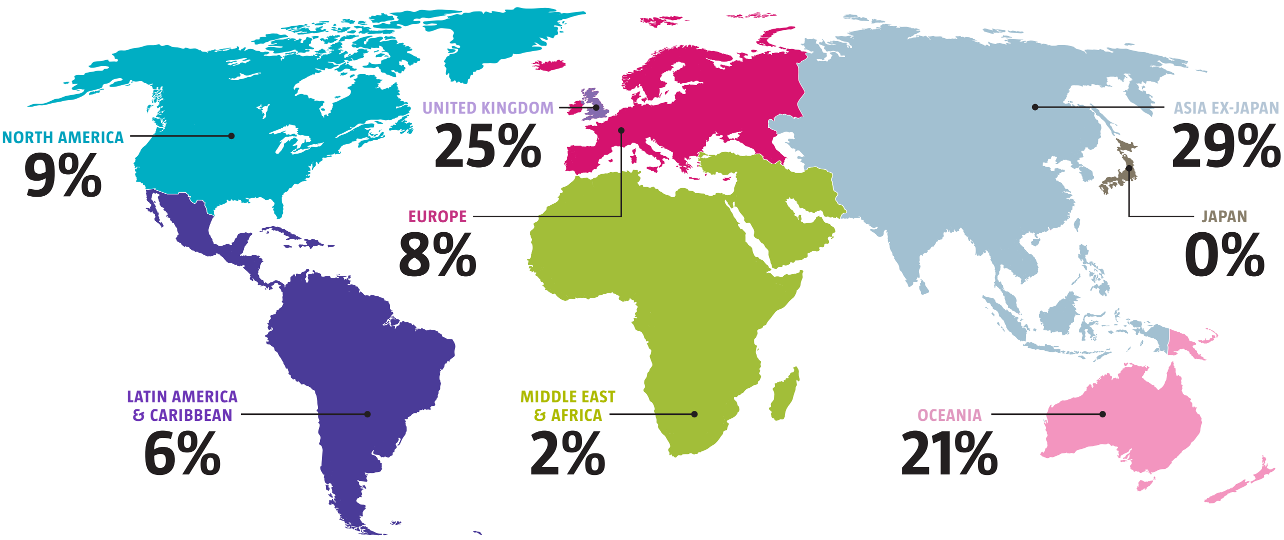
Progress per theme



* Due to a change in Robeco's methodology to account for engagement cases, numbers are expected to differ from previous quarters.

Q4|22 FIGURES VOTING

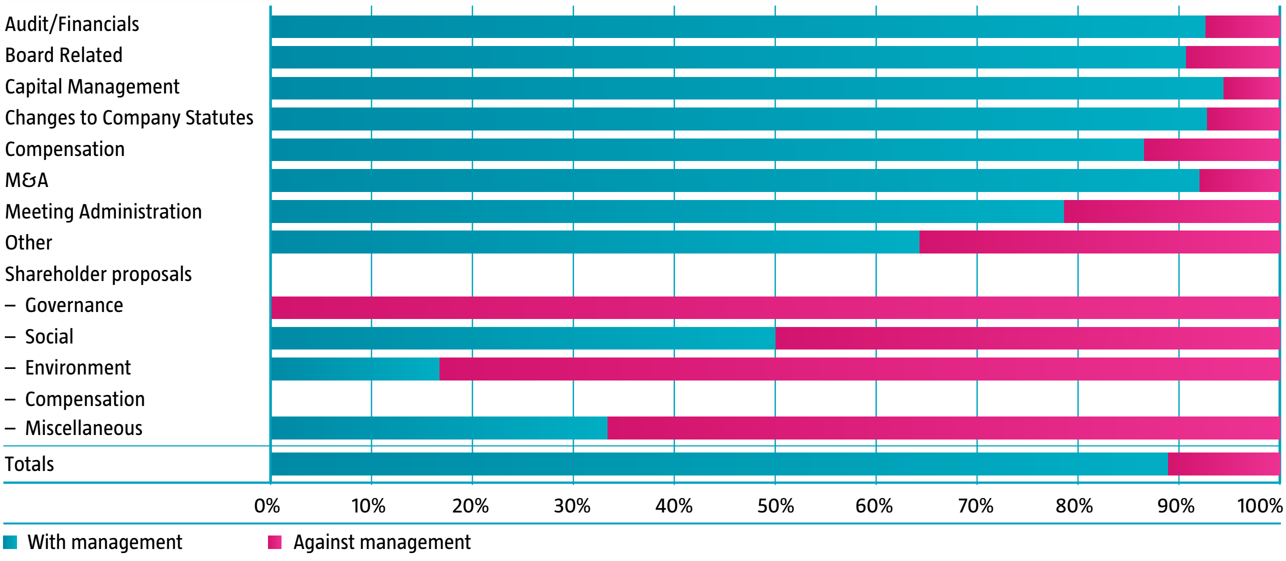
Shareholder meetings voted by region



Voting overview

	Q1	Q2	Q3	Q4	YTD
Total number of meetings voted	121	573	134	126	954
Total number of agenda items voted	1,398	8,750	1,599	1,044	12,791
% Meetings with at least one vote against management	60%	72%	56%	44%	64%

Votes cast per proposal category



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CONTENTS

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INTRODUCTION

Although there were turbulent times, we look back on 2022 as being another successful year for Robeco's Active Ownership activities. We have continued to grow the team and we launched several new engagements, next to this we enhanced the transparency and collaboration with our clients.

With the year having come to an end, so did our engagement on the Social Impact of Artificial Intelligence (AI), launched in 2019. The opportunities present in AI are often described as 'endless', though technology's growing and often unregulated presence in our lives brings along numerous social risks, ranging from systematic discrimination to surveillance and privacy concerns.

For three years, we have supported technology companies in creating holistically responsible AI frameworks to govern their technological development, deployment and end use. We successfully closed 40% of the engagements, with many of the companies having formalized responsible AI principles. They have shared how the principles of inclusiveness, fairness and transparency are being integrated into their developer trainings, enterprise risk management systems and board responsibilities. However, companies remain resistant to publicly disclosing their systematic responsible AI practices, a critical challenge as AI is starting to be regulated.

Staying on the topic of technology, looking both on and behind the screen, we reflect on the progress observed so far in our Social Impact of Gaming engagement. Over the last two years, gaming companies have taken significant steps to address in-game harassment of players, ranging from AI-driven text filtering to extensive feedback loops. At the same time, game providers are seeking ways to improve their disclosures on social and environmental performance, with three out of the five companies under engagement having launched their first sustainability reports since we started our dialogues with them.

Meanwhile, stakeholders from across the world came together at the UN Convention on Biological Diversity Conference in Montreal in December to find ways to halt biodiversity loss and to address the associated environmental, social and economic harms. Eliminating biodiversity loss requires urgent multilateral action, from governments, companies and investors. In our update, we share the various ways in which Robeco addresses biodiversity loss and deforestation, through our engagement with the Brazilian and Indonesian governments that aim to strengthen no-deforestation laws, to our newly launched proxy voting policy targeting agricultural companies that are not living up to their environmental responsibilities. Finally, we report on the soft launch of the Nature Action 100 engagement collaboration, in which we take an active role. The collaboration focuses on the 100 companies deemed to be the biggest culprits in causing biodiversity loss.

Finally, we shift our focus to Asia, where we continue to engage policy makers and companies on key gaps in their corporate governance, including the low rate of female board representation and the systematic challenges around companies' annual disclosures. These corporate governance issues alongside other market and capital inefficiencies are believed to have significant impacts on companies' market valuations, highlighting the importance of investor engagement.

As we move into a new year, we reflect on the promises made by companies and governments towards safeguarding our planet, and are ready to play our part in moving towards a more sustainable future.

Carola van Lamoen
Head of Sustainable Investing

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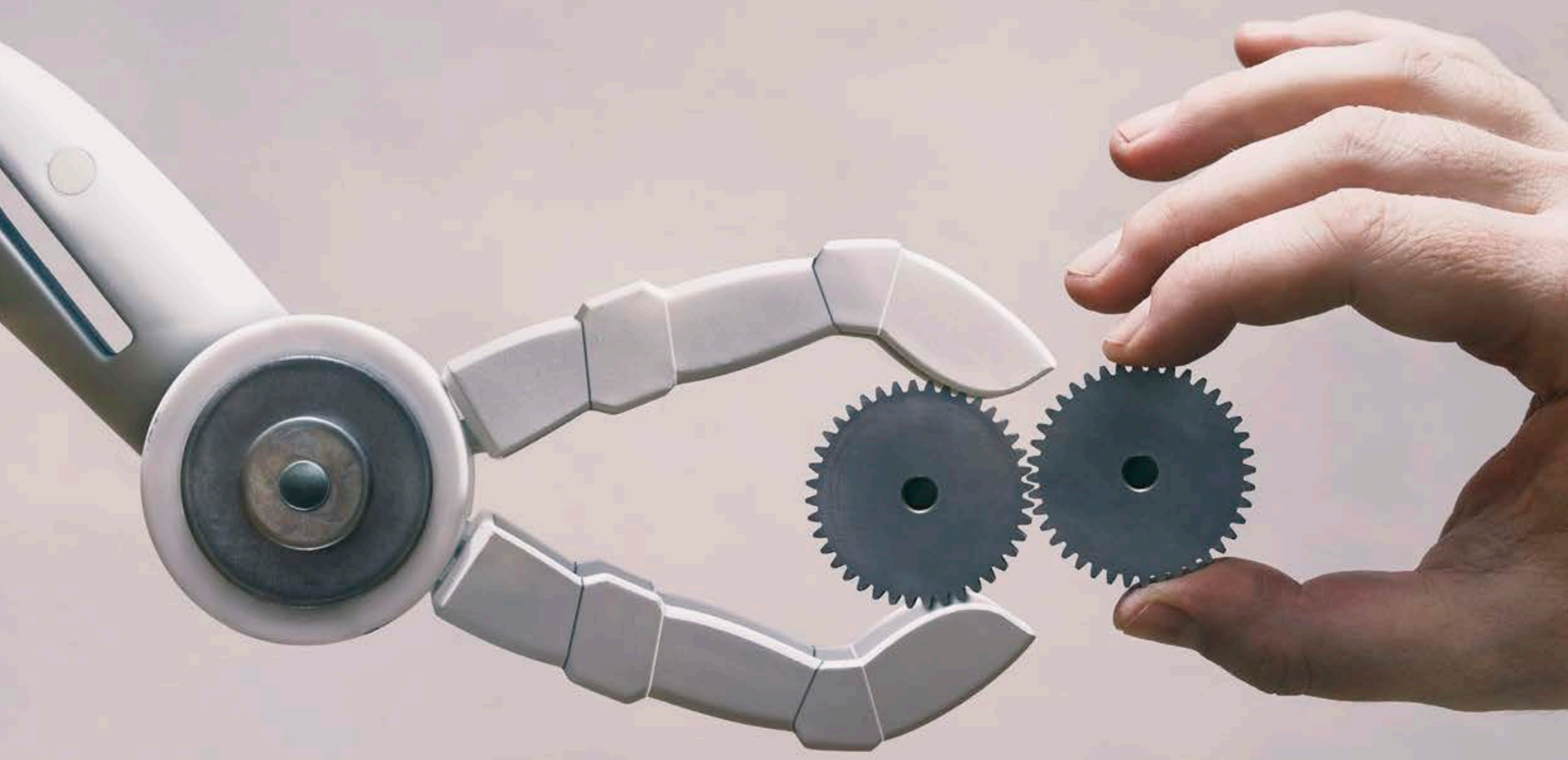
AI, will you judge me?

SOCIAL IMPACT OF ARTIFICIAL INTELLIGENCE

DANIËLLE ESSINK – *Engagement specialist*

The potential benefits of artificial intelligence (AI) come with risks that are not yet fully explored, let alone understood. As AI increasingly becomes a more important part of our daily lives, there is an urgent need for robust governance of AI systems. As we close our Social Impact of AI engagement theme, we reflect on some of the key trends, opportunities and challenges around this technology.



AI represents new opportunities for companies to grow and transform their businesses. According to the 2022 McKinsey Technology Trends Outlook, AI adoption across different industries continues to grow, and benefits such as cost reduction and improved efficiency remain significant. However, to achieve the full potential of AI, companies need to manage the associated risks that come with the development and use of the technology, including human rights-related risks. From 2019 to 2022, Robeco engaged with 10 companies from across the Information and Communication Technology (ICT) sector with the aim of promoting best practices in the development and responsible use of AI.

Opportunities and challenges

Given the speed at which AI is being developed, there is no doubt that in the next few decades, this technology will transform our economy and society in ways we cannot imagine. According to the 2022 Worldwide Artificial Intelligence Software Forecast by the International Data Corporation (IDC), the worldwide AI market is estimated to show compound annual growth of 18.6% from 2022 to 2026 alone.

This type of growth represents massive opportunities for AI to contribute to positive changes, such as detecting patterns in environmental data, or improving the analysis of health information. Using AI to overcome some of the most difficult challenges that humans face, including climate change, is an exciting prospect. At the same time, AI could cause new problems or aggravate existing ones if companies do not have enough understanding of the risks associated with these technologies. For example, using AI algorithms for profiling can have discriminatory effects, such as credit rating algorithms disfavoring people from certain ethnic backgrounds, or those living in certain areas.

Similarly, AI can be used for surveillance – in public spaces but also in the workplace – putting the right to privacy at risk. This shows a growing need for the responsible governance of AI systems to ensure that such systems conform to ethical values, norms, and the growing number of AI regulations.

Upcoming regulation

In response to the ethical and societal challenges raised by AI, an increasing number of regulatory initiatives and policy proposals have been launched by various players, including governments and governmental bodies such as national ethics committees, inter-governmental organizations such as the EU, non-profit organizations and academics.

On April 2021, the European Commission issued the AI Act as a means of regulating the technology. This is a crucial step as it represents a sign of norm diffusion. In the proposal, clear requirements and obligations regarding the specific uses of AI are laid out for developers, deployers and users. The proposal takes a risk-based regulatory approach by distinguishing four categories based on the level of risk. For example, AI systems that have been identified as high-risk, such as CV-scanning tools that rank job applicants, will be subject to strict obligations including enhanced risk management processes and human oversight. AI systems with limited risks will remain largely unregulated.

‘ETHICAL PRINCIPLES ON THEIR OWN DO NOT ENSURE THE RESPONSIBLE DEVELOPMENT AND DEPLOYMENT OF AI.’

DANIËLLE ESSINK

Following the proposal in April 2021, the regulation was expected to come into effect in late 2022 or early 2023, using a transitional period. This growing legislative pressure around AI could pose serious regulatory risks for companies that are not well prepared to conform with the rising obligations.

The results of our engagement

In September 2022, we concluded our Social Impact of AI engagement program and successfully closed 40% of the engagement cases. Through our engagement, we learned that companies are gradually aligning internal practices to principles of responsible AI. Many companies formalized AI principles that address topics like inclusiveness, fairness and transparency. Additionally, companies are increasingly pursuing a collaborative approach by actively participating and contributing to cross-industry multi-stakeholder initiatives that aim to advance responsible governance and best practices in AI. These types of initiatives play a decisive role in guaranteeing trustworthy AI across the industry.

However, ethical principles on their own do not ensure the responsible development and deployment of AI. Businesses require robust governance mechanisms to effectively implement their principles. In our engagement, we observed that transparency around AI governance and implementation remained low, as most companies' public disclosures lacked clarity about how such principles translate into practice, and which checks and balances are in place. After talking to the companies, we learned about the specifics of the implementation, which then gave us the confidence to close some of the objectives successfully. The engagement results of this theme are, therefore, highly correlated with the company's willingness to set up constructive dialogues.

Next steps

The alignment of AI technologies with ethical values and principles will be critical to promote and protect human rights in society. Even though much work has been done in this area, the implementation of AI principles and management of AI risks remains a critical area for improvement. As a result, we will continue our engagement work with a selection of companies in the ICT sector under our 'Sustainable Development Goals (SDG) engagement' theme. These dialogues have a strong focus on human rights and societal impact, and highlight topics like misinformation, content moderation and stakeholder collaboration. We will focus on how companies can contribute to SDG 10 (Reduced inequalities) and SDG 16 (Peace, justice and strong institutions) by safeguarding human rights in the development and use of AI and promoting social, economic and political inclusion.

CASE STUDY

MICROSOFT

Microsoft is an American multinational technology company, showing strong performance in developing and implementing AI policies and guidelines. For example, the company has published six ethical principles to drive responsible AI as well as user tools, guidelines, and resources to help implement it throughout the lifecycle of technologies, from concept to deployment. One specific example is a checklist which helps prioritize fairness when developing AI. Additionally, Microsoft has added requirements on responsible use by clients in the terms of service and marketing materials of its AI products and services.

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PLAYING FOR IMPACT

SOCIAL IMPACT OF GAMING

ALEXANDRA MORTIMER – *Engagement specialist*

In response to mounting concerns around the effects of ever-more popular games on the well-being of adults and children, in Q1 2021 we started engaging the global video gaming industry on their social impact. We selected six of the largest listed gaming companies located in the US, South Korea and China, with objectives that address the social impacts felt both behind and in front of the screen. Two years into the engagement, the industry has made significant steps, though not all at once.

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In front of the screen

For the consumers playing video games, companies are expected to develop strategies that prevent harassment occurring between players, especially within Massively Multiplayer Online Role-Playing Games (MMORPGs), where large numbers of players interact at once. Automatic chat text filtering has emerged as a standard technology deployed by most companies under engagement. More sophisticated tiered responses have emerged among a subset of the companies, which feature artificial intelligence, feedback loops to the affected players, and appeals processes.

Overall, the application of such tools is decided by studios on a game-by-game basis, though we have encouraged companies to look for opportunities for studios to learn from each other, and create a more general application of harassment-prevention tools. Another interesting response by the industry has been to conduct research on the factors behind disruptive player behavior, though we have yet to see how this research is being leveraged in game design, which we will encourage in the coming months.

Other elements of player behavior that warrant attention are the money and time spent within games. Much of companies' focus has been on children's spending in recognition of their limited ability to regulate their behavior. A straightforward measure implemented by at least half of the companies has been to ban spending abilities for accounts below an early-teen age group, though age restrictions and time restraints are largely implemented through the consoles on which the games are played, and must be actively set by parents.

In September 2021, the Chinese government introduced limits on children's gaming time for which functions such as account verification had to be integrated. This had a significant effect on the total time and money spent by young players, as already evidenced by one company. This area of impact has the potential to generate some creative design solutions, and we remain keen to see how the breadth of tools develops over the next year.

Two other player-end impacts have seen less traction in the intervening time. Depictions of violence within games are acknowledged as material by the companies most exposed to this content. However, we have yet to see examples of clear policies that guide what imagery is appropriate outside of regulation, and it is widely seen to be a creative rather than a risk-aligned decision. Similarly, in-game diversity has begun to garner attention in US-based studios, but lacks traction in other markets. Companies have highlighted extended character appearance options that allow for diverse avatars, and characters in storylines that reflect one or more dimensions of diversity such as race, gender expression or physical ability levels. This, too, is considered a creative decision that is determined by project teams, for which the diversity levels of the teams themselves is considered a large factor. In some instances, feedback structures have been put in place for employees to flag inappropriate or concerning content, though it doesn't appear that this is a formal process that is taken advantage of across all projects.

'CREATING RECOGNITION OF UMBRELLA COMPANIES' RESPONSIBILITIES TOWARDS SUBSIDIARIES' RISKS REQUIRES A SHIFT IN MINDSET AT THE MANAGEMENT LEVEL.'

ALEXANDRA MORTIMER

Behind the screen

Since the launch of the engagement, the issue of diversity and inclusion on the work floor has only continued to rise in prominence within the gaming sector. Allegations of toxic workplace cultures, enabling sexual harassment and discrimination, continued into 2021, triggering legal and employee action. The response by the industry has been twofold. Western companies have appointed leads for diversity, installing training and development programs, while remaining defensive of the view that allegations are the result of systemic issues. Companies in other regions however approach diversity primarily from the gender perspective, and are less responsive to the issue overall. Wider workplace conditions have attracted more uniform attention, with companies reporting initiatives to improve work-life balance.

Where companies have developed across the board is in their reporting. All companies under engagement now publish annual ESG reports, when at the beginning of the engagement, three had yet to do so. The reports highlight initiatives that relate to many of our objectives, and largely conform to frameworks that include metrics that we deem important for transparency, in particular those that are related to the workforce. We've provided input to companies on topics we deem material to receive more transparency about, and the metrics we'd like to see in future, acknowledging that many are still exploring this new form of communication.

Focus areas for the last year of engagement: responsibility and regulation

Decisions around in-game elements such as character diversity are largely seen to be within the remit of the creative and project teams, as they're highly relevant to the user experience. Umbrella companies are nonetheless still responsible for managing subsidiaries' risks, including those faced by consumers when using their product. Creating recognition of this dynamic is at the center of this engagement, and requires a shift in mindset at the management level.

China's restrictions around minors' gaming time is but one example of how regulations are influencing the way that users interact with games. Markets are separately mandating how monetization and violence should be included in games, creating a fragmented landscape of acceptable game features. Prominently, 'loot boxes', which have been likened to gambling products, have come under scrutiny by regulators in the UK and US, in addition to four countries where the products are already actively regulated or banned. How companies are navigating this landscape, especially within international expansion plans, is an element we will look to explore further as we approach the end of the engagement theme. ■

CASE STUDY

ACTIVISION BLIZZARD

Activision Blizzard, an American video game holding company, faced prominent allegations of employee misconduct towards the end of 2021, generating wide media coverage and employee outrage. Since then, the company has settled an investigation with a state regulator and implemented a multi-pronged initiative of diversity personnel, targets, and strengthened employee protection policies. We have discussed this at length with the company as part of our engagement, and provided detailed feedback on how Activision can improve its reporting to progress the resolution of the issue by increasing confidence in the efficacy of its new measures. If the efforts are proven to have worked, the company's response to its scandal may serve as a positive example to peers in a sector that has faced many similar allegations in past years.

NC SOFT

South Korean video game developer and publisher NC Soft has made significant steps in improving its sustainability disclosures since the beginning of our engagement in 2020, moving from elementary ESG disclosure to publishing an inaugural ESG report in 2021. The company's new ESG reports have particularly highlighted NC Soft's approach to diversity, both within the company and in-game. Though not regarded as highly material in its domestic base compared to Western markets, NC Soft has shared how its employee code of ethics accounts for diversity and inclusion. It has also published human capital metrics describing how gender is represented across different levels of the company. NC Soft has also outlined the process in place to intercept content that may be inappropriate in different markets, both in imagery and in text.

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A MULTI-FACETED APPROACH

BIODIVERSITY

CLAIRE AHLBORN – *Engagement specialist*

Nature is critical to meeting the UN Sustainable Development Goals (SDGs) and limiting global warming to 1.5 degrees. Countries, companies and civil society organizations must work together to eliminate and reverse biodiversity loss and secure our and our planet's health and well-being. In an active effort to live up to our and our clients' environmental and social responsibilities, Robeco has set up an integrated and multi-layered engagement approach to address biodiversity loss.

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In prioritizing economic development, humanity has caused considerable damage to the natural world and its ecosystems. Yet, a degraded biosphere will have a direct impact on growth and human welfare over the next several decades. From 1970 to 2018 there has been a reported 69% average decline in global wildlife species. In Latin America, this number rises to a staggering 94%.

Moreover, studies conducted in the Netherlands, Brazil and France found financial institutions to have hundreds of billions of assets highly dependent on the services provided by healthy ecosystems, from pollination to clean water provision. Such estimates help frame the gravity of biodiversity loss trends and underline the collective urgency to halt and reverse them.

A multi-layered engagement strategy

Addressing biodiversity loss requires urgent action from both governments and companies. With their wide coverage, investors are often in a unique position to push for change. Yet, investor action on biodiversity has been limited, with data barriers and capacity limitations keeping them from integrating biodiversity into their investments, engagement and voting decisions at scale.

As the financial materiality of biodiversity and the impact that companies and financial institutions have on nature is becoming clearer, Robeco has set out to create a holistic, multi-layered and scalable engagement approach towards biodiversity. As such, we are not only engaging the various relevant stakeholders, from governments and companies to data providers, but also exploring how stewardship efforts can be scaled through proxy voting and collaborative engagements.

‘ADDRESSING BIODIVERSITY LOSS REQUIRES URGENT ACTION FROM BOTH GOVERNMENTS AND COMPANIES. WITH THEIR WIDE COVERAGE, INVESTORS ARE OFTEN IN A UNIQUE POSITION TO PUSH FOR CHANGE’

CLAIRE AHLBORN

Engagement: From impact assessments to incentive structures

Biodiversity loss is one of the defining challenges of the 21st century. Robeco’s engagement initially started off with a focus on addressing biodiversity loss linked to deforestation among companies exposed to high-risk commodities. We have since extended the engagement program in both time and scope to accommodate engagements on other drivers of biodiversity loss, from pollution to overfishing.

Through the engagements, we expect companies to assess their biodiversity impacts and dependencies and set a biodiversity strategy that includes, for instance, no-deforestation targets. We also expect them to report key impact indicators following recognized reporting frameworks such as the Taskforce for Nature-Related Financial Disclosures.

To achieve environmental goals, biodiversity must be embedded within companies’ governance and incentive structures. Companies must actively engage their stakeholders, assuring adequate efforts are made to not exclude smallholder farmers and local communities from their supply chains.

The theme will among others cover companies engaged as part of our new RobecoSAM Biodiversity Equities Fund, which directs financial flows towards biodiversity solutions providers. We aim to engage with those companies where we see opportunities to enhance their contributions to biodiversity, including wider asks such as the systematic integration of biodiversity into companies’ strategies and risk management processes, or topic-specific discussions on, for instance, sustainable livestock manure management.

Voting for nature

To scale up our efforts, Robeco has introduced a new voting approach around deforestation, targeting companies that have high exposure to deforestation risk, but do not have adequate policies and processes in place to reduce their impact, or are involved in severe and repeated deforestation-linked controversies. Drawing on the insights from benchmarks such as Global Canopy’s Forest500 ranking, we start by focusing on companies involved in the key forest risk sectors: palm oil, soy, beef and leather, timber, pulp and paper.

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Speaking up together

Seeking a wider reach, we are increasingly looking for collaborative engagement opportunities. We recently signed the Business for Nature statement calling for mandatory corporate reporting for nature by 2030. We also joined the letter campaign and ESG data provider engagement by the Finance Sector Deforestation Action, a group of over 30 investors calling for increased action and transparency on protecting our forests.

Furthermore, Robeco was honored to be part of the core investor group that launched the Nature Action 100 initiative during the UN Biodiversity Conference in Montreal in December. This aims to harness the power of collaborative engagement to address nature loss and biodiversity decline, focusing on the 100 companies with the largest impacts and dependencies on nature.

The initiative will be co-led by the sustainability advocacy group Ceres, the Institutional Investors Group on Climate Change (IIGCC), the Finance for Biodiversity Foundation and the financial think tank Planet Tracker. There will be three main work streams:

- the Secretariat, responsible for setting up the initiative's Steering Group and supporting administrative, communications and fundraising activities;
- the Technical Advisory Group, tasked with identifying priority engagements and developing science-based investor guidance and tools; and
- the Corporate Engagement group, focusing on developing a multi-year plan to engage companies deemed most important to stemming nature and biodiversity loss.

Global investors are invited to sign up to the program and lead on individual dialogues on behalf of the global investor community.

Public policy dialogue

Shifting to the sovereign level, Robeco continues to be actively involved in the Investor Policy Dialogue on Deforestation (IPDD) initiative since it was formally set up in July 2020, co-chairing the work streams responsible for engaging with the governments of Brazil and Indonesia. Currently, the coalition is comprised by 65 institutional investors from 19 countries, with USD 10 trillion in assets under management. As a long-term investor in these countries' bonds and equities, Robeco considers sovereign engagement as a necessary and powerful step to encourage governments that are significantly exposed to deforestation risk to implement relevant policies and contribute to a positive change.

CASE STUDY

The Finance Sector Deforestation Action

We are actively partaking in the Finance Sector Deforestation Action (FSDA) initiative, a collaborative investor group constituting of over 30 investors that have signed the COP26 Financial Sector Commitment on Eliminating Agricultural Commodity-Driven Deforestation throughout investment and financing activities by 2025.

As part of the investor group, we have joined a letter and engagement campaign launched at the end of 2022, jointly aiming to engage more than 50 companies on creating clear no-deforestation and traceability targets, due diligence processes and disclosures.

In October 2022, Robeco took part in the IPDD's group trip to Jakarta and met with representatives from national government agencies to discuss various ESG topics. In particular, the IPDD group met with the Indonesia Stock Exchange (IDX) and with the Chamber of Commerce (KADIN), signing two Memorandums of Understanding to promote country sustainability disclosures for listed companies, and to support the Regenerative Forest Business Sub Hub, respectively. ■

ENGAGING TO CLOSE THE ASIA DISCOUNT

CORPORATE GOVERNANCE STANDARDS IN ASIA

RONNIE LIM – *Engagement specialist*

Our engagement to improve corporate governance standards began in 2017 with Japan and was widened in 2020 to include Asia. In addition to engaging with companies, we also work with other investors and stakeholders to create a positive environment for change. We focus on the most material governance issues to be addressed, with target companies selected in close collaboration with our fundamental equity teams.

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Opportunities and challenges

We have two broad streams of engagement in Asia. Firstly, we work with regulators and policy stakeholders such as financial regulators and local stock exchanges in Japan, South Korea, and to a lesser extent in China, to ensure an improved and level playing field for ESG issues. Secondly, we work constructively with companies in Japan and South Korea to improve their disclosure, communication and financial performance. We have also worked in collaboration with other asset managers to improve the Asian corporate governance 'ecosystem', with active participation in the two working groups (Japan and South Korea) within the Asian Corporate Governance Association (ACGA) and the International Corporate Governance Association (ICGN).

