Notice of Meeting

Surrey Pension Fund Committee

SURREY COUNTY COUNCIL

Date and Time	Place	Contact	Web:
Friday, 16 June 2023 10.30 am	Council Chamber, Woodhatch Place, 11 Cockshot Hill, Reigate, Surrey, RH2 8EF	Angela Guest angela.guest@surreycc.gov.uk	[Council and democracy Surreycc.gov.uk](#) **Twitter:** @SCCdemocracy

Committee/Board Members:
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)

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 on angela.guest@surreycc.gov.uk.

This meeting will be held in public at the venue mentioned above and may be webcast live. Generally the public seating areas are not filmed. However, by entering the meeting room and using the public seating area or attending online, you are consenting to being filmed and recorded, and to the possible use of those images and sound recordings for webcasting and/or training purposes. If webcast, a recording will be available on the Council's website post-meeting. The live webcast and recording can be accessed via the Council's website:
https://surreycc.public-i.tv/core/portal/home

If you would like to attend and you have any special requirements, please email Angela Guest on angela.guest@surreycc.gov.uk. Please note that public seating is limited and will be allocated on a first come first served basis.

AGENDA

1 APOLOGIES FOR ABSENCE AND SUBSTITUTIONS

2 MINUTES OF THE PREVIOUS MEETING - 10 MARCH 2023 (Pages 1 - 14)

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 (*12 June 2023)*.
2. The deadline for public questions is seven days before the meeting (*9 June 2023))*.
3. The deadline for petitions was 14 days before the meeting, and no petitions have been received.

5 ACTION TRACKING AND WORKPLAN (Pages 15 - 20)

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

6 THE SURREY PENSION TEAM 3 YEAR STRATEGIC PLAN (Pages 21 - 26)

This report summarises the next phase of our Transformation via a 3 year Strategic plan.

7 **SUMMARY OF THE LOCAL PENSION BOARD REPORT** (Pages 27 - 48)

This report provides a summary of administration and governance issues reviewed by the Local Pension Board (the Board) at its last meeting (19 May 2023) for noting or actioning by the Pension Fund Committee (the Committee).

8 **INVESTMENT MANAGER PERFORMANCE AND ASSET/LIABILITIES UPDATE** (Pages 49 - 66)

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.

9 **2022 VALUATION** (Pages 67 - 146)

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

10 **COMPANY ENGAGEMENT & VOTING** (Pages 147 - 178)

This report is a summary of various Environmental, Social & Governance (ESG) engagement and voting 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).

11 **ASSET CLASS FOCUS - EQUITY** (Pages 179 - 192)

As part of good governance, the Committee periodically reviews the performance of the Fund’s investments. There is a further focused review of different asset classes. This paper concentrates on Equities.

12 **RESPONSIBLE INVESTMENT UPDATE** (Pages 193 - 222)

The agreed priorities of the Pension Fund Committee (Committee) in relation to the Responsible Investment (RI) policy are to set a net zero date, update the voting policy, submit an application to become a signatory of the UK Stewardship Code and align manager reporting.

13 **LGPS UPDATE (BACKGROUND PAPER)** (Pages 223 - 228)

This report considers recent developments in the LGPS.

14 **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.

15 INVESTMENT MANAGER PERFORMANCE AND ASSET/LIABILITIES UPDATE (Pages 229 - 230)

Part 2 annexes for item 12 attached.

16 RESPONSIBLE INVESTMENT UPDATE (Pages 231 - 292)

Part 2 annexes for item 11 attached.

17 INVESTMENT STRATEGY REVIEW - EMPLOYER STRATEGIES, FIXED INCOME WEIGHTS & INVESTMENT STRATEGY STATEMENT (Pages 293 - 332)

The Pension Fund is reviewing its Investment Strategy in accordance with the 2022 valuation, taking into account its investment core beliefs and in line with the asset offerings of Border to Coast Pensions Partnership (BCPP). This paper presents analysis on the employer strategies, fixed income weights and Investment Strategy Statement.

18 REAL ESTATE UPDATE (Pages 333 - 354)

Border to Coast Pension Partnership (BCPP) is developing a range of Real Estate funds for Partner Funds to invest in. Government guidance expects the LGPS to use pooling when products are available.

19 BORDER TO COAST PENSIONS PARTNERSHIP UPDATE (Pages 355 - 366)

This paper provides the Pension Fund Committee (Committee) with an update of current activity being undertaken by the Border to Coast Pensions Partnership (BCPP).

20 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.

21 DATE OF NEXT MEETING

The next meeting of the Surrey Pension Fund Committee will be on 8 September 2023.

Joanna Killian
Chief Executive
Published: Thursday, 8 June 2023

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Thank you for your co-operation.

QUESTIONS AND PETITIONS

Cabinet and most committees will consider questions by elected Surrey County Council Members and questions and petitions from members of the public who are electors in the Surrey County Council area.

Please note the following regarding questions from the public:

1. Members of the public can submit one written question to a meeting by the deadline stated in the agenda. Questions should relate to general policy and not to detail. Questions are asked and answered in public and cannot relate to “confidential” or “exempt” matters (for example, personal or financial details of an individual); for further advice please contact the committee manager listed on the front page of an agenda.
2. The number of public questions which can be asked at a meeting may not exceed six. Questions which are received after the first six will be held over to the following meeting or dealt with in writing at the Chairman’s discretion.
3. Questions will be taken in the order in which they are received.
4. Questions will be asked and answered without discussion. The Chairman or Cabinet members may decline to answer a question, provide a written reply or nominate another Member to answer the question.
5. Following the initial reply, one supplementary question may be asked by the questioner. The Chairman or Cabinet members may decline to answer a supplementary question.

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MINUTES of the meeting of the **SURREY PENSION FUND COMMITTEE** held at 12.45 pm on 10 March 2023 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
- * Steve Williams, Borough & Districts
- * Kelvin Menon, Employers
- Philip Walker, Employees

1/23 APOLOGIES FOR ABSENCE AND SUBSTITUTIONS [Item 1]

Apologies were received from Tim Evans (Chairman of the Local Pension Board), Philip Walker, Richard Tear and Robert King.

2/23 MINUTES OF THE PREVIOUS MEETING - 16 DECEMBER 2022 [Item 2]

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

3/23 DECLARATIONS OF INTEREST [Item 3]

There were none.

4/23 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. Jennifer Condit stated on behalf of Kevin Clarke - Kevin's question is predicated on the idea that pensioners may not entirely understand how to use your website and he notes that while there is more information on the website related to your investments and you do say that you will be publishing all of the comments about the RI consultation on the website. His concern is that Members may nonetheless not understand that it’s there, so his request is that in the next round of the newsletter that you're sending to Members, would the committee please consider including? The LGPS Senior Officer explained that one of the key priorities of the pension funds, new strategic plan is a customer insights programme. So, there is work within the customer services team to reach out to customers, members and to the employers to find out what they want, whether they're

satisfied with the communications and the engagement that the Fund is currently providing. This was very much at the forefront in our strategic plan this year.

2. Luciana Cole stated that she was concerned with the lack of urgency, given how urgently we needed climate action and asked if there was scope to speed up this work with the potential to escalate before the end of 2023 if engagement wasn't getting the desired results.
The Chair acknowledged the issue and reported that this was being looked at later this afternoon with Border to Coast. The LGPS Senior Officer stated that Surrey was one of 11 partner funds and had a contributing role through the Joint Committee in the formation of Border Coast responsible investment policy. Officers had pressed for more information on the escalation process and would continue to do so.

3. Jennifer Condit asked on behalf of Lindsey Coeur-Belle if the committee agree with her view that without addressing climate change in a robust fashion via a fossil fuel emission that the possibility of attaining any of the other 16 UN sustainable Development Goals will be very much more difficult, if not impossible, and hence her view that dealing with number 13 climate change must have priority.
The Chair stated that the committee had debated the comparatives of merits of one versus the other but was keen that they looked at this together.
One Member stated that he was sympathetic to that question and later on in the agenda when the responsible investment strategy was to be discussed he would raise this whole question of divestment again.

4. Jackie Macey asked whether the committee feels that now is the time for the steps set out in the engagement plan to be implemented with a speed that reflects the urgency of the climate emergency we are all facing?
The Chairman responded that this was a matter of growing importance, and this was going to be looked at, and accelerated.

5. Jennifer Condit stated she was particularly interested in looking at holdings at Newton Investment Management. She had attempted her own estimate of what the fossil fuel holdings of the Surrey Pension fund were which she thought was about £75 million. It seems to her that based on the disclosures that only the £8 million invested in Shell via Newton was in the committee's direct control. In other words, all the other fossil fuel holdings are in some sort of collective investment scheme. Consequently, she wondered whether reducing the fossil fuel exposure of this fund would be the goal.
The Chairman responded that he thought the figures calculated were broadly correct and the challenge for the committee was that the direction of travel was towards pooled funds, such as Border to Coast Pensions Partnership (BCPP). A government consultation coming out shortly is expected to re-emphasise the importance of local authority pooling. On top of BCPP, the Fund owns LGIM funds which are also pooled funds. The question of reducing fossil fuel exposure is quite a difficult issue that all the pools will be facing and in a pool it is more difficult for us to have a direct influence on that. We will speak with Newton but probably we are looking to move more of our funds into BCPP over time.
The Chairman responded that he thought the figures calculated were correct and the challenge for the committee was that the direction was

going towards pooled farms. With Border to Coast that's the direction of government and there's a consultation coming out shortly that we expect that to be pushed even further down the road. On top of Border to Coast, we have the LGIM funds the pooled funds in that regard. It was thought that this would be quite a difficult issue that all the pools will be facing and would be much more difficult for us to have direct influence on that. We will speak with Newton but probably we are looking to move more of our funds into BCPP in the course of time.

5/23 ACTION TRACKING AND WORKPLAN [Item 5]

Speakers:
Nick Harrison, Chair
Neil Mason, LGPS Senior Officer

Key points raised during the discussion:

1. Tracker item A3/22 – the Chairman stated we had received further information regarding Investments financing Russian carbon projects and it would send this to Members.
2. The LGPS Senior Officer highlighted the importance of the Strategic three-year Plan.

Actions/ further information to be provided:
The Chairman to provide Committee with further information on investment financing of Russian carbon projects.

Resolved:

The Committee noted the Tracker and Workplan.

6/23 SUMMARY OF THE LOCAL PENSION BOARD REPORT [Item 6]

Speakers:
Neil Mason, LGPS Senior Officer

Key points raised during the discussion:

1. The LGPS Senior Officer highlighted a few items from the report: -
    - the Committee had asked the Board to look at the risk of inflation and that was covered on page 24 and was represented through the risk register and the heat map.
    - page 25 of the submitted report discussed the transition to a new Surrey-wide computer system. We were currently on the SAP system and would be transferring to the new Unit 4 system. The Board did voice concerns on the project plan. Officers had met with Unit 4 team in the week and produced our own list of assurance criteria that we would need to see met. Colleagues were working to provide us with the necessary assurance, and this would be reported back to the Board.
    - Tom Lewis had been appointed as permanent head of service delivery.

Actions/ further information to be provided:
None.

Resolved:

1. The Committee noted the support of the Local Pension Board for the following policies and approved the:
    - Communications Policy
    - Training Policy

7/23 INVESTMENT MANAGER PERFORMANCE AND ASSET/LIABILITIES UPDATE [Item 7]

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

Key points raised during the discussion:

1. The Head of Investment & Stewardship explained that the funding level had risen to 124%. That was a function of the liabilities coming down and then in the last quarter, assets picking up. He further explained the volatility of the funding level changing with interest rates changes. The Fund had in the last quarter also outperformed its benchmark.
2. The Committee discussed the funding level and the discount rate and asked if the actuary was going to recommend action to equalise the balance between income and expenditure. It was explained that the funding level was intrinsically linked to the increase in the discount rate. The discount rate was based on meeting funding objectives over the three-year period so there would not be any adjustments at this point.
3. A Member asked a question about the cash flow which now was positive and whether there was any indication that maybe it would not stay positive in the short to medium term, bearing in mind the expected large increase in benefits due to inflation. He also asked whether members would leave due to cost of living crisis and what difference that would make? The Head of Investment & Stewardship explained that there was a paper presented at the last meeting for the cash flow analysis. Income would be taken from the CBRE property investment and also from the Multi Asset Credit Fund with BCPP. In respect to the cost of living crisis, the high level view was that there hadn't been an material impact yet with people looking to opt out or looking at 50/50 options.

Actions/ further information to be provided:
None.

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

8/23 RESPONSIBLE INVESTMENT UPDATE [Item 8]

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

Key points raised during the discussion:

1. The Head of Investment & Stewardship gave a detailed precis of the submitted report which came in three sections:
    - Consultation feedback
    - Net zero date setting, and
    - Key priorities for the Responsible Investment Policy

   He highlighted the following areas:
   a) There was an excellent response rate to the consultation with high agreement. However, upon analysis it was shown that there was a more neutral response to the engagement and divestment questions. It was thought that there may be an issue with the wording and therefore it was proposed to re-look of the divestment policy to ensure it was as clear as possible.
   b) Mercer were expected to report back to the subcommittee on 10 May with more data and information on the Fund's investment strategy and potential dates for achieving net zero.
   c) The voting policy was out of date and a session would be arranged to consider updating it.
2. A Member raised concerns regarding divestment as the RI policy as it stood allowed investment in companies whose principal business was the extraction of fossil fuels. He stated that the question in the consultation that was headed up as "divestment" but was actually about "engagement with consequences". He was concerned that the public and partners had not been consulted on divestment.
3. Another Member agreed and stated that the policy should include some reasonable common sense exclusions as a whole. And as fossil fuels only accounted for 4% of the fund he wanted to see it rewritten to include wording on when and where we will operate a policy of exclusions.
4. There was considerable debate on what exclusions members may wish to see in the policy and one member stated that there were already some agreed exclusions, and these should be included. A few members were uneasy about approving any change to the wording so it was agreed that the wording on engagement with consequences would be re-submitted to the Pension Fund Committee for approval but in the meantime could be discussed by the sub-committee.
5. A change to recommendation number 2 was proposed such that the wording in the policy regarding "engagement with consequences" would be reviewed and would incorporate current investment exclusions. The Committee were split in their agreement of this and following a vote, the proposed wording change to recommendation 2, as set out below, was agreed.
6. The proposed wording is to ensure that the escalation process is clearer and to specify the categories of investments currently excluded from the portfolio. The draft wording is to be reviewed the RI subcommittee and then brought back to the Pension Fund Committee for final approval.

Actions/ further information to be provided:

None.

Resolved:

1. That the recommendation of the Responsible Investment Sub Committee (RISC), that the RI Policy be approved was accepted.
2. That Officers and Consultant review the wording within the RI Policy regarding engagement with consequences to make clearer the escalation process and the categories of investments excluded from the portfolio, the proposed wording then be put to the Surrey County Council Pension Fund Committee, was approved.
3. That the net zero brief agreed by the RISC be noted.
4. That the decision of the RISC to appoint Mercer to answer the net zero brief be noted.
5. That officers continue to work with the RISC, investment consultant and independent advisor to facilitate this process.
6. That the priority elements regarding implementation of the RI Policy for 2023/4 be approved.

9/23 COMPANY ENGAGEMENT & VOTING [Item 9]

Speakers:
Lloyd Whitworth, Head of Investment & Stewardship

Key points raised during the discussion:

1. The Head of Investment & Stewardship summarised the submitted report by explaining that it had been a very quiet period for voting. No shareholder resolutions passed and no management resolutions failed. Through this period there was one vote where Surrey voted against management that did get over 20% support; that was at Microsoft asking for a report on greater tax transparency.

Actions/ further information to be provided:
None.

Resolved:

1. The Committee reaffirmed 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. The Committee reaffirmed that ESG Factors were 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

10/23 ASSET CLASS FOCUS - CREDIT MARKETS [Item 10]

Speakers:
Lloyd Whitworth, Head of Investment & Stewardship

Anthony Fletcher – Independent Advisor, MJ Hudson
Milo Kerr – Border to Coast

Key points raised during the discussion:

1. The Head of Investment & Stewardship explained that the fund had 10.8% in the multi asset credit fund of Border to Coast and 2.4% in gilts at the current time, both underweight target asset allocations. Therefore, a recommendation was being made that those weightings and the nature of the investments should be reviewed.
2. The Independent Advisor gave a detailed precis of the submitted report which included:-
   - That he was not satisfied with the report from BCPP and gave a detailed explanation why.
   - Only two of the managers had outperformed over 12 months and those were the high yield manager and the emerging debt hard currency manager. All the other managers underperformed.
   - It was still too early to compare the performance of BCPP to the "cash plus benchmark" but he thought it was perfectly reasonable to expect the managers they had selected to have outperformed.
   - He pointed out a few areas of the BCPP presentation that were lacking in detail and analysis.
3. BCPP responded to the comments made:-
   - They were mindful that, in this instance, they didn't appropriately present the latest positioning of the fund and how they had made decisions.
   - The new CIO had joined in January and had a priority to evolve the presentation performance and the level of transparency to investors. The importance of providing the right information and transparency to allow an assessment of strategy was understood.

Actions/ further information to be provided:
None.

Resolved:

1. That the Fund's credit market holdings, respective funds' investment performance, and review by the Fund's independent investment adviser be noted.
2. That officers, investment consultant and investment advisor be approved to review the Fund's weighting to credit markets and the nature of those investments.

The Committee took a comfort break at 14.25pm and reconvened at 14.35pm. George Potter returned to the table.

11/23 2021/22 EXTERNAL AUDIT UPDATE [Item 11]

Speakers:
Neil Mason, LGPS Senior Officer

2

Key points raised during the discussion:

1. The LGPS Senior Officer highlighted a few details from the external audit update report which included: -
   - There was an approved set of accounts for the County Council and the Pension Fund.
   - There were significant delays across public sector audits, not just pension funds. For pension funds, this was particularly in respect of the valuation of Level 3 assets.
   - There were also delays in the audit this year due to the change in the staff of the pensions team.
   - The Audit and Governance Committee had approved the financial statements for the Council and the Pension Fund for the year, which had both received an unqualified opinion from the external auditor.

Actions/ further information to be provided:
None.

Resolved:

That the status of the External Audit work be noted and to delegate authority to the Chair of the Pension Fund Committee for final approval of the accounts and compliance with any other process required by the Council Audit & Governance committee.

12/23 2022 VALUATION [Item 12]

Speakers:
Paul Titcomb, Head of Accounting and Governance

Key points raised during the discussion:

1. The Chairman introduced the report which provided an update on the progress of the 2022 triennial valuation being undertaken by the Fund actuary, Hymans Robertson. He recognised that there had been a lot of work by the Accounting and Governance Team and thanked them.
2. The Head of Accounting and Governance stated that the key activities remained on track for year end. All the individual rate schedules had been circulated to employers. He also highlighted the newly formed Customer Relationship Team, which was leading these discussions.

Actions/ further information to be provided:
None.

Resolved:
1. That the progress made on the actuarial work during 2022/23 be noted.

13/23 PROGRESS OF THE 2023/24 BUSINESS PLAN [Item 13]

Speakers:
Neil Mason, LGPS Senior Officer

Key points raised during the discussion:

1. The LGPS Senior Officer highlighted several areas of the report including:-
   - A permanent leadership team was now in place and are currently reviewing the three year strategic plan, incorporating specific activities into the annual business plan. It would be helpful to the committee to focus in on the key deliverables this year.
   - This key area of focus for the team was to resolve some legacy processing backlogs A backlog plan is being worked up and the Pension Committee and Pension Board will be updated on progress.
2. A Member asked if the Team were geared up sufficiently to deliver acceptable progress with the backlogs given there are a number of projects within the change management projects pipeline as well as business as usual. The LGPS Senior Officer responded that all of those were in focus and was happy to share the project timeline so Members could see the breadth of activities.

Actions/ further information to be provided:
That the LGPS Senior Officer share the Project Team pipelines with the Committee Members.

Resolved:

1. That the report be noted.

14/23 COMMUNICATIONS POLICY 2023/2024 [Item 14]

Speakers:
Neil Mason, LGPS Senior Officer

Key points raised during the discussion:

1. The LGPS Senior Officer reported that the communications policy had been presented to the Pension Board.

Actions/ further information to be provided:
None.

Resolved:

1. That the Communications Policy, which has been ratified by the Local Pension Board, be approved.

15/23 TRAINING POLICY 2023/2024 [Item 15]

Speakers:
Neil Mason, LGPS Senior Officer

Key points raised during the discussion:

1. The LGPS Senior Officer introduced a report that detailed the Pension Fund training policy and stated that:-

- He thanked Members who had engaged with the training which was an essential for meeting the role of this committee.
- On the National knowledge assessment, only 16 of 89 funds actually took part: Surrey finished mid table.
- Following feedback from the National Knowledge Assessment, members would be provided with tailored training and development plans.
- Members were encouraged to attend the Pensions and Lifetime Saving Association Local Government conference which takes place on 26 June in Cheltenham

2. The Chairman stated that he was pleased that we contributed to this knowledge assessment. It was disappointing that this Committee and indeed the Board didn't perform as well as the previous Committee and Board; he highlighted that they were at the end of their four-year term and this Committee were only at the beginning of a four-year term.

Actions/ further information to be provided:
None.

Resolved:

1. That the training policy, which had been ratified by the Local Pension Board, be agreed and that all members should prioritise attendance at training events wherever practicable.

16/23 LGPS UPDATE (BACKGROUND PAPER) [Item 16]

Speakers:
Neil Mason, LGPS Senior Officer

Key points raised during the discussion:

1. The LGPS Senior Officer highlighted the following:
   - The government had delayed the roll out of the pensions dashboard. Officers were extremely keen that the pensions dashboard programme goes ahead.
   - The change to the CARE revaluation day had been brought about because of the scheme year and the tax year having potentially different rates of indexation. The Government sought to align those to ensure consistency.

Actions/ further information to be provided:
None.

Resolved:

1. That the report be noted.

17/23 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

18/23 INVESTMENT MANAGER PERFORMANCE AND ASSET/LIABILITIES UPDATE [Item 18]

Key points raised during the discussion:

1. The Committee noted the Part 2 annex to item 7.

Actions/ further information to be provided:
None.

Resolved:

That the Part 2 annex to item 7 be noted (see minute 7/23)

19/23 RESPONSIBLE INVESTMENT UPDATE [Item 19]

Speakers:
Steve Turner, Mercer

Key points raised during the discussion:

1. The Committee noted the Part 2 annexes to item 9.

Actions/ further information to be provided:
None.

Resolved:

That the Part 2 annex to item 9 be noted (see minute 9/23).

20/23 BORDER TO COAST PENSIONS PARTNERSHIP UPDATE [Item 20]

Speakers:
Neil Mason, LGPS Senior Officer
Rachel Ewell, CEO Border Coast

Key points raised during the discussion:

1. The Committee considered a Part 2 report which gave an update of current activity being undertaken by the Border to Coast Pensions Partnership (BCPP).
2. An invitation for the Border to Coast Conference on the 28 and 29 September would be sent to all Members of the Pension Board and Pension Committee, who were urged to attend.
3. The CEO for BCPP provided a detailed powerpoint presentation on their Strategic Plan.
4. A Member stated that he would welcome a more detailed discussion at the September meeting regarding setting more ambitious responsible investment targets with BCPP.

2

Actions/ further information to be provided:
None.

Resolved:

1. That the shareholder approval of the Border to Coast Strategic Plan 2023-26 be noted.
2. That details of the Border to Coast Strategic Review 2025-2030 be noted.
3. That the completion of the restructuring of the Border to Coast Global Equity Alpha Fund and post trade report be noted.
4. That the schedule of activity of Border to Coast since the last Committee meeting of 16 December 2022 until the end of the calendar year be noted.
5.

George Potter left the room before the recommendations were taken and returned at 3.40pm during the item on Investment Strategy Review.

21/23 REAL ESTATE UPDATE [Item 21]

Speakers:
Lloyd Whitworth, Head of Investment & Stewardship
Steve Turner, Mercer

Key points raised during the discussion:

1. The Committee considered a Part 2 report that detailed how Border to Coast Pension Partnership (BCPP) was developing a range of Real Estate funds for Partner Funds to invest in. Government guidance required LGPS to use pooling when products were available.

Actions/ further information to be provided:
None.

Resolved:

1. That the previous delegation of authority to officers and the Chair to transition the Fund's Real estate asset allocation to BCPP, gained in September 2020, subject to necessary conditions being met was noted.
2. That the training update provided by BCPP on the development of the Real Estate product offering within the asset pool and the summary presentation be noted.