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Our policy engagement included a virtual delegation meeting with Japan's Ministry of Economy, Trade and Industry. One of the issues we raised was the disclosure timing of annual reports, and we noted that it is of utmost importance to investors that these be released prior to the annual general meetings. In addition, we were co-signatories of a letter to Japan's Financial Services Agency and the Tokyo Stock Exchange on two pathways to address the low rate of female participation: changes to the listing rules and via Japan's Corporate Governance Code.

We engage with domestic investors in Japan who are increasingly motivated to understand how economic value is created by efficient balance sheet management. Over the past year, we delivered a series of ICGN webinars on the topic of capital efficiency and long-term value creation which saw active participation by listed companies. The content of the webinars was how cashflow and return on capital create long-term shareholder value, and the impact of valuation by efficient management of balance sheet items, such as by lowering inventory and increasing dividend payouts.

'WE ATTRIBUTE THE PREDILECTION FOR MANAGEMENT TO PERSIST WITH EXCESS CASH OR INEFFICIENT BALANCE SHEETS TO EITHER EXCESSIVE RISK AVERSION OR THE PRESERVATION OF 'OPTION VALUE'.'

RONNIE LIM

The markets of Japan and South Korea, where the engagement is focused, have large valuation discounts compared to other developed markets in Europe and the US. These discounts have widened in the year to date with the strong relative appreciation of the US dollar. The main valuation metrics we use include price-earnings ratios (PEs), price-to-book value and EV/EBITA.

The companies under engagement were also trading at valuation discounts compared to their global industry peers, which we attribute partly to broad governance issues in Japan and South Korea, but also to the lack of robust financial strategies and inefficient balance sheets. Our dialogue was consistently explaining the importance of both effective investor communication, together with the setting of appropriate capital management targets.

Company engagements

We have written in previous reports that the essentials of good corporate governance go beyond using 'check-list' assessments of governance codes and are closely related to the two principles of transparency and accountability. Therefore, we ask companies to improve transparency by publishing narrative reporting on their corporate strategy and having a distinct financial strategy. KPMG's last survey in 2020 showed that Japan leads the world, with 579 companies issuing integrated reports. There is much to celebrate given the increased emphasis on reporting on material environmental and social (E&S) issues, including setting targets on greenhouse gas emissions reductions. We have commended companies when they have not only reported on material E&S issues, but have also set credible near-and long-term targets. However, there are still significant opportunities for companies to improve reporting of their financial strategy and to give robust explanations on specific targets that would support their business strategy.

We consider a robust financial strategy to have several components, including disclosing the thresholds for planned capital expenditure, investment and acquisitions. We constantly remind executives of the basics of corporate finance, including having positive returns on capital, and we push for increased accountability by providing practical recommendations such as publishing dividend policies and setting appropriate incentives. We also challenge companies to dispose of any crossholdings and low-return business assets, and to return excess capital in the way of dividends, share buybacks and the cancellation of any treasury shares.

The engagements usually begin with a dialogue questioning some aspects of how the board is structured, and how compensation and incentives are structured. Typically, a company will be trading at a low valuation because of investor skepticism about the sustainability of key operating metrics such as an unusually high profit margin, or a persistently low dividend pay-out ratio. Most companies defend these practices by steering the dialogue to their need to create earnings growth, or through specious arguments for the need to retain legacy business divisions which are no longer profitable.

We attribute the predilection for management to persist with excess cash or inefficient balance sheets to either excessive risk aversion or the preservation of 'option value' – for example to make a large acquisition without shareholder scrutiny or approval. These are behavioral and cultural issues that we believe are some of the main contributors to the 'Asia discount' and can be very challenging for a minority investor to address. We do not believe that there is a single, magic bullet to fix this problem, but we have found some success in making the business and investment case for our proposals and demonstrating sincerity by being constructive and patient.

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Proxy Voting

DIANA TRIF – *Engagement specialist*
MANUEL SOBRAL – *Active ownership analyst*

Engagement specialist Diana Trif and Active Ownership Analyst Manuel Sobral reflect on some of 2022's key trends, from the growing shareholder activism in Australia to the critical topic of Anti-ESG shareholder proposals, the actors behind them and how to spot these misleading agenda items.

Anti-ESG shareholder proposals

Investors and issuers were faced with a transformed US AGM landscape in 2022. The growing national debate around sustainable investing prompted a dramatic increase in the number of shareholder proposals filed by conservative activists seeking to halt companies' ESG efforts and to combat "woke capitalism". These proposals, now widely referred to as "anti-ESG", entail new challenges for investors seeking to push US companies to step up their ESG efforts.

On the one hand, there are concerns that anti-ESG proponents may seek to take advantage of certain features of the US proxy machinery to block pro-ESG shareholder proposals from reaching ballots. The tactics that may be employed to achieve this are diverse, yet have a common denominator – they concern shareholder proposal excludability under US rules. A shareholder proposal becomes eligible for a vote if it reaches a company's proxy statement, but companies can exclude the proposal if it fails to meet certain procedural and substantive requirements.

Particularly relevant in this sense is that the US Securities and Exchange Commission (SEC) allows companies to leave out substantially duplicative shareholder proposals from its proxy statement, as well as to exclude a shareholder proposal which addresses the same subject matter as a proposal that received low levels of support in any previous meeting. The 2022 proxy season has shown that anti-ESG shareholder proposals often take advantage of these provisions by duplicating the wording of pro-ESG shareholder proposals, which can lead to a number of consequences. First, if the anti-ESG shareholder proposal is submitted first, it will be the one that makes it to the ballot. Second, if an anti-ESG shareholder proposal receives less than 5% support at a meeting, as often is the case, pro-ESG proposals covering the same topic can be excluded from the proxy materials for the next three years.

In addition, anti-ESG shareholder proposals are often verbatim copies of pro-ESG shareholder proposals; they tackle the same topics ranging from lobbying to racial equity, and often appear to be fueled by a desire to advance rather than hinder a company's ESG goals. Discerning the true objective of the proposal in many cases requires an in-depth analysis that spans well beyond the proxy materials made available by companies. This analysis covers aspects such as the proponent, the views expressed by the proponent, and any public statements made by the proponent regarding the shareholder proposal in question, thereby placing a burden on proxy analyses. Robeco assesses each shareholder proposal on a case-by-case basis and supports resolutions which aim to increase transparency on material ESG issues, enhance long-term shareholder value creation, address material ESG risks and enforce appropriate conduct.

Corporate Governance in Australia

In recent years, climate activism has become increasingly prominent in Australia, with shareholder associations such as the Australasian Centre for Corporate Responsibility (ACCR) and Market Forces strongly advocating for sustainability goals through engagement and the submission of shareholder proposals. This is in line with the wider global trend of growing scrutiny of companies over sustainability concerns by investors and regulators alike. For the Australian market however, Rio Tinto's detonation of the Juukan Gorge cave in 2020 pushed sustainability concerns further into the forefront of the corporate agenda, and throughout the 2022 proxy season we continued to observe its effects on shareholder activism.

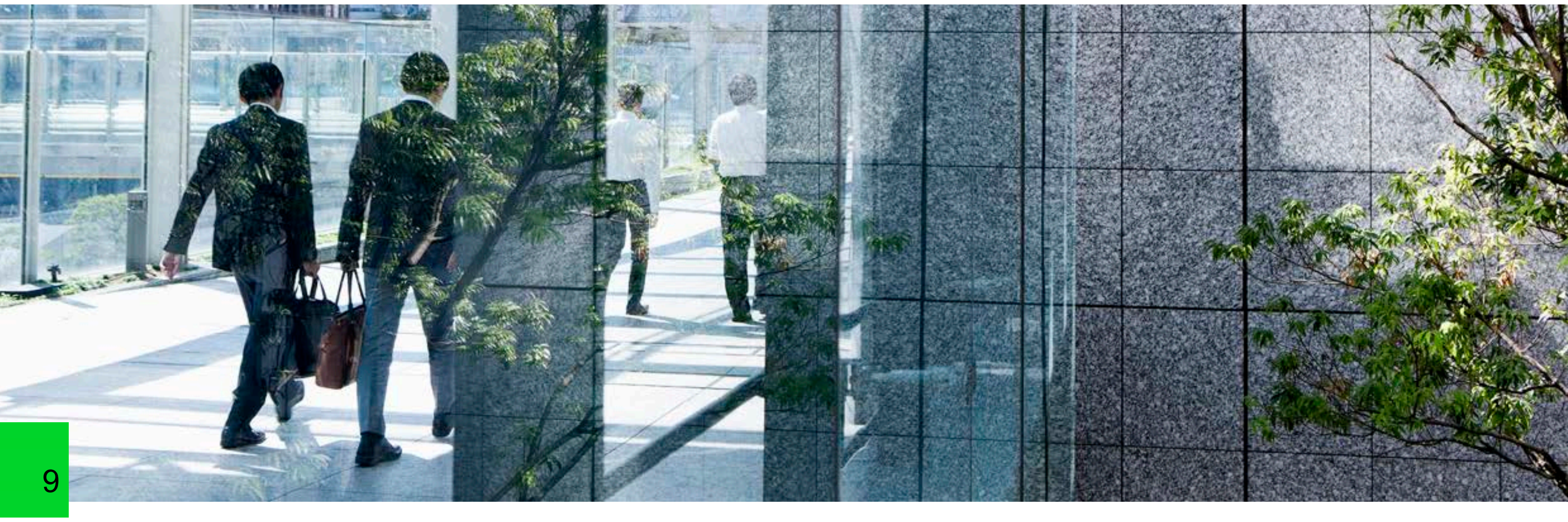
ACCR is a shareholder advocacy organization which focuses on the management of ESG-related issues. Throughout 2022, the organization filed a total of 13 shareholder proposals, of which eight were related to climate concerns. Climate proposals included requests for a climate sensitivity analysis at BHP Billiton's and Origin Energy's annual general meetings, and requests to stop advocating for the development of new and expanded coal mines at Rio Tinto, Woodside Energy and Santos.

In addition, Market Forces has actively targeted Australian banks connected with fossil fuel financing. The shareholder activist group submitted proposals to the upcoming AGMs of National Australia Bank, ANZ Bank and Westpac, requesting that the banks report on how they plan to stop financing fossil fuel projects. Earlier in Q4, Market Forces also submitted a similar proposal at Commonwealth Bank's October AGM, which received less than 10% support.

Despite their continued efforts in pushing for corporate climate action, shareholder activists such as ACCR and Market Forces have struggled to gather significant support and pass climate proposals at AGMs. The Australian regulatory environment presents a significant obstacle for passing shareholder resolutions related to climate, as shareholders are not allowed to propose an advisory resolution unless it is permitted under the company's constitution. Consequently, it is often the case that ACCR's and Market Force's climate proposals are not put up for vote at AGMs.

This issue gained significant attention in the past, as part of the 2015 court case of Australasian Centre for Corporate Responsibility versus Commonwealth Bank of Australia. The case came to light due to the omission by the Commonwealth Bank of two ordinary proposals filed by ACCR. In the end, Commonwealth Bank won the case, which harmed the prospect of activism through advisory shareholder resolutions. However, shareholders will often submit a resolution to amend the constitution along with the advisory resolution they would like to pass. Robeco is supportive of proposals that facilitate the submission of shareholder resolutions, as we deem these to be an important means of engagement between companies and shareholders.

COMPANIES UNDER ENGAGEMENT IN 2022



Environment

Biodiversity
Compagnie Generale des Etablissements
Michelin SCA
Mondelez International
Unilever

Climate Transition of Financial Institutions
Australia & New Zealand Banking Group Ltd.
Bank of America Corp.
Barclays Plc
BNP Paribas SA
Citigroup, Inc.
DBS Group Holdings
HSBC
ING Groep NV
JPMorgan Chase & Co., Inc.
Sumitomo Mitsui Financial Group, Inc.

Lifecycle Management of Mining
Anglo American
BHP Billiton
Fortescue Metals Group Ltd.

Natural Resource Management
Ambev SA
Diageo
PepsiCo, Inc.
Severn Trent PLC
United Utilities Group PLC

Net Zero Carbon Emissions
Anglo American
ArcelorMittal
Berkshire Hathaway
BHP Billiton
BP
Chevron
CRH Plc
Enel
HeidelbergCement AG
Hyundai Motor
Petroleo Brasileiro
Phillips 66
Rio Tinto
Royal Dutch Shell
Saudi Arabian Oil Co.

Single Use Plastics
Amcor Ltd.
PepsiCo, Inc.
Procter & Gamble Co.

Sound Environmental Management
Alexandria Real Estate Equities, Inc.
LONGi Green Energy Technology Co Ltd
Saudi Arabian Oil Co.

Social

Digital Innovation in Healthcare
Abbott Laboratories
CVS Caremark Corp.
Elevance Health Inc
Eli Lilly & Co.
Fresenius SE
HCA Holdings, Inc.
Philips
Quintiles IMS Holdings, Inc.
Roche
UnitedHealth Group

Diversity and Inclusion
Eli Lilly & Co.
Netflix Inc
Oracle Corp
Taiwan Semiconductor Manufacturing Co. Ltd.
Thermo Fisher Scientific, Inc.

Human Rights Due Diligence for Conflict-Affected and High-Risk Areas
Bharat Electronics Ltd.
Booking Holdings, Inc.
HeidelbergCement AG
Inditex

Labor Practices in a Post Covid-19 World
Amazon.com, Inc.
InterContinental Hotels Group Plc
Meituan Dianping
Wal-Mart Stores

Social Impact of Artificial Intelligence
Accenture Plc

Booking Holdings, Inc.
Microsoft
Visa, Inc.

Social Impact of Gaming
Activision Blizzard, Inc.
NCsoft Corp.
NetEase.com, Inc.
Tencent Holdings Ltd.

Sound Social Management
Aon Plc
Bayerische Motoren Werke
Glencore Plc
Procter & Gamble Co.
Tesco Plc
Thermo Fisher Scientific, Inc.

Governance

Corporate Governance in Emerging Markets
Hyundai Motor
Midea Group Co. Ltd.
Samsung Electronics

Corporate Governance Standards in Asia
Hynix Semiconductor, Inc.
INPEX Corp.
Shin-Etsu Chemical Co. Ltd.

Good Governance
DSM
Heineken Holding
Royal Dutch Shell
Samsung Electronics
Sumitomo Mitsui Financial Group, Inc.
Unilever

Responsible Executive Remuneration
Booking Holdings, Inc.
Henkel AG & Co. KGaA
Linde Plc
NIKE
Schneider Electric SA
Tesco Plc
Walt Disney

SDGs

SDG Engagement
Adobe Systems, Inc.
Alphabet, Inc.
Amazon.com, Inc.
Apple
Bank of Montreal
Charter Communications, Inc.
eBay
Electronic Arts, Inc.
Elevance Health Inc
JPMorgan Chase & Co., Inc.
L Oréal
Meta Platforms Inc
Neste Oil Oyj
Novartis
Rio Tinto
Salesforce.com, Inc.
Samsung Electronics
Sony
Total
Union Pacific

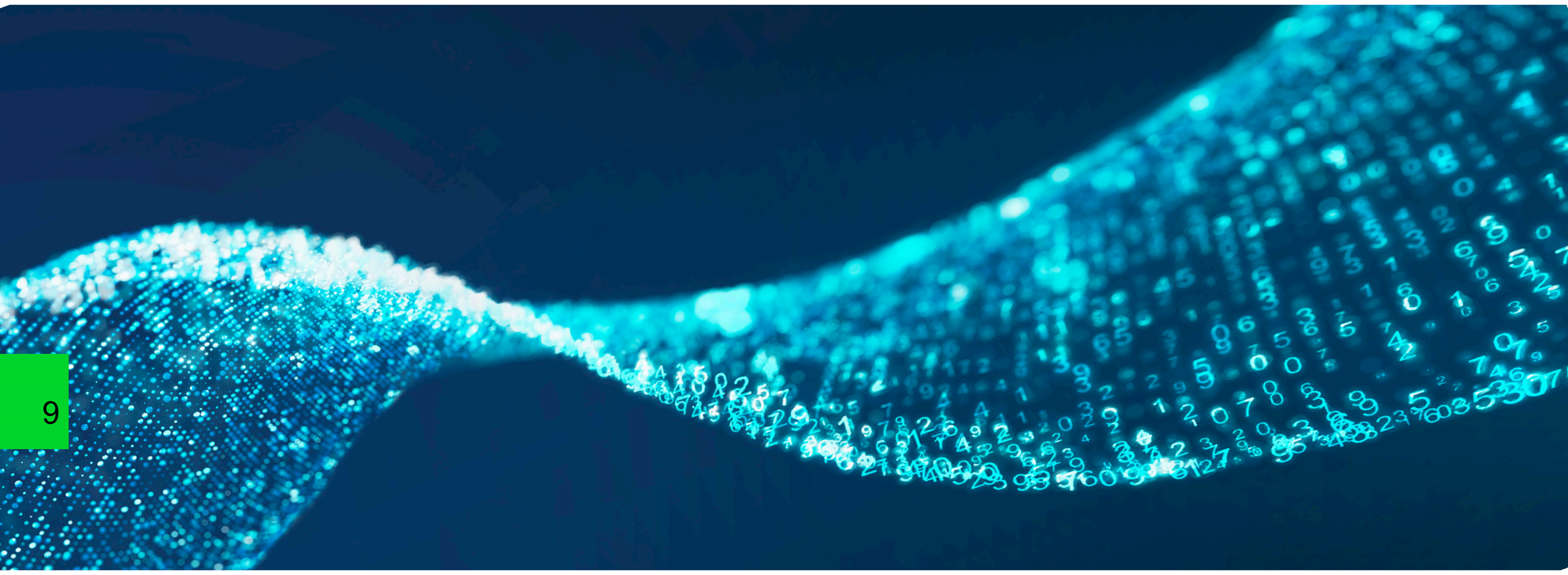
Global Controversy Engagement

Acceleration to Paris
Formosa Plastics Corp.
ITOCHU Corp.
Mitsubishi
PetroChina
POSCO

Palm Oil
Wilmar International

Global Controversy Engagement
Currently, 2 companies are under engagement based on potential breaches of the UN Global Compact and/or the OECD Guidelines for Multinational Enterprises.

CODES OF CONDUCTS



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Robeco's Engagement Policy

Robeco actively uses its ownership rights to engage with companies on behalf of our clients in a constructive manner. We believe improvements in sustainable corporate behavior can result in an improved risk return profile of our investments. Robeco engages with companies worldwide, in both our equity and credit portfolios. Robeco carries out three different types of corporate engagement with the companies in which we invest; value engagement, Sustainable Development Engagement and enhanced engagement. In all three types of engagement, Robeco aims to improve a company's behavior on environmental, social and/or corporate governance (ESG) related issues with the aim of improving the long-term performance of the company and ultimately the quality of investments for our clients.

Robeco adopts a holistic approach to integrating sustainability. We view sustainability as a long-term driver of change in markets, countries and companies which impacts future performance. Based on this belief, sustainability is considered as one of the value drivers in our investment process, like the way we look at other drivers such as company financials or market momentum.

More information is available at: https://www.robeco.com/en-int/sustainable-investing/influence.

The UN Global Compact

One of the principal codes of conduct in Robeco's engagement process is the United Nations Global Compact. The UN Global Compact supports companies and other social players worldwide in stimulating corporate social responsibility. The Global Compact became effective in 2000 and is the most endorsed code of conduct in this field. The Global Compact requires companies to embrace, support and adopt several core values within their own sphere of influence in the field of human rights, labor standards, the environment and anti-corruption measures. Ten universal principles have been identified to deal with the challenges of globalization.

Human rights

1. Companies should support and respect the protection of human rights as established at an international level
2. They should ensure that they are not complicit in human-rights abuses.

Labor standards

3. Companies should uphold the freedom of association and recognize the right to collective bargaining
4. Companies should abolish all forms of compulsory labor
5. Companies should abolish child labor
6. Companies should eliminate discrimination in employment.

Environment

7. Companies should adopt a prudent approach to environmental challenges
8. Companies should undertake initiatives to promote greater environmental responsibility
9. Companies should encourage the development and diffusion of environmentally friendly technologies.

Anti-corruption

10. Companies should work against all forms of corruption, including extortion and bribery.

More information can be found at: https://www.unglobalcompact.org/

CODES OF CONDUCTS

OECD Guidelines for Multinational Enterprises

The OECD Guidelines for Multinational Enterprises are recommendations addressed by governments to multinational enterprises operating in or from adhering countries, and are another important framework used in Robeco's engagement process. They provide non-binding principles and standards for responsible business conduct in a global context consistent with applicable laws and internationally recognized standards.

The Guidelines' recommendations express the shared values of the governments of countries from which a large share of international direct investment originates and which are home to many of the largest multinational enterprises. The Guidelines aim to promote positive contributions by enterprises to economic, environmental and social progress worldwide.

More information can be found at: http://mneguidelines.oecd.org/

International codes of conduct

Robeco has chosen to use broadly accepted external codes of conduct in order to assess the ESG responsibilities of the entities in which we invest. Robeco adheres to several independent and broadly accepted codes of conduct, statements and best practices and is a signatory to several of these codes. Next to the UN Global Compact, the most important codes, principles, and best practices for engagement followed by Robeco are:

- International Corporate Governance Network (ICGN) statement on
- Global Governance Principles
- United Nations Global Compact
- United Nations Sustainable Development Goals
- United Nations Guiding Principles on Business and Human Rights
- OECD Guidelines for Multinational Enterprises
- Responsible Business Conduct for Institutional Investors (OECD)

In addition to our own adherence to these codes, we also expect companies to follow these codes, principles, and best practices. In addition to our own adherence to these codes, we also expect companies to follow these codes, principles, and best practices.

Robeco's Voting Policy

Robeco encourages good governance and sustainable corporate practices, which contribute to long-term shareholder value creation. Proxy voting is part of Robeco's Active Ownership approach. Robeco has adopted written procedures reasonably designed to ensure that we vote proxies in the best interest of our clients. The Robeco policy on corporate governance relies on the internationally accepted set of principles of the International Corporate Governance Network (ICGN). By making active use of our voting rights, Robeco can, on behalf of our clients, encourage the companies concerned to increase the quality of the management of these companies and to improve their sustainability profile. We expect this to be beneficial in the long term for the development of shareholder value.

Collaboration

Where necessary, Robeco coordinates its engagement activities with other investors. Examples of this includes Eumedion; a platform for institutional investors in the field of corporate governance and the Carbon Disclosure Project, a partnership in the field of transparency on CO_2 emissions from companies, and the ICCR. Another important initiative to which Robeco is a signatory is the United Nations Principles for Responsible Investment. Within this context, institutional investors commit themselves to promoting responsible investment, both internally and externally.

Robeco's Active Ownership Team

Robeco's voting and engagement activities are carried out by a dedicated Active Ownership Team. This team was established as a centralized competence center in 2005. The team is based in Rotterdam, the Netherlands, and Hong Kong. As Robeco operates across markets on a global basis, the team is multi-national and multi-lingual. This diversity provides an understanding of the financial, legal and cultural environment in which the companies we engage with operate. The Active Ownership team is part of Robeco's Sustainable Investing Center of Expertise headed by Carola van Lamoen. The SI Center of Expertise combines our knowledge and experience on sustainability within the investment domain and drives SI leadership by delivering SI expertise and insights to our clients, our investment teams, the company and the broader market. Furthermore, the Active Ownership team gains input from investment professionals based in local offices of the Robeco around the world. Together with our global client base we are able leverage this network to achieve the maximum possible impact from our Active Ownership activities. ■

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ROBECO

Robeco Institutional Asset Management B.V. (Robeco) is a pure play international asset manager founded in 1929. It currently has offices in 15 countries worldwide and is headquartered in Rotterdam, the Netherlands. Through its integration of fundamental, sustainability and quantitative research, Robeco is able to offer institutional and private investors a selection of active investment strategies, covering a range of asset classes.

Sustainability investing is integral to Robeco's overall strategy. We are convinced that integrating environmental, social and governance (ESG) factors results in better-informed investment decisions. Further we believe that our engagement with investee companies on financially material sustainability issues will have a positive impact on our investment results and on society.

More information can be found at:
https://www.robeco.com

IMPORTANT INFORMATION

ROBECO
The Investment Engineers

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MINERVA ANALYTICS

The Surrey Pension Fund

Voting Report: Q4 2022

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1. VOTING VOLUMES

This section shows the number of Meetings, Meeting Types & Resolutions voted by the Surrey pension fund.

1.1 MEETINGS

Table 1 below shows that Surrey voted at one meeting during the Quarter under review.

Table 1: Meetings Voted

Region	Meeting Type						
	AGM	Class	Court	EGM	GM	SGM	Total
Asia & Oceania: Emerging	0	0	1	0	0	0	1
North America	2	0	0	0	0	0	2
UK & Ireland	1	0	0	0	0	0	1
Total	**3**	**0**	**1**	**0**	**0**	**0**	**4**

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In all tables:

AGM	The Annual General Meeting of shareholders, normally required by law.
Class	A Class Meeting is held where approval from a specific class of shareholders is required regarding a business item.
Court	A Court Meeting, where shareholders can order an annual meeting or a special meeting from a court or where a meeting is called by a Court of Law to approve a Scheme of Arrangement.
EGM	An Extraordinary General Meeting of shareholders, where a meeting is required to conduct business of an urgent or extra-ordinary nature. Such business may require a special quorum or approval level.
GM	A General Meeting of shareholders, often used interchangeably with the term EGM or OGM, depending on the term used by the company in question.
SGM	A Special General Meeting of shareholders, where a meeting is required to conduct special business. Often business which requires a special quorum or approval level.

1.2 RESOLUTIONS

Table 2 shows the total number of resolutions voted by region, broken down by meeting type.

In the Quarter under review, the fund was eligible to vote on 59 resolutions.

Table 2: Resolutions Voted

Region	Meeting Type						
	AGM	Class	Court	EGM	GM	SGM	Total
Asia & Oceania: Emerging	0	0	1	0	0	0	1
North America	36	0	0	0	0	0	36
UK & Ireland	22	0	0	0	0	0	22
Total	**58**	**0**	**1**	**0**	**0**	**0**	**59**

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1.3 MEETINGS BY MONTH

The table below shows half of the meetings voted at during the Quarter took place in the month of December and one meeting was voted in each of October and November.

Table 3: Meetings Voted Per Month

Event	October	November	December	Total
AGM	1	0	2	3
Class	0	0	0	0
Court	0	1	0	1
EGM	0	0	0	0
GM	0	0	0	0
SGM	0	0	0	0
Total	**1**	**1**	**2**	**4**

2. VOTING PATTERNS

This section analyses some patterns of voting by resolution category and voting policy.

2.1 VOTES AGAINST MANAGEMENT

Table 4 shows the total number of resolutions which Surrey was entitled to vote along with the number of contentious resolutions voted during the Quarter. Surrey voted against management on 23.73% of the resolutions for which votes were cast during 2022 Q4, which is a lower dissent rate than the proportion of resolutions opposed in previous quarters (2022 Q3: 42.86%, 2022 Q2: 29.36%, Q1: 24.67% 2021, Q4: 25.88%).

Board resolutions accounted for 57.63% of all resolutions voted and 28.57% of the total resolutions voted against management. Surrey voted against four management proposed director candidates due to independence concerns.

9 75% of Remuneration resolutions were voted against management. All three resolutions voted against in the category concerned remuneration report approvals.

Surrey voted against two resolutions in the Audit & Reporting category. The dissenting votes concerned the re-appointment of an external auditor where concerns were held with audit tenure and the lack of disclosure regarding a recent tender and/or planned tender of the audit contract.

The sole Shareholder Rights resolution voted on concerned a request from a board for an authority to convene ordinary general meetings (other than AGMs) with a 14-day notice period and Surrey opposed the resolution.

In the Capital category, Surrey voted against a share issue authority request.

Surrey voted against management on two shareholder proposals in the Sustainability category and against one management-proposed resolutions. The management resolution opposed concerned a request for an authority to incur political expenditure at a UK-listed company.

Surrey voted in line with management recommendation on all resolutions in the Corporate Action category and did not vote in any resolutions in the Other category.

Table 4: Votes Against Management By Resolution Category

Resolution Category	Total Resolutions	Voted Against Management	% Against Management	% All Votes Against Management
Audit & Reporting	5	2	40.00%	14.29%
Board	34	4	11.76%	28.57%
Capital	7	1	14.29%	7.14%
Corporate Action	1	0	0.00%	-
Other	0	0	-	-
Remuneration	4	3	75.00%	21.43%
Shareholder Rights	1	1	100.00%	7.14%
Sustainability	7	3	43.86%	21.43%
Total	**59**	**14**	**23.73%**	**100.00%**

2.2 DISSENT BY RESOLUTION CATEGORY

Table 5 shows the number of resolutions voted by Surrey, broken down by resolution category, along with Surrey's level of dissent and average general shareholder dissent in each category.

Surrey was more active than the average shareholder in expressing concerns through votes at corporate meetings. Whereas general shareholder dissent stood at 4.16%, Surrey opposed management on 23.73% of resolutions.

Resolutions opposed by Surrey received average general shareholder dissent of 8.05%, a much higher level than the dissent received on resolutions which Surrey supported (2.95%). This highlights that Surrey has a robust policy which is consistent and aligned with other investors governance concerns.

Table 5: Dissent by Resolution Category

Resolution Category	Total Resolutions	% Surrey Against Management	Average Shareholder Dissent %
Audit & Reporting	5	40.00%	2.77%
Board	34	11.76%	2.90%
Capital	7	14.29%	1.62%
Corporate Action	1	0.00%	0.32%
Other	0	-	-
Remuneration	4	75.00%	6.58%
Shareholder Rights	1	100.00%	6.72%
Sustainability	7	43.86%	12.60%
Total	**59**	**23.73%**	**4.16%**

Poll data was collected for 100% of resolutions voted by Surrey during the Quarter.

2.2.1 VOTE OUTCOMES

The UK Corporate Governance Code recommends boards to take action where 20% or more of votes are cast against the board recommendation on a resolution. As such, a shareholder dissent level of 20% is generally considered to be significant. During the Quarter, Surrey voted against management on one resolution that received shareholder dissent of more than 20%. This compares to no resolutions opposed with high dissent in the previous quarter. The resolution concerned a shareholder request for enhanced reporting on tax at Microsoft Corp.