22/23 INVESTMENT STRATEGY REVIEW, CURRENCY HEDGING [Item 22]

Speakers:
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 a review of its Investment Strategy in accordance with the 2022 valuation, taking into account its investment core beliefs and in line with the asset offerings of Border to Coast Pensions Partnership (BCPP). The report included an analysis on the currency hedging policy and process.

Actions/ further information to be provided:
None.

Resolved:

1. That the existing currency hedging policy and process be noted.
2. That continuation of the current policy be approved.

23/23 PUBLICITY OF PART 2 ITEMS [Item 23]

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

24/23 DATE OF NEXT MEETING [Item 24]

The date of the meeting was noted.

Meeting ended at: 3.46 pm

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Chairman

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SURREY
COUNTY COUNCIL

Surrey Pension Fund Committee
16 June 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

COMPLETED RECOMMENDATIONS/REFERRALS/ACTIONS – TO BE DELETED

A3/22 A5/23	23/09/22 10/03/2023	Questions & Petitions Action Tracker & Workplan	Investments financing Russian carbon projects	Chair December 2022 Chair March 2023	Chair to raise the question at the next joint Committee of Border to Coast The Chairman to provide Committee with further information on investment financing of Russian carbon projects. Email with Russian information sent to Committee members on 13 March by Neil Mason 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	Accounting & Governance
16 Jun 2023	a) Asset class focus – Equities b) RI implementation Report c) Net Zero update d) Fixed Income Asset Allocation / ISS e) B2C Real Estate	a) Strategic 3-year Plan b) 2022 valuation update
8 Sep 2023	a) Asset class reviews b) RI implementation Report c) Benchmarking	a) Cyber security review b) Financial Update Unit 4 c) Annual Report
15 Dec 2023	a) Asset class reviews b) TCFD report c) RI implementation Report	a) LPB Chair appointment update
8 Mar 2024	a) Asset class reviews b) RI implementation Report	a) Budget 2024/25

All items are subject to review and content.

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SURREY COUNTY COUNCIL

PENSION FUND COMMITTEE

DATE: **16 JUNE 2023**

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

SUBJECT: **THE SURREY PENSION TEAM 3 YEAR STRATEGIC PLAN**

SUMMARY OF ISSUE:

This report summarises the next phase of our Transformation via a 3 year Strategic plan.

RECOMMENDATIONS:

This report recommends that the Pension Fund Committee:

Endorses the 3-year Strategic Plan

REASON FOR RECOMMENDATIONS:

The 3 year Strategic Plan provides the blueprint of how the Pension Fund Team will achieve its Vision and Mission.

DETAILS:

Background

1. The Surrey Pension Team (SPT) is now in Phase 3 of its Turnaround/Transformation programme.
2. Phase 1 was the dissolution of Orbis pension administration partnership and the return of service delivery to within sovereign control of Surrey.
3. Phase 2 oversaw the organisational redesign of an integrated One Surrey Pension Team to align behind the Vision and Mission of SPT and the phased transition of banking control from Surrey Council to SPT.
4. The 3-year Strategic Plan provides the details of how it will achieve Phase 3 the Transformation programme. We are now in a position where all resources are aligned, and the One Pensions Team can accelerate towards achievement of our Vision and Mission.

6

The 3 year Strategic Plan

5. The following levers will be deployed to enable us to deliver our Strategic Plan:

Customer Focus	Investment Expertise	Fit For Purpose	Ready For Tomorrow
Relentless focus on delivering value to the customer through provision of a first class service and customer experience	Delivering our investment requirements by innovation in responsible investment and quality partnerships	Continuously improving the efficiency and effectiveness of all our resources achieving excellence and the highest assurance ratings	Organisational resilience and agility to design and pivot to new service models

6. These will be supported by the following resources:

People	Systems & Processes	Culture & Values
A comprehensive Workforce Strategy encompassing culture of Learning & Development to increase our capability based on our priorities	Target improvement on pivotal systems and processes to deliver on our priorities. Ensure these are empowered by digital tools	Live into our values emphasising those which enable us to deliver our priorities including Performance, Continuous improvement, Laser focus, Accountability

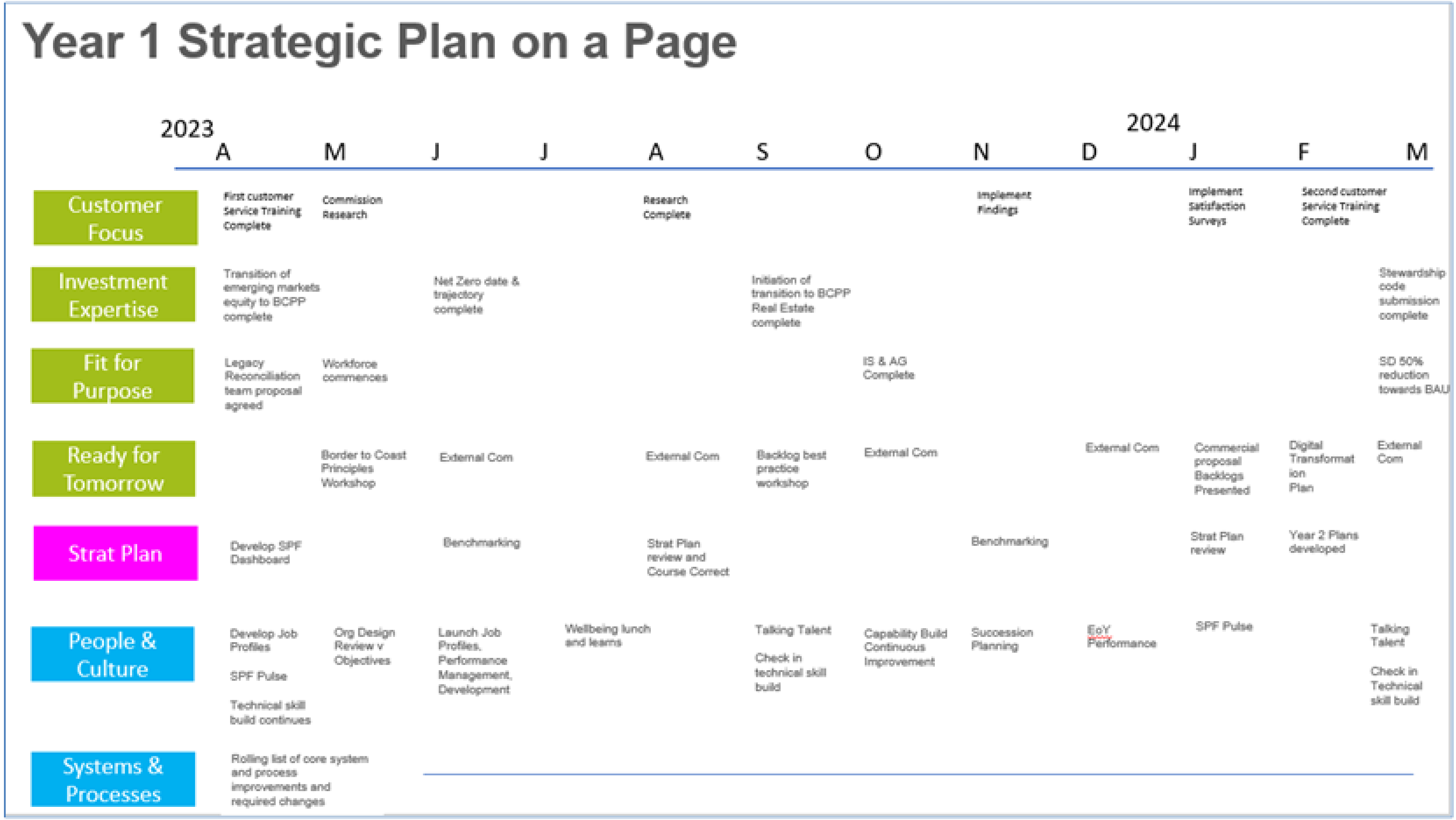
7. The annual strategic themes and performance targets are as follows:

Year	Theme	Performance Target
2023/24	Focus	Good
2024/25	Transcend	Outstanding
2025/26	Trailblaze	Industry Leading

8. 2023/24 priorities:

Customer Focus	Investment Expertise	Fit For Purpose	Ready For Tomorrow
Customer at the heart of everything we do	Cashflow Management & Pool transitions	Drive Down the Legacy	Amplify presence

9. Detail of 2023/24 deliverables on a page:



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10. The Committee will be updated on a quarterly basis through a one-page overview of SPT operations and progress against the strategic plan.

CONSULTATION:

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

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RISK MANAGEMENT AND IMPLICATIONS:

12. There are no additional risks. There is risk however of "doing nothing" which will not enable us to reach our Vision and Mission which is not in the best interests of our customers and stakeholders.

FINANCIAL AND VALUE FOR MONEY IMPLICATIONS

13. Activities are planned within the SPT budget.

DIRECTOR OF CORPORATE FINANCE & COMmERCIAL COMMENTARY

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

LEGAL IMPLICATIONS – MONITORING OFFICER

15. There are no legal implications.

EQUALITIES AND DIVERSITY

16. The plan seeks to tangibly improve the SPT diversity, equity and inclusion status.

OTHER IMPLICATIONS

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

WHAT HAPPENS NEXT

18. The following next steps are planned:

    a) The SPT will continue to deliver against our 3 year strategic plan.

    b) For future Committee meetings a SPT dashboard will be utilised to give a 1-page overview of SPT operations and progress against the strategic plan.

Contact Officer:
Nicole Russell, Head of Change Management
Consulted:
Pension Fund Committee Chair
Annexes: None
Sources/background papers: None

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SURREY COUNTY COUNCIL

PENSION FUND COMMITTEE

DATE: **16 JUNE 2023**

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

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

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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 (19 May 2023) for noting or actioning by the Pension Fund Committee (the Committee).

GLOSSARY

A&G	- Accounting & Governance
CRT	- Customer Relationship Team
CPI	- Consumer Price Index
GMP	- Guaranteed Minimum Pension
IDRP	- Internal Dispute Resolution Procedure
LGPS	- Local Government Pension Scheme
tPR	- the Pensions Regulator
SCAPE	- Superannuation Contributions Adjusted for Past Experience

RECOMMENDATIONS

This report recommends that the Committee:

1. Note the support of the Board; and
2. Make any 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.

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DETAILS:

Summary of the Pension Fund Committee (Committee) meeting of 10 March 2023

1. The Board received a summary from Nick Harrison, Chair of the Committee, and Neil Mason, Assistant Director- LGPS Officer, who highlighted the following points:

    i. Following the Responsible Investment consultation support was received from the Committee to re-endorse the responsible investment policy.

    ii. The Committee continue to engage with Mercer and officers to develop and set a net zero target date.

    iii. Committee Members received training from Border to Coast that confirmed the approach to Real Estate investment. A Board Member requested the training be circulated to all Members of the Board.

    iv. The Committee reviewed the hedging policy.

2. The Boards attention was drawn to the Border to Coast AGM on 28th and 29th September in Leeds. This event comes highly commended and is an opportunity for Board Members to understand what is happening with Board to Coast and the wider LGPS pooling environment.

Risk Register Update 2022/23 Quarter 4

3. The below commentary was highlighted to the Board on the areas in the risk register dated March 2023 **(Annexe 1).**

4. Risk scores have changed in the areas of actuarial assumptions (risk score reduction) and workload (risk score increase):

Actuarial assumptions **risk score reduced**	Risk 3 is that funding requirements are higher due to actuarial assumptions materially different to experience. Likelihood and impact scores for this risk have been reduced to reflect the completion of the actuarial valuation work using up to date assumption sets.
Work volume **risk score increased**	The likelihood and impact scores for risk 11 have been increased for this quarter. The risk is that work volume mismatch with operational capacity leads to backlogs. Backlogs across the whole service are receiving priority attention as part of the Strategic Business Plan for the Fund.

Top 3 risk areas commentary

5. Commentary is provided below on the three risk areas in the risk register with the highest combined likelihood and impact scores.

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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	Work volume mismatch with operational capacity leading to backlogs
Risk ID	16	9	11
Score	20	16	16
Comment	The change from SAP to Unit 4 is programmed for June 2023	This risk remains with some single points of failure within the organisational structure.	Legacy issues have been highlighted as a result of recent improvement focus.
Action	The Change team is coordinating efforts to understand the transition. Ongoing monitoring of implementation timescales are underway.	Organisational structure remains under review for resilience and succession planning. This will be formalised in a workforce plan in summer 2023.	Backlogs across the whole service are receiving priority attention and identified for action in the Business Plan for 2023/24. Assessment of resource requirements for dealing with backlogs commenced – next steps underway.
Residual risk	Remains a significant risk pending experience of implementation.	Remains a risk – recommendations may arise from workforce plan.	Remains a risk pending progress on resolution of legacy issues.

Changes planned to controls

6. The following enhancements are planned. Although risks 9, 11 and 16 are shown as individual service areas – these enhancements are planned for, or will engage with the whole team.

Risk ID	Area	Changes
1	A&G Funding	Employer engagement with higher risk cohorts planned.
4	Investment	Final sign off of Responsible Investment Policy and Task Force on Climate-Related Financial Disclosure (TCFD) report to be published. Mercer to review net zero strategy.

6	Investment	Asset allocation analysis – review of fixed income exposure.
9	Service Delivery	Workforce plan considering resilience and succession planning in preparation.
11	Service Delivery	Backlogs across the whole service receiving priority attention as part of Strategic Business Plan for 2023/24. Assessment of resource requirements for dealing with backlogs underway.
12	Service Delivery	Business Continuity plans and Cyber security approach to be reviewed during 2023/24.
13	Service Delivery	Technical team to engage with consultations on proposed Dashboards framework.
15	A&G Governance	The knowledge assessment undertaken is informing 2023/24 training plans.
16	A&G Funding	Engagement is ongoing with Unit 4 leads – the Pension Change team has been deployed.

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7. A member of the Board raised a question regarding long term sickness and whether there had been an increase in ill health retirements. The Head of Service Delivery confirmed no significant increase in cases but agreed to review the cases from the last six months to look to identify any trends and report back to the Committee.

Administration Performance Report and Update

8. The Board were provided with an update on performance for the quarter 1 January 2023 to 31 March 2023 (**Annexe 2**), highlighting the performance levels: achievement of an overall score of 89%, which is an increase of 9% and 92% for the Pensions Regulator (tPR) work areas, an increase of 6% from last quarter.

9. Two areas for improvement have been identified: survivors benefits and ill-health retirements.

Customer Relationship Team (CRT)

10. The Board was advised that in Q4 the CRT handled a total of 12,201 enquiries. The Chair asked if any further analysis is available that identifies whether multiple queries are submitted by the same member. The Head of Service Delivery agreed as part the Customer Insight project to analyse how many individual members submitted enquiries.

    <u>Guaranteed Minimum Pension (GMP) Reconciliation</u>

11. The Head of Service Delivery advised that a revised plan has been issued by Mercer which has been reviewed and timings and resources agreed. Key milestones will be presented back to the Board, along with the financial impact to the Fund.

Pensions Increase

12. The Head of Service Delivery confirmed the pension increase has been applied to pensioner benefits in line with the CPI rate of 10.1%. Confirmation of this increase has been issued to members with their April payslips.

Legacy Case Reduction

13. Analysis has been carried out to identify the volume of casework in scope as backlog. Part of this discovery work has been to explore the options available to reduce the legacy cases in line with the Service's key focus over the next 12 months. Benchmarking was undertaken to aid understanding of the backlog and how this compares to other LGPS funds. 7

McCloud Remedy

14. The Board received a verbal update on the McCloud remedy. The Scheme Advisory Board (SAB) has issued guidance for those instances where information/data has not been received from payroll providers. Currently the employer with the largest incomplete data is Surrey County Council. Work is ongoing with the Council's SAP Development Team to extract the data required.

Pension Dashboard

15. Work continues with cleansing basic member data and rectifying discrepancies.

MySurrey (Unit 4) – Programme Status

16. The Board received an update on the implementation of the new financial system MySurrey (Unit 4) from Brendon Kavanagh, Programme Director for the Digital Insights Programme.

17. It was confirmed to the Board that the implementation of MySurrey will go live with the new finance system in June and that the Head of Accounting and Governance had received additional assurance over the last couple of weeks. Further updates will be provided going forward.

The Pensions Regulator – Public Service Governance and Administration Survey 2023

18. The Board have been advised that the Pensions Regulator invited all public services pension schemes to take part and complete the survey 2022-23 by 17 February 2023.

LGPS Update (Background Paper)

19. The Board received information on issues impacting the LGPS, covered elsewhere in this agenda,

20. A Board Member asked for further information relating to consultations on LGPS Investments. In response Neil Mason, Assistant Director- LGPS Senior Officer provided an overview. The first consultation considers whether LGPS funds transfer all listed assets into the LGPS pools by March 2025. The second consultation will focus on investments and includes proposals for LGPS funds to invest 5% of their assets in projects that support local areas. It is not known when these consultations will be published.

Change Programme Update

21. The Board was provided with a verbal update from Nicole Russell, Head of Change Management, who highlighted the following points:

    I. Completed three agile sprints, which included looking at streamlining the process and reports production for Committee and Board.
    II. Projects to support the delivery of the first year of objectives of our Strategic Plan.
    III. Bespoke training plans for the Board and Committee members.
    IV. Created visibility of career pathway opportunities for the Surrey Pension Team which will be launched on 1 June 2023.

22. Members of the Board were informed that the LGA Fundamentals training is now available to book and forms part of their mandatory training.

23. Future updates will be provided to the Board as a separate report from Change Management.

2021/22 External Audit Update

24. Covered elsewhere in this agenda,

Valuation 2022

25. Covered elsewhere in this agenda,

CONSULTATION:

26. The Chairs of the Committee and the Board have been consulted on this report.

RISK MANAGEMENT AND IMPLICATIONS:

27. Risk related issues have been discussed and are included within the report where relevant.

FINANCIAL AND VALUE FOR MONEY IMPLICATIONS

28. The performance of administration and governance presents potential financial and value for money implications to the Pension Fund.

DIRECTOR CORPORATE FINANCIAL & COMMERCIAL COMMENTARY

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

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LEGAL IMPLICATIONS – MONITORING OFFICER

30. 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

31. N/A

OTHER IMPLICATIONS

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

WHAT HAPPENS NEXT

33. 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 –March 2023- Annexe 1
Service Delivery Performance Report- Annexe 2

Sources/background papers: None

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Pension Team Risk Heat Map

March 2023

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 **11** Work volume mismatch with capacity leading to backlogs	**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 **3** Funding requirements higher due to actuarial assumptions materially different to experience	**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

March 2023

Risk ID	Risk Title	Risk Owner	*Risk with current mitigation controls in place* Likelihood (1-5)	Impact (1-5)	Overall Score	
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**	
11	Work volume mismatch with operational capacity leading to backlogs	SD	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	
3	Funding requirements higher due to actuarial assumptions materially different to experience	A&G	3	3	9	↓
10	Data administration failure / fraud leads to data integrity issues	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	

Key:
- A&G Accounting and Governance
- SD Service Delivery
- I&S Investment and Stewardship

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.	Enhanced engagement with employers close to exiting the fund or other higher risk cohorts - to take account of holistic risk position of fund as a whole	Oct-23
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 2) Engagement with employers on delay of receipt of payment notifications - with objective to improve timely application of funds to relevant employer accounts.		
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	3	3	9	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.		
		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.		
		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. Mercer to review net zero strategy.	Oct-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. New standalone responsible investment policy. Mercer to review net zero strategy.	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. Diversification of investments. Q1 2023/24 review of fixed income exposure.	Oct-23
		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.		

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Pension Team Risk Register

March 2023

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.		
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.	Workforce plan considering resilience and succession planning in preparation	Oct-23
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.		

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
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	4	4	16	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 dealt 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.	Backlogs across the whole service receiving priority attention as part of Business Plan for 2023/24 Assessment of resource requirements for dealing with backlogs underway	Oct-23
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 2023/24	Oct-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 2023/24	Oct-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.		

Pension Team Risk Register

March 2023

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 interim 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 DLUCH'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-24

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 2023/24 training plans	Mar-24
		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.	Engagement with Unit4 leads - Change team deployed	Sep-23

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Q4: Jan - Mar 2023

Case Type	Performance standard	Tolerable performance	A % completed within SLA	B Case opening balance	C New cases received	D Cases completed	F Closing balance	E Terminated Cases	G Future Workload (days)
DEATH NOTIFICATION (tPR)	5 working days	90%	89%	42	298	295	6	46	1
SURVIVOR'S PENSIONS (tPR)	10 working days	90%	79%	23	111	92	15	33	10
DEATH BENEFITS PAYABLE (tPR)	10 working days	90%	91%	17	84	68	27	4	24
BALANCE OF PAYMENTS (tPR)	10 working days	90%	94%	54	324	297	69	1	14
RETIREMENT (COMPLETE) (tPR)	15 working days	85%	91%	266	456	399	264	51	40
ILL HEALTH RETIREMENT (COMPLETE) (tPR)	15 working days	90%	100%	1	20	15	6	-	24
REFUNDS (tPR)	20 working days	80%	98%	239	1,046	1,066	132	213	7
RETIREMENT (INITIAL NOTIFICATION)	15 working days	80%	85%	237	838	612	343	239	34
ILL HEALTH RETIREMENT (INITIAL)	15 working days	90%	75%	15	18	18	7	5	23
DEFERRED STATUS	2 months	80%	88%	4,003	1,430	1,209	3,888	522	193
EMPLOYER ESTIMATE	10 working days	80%	89%	16	84	68	18	21	16
LGPS TRANSFER IN (ESTIMATE)	20 working days	80%	85%	667	522	425	573	285	81
NON-LGPS TRANSFER IN (ESTIMATE)	20 working days	80%	97%	146	39	38	136	25	215
LGPS TRANSFER OUT (ESTIMATE)	20 working days	80%	93%	200	300	314	126	97	24
NON-LGPS TRANSFER OUT (ESTIMATE)	20 working days	80%	90%	80	67	66	68	28	62
LGPS TRANSFER IN (ACTUAL)	20 working days	80%	85%	420	785	531	528	95	60
NON-LGPS TRANSFER IN (ACTUAL)	20 working days	80%	92%	42	52	36	54	8	90
LGPS TRANSFER OUT (ACTUAL)	20 working days	80%	84%	108	250	186	111	33	36
NON-LGPS TRANSFER OUT (ACTUAL)	20 working days	80%	83%	17	20	19	13	16	41
NEW STARTER	30 working days	80%			1577	1577			
TOTAL OPEN CASES			89%	6,593	8,321	7,331	6,384	1,722	

Summary
Overall performance at 89% and 92% for tPR cases, an increase of 9% and 6% respectively.
Targets not met for 2 areas due to this team area carrying a vacancy. Posiiton has been filled and start date is in July 2023.

Performance Table Key

% Completed within SLA	**A**	Percentage of cases completed in period within SLA.
Case Opening Balance	**B**	Total cases open at the start of the period (this may vary from the previous month closing balance due to terminated cases).
New cases received	**C**	Total cases received in reporting period (including terminated). Not all cases are due for completion within period.
Cases completed	**D**	The total cases completed during period (excluding terminated cases)
Terminated Cases	E	Cases terminated in period due to duplication or set up incorrectly
Closing Balance	F	Cases remaining from period less terminated cases (F = B+C-D-E)
Future Workload	G	Total number of estimated days to process closing balance cases (F/D*60 working days)
Assumed tolerance of performance SLA		Green = tolerable performance measure met Amber = within 10% of tolerable performance measure Red = more than 10% of tolerable performance measure
Future workload tolerance		Green = less than 1 times the performance standard Amber = within 1 - 2 times more than the performance standard Red = more than 2 times the performance standard

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Performance Trend Analysis

Case Type	KPI Performance Comparison: Q1 % completed within SLA	Q2 % completed within SLA	Q3 % completed within SLA	Q4 % completed within SLA	Future Workload Time Comparison: Q1 Future Workload	Q2 Future Workload	Q3 Future Workload	Q4 Future Workload
DEATH NOTIFICATION (tPR)	98%	82%	93%	89%	8 days	6 days	4 days	1 day
SURVIVOR'S PENSIONS (tPR)	91%	90%	78%	79%	8 days	18 days	20 days	10 days
DEATH BENEFITS PAYABLE (tPR)	92%	86%	79%	91%	15 days	16 days	16 days	24 days
BALANCE OF PAYMENTS (tPR)	94%	93%	88%	94%	8 days	9 days	19 days	14 days
RETIREMENT (COMPLETE) (tPR)	90%	76%	89%	91%	44 days	36 days	37 days	40 days
ILL HEALTH RETIREMENT (COMPLETE) (tPR)	100%	70%	83%	100%	7 days	13 days	10 days	24 days
REFUNDS (tPR)	95%	97%	93%	98%	12 days	31 days	13 days	7 days
RETIREMENT (INITIAL NOTIFICATION)	94%	87%	86%	85%	25 days	20 days	23 days	33 days
ILL HEALTH RETIREMENT (INITIAL)	100%	86%	95%	75%	53 days	39 days	69 days	23 days
DEFERRED STATUS	89%	89%	86%	88%	9 months	11 months	11 months	10 months
EMPLOYER ESTIMATE	89%	78%	68%	89%	45 days	12 days	16 days	16 days
LGPS TRANSFER IN (ESTIMATE)	83%	92%	84%	85%	56 days	70 days	113 days	81 days
NON-LGPS TRANSFER IN (ESTIMATE)	71%	73%	68%	97%	280 days	234 days	286 days	215 days
LGPS TRANSFER OUT (ESTIMATE)	87%	94%	99%	93%	32 days	20 days	76 days	24 days
NON-LGPS TRANSFER OUT (ESTIMATE)	91%	86%	83%	90%	82 days	77 days	89 days	62 days
LGPS TRANSFER IN (ACTUAL)	75%	80%	76%	85%	52 days	48 days	70 days	60 days
NON-LGPS TRANSFER IN (ACTUAL)	87%	84%	65%	92%	70 days	66 days	81 days	60 days
LGPS TRANSFER OUT (ACTUAL)	88%	90%	75%	84%	26 days	33 days	76 days	36 days
NON-LGPS TRANSFER OUT (ACTUAL)	86%	93%	29%	83%	72 days	88 days	88 days	41 days
Average Score	89%	86%	80%	89%				

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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	522
LGPS Transfer In (Estimate)	285
Refunds	213
LGPS Transfer Out (Estimate)	97
LGPS Transfer In (Actual)	95
Concurrent Service	90
Retirement (Initial Notification)	67

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.

SURREY COUNTY COUNCIL

PENSION FUND COMMITTEE

DATE: **16 JUNE 2023**

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

SUBJECT: **INVESTMENT MANAGER PERFORMANCE AND ASSET/LIABILITIES UPDATE**

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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:

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.

4. Results and assumptions

	31 March 2022	30 December 2022	31 March 2023
Assets (£m)	5,358	5,074	5,260
Past service liabilities (£m)	5,257	4,080	4,150
Surplus (£m)	**101**	**994**	**1,110**
Funding level	102%	124%	127%
Discount Rate	4.4%	6.2%	6.0%
Salary Increases	3.7%	3.2%	3.3%
Pension Increases	2.7%	2.2%	2.3%
Likelihood of success	70%	70%	70%

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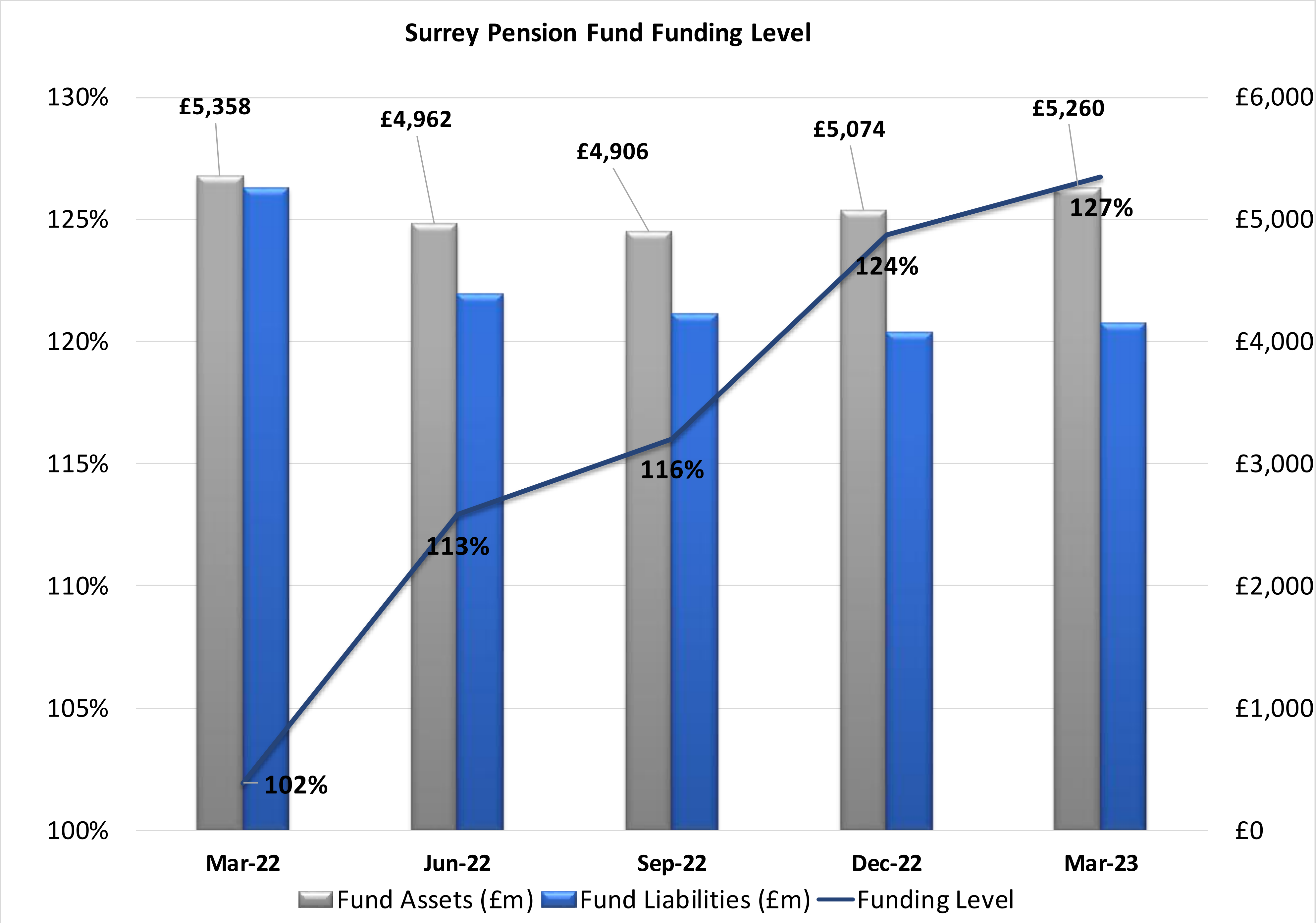
5. The discount rate assumptions at each date are based on the return expected from the Fund's assets with a 70% likelihood i.e., based on our asset return expectations as at 31 March 2023, there is an 70% likelihood that the Fund's assets will generate returns over the next 20 years at the level of at least 6.0% per annum.

6. The funding level has increased since that reported at the 2022 valuation. Liability values have fallen since 31 March 2022 by c. 20% - 25% due to an increase in the assumed level of future investment returns (the discount rate) which has been driven, in part, by a significant rise in long dated gilts yields over the period from 31 March 2022 to 31 March 2023. The value of the assets as at 31 March 2023 is lower than that as at 31 March 2022, due to negative asset returns (Fund return over the period is estimated to be c. -1.8%), which has acted to offset the reduction in the liabilities due to higher assumed investment returns. The net position has therefore improved from a surplus of £101m at 31 March 2022 to a surplus of £1.11bn at 31 March 2023. The estimated investment return for Q1 2023 (Q4 Fiscal Year) has been estimated based on the change in the whole Fund asset value over this quarter.

7. The graph below shows that funding level has reached 127% (102% as at 31 March 2022), updated for market conditions at 31 March 2023. The market value of assets is approximately £5.3bn and the value placed on the liabilities is £4.2bn.


Surrey Pension Fund Funding Level
130%
125%
120%
115%
110%
105%
100%
£6,000
£5,000
£4,000
£3,000
£2,000
£1,000
£0
£5,358
£4,962
£4,906
£5,074
£5,260
102%
113%
116%
124%
127%
Mar-22
Jun-22
Sep-22
Dec-22
Mar-23
Fund Assets (£m)
Fund Liabilities (£m)
Funding Level

8. Global equities rose over the quarter ended 31 March 2023. US equities were up despite being impacted late in the quarter by the collapse of Silicon Valley Bank (SVB) and Signature Bank. Markets recovered after intervention from policymakers and takeovers by more secure banks. The US Federal Reserve hiked interest rates by 25 bp twice, although signalled that the pace of increases is likely to soften. Inflation continued to fall and hit its lowest rate since September 2021 in February, whilst the US labour market softened slightly. UK equities were up for the quarter but lagged global markets. In continued attempts to curb inflation, the Bank of England increased interest rates by 25bps twice, but recession was avoided by a small increase in GDP. Composite Purchasing Managers Index readings improved over the quarter, driven mainly by strong performance from the services sector in February, but both services and manufacturing fell back slightly in March. European (ex UK) equity markets outperformed global equities despite also being affected by volatility in the banking sector, which saw Credit Suisse subjected to a forced takeover by UBS. The European Central Bank raised interest rates by 50bps in both February and March. Headline inflation fell in March, primarily due to lower energy prices; however, core inflation rose to a record high. Japanese equities rose, performing broadly in line with global markets, although the economy stagnated. Asia Pacific (ex-Japan) and emerging market equities also rose marginally, boosted by China's economic re-opening, though both lagged global markets.

9. Global government bonds fluctuated over the first quarter of 2023, but yields on UK, US, German and Japanese government bonds all ultimately fell (and so prices rose) over the period. This reflected the hope that the end to the rate hiking cycle may be in sight. The Fed's target range at the end of the period was 4.75-5%, 3.5% for the European Central Bank (ECB) and 4.25% for the Bank of England. Whilst yields on 10-year UK gilts decreased over the quarter, yields spiked in early March after annual inflation unexpectedly rose to 10.4% in February as food shortages pushed up grocery prices. The Bank of Japan maintained its interest rates throughout the period despite inflation rising to a 41-year high of 4.3% in January.

10. Yields on global credit fell in the quarter, mirroring the fall in government bond yields. However, credit spreads widened given recession fears and elevated concerns over the US and European banking sectors.

11. The US dollar fell overall against both sterling and the euro during a volatile quarter. March saw the US currency strengthen against European currencies as investors sought a safer haven in the wake of bank collapses. However, it dipped again once policymakers and larger banks intervened to stabilise the sector. Sterling recovered against the dollar and rose slightly against the yen but fell against the euro. Gains against the dollar were driven by the Bank of England signalling that it 9. would continue to raise interest rates to curb inflation.

12. The economic and interest rate environment described above is clearly not helpful for Real Estate markets and capital values have been significantly negatively impacted. More recently, capital values across the whole market in the UK have turned positive, driven by the retail and industrial sectors. In contrast, the office sector recorded its ninth month of falling capital values, bringing the cumulative decline in the sector to 18% since the peak of the market in June 2022. These capital value declines were driven by yield movements. To date in the UK, there has been limited impact on the occupier side, with rental growth remaining resilient at the end of 2022 and into 2023, particularly in sectors underpinned by structural and demographic trends such as logistics and residential. Liquidity in the market was at its lowest point since 2009 in the second half of 2022, with debt-driven buyers mostly absent. It has begun to recover in 2023, but with the cost of debt still elevated, transactional activity is mostly in the smaller lot size end of the market. These trends have been mirrored around the world given the synchronised upward movement in interest rates.

13. Overall, the Fund returned 3.39% in Q4 2022/23 (Jan-Mar 2023), in comparison with the benchmark of 3.59%.

14. The best absolute performance came from the exposure to European and Global equities, but all equity and bond funds were in positive territory, except for BCPP Listed Alternatives, which continues to perform poorly, both absolutely and relative to benchmark. This fund has been negatively impacted by the rise in interest rates and the sizable positioning towards real estate. All the other actively managed equity and fixed income funds outperformed their benchmarks over the period and BCPP Global Equity Alpha is now ahead of target over 3 years.

15. The real estate sector has been going through a period of re-pricing, reflecting increased debt funding costs, and low transactional activity. This impact was seen through the CBRE holding, particularly over the last 12 months, as well as Listed Alternatives. Rental income has remained resilient and capital values are now more firmly underpinned by higher starting yields. 8

16. Private market values were relatively flat and hence underperformed the rising listed equity markets.

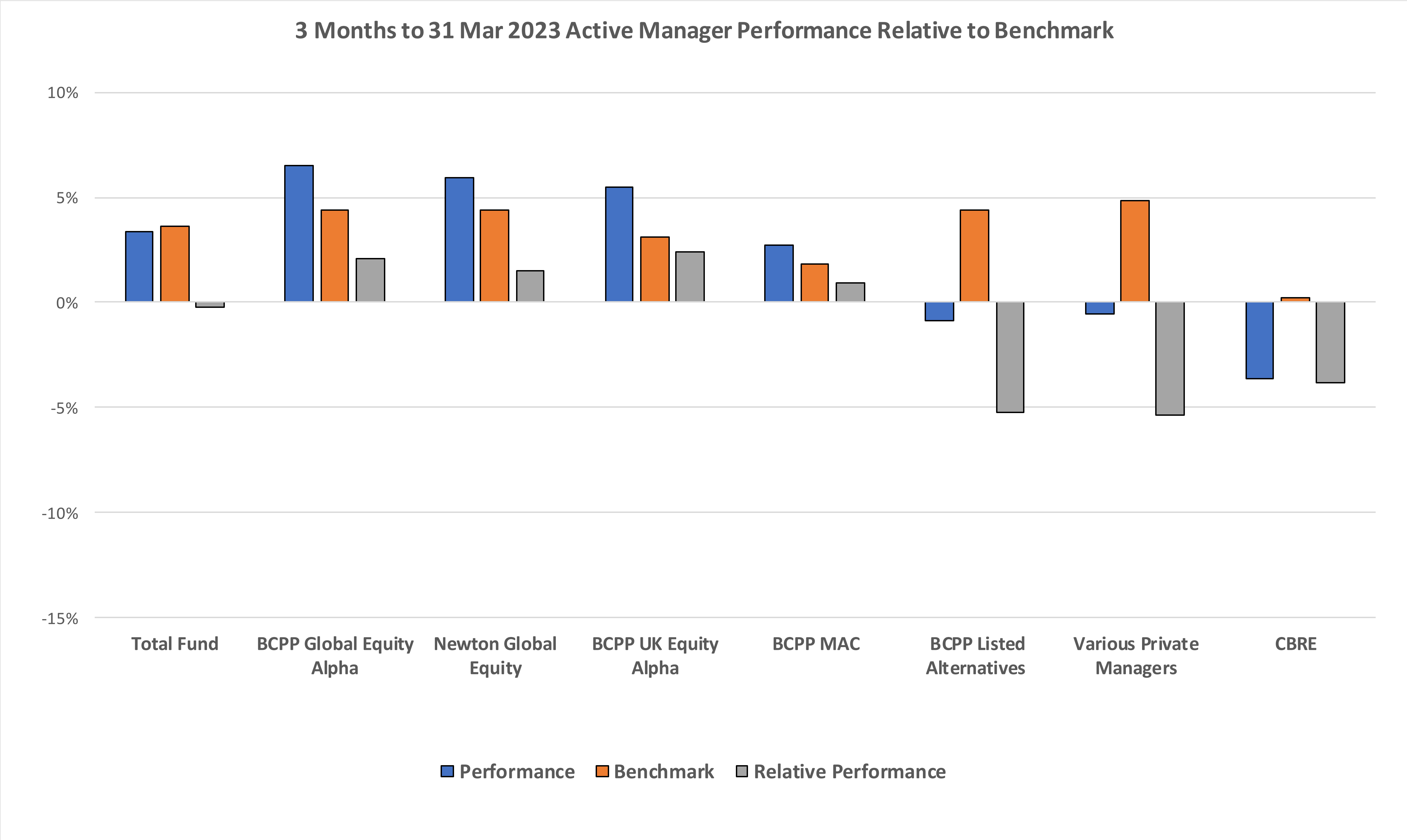
Fund Performance - Summary of Quarterly Results

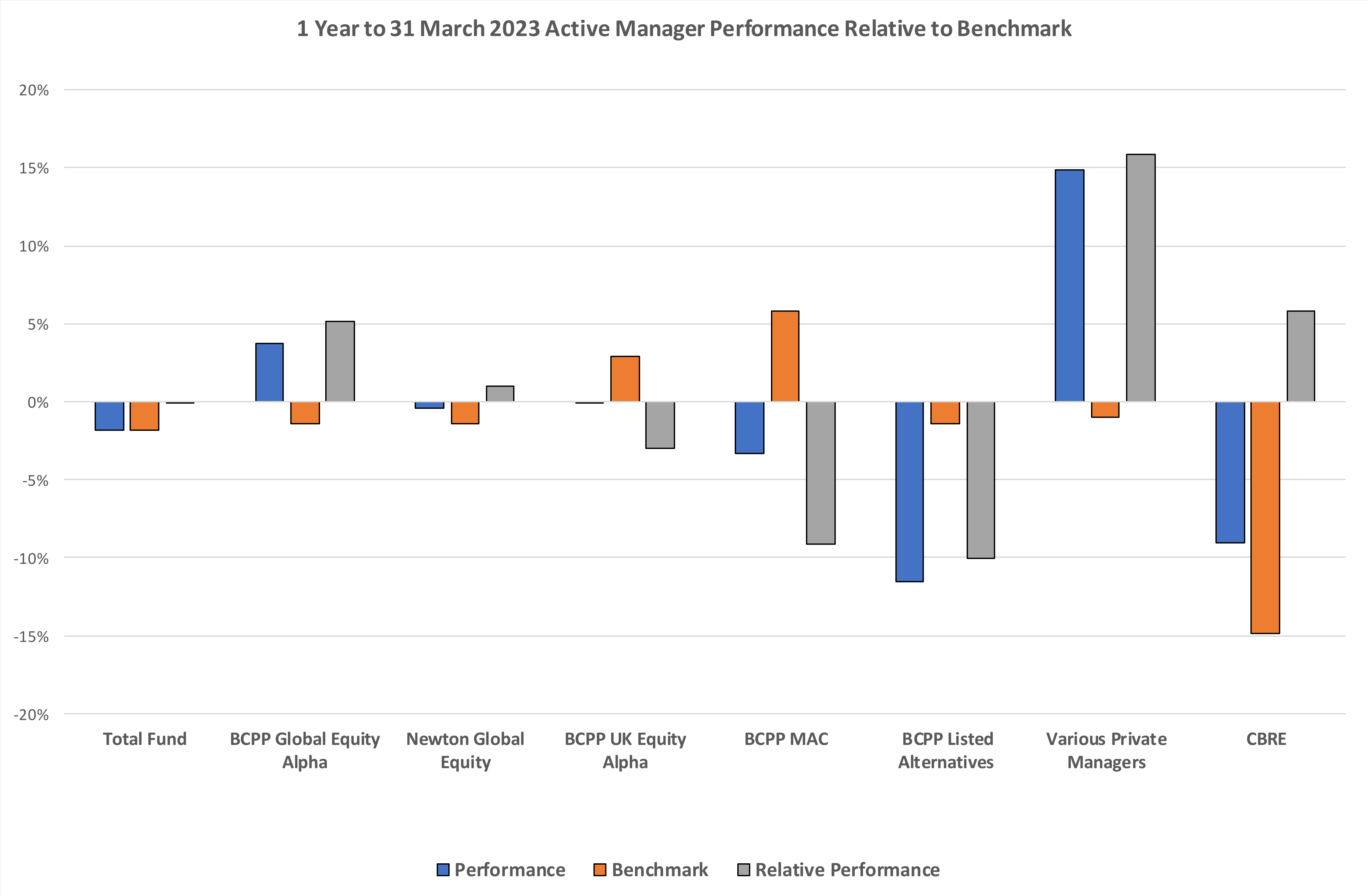
The table below shows manager performance for Q4 2022/23 (January-March 2023), net of investment manager fees, against manager specific benchmarks using Northern Trust data.

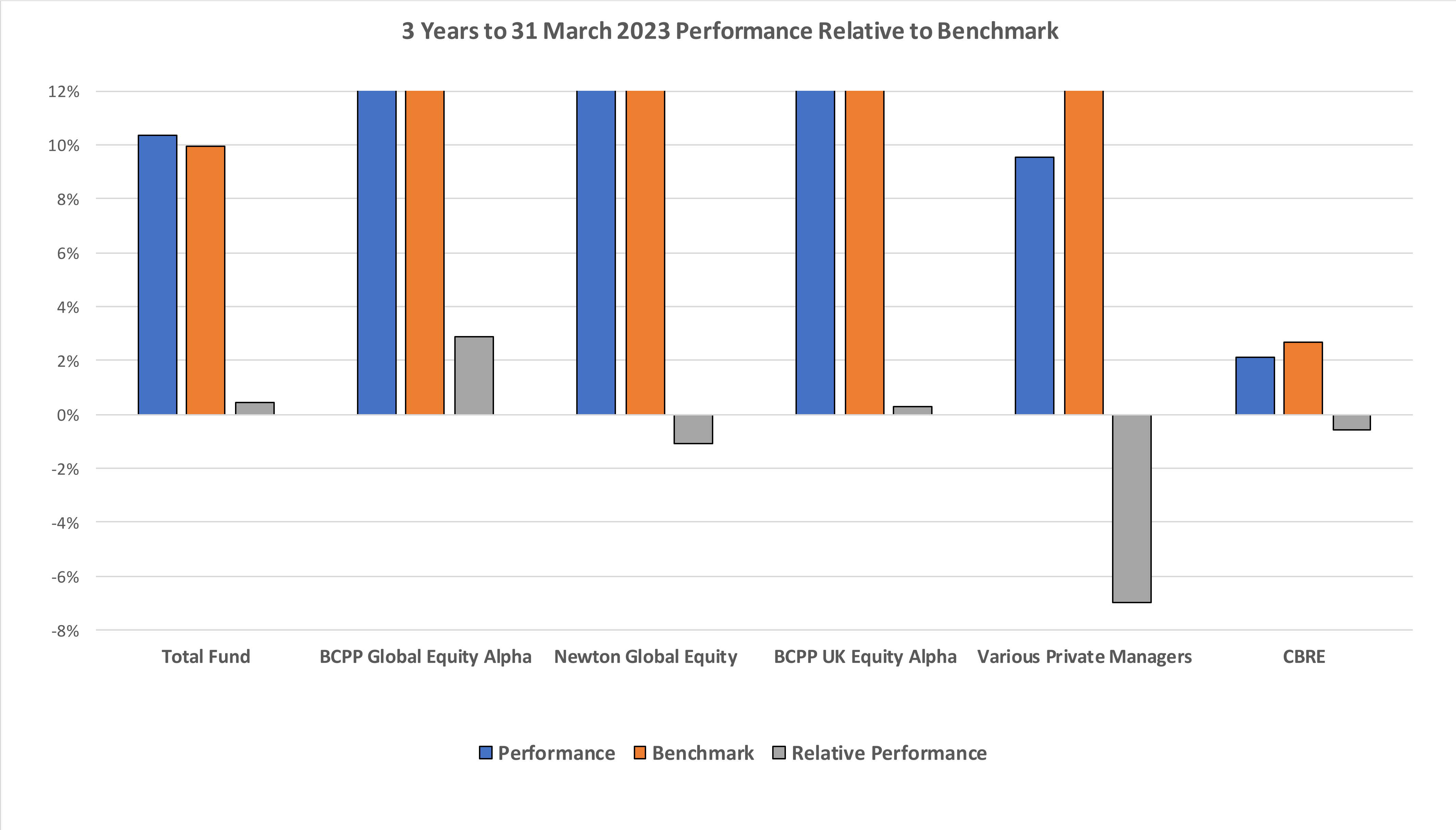
As at 31 Mar2023		3M				1Y				3Y		
Asset Class	£m	Performance	Benchmark	Relative Performance		Performance	Benchmark	Relative Performance		Performance	Benchmark	Relative Performance
Total Fund	**5,257.60***	3.39%	3.59%	-0.20%		-1.82%	-1.80%	-0.01%		10.36%	9.94%	0.42%
Active Global Equity	**1,230.5**											
BCPP Global Equity Alpha	739.5	6.51%	4.39%	2.11%		3.73%	-1.43%	5.17%		18.34%	15.47%	2.87%
Newton Global Equity	491.0	5.90%	4.39%	1.50%		-0.41%	-1.43%	1.02%		14.38%	15.47%	-1.08%
Active Regional Equity	**499.6**											
BCPP UK Equity Alpha	499.6	5.51%	3.08%	2.43%		-0.03%	2.92%	-2.96%		14.11%	13.81%	0.30%
Passive Global Equity	**925.7**											
LGIM - Future World Global	925.7	4.88%	4.99%	-0.11%		-1.03%	-0.74%	-0.29%				
Passive Regional Equity	**397.8**											
LGIM - Europe Ex-UK	51.6	8.75%	8.68%	0.07%		8.13%	7.64%	0.49%				
LGIM - FW Emerging Markets	11.1											
LGIM Emerging Markets	275.7	0.25%	0.14%	0.10%		-4.27%	-4.29%	0.02%		9.06%	8.98%	0.08%
LGIM - Japan	15.5	3.27%	3.12%	0.14%		1.97%	1.52%	0.45%				
LGIM - Asia Pacific ex-Japan	44.0	0.46%	0.43%	0.02%		-3.84%	-3.86%	0.02%				
Fixed Income	**689.8**											
BCPP MAC	563.6	2.72%	1.81%	0.90%		-3.32%	5.85%	-9.16%				
LGIM Gilts **	126.2	2.16%				-18.50%				-3.23%		
Private Markets Proxy	**250.7**											
BCPP Listed Alternatives	250.7	-0.87%	4.39%	-5.26%		-11.52%	-1.43%	-10.08%				
Private Markets	**795.2**											
Various Private Managers	795.2	-0.56%	4.81%	-5.37%		14.83%	-0.99%	15.82%		9.55%	16.51%	-6.96%
Real Estate	**307.8**											
CBRE	307.8	-3.64%	0.19%	-3.83%		-9.06%	-14.87%	5.81%		2.13%	2.69%	-0.56%
L&G Currency Overlay	22.6											
Total Cash & Equivalents	138.0											

* Includes £16.6m of money market funds

** Performance figures represent total Bespoke Fund (3M Gilt Return 2.93%, Liquidity Return 0.93%)


3 Months to 31 Mar 2023 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 March 2023 Active Manager Performance Relative to Benchmark
20%
15%
10%
5%
0%
-5%
-10%
-15%
-20%
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


3 Years to 31 March 2023 Performance Relative to Benchmark
12%
10%
8%
6%
4%
2%
0%
-2%
-4%
-6%
-8%
Total Fund
BCPP Global Equity Alpha
Newton Global Equity
BCPP UK Equity Alpha
Various Private Managers
CBRE
Performance
Benchmark
Relative Performance

Recent Transactions

17. 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.