As was the case in 2022 Q3, no resolutions proposed by management were defeated and no shareholder-proposed resolutions were successful during 2022 Q4.

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2.3 RESOLUTION TYPES AND SUB-CATEGORIES

2.3.1 SHAREHOLDER PROPOSED RESOLUTIONS

Six resolutions voted during the period were proposed by shareholders. All of the shareholder resolutions were proposed in the North America region. Surrey did not vote on any shareholder proposals in the previous quarter.

Shareholder proposals are resolutions put forward by shareholders who want the board of a company to implement certain measures, for example around corporate governance, social and environmental practices. Although they are generally not binding, they are a powerful way to advocate publicly for change on policies such as climate change and often attract relatively high levels of votes against management.

On average, the shareholder proposals received 12.71% support during the Quarter and no shareholder proposals were successful.

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Surrey voted in favour of a shareholder proposal at Microsoft Corp requesting the Board of Directors issue a tax transparency report which received over 20% votes in favour, a notable level of support. The proposal requested the report be prepared in consideration of the indicators and guidelines set forth in the Global Reporting Initiative's (GRI) Tax Standard. The GRI Tax Standard was developed in response to investor concerns regarding the lack of corporate tax transparency and the impact of tax avoidance on governments' ability to fund services and support sustainable development. It is the first comprehensive, global standard for public tax disclosure and requires public reporting of a company's business activities, including revenues, profits and losses, and tax payments within each jurisdiction.

Table 6: Shareholder Proposed Resolutions

Company	Shareholder Proposal	Surrey Vote	% For
Microsoft Corp	To request that the Board report to shareholders on cost vs benefits of global diversity & inclusion efforts	Against	1.26%
Microsoft Corp	To request that the Board report to shareholders regarding hiring people with arrest or incarceration records	Against	10.80%
Microsoft Corp	To request that the Board report to shareholders regarding 401(k) retirement funds connection with climate change	Against	10.74%
Microsoft Corp	To request that the Board commission an independent report to assess whether governmental customer use of products can contribute to violations of privacy	Against	20.24%
Microsoft Corp	To request that the Board issue an independent report regarding risks for being identified as a company involved in the development of weapons used by military	For	10.35%
Microsoft Corp	To request that the Board issue a tax transparency report	For	22.84%

2.3.2 REMUNERATION

Votes against remuneration resolutions in 2022 Q4 reflected the principles advocated in Surrey's voting policy. Fix distinct concerns informed Surrey's remuneration voting during the Quarter:

- **Disclosure**: There was incomplete forward-looking disclosure on the performance conditions applicable to the long-term incentive awards to be granted in the coming year. This was a factor in two of the resolutions opposed by the fund.

- **Assessment**: In two of the resolutions opposed by the fund the company in question had received a low Minerva Remuneration Assessment grade.

- **Severance Provisions**: Contract provisions for executives provided for potentially excessive severance payments on early termination. This was a factor in two of the resolutions opposed by the fund.

- **Bonus Cap**: No upper individual limit been not disclosed for the annual bonus scheme. This was a factor in one of the resolutions opposed by the fund.

- **LTIP Vesting**: The performance period and/or vesting period was considered too short. This was a factor in one of the resolutions opposed by the fund.

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Table 7: Remuneration Votes Against Management

Resolution Category	Total Resolutions	Voted Against Management	% Against Management
Remuneration – Report	3	3	100.00%
Remuneration - Policy (All-employee Share Plans)	1	0	0.00%
Total	**4**	**3**	**75.00%**

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BORDER TO COAST GLOBAL EQUITY ALPHA FUND

ESG & CARBON REPORT

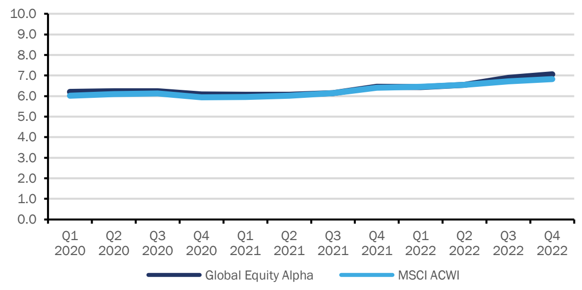
Q4 2022

MSCI ESG RATING **AAA**

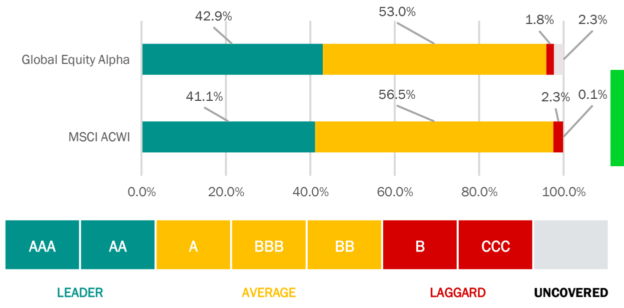
BORDER TO COAST PENSIONS PARTNERSHIP

	End of Quarter Position[1]			Key	
	MSCI ESG Rating	Weighted ESG Score	vs. Benchmark		Fund has an equal or better *Weighted ESG Score* than the benchmark.
Global Equity Alpha	AAA [1]	7.1 [1]			Fund has a *Weighted ESG Score* within 0.5 of the benchmark.
MSCI ACWI	AA [1]	6.8 [1]			Fund has a *Weighted ESG Score* more than 0.5 below the benchmark.

MSCI Weighted Score Trend[1]



MSCI ESG Weightings Distribution[1]



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Highest ESG Rated Issuers [1]	% Portfolio Weight	% Relative Weight	MSCI Rating	Lowest ESG Rated Issuers [1]	% Portfolio Weight	% Relative Weight	MSCI Rating
ASML Holding	2.2%	+1.8%	AAA [1]	META Platforms	0.3%	+0.3%	CCC [1]
Microsoft Corporation	1.0%	-2.0%	AAA [1]	Jiangsu Hengli Hydraulic	0.1%	+0.1%	CCC [1]
Cummins	0.9%	+0.9%	AAA [1]	NTPC Limited	0.0%	-0.0%	CCC [1]
CNH Industrial	0.8%	+0.8%	AAA [1]	Jollibee Foods	0.0%	+0.0%	CCC [1]
Diageo	0.7%	+0.6%	AAA [1]	Nanofilm Technologies	0.0%	+0.0%	CCC [1]

Quarterly ESG Commentary

- Following the positive impacts associated with the restructure of the Fund and upgrades to key positions held including Amazon and Mckesson during the period, the Weighted ESG score increased and remains above the benchmark.
- The increased ESG score and overall rating occurs despite increased exposure to CCC-rated companies. The restructure of the Fund to include a specific allocation to emerging markets means that the Fund now holds companies that are deemed by MSCI to lag global peers on ESG-related risk metrics and mitigation strategies. However, the weighting to emerging markets remains underweight versus the benchmark and therefore the impact of the exposure to these laggard companies is marginal.

Feature Stock: Jiangsu Hengli Hydraulic

Jiangsu Hengli Hydraulic ('Hengli') is a market leader in the manufacture of hydraulic components and systems for excavators and other types of construction machinery. The Company has been successful in diversifying its business and is targeting increased sales from non-excavator product lines including arial work platforms and tunnel boring machines. The Company is in the process of building a factory in Mexico to reduce international trade costs and is an important strategic partner to major construction equipment companies Caterpillar and JLG.

The primary reason for the Company's 'laggard' status, is the perceived risk to corporate governance, relative to global peers. The Company has a controlling shareholder (the Wang family holds c.70% of the Company) which may pose a conflict of interest. The chair is the former CEO and his ties to management may impact his ability to provide independent leadership of the board. Given most of the Company's sales are generated by selling hydraulic components and systems to construction machinery players, the amount of infrastructure spending in China is also one of the key risks to consider. However, the weaker the macroeconomic outlook, the more likely it is that the government will be willing to spend on infrastructure to boost GDP growth, putting Hengli in a strong position in terms of risk mitigation.

[1] Source: MSCI ESG Research 31/12/2022

BORDER TO COAST GLOBAL EQUITY ALPHA FUND

ESG & CARBON REPORT

Q4 2022

MSCI ESG RATING

AAA

PENSIONS PARTNERSHIP

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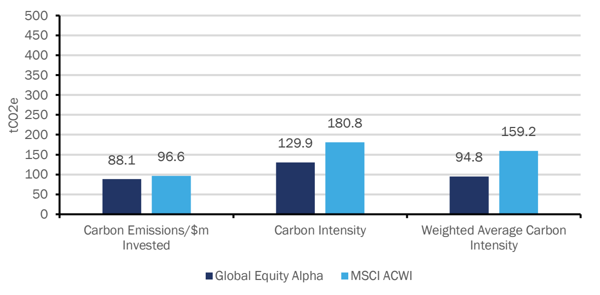
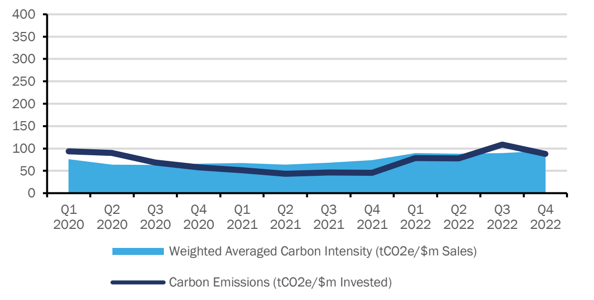
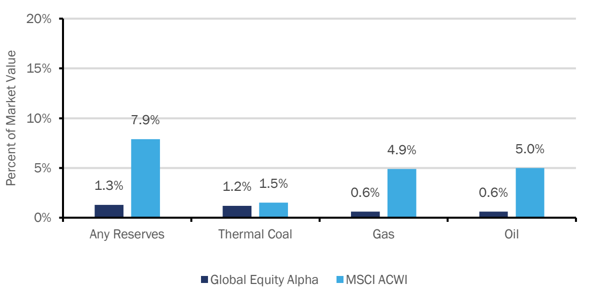
Carbon Emissions and Intensity[1]



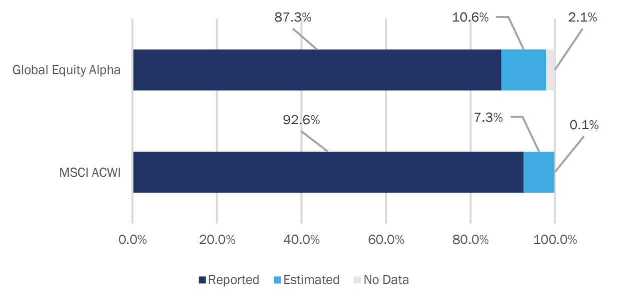
Weighted Average Carbon Intensity Trend[1]



Weight of Holdings Owning Fossil Fuel Reserves[1]



Availability of Carbon Emissions Data (% of Market Value)[1]



Largest Contributors to Weighted Average Carbon Intensity [1]	% Portfolio Weight	% Relative Weight	Contribution	CA100+	TPI Level
Holcim	0.6%	+0.5%	26.5% [1]	Yes	4
HeidelbergCement	0.6%	+0.6%	21.2% [1]	Yes	3
Linde	1.0%	+0.7%	14.7% [1]	No	3
EasyJet	0.3%	+0.3%	3.6% [1]	No	3
Jet2	0.5%	+0.5%	3.1% [1]	No	N/A

Quarterly Carbon Commentary

- Carbon metrics once again saw mixed changes over the period. Portfolio carbon emissions fell during the quarter, while Weighted Average Carbon Intensity (WACI) increased marginally.
- Both metrics were driven by the impact of the Fund restructure and serve to highlight the challenges associated with calculation methodologies and allocation basis of emissions.
- Exposure to fossil fuel reserves was stable over the period. This comes primarily from the Fund's allocation to US conglomerate Berkshire Hathaway and diversified mining company, Glencore, which represent c.0.6% and c.0.5% of the overall Fund, respectively.

Feature Stock: Holcim

Holcim is a leading manufacturer of cement and building materials. The business has experienced significant improvement in its financial performance since Jan Jenisch took over as group CEO in late 2017, as evidenced by the doubling of free cash flow per annum to $3 billion versus the years prior to his appointment. Despite the material improvement in the financial profile of the Company, the share price continues to trade at attractive levels.

Holcim has been disposing of its emerging market cement assets and redeploying the capital to build out a higher quality solutions business (roofing, construction chemicals, and mortars). Cement manufacturing is a carbon-intensive process, which is both difficult to abate, yet required for a significant amount of construction requirements, including renewables infrastructure. The Company's exposure to cement manufacturing is expected to continue to decline as the company grows its solutions and downstream businesses (aggregates and ready-mix concrete) and the Company has taken steps to lead the industry in the production of lower emission building materials. During the 2022 proxy voting season, we voted to support Holcim's net zero transition plan, due to the inclusion of short, medium and long-term science-based decarbonisation targets.

[1]Source: MSCI ESG Research 31/12/2022

Issuers Not Covered [1]		
Reason	ESG (%)	Carbon (%)
Company not covered	1.0%	0.8%
Investment Trust/ Funds	1.3%	1.3%

[1]Source: MSCI ESG Research 31/12/2022

Important Information

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BORDER TO COAST UK LISTED EQUITY ALPHA FUND

ESG & CARBON REPORT

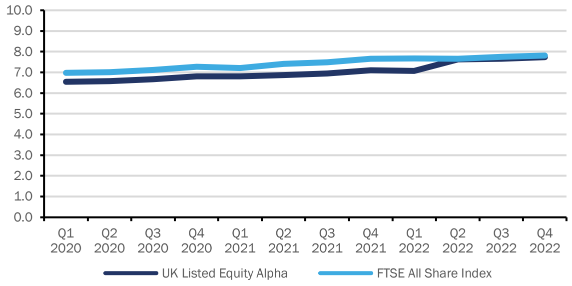
Q4 2022

MSCI ESG RATING

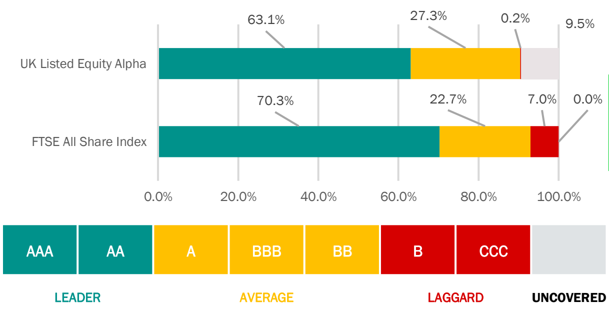
AAA

	End of Quarter Position[1]			Key	
	MSCI ESG Rating	Weighted ESG Score	vs. Benchmark		Fund has an equal or better *Weighted ESG Score* than the benchmark.
UK Listed Equity Alpha	AAA [1]	7.7 [1]			Fund has a *Weighted ESG Score* within 0.5 of the benchmark.
FTSE All Share Index	AAA [1]	7.8 [1]			Fund has a *Weighted ESG Score* more than 0.5 below the benchmark.

MSCI Weighted Score Trend[1]



MSCI ESG Weightings Distribution[1]



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Highest ESG Rated Issuers [1]			
	% Portfolio Weight	% Relative Weight	MSCI Rating
Diageo	3.4%	-0.2%	AAA [1]
Burberry Group	3.4%	+3.1%	AAA [1]
Relx	2.4%	+0.5%	AAA [1]
The Sage Group	1.9%	+1.6%	AAA [1]
Schroders	1.9%	+1.7%	AAA [1]

Lowest ESG Rated Issuers [1]			
	% Portfolio Weight	% Relative Weight	MSCI Rating
Young & Co's Brewery	0.0%	+0.0%	B [1]
FeverTree Drinks	2.1%	+2.1%	BB [1]
Lancashire Holdings	0.7%	+0.7%	BB [1]
Team17 Group	0.2%	+0.2%	BB [1]
Learning Technologies Group	0.2%	+0.2%	BB [1]

Quarterly ESG Commentary

- The position from an overall ESG scoring perspective continued to be relatively stable over the quarter, with the Fund retaining its overall AAA rating.
- The Fund remains broadly in line with the benchmark on a weighted ESG scoring basis, despite holding fewer companies categorised as 'Leaders'.

Feature Stock: Young & Co's Brewery

Youngs & Co ('Youngs') is an unbranded pub operator focused on London and the South of England. The Company owns a sizeable proportion of its pubs freehold, and the customer base is generally affluent and between 30 and 55. The Company is conservatively run, with relatively low debt levels and growth has been supplemented by investment in the acquisition of single-site pubs or small groups that fit its business profile.

Youngs' B rating is a function of perceived weaker corporate governance reporting when compared to a more global peer group of larger companies. Better reporting by these companies on specific topics such as packaging and waste recovery make Youngs appear poorer on a relative basis. Youngs is a small, domestic company, and therefore ESG reporting is not expected to be as mature and comprehensive. Engagement has, however, been conducted on issues such as labour management and employee engagement and enhanced disclosure has been encouraged around environmental initiatives.

Although quoted on the London Stock Exchange, the company retains strong ties with the original founding family, who own c.20% of the share capital. The Company is therefore predisposed to scoring below average versus peers on governance issues.

[1]Source: MSCI ESG Research 31/12/2022

BORDER TO COAST UK LISTED EQUITY ALPHA FUND

ESG & CARBON REPORT

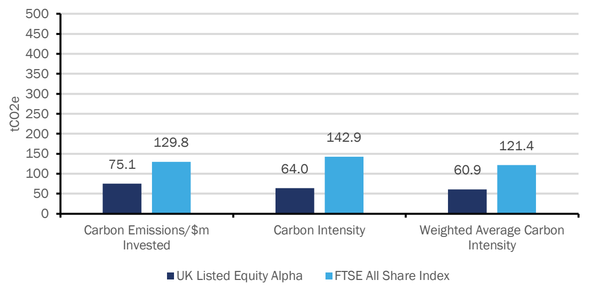
Q4 2022

MSCI ESG RATING
AAA

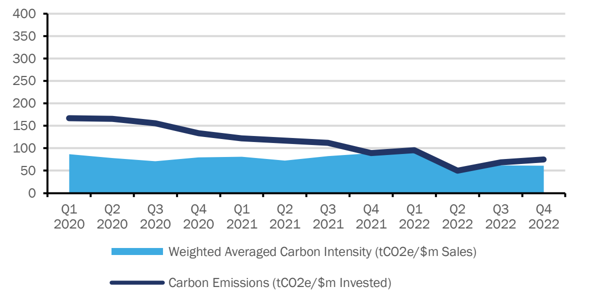
PENSIONS PARTNERSHIP

9

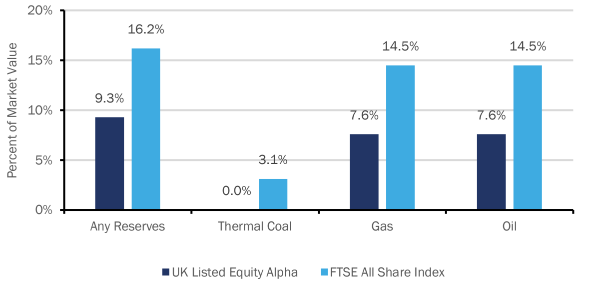
Carbon Emissions and Intensity[1]



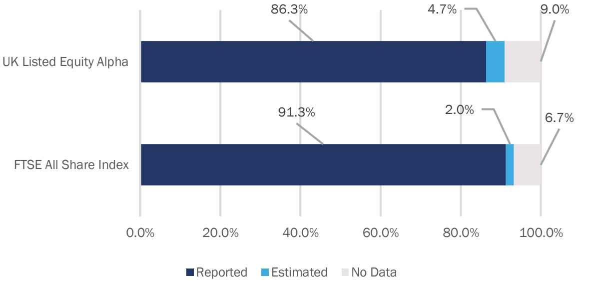
Weighted Average Carbon Intensity Trend[1]



Weight of Holdings Owning Fossil Fuel Reserves[1]



Availability of Carbon Emissions Data (% of Market Value)[1]



Largest Contributors to Weighted Average Carbon Intensity [1]

	% Portfolio Weight	% Relative Weight	Contribution	CA100+	TPI Level
Shell	2.3%	-4.9%	15.8% [1]	Yes	4
BP	2.8%	-0.9%	12.9% [1]	Yes	4*
Anglo American	1.9%	+0.2%	12.1% [1]	Yes	4*
EasyJet	0.6%	+0.5%	10.6% [1]	No	3
Rio Tinto	1.0%	-1.7%	9.1% [1]	Yes	4

Quarterly Carbon Commentary

- Carbon metrics were largely stable over the period and remain materially below the benchmark.
- BP, along with Shell remain the largest contributors to fossil fuel reserves and both companies are underweight positions relative to the benchmark.

Feature Stock: BP

BP is a multinational integrated oil and gas company, operating through three key segments: Gas and Low Carbon Energy, Oil Production and Operations and Customers and Products.

Several years of industry under-investment has led to a tight oil and gas supply environment at a time when demand remains robust. It has therefore been unsurprising to see oil and gas prices rise quite dramatically, even before the war in Ukraine. Despite the strong energy price environment, sector valuations remain relatively depressed, making the Company attractive on a free cash flow basis.

Activities of energy companies generate significant emissions from a variety of sources. Scope 3 emissions are also key because they include emissions released in using a company's sold products. By 2050 or sooner, BP have a stated ambition to achieve net zero emissions across Scope 1, 2 and 3, emissions with a reduction in operational emissions of 50% (2019 levels) by 2050. This is to be achieved through the development of decarbonisation strategies as well as investment in low carbon solutions. As mentioned previously, however, demand for oil and gas remains robust and reduction in this demand alongside the development of alternatives will be key in meeting these targets.

[1]Source: MSCI ESG Research 31/12/2022

Issuers Not Covered [1]		
Reason	ESG (%)	Carbon (%)
Company not covered	7.2%	6.7%
Investment Trust/ Funds	2.3%	2.3%

[1]Source: MSCI ESG Research 31/12/2022

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Annexe 6

BORDER TO COAST CALLS FOR GREATER CLIMATE ACTION FROM OIL MAJORS AND BANKS

- Border to Coast further strengthens its expectations of oil and gas companies' climate progress and details how it will use voting and engagement to hold them to account.
- Banks' climate plans will be a focus of increased scrutiny, with Border to Coast set to vote against those failing to integrate decarbonisation into business strategies.
- In 2022, Border to Coast voted in support of 80 percent of independent climate resolutions, and against every management 'Say on Climate' resolution, at oil and gas company AGMs.
- The pool has integrated the just transition into its voting and engagement policies for 2023, recognising social risks and opportunities, and existing global disparities.

Oil majors and banks must make greater progress on climate pledges or risk losing the support of Border to Coast Pensions Partnership on key votes this AGM season, the pool has warned. 9

The pool, which is responsible for £38.3bn of investments on behalf of 11 Local Government Pension Schemes (LGPS) funds, has strengthened its expectations of the oil and gas and banking sectors to ensure they align with a low carbon economy and support global net zero ambitions.

It will vote against the Chair of the Board of oil companies which fail to meet one of the first four indicators of the Climate Action 100+ benchmark, which includes short, medium and long-term emission reduction targets. It will also vote against oil companies scored 3 or lower by the Transition Pathway Initiative (TPI), meaning they have not yet developed a strategic understanding of climate risks and opportunities or integrated this into business strategy and capital expenditure decisions.

Alongside voting, Border to Coast will engage oil and gas companies on decarbonisation strategy and capital alignment with net zero goals and will raise concerns regarding the development of new fossil fuel reserves, which are incompatible with limiting global warming to 1.5C.

It will also vote against the Chair of the Sustainability Committee at banks where the company has materially failed the first four indicators of the TPI framework for the sector. This includes banks that have not sufficiently integrated targets, decarbonisation strategy, or climate policy engagement into business strategy.

Jane Firth, Head of Responsible Investment, Border to Coast, said: "*Oil and gas companies are amongst the highest carbon emitters in our portfolios and must do more to address the systemic risk climate change poses. As a responsible investor representing asset owners with £60bn of investments, we will continue to leverage the strength of our collective voice to influence companies, via both voting and engagement, to drive greater progress.*"

Colin Baines, Stewardship Manager, Border to Coast, said: *"We welcome the adoption of net zero targets by oil and gas companies, but we must now see transition plans that have a realistic prospect of delivering that objective. That means the alignment of capital expenditure with net zero, with urgent attention on the development of new fossil fuel reserves, which, as the International Energy Agency (IEA) 1.5C pathway makes clear, must be addressed as a priority."*

As part of its climate engagement work, Border to Coast is also committed to ensuring a just transition. It recognises that not all countries are at the same stage in their decarbonisation journey and will work to ensure social considerations and risks are integrated into climate strategies.

Colin added: “*We need a rapid transition to a low carbon economy, but if it is to be resilient it must also be fair and just.*”

The strengthening of its approach builds on Border to Coast’s strong voting record. In 2022, Border to Coast voted in support of 80 percent of independent climate resolutions, and against every management ‘Say on Climate’ resolution, at oil and gas company AGMs to support calls for greater progress. The pool also voted in support of 88 percent of independent climate resolutions and against 60 percent of management ‘Say on Climate’ resolutions at banks.

Ends

NOTES TO EDITORS

9 Border to Coast published its Net Zero Implementation Plan in October 2022.

For more detail, please see our policies in full:

Responsible Investment Policy

Climate Change Policy

Corporate Governance and Voting Guidelines

TPI framework and assessments for oil and gas:
https://www.transitionpathwayinitiative.org/sectors/oil-gas

TPI framework for banks: https://www.transitionpathwayinitiative.org/banks

ABOUT BORDER TO COAST PENSIONS PARTNERSHIP

- Based in Leeds, Border to Coast is the largest LGPS pool in the UK. It is owned by 11 local government pension schemes (‘Partner Funds’), whose combined assets totalled c.£60bn (as at 31 March 2022). The funds are Bedfordshire, Cumbria, Durham, East Riding, Lincolnshire, North Yorkshire, Surrey, South Yorkshire, Teesside, Tyne and Wear and Warwickshire.

- Border to Coast offers its 11 Partner Funds investment opportunities across equities, fixed income and private markets. Real estate is under development.

- Border to Coast Pensions Partnership Ltd is authorised and regulated by the Financial Conduct Authority. Registered in England Number: 10795539 and Registered Office: 5th Floor, Toronto Square, Toronto Street, Leeds, LS1 2HJ.

- Further details can be found at https://www.bordertocoast.org.uk

SURREY COUNTY COUNCIL

PENSION FUND COMMITTEE

DATE: **10 MARCH 2023**

LEAD OFFICER: **ANNA D'ALESSANDRO, DIRECTOR CORPORATE FINANCIAL & COMMERCIAL**

SUBJECT: **ASSET CLASS FOCUS – CREDIT MARKETS**

SUMMARY OF ISSUE:

As part of good governance, the Pension Fund Committee (Committee) periodically reviews the performance of the Fund's investments. There is a further focused review of different asset classes each quarter. This quarter the paper concentrates on credit markets.

RECOMMENDATIONS:

10

It is recommended that the Committee:

1. Note the Fund's credit market holdings, respective funds' investment performance and review from the Fund's independent investment adviser.
2. Approve officers, investment consultant and investment advisor to review the Fund's weighting to credit markets and the nature of those investments.

REASON FOR RECOMMENDATIONS:

A solid framework of review is required to benefit from this long-term asset category. This is consistent with Fund's strategic investment objectives.

DETAILS:

Background

1. A fixed-income investment is a debt instrument that investors use to loan money to a company or country in exchange for interest payments. A fixed-interest investment pays a defined rate of interest over the life of the investment. The face value is returned when the investment matures.

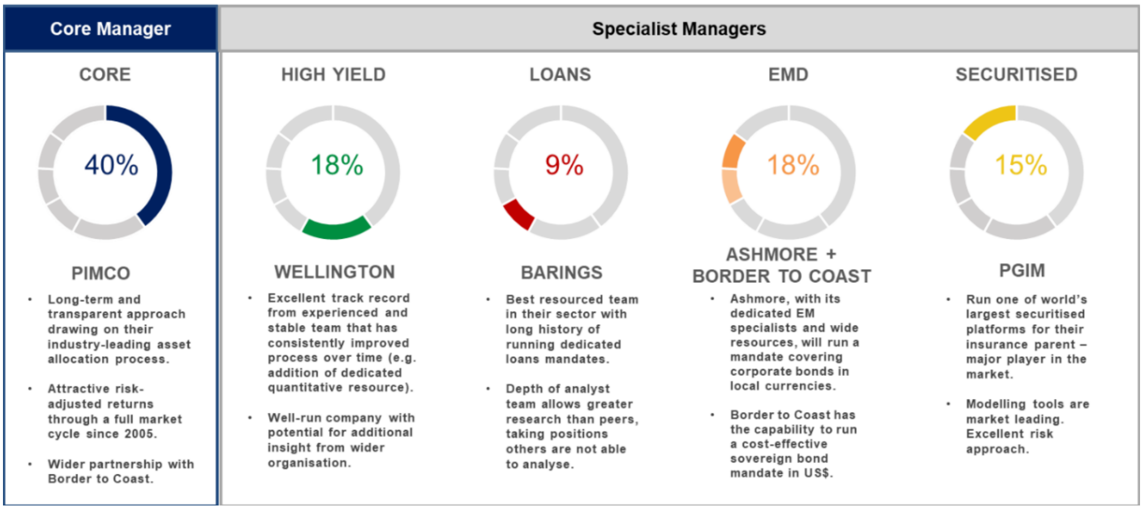
2. The Fund (£5.1bn) currently has a target allocation of 17.6% of the portfolio to fixed-interest investments. This is made up of 12.1% to Multi-asset credit (MAC) and 5.5% to gilts. The current Fund positioning is 10.8% (£550m) in MAC and 2.4% (£124m) in gilts.

Multi-asset credit

3. The Fund has a 12.1% strategic allocation to MAC. MAC seeks to achieve a diversified fixed interest approach by investing in a range of geographies, asset classes and credit instruments.

4. The Fund completed its transition into the Border to Coast MAC fund (MAC fund) on 11 November 2021. The MAC fund aims to provide a total return which outperforms the total return of SONIA (cash) plus 3.5% per annum over rolling five years periods (net of management fees).

5. The MAC fund has a core/satellite fund management design, as follows:



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6. The Chair of the Committee, Independent Investment Advisor, Assistant Director - LGPS Senior Officer and Head of Investment & Stewardship met with the Border to Coast MAC fund portfolio management team on 11 February 2023. A review of the MAC fund from the Fund's independent investment advisor is included as Annexe 1.

7. Officers, investment consultant and independent advisor to consider the exposure to MAC in light of current position and target weight.

Gilts

8. Government bonds issued by the UK Government as gilts.

9. The Fund's target asset allocation to gilts is 5.5%. Conventional gilts are nominal bonds that promise to pay a fixed coupon rate at set time intervals. When a conventional gilt matures, its holder receives the last coupon and the principal.

10. An allocation to gilts has been retained to match tailored employer strategies.

11. The investment consultant, independent advisor and actuary will review the gilt position, having considered the employer strategies, and will report back on a recommended weighting.

CONSULTATION:

12. The Chair of the Committee has been consulted on the report.

RISK MANAGEMENT AND IMPLICATIONS:

13. Risk related issues are contained within the report.

FINANCIAL AND VALUE FOR MONEY IMPLICATIONS

14. Financial and value for money implications are contained within the report.

DIRECTOR OF CORPORATE FINANCE & COMMERCIAL COMMENTARY

15. The Director of Corporate Finance & Commercial is satisfied that all material financial and business issues and possibility of risks have been considered, and that private markets have been a good performing asset class for the pension fund.

LEGAL IMPLICATIONS – MONITORING OFFICER

16. There are no legal implications or legislative requirements associated with this report.

EQUALITIES AND DIVERSITY

17. The review of the Fund's investment programme will not require an equality analysis, as the initiative is not a major policy, project or function being created or changed. 10

OTHER IMPLICATIONS

18. There are no potential implications for council priorities and policy areas.

WHAT HAPPENS NEXT

19. The following next steps are planned:

    a. Review of MAC and gilt allocation after consideration by independent advisor, investment consultant and actuary.

Contact Officer:
Lloyd Whitworth, Head of Investment & Stewardship

Consulted:
Pension Fund Committee Chair

Annexes:
1. Summary report from the Fund's Independent Investment Advisor – Annexe 1

Sources/background papers:

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MJ HUDSON
Allenbridge

10

Surrey Pension Fund Committee

Bonds Manager Review Meeting Minutes

February 2023

Attendees

Nick Harrison; Chair Pension Fund Committee
Neil Mason; Assistant Director – LGPS Senior Officer
Lloyd Whitworth; Head Investment and Stewardship
Mel Butler; Investment Strategy Manager
Anthony Fletcher; Independent Adviser

Background

The purpose of this meeting was to receive an update from BCPP on their Multi-Asset Credit Fund.

To the extent these minutes contain the views of the adviser those views are intended as strategic advice to inform discussions around the strategic asset allocation. They are not intended as investment advice nor should they be relied on as such.

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BCPP update

Mandate summary

BCPP's investment return objective (primary benchmark) is stated as follows "The Fund aims to provide a total return which outperforms the total return of Sonia (cash) by at least 3-4% per annum over rolling five years periods (net of management fees)". The fund also has a secondary benchmark which can be used to assess the performance of each manager relative the asset class in which they invest.

At the end of December 2022, the value of Surrey's investment was £548.7 million, which was -£64.5 million or -10.5% lower than the value in December 2021. Prior to November 2021, the Multi-asset Credit mandate was managed by Western Asset.

Investment strategy and BCPP solution

Multi-Asset Credit, or MAC for short covers a very large area of Bond or fixed income investment. Rather than focusing on the direction of interest rates, MAC strategies seek to exploit the drivers of return in the following areas: credit, structure, securitisation, emerging debt, sub-investment grade, frontier debt, un-rated, private debt, private loans and exploitation of the "illiquidity premium".

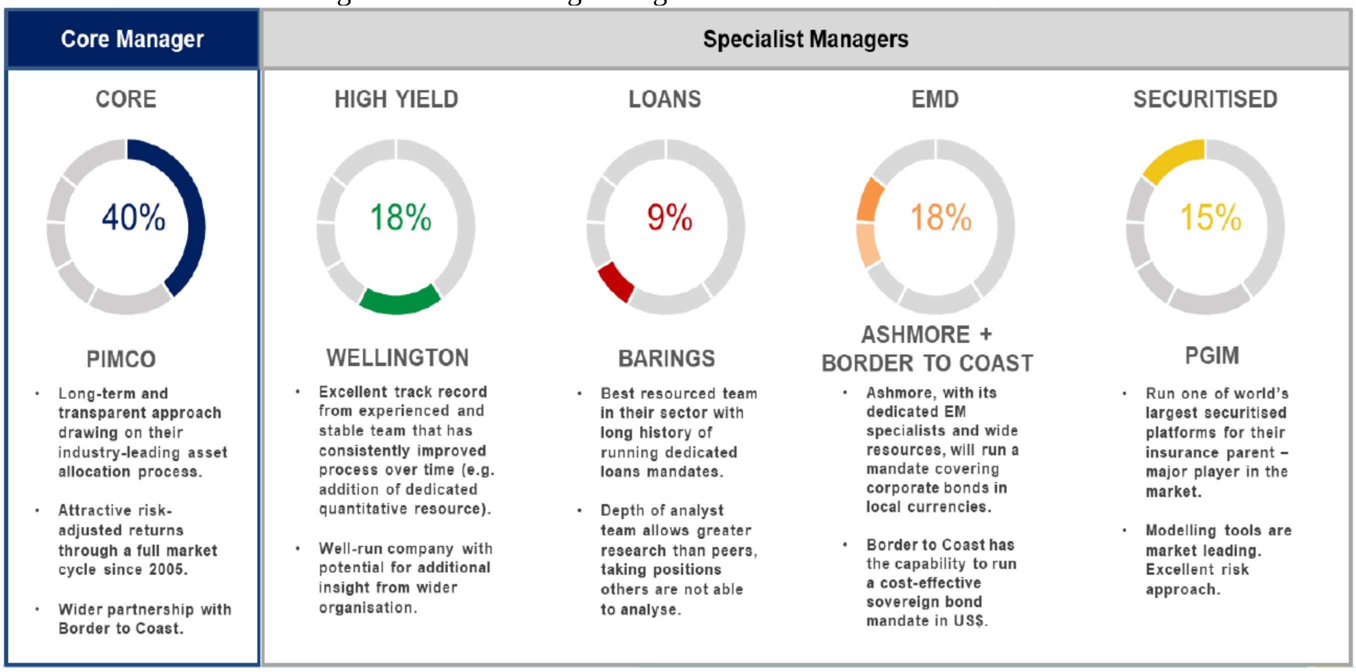
While many of these opportunities imply higher credit risk and lower liquidity than traditional investment grade government or non-government sectors, they tend to have lower duration which means they have less interest rate risk and sensitivity, combined with a much higher yield that aims to compensate the investor for the lower liquidity and higher credit risk. The asset class might be expected to provide ideal diversification characteristics for an investor looking for higher fixed income returns particularly in a low or rising government bond yield environment.

10

The BCPP MAC Fund in which Surrey is now invested seeks to exploit all these opportunities. The fund they have designed uses a core and satellite approach. The core manager is PIMCO who run a generalist MAC fund which operates right across the whole non-government bond universe, investing in both Investment grade and sub-investment grade debt. PIMCO have full discretion to tactically allocate wherever they see the opportunity and are expected to be dynamic in their decision making.

Around the core manager BCPP have selected five specialist asset managers (see exhibit 1 below) who each solely manage one sector of the bond market. In the satellites it is BCPP who will be responsible for the tactical allocation between managers. The wavelength of these asset allocation decisions is expected to be longer than PIMCO's partly due to the cost of making the allocation change but also because the decision is designed to be more long term in nature. BCPP's decision making will be based on market intelligence provided by PIMCO and each of the specialist managers and then assessed through the lens of the whole in-house investment team at BCPP.

Exhibit 1: - Shows the managers and their strategic weights in the BCPP MAC Fund.



__Market background Calendar year 2022__

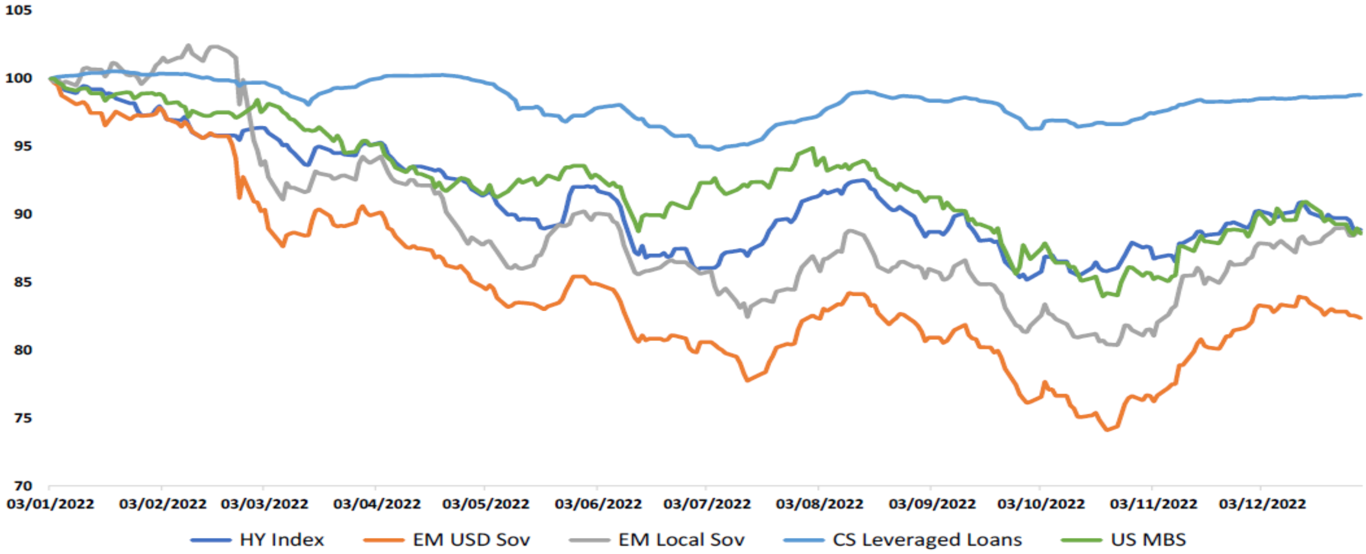
Over twelve months all sectors of global bond markets delivered huge negative returns, much larger than the negative returns delivered by equity markets, with the highest duration government bond markets delivering the worst returns. 2022 was truly an "annus horribilis" for bond investors especially in the UK with possibly the worst returns for a lifetime. Stability was only restored to the UK government bond (Gilt) market in October 2022 by the intervention of the Bank of England and with the replacement of Liz Truss and Kwasi Kwarteng by the more fiscally prudent Rishi Sunak and Jeremy Hunt. As the Table 1 and Chart 1, below show the negative performance was broad based. The key drivers being much higher and more persistent inflation and more aggressive increases in central bank interest rates than had been expected. While it was long duration (interest rate sensitive) government bond markets that experienced the worst returns all bonds are subject to changes in value when interest rates and inflation increase. The capital value of non-government bonds is also vulnerable to falling equity markets and the vulnerability is higher for lower credit rated sectors.

__Table 1: - % Total return Period end 31st December 2022__

Indices	3 months	12 months
Global equity FTSE All-World	+2.2	-7.3
UK Gilts - Conventional All Stocks	+1.7	-23.8
UK Gilts - Index Linked All Stocks	-6.0	-33.6
Overseas Government bonds*	-0.4	-12.2
Sterling 7 day SONIA	+0.7	+1.4
UK Investment grade corporate bonds	+7.2	-19.5
Global investment grade corporates*	+2.7	-15.1
Global High yield corporates*	+4.8	-12.6
Emerging market Government bonds*	+7.0	-18.7
Credit Suisse Leverage loans*	+2.2	-1.3
MAC Funds**		
BCPP	**+4.7**	**-10.5**
Another Pool's MAC fund	+3.7	-8.5
CQS Credit Multi-Asset fund	+2.6	-8.8
Western Asset Multi-Asset Credit fund	+2.8	-12.4

Index returns provided by ICE Indices are unhedged in Sterling terms except when noted, *Currency hedged. ** MAC Fund returns provided by the Manager. The funds chosen are similar to BCPP's in terms of asset mix and cash plus total return objective. The other pool's fund is combination of 3 different MAC fund managers. CQS and Western each manage a stone alone MAC fund.

Chart 1: - Credit asset class index returns provided by BCPP, indexed to 100, on 1st January 2022.



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The sectors of the bond market that MAC funds are invested in are shorter duration and some sectors like loans have floating rather than fixed rate coupons, which means they are less sensitive to changes in interest rates. They also have coupons that are higher than government bonds which over time means the extra income will cushion the impact of falling capital values, driven by rising interest rates. However, the returns of these sectors are also influenced by credit risk, and like equities they have some economic / corporate sensitivity, so they will also tend to sell off when equity prices fall. Credit risk is usually the dominant factor driving their performance because weaker credits tend to be more likely to default. In the event of a default the capital loss will usually far outweigh the higher yield of the investment hence the managers will concentrate their research on trying to buy or avoid buying credits that are mis-priced for the risk of default.

By mitigating the risk of default, MAC managers should be able to deliver a higher level of return from the market sectors in which they invest. In addition, by tactically changing the weight of each asset class for instance in a rising rate environment, increasing the allocation to Loans and reducing the allocation to Hard currency emerging market debt, they should also be able deliver higher returns.

Current position

At inception BCPP positioned the MAC fund with some strategic tilts to reflect their relative value views. Relative to the funds neutral strategic allocations these tilts were +2% overweight Ashmore EM local currency and +1% overweight Barings Leveraged Loans versus -2% underweight Wellington High yield and -1% BCPP underweight EM hard currency. They were neutrally allocated to PIMCO the core manager and PGIM the securitised credit manager. They have made no changes to these strategic relative value tilts in 2022.

BCPP presented evidence to suggest that over calendar 2022 the fund had delivered a total return of -10.5% compared to the Public Market Equivalent (secondary benchmark) of -9.9% and suggested that their strategic relative value tilts had made a positive contribution to overall fund performance of +0.2% whereas the performance of the combined managers had made negative contribution to overall performance of -0.8%.

In table 2 below, BCPP have presented the total return of the individual managers and the MAC fund against the primary and secondary benchmarks. It shows that each manager has delivered a negative absolute return since inception, which is substantially behind the primary benchmark. with only Wellington and BCPP delivering a positive relative return when compared to the secondary benchmark. Over 4q22 all the managers delivered positive absolute returns in excess of the primary benchmark and with only PGIM significantly behind their secondary benchmark.

It should be noted that the funds primary benchmark objective is to deliver an absolute return over the investment cycle of Cash + 3.5%, and that each specialist manager has been selected because they have the skill to deliver a return in excess of their chosen secondary benchmark.

Table 2: - Absolute and relative performance of the BCPP MAC Fund and its constituent managers.

	Q4 2022			Since Inception (November 2021)		
	Portfolio	Secondary Benchmark	Relative	Portfolio	Secondary Benchmark	Relative
Ashmore *EM Debt (Local & Corp)*	8.1%	6.7%	*1.4%*	(15.2%)	(12.7%)	*(2.5%)*
Barings *Leveraged Loans*	2.1%	2.2%	*(0.1%)*	(3.2%)	(1.3%)	*(1.8%)*
PGIM *Securitised Credit*	1.78%	3.7%	*(1.9%)*	(3.2%)	(2.1%)	*(1.1%)*
PIMCO *Core Manager*	5.1%	3.6%	*1.4%*	(10.4%)	(10%)	*(0.4%)*
Wellington *High Yield*	4.9%	3.9%	*1%*	(9.5%)	(10.4%)	*0.9%*
Border to Coast *EM Debt (Hard)*	8.2%	7.6%	*0.6%*	(15.7%)	(17.9%)	*2.2%*
Multi-Asset Credit Fund	*4.7%*	*4.2%*	*0.5%*	*(9.4%)*	*(9%)*	*(0.4%)*
Primary Benchmark (Cash plus 3.5% p.a.)	4.7%	1.6%	*3.1%*	(9.4%)	4.8%	*(14.1%)*

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Adviser view

In my last report on the MAC fund, I said it was too early to judge the performance of the BCPP MAC fund compared to the primary benchmark of cash +3% to +4% over rolling 5 year years. After 15 to 16 months this is still the case, but each manager was also selected on their ability to outperform their chosen secondary benchmark and BCPP accepted responsibility for their tactical relative value tilts. At the time I agreed and this is still the case, with BCPP's medium term tilts towards loans and local currency emerging market debt and away from high yield bonds and hard currency emerging market debt. Loans because they have floating rate coupons which re-fix higher as interest rates rise. I also expected increased equity market volatility that could impact high yield bonds despite their low interest rate sensitivity, and because hard currency emerging market debt tends to be more interest rate and dollar sensitive.

I accept that the last year has probably been the worst in living memory for returns from all fixed income markets and especially longer duration government and investment grade non-government bonds as shown in table 1 above. The global reset to more normal levels of interest rates post the emergency level markets have become habituated to since the Global Financial Crisis and extended by the covid pandemic was always going to be painful for bond and equity markets.

However, I am disappointed by is the lack of transparency and inconsistency of the information provided by BCPP. The failure to present a coherent narrative supported by appropriate risk and return data to explain decisions taken by the respective managers and the decisions taken by BCPP around tactical asset allocation decisions has reduced my confidence in their ability to manage what is a fairly complex core / satellite approach to Multi-Asset Credit fund management. In future I would like to see a proper presentation from BCPP of the quality we might expect from an
10 asset management company, that is clear and coherent, showing what they did and why, for the period under examination. If they can do this it will go a long way to improving my confidence in their ability. What I am especially frustrated by is at the current level of bond yields and credit spreads, I believe investing in a good quality MAC strategy represents a significant opportunity for long term investors.

In my last report, I said: - *"Each manager has responsibility to deliver outperformance relative to their own specialist investment strategy. BCPP are responsible for asset allocation decisions and will provide performance attribution for each manager relative to their asset class and performance attribution of their tactical asset allocation decisions. BCPP have no track record of delivery in MAC Tactical Asset Allocation, but I believe with the support of the market intelligence they will be getting from PIMCO and the other managers they have a reasonable chance of delivery, time will tell whether they can add sufficient value to generate the target return."*.

Thus far I am as mentioned above more disappointed with the presentation of; individual asset manager risk and return data; the reasons for the decisions taken at the manager level, and at the fund level; than I am with the performance of the fund. As table 1 shows few MAC managers or individual asset class strategies produced a better return over the calendar year 2022.

Anthony Fletcher – Independent Adviser to the Surrey Pension Fund

SURREY COUNTY COUNCIL

PENSION FUND COMMITTEE

DATE: **10 MARCH 2023**

LEAD OFFICER: **ANNA D'ALESSANDRO, DIRECTOR OF CORPORATE FINANCE**

SUBJECT: **2021/22 EXTERNAL AUDIT UPDATE**

SUMMARY OF ISSUE:

This report provides an update to the External Audit of the 2021/22 Financial Statements.

RECOMMENDATIONS:

It is recommended that the Committee note the status of the External Audit work and provide delegated authority to the Chair of the Pension Fund Committee for final approval of the accounts and compliance with any other process required in relation to the Council Audit & Governance committee.

REASON FOR RECOMMENDATIONS:

The Committee needs to be aware of the activities and outputs of the external audit providing insight into the production and assurance of the financial position of the fund.

DETAILS:

Background

1. The external auditor, Grant Thornton, carries out an annual audit of the Fund's financial statements including its assets and liabilities.

2. Audit fieldwork was impacted by a number of issues during 2022/23 as set out below. It is worth noting that, at the time of writing, according to the Scheme Advisory Board web-site, 75 of the 88 LGPS funds had either not published an annual report or published with unaudited financial statements.

Audit issues experienced during 2022/23

3. Delays have been caused by several concurrent issues including staffing issues in both the pension team and audit team together with slow responses from third parties.

4. In previous years the Pension Fund financial accounts were produced by a key individual and all audit queries were directed to and dealt with by this individual. The Turnaround programme for the pension team led to an organisational restructure in May 2022, which provided the service with additional financial accounting resilience to address this. However, this restructure did lead to some changes to key personnel and a resulting loss of corporate memory, which coincided with the audit fieldwork, contributing to audit delays.

5. With progress on the audit impacted, the audit team withdrew completely during October and November 2022. On recommencing engagement, which did not happen until 9 December, the team members were changed – requiring handover and learning on their part.

6. The audit queries log produced in the earlier part of the fieldwork was not reintroduced in this second phase – causing some issues in identifying the comprehensive set of outstanding items – this remained an issue throughout January and into February.

Update provided to Audit and Governance Committee in January 2023

7. The following points were articulated at the Audit and Governance Committee meeting on 18 January 2023.

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Audit substantially complete	7.1	The external auditors confirmed the Surrey Pension Fund audit is ‘substantially complete’.
Targetting resolution of queries	7.2	There are a small number of areas outstanding that require final review and sign off by auditors. Most of the audit work has been completed, although some final queries remain that are yet to be fully responded to. Both the Pension Team and the External Auditors are working to resolve all outstanding items.
No modification to audit opinion anticipated	7.3	Whilst there is some work in key areas still in progress, as at the date of writing there are currently no matters of which the auditors are aware that would require modification of the audit opinion or material changes to the financial statements. The auditor currently anticipates issuing an unqualified opinion on the financial statements.
Draft Audit Findings Report issued	7.4	The auditor has provided a commentary and some preliminary recommendations on the statement of accounts in their draft Audit Findings Report
IAS19 Assurance letters expected	7.5	IAS 19 Assurance letters are expected to be distributed on resolution of outstanding items.

Audit nearing completion

8. As of late February 2023, final queries raised on Partner review are being addressed. The auditors are now satisfied that the IAS19 letters can be issued whilst we complete the final procedures referred to above. Delegated authority should be provided to the Chair of the Pension Fund Committee for final approval of the accounts and compliance with any other process required in relation to the Council Audit & Governance committee.

Commitment to lessons learned

9. The Council Corporate Finance and Pensions teams have committed to running a ‘lessons learned’ session on completion of the audit to agree improvements to the audit process going forwards from both sides of the relationship.

CONSULTATION:

10. The Chair of the Pension Fund Committee has been consulted on the current position.

RISK MANAGEMENT AND IMPLICATIONS:

11. Risk related issues have been discussed and are contained within the report.

FINANCIAL AND VALUE FOR MONEY IMPLICATIONS

12. The process of the audit of the Pension Fund does present potential financial and value for money implications depending on efficiency and effectiveness.

DIRECTOR OF CORPORATE FINANCE AND COMMERCIAL COMMENTARY

13. The Director of Finance, Corporate and Commercial is satisfied that all material, financial and business issues and possibility of risks have been considered and addressed.

LEGAL IMPLICATIONS – MONITORING OFFICER

14. There are no legal implications or legislative requirements.

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EQUALITIES AND DIVERSITY

15. There is no requirement for an equality analysis, as there is no major policy, project or function being created or changed.

OTHER IMPLICATIONS

16. There are no potential implications for council priorities and policy areas.

WHAT HAPPENS NEXT

17. The following next steps are planned:

    a) Officers to work with the audit team to progress the audit to completion
    b) Further updates to be brought to the Committee as necessary.

Contact Officer:

Keevah Dumont	Finance Manager
Paul Titcomb	Head of Accounting and Governance

Consulted:
Pension Fund Committee Chair

Annexes:
None

Sources/background papers:
None

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SURREY COUNTY COUNCIL

PENSION FUND COMMITTEE

DATE: **10 MARCH 2023**

LEAD OFFICER: **ANNA D'ALESSANDRO, DIRECTOR CORPORATE FINANCE & COMMERCIAL**

SUBJECT: **2022 VALUATION**

SUMMARY OF ISSUE:

This report provides an update on the progress of the 2022 triennial valuation being undertaken by the Fund actuary, Hymans Robertson.

RECOMMENDATIONS:

It is recommended that the Pension Fund Committee note the progress made on the actuarial work during 2022/23.

REASON FOR RECOMMENDATIONS:

The Pension Fund Committee needs to be aware of the activities and outputs of the triennial valuation as this informs employer contribution rates and the investment strategy of the Fund. This is consistent with the Fund's strategic funding objectives.

DETAILS:

Background

1. The Fund actuary, Hymans Robertson, carries out a triennial valuation of the Fund's assets and liabilities. The primary and secondary contribution rates for all employers in the Fund and the accompanying investment strategy are derived from this valuation.

2. Work is underway for the triennial valuation on 31 March 2022 (effective 1 April 2023).

3. Officers will work with Hymans to progress the work on the valuation and report regularly on progress.

Timetable

4. The key areas of activity for the 2022 actuarial valuation are set out in the table below.

	Timing (financial quarter)	Area
1	Q1 2022/23 and prior	Pre-valuation work: • Planning • Data cleansing • Valuation training (10 December 2021)
2	Q2 2022/23	Actuarial assumptions review Data cleansed and submitted to actuary Funding Strategy Statement review
3	Q3 2022/23	Whole fund funding level report Set contribution rates for major employers
4	Q4 2022/23	Employer results issued to employers Funding Strategy Statement consultation Employer Forum Final valuation report signed off by 31 March 2023
5	1 April 2023	New employer contributions start to be paid

Contribution rates for employers circulated

5. This quarter, rates for employers have been substantially completed and have been circulated.

Results issued to employers	5.1	Individual rates schedules have been compiled by the Actuary. These have been circulated to employers.
Funding Strategy Statement consultation underway	5.2	The Funding Strategy Statement draft (presented to the Pension Fund Committee in December 2022) has been circulated with the revised contribution rate schedules. A period of consultation until mid-February allowed any comments from employers to be received.
On track for final sign-off	5.3	The valuation process remains on schedule for sign-off by the end of the financial year. It is worth noting that the Actuary sign-off of the 2022 valuation is in no way dependent on the sign off of the 2021/22 financial statements

CONSULTATION:

6. The Chairman of the Pension Fund Committee has been consulted on this report.

RISK MANAGEMENT AND IMPLICATIONS:

7. Any relevant risk related implications have been considered and are contained within the report.

FINANCIAL AND VALUE FOR MONEY IMPLICATIONS

8. Any relevant financial and value for money implications have been considered and are contained within the report.

DIRECTOR OF CORPORATE FINANCE COMMENTARY

9. The Director of Finance, Corporate and Commercial is satisfied that relevant, material financial and business issues and possibility of risks have been considered and addressed.

LEGAL IMPLICATIONS – MONITORING OFFICER

10. There are no legal implications or legislative requirements.

EQUALITIES AND DIVERSITY

11. There are no equality or diversity issues.

OTHER IMPLICATIONS

12. There are no potential implications for council priorities and policy areas.

WHAT HAPPENS NEXT

13. The following next steps are planned:

    a) Officers to work with the fund actuary to progress the valuation; and
    b) Further updates to be brought to the Committee.

Contact Officer:
Sara Undre Employer Manager
Paul Titcomb Head of Accounting and Governance

Consulted:
Pension Fund Committee Chairman

Annexes:
None
Sources/background papers:
None

SURREY COUNTY COUNCIL

PENSION FUND COMMITTEE

Surrey Pension Team

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DATE: 10 MARCH 2023

LEAD OFFICER: ANNA D'ALESSANDRO, DIRECTOR CORPORATE FINANCE & COMMERCIAL

SUBJECT: PROGRESS OF THE 2023/24 BUSINESS PLAN

SUMMARY OF ISSUE:

This report sets out service priorities for 2023/24 and progress of the 2023/24 Business Plan.

RECOMMENDATIONS:

It is recommended that the Pension Fund Committee notes this report

REASON FOR RECOMMENDATIONS:

The 2023/24 Business Plan provides the operational framework for the Pension Team to make progress on its strategic objectives.

DETAILS:

New team strategy work commenced

1. Following the reconfiguration of the team in 2022, the Surrey Pension Team has been working on the strategy for the service. The Business Plan forms the activities in the first year of a three-year look forward.

2. The 2023/24 Business Plan will be formalised as part of a three-year Strategic Plan. It is planned to present the Strategic Plan to the Committee at its next meeting.

Ambitious scope for next year

3. The 2023/24 Business Plan for each service area notes key activities. Achievement of many of these depends on resourcing and prioritisation, so the programme overall is seen as stretching.

4. Each area has a degree of backlog work to address as well as 'business as usual'. In addition, the extended external audit process for 2021/22 has diverted resources for a period and meant that the ability to carry out comprehensive planning in several areas has been compromised. Notwithstanding this, the aim is to show good progress during 2023/24.

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Service areas have particular priorities for 2023/24

Investments and Stewardship focus on ESG implications	3.1	A key area for the coming year is the implementation of the Responsible Investment policy. Additional focus will be on operational improvements and reviewing investment options in various asset classes.
Service Delivery working on backlog	3.2	Legacy issues represent an area in which the team will be prioritising resources. Several large projects regarding data, benefits, customer relations and systems will also demand attention.
Accounting and Governance has work to do on finance	3.3	Clearing backlog issues is a focus for the team in several areas. There are also plans to enhance reporting and documentation.
Change team coordinating projects	3.4	Support will be provided to assist with project management and to drive process improvements across the pensions team.

CONSULTATION:

5. The Chair of the Pension Fund Committee has been consulted on this report.

RISK MANAGEMENT AND IMPLICATIONS:

6. A risk related issue is the possibility of not achieving part or all of the business plan. Officers are very aware of the need to monitor performance against the plan on a regular basis.

FINANCIAL AND VALUE FOR MONEY IMPLICATIONS

7. The costs of the proposed actions will be funded from the administrative expenses of the pension fund.

DIRECTOR OF CORPORATE FINANCE AND COMMERCIAL COMMENTARY

8. The Director of Finance, Corporate and Commercial is satisfied that relevant, material financial and business issues and possibility of risks have been considered and addressed.