18. 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.

19. 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.

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

21. As agreed in the December 2022 Committee meeting, a series of transactions are taking place. The emerging markets exposure of the Fund will move from a passive LGIM product to an actively managed BCPP product. Also, the exposure to UK equity will reduce and proceeds reinvested into LGIM FW Global. As at 31 March 2023, some of these transactions were in train.

Stock Lending

22. In the quarter to 31 March 2023, stock lending earned a net income for the Fund of £3,850 compared with £3,634 for the quarter ended 31 December 2022.

Mandate Change

23. During this quarter the investment management agreement with CBRE was amended. As discussed in the Committee meeting in 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.

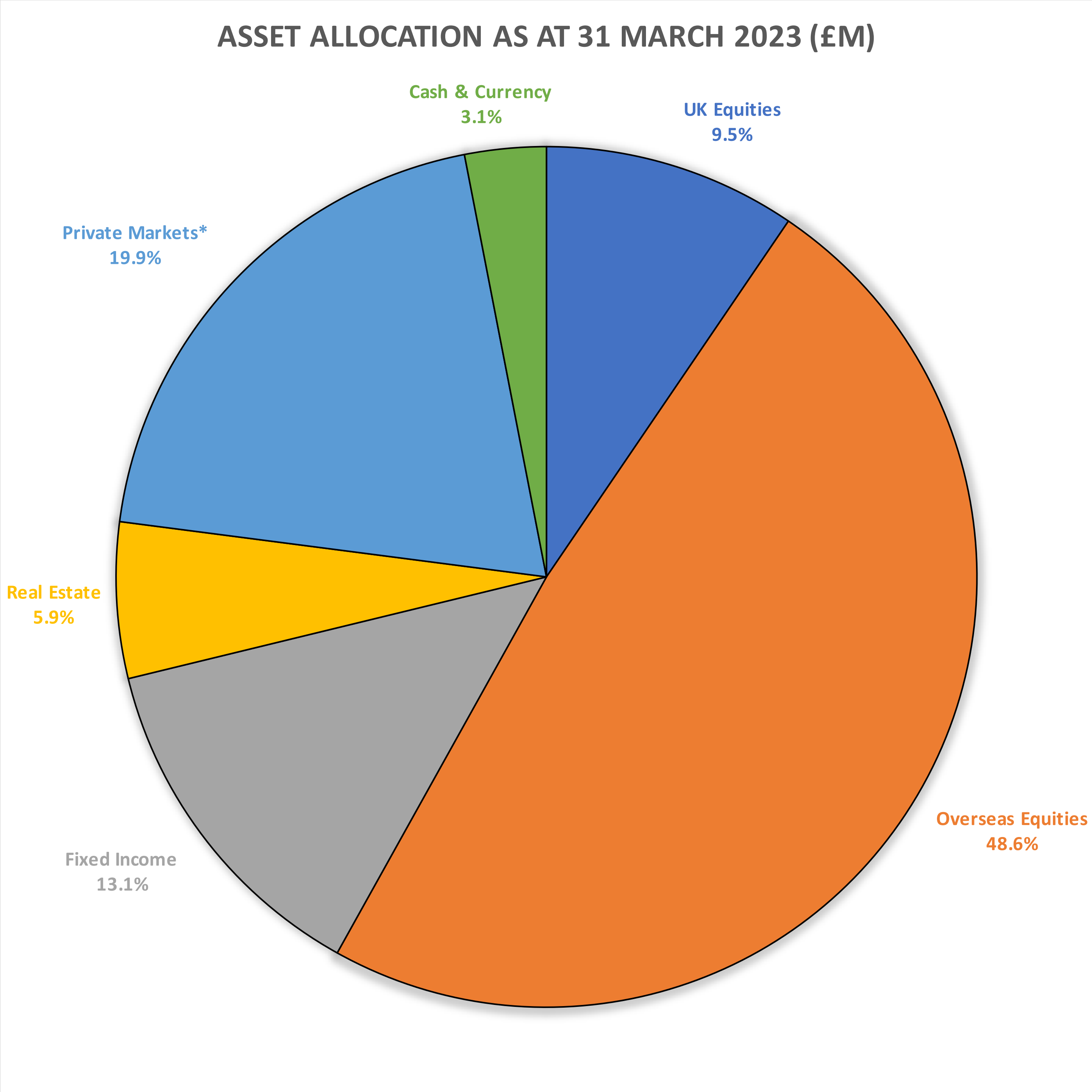
24. The MAC Income Withdrawal plan has now been initiated with a monthly income of approximately £1.7m being returned to the Fund.

Asset allocation

25. The table and the graph below show the target and actual asset allocations for the quarter ending 31 March 2023. These allocations were agreed by the Pension Fund Committee in the December 2022 meeting.

	Total Fund (£M)	Actual (%)	Target (%)	Advisory ranges %	Role(s) within the strategy
Listed Equities		**58.1%**	**54.8**	**51.8 – 57.8**	Generate returns in excess of inflation, through exposure to the shares of domestic and overseas companies.
UK	499.6	9.5%	6.6		
Global Market Cap	1,230.5	23.4%	21.4		
Global Regional	111.1	2.1%	2.2		
Emerging Markets	275.7	5.2%	5.5		
Global Sustainable	936.8	17.8%	19.1		
Alternatives		**25.7%**	**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 Equity	260.0	4.9%	5	2.0-8.0	
Private Infrastructure	381.4	7.3%	6	3.0-9.0	
Private Debt	127.9	2.4%	6	2.0-8.0	
Climate Opportunities	25.9	0.5%	3	0.0-6.0	
Listed Alternatives	250.7	4.8%			
Real Estate	307.8	5.9%	7.6	4.6–10.6	
Multi Asset Credit		**10.7%**	**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	563.6	10.7%	12.1		
Fixed Interest Gilts		**2.4%**	**5.5**	**2.5-8.5**	Low risk income stream
Fixed Interest Gilts	126.2	2.4%	5.5		
Cash & Currency Overlay	160.6	**3.1%**			
Total	**5,257.6**		**100**		

The graph below shows the asset allocation for the quarter ending 31 March 2023.



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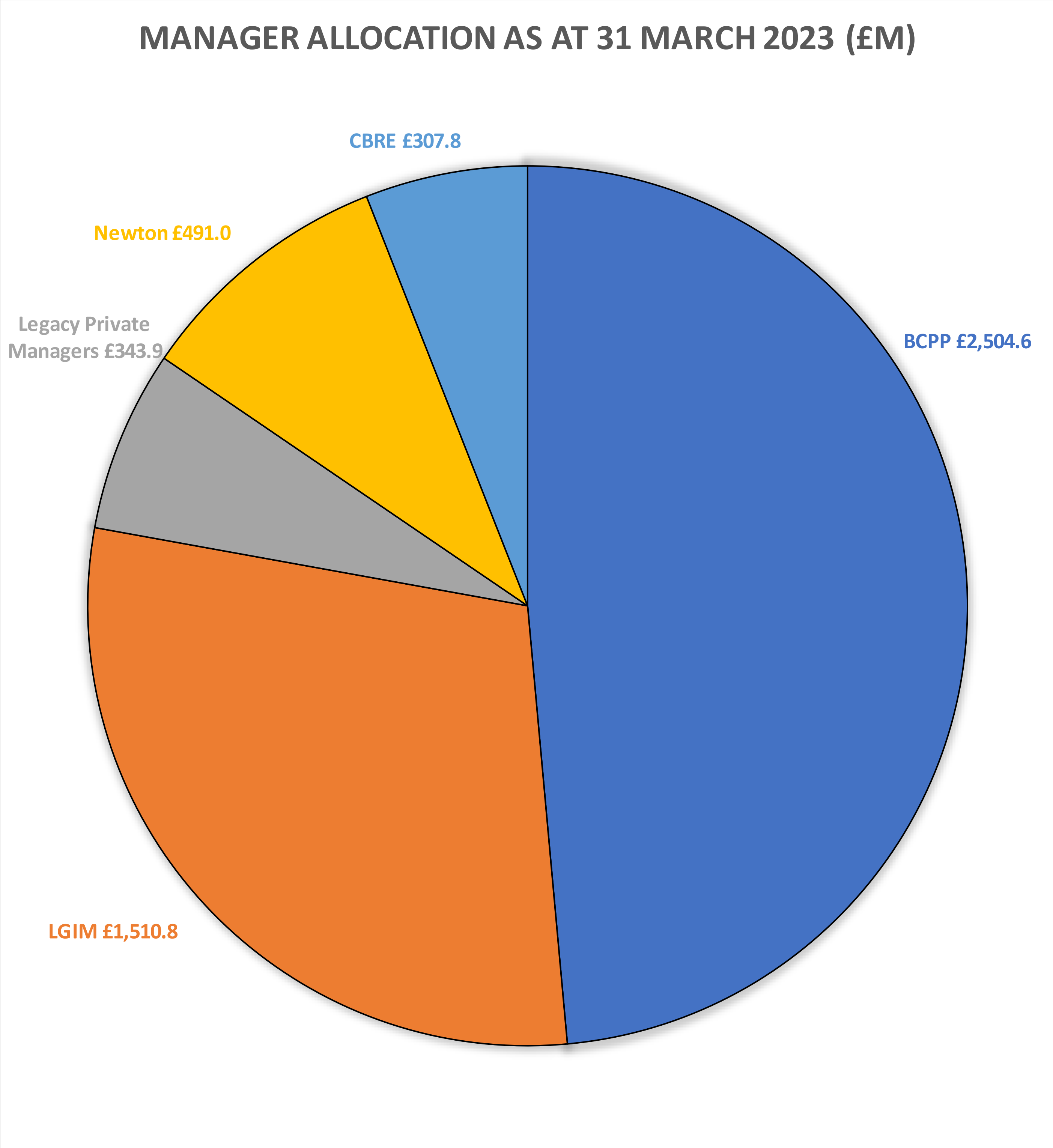
*Includes Listed Alternatives

Manager Allocation

The graph below shows the manager allocation for the quarter ending 31 March 2023.



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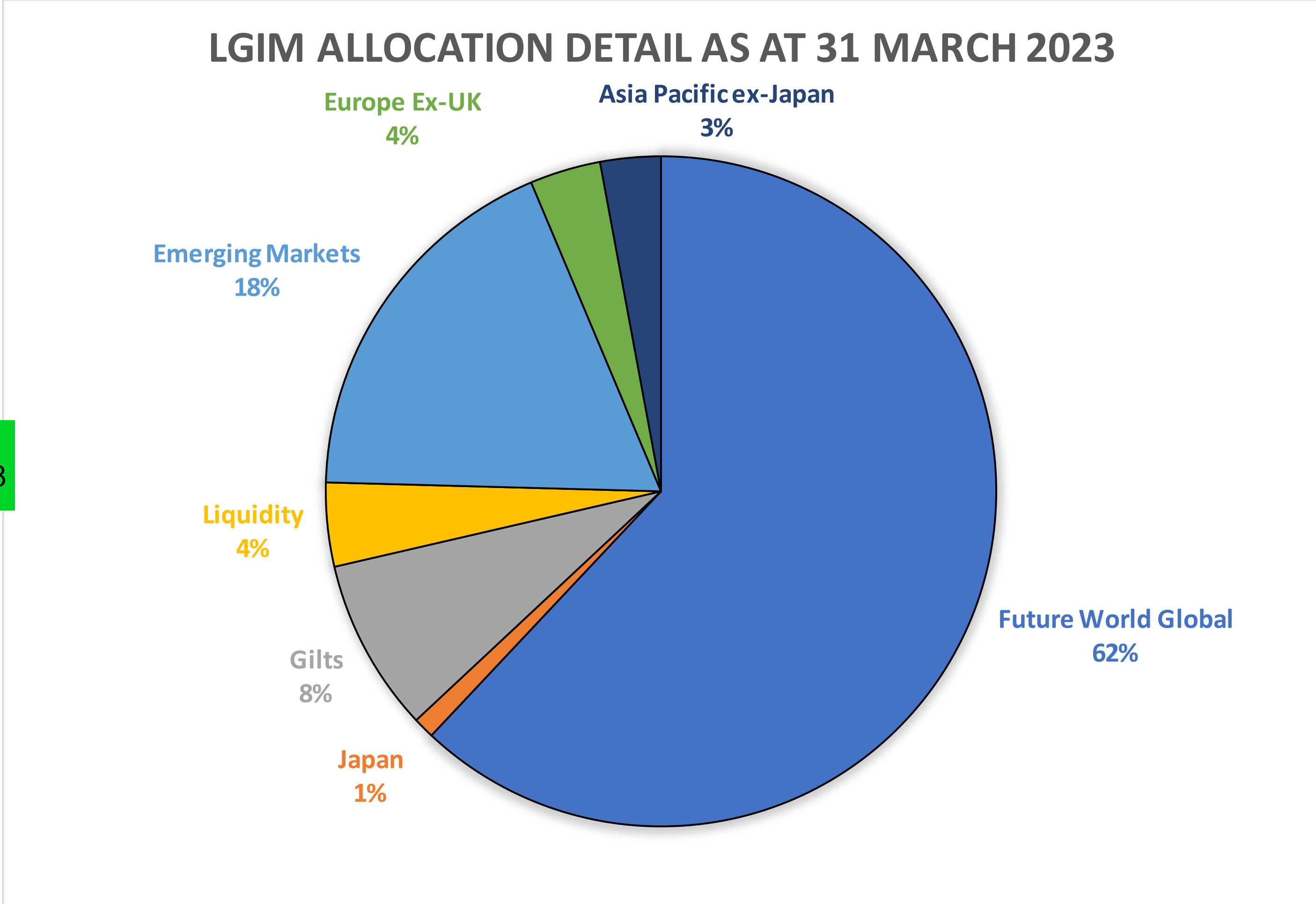
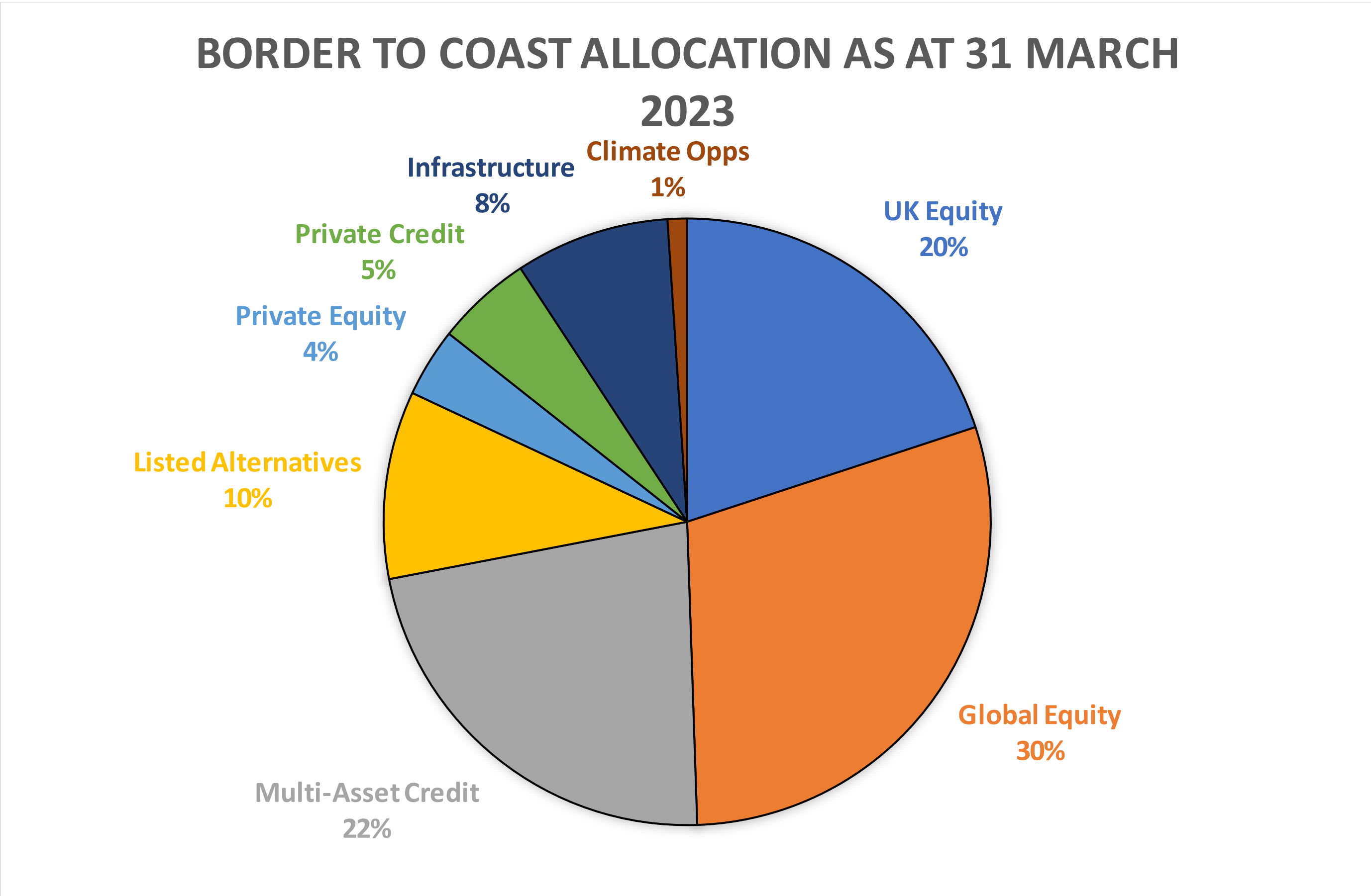

LGIM ALLOCATION DETAIL AS AT 31 MARCH 2023
Europe Ex-UK 4%
Asia Pacific ex-Japan 3%
Emerging Markets 18%
Liquidity 4%
Gilts 8%
Japan 1%
Future World Global 62%


BORDER TO COAST ALLOCATION AS AT 31 MARCH 2023
Infrastructure 8%
Climate Opps 1%
UK Equity 20%
Private Credit 5%
Private Equity 4%
Listed Alternatives 10%
Global Equity 30%
Multi-Asset Credit 22%

Cashflow

26. 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.

£m **Period**	**Total contributions received**	**Total pension benefits paid**	**Net cash-flow**
Quarter Three 2022/23 (1 Oct 2022 – 31 Dec 2022)	53.6	46.9	6.7
Quarter Four 2022/23 (1 Jan 2023 – 31 Mar 2023)	61.2	56.4	4.8

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

Period	**Active members**	**Deferred members**	**Pension members**	**Total members**
Quarter Three 2022/23 (1 Oct 2022 – 31 Dec 2022)	35,473	43,744	30,482	109,699
Quarter Four 2022/23 (1 Jan 2023 – 31 Mar 2023)	35,531	43,203	30,742	110,476

8

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 Future World Emerging Markets Equity LGIM Bespoke & Cash	FTSE Developed Europe ex-UK Net Tax (UKPN) Solactive L&G ESG Global Markets Net FTSE Japan NetTax (UKPN) FTSE Developed Asia Pacific ex-Japan NetTax (UKPN) FTSE Emerging NetTax (UKPN) Solactive L&G ESG EM Equity 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

8

CONSULTATION:

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

RISK MANAGEMENT AND IMPLICATIONS:

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

FINANCIAL AND VALUE FOR MONEY IMPLICATIONS

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

DIRECTOR CORPORATE FINANCIAL & COMMERCIAL COMMENTARY

31. 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

32. There are no legal implications or legislative requirements.

EQUALITIES AND DIVERSITY

33. 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

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

WHAT HAPPENS NEXT

35. The following next steps are planned:

    a) Continue to implement equity asset allocation restructure as agreed in the Committee meeting in December 2022.
    b) Continue transition into BCPP EM Equity Alpha
    c) Continue to monitor performance and asset allocation.

Contact Officer:
Lloyd Whitworth, Head of Investment & Stewardship

Consulted:
Pension Fund Committee Chair

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

Sources/background papers: None

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SURREY COUNTY COUNCIL

PENSION FUND COMMITTEE

DATE: **16 JUNE 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 completion of the actuarial work for the 2022 triennial valuation including the report from the actuary (Annexe 1)

approve the up to date Rates and Adjustments schedule (Annexe 2).

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:

New Rates and Adjustments schedule issued

1. The primary and secondary contribution rates for all employers in the Fund and the accompanying investment strategy are derived from the triennial valuation of the Fund's assets and liabilities.
2. Work is complete for the triennial valuation on 31 March 2022 (effective 1 April 2023).

Valuation report signed off	2.1	In line with the timetable, the valuation report was signed off prior to 31 March 2023.
Funding Strategy Statement published	2.2	The Funding Strategy Statement has been published on the Fund website.
New rates in effect	2.3	New employer contribution rates are now in effect from 1 April 2023. The Rates and Adjustments schedule for the current actuarial period is included in Annexe 2 for the Pension Fund Committee to approve.
Lessons learned session held	2.4	A completion meeting was held on 24 May 2023 to review elements of the valuation process that went well and to consider areas where improvements may be made. This will feed directly into planning for the 2025 valuation process.

CONSULTATION:

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

RISK MANAGEMENT AND IMPLICATIONS:

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

FINANCIAL AND VALUE FOR MONEY IMPLICATIONS

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

DIRECTOR OF CORPORATE FINANCE COMMENTARY

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6. 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

7. There are no legal implications or legislative requirements.

EQUALITIES AND DIVERSITY

8. There are no equality or diversity issues.

OTHER IMPLICATIONS

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

WHAT HAPPENS NEXT

10. The valuation work for the 2022 valuation is now complete. There are no further steps required.

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

Consulted:
Pension Fund Committee Chairman

Annexes:
1. Report from Fund Actuary (March 2023)
2. Rates and Adjustments schedule (June 2023)

Sources/background papers:
None

HYMANS ROBERTSON

Surrey Pension Fund

Report on the actuarial valuation at 31 March 2022

Steven Scott FFA
Gemma Sefton FFA

30 March 2023
For and on behalf of Hymans Robertson LLP

Use the menu bar above to navigate to each section.