LEGAL IMPLICATIONS – MONITORING OFFICER

9. There are no legal implications or legislative requirements.

EQUALITIES AND DIVERSITY

10. There are no equality or diversity issues.

OTHER IMPLICATIONS

11. There are no potential implications for council priorities and policy areas.

WHAT HAPPENS NEXT

12. The following next steps are planned:
    a) Officers to commence or continue work in line with the service priorities.
    b) Progress monitoring will take place and, if necessary, matters will be brought to the attention of the Committee at future meetings.

Contact Officer:
Neil Mason, Assistant Director – LGPS Senior Officer

Consulted:
Pension Fund Committee Chair

Annexes:

Sources/background papers:
None

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SURREY COUNTY COUNCIL

PENSION FUND COMMITTEE

DATE: **10 MARCH 2023**

LEAD OFFICER: **ANNA D'ALESSANDRO, DIRECTOR CORPORATE FINANCE & COMMERCIAL**

SUBJECT: **COMMUNICATIONS POLICY 2023/2024**

SUMMARY OF ISSUE:

Surrey Pension Fund recognises the importance of providing timely, relevant and engaging communication utilising a variety of channels to our members and stakeholders. The Communications Policy outlines our approach and obligations.

RECOMMENDATIONS:

It is recommended that the Pension Fund Committee:

1. Approves the Communications Policy (shown as Annexe 1) which has been ratified by the Board.

REASON FOR RECOMMENDATIONS:

The Training Policy statement ensures that the Fund meets the Regulatory communication requirements and recognises the importance of providing comprehensive and timely information to its Members and stakeholders.

DETAILS:

Background

1. The Communications Policy Statement (the Statement) sets out how the Fund complies with Regulation 61 of the Local Government Pension Scheme (LGPS) Regulations 2013, requiring each Administering Authority to prepare, maintain and publish a written statement setting out its policy concerning communication with members, prospective members, employers and other relevant stakeholders. The statement must set out its policy on:

    a) The provision of information and publicity about the Scheme to members, representatives of members and scheme employers

    b) The format, frequency, and method of distributing such information or publicity

    c) The promotion of the Scheme to prospective members and their employers.

2. The Statement must be revised and published by the administering authority following a material change in this policy.

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Key Objective

3. The key objective of the policy is to:

    a) Provide clear, friendly, and timely communication to its members and stakeholders

    b) Recognise the requirement for different methods of communication for different members

    c) Inform members and stakeholders to enable them to make decisions regarding pensions matters

    d) Aim for full appreciation of the pension scheme benefits and changes to the scheme by all scheme members and prospective members

    e) Promote the LGPS as an attractive benefit to scheme members

Communication Plan

4. In order to ensure that the annual delivery of communications is understood, a communications plan is attached in Annexe1.

CONSULTATION:

5. The Chair of the Committee has been consulted supports the recommendations.

RISK MANAGEMENT AND IMPLICATIONS:

6. There are no direct risk implications arising from the recommendation of this report.

FINANCIAL AND VALUE FOR MONEY IMPLICATIONS

7. Provision of appropriate communication media will result in expenditure that will be met by the Pension Fund.

DIRECTOR OF FINANCE, CORPORATE AND COMMERCIAL COMMENTARY

8. The Director of Finance, Corporate and Commercial is satisfied that all material, financial and business issues, and possibility of risks have been considered.

LEGAL IMPLICATIONS – MONITORING OFFICER

9. There are no legal implications or legislative requirements

EQUALITIES AND DIVERSITY

10. The approval of Communication Policy Statement does not require an equality analysis, as the initiative is not a major policy, project, or function.

OTHER IMPLICATIONS

11. There are no potential implications for council priorities and policy areas.

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WHAT HAPPENS NEXT

12. Subject to agreement by the Board, officers will present the revised the Statement to the Committee for approval at the next Committee meeting.

Contact Officer:
Bethany Goss, Website Management & Communications Officer
Nicole Russell, Head of Change Management

Consulted:
Local Pension Board Chairman

Annexes:
Annexe 1: Communication Policy Statement 2023/24

Sources/background papers:
None

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Communication Policy Statement

2023/24

Surrey Pension Team

Providing our customers with a better tomorrow

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Contents

Introduction

1. This is the Communication Policy for the Surrey Pension Team (SPT), who administer the Surrey Pension Fund (the Fund).

2. Communication is at the heart of everything the SPT does and there is a dedicated communication team in place to help the Fund meet its current and future communication challenges.

3. The Fund has over 300 employers with contributing members and a total membership of over 109,100 scheme members, which are split into the categories below and with the approximate numbers of members in each category:

Type of Membership	Approximate Numbers
Active scheme members	34,900
Deferred scheme members	42,800
Pensioner members	31,400

4. The policy outlines the strategic approach of SPT regarding communications and should be read in conjunction with the Communication Plan which is detailed in Appendix A of this document.

Regulatory Framework

5. The policy has been produced in accordance with Regulation 61 of the Local Government Pension Scheme (Administration) Regulations 2013.

6. The Regulation requires that an administering authority must prepare, maintain, and publish a written statement setting out its policy concerning communications with:
    - members
    - representatives of members
    - prospective members
    - scheme employers

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7. In particular, the statement must set out its policy on:
    - the provision of information and publicity about the scheme to members, representatives of members, and scheme employers
    - the format, frequency, and method of distributing such information or publicity
    - the promotion of the scheme to prospective scheme members and their employers.

8. The policy must be revised and published by the administering authority following a material change in their policy on any matters referred to in paragraph 7.

9. For the purposes of this policy published means being accessible on the publicly available Surrey Pension Fund website.

Key Objective

10. The key objective is to ensure that SPT delivers clear, timely and accessible communication with a broad range of stakeholders.

11. To achieve this, SPT will:
    - Communicate information about the scheme's rules and Regulations in an effective, straightforward, and timely manner to the different groups of stakeholders
    - Recognise the requirement for different methods of communication for different members
    - Promote the LGPS as an attractive benefit to scheme members and potential scheme members
    - Communicate information about the investment decisions made by the SPT
    - Inform customers and stakeholders to enable them to make decisions regarding pension matters
    - Inform customers and stakeholders about the management and administration of the Fund
    - Consult with key stakeholders on changes to policies and procedures that affect the Fund and its stakeholders
    - Support employers to enable them to fulfil their statutory role in the Fund by providing regular relevant information and access to various types of resources
    - Seek continuous improvement in the way that SPT communicates.

Stakeholders of the Fund

12. The Fund has a varied audience of stakeholders with whom it communicates, including:

Internal bodies:

- Scheme members
- Prospective scheme members
- Representative of scheme members
- Scheme employers
- SPT officers
- Pension Fund Committee
- Local Pension Board
- Administering Authority
- Border to Coast Joint Committee

Partner Groups:

- Pensions and Lifetime Savings Association (PLSA)
- The Scheme Advisory Board (SAB)
- The Local Government Association (LGA)
- Pension Officers Groups
- The Local Authority Pension Fund Forum (LAPFF)
- Border to Coast Company and Border to Coast partner funds
- AVC Providers
- Trade Unions
- Surrey County Council - other departments, Council Members and Chief Officers
- Internal Audit

External bodies:

- General Public
- Prospective Employees
- Surrey Residents (Council Taxpayers)
- Her Majesty's Revenue & Customs (HMRC)
- Department for Levelling Up, Housing and Communities (DLUHC)
- Pension Fund Investment Managers, Advisers, Actuaries and Pension Fund Custodian
- The Pensions Regulator (tPR) and Pensions Ombudsman
- Department of Work and Pensions (DWP)
- Chartered Institute of Public Finance and Accountancy (CIPFA)
- External Auditors
- Wider Pensions Industry

Accessibility

13. SPT is committed to ensuring communications are accessible to all stakeholders.

14. To achieve this, SPT will ensure that all communications use plain English and where possible, are available in electronic, print, large print, braille, and audio as requested.

15. SPT is committed to develop further use of electronic means of communicating through email, websites and the ‘My Pension’ portal.

16. Where possible, responses will be sent to stakeholders by electronic means unless requested otherwise.

17. SPT is committed to ensuring that the Surrey Pension Fund website and the Surrey Pension Fund for Employers website, together with the documents available on the websites, meet the Web Content Accessibility Guidelines (WCAG 2.1).

Communication Channels

18. LGPS support is available nationally through websites and guidance for both employers and scheme members. SPT communications will continue to reference these national resources, together with material provided by pension industry experts.

19. SPT will continue to support collaboration and development of communication media with other administering authorities through membership of the Communications Working Group.

20. The Communication Plan in Appendix A of this document details SPT’s method of communication, intended audience, publication media, frequency, and method of distribution.

21. SPT maintains the Surrey Pension Fund website which provides access to member guides, forms, policies, reports, investment information, newsletters, videos, and other information.

22. The member self-service portal ('My Pension' portal) is a secure online web portal hosted by Aquila Heywood. Registered members can:
    - view the details SPT hold for them and keep their personal details up to date
    - view personal correspondence such as letters and general scheme forms and guides
    - view and print annual benefit statements (active members) or annual statements (deferred members)
    - create, view and update nominations for any death grant that may be payable
    - perform quotations for deferred benefits, future benefits, and death benefits (depending on member status)
    - view P60s and pay slips (pensioner members)

23. To encourage members to engage with their pension, SPT are integrating the 'My Pension' portal with standard work processes, to increasing take up across all membership groups.

24. Monthly website and 'My Pension' portal data is recorded to monitor the usage and member registration numbers, to measure the success of campaigns run by the SPT.

25. SPT maintains the Surrey Pension Fund for Employers website which provides access to employer procedures, guides, investment information, forms, spreadsheets, newsletters, and other information.

26. SPT provide access to iConnect for employers who use Surrey payroll as their payroll provider. This requires monthly payroll updates and provides the facility to request estimated benefits, including costs, and other information. iConnect will be made available to other employers in the future.

27. All members and employers can contact the Customer Relationship Team for information or requests. The team have two telephone numbers: one for general enquiries and one for assistance with the 'My Pension' portal, together with a general use email address and an email address for forms, certificates, etc.

28. SPT recognises the growing importance for organisations to have an online presence and has a corporate LinkedIn profile. The LinkedIn account is used to raise SPT online profile in business, promoting SPT's innovations and achievements, advertise job opportunities, and helping build relationships with other LGPS Funds and professional bodies within the pensions industry: https://www.linkedin.com/company/surrey-pension-team/

29. News items and blogs are produced on the websites regularly and as the need arises, to highlight current issues, upcoming changes or to provide articles of interest.

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30. Members can visit our offices if they prefer to speak to us face to face. This must be by appointment, to ensure that the correct member of staff is available to discuss the member's enquiry.

31. Periodical documents issued to members, including:
    - Annual Benefit Statements by 31 August to active members
    - Annual Statements by 31 August to deferred members
    - Pay advices, pension increase letters, and P60s are issued to pensioner members between March and May each year
    - Annual Allowance letters issued to relevant members by 6 October

32. SPT arranges a programme of online and face to face events each year to meet with groups of members. SPT arrange these events in conjunction with employers, via Olive for Surrey CC members, and these events are advertised to members of the scheme.

33. For Surrey CC members, SPT provide a SharePoint site and regular posts to advertise events and provide information.

34. SPT obtains feedback periodically for different member groups and employers and publishes all relevant results on the websites.

35. SPT recognises that its staff are its greatest resource and that they are kept informed about the Fund's aims to deliver a quality and accurate service. This is achieved via use of email, internal and on-line meetings, quarterly performance meetings, internal and external training events on specific topics, together with the opportunity to study for professional qualifications.

36. SPT communicates with the Pension Fund Committee and Local Pension Board in various ways including:
    - Weekly email from the LGPS Senior Officer on Border to Coast and administration updates, and other useful information.
    - Committee and Board meetings
    - Fund officer reports
    - Investment manager reports
    - Training (refer to Training Policy)

37. SPT proactively communicates with several external bodies, including:
    - Border to Coast, Pension Fund Investment Managers, Advisers and Actuaries
    - Pension Fund Custodian
    - Pensions and Lifetime Savings Association (PLSA)
    - Local Authority Pension Fund Forum (LAPFF)
    - Minerva Analytics

Data Protection

38. SPT has a duty to protect personal information and will process personal data in accordance with the Data Protection Act 1998 and any amendments to the act. SPT may, if it chooses, pass certain details to a third party, if the third party is carrying out an administrative function of the Fund, for example the Fund's Actuary or AVC provider.

39. The Full Privacy Notice can be found at: https://www.surreypensionfund.org/forms-and-publications/full-privacy-notice/

Freedom of Information

40. Anyone has a right under the Freedom of Information (FOI) Act to request any information held by the Fund which is not already made available.

41. FOI requests will be dealt with openly and swiftly. Requests should be made in writing to the Freedom of Information Officer at the address at the end of this document. A fee may be charged, in line with our published FOI guidance.

Review

42. The policy will be reviewed annually and updated sooner if the communications arrangements, stakeholder feedback, or other matters included within it merit reconsideration.

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Further Information

Our contact details are:

Surrey Pension Team
PO Box 465
Reigate
RH2 2HA

Telephone: 0300 200 1031 – general enquiries
Email: crtpensions@surreycc.gov.uk

Telephone: 0300 200 1034 – 'My Pension' portal registration/logon enquiries
Email: crtpensions@surreycc.gov.uk

If you have any Freedom of Information requests, please send them to:

Freedom of Information Officer
Corporate Information Governance Team
Surrey County Council
Woodhatch Place
11 Cockshot Hill
Reigate
Surrey
RH2 8EF

Email: corp.infogov@surreycc.gov.uk

Appendix A - Communication Plan

Method of Communication	Media	Frequency of Issue	Method of Distribution	Audience Group
Send a notification of joining the LGPS to a Scheme Member – Contractual Enrolment	Electronic or Paper Based	2 months from date of joining the scheme	E-mail, 'My Pension' portal or Letter to Home Address	New Members
Send a notification of joining the LGPS to a scheme member – Automatic Enrolment/Re- Enrolment	Various	Within 1 month of receiving jobholder information where the individual is being automatically enrolled or re-enrolled	Employer	New Members
Inform a member who left the Scheme of their leaver rights and options	Electronic or Paper Based	As soon as practicable and no more than 2 months from date of notification (from employer or from scheme member)	E-mail, 'My Pension' portal or Letter to Home Address	Members leaving the scheme
Obtain transfer details for transfer in, and calculate and provide quotation to member	Electronic or Paper Based	2 months from date of request	E-mail, 'My Pension' portal or Letter to Home Address	Active Member
Provide details of transfer value for transfer out, on request	Electronic or Paper Based	3 months from date of request (CETV estimate)	E-mail, 'My Pension' portal or Letter to Home Address	Deferred Member

Method of Communication	Media	Frequency of Issue	Method of Distribution	Audience Group
Provide a retirement quotation on request	Electronic or Paper Based	As soon as practicable, but no more than 2 months from date of request unless there has already been a request in the last 12 months	E-mail, 'My Pension' portal or Letter to Home Address	Active and Deferred Member
Notify the amount of retirement benefits	Electronic or Paper Based	1 month from date of retirement if on or after Normal Pension Age (NPA), or 2 months from date of retirement if before NPA	E-mail, 'My Pension' portal or Letter to Home Address	Active and Deferred Member
Calculate and notify dependant(s) of amount of death benefits	Paper Based	As soon as possible but in any event no more than 2 months from date of becoming aware of death, or from date of request by a third party (e.g., Personal representative)	Letter to Dependants Home Address	Dependant Member
Provide all Active and Deferred members with an Annual Benefit Statement (ABS)	Electronic or Paper Based / Other format on request	By 31 August each year	'My Pension' portal or Statement to Home Address / Other format	Active and Deferred Member
Provide Pension Saving Statement to eligible members	Electronic or Paper Based	By 6 October each year	E-mail, 'My Pension' portal or Letter to Home Address	Active Member

Method of Communication	Media	Frequency of Issue	Method of Distribution	Audience Group
General Member Enquiries	Electronic or Paper Based by Request		Email or Letter to Home Address	All Members
Pensions Increase Letters	Paper Based	By 30 April each year	Letter to Home Address	Pensioner Member
Pensioner P60s (HMRC requirement)	Paper Based	By 31 May each year	Letter to Home Address	Pensioner Member
Member Scheme Guide	Electronic or Paper Based by Request	Within 2 months of request	Member Self Service, Surrey Pension Fund website or Home Address on request	All Members
Active Member Media	Electronic or Paper Based by Request		Member Self Service, Surrey Pension Fund website or Home Address on request	Active Member
Deferred Member Media	Electronic or Paper Based by Request		Member Self Service, Surrey Pension Fund website or Home Address on request	Deferred Member

Method of Communication	Media	Frequency of Issue	Method of Distribution	Audience Group
Pensioner Member Newsletters	Paper Based		Sent with PI letters and P60s to Home Address	Pensioner Member
Presentations/Roadshows	Online and Face to Face		Via scheme employer	Active Member
Drop-In Sessions	Face to Face		Via scheme employer	Active Member
Customer Satisfaction Feedback – Member	Electronic, Face to Face or paper based		E-mail, in person or via post	All Members
Customer Satisfaction Feedback – Retired Members	Electronic, Face to Face or paper based		E-mail, in person or via post	Pensioner member
Changes in Legislation	Electronic		E-mail to scheme employers	Scheme Employer
Material Alterations to Basic Scheme Information	Electronic	As soon as possible and within 3 months after the change takes effect.	E-mail or Letter to Home Address	All Members

Method of Communication	Media	Frequency of Issue	Method of Distribution	Audience Group
Employer Valuation & Funding Consultations	On-line or Face to Face	Triennially	Via scheme employer	Scheme Employer
Employer Training	On-line or Face to Face		Via scheme employer	Scheme Employer
Employer Guides	Electronic		LGPS Regs Website	Scheme Employer
Employer Newsletters	Electronic or Paper Based on Request	Quarterly	E-mail to Scheme Employer Contacts	Scheme Employer
Customer Satisfaction Feedback – Employer	Electronic		E-mail	Scheme Employer
Member, employer or third- party enquiries	Incoming to Helpdesk via telephone		Telephone and Email	All Groups
Member, employer or third- party enquiries	Incoming via post		Various	All Groups

Method of Communication	Media	Frequency of Issue	Method of Distribution	Audience Group
Member Self Service	Electronic		Always available on-line	All Member Groups
Employers Pension Fund Annual Engagement	On-line or Face to Face		Via Fund	Scheme Employers
Surrey Pension Fund Website	Electronic		Always available on-line	All Groups
Surrey Pension Fund for Employers Website	Electronic		Always available on-line	Scheme Employers

SURREY COUNTY COUNCIL

PENSION FUND COMMITTEE

DATE: **10 MARCH 2023**

LEAD OFFICER: **ANNA D'ALESSANDRO, DIRECTOR CORPORATE FINANCE & COMMERCIAL**

SUBJECT: **TRAINING POLICY 2023/2024**

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SUMMARY OF ISSUE:

Surrey Pension Fund recognises the importance of providing appropriate training to both Pension Fund Committee and Local Board members, as well as officers in relation to the operation of the Pension Fund. This report introduces the Pension Fund training policy.

RECOMMENDATIONS:

It is recommended that the Pension Fund Committee:

1. Approves the training policy (shown as Annexe 1) which has been ratified by the Board and agrees that all members should prioritise attendance at training events wherever practicable.

REASON FOR RECOMMENDATIONS:

In providing guidance or making decisions on Pension Fund matters it is critical that Members of the Pension Fund Committee, the Local Pension Board and officers have up to date knowledge and understanding of all elements of pensions, including investments, funding, governance and delivery.

Compliance to a comprehensive training policy meets the Fund's strategic governance and delivery objectives.

DETAILS:

1. The Training Policy was last presented to the Committee in June 2021. The focus at that time was to establish existing knowledge and skills and to identify any gaps, The Pension Fund had also participated in 2020 in the LGPS National Knowledge Assessment which benchmarked Surrey Pension Fund against other LGPS Funds. The focus previously has been on addressing gaps and taking on board recommendations. This policy continues this focus on training to ensure all requirements are met on an ongoing basis.

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CONSULTATION:

2. The Chairman of the Pension Fund has been consulted and offered full support for the proposals.

RISK MANAGEMENT AND IMPLICATIONS:

3. There are no risk direct risk implications arising from the recommendation of this report.

FINANCIAL AND VALUE FOR MONEY IMPLICATIONS

4. Provision of appropriate training will result in modest level of additional expenditure that will be met by the Pension Fund.

DIRECTOR OF CORPORATE FINANCE COMMENTARY

5. The Director of Corporate Finance is satisfied that all material, financial and business issues and possibility of risks have been considered.

LEGAL IMPLICATIONS – MONITORING OFFICER

6. There are no legal implications or legislative requirements

EQUALITIES AND DIVERSITY

7. The approval of Training policy statement does not require an equality analysis, as the initiative is not a major policy, project or function.

OTHER IMPLICATIONS

8. There are no potential implications for council priorities and policy areas.

WHAT HAPPENS NEXT

9. The following next steps are planned:

   - Officers will forward relevant training invites to members of Pension Fund Committee and Local Board.

Contact Officer:
Jennifer Stevenson, Training Office SPF

Consulted:
Pension Fund Committee Chairman.

Annexes:
Annexe 1: Training Policy 2023/2024

Sources/background papers: None

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Training Policy

2023/24

Surrey Pension Team

Providing our customers with a better tomorrow

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Training Policy 2023/24

Introduction

1. Surrey Pension Team (SPT) is committed to providing training to those involved in the governance of the Surrey Pension Fund (the Fund) and to ensure Pension Fund Committee and the Local Pension Board members have the necessary skills and knowledge to act effectively in line with their responsibilities.

2. The objectives of this training policy are to:

a. Ensure the Fund is managed, and its services delivered, by members and officers with the appropriate knowledge and expertise to be competent in their role.

b. Provide those with responsibility for governing the Fund to evaluate the information they receive and effectively challenge it where appropriate.

c. Support effective and robust decision making, ensuring decisions are well founded and comply with Regulatory requirements or guidance from the Pensions Regulator, the Scheme Advisory Board and the Secretary of State for the Department for Levelling Up, Housing and Communities (DLUHC).

d. Ensure an understanding of the operation and administration of the Surrey Pension Fund.

e. Meet the required needs in relation to the Fund’s objectives.

3. It is important that members in both the Pension Fund Committee and the Local Pension Board commit to participating in appropriate training events to ensure that they have the necessary skills required to support them in their decision-making role.

4. In addition, officers responsible for the management and administration of the LGPS will be expected to receive appropriate training to fill any knowledge gaps identified and seek to maintain their knowledge.

5. The Fund will demonstrate compliance with its training plan on a yearly basis through the Annual Report.

Local Pension Board

6. In accordance with Section 248A of the Pensions Act 2004 and redrafted by the Pensions Act 2013, every member of the Surrey Local Pension Board must be conversant with:

a. The rules of the Local Government Pension Scheme (LGPS), such as the Transitional Regulations and the Investment regulations.

15 b. Any document recording policy about the administration of the Surrey Pension Fund which is for the time being adopted in relation to the Surrey Pension Fund.

7. Local Pension Board members should also have knowledge and understanding of:

a. The law relating to pensions

b. Such other matters as may be prescribed.

Induction training

8. On joining the Pension Fund Committee or Local Pension Board, all new members will receive a Member Induction Handbook and access to the LGPS Online Learning Academy (LOLA) and the Surrey Pension Team Governance SharePoint site.

9. The LGPS Online Learning Academy (LOLA) contains LGPS specific learning modules, and the Surrey Pension Team Governance SharePoint site contains a documents hub, materials from previous training courses and details of the upcoming training available.

10. Local Pension Board members must complete, by their first meeting or within the first three months of their appointment if earlier, the online training courses provided in the Public Service Toolkit by the Pensions Regulator (TPR), and within the first six months of their appointment, the TPR Trustee Toolkit.

11. Local Pension Board members must complete, within the first twelve months of their appointment, the online training courses available on the LGPS Online Learning Academy (LOLA), with the first introductory module being completed before their first meeting.

12. Local Pension Board members must attend the LGA three-day training course which covers the Fundamentals of the LGPS at the earliest opportunity, and within the first twelve months of their appointment.

13. Local Pension Board members must familiarise themselves with the Surrey Pension Fund website and the information held on the site.

14. Local Pension Board members must assess their training needs by completing the training needs analysis template that the Pension Regulator has provided to support this process. The document can be found at: https://trusteetoolkit.thepensionsregulator.gov.uk/mod/page/view.php?id=337

15. Whilst Local Pension Board members must complete the training, it is a requirement of the Surrey Pension Fund that Pension Fund Committee members also complete the training within the required timescales set out above. 15

The Pensions Regulator Toolkit

16. The TPR Trustee toolkit provides a guide to understand the Governance and administration requirement in the public service schemes Code of Practice no.14.

17. The toolkit includes ten Essential Learning for Trustee compulsory modules and seven Public Service Toolkit compulsory online learning modules that must be completed successfully to pass the induction training.

18. The ten essential learning for trustee compulsory modules test Board members knowledge in the following key areas:

- Introducing pension schemes
- The trustee's role
- Running a scheme
- Pensions law
- An introduction to investment
- How a defined benefit scheme works
- Funding your defined benefit scheme
- Defined benefit recovery plans, contributions, and funding principles
- Investment in a defined benefit scheme
- Pension scams.

19. The seven Public Service Toolkit compulsory modules test Board members knowledge in the following key areas:

- Conflicts of interest
- Managing risk and internal controls
- Maintaining accurate member data
- Maintaining member contributions
- Providing information to members and others
- Resolving internal disputes
- Reporting breaches of the law.

20. Although the toolkit is designed with Local Pension Board members in mind, it is the view of the Fund that the material covered is of equal relevance to members of the committee.

21. The Pension Regulator website is available at:

https://trusteetoolkit.thepensionsregulator.gov.uk/

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Markets in Financial Instruments Directive II (MIFID II)

22. Surrey Pension Fund need to demonstrate a high level of skills and knowledge across the Fund Committee and Local Board to enable the Fund to opt-up and be recognised as a professional investor rather than a retail investor to continue to receive advice and access to investment products at a level commensurate with the types of investment required for the Fund.

23. Failure to adequately demonstrate a high level of collective skills and knowledge across the Pension Fund Committee and Local Pension Board could result in the loss of professional investor status and therefore access to the appropriate investment opportunities.

Delivery of training

24. Training and development support for committee/board members and officers will be delivered through a variety of methods including:

Committee/Board members	Officers
Pension Regulator on-line toolkit	Pension Regulator on-line toolkit
LGPS Online Learning Academy (LOLA)	LGPS Online Learning Academy (LOLA)
Surrey Pension Team Governance SharePoint site	Surrey Pension Team Governance SharePoint site
LGA Fundamentals training course	LGA Fundamentals training course
Attending seminars, courses, and external events	Attending seminars, courses, and external events
Investment advisor/Actuary training	Investment advisor/Actuary training
Circulated reading material	Circulated reading material
Fund manager training	Training for qualifications from recognised professional bodies (e.g. CIPFA)
Regular updates from officers	Surrey Pension Team Training Academy SharePoint site
In-house	In-house

25. Where appropriate training will be provided jointly for the Committee, Local Board, and officers. In consultation with the chairman, expression of interest will be sought from members to attend relevant trainings throughout the year.

26. Training events will be advertised to members via the LGPS Senior Officer weekly email and on the Surrey Pension Team Governance SharePoint site as and when they are notified to officers. Members are expected to make officers aware of any events that are of interest.

Training Plan

27. To be effective, training must be recognised as a continual process and will be centred on 3 key points

- The collective knowledge of the board/committee
- The general pensions environment
- Coping with changes (e.g., legislation)

28. As part of the commitment to good scheme governance, there are four Local Pension Board meetings and four Pension Committee meetings per year.

29. All members and officers will be expected to complete a minimum of 4 hours training per financial year, in addition to any induction training.

30. Surrey Pension Fund Board and Pension Committee members should also commit sufficient time to prepare for meetings and obtain and keep under review their knowledge and understanding.

31. Training plans will be developed at least on an annual basis. There will be updates as required taking account of the identification of any knowledge gaps, changes in legislation, key legislation (e.g., triennial valuation) and receipt of updated guidance.

Knowledge and Skills Framework

32. There are six areas of knowledge and skills that have been identified as the core requirements of those working in LGPS. They are:

- Pensions legislative and governance context
- Pensions accounting and auditing standards
- Financial services procurement and relationship management
- Investment performance and risk management
- Financial markets and products knowledge
- Actuarial methods, standards, and practices

33. Fund Committee and Local Board are expected to have collective understanding and officers are expected to have detailed understanding of these areas of knowledge and skills.

Acquiring, Monitoring and Reviewing knowledge and Skills

34. Committee and Local Board members must ensure they have appropriate degree of knowledge and understanding to carry out their stewardship role. Therefore, members should invest sufficient time in their learning and development alongside their responsibilities and duties.

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35. To ensure Pension Committee and Board members have sufficient breadth of knowledge and understanding, they must undertake a personal training needs analysis and annual review of their skills, competencies, and knowledge to identify any gaps or weaknesses.

36. The Pension Regulator has provided training needs analysis template to support this process. The document can be found at: https://trusteetoolkit.thepensionsregulator.gov.uk/mod/page/view.php?id=337

37. Periodically, the Pension Committee and Board members knowledge will be independently assessed and benchmarked against other Administering Authorities. Any gaps in knowledge will be incorporated into the future training plans. Taking part in this assessment is a compulsory element of the policy.

Officer Training

38. It is important that Officers in the fund have the necessary skills and knowledge to carry out the tasks of managing the Fund's investments and administering the payment of benefits.

39. The knowledge and skills required of staff are set out in their job descriptions, including any formal qualifications required for the role. The Officers should be familiar with the requirements of the CIPFA Code of Practice on Knowledge and Skills and should have knowledge of the six areas of the framework.

40. The knowledge required for each officer role is held in the SPT matrix and the officer's individual skills are measured against this matrix, and any training needs identified added to the individual's training plan.

41. Officers will attend relevant training events and seminars during the year to ensure they remain up to date with latest requirements. In addition, officers are also required to keep up to date with relevant issues affecting the pension fund.

42. For officers, there will be particular focus on the following areas:

- **Public Sector Pension Governance** – Understanding the guidance and regulations in relation to local pension boards and keeping up to date with how other Funds are working with their boards, in order that the Pension Board can be supported effectively and add value to the governance of the Fund.
- **New Investment Arrangements** – Understanding the implications of how the Financial Conduct Authority (FCA) will implement the Markets in Financial Instruments Directive (MiFIDII) and how Surrey Pension Fund will comply.
- **New Investment Products** – Keeping up to date with what the market is offering, in order to assess the validity of new products for investment by the Surrey Pension Fund.
- **Accounting Issues** – Keeping up to date with the latest CIPFA guidance on the format of the Pension Fund Statement of Accounts and the content of the Annual Report.
- **Pensions Administration Regulations** – Understanding the latest guidance and interpretation of changes to LGPS Regulations and their impact on procedures.
- **Pensions Administration Systems** - Keeping up to date with updates/new releases to the software system Altair, passing training onto all staff.
- **Actuarial methods, Standards and Practices** – Understanding the work of the actuary and the ways in which actuarial information is produced.

Cost

43. Where there is a cost involved in providing the training, this will be paid by the Surrey Pension Fund.

44. A budget will be allocated for members and officers training in the Fund’s business plan. Costs will depend on the levels of training and support required by individual members. Where possible, training and support will be provided at nil cost through officers, existing material, and online access, and as part of existing providers or advisors roles.

Training Monitoring and Reporting

45. To identify whether the objectives of the Policy are being met, fund officers will maintain a training log to record training attended by both members and officers.

46. Members must notify officers of any training they have completed, in order that the log be kept up to date.

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47. Officers training is logged on the Surrey Pension Team training matrix.

48. Members and officers will be asked to confirm their training record every 12 months.

49. Pension Fund Committee and Local Pensions Board members will be required to carry out Self-Assessment Questionnaire on an annual basis to assess their overall level of 'Knowledge and Understanding'.

50. The self-assessment will be in the form of a short self-assessment questionnaire to identify any perceived development needs. Training on the identified areas will be provided as necessary, including induction and on an ongoing refresher basis.

51. A report will also be presented to the Fund Committee and Pension Board on an annual basis setting out:

- training attended by members in the previous year.
- any actions required, such as review of the Training Plan.

52. Interim updates will be reported to the Fund Committee and Pension Board at each meeting.

53. Where a member has not completed the required training in the timeframes set out in this policy, the matter will be reported to the Fund Committee and Pension Board for action.

54. Membership of the Local Pension Board may be terminated due to a Local Pension Board member no longer being able to demonstrate to the Scheme Manager their capacity to attend and prepare for meetings, or to participate in required training or otherwise to carry out the requirements of the role appropriately.

55. Officers involved in the management and administration of the Fund are set annual objectives which will include an element of professional development. These objectives are monitored as part of each individual's annual appraisal referencing the Surrey Pension Team matrix.

Training and Development Opportunities 2023/24

Mandatory Training 2023/24

Board/Committee members are encouraged to attend the following training where this has not been previously completed.

Title of session	Training Context	Timescale	Training Length	Audience	Complete
Fundamental Training – Day 1	Legal Framework of the LGPS	October 2023 (TBC) London/Birmingham/ online options	1 day	Committee, Pensions Board (Officers optional)	Mandatory for Board and Committee members.
Fundamental Training – Day 2	LGPS Investments	November 2023 (TBC) London/Birmingham/ online options	1 day	Committee, Pensions Board (Officers optional)	Mandatory for Board and Committee members.
Fundamental Training – Day 3	Duties and Responsibilities	December 2023 (TBC) London/Birmingham/ online options	1 day	Committee, Pensions Board (Officers optional)	Mandatory for Board and Committee members.

Other Events 2023/24

The following optional events will support and develop knowledge and understanding of Officers and Pension Fund Committee and Local Pension Board members.

Title of Session	Training Context	Timescale	Training Length	Audience	Complete
LGA Webinars	McCloud update	Early 2023 (TBC), online	TBC	Officers	
The Local Authority Responsible Investment Seminar	TBC	April 2023, London	TBC		
LGA Insight	Various	15-18 May 2023, York	4 days	Officers	
PLSA Investment Conference 2023	Various	6-8 June 2023, Edinburgh	2 ½ days	Committee, Pensions Board and Officers	
PLSA Local Authority Conference 2023	Various	26-28 June 2023, Gloucestershire	3 days	Committee, Pensions Board and Officers	

Title of Session	Training Context	Timescale	Training Length	Audience	Complete
CIPFA Public Finance Live 2023	Various	27-28 June 2023, London	2 days	Committee, Pensions Board and Officers	
LGA Annual Conference and Exhibition	Various	4-6 July 2023 Bournemouth	3 days	Committee, Pensions Board and Officers	
LAPF Strategic Investment Forum		July 2023, Hertfordshire	TBC	Committee, Pensions Board and Officers	
LGA Insight	Various	4-7 September 2023, Bournemouth	4 days	Officers	
Border to Coast Conference	The Pension Fund asset pool	28-29 September, Leeds	2 days	Committee, Pensions Board and Officers	
PLSA Annual Conference	Various	17-19 October 2023, Manchester	3 days	Committee, Pensions Board and Officers	

Title of Session	Training Context	Timescale	Training Length	Audience	Complete
Responsible & Impact Investment Summit	TBC	October 2023, London	TBC		
LAPFF	Engagement themes	TBC		Committee, Pensions Board and Officers	
LGA Annual Governance Conference	Various	18-19 January 2024, York	2 days	Committee, Pensions Board and Officers	
LGPS Live	Various	First Wednesday of every month, online	½ day	Committee, Pensions Board and Officers	

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Member Handbook

JANUARY 2023 V1.0

Jennifer Stevenson

Surrey Pension Team

Providing our customers with a better tomorrow

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Welcome to Surrey Pension Committee / Local Pension Board

I would like to take the opportunity to welcome you to the Surrey Pension Fund Committee / Local Pension Board.

This guide is designed to assist those with decision making or oversight roles within LGPS funds by familiarising you with some key areas and providing a bit of background on:

- Understanding of the Local Government Pension Scheme (LGPS) and how it is set up.
- The sort of decisions that you may be asked to make or assistance you can give to the administering authority.

This handbook is aimed at elected members sitting on the Pension Fund Committees and exercising a decision-making function in respect of LGPS funds, as well as members of the Local Pension Board whose role is one of assisting and oversight.

It will be particularly useful to committee and board members who are new to the role of dealing with an LGPS pension fund. It is also useful for those who are already involved in pension fund committees or local pension boards and are looking for a summary of the important role that they play in the 'stewardship' of their funds.

The Surrey Pension Team looks forward to supporting you in your new role.

Neil Mason

Assistant Director – LGPS Senior Officer
E:neil.mason@surreycc.gov.uk

Membership of the Pension Fund Committee

The current membership of the Pension Fund Committee is as follows:

15

Nick Harrison: Chairman
Party: Residents' Association and Independent
Borough and District: Reigate and Banstead
E: nicholas.harrison@surreycc.gov.uk
T: 01737 215405

Trefor Hogg: Vice Chairman
Party: Conservative
Borough and District: Surrey Heath
E: trefor.hogg@surreycc.gov.uk
T: 07711 228505

David Harmer
Party: Conservative
Borough and District: Waverley
E: david.harmer@surreycc.gov.uk
T: 01428 606921

George Potter
Party: Liberal Democrats
Borough and District: Guildford
E: george.potter@surreycc.gov.uk
T: 0208547 8324

Richard Tear
Party: Conservative
Borough and District: Surrey Heath
E: richard.tear@surreycc.gov.uk

Robert Hughes
Party: Conservative
Borough and District: Guildford
E: robert.hughes1@surreycc.gov.uk

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Cllr Robert King
Co-opted Members
Borough & District
E: Robert.King@surreycc.gov.uk

Cllr Steve Williams
Co-opted Members
Borough & District

Kelvin Menon
Co-opted Members
Employer Representative

Philip Walker
Co-opted Members
Employee & Pensioners Representative

Membership of the Local Pension Board

The current membership of the Local Pension Board is as follows:

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Tim Evans: Chairman
Independent Chair

Cllr David Lewis: Vice Chairman
Councillor – Employer Representative

Fiona Skene
Employer Representative

Councillor Jeremy Webster
Employer Representative

Brendan Bradley
Employer Representative

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William McKee
Member Representative

Siobhan Kennedy
Member Representative

Trevor Willington
Surrey LGPS Members

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Pension Fund Administering Authority

Roles and Responsibilities

Agreeing the fund's objectives and investment beliefs

- Including monitoring progress of the fund's achievement towards its objectives

Deciding upon an appropriate investment strategy and structure for your fund.

- Considering advice from your investment advisers and the fund's Actuary
- Identifying and managing the fund's key risks

Dealing with investment managers of the fund's assets

- Potentially selecting new investment managers
- Monitoring performance over time
- Replacing managers where necessary

Setting policy on environmental, social and governance (ESG) related matters

Dealing with your fund actuary

- Ensuring that you have an appropriate funding strategy for setting contributions
- Agreeing contribution rates at the Fund's triennial valuation
- Monitoring the progress of the funding level between valuations

Ensuring that all relevant documentation is in order

- Reviewing and updating the mandatory documents
- Reviewing administering authority policies as appropriate
- Approving your pension fund accounts according to the statutory deadline

Be responsible for the risk management of the fund by

- Maintaining an up-to-date risk register
- Ensuring that appropriate policies are in place to deal with the admission of employers into the fund, and the departure of employers from the fund
- Ensuring the smooth administration of the fund for members and employers
- Keeping watch for possible long-term risks e.g., how your mortality experience is changing over time.

Members of the Pension Fund Committee

Although the Members of the Pension Fund Committee are appointed by the County Council (6), District Councils (2), other employers (1) and an employee representative (1), their primary responsibility when sitting as Pension Fund Committee Members is to the Pension Fund Administering Authority.

Members effectively act as Trustees, and their role is to manage the Fund in accordance with the Regulations and to do so prudently and impartially on behalf of all the contributors and beneficiaries.

This role is in addition to their other responsibilities as elected members, and in many ways fundamentally different. The overriding responsibility is to act in the best interests of the present and future beneficiaries.

This sometimes means that Pensions Authority members may have to make decisions that in other political circumstances they may not choose to make. But members also need to ensure the Fund is managed in the most effective and efficient way to minimise the call on the public purse.

In practice, members typically discharge their duty by ensuring they have a systematic and clear way of agreeing the investment policy and regularly testing adherence to the policy.

They also need to ensure the effective administration of pension payments and matters associated with the administration of the Fund.

Members achieve this most effectively through a work programme that allocates time for key decisions, reviews, and other activities at the right points in the yearly cycle of meetings.

To carry out the role effectively, a committee member must have the following:

- An ability to focus on the issues that make the most difference and produce the most value and not be distracted by lower order issues
- Access expert professional advice in the form of external advisors and administering authority officers
- An ability to seek reassurance, challenge the information provided and bring their own experiences to bear in decision making

Case law relating to trustee responsibilities has tended to stress:

- the independent fiduciary duty of a trustee
- the requirement to put the needs of the beneficiaries first at all times
- the duty to exercise powers in the best interests of present and future beneficiaries
- best interests of beneficiaries are normally their best financial interests
- the power of investment must be exercised to yield the best return for the beneficiaries (balancing risk and return)
- the standards required of a trustee in exercising his powers of investment is that he/she must take such care as an ordinary prudent person would take if he/she were minded to make an investment for the benefit of other people for whom he/she felt morally bound to provide. This duty involves taking advice on matters the trustee does not understand.

Member Role Profiles

Guidance on Time Commitments for Members

Pension Fund Committee and Local Pensions Board Members have a very demanding and complex workload which requires them to draw on particular skills and knowledge. The following provides an overview of the type of qualities and skills required.

To provide some context, the Authority maintains, invests and administers the Surrey Pension Fund (approximate value £5.4 billion) on behalf of over 300 contributing employers and over 100,000 members (active employees, deferred employers and pensioners).

Surrey County Council, as the Administering Authority, is responsible for the functions, property, rights and liabilities of the Surrey Pension Fund, including management of the Fund's investments, the payment of pensions to retired pensioners and the administration of the Scheme rules for its contributors.

Authority Members will be required to engage with officers from the Surrey Pension Team as part of their role.

The Authority's meetings and frequency are given below. These are usually held at Woodhatch Place. In addition, training sessions are held before or after meetings, covering a range of key topics.

Meeting	Frequency
Pension Fund Committee	Four times per year
Local Pension Board	Four times per year

Training sessions 2022/23

Please refer to the Board and Committee Training Policy for details. Upcoming training opportunities will be shown on the Surrey Pension Team Governance SharePoint site.

Basics of the Local Government Pension Scheme

The Local Government Pension Scheme (LGPS) is a defined benefit, funded, occupational pension scheme, set up under Regulations set by Parliament.

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In Scotland and Northern Ireland, similar arrangements were set up by Scottish Ministers and the Northern Ireland Assembly respectively.

The pension scheme provides pension benefits for those who work in the local authority arena. It is open to employees of local government employers as well as a wide range of other public service employers, including admission bodies for Charities and Private Sector contractors.

The pension benefits under the LGPS are set nationally and are very secure as they are written in statute.

Although the LGPS is a nationwide scheme, it is actually made up of 90 stand-alone regional funds. These are locally administered, normally by local authorities.

Key LGPS Facts

Key Fact	England and Wales (1)	Surrey County Council (2)
Number of members	6.2 million	Over 100,000
Total fund assets	£342 billion	£5.4 billion
Annual expenditure on benefits	Over £12.0 billion	£171 million

Sources: (1) Scheme Advisory Board Annual Report 2021
(2) Surrey Pension Fund Annual Report 2022

Definitions

CARE

From 1 April 2014, the LGPS in England and Wales (2015 for the other regions) became a Career Average Revalued Earnings (CARE) based scheme, with pensions accruing each year based on scheme members' earnings over their career. Previously, the benefits under the scheme were based on a formula linked to length of service and pensionable pay on leaving.

Funded

This means that a fund is built up from employee and employer contributions, investment income and capital growth in order to meet future benefit payments as they fall due.

Most other public sector schemes are unfunded or pay-as-you-go schemes.

Admission bodies

Employers that have applied to participate in the scheme under an admission agreement, usually employers such as charities or contractors.

Admission bodies usually provide a public service which is closely linked to the functions of a local authority.

Who’s who in the LGPS?

The main parties involved in the management and administration of the LGPS are:

The administering authority
Local authority – they have the responsibility of managing all aspects of the fund.

Advisers
There are many experts whose assistance you may need to rely upon. The list includes auditors, lawyers, investment managers, actuaries, investment, governance and benefit consultants, and custodians.

Department for Levelling Up, Housing and Communities (DLUHC)
This central government department has overall responsibility for the strategic management and policy making in relation to the LGPS in England and Wales. The Scotland equivalent is the Scottish Public Pensions Agency, whilst the Northern Ireland version is the Department of the Environment.

Officers
Employees of the administering authority, whose role it is to carry out the day-to-day administration and management of the fund on behalf of the elected members. The actual day-to-day administration may be carried out by an in-house team, an external contractor or a local authority shared service.

The Pension Fund Committee (or equivalent)
Primarily made up of elected members from the Council acting under delegated authority as the administering authority. The committee usually has overall responsibility for the fund and provides a similar function to that of trustees in private sector pension schemes.

The Local Pension Board
Made up of member and employer representatives whose aim is primarily to assist the scheme manager in the governance of the scheme. Unlike the pension fund committee, local pension boards have no direct delegated decision-making responsibilities.

Other bodies
Other groups that you will come across include the LGA (Local Government Association), who provide guidance on the technical aspects of the LGPS; CIPFA (Chartered Institute of Public Finance and Accountancy), who provide support on reporting and accountancy aspects; and GAD (Government Actuary’s Department), whose aim is to improve the stewardship of public sector finances by supporting

effective decision-making and robust financial reporting through actuarial analysis, modelling and advice.

The Pensions Regulator (tPR)

The Pensions Regulator is responsible for regulating the governance and administration of pension schemes and has published a code of practice for public service schemes to adhere to.

Scheme Advisory Board (SAB)

A national body representing employers and scheme members, which works with Government and other stakeholders to encourage best practice, increase transparency and coordinate technical and standards issues. Separate SABs exist for the schemes in England & Wales, Scotland and Northern Ireland.

Scheme Employers

Local authorities, public service organisations and private contractors providing an outsourced service.

Scheme Manager

The body responsible for running a public service pension scheme. In the LGPS, each administering authority is a scheme manager.

Scheme Members

Active employees, deferred members or pensioners within the LGPS.

Investment Decisions

One of the Pension Fund Committee's main tasks will be to decide where the Fund's assets are invested.

The Pension Fund Committee decides the overall strategy (i.e. the mix of asset types). Then the investment managers purchase and sell the various assets (please see later comments on pooling). Key things to keep in mind are:

- Of the asset classes, equities, real estate and alternative assets are essentially return seeking. By contrast, bonds are usually held for stability and security.
- A high allocation to return seeking assets helps to keep pensions affordable. However, return seeking assets increase risk.
- Diversification (i.e., not putting all of your eggs in one basket) should help to reduce the downside risk.
- A long-term approach, seeking return, is generally considered appropriate for such long-term liabilities, hence the high allocation to equities and alternatives seen in the LGPS world.
- Environmental, Social and Governance (ESG) related aspects must be considered when making investment decisions.

Asset Classes

Described below are the major asset classes the Fund invests in and their characteristics.

Equities

The Fund's listed equity exposure is derived from holdings in equity funds that have underlying investments in the shares of companies listed on stock exchanges. Shares in companies give an entitlement to dividends and the prospect of capital gains. The capital gain is the increase in the share price over time and a dividend is the share of the company's profits distributed as income. Both the share price and dividend income can rise and fall over time and the combination of these two elements derives the total return from an equity. Equities are expected to deliver a higher return than bonds over the long term.

The investments are split between actively managed funds and passive funds. Actively managed funds attempt to outperform their respective benchmarks by owning more or less of each individual constituent of the benchmark. There are active decisions made about whether to own each company and to what extent. The passively managed funds attempt to match the performance of the underlying benchmark as closely as possible.

The Fund's passive investments tend to replicate the benchmark by holding most, if not all, of the constituent companies. The opportunity of significant outperformance is forgone, but fees are considerably lower.

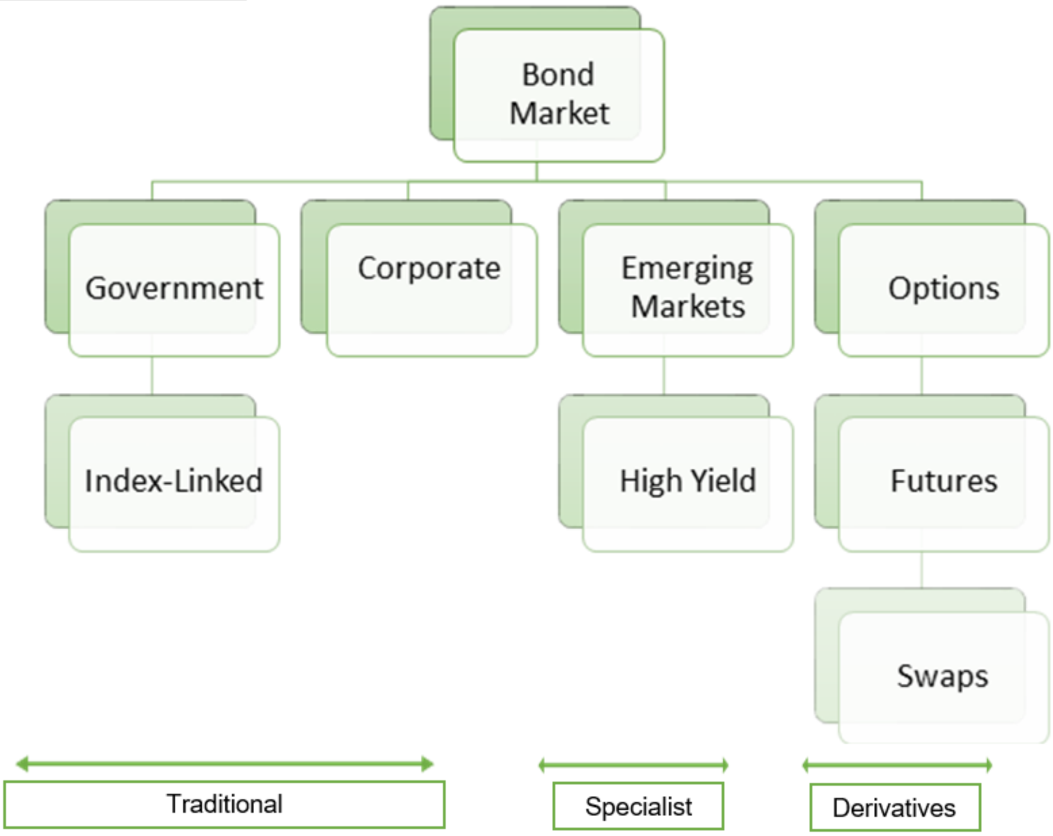
Private Markets

Private markets is the generic term that covers unquoted investment. There are various sub-divisions of this asset class such as private equity, private infrastructure and private credit. Each of these has its own set of characteristics and performance profiles. Generally, investing in private markets has delivered less volatile returns over the short- to medium-term than investing in quoted companies but are less liquid. Returns have varied widely depending upon the sort of criteria employed and the year of investing. However, investment in this area aids diversification and justifies the risks involved.

Bonds

Bonds provide a regular income and should be repaid in full at maturity. Sovereign debt is issued by Governments and Corporate bonds are issued by companies. Bonds issued by the UK Government are called Gilts. Corporate bonds are perceived as being higher risk than gilts and therefore pay a higher interest rate. Index-linked gilts provide income and maturity payments which increase (or decrease) in line with inflation.

Different types of bonds



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Real Estate

Real Estate investment allows funds to acquire assets which provide a rental stream which will tend to rise in line with the rate of inflation over a period of time. This in turn should have a positive effect on capital values. Real Estate investments also provide a valuable element of diversification in portfolios and can provide a hedge against volatility in equity markets. They do, however, require more management attention than other forms of investments, and are less liquid than equities or bonds. Because of the fees payable and tax imposed, real estate is comparatively expensive to purchase and, therefore, trade. As a consequence, real estate is usually held for the longer term.

Cash

There is always a cash element within the Fund, allowing day-to-day pension fund requirements to be met. There are occasions when cash is viewed as an asset class in its own right, although the Fund has no official cash allocation. All cash is actively managed.

Surrey Pension Fund: Asset Allocation

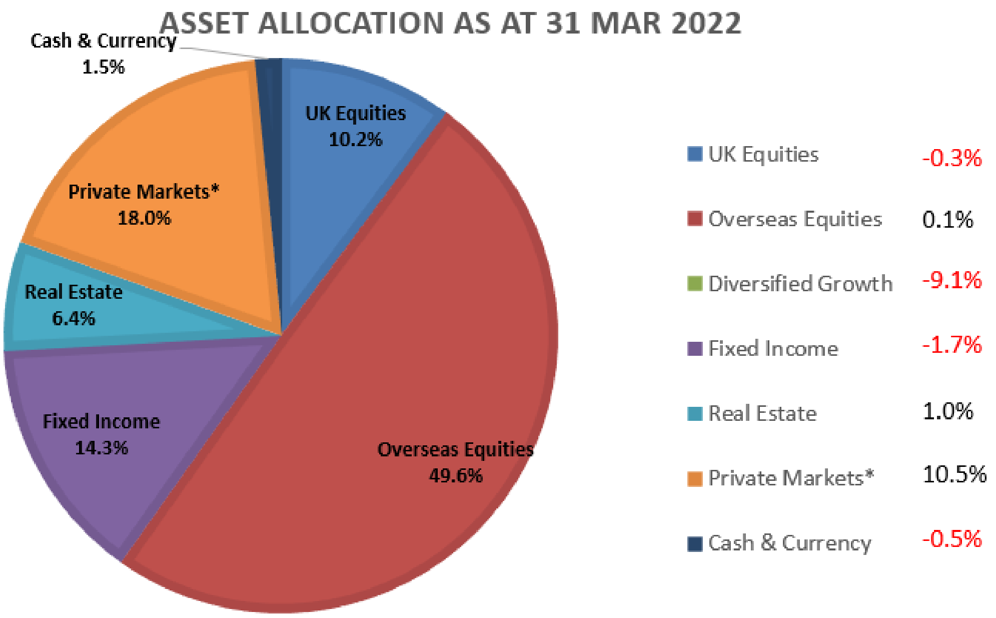
The flow diagram below shows how the fund's objectives are translated into selection of the optimum asset allocation.

Objective → Strategic asset allocation → Tactical asset allocation → Selection

Strategic asset allocation: The long-term asset allocation is designed to meet the fund's risk and return objectives.

Tactical asset allocation: Day-to-day decisions to reflect the fund manager's market views.

The distribution of the Fund investments into different asset classes within the portfolio at 31 March 2022 is shown in the chart below. The percentage change since 31 March 2021 is shown as well.



The table below shows the investment breakdown by asset class as at 31 March 2022 versus target allocation.

Asset class	Market Value as at 31 Mar 2022 (£m)	Asset Allocation (%) as at 31 March 2022	Target Allocation (%) as at 31 March 2022
Listed Equities	3,185.9	59.8%	54.8%
Diversified Growth	0	0.0%	0%
Private Markets	558.1	10.5%	17.0%
Listed Alternatives	402.3	7.6%	3.0%
Property	338.4	6.4%	7.6%
Fixed Interest Securities	760.1	14.3%	17.6%

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Asset class	Market Value as at 31 Mar 2022 (£m)	Asset Allocation (%) as at 31 March 2022	Target Allocation (%) as at 31 March 2022
Internally Managed Cash, Liquidity Fund & Currency Overlay	80.4	1.5%	0.0%
Total	5,325.2	100%	100%

Local Pension Board

All LGPS funds are required to have a local pension board, whose role is to assist in ensuring that they are governed efficiently and effectively and that regulatory and best practice requirements are met.

The role of the local pension board is to assist the scheme manager (the administering authority) in securing compliance with:

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- The scheme regulations
- Other governance and administration legislation
- Any requirements of the Pensions Regulator (tPR)
- Additional matters, if specified by scheme regulations

The boards are required to have an equal number of representatives from employers and scheme members. They may also have other types of members, such as independent experts, but such members will not have a vote.

The law requires local pension board members to have knowledge and understanding of relevant pensions laws, and to have a working knowledge of the LGPS and its documentation. Whereas the role of the pension committee usually involves carrying out a decision-making function, members of pension boards should focus on the processes involved in running the fund. For example, are policies and procedures up to date, are the requirements of the Pensions Regulator being met and is the fund following recognised best practice?

At a national level there is also a Scheme Advisory Board (SAB). This consists of representatives from across a broad spectrum of LGPS stakeholders. Its purpose is to encourage best practice, increase transparency and coordinate technical and standards issues by being reactive and proactive. Separate SABs exist for the schemes in England & Wales, Scotland and Northern Ireland.

Knowledge and skills

There is a requirement that those responsible for the governance of the Fund have the necessary skills. The CIPFA Code of Practice embeds the requirement to ensure those charged with pension scheme governance have access to the skills and knowledge to carry out their role effectively. Members of local pension boards also have a statutory requirement to have knowledge and understanding of the law relating to pensions and any other matters specified in regulations.

Unlike local board members, there is no statutory requirement for decision makers on a Pension Fund Committee to have a particular level of knowledge on pensions law or LGPS matters. However, it would be impossible for a pension fund committee to carry out its role effectively without such knowledge.

At committee, knowledge should be considered at a collective level. A pension committee member is not being asked to be a subject matter expert or act operationally. Instead, the role involves receiving, filtering, and analysing professional advice in order to make informed decisions.

CIPFA has published technical guidance for Representatives and Practitioners in the public sector within a Knowledge & Skills framework (KSF). The framework outlines the required skills set for those responsible for pension financial management and decision making.

In August 2015, CIPFA extended the Knowledge and Skills Framework to specifically include members of local pension boards, albeit with an overlap with the original framework. The framework identifies the following areas as being key to the understanding of local pension board members.

The eight areas of the framework

- Pensions Legislation
- Public Sector Pensions Governance
- Pensions Administration
- Pensions Accounting and Auditing Standards
- Pensions Services Procurement and Relationship Management
- Investment Performance and Risk Management
- Financial markets and product knowledge
- Actuarial methods, standards, and practices

It is seen as best practice to sign up to the CIPFA code of practice, which Surrey Pension Fund has done.

The Training Policy sets out the training requirements, monitoring and reviewing knowledge and skills, and should be read in conjunction with this document.

Actuary

The Committee's main objective when running the Fund is to ensure that there are sufficient assets, through contributions and investment returns, to pay benefits as they fall due.

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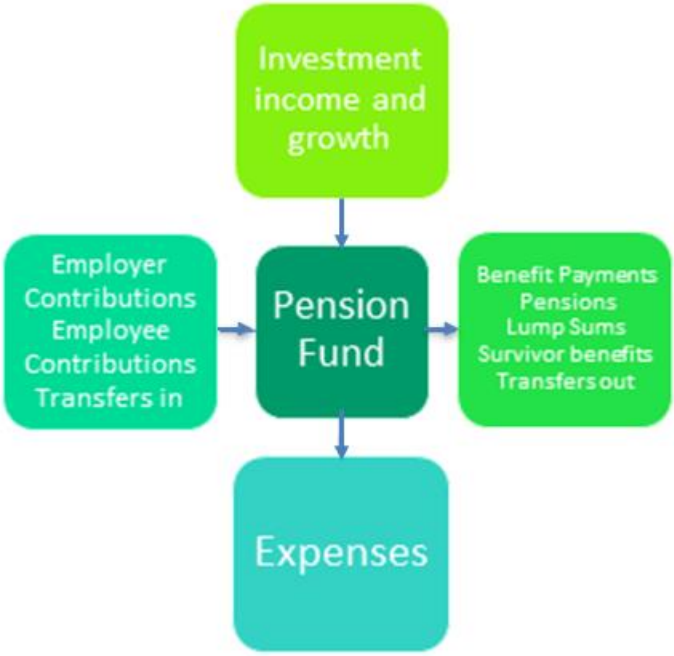
The following diagram shows how money flows into and out of the fund.