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Contents

In this report:

Executive Summary

We have been commissioned by Surrey County Council (the Administering Authority) to carry out a valuation of the Surrey Pension Fund (the Fund) as at 31 March 2022. This fulfils Regulation 62 of the Local Government Pension Scheme Regulations 2013. This report is a summary of the valuation.

Contribution rates

The contribution rates for individual employers set at this valuation can be found in the Rates & Adjustments certificate. Table 1 shows the combined individual employer rates set at this valuation and the last valuation (31 March 2019).

Table 1: Whole fund contribution rates compared with the previous valuation

	This valuation 31 March 2022		Last valuation 31 March 2019	
Primary Rate	18.9% of pay		17.9% of pay	
Secondary Rate	2023/2024	£19,761,000	2020/2021	£32,181,000
	2024/2025	£19,231,000	2021/2022	£33,278,000
	2025/2026	£18,861,000	2022/2023	£34,503,000

- The Primary rate has increased mainly due to higher inflation
- The Secondary rate has decreased due to good investment performance since the last valuation

Funding position

At 31 March 2022, the past service funding position has improved from the last valuation at 31 March 2019. Table 2 shows the single reported funding position at the current and previous valuation.

Table 2: Single reported funding position at 31 March 2022 compared with 31 March 2019

Valuation Date	31 March 2022	31 March 2019
Past Service Liabilities	**(£m)**	**(£m)**
Employees	1,649	1,389
Deferred Pensioners	1,336	1,088
Pensioners	2,272	2,005
Total Liabilities	**5,257**	**4,483**
Assets	**5,358**	**4,286**
Surplus/(Deficit)	**101**	**(196)**
Funding Level	**102%**	**96%**

The required investment return to be 100% funded is now 4.3% pa (4.5% pa at 2019). The likelihood of the Fund's investment strategy achieving the required return is 72% (65% at 2019).

HYMANS ROBERTSON

Approach to valuation

Valuation Purpose

The triennial actuarial valuation is an important part of the Fund's risk management framework. Its main purpose is to ensure the Fund continues to have a contribution plan and investment strategy that will achieve the objectives set out in the Funding Strategy Statement.

We have been commissioned by Surrey County Council (the Administering Authority) to carry out a valuation of the Surrey Pension Fund (the Fund) as at 31 March 2022. This fulfils Regulation 62 of the Local Government Pension Scheme Regulations 2013. This report marks the culmination of the valuation process and contains its two key outcomes:

1. Employer contribution rates for the period 1 April 2023 to 31 March 2026.
2. The funding level of the Fund at 31 March 2022.

Further information on the valuation process, methodology and strategy is set out in the publicly available Funding Strategy Statement, Investment Strategy Statement and published papers and minutes of the Fund's Pension Fund Committee. Additional material is also contained in Hymans Robertson's LGPS 2022 valuation toolkit[1].

[1] www.hymans.co.uk/media/uploads/LGPS_2022_Valuation_Toolkit.pdf

Setting employer contribution rates

Employer contributions need to be set at a level which ensures the Fund has a reasonable likelihood of having enough money to pay members' benefits. Identifying the amount of benefits that may be paid is complex as those earned today might only start being paid in 50 years' time. Over that time period, there is significant uncertainty over factors which affect the cost of benefits, eg inflation, investment returns. These uncertainties are allowed for by taking a risk-based approach to setting employer contribution rates. This approach is built around three key funding decisions set by the Fund and asset-liability modelling.

Key funding decisions

For each employer, the Fund determines the most appropriate choice for the following three funding decisions. Further detail is set out in the Funding Strategy Statement.

What is the funding target for each employer?
Will the employer remain in the Fund for the long-term or exit at some point

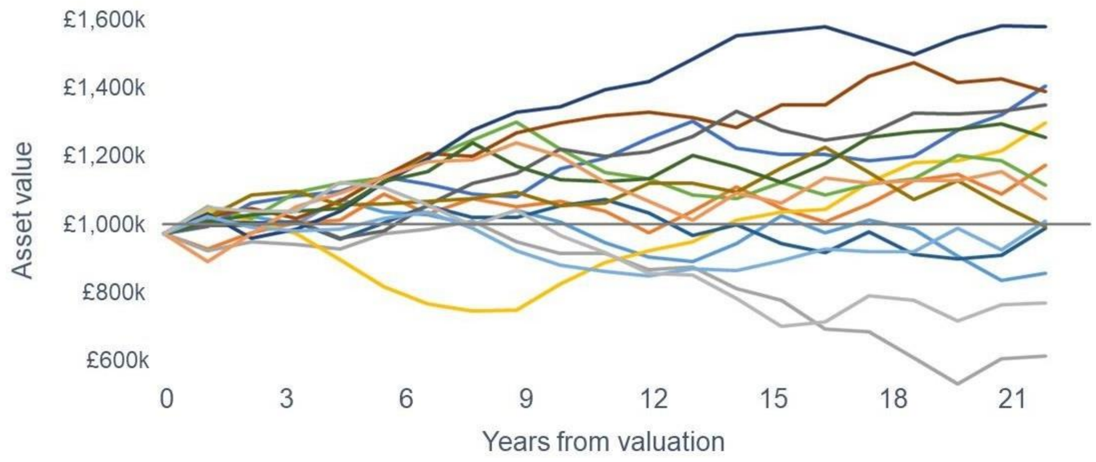
What is the funding time horizon?
How long will the employer participate in the Fund

What is the required likelihood?
How much funding risk can the employer's covenant support

Modelling approach

Asset-liability modelling is used to project each employer's assets and benefit payments into the future using 5,000 different economic scenarios. The economic scenarios are generated using Hymans Robertson's Economic Scenario Service (ESS) (further information in Appendix 2).

Picture 1: sample progression of employer asset values under different economic scenarios



Measuring the funding level

The past service funding level is measured at the valuation. Whilst it is limited in providing insight into a funding plan, it is a useful high-level summary statistic. To measure the funding level, a market-related approach is taken to calculating both the assets and the liabilities (so they are consistent with each other).

- The market value of the Fund's assets at the valuation date have been used.
- The liabilities have been valued using assumptions based on market indicators at the valuation date (these assumptions are detailed in Appendix 2).

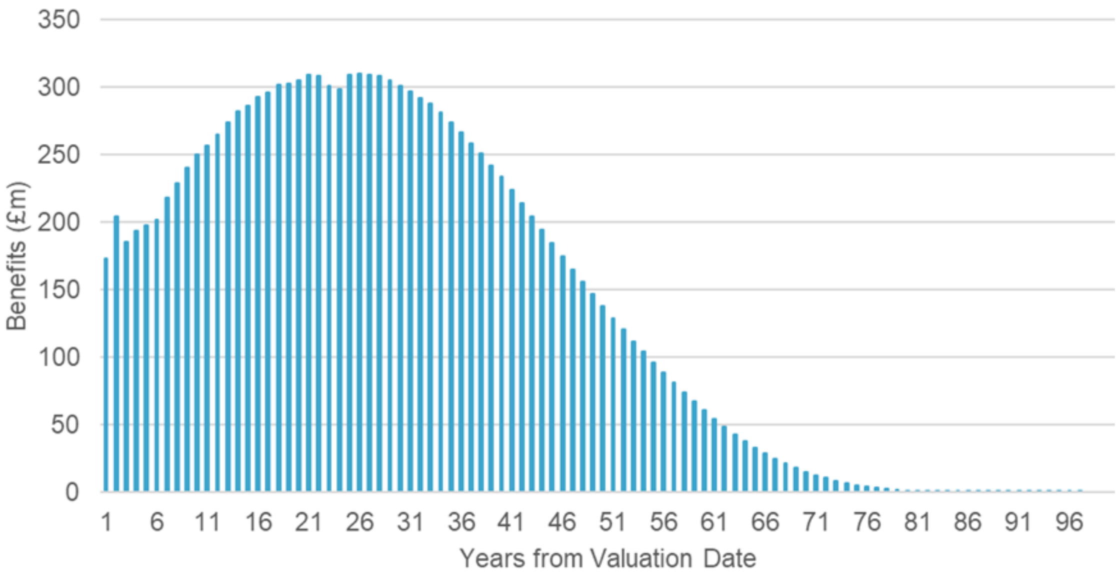
Further detail on the liabilities

The liabilities are the value of all future payments to members based on all benefits earned up to the valuation date, expressed in today's money.

Chart 1 shows the projected payments for all members in the Fund at the valuation date. The projections are based on the membership data provided for the valuation (Appendix 1), the assumptions (Appendix 2) and our understanding of the LGPS benefit structure as at 31 March 2022 (details at www.lgpsregs.org).

To express the future payments in today's money, the projections are discounted with an assumed future investment return on the Fund's assets (the discount rate).

Chart 1: projected benefit payments for all service earned up to 31 March 2022



HYMANS ROBERTSON

Valuation results

Employer contribution rates

The primary objective of the Fund is to set employer contribution rates that will adequately cover the cost of benefits which will accrue in the future and any costs related to benefits already earned. A secondary objective is to ensure the rates are as stable as possible. The risk-based approach detailed earlier is used to meet both these objectives.

The employer contribution rate is made up of two components.

1. A primary rate: the level sufficient to cover all new benefits.
2. A secondary rate: the costs associated with sufficiently funding benefits accrued up to the valuation date.

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Each employer has a contribution rate which is appropriate to their circumstances and these can be found in the Rates & Adjustments Certificate. Broadly speaking:

- Primary rates have increased since the last valuation due to rising inflation.
- Secondary rates have decreased due to strong investment performance since the previous valuation.

However all employers will be different and the contribution rate will reflect the membership and experiences of each employer.

Table 3 shows the total of all employer contribution rates to be paid into the Fund over the period 1 April 2023 to 31 March 2026.

Table 3: Whole-fund contribution rate, compared with the previous valuation

	This valuation 31 March 2022		Last valuation 31 March 2019	
Primary Rate	18.9% of pay		17.9% of pay	
Secondary Rate	2023/2024	£19,761,000	2020/2021	£32,181,000
	2024/2025	£19,231,000	2021/2022	£33,278,000
	2025/2026	£18,861,000	2022/2023	£34,503,000

The primary rate includes an allowance of 0.4% of pensionable pay for the Fund's expenses.

Employees pay a contribution to the Fund in addition to these rates. These rates are set by the LGPS Regulations. The average employee contribution rate at 31 March 2022 is 6.6% of pay (6.5% at 31 March 2019).

Funding level

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The funding level is the ratio of assets to liabilities. The market value of the assets at the valuation date are known. The value of the liabilities is uncertain given that the level of future investment returns are unknown.

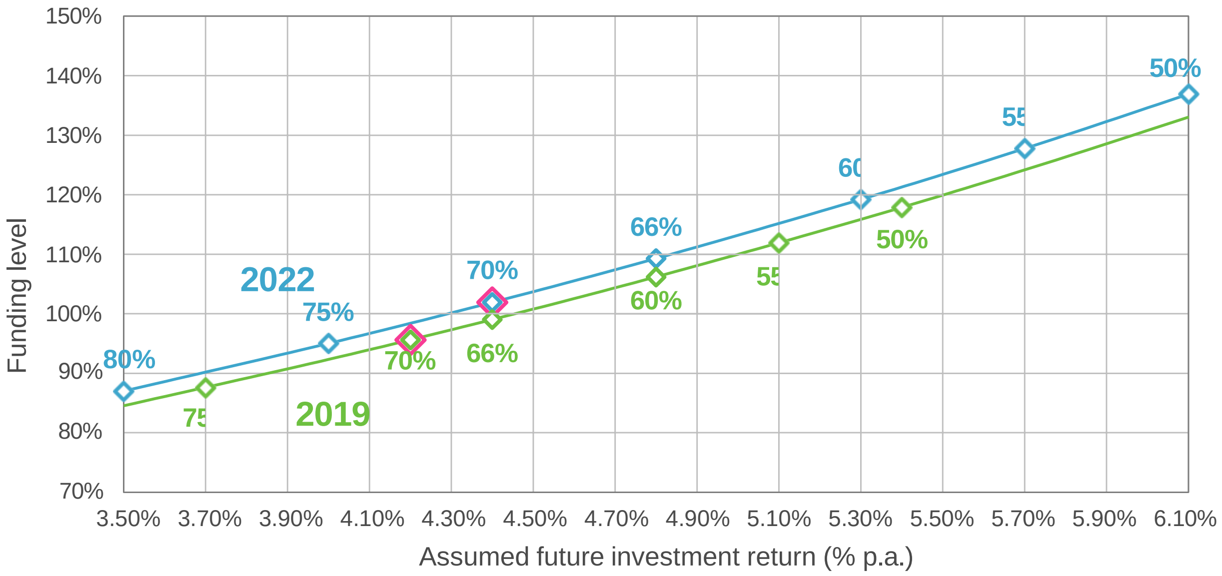
Therefore, the liabilities and funding level have been calculated across a range of different investment returns (the discount rate).

To help better understand funding risk, the likelihood of the Fund's investment strategy (detailed in Appendix 1) achieving certain levels of return has also been calculated.

Chart 2 shows how the funding level varies with future investment return assumptions at 31 March 2022 (blue line). The green line shows the same analysis at 31 March 2019.

- **The funding position at 2022 is stronger than 2019.**
- **The funding level is 100% if future investment returns are c.4.3% pa. The likelihood of the Fund's assets yielding at least this return is around 72%.**
- **The comparator at 2019 was a return of 4.5% pa which had a likelihood of 65%.**
- **There is a 50% likelihood of an investment return of 6.1% pa. So the best-estimate funding level is 138% at 31 March 2022 (117% at 2019).**

Chart 2: funding level across a range of future investment returns



Figures on each line show the likelihood of the Fund's assets exceeding that level of return over the next 20 years

Single funding level as at 31 March 2022

Whilst the chart on the previous page provides a better understanding of the past service funding position, there is still a requirement to report a single funding level at 31 March 2022.

To report a single funding level and funding surplus/deficit for the 2022 valuation, a discount rate of 4.4% pa has been used. There is a 70% likelihood associated with a future investment return of 4.4% pa.

Table 4 details the liabilities, split by member status and the market value of assets at the valuation date. The results at the 2019 formal valuation are shown for comparison.

The funding level and surplus/deficit figures provide a high-level snapshot of the funding position of the Fund as at 31 March 2022, however there are limitations:

- The liabilities are calculated using a single set of assumptions about the future and so are very sensitive to the choice of assumptions.
- The market value of assets held by the Fund will change on a daily basis.

The future progression of the funding position is uncertain. If the financial and demographic assumptions made at this valuation actually occur, employers pay contributions in line with the R&A certificate and there are no other changes in the financial or demographic environment, we project that the funding level at the next valuation (31 March 2025) will be approximately 101%.

Table 4: single reported funding level

Valuation Date	31 March 2022	31 March 2019
Past Service Liabilities	**(£m)**	**(£m)**
Employees	1,649	1,389
Deferred Pensioners	1,336	1,088
Pensioners	2,272	2,005
Total Liabilities	**5,257**	**4,483**
Assets	**5,358**	**4,286**
Surplus/(Deficit)	**101**	**(196)**
Funding Level	**102%**	**96%**

Important: *the reported funding level does not directly drive the contribution rates for employers. The contribution rates consider how assets and liabilities will evolve over time in different economic scenarios and also reflect each employer's funding profile and covenant.*

Changes since the last valuation

Events between 2019 and 2022

The most significant external event to occur since the last valuation has been the Covid-19 pandemic. The experience analysis below shows that there has sadly been a higher than expected number of deaths over the period. However, the impact on the funding position has been small. This is likely due to the age profile of the excess deaths and the level of pension.

Other significant factors occurring which affect the funding strategy of the Fund have been the better than expected investment returns. This has had a material positive impact on the funding position and employers' secondary contribution rates.

Financial

Table 5: analysis of financial experience between 2019 and 2022 valuations

	Expected	Actual	Difference	Impact on funding position
3 year period	13.1%	21.9%	8.8%	+£391m
Annual	4.2% pa	6.8% pa	2.6% pa	

Membership

Table 6: analysis of membership experience between 2019 and 2022 valuations

	Expected	Actual	Difference	Impact on funding position
Early leavers	15,083	18,335	3,252	+£8m
Ill-health retirements	139	105	-34	+£4m
Salary increases	3.8% pa	5.2% pa	1.4% pa	-£34m
Benefit increases	2.3% pa	1.8% pa	-0.6% pa	+£68m
Pension ceasing	£10.8m	£11.3m	£0.5m	+£7m

Changes since the last valuation

Future outlook

Expectations about the future, which inform the assumptions used to value the liabilities, have changed since the last valuation. The most significant changes are:

- Future inflation: this is expected to be on average higher than at 2019 due to the current level of high inflation.
- Investment returns: due to change in the financial markets, future investment returns are now expected to be higher than at the last valuation.

Table 7: summary of change in future outlook

Factor	What does it affect?	What's changed?	Impact on liabilities
Future investment returns	The rate at which future benefit payments are discounted back, ie the discount rate assumption	Future investment returns slightly higher at 2022 than at 2019. The required return is now 4.4% pa vs. 4.2% pa at 2019.	Decrease of £188m
Inflation	The rate at which pensions in payment and deferment and CARE pots increase	Significant increase in short-term future inflation expectations.	Increase of £356m
Salary increases	The rate at which future salaries increase. This affects benefits that are still linked to final salary, ie accrued before 1 April 2014	No material change since last valuation given competing factors e.g. tighter budgetary conditions vs. strong job market and pressure from National Living Wage increases.	Increase of £3m
Current life expectancy	How long we expect people to live for based on today's current observed mortality rates.	Slight reduction in life expectancy based on current observed data (not allowing for Covid-related excess deaths)	Decrease of £2m
Future improvements in life expectancy	How we expect life expectancies to change (increase) in the future.	Uncertainty about effectiveness of mitigations against life expectancy increases in the LGPS i.e. State Pension Age increases and Cost Cap. Need to better reflect wider pension and insurance industry long-term expectations.	Increase of £29m

Reconciling the overall change in funding position

The tables below provide insight into the funding position change between 31 March 2019 and 31 March 2022. Firstly, the changes we expect to happen (Table 8), which relate mostly to items on the asset side. Then the impact of actual experience (Table 9), which mainly affects the liabilities.

Expected development

Table 8: expected development of funding position between 2019 and 2022 valuations

Change in the surplus/deficit position	Surplus / Deficit
	£m
Last valuation at 31 March 2019	**(196)**
Cashflows	
Employer contributions paid in	459
Employee contributions paid in	128
Net transfers into / out of the Fund	(44)
Other cashflows (e.g. Fund expenses)	48
Expected changes	
Expected investment returns	585
Interest on benefits already accrued	(591)
Accrual of new benefits	(534)
Expected position at 31 March 2022	**(146)**

* We have insufficient data to value the impact on the liabilities as a result of transfers in/out

Impact of actual events

Table 9: impact of actual events on the funding position at 31 March 2022

Change in the surplus/deficit position	Surplus / Deficit
	£m
Expected position at 31 March 2022	**(146)**
Events between 2019 and 2022	
Salary increases greater than expected	(34)
Benefit increases greater than expected	68
Early retirement strain (and contributions)	(14)
Ill health retirement strain	4
Early leavers less than expected	8
Commutation less than expected	(7)
Pensions ceasing less than expected	7
McCloud remedy	(12)
Other membership experience	(13)
Higher than expected investment returns	391
Changes in future expectations	
Investment returns	188
Inflation	(356)
Salary increases	(3)
Longevity	(27)
Other demographic assumptions	47
Actual position at 31 March 2022	**101**

Numbers may not sum due to rounding

Sensitivity & risk analysis

Sensitivity and risk analysis: assumptions

There is risk and uncertainty inherent with funding benefit payments that will be paid out many years in the future. The Fund is aware of these and has in place a risk register which is regularly reviewed. Additionally, as part of the valuation, the Fund reviews sources of risk that may impact its funding position and the contribution rates payable by employers.

This section discusses some of the most significant sources of funding risk (assumptions, regulatory, administration and governance and climate change). Further information of the Fund's approach to funding risk management, including monitoring, mitigation and management, is set out in the Funding Strategy Statement.

The valuation results depend on the actuarial assumptions made about the future. By their nature, these assumptions are uncertain which means its important to understand their sensitivity and risk levels.

Contribution rates

The risk-based approach to setting employer contribution rates mitigates the limitation of relying on one set of assumptions. Therefore, there is no need to carry out additional analysis of the sensitivity of contribution rates to changes in financial assumptions. The contribution rates are sensitive to changes in demographic assumptions. The results in this section in relation to the funding position can be broadly applied to the contribution rates.

Funding level

Financial assumptions

On page 10, we have already set out how the results vary with the assumed future investment return. The table below considers inflation.

Table 10: sensitivity of funding position to inflation assumption

CPI Assumption	Surplus/ (Deficit)	Funding Level
% pa	(£m)	%
2.5%	265	105%
2.7%	101	102%
2.9%	(69)	99%

Demographic assumptions

The main area of demographic risk is if people live longer than expected. The table below shows the impact of longer term longevity rates improving at a faster rate (1.75% pa vs 1.5% pa used in the results)

Table 11: sensitivity of funding position to longevity assumption

Long term rate of improvement	Surplus/ (Deficit)	Funding Level
% pa	(£m)	%
1.5%	101	102%
1.75%	61	101%

Sensitivity and risk analysis: other risks

Regulatory, Administration and Governance risks
Potential risks in this area include change in central government legislation which changes the future cost of the LGPS and failures in administration processes leading to incorrect data and inaccuracies in actuarial calculations. At this valuation, specific risks include:

- **McCloud:** the remedy to resolve the McCloud case is yet to be formalised in regulations. However, an allowance has been included for this expected benefit change at the 2022 valuation as directed by the Department of Levelling Up, Housing and Communities in their letter dated March 2022[1].
- **Goodwin:** the remedy to this issue is still uncertain, it is difficult to identify who it would apply to and its impact is estimated to be very small for a LGPS fund (0.1-0.2% of liabilities). Therefore, no allowance has been made for this case at the 2022 valuation.
- **Cost Cap:** a legal challenge is ongoing in relation to the 2016 cost cap valuation and no information is known about the outcome of the 2020 cost cap valuation. At this valuation, no allowance has been made for any changes to the benefit structure that may occur as a result of a cost cap valuation.
- **GMP indexation:** it is assumed that all increases on GMPs for members reaching State Pension Age after 6 April 2016 will be paid for by LGPS employers. This is the same approach that was taken for the 2019 valuation.

Post valuation events
Since 31 March 2022, there has been significant volatility in the financial markets, short-term inflation expectations and rises in interest rates by central banks. These events affect the value of the Fund's assets and liabilities.

- The Fund's investment return since 31 March 2022 is estimated to be somewhere between nil% and -5%.
- Liability valuations are likely to be lower now than at 31 March 2022 due to rises in expected future investment returns more than offsetting the higher than expected (10.1%) pension increase at April 2023.

As an open scheme, with a strong covenant, the Fund takes a long-term view when considering the funding impact of such events. For employers who have a very short time horizon, recent volatility may be more immediately impactful, and the Fund has engaged with these employers as appropriate.

No explicit allowance has been made for this volatility in the valuation results or contribution rates detailed in the Rates & Adjustments Certificate. The Fund will continue to monitor changes in the financial and demographic environment as part of its ongoing risk management approach.

1 www.lgpslibrary.org/assets/bulletins/2022/222AppA.pdf

Sensitivity and risk analysis: climate change

Background
Climate change is a major source of uncertainty which could affect future investment returns, inflation and life expectancies. Therefore, the Fund has explicitly explored the resilience of its funding and investment strategy to future potential climate change outcomes.

It is impossible to confidently quantify the effect of climate risk given the significant uncertainty over the impact of different possible climate outcomes. Instead, three different climate change scenarios have been considered as a stress-test (instead of trying to predict how climate change affects the funding level in the future).

All the scenarios assume that there will be a period of disruption linked either to the response to climate risk (transition risks) or the effect of it (physical risks). This disruption will lead to high volatility in financial markets, and the later the disruption, the more pronounced it will be.