The Fund's actuary, Hymans Robertson, carries out triennial actuarial valuations of the fund with the following objectives:

- To comply with legislation (it is mandatory to have an actuarial valuation every 3 years).
- To monitor the ongoing health of the fund (i.e., are there sufficient funds to pay the pensions).
- To recommend appropriate contribution rates for employers, and
- To monitor the actual experience of the fund against the assumptions made.

To carry out the valuation, assumptions need to be made about future experience. The most important decisions are the discount rate to use and the mortality assumptions. These feed into financial modelling to help inform decisions about funding strategies. During the valuation period, the actuary will provide assistance in determining these assumptions and setting funding strategies.

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Actuary details:

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Steven Scott FFA
Fund Actuary
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Definitions

Discount rate

A number used to place a single value on a stream of future payments, allowing for expected future investment returns. At the valuation the discount rate is used to calculate the value of remaining benefit payments at the end of a given time horizon (e.g., 20 years). It is expressed as a prudent margin above the risk-free rate.

Funding strategies

These aim to target full funding for each employer over an appropriate time horizon by striking a balance between future employer contributions and future investment returns. The financial strength and risk profile of employers are key factors for a fund to consider when setting the strategies.

Mortality assumptions

One of the greatest unknowns for a pension fund is how long benefits will be paid. People are currently living longer than they did in the past. The extent to which improvements are occurring needs to be actively monitored.

Pooling LGPS Investment

In 2015 the Department of Housing, Communities and Local Government (as it then was) issued LGPS: Investment Reform Criteria and Guidance, which set out how the government expected funds to establish asset pooling arrangements.

The objective was to deliver:

- Benefits of scale
- Strong governance and decision making
- Reduced costs and excellent value for money, and
- An improved capacity and capability to invest in infrastructure.

This has led to the creation of eight asset pools which have significantly changed the previous approach to investing, although it should be stressed that the responsibility for determining asset allocations and the investment strategy remains with individual pension funds.

Surrey Pension Fund, along with 10 other funds, is now a partner fund of Border to Coast Pensions Partnership. Each Partner Fund had invested in Class A and B Shares at a cost (transaction price) of £1 and £833,333 respectively.

Some of the risks associated with LGPS Asset Pooling as a whole include:

- Less flexibility in terminating underperforming managers
- Conflicting strategic goals of different partner funds affecting funds on offer
- Lack of transparency in funds managed from the pool and from Partner Funds.

Border to Coast Pension Partnership

To satisfy the requirements of the LGPS (Management and Investment of Funds) Regulations 2016, the Surrey Pension Fund is a shareholder in Border to Coast Pensions Partnership (BCPP) Limited.

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BCPP Limited is a Financial Conduct Authority (FCA) regulated Operator and an Alternative Investment Fund Manager (AIFM).

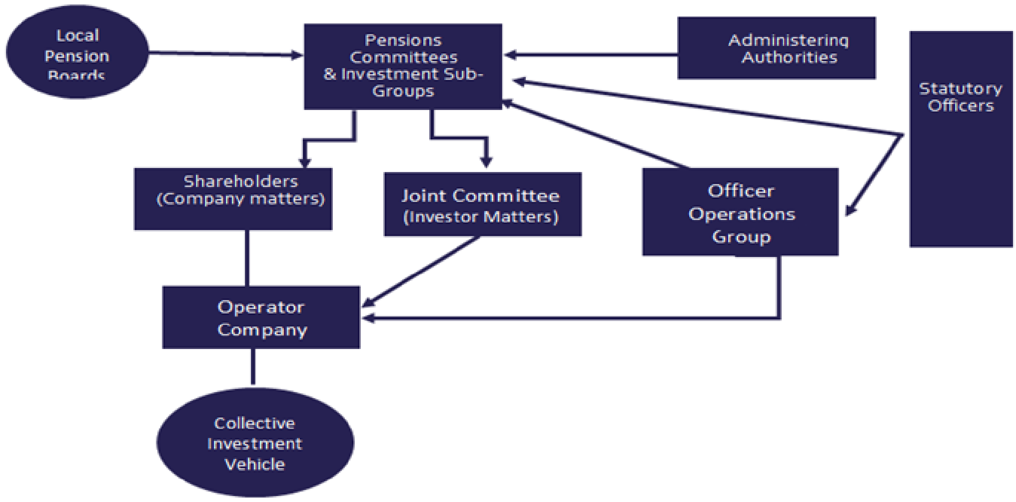
Border to Coast Pensions Partnership is one of the largest pension pools in the UK. Established in 2018, it was founded to manage the investments of the eleven Partner Funds, who collectively have c.£60bn of assets, 1 million scheme members and 2,700 employers (as at 31 March 2022).

BCPP is a partnership of the following administering authorities:

- Bedfordshire Pension Fund
- Cumbria Pension Fund
- Durham Pension Fund
- East Riding Pension Fund
- Lincolnshire Pension Fund
- North Yorkshire Pension Fund
- South Yorkshire Pension Fund
- Surrey Pension Fund
- Teesside Pension Fund
- Tyne and Wear Pension Fund
- Warwickshire Pension Fund

The basis of the pooling is in line with guidance issued by the Secretary of State.

The governance structure of BCPP is as follows:



The Fund holds BCPP to account through the following mechanisms:

- A representative on the BCPP Shareholder Board, with equal voting rights, provides oversight and control of the corporate operations of BCPP Limited. Each Fund has an equal share in the company.
- A representative on the BCPP Joint Committee who monitors and oversees the investment operations of BCPP Limited.
- Officer support to the above representatives from the Officer Operations Group and the Statutory Officer Group.

The regulatory changes do not affect the sovereignty of the Fund which retains decision-making powers regarding asset allocation and delegates the investment management function to BCPP Limited. The pooling of LGPS assets has no impact on the pension entitlement of members of the fund (pensioners, current employees, and deferred members who are yet to draw their pension).

BCPP has an internal team of investment managers, in addition to appointing external managers. Its role is to implement the investment strategies of the partner funds, through a range of investment sub-funds, offering internally and externally managed solutions.

It is anticipated that the majority of the Fund's investments will be made through BCPP. Where it is not practical or cost effective for assets to be transferred to the Pool, for example, legacy private market and passive investments, they will continue to be managed by other third-party managers. Whilst these assets are unlikely to be transferred in their current form, if proceeds are received from them, and asset allocation targets and product offerings permit, they will be reinvested through BCPP.

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We Welcome Your Suggestions

We hope you have found the information in this handbook helpful.

15 If you have any suggestions about what else you would like to see included, please contact Jennifer Stevenson on jennifer.stevenson@surreycc.gov.uk

HYMANS ROBERTSON

2022 LGPS National Knowledge Assessment

Surrey Pension Fund

Contents

Overview

The LGPS National Knowledge Assessment (NKA) provides LGPS funds with a direct insight into the knowledge and skills of their key decision makers and oversight body.

In addition, funds get a 'sense check' of this knowledge position against other participating funds via the benchmarking reports provided.

16 LGPS funds and over 200 members have participated in this National Knowledge Assessment of Pension Committee ('Committee') and Pension Board ('Board') members.

The findings from this assessment provide a quantitative report of the current knowledge levels of the individuals responsible for running the Fund, aiding the development of more appropriately targeted and tailored training plans for both groups.

This report is also a key document in evidencing your Fund commitment to training – a key cornerstone to the good governance of your Fund.

Background

The Surrey Pension Fund ("the Fund") agreed to participate in the NKA using our online assessment.

This report provides an overview of the participants' results broken down into 8 key areas.

The online assessment opened at the end of September and closed in November, and there were weekly progress updates provided to the Fund confirming participation levels.

Each participant received their individual results report following completion of the assessment.

The questions posed in the assessment are split into 3 categories.

- Technical questions
- Roles and responsibilities
- Decision making

Technical questions, made up around two thirds of the questions. The remaining questions were split between the categories of Roles and Responsibilities as well as Decision Making. This helps to provide more in-depth analysis of the results and provides further context to the proposed training plans.

The National Knowledge Assessment is a challenging multiple-choice assessment of participants' knowledge and understanding of key pension areas. There was no expectation that participants would score 100% on each subject area tested. Rather, the goal was to gain a true insight into members' knowledge in the areas covered by the CIPFA Knowledge and Skills Framework and the Pensions Regulator's (TPR) Code of Practice.

Why Does this Matter?

While fund officers may deal with the day-to-day running of the funds, members of the Committee play a vital role in the scheme as decision makers.

To execute their roles effectively, Committee members must be able to address all relevant topics such as investment matters, issues concerning pension funding, pension administration and governance.

All topics which require a level of knowledge and understanding from the Committee. Similarly, the Pension Board members must have a sound knowledge of these topics in order to be able to offer critical challenge in the oversight of Committee decisions.

The Assessment

The members of the Surrey Pension Fund Committee and Board were invited to complete an online knowledge assessment. In total there were 9 respondents from the Committee and 6 respondents from the Board.

Each respondent was given the same set of 48 questions on the 8 areas below:

Section	Section Names
Section 1	Committee Role and Pensions Legislation
Section 2	Pensions Governance
Section 3	Pensions Administration
Section 4	Pensions Accounting and Audit Standards
Section 5	Procurement and Relationship Management
Section 6	Investment Performance and Risk Management
Section 7	Financial Markets and Product Knowledge
Section 8	Actuarial Methods, Standards and Practices

Under each subject heading, there were 6 multiple choice questions to answer. Each question had 4 possible answers, of which one answer was correct.

Participants were also given the option of selecting “I have no knowledge of this area”, where they were unsure.

This allows us to build a picture of the knowledge levels of each individual member in each of the topics, but crucially to help inform you of the overall levels of knowledge in each area.

Results

The responses for all members who participated have been collated and analysed. For each section we have shown:

- The Fund’s overall ranking against other participating LGPS funds.
- The average score for each of the 8 subject areas, for both the Committee and Board.
- Results split by the categories of “**technical**”, “**roles and responsibilities**” and “**decision making**”.
- Each average score benchmarked for both groups against the other NKA participant funds’ Committee and Board for each of the 8 subject areas.
- Each score compared with the results of the previous assessment in 2020, to show growth or regression in each area.
- Engagement levels for both the Committee and Board and how these levels rank against other LGPS funds.
- The most requested topics for training.

Based on the results and the responses received from participants, we have also completed a proposed training plan for the Fund over the next 18 months, as well as some other “next steps” to consider.

Overall Results

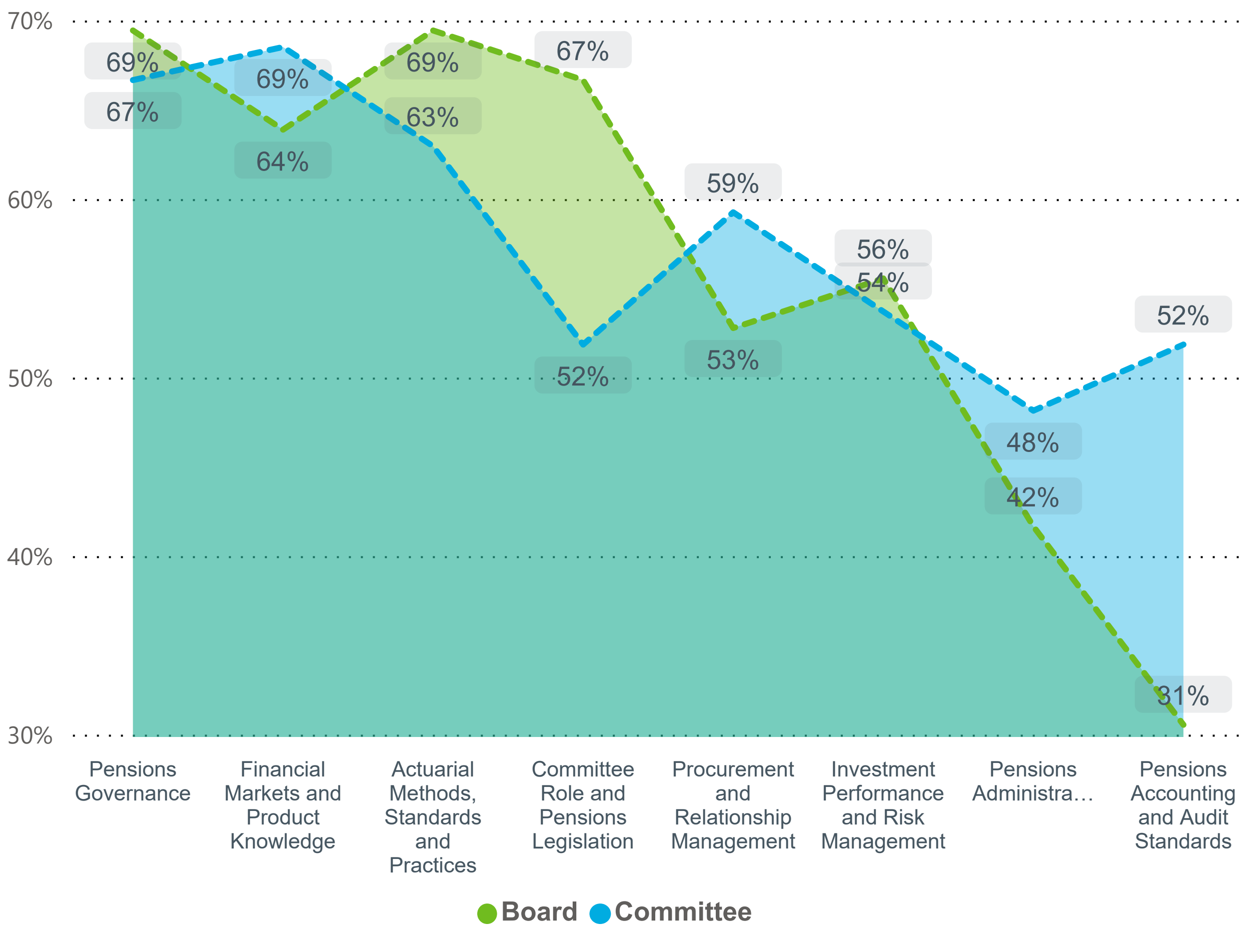
The chart on the right shows how the overall average score for your Fund compares with that of all other funds who took part in the Assessment. The “score” shown is the average score of all participating Committee and Board members from each Fund.

The Surrey Pension Fund is in 8th out of 16 Funds.

For each of the assessment’s 8 areas we have shown the results of both the Committee and Board.

There is also a summary showing the average scores across all sections for the Committee and Board.

Average Score for Board & Committee



For each of the assessment's 8 areas we have shown the results of both the Committee and Board.

These have been shown in the order in which the sections appeared in the survey.

There is also a summary showing the average scores across all sections for the Committee and Board.

- The performance of the Committee (average overall score of 58 %) was stronger than that of the Board (average overall score of 56 %).
- The performance for the Commitee and Board diverged the most in the Pensions Accounting and Audit Standards section, when Committee results were 21 % higher than the Board.
- The Committee performed most strongly in the area of Financial Markets and Product Knowledge and Pensions Governance.
- The board's areas of strongest Knowledge were Pensions Governance and Actuarial Methods, Standards and Practices.
- Overall, for both groups, the area with least knowledge was Pensions Accounting and Audit Standards.

Benchmarking

As this assessment is being conducted at a national level across numerous LGPS funds, we are able to provide details of how your Fund's results compare to those across the average of all funds who have taken part to date.

We've provided a comparison of the results for both your Fund's Committee and Board, versus the average scores nationally for each group. This gives an idea of the knowledge levels across these groups, relative to the national average.

The intention is that training plans and/or timetables can be tailored to focus on the areas of least knowledge, whilst ensuring the Committee and Board maintain the high level of knowledge in the stronger areas.

- It's pleasing to see that the areas of Financial Markets and Product Knowledge and Pensions Governance scored well for the Committee.

It's clear that there are some areas where knowledge levels are lower than hoped for, and these areas of Pensions Accounting and Audit Standards and Pensions Administration would be a sensible focus of training for the Committee.

- Similarly, from the Board chart it can be seen that the highest scoring areas were Pensions Governance and Actuarial Methods, Standards and Practices.
- The Scores between Surrey Pension Fund and all other Funds diverged the most in the Pensions Administration, when the Average All Funds was 23 % higher than Average score.
- Across all sections, Surrey Pension Fund Board score ranged from 31 % to 69 % and the average for all other funds ranged from 44 % and 74 %.

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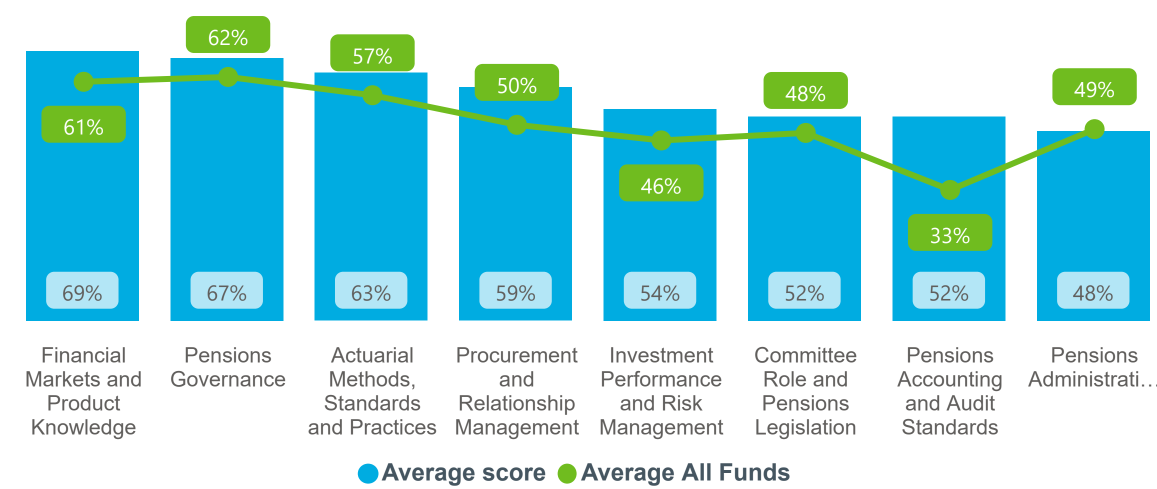
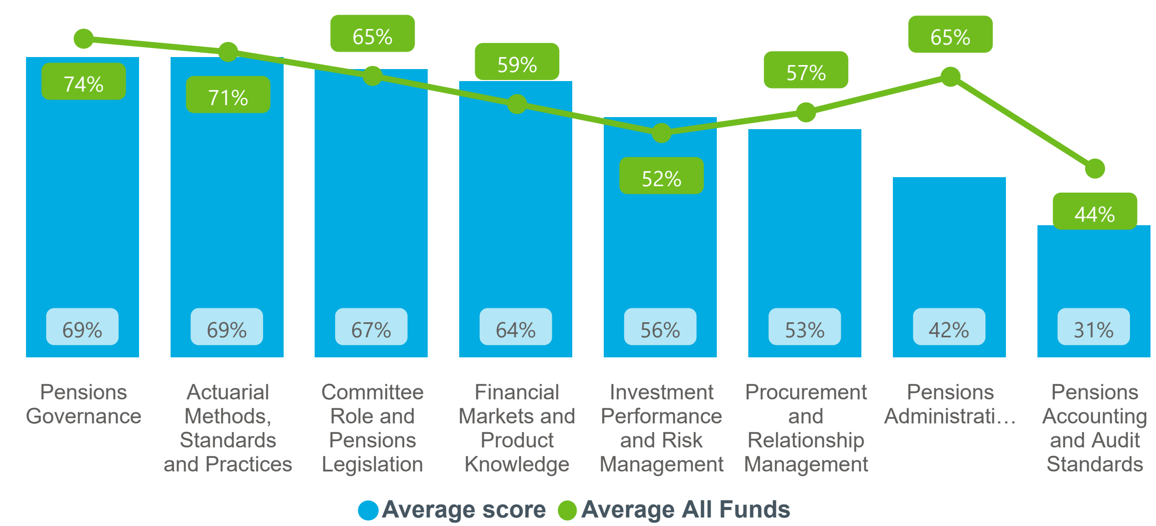
Pension Commitee Average vs. Average All Funds



Pension Board Average vs. Average All Funds



Commentary on results

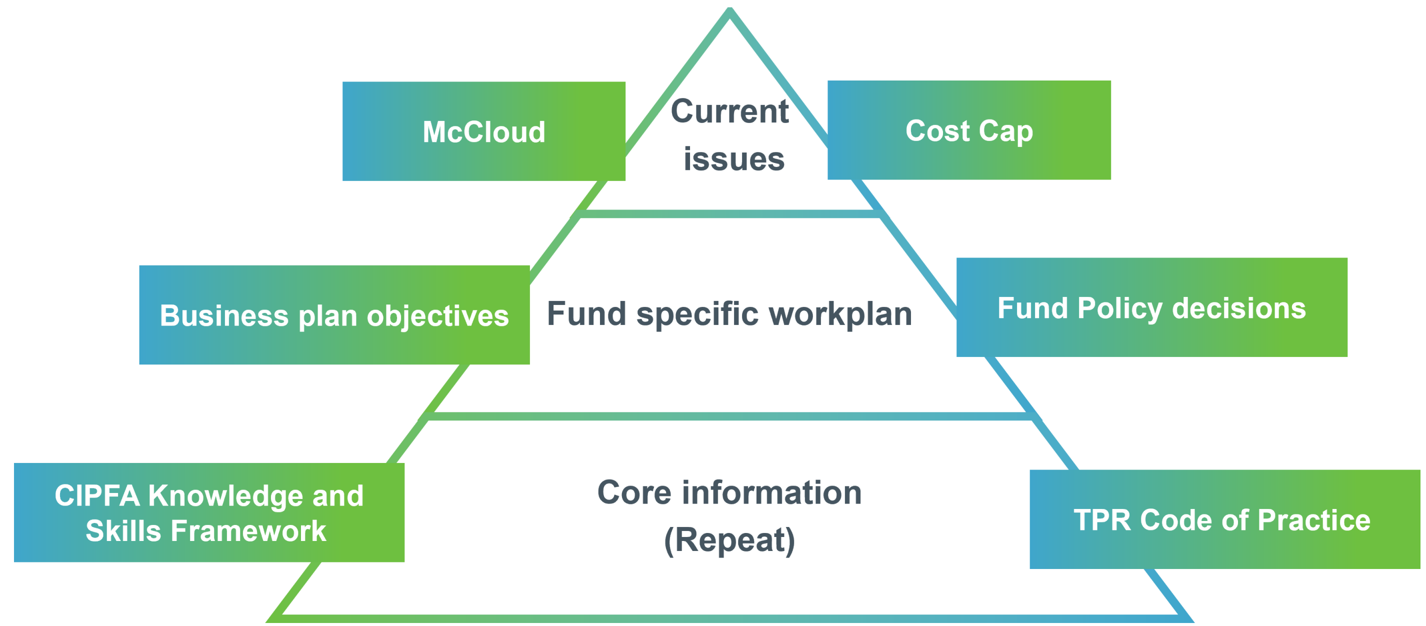
It's encouraging that 15 participants from your Fund took part in the assessment. Overall, the results were positive and it's clear that there are areas of greater knowledge levels as well as areas in which knowledge should be developed over time.

We would fully expect there to be gaps in the knowledge of all members, no matter their role on the Committee/Board, their tenure or indeed their background in terms of pensions experience.

The most important thing to emphasise is that not everybody needs to be an expert in all areas, rather there should be a spread of knowledge across your Committee and Board which is supported by advice from officers and professional advisors.

Just as important as gaining the relevant knowledge and understanding expected of a Pension Committee or Board, is the application of that knowledge and understanding, including the utilisation of an individual's own background and perspective.

Many funds have implemented training plans that follow the pyramid diagram of LGPS training areas. Fundamentally, a plan based on this example pyramid would provide a LGPS fund with a robust training program for its Committee and Board.



Commitee

The results show that Financial Markets and Product Knowledge and Pensions Governance have the highest levels of knowledge. But the areas to focus any specific training on might be Pensions Administration for the Committee. Across all funds, the lowest scoring area was Pensions Administration.

In general, the Committee's performance relative to all other committees was strong.

When looking at the benchmarking results against the other participating funds, the Committee ranked 5 out of 16 Funds' Committee results.

Local Pension Board

The results show that Pensions Governance and Actuarial Methods, Standards and Practices have the highest levels of knowledge, but the areas to focus any specific training on might be Pensions Accounting and Audit Standards for the Board.

Across all funds, the lowest scoring area was Pensions Accounting and Audit Standards. The Board's performance relative to all other committees was weak. In terms of benchmarking results against the other participating funds, the Board ranked 12 out of 16 Funds' Board results.

The next step would be to try and develop the knowledge of the lower scoring areas. You might already have a training plan in place, in which case you could use these results to tailor the specific training and with the knowledge of these results, ensuring it aligns with your priorities.

Further Analysis

In order to gain further insight into the knowledge and understanding, the questions posed covered 3 distinct areas. These were:

- **Technical** – 66% of questions
- **Decision Making** – 17% of questions
- **Roles and responsibilities** – 17% of questions

The purpose of this was to drill deeper into the collective understanding of these categories, and to provide further analysis on which areas to target when creating training plans. The following chart shows the average score for each of these sections, for the Committee and Board combined.

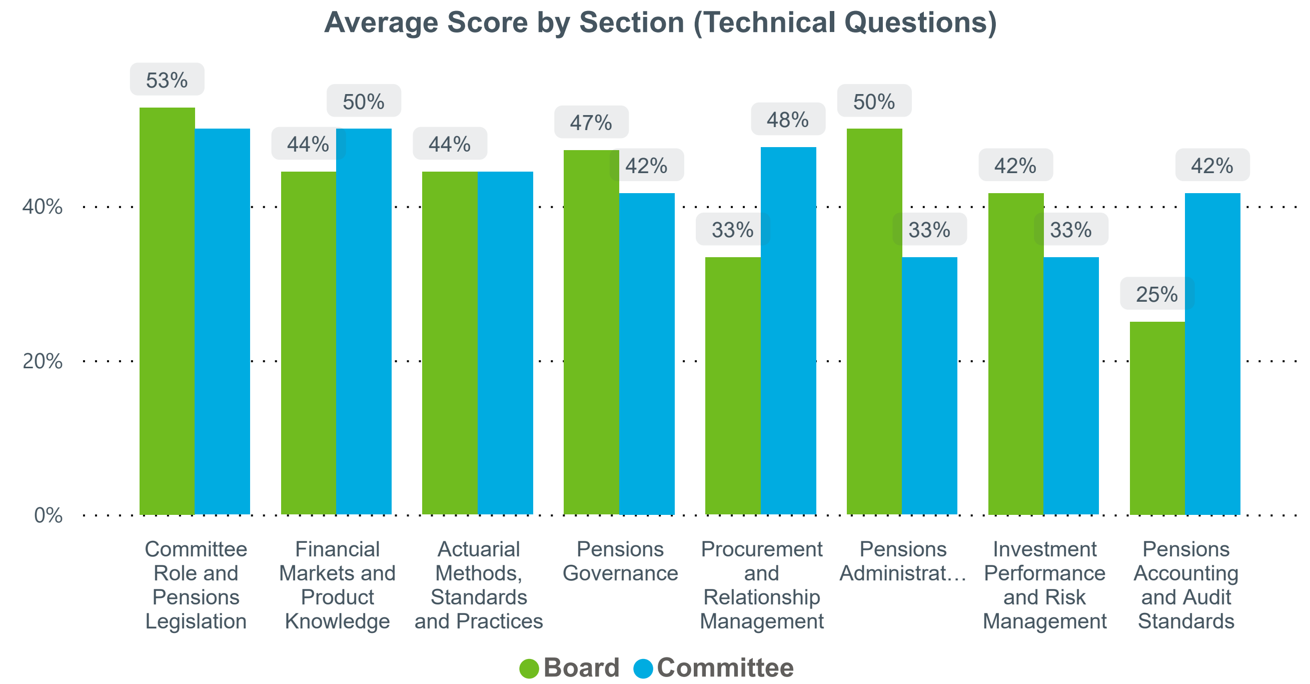
From this chart, the lowest scoring area was Decision Making. Bearing this in mind, a particular focus could be put on this over the coming months.

Some next steps to consider are:

Decision making – A review of the Fund's decision-making procedures, and updating/creating a decision-making matrix, and sharing this with the Committee and Board to ensure visibility of the role of each group in across a broad spectrum of potential decisions.

Roles and responsibility – A specific training session covering the roles and responsibilities of different parties covering different points in the annual cycle of the Fund. This could include preparation of annual report, annual benefit statements, business planning and investment performance reviews for example. It would also be good to cover more niche topics such as the IDRP process, review of suppliers and cyber risk.

Technical – below, we have also included more detail on the technical questions, as these made up the majority of questions in the assessment.



Pensions Accounting and Audit Standards was the lowest scoring section when looking at just the technical questions. This may be an area which is prioritised in terms of more technical training over the coming months.

Comparison with 2020 Results

The Surrey Pension Fund also took part in the 2020 National Knowledge Assessment. The results for each of the 8 topics can be compared to measure progress in each area.

This is shown in the following charts.

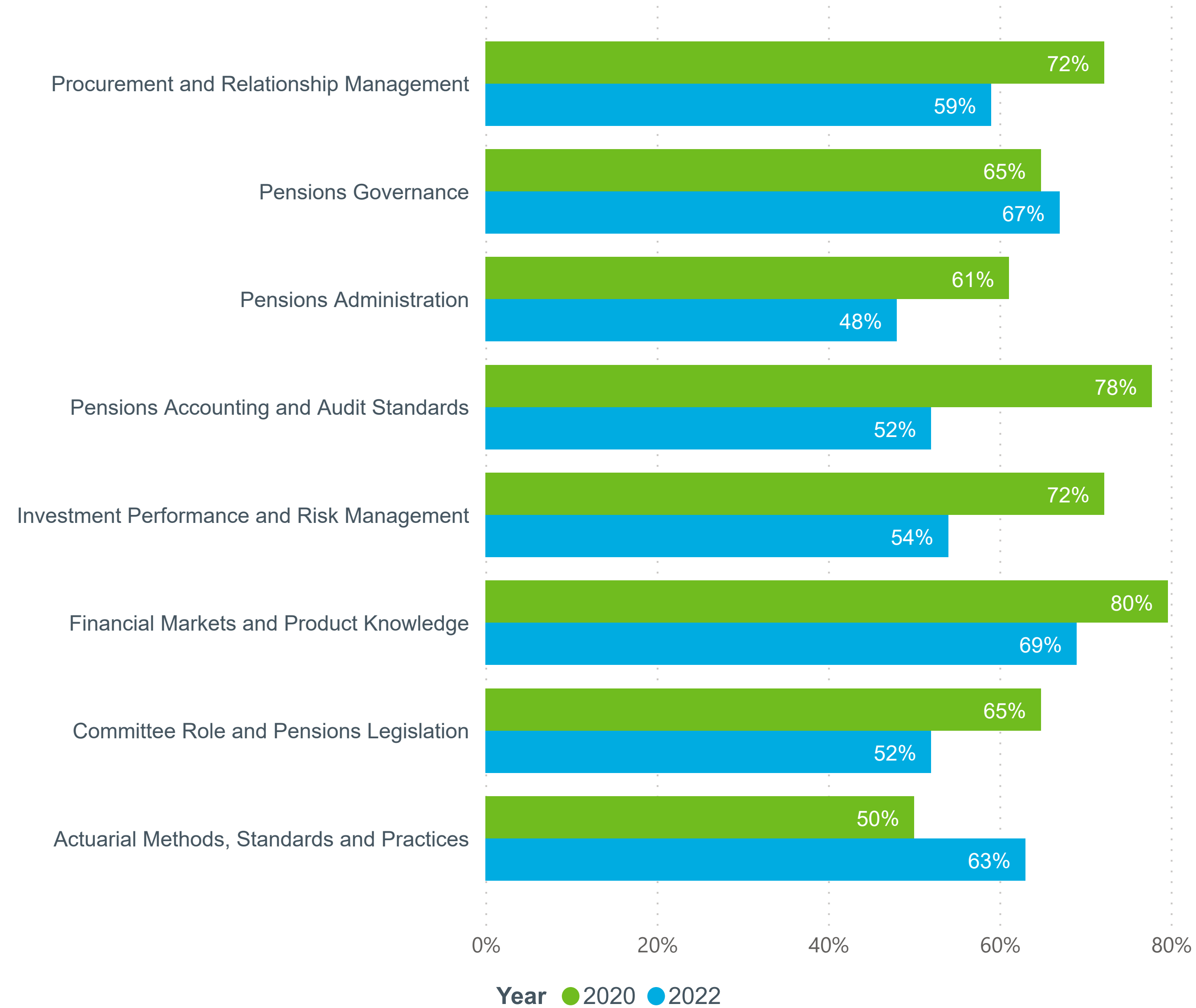
The average score for each topic this year is compared with that from the 2020 assessment. This has been broken down to show the results for the Committee and Board separately.

It's worth noting that while there will be differences in the members who actually participated in each assessment, it's the collective knowledge of each group which is important.

The area which knowledge appears to have developed most for the Committee concerns Actuarial Methods, Standards and Practices which is encouraging.

On the other hand, knowledge levels seem to have regressed in Pensions Accounting and Audit Standards.

Committee Results

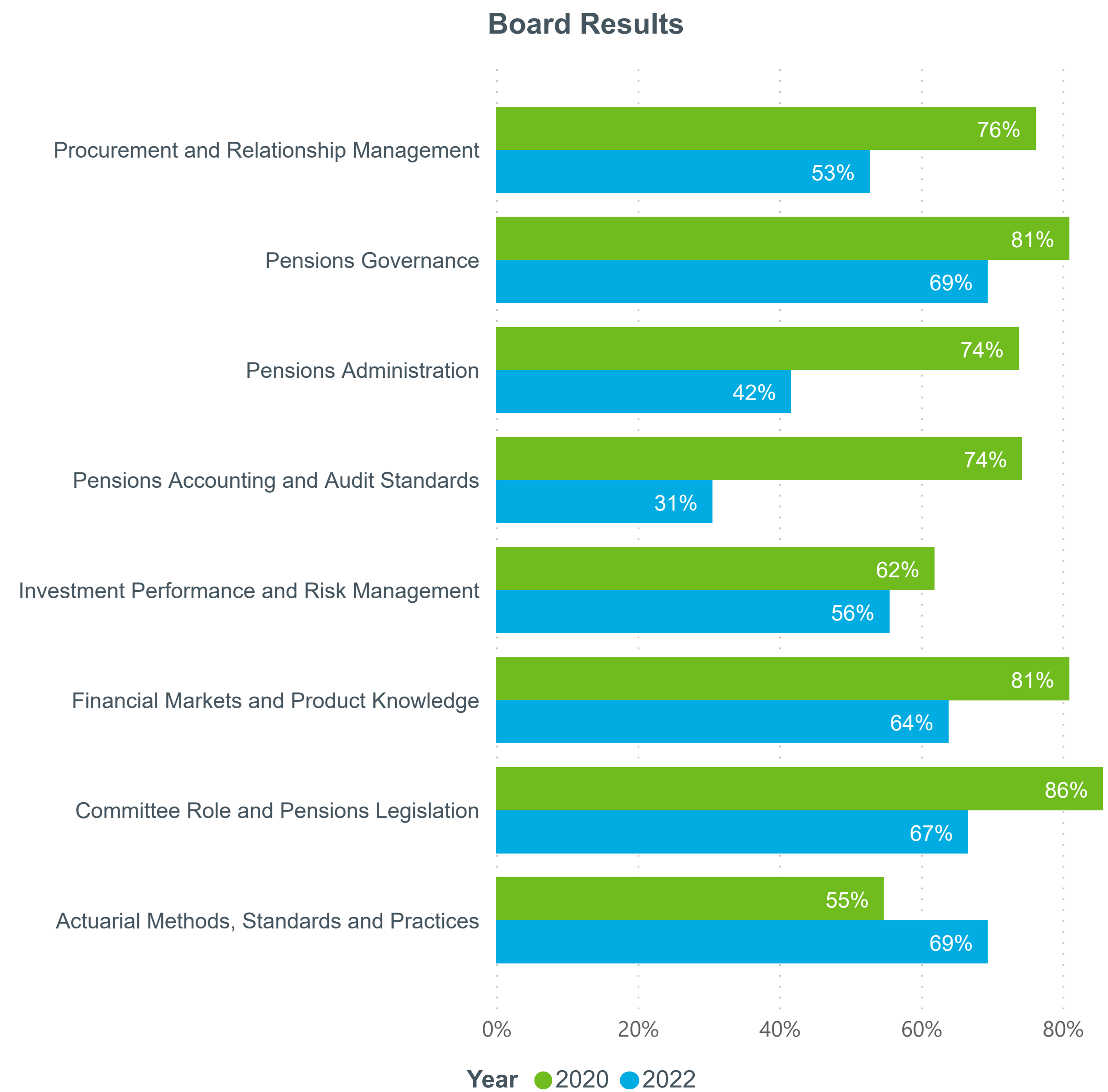


The same comparison can be made for the Board. The chart on the right shows these results.

The area which knowledge appears to have developed most for the Board concerns Actuarial Methods, Standards and Practices which is encouraging. On the other hand, knowledge levels seem to have regressed in Pensions Accounting and Audit Standards .

It's worth noting that the underlying questions have changed between both assessments, and for the 2022 assessment there was an additional option given to answer "I have no knowledge of this area", whereas in 2020 that option was not there.

This might account for some small differences in the results.



Engagement

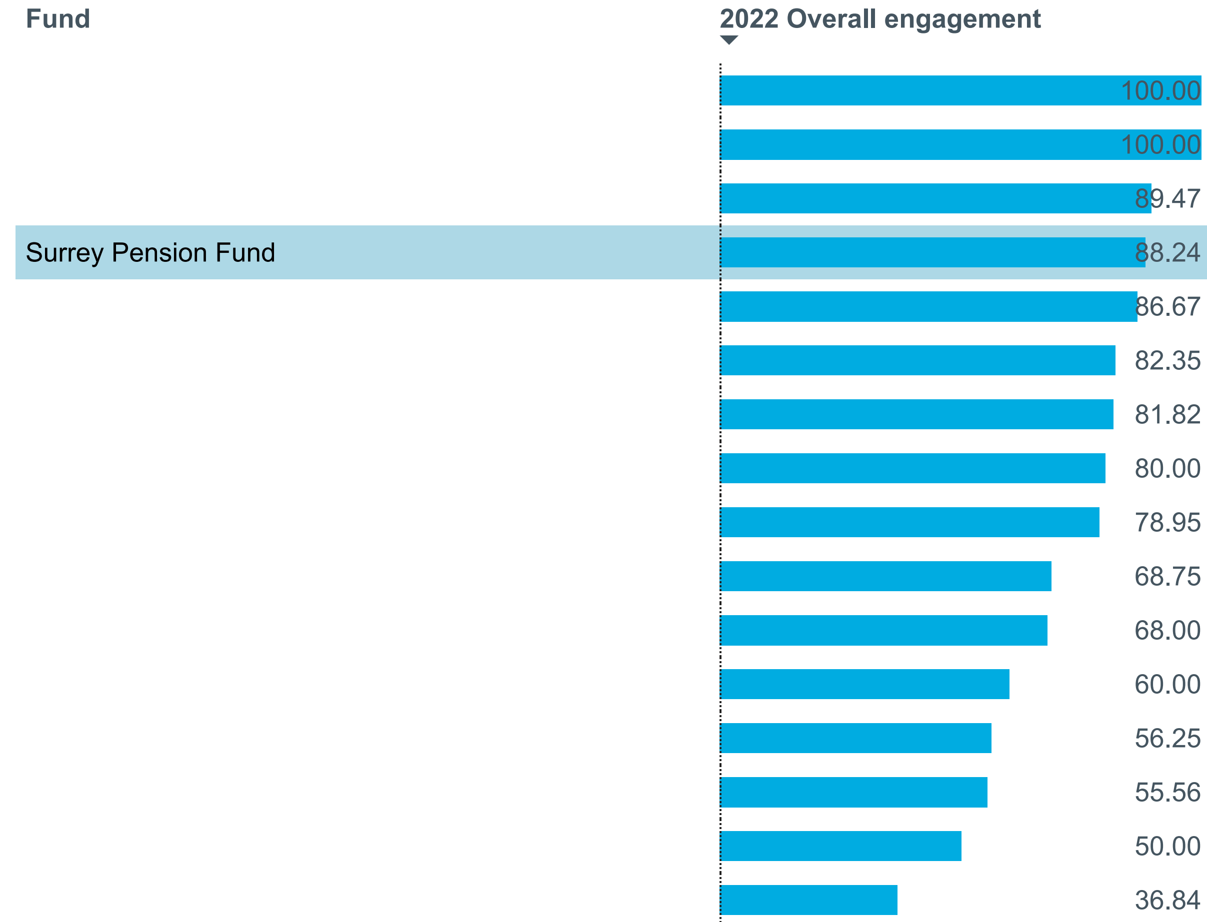
One of the key areas that we recommend funds focus on is Committee and Board training engagement.

With the ever-increasing pace of change in the pensions and investments world, member engagement is critical to maintaining strong collective knowledge. There is an expectation that they need not only be willing, but keen to develop their knowledge and understanding across the raft of topics upon which they will need to make, or ratify, decisions.

One measure of the engagement of members is their willingness to participate in training. As such, we have used the participation level of this survey to measure the engagement of your Committee and Board members.

The chart below shows the breakdown of the total number of participants from the Surrey Pension Fund, as a proportion of those who could have responded.

Role	Participants	Total Number	2022 Participation Rate	2020 Participation Rate
Board	6	7	86%	67%
Committee	9	10	90%	44%



Engagement

That 15 participants from your Fund took part in the assessment is highly encouraging. With the number of changes to the LGPS in recent years, it is vital that Committee and Board members remain abreast of the latest developments and feel confident that they have the knowledge required to make the decisions required of them.

Their level of engagement is a key driver of this. Overall engagement seems to be at a good level; however, it is important to maintain this, particularly in the current climate where face-to-face meetings and delivery of training sessions might be in Hybrid format for some time to come.

One of the biggest challenges in this area is how to improve engagement. The move to online learning and tackling topics in bitesize chunks can help.

The way in which information is shared with the Committee and Board can also promote engagement.

There have been moves by some funds to issuing short timely bulletins and newsletters to increase training knowledge and engagement, which we very much encourage.

Training Feedback from Participants

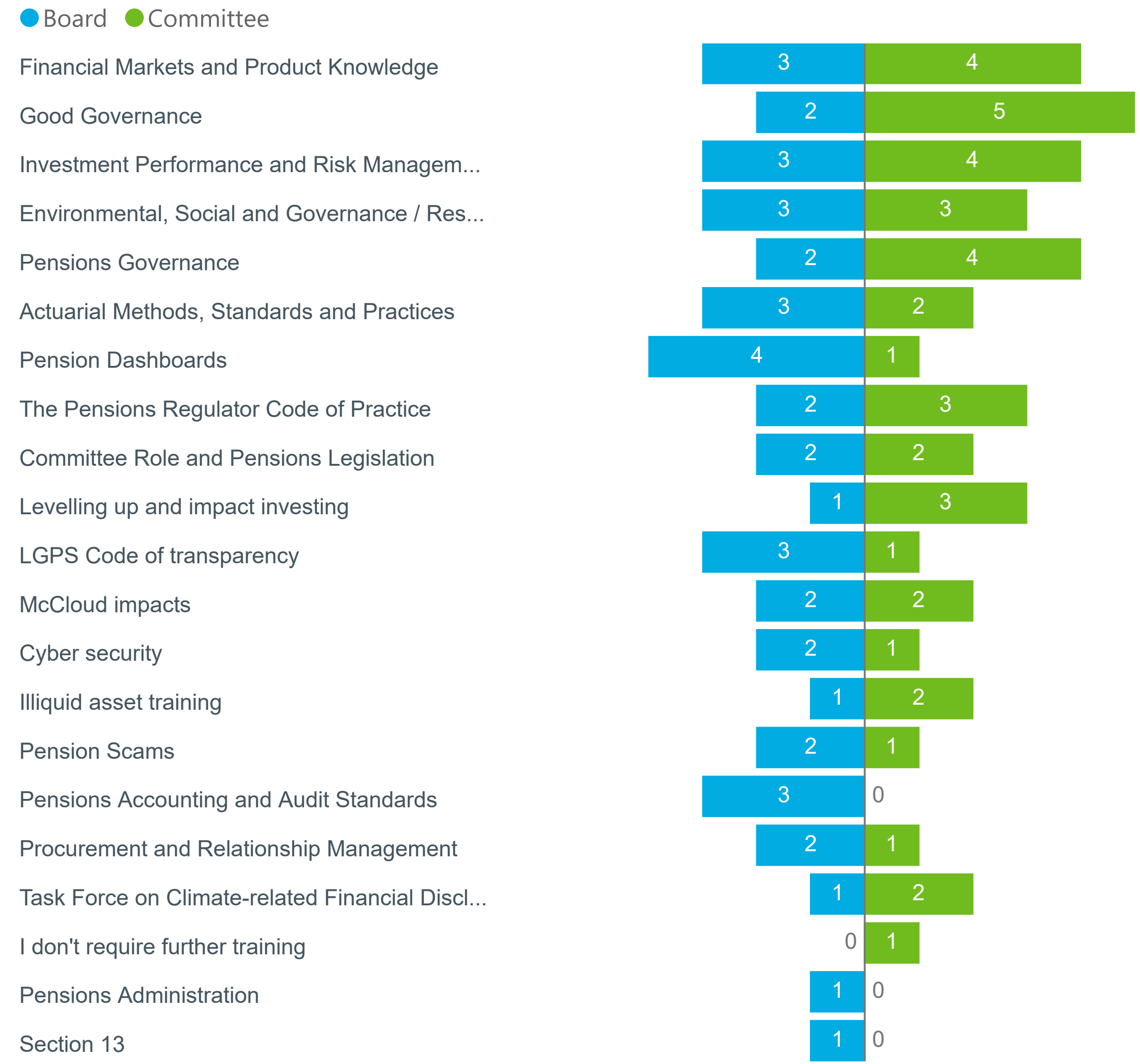
One of the final sections of the survey asked participants to indicate which topics they would like to receive training on.

There was a list of options available, covering a broad spectrum of the topics we believe are most relevant to allowing Committee and Board members to effectively perform their roles. Members were also given the option to indicate any other areas in which they would benefit from further training.

The table on the right summarises the areas in which members indicated training would be beneficial.

A suggested training plan is shown on the next page.

Training requirements



Training plan

Based on the results from this assessment, we have prepared the adjacent draft ‘core’ training plan which you may wish to adopt.

This has been prepared based on the overall scores of the Board and Committee combined.

The intention is to make the planning and delivery of these sessions more efficient for the Fund.

You may want to create separate plans for the Board and Committee - further *tailoring* the training plan to their distinct priorities.

We would be happy to discuss the options for delivery of any of these training sessions. Hymans can support in the preparation of this suite of sessions.

As detailed on the page ‘**Commentary on results’**, we recommend that training plans include elements on:

- Core information
- Fund specific workplan
- Current issues / Hot topics

The key output for your Fund is to have a clear training plan and the delivery dates (or delivery vehicle i.e. training paper) set aside for these sessions.

Feedback from participants

We also asked the participants to provide comments on the areas they would most appreciate training in. Based on these comments, the most requested areas for training were Financial Markets and Good Governance.

More detail is shown in the chart on the previous page.

Training Plan - Surrey Pension Fund - January 2023 to June 2024

Q1 2023	Q2 2023
Core topic: Accounting & Audit Standards	Core topic: Adminstration
Providing a general understanding of the Accounts and Audit Regulations and the role of internal and external audit	Providing a general understanding of best practice in pensions administration, together with Fund policies, resource and discretionary powers
Hot Topic: TCFD, 2023 Valuation conclusion and Fund business plan session	**Hot Topic:** Good Governance (expected in this quarter) and McCloud remedy

Q3 2023	Q4 2023
Core topic: Investment Performance	Core topic: Procurement & Relationship
Providing a general understanding of the relationship between assets and liabilities, the Myners principles and the structure, operation and purpose of investment pooling arrangements	Providing a general understanding of the public procurement requirement as they apply to the LGPS, and how performance of suppliers can bemonitored
Hot Topic: Pension Dashboard, Cyber security and Levelling update agenda	**Hot Topic:** Pension scams

Q1 2024	Q2 2024
Core topic: Committee Role and Legislation	Core topic: Actuarial Methods
Providing overview of committee's role and a general understanding of the legislative framework as it applies to the LGPS, in line with CIPFA Knowledge & Skills Framework	Providing a general understanding of the role of the Fund actuary and the formal valuation process (including the FSS and inter-valuation monitoring) and the treatment of new and ceasing employers (including employer covenant)
Hot Topic: Cost transparency	**Hot Topic:** Good Governance (update)

Next Steps

Based on the results, we would suggest that there should be consideration to the following next steps:

- This report should be **reviewed** by the Fund's officers and results shared with the Committee and Board.
- Set up a **structured training plan** or adjust the existing training plan for the next 18 months covering the main areas highlighted in this report.
- Plan for the **delivery** of training over the immediate 6-month period following these results and communicate that intention with the Committee and Board.
- Consider the most **pressing** training requirements in the coming months. Importantly, look at the **frequency** of training engagement with your Committee and Board.
- **Assess** the tools available to the Fund to assist with training, and whether any new methods should be deployed.
- Consider ways of **maintaining** and **increasing** the engagement of both the Board and Committee. This could include providing them with more information, training materials, briefing notes etc.
- Ensure that the Fund's training strategy is up to date and **appropriate** for purpose.

We will be producing a national LGPS report on the results of these assessment, which will aid Scheme Advisory Board LGPS training discussions.

A copy of this will be made available to the Fund when that report is complete.

If you wish to discuss the contents of this report further, please get in touch.

Prepared by Hymans Robertson LLP.

Andrew McKerns

Senior LGPS Governance, Administration and Projects (GAP) Consultant

Alan Johnson

LGPS Governance, Administration and Projects (GAP) Consultant

Reliances and Limitations

This report has been prepared for the Surrey Pension Fund.

This report must not be released or otherwise disclosed to any third party except with our prior written consent, in which case it should be released in its entirety.

Hymans Robertson LLP do not accept any liability to any party unless we have expressly accepted such liability in writing.

This report has been prepared by Hymans Robertson LLP, based upon its understanding of legislation and events as of November 2022.

SURREY COUNTY COUNCIL

PENSION FUND COMMITTEE

DATE: **10 MARCH 2023**

LEAD OFFICER: **ANNA D'ALESSANDRO, DIRECTOR OF CORPORATE FINANCE**

SUBJECT: **LGPS UPDATE (BACKGROUND PAPER)**

SUMMARY OF ISSUE:

1. This report considers recent developments in the LGPS.

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RECOMMENDATIONS:

2. The Pension Fund Committee is asked to note the content of this report:

REASON FOR RECOMMENDATIONS:

3. The report provides background information for the Committee.

DETAILS:

4. This report highlights updates from various statutory and regulatory bodies.

Highlights

Further regulations for McCloud made	5	Further regulations and directions made, which will now pave the way for the LGPS regulations to be amended to remove discrimination. More information regarding McCloud in points 10, 11, 15, 21, 22 and 28.
Pensions Dashboards standards published	6	Revised standards published and Pensions Dashboard regulations made. More information can be found in points 11, 17 to 20 and 28.
Climate-related risk reporting proposals made	7	Climate-related risks/asset pooling/investments – proposals to assess, manage and annually report on climate-related risks in line with the recommendations of the Taskforce on Climate-related Financial Disclosures (TCFD). More information on these issues can be found in point 14.
Proposal to change LGPS CARE revaluation date	8	Consultation launched to amend the LGPS CARE revaluation date due to high inflation. More information in points 11 and 13.

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LGPS updates

9. The Office for National Statistics has reclassified colleges into the central government sector and the Department for Education (DfE) is considering the additional covenant assurances for colleges.

10. The DfE is in the process of identifying the members affected by the implementation of the McCloud remedy where teachers held a full time employment as well as a part time employment and so will have to be rolled back into the Teachers' Pension 'legacy' scheme and the excess service moved to the LGPS.

11. LGPC draft minutes have been published following the meeting held on 5 December 2022. Topics include updates on regulations, McCloud, Pensions Dashboards and Annual Allowance and high inflation.

12. DLUHC launched a consultation on 30 January 2023 on changes to the SAB Cost Management Process (CMP). This follows a report from GAD into changes to the HMT CMP, the resulting policy and legislative changes set out in HMT's response to that report. It acknowledges the differences between these two processes but proposes measures suggested by the SAB in its consultation response to better integrate the SAB process within the statutory HMT mechanism.

13. DLUHC published a consultation on 10 February 2023 on changing the revaluation date in the LGPS from 1 April to 6 April for the scheme year 2022-23 and going forwards. The reasoning behind this is to align with the tax year due to the likely 10.1% increase that will apply to CARE LGPS benefits and if not aligned more members will exceed the annual allowance.

Scheme Advisory Board (SAB)

14. The SAB issued a survey on the upcoming climate risk reporting regime, to gain a view from administering authorities, the results of which helped the SAB with their response to DLUHC's consultation on the proposal to introduce a climate risk reporting regime for administering authorities in England and Wales. It is proposed administering authorities will be expected to set a target in relation to one of the four proposed metrics or any other climate related metric recommended by the TCFD. Whilst the target is not binding, administering authorities will be expected to publish an annual Climate Risk Report, with the first reporting year being 2023/24 and regulations expected to be in force by April 2023.

15. The SAB held a meeting on 5 December 2022. A presentation was provided to them on GAD's proposals on scheme level assumptions for the cost control mechanism and the standardised valuation assessment. The Board also gave approval for GAD to provide some initial analysis of the gender pensions gap early in the New Year. Topics discussed at the meeting include:

    - The Board budget for 2022-23 is still awaiting approval from the Minister.
    - Levy invoices have not yet been issued to funds but will be sent in the new year as soon as the budget is approved.
    - The secretariat expects significant upward pressure on the levy for 2023-24 due to various active items on the workplan for the coming year.
    - McCloud remedy.
    - Pooling and good governance consultations.
    - Next steps on the Code of Transparency.

16. The SAB along with the LGA are currently working on guidance to assist administering authorities in England and Wales which will provide available options where they have been unable to collect the data required from employers to implement the McCloud remedy. The guidance will cover where there is missing data and where the authority is not confident in the data's accuracy. It is hoped the guidance will be published by the end of February.

Pensions Dashboard Programme (PDP)

17. The DWP's The Pensions Dashboard Regulations 2022 regulations came into force on 12 December 2022. These set out the requirements for relevant occupational pension schemes to connect to pensions dashboards. The LGA intend to issue a specific LGPS guide early in 2023 on connection to the dashboards.

18. The Pensions Regulator has issued a consultation on its draft dashboards compliance and enforcement policy. TPR is responsible for ensuring occupational pension schemes comply with their dashboard duties and this draft policy sets out how they intend to do this. 16

19. PDP have published revised standards on connecting to the dashboards ecosystem following feedback from the consultation in July 2022. Whilst the revised standards are still to be approved by the Secretary of State for Work and Pensions, they have been published to assist schemes in their duties that they will need to comply with.

20. PDP have published an explainer video on consumer protection, explaining what protections will be in place to ensure dashboards are safe and secure.

HMT

21. On 14 December 2022, HMT made the Public Service Pensions (Exercise of Powers, Compensation and Information) Directions 2022. The Directions set out how certain powers in the Public Service Pensions and Judicial Offices Act 2022 must be exercised, whilst the Act gives relevant government departments powers to rectify McCloud discrimination. The making of the Directions will now allow the relevant departments to start consulting on regulations exercising those powers. The LGA's response can be found here.

HMRC

22. HMRC launched a consultation, which closed on 6 January 2023, on how pension tax will apply to members protected by the McCloud remedy. The proposed legislation, The Public Services Pension Schemes (Rectification of Unlawful Discrimination) (Tax) Regulations 2023 is planned to take effect from 6 April 2023 with some provision being retrospective. The LGA responded to the consultation.

The Pensions Regulator (TPR)

23. TPR has published:

    - A statement on maintaining liability-driven investment (LDI) resilience and is aimed at defined benefit trustees and advisers and sets out recommended actions in light of recent events in the gilt markets.

    - A joint update with the Financial Conduct Authority to their 2018 joint regulatory strategy and sets out how the two bodies will work together to tackle issues in the pensions sector.

The Pensions Ombudsman (TPO)

24. TPO recently upheld a complaint against the Teachers' Pension Scheme (TPS) where a member had transferred their benefits to a scheme in 2015. TPO determined that the receiving scheme invested the benefits in high risk, unregulated assets and TPS failed to put in place adequate checks and warn the member of the potential consequences of transferring. TPS have been ordered to reinstate the member's benefits together with a compensation payment for serious distress and inconvenience.

Other news and updates

25. In the Autumn Statement 2022 the Chancellor of the Exchequer announced:

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- The DWP review of the State Pension Age will be published early in 2023.
- There will be no changes to the annual allowance for 2023/24.
- Lifetime Allowance is to still remain at £1,073,100 until the end of the 2025/26 year.
- The government's strategy for boosting growth. Following this, on 9 December 2022, the Chancellor made a Statement which announced a set of reforms to drive growth and competitiveness in the financial services sector. Within the statement it was confirmed that the Government would consult on:
    - New guidance to the LGPS on asset pooling in early 2023.
    - Requiring LGPS funds to ensure they are considering investment opportunities in illiquid assets such as venture and growth capital, as part of a diversified investment strategy.

26. The National LGPS Frameworks launched the Investment Management consultancy services framework in November, which offers efficient access to specialist investment consultancy-related services.

27. The Pensions Ombudsman has produced 2 new factsheets, Determination by the Ombudsman, which explains what happens following a determination by the Ombudsman and Privacy and Personal Information Policy, which explains why and when TPO collects personal information about third parties.

28. The Government Actuaries Department have published a blog Looking ahead in public service pensions administration which considers the pressures faced by administrators for McCloud, Pensions Dashboards and procurement.

29. The Department for Business, Energy and Industrial Strategy launched a consultation on 12 January 2023 on calculating holiday entitlement for part-year and irregular hours workers. It proposes to pro-rata holiday entitlement for these workers based on the annual hours they work following the recent Supreme Court judgement, Harper Trust v Brazel.

30. The Work and Pensions Committee has published the responses from Government to their report 'Protecting pension savers – five years on from the pension freedoms: saving for later life'. It also includes the responses from the FCA, TPR and MAPs. The report was originally published in September 2022 and looked at who is not saving enough for retirement and how this could be addressed with recommendations.

31. The 2024 Governance Conference will be held in York on 18 and 19 January 2024, more details will be released later this year.

CONSULTATION:

32. The Chairman of the Pension Fund Committee has been consulted on this report.

RISK MANAGEMENT AND IMPLICATIONS:

33. None.

FINANCIAL AND VALUE FOR MONEY IMPLICATIONS

34. None.

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DIRECTOR OF CORPORATE FINANCE COMMENTARY

35. The Director, Financial and Commercial is satisfied that all material, financial and business issues and possibility of risks have been considered and addressed.

LEGAL IMPLICATIONS – MONITORING OFFICER

36. None.

EQUALITIES AND DIVERSITY

37. There are no equality or diversity issues.

OTHER IMPLICATIONS

38. There are no potential implications for council priorities and policy areas.

WHAT HAPPENS NEXT

39. No next steps are planned

Contact Officers:

Sandy Armstrong	Technical Manager
Paul Titcomb	Head of Accounting and Governance

Consulted: Pension Fund Committee Chairman

Annexes:

None

Sources/background papers:

None

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