Further detail on the scenarios is shown on the next page and in our guide 10 of Hymans Robertson's LGPS 2022 valuation toolkit[1]

Outcome of analysis
The Fund has set its funding and investment strategy using asset-liability modelling and considering two main risk metrics:

- Likelihood of success – the chance of being fully funded in 20 years' time
- Downside risk – the average worst 5% of funding levels in 20 years' time

When exploring the potential impact of climate change, the Fund has compared how these risk metrics change under each climate change scenario (against the '*Core'* model used when setting the funding and investment strategy). The stress test results for the Fund are shown in Table 12 below.

Table 12: sensitivity of funding position to climate change assumption

Scenario	Likelihood of success	Downside risk
Core	**74%**	**47%**
Green Revolution	75%	48%
Delayed Transition	73%	43%
Head in the Sand	68%	39%

The results are worse in the climate scenarios. This is to be expected given that they are purposefully stress-tests and all the scenarios are bad outcomes. Whilst the risk metrics are weaker, they are not materially so and not enough to suggest that the funding and investment strategy are unduly exposed to climate change risk. The Fund will continue to monitor this risk as more information emerges and climate change modelling techniques evolve.

1 www.hymans.co.uk/media/uploads/LGPS_2022_Valuation_Toolkit.pdf

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Final comments

Final comments

The Fund's valuation operates within a broader framework, and this document should be considered alongside the following:

- The Funding Strategy Statement, which in particular highlights how different types of employer in different circumstances have their contributions calculated
- The Investment Strategy Statement, which sets out the investment strategy for the Fund
- The general governance of the Fund, such as meetings of the Pension Fund Committee and Local Pensions Board, decisions delegated to officers, and the Fund's business plan.
- The Fund's risk register

New employers joining the Fund

Any new employers or admission bodies joining the Fund should be referred to the Fund Actuary to assess the required level of contribution. Depending on the number of transferring members the ceding employer's rate may also need to be reviewed.

Cessations and bulk transfers

Any employer who ceases to participate in the Fund should be referred to the Fund Actuary in accordance with Regulation 64 of the LGPS regulations.

Any bulk movement of scheme members:

- involving 10 or more scheme members being transferred from or to another LGPS fund
- involving 2 or more scheme members being transferred from or to a non-LGPS pension arrangement

should be referred to the Fund Actuary to consider the impact on the Fund.

Valuation frequency

Under the LGPS regulations, the next formal valuation of the Fund is due to be carried out as at 31 March 2025 where contribution rates payable from 1 April 2026 will be set.

Steven Scott FFA
30 March 2023
For and on behalf of Hymans Robertson LLP

Gemma Sefton FFA

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Appendices

APPENDIX 1

Data

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Membership data
A summary of the membership data provided by the Fund for the 2022 valuation is set out in Table 13. The corresponding membership data from the previous valuation is also shown for reference.

The results of the valuation are dependent on the quality of the data used. We have carried out a series of validation checks on the data supplied to us by the Administering Authority to ensure that it is fit for purpose.

Asset data
To check the membership data and derive employer asset values, we have used asset and accounting data and employer level cashflow data provided by the Fund.

Table 13: Whole fund membership data as at 31 March 2022 and 31 March 2019

Whole Fund Membership Data	This Valuation 31 March 2022	Last Valuation 31 March 2019
Employee members		
Number	34,880	33,993
Total actual pay (£000)	663,201	578,465
Total accrued pension (£000)	102,978	87,814
Average age (liability weighted)	53.0	52.4
Future working lifetime (years)	6.3	6.5
Deferred pensioners (including undecideds)		
Number	59,665	57,079
Total accrued pension (£000)	81,581	67,008
Average age (liability weighted)	52.5	51.7
Pensioners and dependants		
Number	28,715	25,981
Total pensions in payment (£000)	149,092	132,805
Average age (liability weighted)	69.7	68.9

APPENDIX 1

Data

Investment strategy

A summary of the investment strategy allocation used for the calculation of employer contribution rates and to derive the future assumed investment return is set out in Table 14.

This information is as set out in the Fund's Investment Strategy Statement.

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Table 14: Investment strategy used for the 2022 valuation

% allocation	Core Strategy
UK equities	12.0%
Global equities	39.0%
Infrastructure (unlisted equity)	6.0%
Private equity	5.0%
Emerging markets	3.8%
Private debt	6.0%
Miscellaneous alternatives	3.0%
Fixed interest Gilts	5.5%
Multi asset credits	12.1%
Property	7.6%

APPENDIX 2

Assumptions

To set and agree assumptions for the valuation, the Fund carried out in-depth analysis and review in May 2022 with the final set agreed by the Pension Fund Committee on 17 June 2022.

Financial assumptions

Setting employer contribution rates

An asset-liability model is used to set employer contributions at the 2022 valuation. This model relies on Hymans Robertson's proprietary economic model, the Economic Scenario Service (ESS). The ESS reflects the uncertainty associated with future levels of inflation and asset returns and the interactions and correlations between different asset classes and wider economic variables. In the short term (first few years), the models are fitted with current financial market expectations. Over the longer term, models are built around views of fundamental economic parameters, for example equity risk premium, credit spreads and long term inflation. The table below shows the calibration of the ESS at 31 March 2022. Further information on the assumptions used for contribution rate setting is included in the Funding Strategy Statement.

Table 15: ESS individual asset class return distributions at 31 March 2022

		Asset class annualised total returns											Inflation/Yields			
Time period	Percentile	Cash	Index Linked Gilts (long)	UK Equity	Private Equity	Emerging Market Debt	Unlisted Infrastructure Equity	Multi Asset Credit	Global High Yield Debt	All World ex UK Equity	Asset Backed Securities	Corporate Debt	Inflation (RPI)	Inflation (CPI)	17 year real yield (CPI)	17 year yield
10 years	16th	0.8%	-1.9%	-0.3%	-0.4%	-0.7%	-1.2%	-0.6%	-2.5%	0.7%	1.7%	0.6%	2.4%	1.6%	-1.7%	1.1%
	50th	1.8%	0.2%	1.1%	5.7%	5.6%	9.4%	4.4%	5.8%	5.9%	3.5%	3.4%	4.1%	3.3%	-0.5%	2.5%
	84th	2.9%	2.4%	2.4%	11.6%	11.7%	20.1%	9.5%	14.4%	11.2%	5.2%	5.8%	5.7%	4.9%	0.7%	4.3%
20 years	16th	1.0%	-1.5%	0.7%	1.7%	1.5%	2.4%	1.4%	0.1%	2.6%	2.8%	2.1%	1.6%	1.2%	-0.7%	1.3%
	50th	2.4%	0.1%	1.5%	6.2%	6.1%	10.0%	5.0%	6.3%	6.5%	4.4%	4.2%	3.1%	2.7%	1.1%	3.2%
	84th	4.0%	1.9%	2.2%	10.6%	10.8%	17.6%	8.9%	12.8%	10.6%	6.0%	6.4%	4.7%	4.3%	2.7%	5.7%
40 years	16th	1.2%	-0.3%	1.5%	3.2%	3.1%	4.7%	2.6%	2.1%	3.9%	3.6%	3.1%	1.1%	0.9%	-0.6%	1.1%
	50th	2.9%	1.2%	2.3%	6.7%	6.5%	10.3%	5.5%	6.8%	7.0%	5.3%	5.1%	2.4%	2.2%	1.3%	3.3%
	84th	4.9%	3.1%	3.5%	10.2%	10.2%	16.1%	8.8%	11.7%	10.3%	7.1%	7.2%	3.9%	3.7%	3.2%	6.1%
	Volatility (5yr)	2%	7%	6%	18%	19%	30%	15%	26%	15%	6%	8%	3%	3%		

APPENDIX 2

Assumptions

Financial assumptions
Calculating the funding level

The table below summarises the assumptions used to calculate the funding level at 31 March 2022, along with a comparison at the last valuation.

Table 16: Summary of assumptions used for measuring the funding level, compared to last valuation on 31 March 2019

Assumption	31 March 2022	Required for	31 March 2019
Discount rate	4.4% pa	To place a present value on all the benefits promised to scheme members at the valuation date. The Fund's assets are estimated to have a 70% likelihood of returning above the discount rate.	4.2% pa
Benefit increases/CARE revaluation	2.7% pa	To determine the size of future benefit payments.	2.3% pa
Salary increases	3.7% pa*	To determine the size of future final-salary linked benefit payments.	3.2% pa*

*plus a promotional salary scale

Allowing for the McCloud remedy

Allowance has been included for this expected benefit change at the 2022 valuation as directed by the Department of Levelling Up, Housing and Communities in their letter dated March 2022[1]. Further technical detail about this assumption is set out in guide 13 of Hymans Robertson's LGPS 2022 valuation toolkit[2]

1 www.lgpslibrary.org/assets/bulletins/2022/222AppA.pdf

2 www.hymans.co.uk/media/up PS_2022_Valuation_Toolkit.pdf

APPENDIX 2

Assumptions

Demographic assumptions

The same demographic assumptions are used in setting contribution rates and assessing the current funding level.

Longevity

Table 17: Summary of longevity assumptions

	This valuation 31 March 2022	Last valuation 31 March 2019
Baseline assumption	VitaCurves based on member-level lifestyle factors	VitaCurves based on member-level lifestyle factors
Future improvements	**CMI 2021 model** Initial addition = **0.25%** Smoothing factor = **7.0** **1.5% pa** long-term rate of improvement	**CMI 2018 model** Initial addition = **0.25%** Smoothing factor = **7.0** **1.25% pa** long-term rate of improvement

Further information on these assumptions can be provided upon request. Sample rates are included on the next page.

Other demographic assumptions

Table 18: Summary of other demographic assumptions

Death in service	See sample rates in Tables 19 & 20
Retirements in ill health	See sample rates in Tables 19 & 20
Withdrawals	See sample rates in Tables 19 & 20
Promotional salary increases	See sample rates in Tables 19 & 20
Commutation	55% of future retirements elect to exchange pension for additional tax free cash up to HMRC limits
50:50 option	0.0% of members (uniformly distributed across the age, service and salary range) will choose the 50:50 option
Retirement age	The earliest age at which a member can retire with their benefits unreduced
Family details	A varying proportion of members are assumed to have a dependant at retirement or on earlier death. For example, at age 60 this is assumed to be 90% for males and 85% for females. The dependant of a male member is assumed to be 3 years younger than him and the dependent of a female member is assumed to be 3 years older than her.

APPENDIX 2

Assumptions

Sample rates for demographic assumptions

Males

Table 19: Sample rates of male demographic assumptions

Age	Salary Scale	Death Before Retirement	Withdrawals		Ill Health Tier 1		Ill Health Tier 2	
		FT & PT	FT	PT	FT	PT	FT	PT
20	105	0.17	404.31	813.01	0.00	0.00	0.00	0.00
25	117	0.17	267.06	537.03	0.00	0.00	0.00	0.00
30	131	0.20	189.49	380.97	0.00	0.00	0.00	0.00
35	144	0.24	148.05	297.63	0.10	0.07	0.02	0.01
40	150	0.41	119.20	239.55	0.16	0.12	0.03	0.02
45	157	0.68	111.96	224.96	0.35	0.27	0.07	0.05
50	162	1.09	92.29	185.23	0.90	0.68	0.23	0.17
55	162	1.70	72.68	145.94	3.54	2.65	0.51	0.38
60	162	3.06	64.78	130.02	6.23	4.67	0.44	0.33
65	162	5.10	0.00	0.00	11.83	8.87	0.00	0.00

Females

Table 20: Sample rates of female demographic assumptions

Age	Salary Scale	Death Before Retirement	Withdrawals		Ill Health Tier 1		Ill Health Tier 2	
		FT & PT	FT	PT	FT	PT	FT	PT
20	105	0.10	352.42	467.37	0.00	0.00	0.00	0.00
25	117	0.10	237.14	314.44	0.10	0.07	0.02	0.01
30	131	0.14	198.78	263.54	0.13	0.10	0.03	0.02
35	144	0.24	171.57	227.38	0.26	0.19	0.05	0.04
40	150	0.38	142.79	189.18	0.39	0.29	0.08	0.06
45	157	0.62	133.25	176.51	0.52	0.39	0.10	0.08
50	162	0.90	112.34	148.65	0.97	0.73	0.24	0.18
55	162	1.19	83.83	111.03	3.59	2.69	0.52	0.39
60	162	1.52	67.55	89.37	5.71	4.28	0.54	0.40
65	162	1.95	0.00	0.00	10.26	7.69	0.00	0.00

Figures are incidence rates per 1,000 members except salary scale. FT and PT denoted full-time and part-time members respectively.

APPENDIX 3

Reliances and limitations

We have been commissioned by Surrey County Council ("the Administering Authority") to carry out a full actuarial valuation of the Surrey Pension Fund ("the Fund") as at 31 March 2022 as required under Regulation 62 of the Local Government Pension Scheme Regulations 2013 ("the Regulations").

This report is addressed to the Administering Authority. It has been prepared by us as actuaries to the Fund and is solely for the purpose of summarising the main outcomes of the 2022 actuarial valuation. It has not been prepared for any other third party or for any other purpose. We make no representation or warranties to any third party as to the accuracy or completeness of this report, no reliance should be placed on this report by any third party and we accept no responsibility or liability to any third party in respect of it.

Hymans Robertson LLP is the owner of all intellectual property rights in this report. All such rights are reserved.

This summary report is the culmination of other communications in relation to the valuation, in particular:

- Our 2022 valuation toolkit which sets out the methodology used when reviewing funding plans
- Our paper to the Fund's Pension Fund Committee dated 23 August 2022 which discusses the funding strategy for the Fund's councils
- Our paper to the Fund's Pension Committee dated 23 May 2022 which discusses the valuation assumptions
- Our initial results report dated 14 October 2022 which outlines the whole fund results and inter-valuation experience
- Our data report dated March 2023 which summarises the data used for the valuation, the approach to ensuring it is fit for purpose and any adjustments made to it during the course of the valuation
- The Funding Strategy Statement which details the approach taken to adequately fund the current and future benefits due to members

The totality of our advice complies with the Regulations as they relate to actuarial valuations.

The following Technical Actuarial Standards apply to this advice, and have been complied with where material and to a proportionate degree. They are:

- TAS100 – Principles for technical actuarial work
- TAS300 – Pensions

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APPENDIX 4

Glossary

Term	Explanation
50:50 option	An option for LGPS members to pay half contributions and earn half the retirement benefit (pre-retirement protection benefits are unreduced).
Asset-liability modelling	An approach to modelling and understanding risk for a pension fund. The assets and liabilities are projected forward into the future under many different future scenarios of inflation, investment returns and interest rates. The future scenarios are then analysed to understand the risk associated with a particular combination of contribution rates and investment strategy. Different combinations of contribution rates and/or investment strategies may be tested.
Baseline longevity	The rates of death (by age and sex) in a given group of people based on current observed data.
Club Vita	A firm of longevity experts we partner with for longevity analysis. They combine data from thousands of pension schemes and use it to create detailed baseline longevity assumptions at member-level, as well as insight on general longevity trends and future improvements.
Commutation	The option for members to exchange part of their annual pension for a one-off lump sum at retirement. In the LGPS, every £1 of pension exchanged gives the member £12 of lump sum. The amounts that members commute is heavily influenced by tax rules which set an upper limit on how much lump sum can be taken tax-free.
CPI inflation	The annual rate of change of the Consumer Prices Index (CPI). The CPI is the UK government’s preferred measure of inflation and is the measure used to increase LGPS (and all other public sector pension scheme) benefits each year.
Deferred pensioners	A former employee who has left employment (or opted out of the pension fund) but is not yet in receipt of their benefits from the fund.
Demographic assumptions	Assumptions concerned with member and employer choices rather than macroeconomic or financial factors. For example, retirement age or promotional salary scales. Demographic assumptions typically determine the timing of benefit payments.

APPENDIX 4

Glossary

Term	Explanation
Discount rate	A number used to place a single value on a stream of future payments, allowing for expected future investment returns.
Employee members	Members who are currently employed by employers who participate in the fund and paying contributions into the fund.
ESS	Economic Scenario Service - Hymans Robertson's proprietary economic scenario generator used to create thousands of simulations of future inflation, asset class returns and interest rates.
Funding position	The extent to which the assets held by the fund at 31 March 2022 cover the accrued benefits ie the liabilities. The two measures of the funding position are: • the funding level - the ratio of assets to liabilities; and • the funding surplus/deficit - the difference between the asset and liabilities values.
Inflation	Prices tend to increase over time, which is called inflation. Inflation is measured in different ways, using a different 'basket' of goods and mathematical formulas.
Liabilities	An employer's liability value is the single value at a given point in time of all the benefit payments expected to be made in future to all members. Benefit payments are projected using demographic and financial assumptions and the liability is calculated using a discount rate.
Longevity improvements	An assumption about how rates of death will change in future. Typically we assume that death rates will fall and life expectancies will improve over time, continuing the long-running trend.
Pensioners	A former employee who is in receipt of their benefits from the fund. This category includes eligible dependants of the former employee.

APPENDIX 4

Glossary

Term	Explanation
Primary rate	The estimated cost of future benefits, expressed in percentage of pay terms. The primary rate will include an allowance to cover the fund’s expenses.
Prudence	To be prudent means to err on the side of caution in the overall set of assumptions. We build prudence into the choice of discount rate by choosing an assumption with a prudence Level of more than 50%. All other assumptions aim to be best estimate.
Prudence Level	A percentage indicating the likelihood that a discount rate assumption will be achieved in practice, based on the ESS model. The higher the prudence level, the more prudent the discount rate is.
Secondary rate	An adjustment to the primary rate, generally to reflect costs associated with benefits that have already been earned up to the valuation date. This may be expressed as a percentage of pay and/or monetary amount.
Withdrawal	Refers to members leaving the scheme before retirement. These members retain an entitlement to an LGPS pension when they retire, but are no longer earning new benefits.

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Rates & Adjustments certificate

Rates and Adjustments Certificate

In accordance with Regulation 62 of the LGPS regulations, we have assessed the contributions that should be paid into the Surrey Pension Fund (the Fund) by participating employers for the period 1 April 2023 to 31 March 2026 in order to maintain the solvency of the Fund.

The method and assumptions used to calculate the contributions set out in this Rates and Adjustments certificate are detailed in the Funding Strategy Statement dated March 2023 and in Appendix 2 of the report on the actuarial valuation dated 30 March 2023. These assumptions underpin our estimate of the number of members who will become entitled to a payment of pensions under the provisions of the LGPS and the amount of liabilities arising in respect of such members.

The table below summarises the whole fund primary and secondary contribution rates for the period 1 April 2023 to 31 March 2026. The primary rate is the payroll weighted average of the underlying individual employer primary rates and the secondary rate is the total of the underlying individual employer secondary rates, calculated in accordance with the LGPS regulations and CIPFA guidance. The secondary rate has been shown both as a monetary amount and an equivalent percentage of the projected pensionable pay.

		This valuation 31 March 2022	
Primary rate		18.9% of pay	
Secondary rate		Monetary amount	Equivalent to % of payroll
	2023/24	£19,761,000	2.8%
	2024/25	£19,231,000	2.6%
	2025/26	£18,861,000	2.5%

The required minimum contribution rates for each employer in the Fund are set out in the remained of this certificate.

Employer code	Employer name	Primary rate (% of pay)	Secondary rate (% of pay plus monetary amount)			Total contributions (primary rate plus secondary rate)			Notes
			2023/24	2024/25	2025/26	2023/24	2024/25	2025/26	
Major employers									
359	Elmbridge Borough Council	19.0%	-1.9% plus £1,791,000	-1.9% plus £1,740,000	-1.9% plus £1,714,000	17.1% plus £1,791,000	17.1% plus £1,740,000	17.1% plus £1,714,000	
	Epsom & Ewell Borough Council Pool	19.1%	-1.7% plus £874,000	-1.7% plus £817,000	-1.7% plus £756,000	17.4% plus £874,000	17.4% plus £817,000	17.4% plus £756,000	
379	Guildford Borough Council	18.9%	-1.7% plus £2,163,000	-1.7% plus £2,016,000	-1.7% plus £1,857,000	17.2% plus £2,163,000	17.2% plus £2,016,000	17.2% plus £1,857,000	
	Mole Valley District Council	18.9%	-1.8% plus £550,000	-1.8% plus £550,000	-1.8% plus £550,000	17.1% plus £550,000	17.1% plus £550,000	17.1% plus £550,000	
481	Reigate & Banstead Borough Council	18.5%	-3.5% plus £1,890,000	-3.5% plus £1,869,000	-3.5% plus £1,919,000	15.0% plus £1,890,000	15.0% plus £1,869,000	15.0% plus £1,919,000	
494	Runnymede Borough Council	18.9%	-1.3% plus £711,000	-1.3% plus £600,000	-1.3% plus £458,000	17.6% plus £711,000	17.6% plus £600,000	17.6% plus £458,000	
536	Spelthorne Borough Council	19.0%	-1.7% plus £1,346,000	-1.7% plus £1,246,000	-1.7% plus £1,138,000	17.3% plus £1,346,000	17.3% plus £1,246,000	17.3% plus £1,138,000	
	Surrey County Council Pool	18.9%	-4.1% plus £9,084,000	-4.1% plus £9,420,000	-4.1% plus £9,769,000	14.8% plus £9,084,000	14.8% plus £9,420,000	14.8% plus £9,769,000	
	Surrey County Council (Schools)	18.9%	4.1%	4.1%	4.1%	23.0%	23.0%	23.0%	
547	Surrey Heath Borough Council	18.6%	-1.4% plus £976,000	-1.4% plus £961,000	-1.4% plus £1,000,000	17.2% plus £976,000	17.2% plus £961,000	17.2% plus £1,000,000	
	Surrey Police Authority	18.2%	-1.7% plus £1,612,000	-1.7% plus £1,671,000	-1.7% plus £1,733,000	16.5% plus £1,612,000	16.5% plus £1,671,000	16.5% plus £1,733,000	
553	Tandridge District Council	19.1%	-2.0% plus £1,221,000	-2.0% plus £1,220,000	-2.0% plus £1,276,000	17.1% plus £1,221,000	17.1% plus £1,220,000	17.1% plus £1,276,000	
	Waverley Borough Council Pool	18.8%	-1.6% plus £1,654,000	-1.6% plus £1,579,000	-1.6% plus £1,503,000	17.2% plus £1,654,000	17.2% plus £1,579,000	17.2% plus £1,503,000	
603	Woking Borough Council	18.6%	-1.6% plus £1,862,000	-1.6% plus £1,784,000	-1.6% plus £1,709,000	17.0% plus £1,862,000	17.0% plus £1,784,000	17.0% plus £1,709,000	

Employer code	Employer name	Primary rate (% of pay)	Secondary rate (% of pay plus monetary amount)			Total contributions (primary rate plus secondary rate)			Notes
			2023/24	2024/25	2025/26	2023/24	2024/25	2025/26	
Other Scheduled Bodies									
70	Ash Parish Council	17.7%				17.7%	17.7%	17.7%	
4	Bisley Parish Council	17.7%				17.7%	17.7%	17.7%	
897	Bramley Parish Council	17.7%				17.7%	17.7%	17.7%	
30a	Burstow Parish Council	17.7%				17.7%	17.7%	17.7%	
328	Chiddingfold Parish Council	17.7%				17.7%	17.7%	17.7%	
16	Cranleigh Parish Council	17.7%				17.7%	17.7%	17.7%	
331	Crowhurst Parish Council	17.7%				17.7%	17.7%	17.7%	
332	Dormansland Parish Council	17.7%				17.7%	17.7%	17.7%	
26	East Horsley Parish Council	17.7%				17.7%	17.7%	17.7%	
30	Effingham Parish council	17.7%				17.7%	17.7%	17.7%	
937	Farnham Town Council	16.9%				16.9%	16.9%	16.9%	
5	Frensham Parish Council	17.7%				17.7%	17.7%	17.7%	
679	Godalming Town Council	17.7%				17.7%	17.7%	17.7%	
11	Haslemere Town Council	17.7%				17.7%	17.7%	17.7%	
18	Horley Town Council	17.7%				17.7%	17.7%	17.7%	
32	Lingfield Parish Council	17.7%				17.7%	17.7%	17.7%	
14	Merton & Sutton Joint Cemetary Board	20.0%				20.0%	20.0%	20.0%	
935	Send Parish Council	17.7%				17.7%	17.7%	17.7%	
17	Warlingham Parish Council	17.7%				17.7%	17.7%	17.7%	
10	West End Parish Council	17.7%				17.7%	17.7%	17.7%	
8	Windlesham Parish Council	17.7%				17.7%	17.7%	17.7%	

Employer code	Employer name	Primary rate (% of pay)	Secondary rate (% of pay plus monetary amount)			Total contributions (primary rate plus secondary rate)			Notes
			2023/24	2024/25	2025/26	2023/24	2024/25	2025/26	
Other Scheduled Bodies (continued)									
895	Witley Parish Council	17.7%				17.7%	17.7%	17.7%	
6	Worplesdon Parish Council	17.7%				17.7%	17.7%	17.7%	
330	Whiteleaf Village Council	17.7%				17.7%	17.7%	17.7%	
Further Education / Higher Education									
	Activate Learning	21.1%	2.8%	2.8%	2.8%	23.9%	23.9%	23.9%	
	Brooklands College Pool	26.4%	5.2%	5.2%	5.2%	31.6%	31.6%	31.6%	
	East Surrey College Pool	20.9%	-1.8%	-1.8%	-1.8%	19.1%	19.1%	19.1%	
917	N.E.S.C.O.T	21.9%	0.6%	0.6%	0.6%	22.5%	22.5%	22.5%	
	UCCA Pool	20.5%	-5.3%	-5.3%	-5.3%	15.2%	15.2%	15.2%	
	University of Surrey	25.1%	5.5%	5.5%	5.5%	30.6%	30.6%	30.6%	

Employer code	Employer name	Primary rate (% of pay)	Secondary rate (% of pay plus monetary amount)			Total contributions (primary rate plus secondary rate)			Notes
			2023/24	2024/25	2025/26	2023/24	2024/25	2025/26	
Multi Academy Trusts									
	Bourne Education Trust	17.6%	1.3%	1.3%	1.3%	18.9%	18.9%	18.9%	
53K	Auriol Junior School	17.6%	1.3%	1.3%	1.3%	18.9%	18.9%	18.9%	
535	Broadmere Community Primary School	17.6%	1.3%	1.3%	1.3%	18.9%	18.9%	18.9%	
52M	Brookwood Primary School	17.6%	1.3%	1.3%	1.3%	18.9%	18.9%	18.9%	
53S	Chertsey High School	17.6%	1.3%	1.3%	1.3%	18.9%	18.9%	18.9%	
516	Epsom & Ewell High School	17.6%	1.3%	1.3%	1.3%	18.9%	18.9%	18.9%	
50C	Jubilee High School	17.6%	1.3%	1.3%	1.3%	18.9%	18.9%	18.9%	
527	Matthew Arnold School	17.6%	1.3%	1.3%	1.3%	18.9%	18.9%	18.9%	
54Y	Meadow Primary School	17.6%	1.3%	1.3%	1.3%	18.9%	18.9%	18.9%	
534	New Monument School	17.6%	1.3%	1.3%	1.3%	18.9%	18.9%	18.9%	
82Q	Pabulem Limited (Epsom and Ewell High)	17.6%	1.3%	1.3%	1.3%	18.9%	18.9%	18.9%	
50R	Pyrcroft Grange Primary School	17.6%	1.3%	1.3%	1.3%	18.9%	18.9%	18.9%	
51F	Sayes Court School	17.6%	1.3%	1.3%	1.3%	18.9%	18.9%	18.9%	
50W	Sythwood Primary School	17.6%	1.3%	1.3%	1.3%	18.9%	18.9%	18.9%	
54W	West Ewell Primary School	17.6%	1.3%	1.3%	1.3%	18.9%	18.9%	18.9%	
55M	Woodmansterne School	17.6%	1.3%	1.3%	1.3%	18.9%	18.9%	18.9%	

Employer code	Employer name	Primary rate (% of pay)	Secondary rate (% of pay plus monetary amount)			Total contributions (primary rate plus secondary rate)			Notes
			2023/24	2024/25	2025/26	2023/24	2024/25	2025/26	
	Bright Futures Learning Trust	17.8%	0.8%	0.8%	0.8%	18.6%	18.6%	18.6%	
523	Goldsworth Primary School	17.8%	0.8%	0.8%	0.8%	18.6%	18.6%	18.6%	
57Q	Knaphill Lower School	17.8%	0.8%	0.8%	0.8%	18.6%	18.6%	18.6%	
57R	Knaphill School	17.8%	0.8%	0.8%	0.8%	18.6%	18.6%	18.6%	
50T	St John's Primary School	17.8%	0.8%	0.8%	0.8%	18.6%	18.6%	18.6%	
5M4	Bright Futures Central Staff	17.8%	0.8%	0.8%	0.8%	18.6%	18.6%	18.6%	
	Engage, Enrich, Excel Academies (EEEA)	17.9%				17.9%	17.9%	17.9%	
55W	Byfleet Primary School	17.9%				17.9%	17.9%	17.9%	
574	Engage Enrich Excel Academy	17.9%				17.9%	17.9%	17.9%	
55K	Maybury Primary School	17.9%				17.9%	17.9%	17.9%	
51R	Ravenscote Community Junior School	17.9%				17.9%	17.9%	17.9%	
54N	South Camberley Primary and Nursery School	17.9%				17.9%	17.9%	17.9%	
54Z	Westfield Primary School	17.9%				17.9%	17.9%	17.9%	
	Enlighten Learning Trust	18.4%	3.4%	3.4%	3.4%	21.8%	21.8%	21.8%	
50Y	Esher Church of England High School	18.4%	3.4%	3.4%	3.4%	21.8%	21.8%	21.8%	
53H	St Andrews CofE Primary School - Cobham	18.4%	3.4%	3.4%	3.4%	21.8%	21.8%	21.8%	
	Everychild Trust	17.6%	0.5%	0.5%	0.5%	18.1%	18.1%	18.1%	
53R	Sandcross Primary School	17.6%	0.5%	0.5%	0.5%	18.1%	18.1%	18.1%	
55N	Hatchlands Primary School	17.6%	0.5%	0.5%	0.5%	18.1%	18.1%	18.1%	

Employer code	Employer name	Primary rate (% of pay)	Secondary rate (% of pay plus monetary amount)			Total contributions (primary rate plus secondary rate)			Notes
			2023/24	2024/25	2025/26	2023/24	2024/25	2025/26	
	GLF Schools	17.6%	0.5%	0.5%	0.5%	18.1%	18.1%	18.1%	
51A	Banstead Infants School	17.6%	0.5%	0.5%	0.5%	18.1%	18.1%	18.1%	
50P	Cordwalles Junior School	17.6%	0.5%	0.5%	0.5%	18.1%	18.1%	18.1%	
51M	Cuddington Croft Primary School	17.6%	0.5%	0.5%	0.5%	18.1%	18.1%	18.1%	
526	Danetree Junior School	17.6%	0.5%	0.5%	0.5%	18.1%	18.1%	18.1%	
52W	De Stafford School	17.6%	0.5%	0.5%	0.5%	18.1%	18.1%	18.1%	
5M3	Glyn Learning Foundation	17.6%	0.5%	0.5%	0.5%	18.1%	18.1%	18.1%	
505	Glyn School	17.6%	0.5%	0.5%	0.5%	18.1%	18.1%	18.1%	
52H	Hammond Junior School	17.6%	0.5%	0.5%	0.5%	18.1%	18.1%	18.1%	
51C	Hillcroft Primary School	17.6%	0.5%	0.5%	0.5%	18.1%	18.1%	18.1%	
52J	Lightwater Village School	17.6%	0.5%	0.5%	0.5%	18.1%	18.1%	18.1%	
539	Lime Tree Primary School	17.6%	0.5%	0.5%	0.5%	18.1%	18.1%	18.1%	
50D	Marden Lodge Primary School	17.6%	0.5%	0.5%	0.5%	18.1%	18.1%	18.1%	
551	Merstham Park School	17.6%	0.5%	0.5%	0.5%	18.1%	18.1%	18.1%	
54V	Merstham Primary School	17.6%	0.5%	0.5%	0.5%	18.1%	18.1%	18.1%	
53E	Pine Ridge and Lorraine Schools Federation	17.6%	0.5%	0.5%	0.5%	18.1%	18.1%	18.1%	
520	Rosebery School	17.6%	0.5%	0.5%	0.5%	18.1%	18.1%	18.1%	
51V	Salfords Primary School	17.6%	0.5%	0.5%	0.5%	18.1%	18.1%	18.1%	
50S	Springfield Community Primary School	17.6%	0.5%	0.5%	0.5%	18.1%	18.1%	18.1%	
517	The Beacon School	17.6%	0.5%	0.5%	0.5%	18.1%	18.1%	18.1%	
55B	The Vale Primary School	17.6%	0.5%	0.5%	0.5%	18.1%	18.1%	18.1%	
50G	Warlingham Village School	17.6%	0.5%	0.5%	0.5%	18.1%	18.1%	18.1%	

Employer code	Employer name	Primary rate (% of pay)	Secondary rate (% of pay plus monetary amount)			Total contributions (primary rate plus secondary rate)			Notes
			2023/24	2024/25	2025/26	2023/24	2024/25	2025/26	
	GLF Schools (continued)	17.6%	0.5%	0.5%	0.5%	18.1%	18.1%	18.1%	
51B	Warren Mead Junior School	17.6%	0.5%	0.5%	0.5%	18.1%	18.1%	18.1%	
55G	Warren Mead Infant School	17.6%	0.5%	0.5%	0.5%	18.1%	18.1%	18.1%	
51S	Whyteleafe School	17.6%	0.5%	0.5%	0.5%	18.1%	18.1%	18.1%	
	Good Shepherd Trust	17.9%	1.8%	1.8%	1.8%	19.7%	19.7%	19.7%	
51H	Ashley CofE Primary	17.9%	1.8%	1.8%	1.8%	19.7%	19.7%	19.7%	
52N	Christ's College	17.9%	1.8%	1.8%	1.8%	19.7%	19.7%	19.7%	
55F	Ottershaw C of E Infant School	17.9%	1.8%	1.8%	1.8%	19.7%	19.7%	19.7%	
54M	Potters Gate CofE Primary School	17.9%	1.8%	1.8%	1.8%	19.7%	19.7%	19.7%	
51N	Queen Eleanor's C of E Junior School	17.9%	1.8%	1.8%	1.8%	19.7%	19.7%	19.7%	
53F	St Andrew's Church of England Infant School	17.9%	1.8%	1.8%	1.8%	19.7%	19.7%	19.7%	
50M	St John's Community Primary School and Nursery	17.9%	1.8%	1.8%	1.8%	19.7%	19.7%	19.7%	
55H	St Mark and All Saints Church of England Primary School	17.9%	1.8%	1.8%	1.8%	19.7%	19.7%	19.7%	
50N	St Mary's CofE Primary School	17.9%	1.8%	1.8%	1.8%	19.7%	19.7%	19.7%	
50Z	St.Paul's Church of England Primary School	17.9%	1.8%	1.8%	1.8%	19.7%	19.7%	19.7%	
55A	Surrey Hills All Saints C of E Primary School	17.9%	1.8%	1.8%	1.8%	19.7%	19.7%	19.7%	
52A	The Weald Church of England Primary School	17.9%	1.8%	1.8%	1.8%	19.7%	19.7%	19.7%	
52Z	Waverly Abbey Junior CofE School	17.9%	1.8%	1.8%	1.8%	19.7%	19.7%	19.7%	
5MC	Good Shepherd Trust - central staff	17.9%	1.8%	1.8%	1.8%	19.7%	19.7%	19.7%	

Employer code	Employer name	Primary rate (% of pay)	Secondary rate (% of pay plus monetary amount)			Total contributions (primary rate plus secondary rate)			Notes
			2023/24	2024/25	2025/26	2023/24	2024/25	2025/26	
	Greensand Multi Academy Trust	18.0%				18.0%	18.0%	18.0%	
53V	Dovers Green School	18.0%				18.0%	18.0%	18.0%	
53W	Holmesdale Infant School	18.0%				18.0%	18.0%	18.0%	
53Y	Reigate School	18.0%				18.0%	18.0%	18.0%	
55E	St John's Primary School (Redhill)	18.0%				18.0%	18.0%	18.0%	
53Z	Wray Common Primary School	18.0%				18.0%	18.0%	18.0%	
5MR	Greensand MAT	18.0%				18.0%	18.0%	18.0%	
	Inclusive Education Trust	16.8%				16.8%	16.8%	16.8%	
58F	Fordway Centre Academy	16.8%				16.8%	16.8%	16.8%	
58E	Reigate Valley College	16.8%				16.8%	16.8%	16.8%	
58D	Wey Valley College	16.8%				16.8%	16.8%	16.8%	
	Kite Academy Trust	18.2%	2.3%	2.3%	2.3%	20.5%	20.5%	20.5%	
52B	Cross Farm Infant School	18.2%	2.3%	2.3%	2.3%	20.5%	20.5%	20.5%	
84U	Folly Hill Infant Academy	18.2%	2.3%	2.3%	2.3%	20.5%	20.5%	20.5%	
55T	Hale Primary School	18.2%	2.3%	2.3%	2.3%	20.5%	20.5%	20.5%	
52Y	Holly Lodge Primary School	18.2%	2.3%	2.3%	2.3%	20.5%	20.5%	20.5%	
52C	Lakeside Primary School	18.2%	2.3%	2.3%	2.3%	20.5%	20.5%	20.5%	
52D	Mytchett Primary School	18.2%	2.3%	2.3%	2.3%	20.5%	20.5%	20.5%	
52E	Sandringham School	18.2%	2.3%	2.3%	2.3%	20.5%	20.5%	20.5%	
52F	The Grove Primary School	18.2%	2.3%	2.3%	2.3%	20.5%	20.5%	20.5%	

Employer code	Employer name	Primary rate (% of pay)	Secondary rate (% of pay plus monetary amount)			Total contributions (primary rate plus secondary rate)			Notes
			2023/24	2024/25	2025/26	2023/24	2024/25	2025/26	
	Kite Academy Trust (continued)	18.2%	2.3%	2.3%	2.3%	20.5%	20.5%	20.5%	
550	Wyke Primary School	18.2%	2.3%	2.3%	2.3%	20.5%	20.5%	20.5%	
5ME	Kite Academy Trust - central staff	18.2%	2.3%	2.3%	2.3%	20.5%	20.5%	20.5%	
	Learning Partners Academy Trust	17.8%	0.8%	0.8%	0.8%	18.6%	18.6%	18.6%	
50A	Boxgrove Primary School	17.8%	0.8%	0.8%	0.8%	18.6%	18.6%	18.6%	
519	Fullbrook School	17.8%	0.8%	0.8%	0.8%	18.6%	18.6%	18.6%	
508	George Abbot School	17.8%	0.8%	0.8%	0.8%	18.6%	18.6%	18.6%	
531	Guildford County School	17.8%	0.8%	0.8%	0.8%	18.6%	18.6%	18.6%	
52U	Guildford Grove	17.8%	0.8%	0.8%	0.8%	18.6%	18.6%	18.6%	
51J	Kings College	17.8%	0.8%	0.8%	0.8%	18.6%	18.6%	18.6%	
52V	Loseley Fields	17.8%	0.8%	0.8%	0.8%	18.6%	18.6%	18.6%	
554	Northmead Junior School	17.8%	0.8%	0.8%	0.8%	18.6%	18.6%	18.6%	
556	Pirbright Village Primary School	17.8%	0.8%	0.8%	0.8%	18.6%	18.6%	18.6%	
51K	Sandfield Primary	17.8%	0.8%	0.8%	0.8%	18.6%	18.6%	18.6%	
55v	Shalford Infant School	17.8%	0.8%	0.8%	0.8%	18.6%	18.6%	18.6%	
558	Stoughton Infant School	17.8%	0.8%	0.8%	0.8%	18.6%	18.6%	18.6%	
83M	Athena GEP Trust - Central Staff	17.8%	0.8%	0.8%	0.8%	18.6%	18.6%	18.6%	

Employer code	Employer name	Primary rate (% of pay)	Secondary rate (% of pay plus monetary amount)			Total contributions (primary rate plus secondary rate)			Notes
			2023/24	2024/25	2025/26	2023/24	2024/25	2025/26	
	Lumen Learning Trust	17.8%	0.3%	0.3%	0.3%	18.1%	18.1%	18.1%	
57D	Darley Dene Primary School	17.8%	0.3%	0.3%	0.3%	18.1%	18.1%	18.1%	
52S	Riverbridge Primary School	17.8%	0.3%	0.3%	0.3%	18.1%	18.1%	18.1%	
50K	Saxon Primary School	17.8%	0.3%	0.3%	0.3%	18.1%	18.1%	18.1%	
50J	The Echelford Primary School	17.8%	0.3%	0.3%	0.3%	18.1%	18.1%	18.1%	
55J	Walton Oak School	17.8%	0.3%	0.3%	0.3%	18.1%	18.1%	18.1%	
5M7	Lumen Learning Trust - Central Staff	17.8%	0.3%	0.3%	0.3%	18.1%	18.1%	18.1%	
82G	ABM Catering Ltd (Echelford Primary School)	17.8%	0.3%	0.3%	0.3%	18.1%	18.1%	18.1%	
82H	ABM (LLT - Riverbridge Primary School)	17.8%	0.3%	0.3%	0.3%	18.1%	18.1%	18.1%	
82J	ABM Catering Ltd (Saxon Primary School)	17.8%	0.3%	0.3%	0.3%	18.1%	18.1%	18.1%	
	South East Surrey Schools Education Trust	18.0%	2.2%	2.2%	2.2%	20.2%	20.2%	20.2%	
53C	Carrington School	18.0%	2.2%	2.2%	2.2%	20.2%	20.2%	20.2%	
53A	The Ashcombe School	18.0%	2.2%	2.2%	2.2%	20.2%	20.2%	20.2%	
53B	Therfield School	18.0%	2.2%	2.2%	2.2%	20.2%	20.2%	20.2%	
	South Farnham Educational Trust	17.7%				17.7%	17.7%	17.7%	
51U	Highfield School	17.7%				17.7%	17.7%	17.7%	
509	South Farnham School	17.7%				17.7%	17.7%	17.7%	
514	The Raleigh School	17.7%				17.7%	17.7%	17.7%	
52T	Wallace Fields Infant School	17.7%				17.7%	17.7%	17.7%	

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Employer code	Employer name	Primary rate (% of pay)	Secondary rate (% of pay plus monetary amount)			Total contributions (primary rate plus secondary rate)			Notes
			2023/24	2024/25	2025/26	2023/24	2024/25	2025/26	
	Stanwell Fields CofE Primary School	17.1%				17.1%	17.1%	17.1%	
	SWAN Academy Trust (UT)	17.8%	1.2%	1.2%	1.2%	19.0%	19.0%	19.0%	
50U	Barnsbury Primary School	17.8%	1.2%	1.2%	1.2%	19.0%	19.0%	19.0%	
50V	Beaufort Community Primary School	17.8%	1.2%	1.2%	1.2%	19.0%	19.0%	19.0%	
580	Kingfield Primary School	17.8%	1.2%	1.2%	1.2%	19.0%	19.0%	19.0%	
50X	The Hermitage Junior School	17.8%	1.2%	1.2%	1.2%	19.0%	19.0%	19.0%	
50B	The Horsell Village School	17.8%	1.2%	1.2%	1.2%	19.0%	19.0%	19.0%	
50E	The Oaktree School	17.8%	1.2%	1.2%	1.2%	19.0%	19.0%	19.0%	
5MP	The Swan Trust	17.8%	1.2%	1.2%	1.2%	19.0%	19.0%	19.0%	
	Tandridge Learning Trust	17.9%	0.3%	0.3%	0.3%	18.2%	18.2%	18.2%	
53M	Bletchingley Village Primary School	17.9%	0.3%	0.3%	0.3%	18.2%	18.2%	18.2%	
53N	Hamsey Green Primary School	17.9%	0.3%	0.3%	0.3%	18.2%	18.2%	18.2%	
53P	Tatsfield Primary School	17.9%	0.3%	0.3%	0.3%	18.2%	18.2%	18.2%	
529	Warlingham School	17.9%	0.3%	0.3%	0.3%	18.2%	18.2%	18.2%	
53Q	Woodlea Primary School	17.9%	0.3%	0.3%	0.3%	18.2%	18.2%	18.2%	
	The Alliance Multi Academy Trust	18.4%	0.9%	0.9%	0.9%	19.3%	19.3%	19.3%	
50H	Connaught Junior School	18.4%	0.9%	0.9%	0.9%	19.3%	19.3%	19.3%	
54R	Crawley Ridge Infant School	18.4%	0.9%	0.9%	0.9%	19.3%	19.3%	19.3%	
54S	Crawley Ridge Junior School	18.4%	0.9%	0.9%	0.9%	19.3%	19.3%	19.3%	

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			2023/24	2024/25	2025/26	2023/24	2024/25	2025/26	
	The Alliance Multi Academy Trust (continued)	18.4%	0.9%	0.9%	0.9%	19.3%	19.3%	19.3%	
54T	Holy Trinity Primary School	18.4%	0.9%	0.9%	0.9%	19.3%	19.3%	19.3%	
54U	Windlesham Village Infant School	18.4%	0.9%	0.9%	0.9%	19.3%	19.3%	19.3%	
5MM	The Alliance Multi-Academy Trust - central staff	18.4%	0.9%	0.9%	0.9%	19.3%	19.3%	19.3%	
	The Howard Partnership Trust	17.7%	1.7%	1.7%	1.7%	19.4%	19.4%	19.4%	
52R	Cuddington Community Primary School	17.7%	1.7%	1.7%	1.7%	19.4%	19.4%	19.4%	
52P	Eastwick Junior and Eastwick Infant School	17.7%	1.7%	1.7%	1.7%	19.4%	19.4%	19.4%	
58H	Fox Grove School	17.7%	1.7%	1.7%	1.7%	19.4%	19.4%	19.4%	
503	Howard of Effingham School	17.7%	1.7%	1.7%	1.7%	19.4%	19.4%	19.4%	
50Q	Kenyngton Manor Primary	17.7%	1.7%	1.7%	1.7%	19.4%	19.4%	19.4%	
53T	Linden Bridge School	17.7%	1.7%	1.7%	1.7%	19.4%	19.4%	19.4%	
55C	Meadhurst Primary School	17.7%	1.7%	1.7%	1.7%	19.4%	19.4%	19.4%	
51Z	Oxted School	17.7%	1.7%	1.7%	1.7%	19.4%	19.4%	19.4%	
51Q	St Lawrence Primary School	17.7%	1.7%	1.7%	1.7%	19.4%	19.4%	19.4%	
502	Thomas Knyvett College	17.7%	1.7%	1.7%	1.7%	19.4%	19.4%	19.4%	
512	Three Rivers Academy	17.7%	1.7%	1.7%	1.7%	19.4%	19.4%	19.4%	
53U	West Hill School	17.7%	1.7%	1.7%	1.7%	19.4%	19.4%	19.4%	
5MN	Learning and Inspiration for Tomorrow - Central Staff	17.7%	1.7%	1.7%	1.7%	19.4%	19.4%	19.4%	
5MD	The Howard Partnership - central staff	17.7%	1.7%	1.7%	1.7%	19.4%	19.4%	19.4%	

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			2023/24	2024/25	2025/26	2023/24	2024/25	2025/26	
	The Prospect Trust	17.3%	2.6%	2.6%	2.6%	19.9%	19.9%	19.9%	
58A	Frimley Junior CoE School	17.3%	2.6%	2.6%	2.6%	19.9%	19.9%	19.9%	
50F	Tomlinscote School	17.3%	2.6%	2.6%	2.6%	19.9%	19.9%	19.9%	
	The Southwark Diocesan Board of Education Academy Trust (SDBE)	17.4%	0.4%	0.4%	0.4%	17.8%	17.8%	17.8%	
54P	St Matthew's C of E Primary School	17.4%	0.4%	0.4%	0.4%	17.8%	17.8%	17.8%	
54Q	St Stephen's C of E Primary School	17.4%	0.4%	0.4%	0.4%	17.8%	17.8%	17.8%	
	Unity Schools Trust	18.3%	3.5%	3.5%	3.5%	21.8%	21.8%	21.8%	
52G	Bishop David Brown School	18.3%	3.5%	3.5%	3.5%	21.8%	21.8%	21.8%	
510	Magna Carta School	18.3%	3.5%	3.5%	3.5%	21.8%	21.8%	21.8%	
5MG	Unity Schools Central Staff	18.3%	3.5%	3.5%	3.5%	21.8%	21.8%	21.8%	
	Weydon Multi Academy Trust	17.8%	1.5%	1.5%	1.5%	19.3%	19.3%	19.3%	
533	Farnham Heath End School	17.8%	1.5%	1.5%	1.5%	19.3%	19.3%	19.3%	
511	Rodborough Technology College	17.8%	1.5%	1.5%	1.5%	19.3%	19.3%	19.3%	
552	The Abbey School	17.8%	1.5%	1.5%	1.5%	19.3%	19.3%	19.3%	
57P	The Park School	17.8%	1.5%	1.5%	1.5%	19.3%	19.3%	19.3%	
53J	The Ridgeway School	17.8%	1.5%	1.5%	1.5%	19.3%	19.3%	19.3%	
506	Weydon School	17.8%	1.5%	1.5%	1.5%	19.3%	19.3%	19.3%	
515	Woolmer Hill School	17.8%	1.5%	1.5%	1.5%	19.3%	19.3%	19.3%	

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			2023/24	2024/25	2025/26	2023/24	2024/25	2025/26	
	Xavier Catholic Education Trust	18.0%	1.6%	1.6%	1.6%	19.6%	19.6%	19.6%	
54A	Cardinal Newman Catholic Primary School	18.0%	1.6%	1.6%	1.6%	19.6%	19.6%	19.6%	
54B	Holy Family Catholic Primary School	18.0%	1.6%	1.6%	1.6%	19.6%	19.6%	19.6%	
54C	Salesian School	18.0%	1.6%	1.6%	1.6%	19.6%	19.6%	19.6%	
54D	St Albans Catholic Primary School	18.0%	1.6%	1.6%	1.6%	19.6%	19.6%	19.6%	
54E	St Anne's Catholic Primary School	18.0%	1.6%	1.6%	1.6%	19.6%	19.6%	19.6%	
54F	St Augustine's Catholic Primary	18.0%	1.6%	1.6%	1.6%	19.6%	19.6%	19.6%	
54G	St Charles Borromeo Catholic Primary School	18.0%	1.6%	1.6%	1.6%	19.6%	19.6%	19.6%	
58C	St Edmunds Primary School	18.0%	1.6%	1.6%	1.6%	19.6%	19.6%	19.6%	
54H	St Hugh of Lincoln Catholic Primary School	18.0%	1.6%	1.6%	1.6%	19.6%	19.6%	19.6%	
54J	St John the Baptist	18.0%	1.6%	1.6%	1.6%	19.6%	19.6%	19.6%	
54K	The Marist Catholic Primary School	18.0%	1.6%	1.6%	1.6%	19.6%	19.6%	19.6%	
55U	St Peters Catholic Secondary School	18.0%	1.6%	1.6%	1.6%	19.6%	19.6%	19.6%	
55P	St Polycarp's Catholic Primary School	18.0%	1.6%	1.6%	1.6%	19.6%	19.6%	19.6%	
55Q	St Thomas' Catholic Primary School	18.0%	1.6%	1.6%	1.6%	19.6%	19.6%	19.6%	
559	St Cuthbert Mayne	18.0%	1.6%	1.6%	1.6%	19.6%	19.6%	19.6%	
5MH	Xavier Catholic Education Trust	18.0%	1.6%	1.6%	1.6%	19.6%	19.6%	19.6%	

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			2023/24	2024/25	2025/26	2023/24	2024/25	2025/26	
Academies									
521	Blenheim High School	17.9%	0.8%	0.8%	0.8%	18.7%	18.7%	18.7%	
579	Bramley Oak Academy	17.5%				17.5%	17.5%	17.5%	
57T	Broadwater School	17.9%	0.1%	0.1%	0.1%	18.0%	18.0%	18.0%	
51G	Carwarden House Community School	17.6%	0.4%	0.4%	0.4%	18.0%	18.0%	18.0%	
501	Cleves School	17.7%	1.3%	1.3%	1.3%	19.0%	19.0%	19.0%	
525	Cobham Free School	18.3%				18.3%	18.3%	18.3%	
507	Collingwood College	17.7%				17.7%	17.7%	17.7%	
51T	Esher Church School	18.8%	2.1%	2.1%	2.1%	20.9%	20.9%	20.9%	
920	Esher College	17.5%				17.5%	17.5%	17.5%	
922	Godalming College	17.4%				17.4%	17.4%	17.4%	
532	Gordons School Academy Trust	17.3%	1.5%	1.5%	1.5%	18.8%	18.8%	18.8%	
51Y	Heathside School	17.8%	2.2%	2.2%	2.2%	20.0%	20.0%	20.0%	
55R	Hinchley Wood Primary	17.6%				17.6%	17.6%	17.6%	
522	Hinchley Wood School	17.8%	1.1%	1.1%	1.1%	18.9%	18.9%	18.9%	
51X	Hoe Valley School	17.5%				17.5%	17.5%	17.5%	
51D	New Haw Community Junior School	18.3%	2.3%	2.3%	2.3%	20.6%	20.6%	20.6%	
538	Peaslake Free School	19.7%				19.7%	19.7%	19.7%	
51P	Pond Meadow School	16.9%	0.2%	0.2%	0.2%	17.1%	17.1%	17.1%	
51E	Pyrford Church of England (Aided) Primary School	18.1%	2.6%	2.6%	2.6%	20.7%	20.7%	20.7%	
924	Reigate Learning Alliance	18.0%				18.0%	18.0%	18.0%	
5M9	Russell Education Trust	14.5%				14.5%	14.5%	14.5%	

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			2023/24	2024/25	2025/26	2023/24	2024/25	2025/26	
Academies (continued)									
84S	Shawley Community Primary Academy	18.1%	2.0%	2.0%	2.0%	20.1%	20.1%	20.1%	
504	Sunbury Manor School	17.7%	1.4%	1.4%	1.4%	19.1%	19.1%	19.1%	
513	Thamesmead School	17.9%				17.9%	17.9%	17.9%	
524	The Bishop Wand School	17.9%	1.2%	1.2%	1.2%	19.1%	19.1%	19.1%	
55D	Unified Academy	16.2%	1.6%	1.6%	1.6%	17.8%	17.8%	17.8%	
530	Weyfield Primary Academy	18.4%				18.4%	18.4%	18.4%	
528	Wishmore Cross Academy	17.8%				17.8%	17.8%	17.8%	
928	Woking College	17.9%				17.9%	17.9%	17.9%	
537	Woking High School	18.1%	4.5%	4.5%	4.5%	22.6%	22.6%	22.6%	
Admitted Bodies									
	A2 Housing Group	37.5%	£71,900	£71,900	£71,900	37.5% plus £71,900	37.5% plus £71,900	37.5% plus £71,900	
816	Ability	39.0%				39.0%	39.0%	39.0%	
83B	ABM Catering (Northmead Junior School)	22.4%				22.4%	22.4%	22.4%	
740	Achieve Lifestyle	38.9%	£84,000	£84,000	£84,000	38.9% plus £84,000	38.9% plus £84,000	38.9% plus £84,000	
82N	ACM (The Academy of Contemporary Music)	20.8%	-5.4%	-5.4%	-5.4%	15.4%	15.4%	15.4%	
815	Clarion Housing Group	38.5%	£19,600	£19,600	£19,600	38.5% plus £19,600	38.5% plus £19,600	38.5% plus £19,600	
828	Compass Contract Services (U.K.) Ltd	21.2%	-4.1%	-4.1%	-4.1%	17.1%	17.1%	17.1%	
832	Compass Contract Services (Chartwells) - Salesians	30.7%	-10.3%	-10.3%	-10.3%	20.4%	20.4%	20.4%	
814	East Surrey Rural Transport Partnership	39.7%	£3,800	£3,800	£3,800	39.7% plus £3,800	39.7% plus £3,800	39.7% plus £3,800	
82A	Elmbridge Building Control Services	19.5%	-6.8%	-6.8%	-6.8%	12.7%	12.7%	12.7%	

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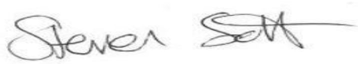
			2023/24	2024/25	2025/26	2023/24	2024/25	2025/26	
Admitted Bodies (continued)									
743	Freedom Leisure (Guildford)	23.5%	-7.1%	-7.1%	-7.1%	16.4%	16.4%	16.4%	
744	Freedom Leisure (Woking)	23.2%	-7.0%	-7.0%	-7.0%	16.2%	16.2%	16.2%	
818	Fusion Lifestyle	21.7%	-5.7%	-5.7%	-5.7%	16.0%	16.0%	16.0%	
44	Hanover Housing Association	39.6%	£427,600	£427,600	£427,600	39.6% plus £427,600	39.6% plus £427,600	39.6% plus £427,600	
806	Hoppa	40.4%	£5,800	£5,800	£5,800	40.4% plus £5,800	40.4% plus £5,800	40.4% plus £5,800	
745	IESE - Improvement and Efficiency South East	37.0%	£127,700	£127,700	£127,700	37.0% plus £127,700	37.0% plus £127,700	37.0% plus £127,700	
83F	Independent Catering (The Priory School)	28.2%	6.9%	6.9%	6.9%	35.1%	35.1%	35.1%	
831	Innovate Ltd (Farnham Heath End)	22.5%	4.2%	4.2%	4.2%	26.7%	26.7%	26.7%	
94	Moor House School	39.6%	£200,900	£200,900	£200,900	39.6% plus £200,900	39.6% plus £200,900	39.6% plus £200,900	
837	Pabulum (Burpham Primary School)	18.0%	15.8%	15.8%	15.8%	33.8%	33.8%	33.8%	
825	Pinnacle Housing (Woking Housing Transfer)	26.7%	-5.5%	-5.5%	-5.5%	21.2%	21.2%	21.2%	
83G	Rapid Clean (St Augustine's School)	24.5%				24.5%	24.5%	24.5%	
93	Reigate Grammar School	38.8%	£92,600	£92,600	£92,600	38.8% plus £92,600	38.8% plus £92,600	38.8% plus £92,600	
986	Rosebery Housing Association	37.4%	£132,000	£132,000	£132,000	37.4% plus £132,000	37.4% plus £132,000	37.4% plus £132,000	
390	S.A.D.A.S	40.7%	£36,900	£36,900	£36,900	40.7% plus £36,900	40.7% plus £36,900	40.7% plus £36,900	
809	SERCO LTD	20.8%	-4.9%	-4.9%	-4.9%	15.9%	15.9%	15.9%	
96	Sir William Perkins School	37.7%	£22,400	£22,400	£22,400	37.7% plus £22,400	37.7% plus £22,400	37.7% plus £22,400	
838	Sight for Surrey	18.8%				18.8%	18.8%	18.8%	
380	Surrey Choices	19.8%				19.8%	19.8%	19.8%	

Further comments to the Rates and Adjustments Certificate

- Contributions expressed as a percentage of payroll should be paid into the Fund at a frequency in accordance with the requirements of the Regulations
- Further sums should be paid to the Fund to meet the costs of any early retirements and/or augmentations using methods and factors issued by us from time to time or as otherwise agreed.
- Payments may be required to be made to the Fund by employers to meet the capital costs of any ill-health retirements that exceed those allowed for within our assumptions.
- The certified contribution rates represent the minimum level of contributions to be paid. Employing authorities may pay further amounts at any time and future periodic contributions may be adjusted on a basis approved by the Fund Actuary.
- The monetary contributions set out in the certificate above can be prepaid in advance with appropriate adjustments for interest as and when agreed with the Administering Authority. Under these circumstances a revised Rates and Adjustments certificate may be issued reflecting any advance payments.



Steven Scott FFA

Gemma Sefton FFA

30 March 2023
For and on behalf of Hymans Robertson LLP

HYMANS ROBERTSON

Section 13 Dashboard

Section 13 dashboard

Metric	Unit	2022 valuation
2022 funding position – local funding basis		
Funding level (assets/liabilities)	%	102%
Funding level (change since previous valuation)	%	6% increase
Asset value used at the valuation	£m	5,358
Value of liabilities (including McCloud liability)	£m	5,257
Surplus (deficit)	£m	101
Discount rate – past service	% pa	4.4%
Discount rate – future service	% pa	Past service and future service are consistently valued with the same underlying assumptions, methodologies and models regarding future expected levels of inflation, interest rates and investment returns.
Assumed pension increase (CPI)	% pa	2.7%
Method of derivation of discount rate, plus any changes since previous valuation		There is a 70% likelihood that the Fund's assets will return at least 4.4% over the 20 years following the 2022 valuation date. This is the same methodology and likelihood used for the 2019 valuation.

Section 13 dashboard

Metric	Unit	2022 valuation
Assumed life expectancy at age 65		
Life expectancy for current pensioners – men age 65	years	22.3
Life expectancy for current pensioners – women age 65	years	24.9
Life expectancy for future pensioners – men age 45	Years	23.1
Life expectancy for future pensioners – women age 45	years	26.3
Past service funding position – SAB basis (for comparison purposes only)		
Market value of assets	£m	5,358
Value of liabilities	£m	4,922
Funding level on SAB basis (assets/liabilities)	%	109%
Funding level on SAB basis (change since last valuation)	%	4% increase

Section 13 dashboard

Metric	Unit	2022 valuation	2019 valuation
Contribution rates payable			
Primary contribution rate	% of pay	18.9%	17.9%
Secondary contribution rate (cash amounts in each year in line with CIPFA guidance)			
1st year of rates and adjustments certificate	£m	19.761	32.181
2nd year of rates and adjustments certificate	£m	19.231	33.278
3rd year of rates and adjustments certificate	£m	18.861	34.503
Giving total expected contributions			
1st year of rates and adjustments certificate (£ figure based on assumed payroll)	£m	154.370	139.775
2nd year of rates and adjustments certificate (£ figure based on assumed payroll)	£m	158.871	144.362
3rd year of rates and adjustments certificate (£ figure based on assumed payroll)	£m	163.719	149.191
Assumed payroll (cash amounts in each year)			
1st year of rates and adjustments certificate	£m	711.315	601.081
2nd year of rates and adjustments certificate	£m	737.897	620.582
3rd year of rates and adjustments certificate	£m	765.473	640.715
3 year average total employer contribution rate	% of pay	21.5%	23.3%
Average employee contribution	% of pay	6.6%	6.5%
Employee contribution rate (£ figure based on assumed payroll of £711m)	£m pa	47.168	39.248

Section 13 dashboard

Metric	Unit	2022 valuation	2019 valuation
Deficit recovery and surplus spreading plan			
Latest deficit recovery period end date, where this methodology is used by the fund’s actuarial advisor	Year	Methodology not used	Methodology not used
Earliest surplus spreading period end date, where this methodology is used by the fund’s actuarial advisor	Year	Methodology not used	Methodology not used
The time horizon end date, where this methodology is used by the fund’s actuarial advisor	Year	2042	2039
The funding plan’s likelihood of success, where this methodology is used by the fund’s actuarial advisor	%	70%	70%
Percentage of liabilities relating to employers with deficit recovery periods of longer than 20 years	%	0%	0%
Additional information			
Percentage of total liabilities that are in respect of Tier 3 employers	%	9%	
Included climate change analysis/comments in the 2022 valuation report		Yes	
Value of McCloud liability in the 2022 valuation report (on local funding basis)	£m	12.4	

HYMANS ROBERTSON

Surrey Pension Fund
Rates & Adjustments certificate

2 June 2023

Rates and Adjustments Certificate

In accordance with Regulation 62 of the LGPS regulations, we have assessed the contributions that should be paid into the Surrey Pension Fund (the Fund) by participating employers for the period 1 April 2023 to 31 March 2026 in order to maintain the solvency of the Fund.

The method and assumptions used to calculate the contributions set out in this Rates and Adjustments certificate are detailed in the Funding Strategy Statement dated March 2023 and in Appendix 2 of the report on the actuarial valuation dated 06 June 2023. These assumptions underpin our estimate of the number of members who will become entitled to a payment of pensions under the provisions of the LGPS and the amount of liabilities arising in respect of such members.

The table below summarises the whole fund primary and secondary contribution rates for the period 1 April 2023 to 31 March 2026. The primary rate is the payroll weighted average of the underlying individual employer primary rates and the secondary rate is the total of the underlying individual employer secondary rates, calculated in accordance with the LGPS regulations and CIPFA guidance. The secondary rate has been shown both as a monetary amount and an equivalent percentage of the projected pensionable pay.

		This valuation 31 March 2022	
Primary rate		18.9% of pay	
Secondary rate		Monetary amount	Equivalent to % of payroll
	2023/24	£19,761,000	2.8%
	2024/25	£19,231,000	2.6%
	2025/26	£18,861,000	2.5%

The required minimum contribution rates for each employer in the Fund are set out in the remained of this certificate.

Employer code	Employer name	Primary rate (% of pay)	Secondary rate (% of pay plus monetary amount)			Total contributions (primary rate plus secondary rate)			Notes
			2023/24	2024/25	2025/26	2023/24	2024/25	2025/26	
Major employers									
359	Elmbridge Borough Council	19.0%	-1.9% plus £1,791,000	-1.9% plus £1,740,000	-1.9% plus £1,714,000	17.1% plus £1,791,000	17.1% plus £1,740,000	17.1% plus £1,714,000	
	Epsom & Ewell Borough Council Pool	19.1%	-1.7% plus £874,000	-1.7% plus £817,000	-1.7% plus £756,000	17.4% plus £874,000	17.4% plus £817,000	17.4% plus £756,000	
379	Guildford Borough Council	18.9%	-1.7% plus £2,163,000	-1.7% plus £2,016,000	-1.7% plus £1,857,000	17.2% plus £2,163,000	17.2% plus £2,016,000	17.2% plus £1,857,000	
	Mole Valley District Council	18.9%	-1.8% plus £550,000	-1.8% plus £550,000	-1.8% plus £550,000	17.1% plus £550,000	17.1% plus £550,000	17.1% plus £550,000	
481	Reigate & Banstead Borough Council	18.5%	-3.5% plus £1,890,000	-3.5% plus £1,869,000	-3.5% plus £1,919,000	15.0% plus £1,890,000	15.0% plus £1,869,000	15.0% plus £1,919,000	
494	Runnymede Borough Council	18.9%	-1.3% plus £711,000	-1.3% plus £600,000	-1.3% plus £458,000	17.6% plus £711,000	17.6% plus £600,000	17.6% plus £458,000	
536	Spelthorne Borough Council	19.0%	-1.7% plus £1,346,000	-1.7% plus £1,246,000	-1.7% plus £1,138,000	17.3% plus £1,346,000	17.3% plus £1,246,000	17.3% plus £1,138,000	
	Surrey County Council Pool	18.9%	-4.1% plus £9,084,000	-4.1% plus £9,420,000	-4.1% plus £9,769,000	14.8% plus £9,084,000	14.8% plus £9,420,000	14.8% plus £9,769,000	
	Surrey County Council (Schools)	18.9%	4.1%	4.1%	4.1%	23.0%	23.0%	23.0%	
547	Surrey Heath Borough Council	18.6%	-1.4% plus £976,000	-1.4% plus £961,000	-1.4% plus £1,000,000	17.2% plus £976,000	17.2% plus £961,000	17.2% plus £1,000,000	
	Surrey Police Authority	18.2%	-1.7% plus £1,612,000	-1.7% plus £1,671,000	-1.7% plus £1,733,000	16.5% plus £1,612,000	16.5% plus £1,671,000	16.5% plus £1,733,000	
553	Tandridge District Council	19.1%	-2.0% plus £1,221,000	-2.0% plus £1,220,000	-2.0% plus £1,276,000	17.1% plus £1,221,000	17.1% plus £1,220,000	17.1% plus £1,276,000	
	Waverley Borough Council Pool	18.8%	-1.6% plus £1,654,000	-1.6% plus £1,579,000	-1.6% plus £1,503,000	17.2% plus £1,654,000	17.2% plus £1,579,000	17.2% plus £1,503,000	
603	Woking Borough Council	18.6%	-1.6% plus £1,862,000	-1.6% plus £1,784,000	-1.6% plus £1,709,000	17.0% plus £1,862,000	17.0% plus £1,784,000	17.0% plus £1,709,000	

Employer code	Employer name	Primary rate (% of pay)	Secondary rate (% of pay plus monetary amount)			Total contributions (primary rate plus secondary rate)			Notes
			2023/24	2024/25	2025/26	2023/24	2024/25	2025/26	
Other Scheduled Bodies									
70	Ash Parish Council	17.7%				17.7%	17.7%	17.7%	
4	Bisley Parish Council	17.7%				17.7%	17.7%	17.7%	
897	Bramley Parish Council	17.7%				17.7%	17.7%	17.7%	
30a	Burstow Parish Council	17.7%				17.7%	17.7%	17.7%	
328	Chiddingfold Parish Council	17.7%				17.7%	17.7%	17.7%	
16	Cranleigh Parish Council	17.7%				17.7%	17.7%	17.7%	
331	Crowhurst Parish Council	17.7%				17.7%	17.7%	17.7%	
332	Dormansland Parish Council	17.7%				17.7%	17.7%	17.7%	
26	East Horsley Parish Council	17.7%				17.7%	17.7%	17.7%	
30	Effingham Parish council	17.7%				17.7%	17.7%	17.7%	
937	Farnham Town Council	16.9%				16.9%	16.9%	16.9%	
5	Frensham Parish Council	17.7%				17.7%	17.7%	17.7%	
679	Godalming Town Council	17.7%				17.7%	17.7%	17.7%	
11	Haslemere Town Council	17.7%				17.7%	17.7%	17.7%	
18	Horley Town Council	17.7%				17.7%	17.7%	17.7%	
32	Lingfield Parish Council	17.7%				17.7%	17.7%	17.7%	
14	Merton & Sutton Joint Cemetary Board	20.0%				20.0%	20.0%	20.0%	
935	Send Parish Council	17.7%				17.7%	17.7%	17.7%	
17	Warlingham Parish Council	17.7%				17.7%	17.7%	17.7%	
10	West End Parish Council	17.7%				17.7%	17.7%	17.7%	
8	Windlesham Parish Council	17.7%				17.7%	17.7%	17.7%	

Employer code	Employer name	Primary rate (% of pay)	Secondary rate (% of pay plus monetary amount)			Total contributions (primary rate plus secondary rate)			Notes
			2023/24	2024/25	2025/26	2023/24	2024/25	2025/26	
Other Scheduled Bodies (continued)									
895	Witley Parish Council	17.7%				17.7%	17.7%	17.7%	
6	Worplesdon Parish Council	17.7%				17.7%	17.7%	17.7%	
330	Whiteleaf Village Council	17.7%				17.7%	17.7%	17.7%	
Further Education / Higher Education									
	Activate Learning	21.1%	2.8%	2.8%	2.8%	23.9%	23.9%	23.9%	
	Brooklands College Pool	26.4%	5.2%	5.2%	5.2%	31.6%	31.6%	31.6%	
	East Surrey College Pool	20.9%	-1.8%	-1.8%	-1.8%	19.1%	19.1%	19.1%	
917	N.E.S.C.O.T	21.9%	0.6%	0.6%	0.6%	22.5%	22.5%	22.5%	
	UCCA Pool	20.5%	-5.3%	-5.3%	-5.3%	15.2%	15.2%	15.2%	
	University of Surrey	25.1%	5.5%	5.5%	5.5%	30.6%	30.6%	30.6%	

Employer code	Employer name	Primary rate (% of pay)	Secondary rate (% of pay plus monetary amount)			Total contributions (primary rate plus secondary rate)			Notes
			2023/24	2024/25	2025/26	2023/24	2024/25	2025/26	
Multi Academy Trusts									
	Bourne Education Trust	17.6%	1.3%	1.3%	1.3%	18.9%	18.9%	18.9%	
53K	Auriol Junior School	17.6%	1.3%	1.3%	1.3%	18.9%	18.9%	18.9%	
535	Broadmere Community Primary School	17.6%	1.3%	1.3%	1.3%	18.9%	18.9%	18.9%	
52M	Brookwood Primary School	17.6%	1.3%	1.3%	1.3%	18.9%	18.9%	18.9%	
53S	Chertsey High School	17.6%	1.3%	1.3%	1.3%	18.9%	18.9%	18.9%	
516	Epsom & Ewell High School	17.6%	1.3%	1.3%	1.3%	18.9%	18.9%	18.9%	
50C	Jubilee High School	17.6%	1.3%	1.3%	1.3%	18.9%	18.9%	18.9%	
527	Matthew Arnold School	17.6%	1.3%	1.3%	1.3%	18.9%	18.9%	18.9%	
54Y	Meadow Primary School	17.6%	1.3%	1.3%	1.3%	18.9%	18.9%	18.9%	
534	New Monument School	17.6%	1.3%	1.3%	1.3%	18.9%	18.9%	18.9%	
82Q	Pabulem Limited (Epsom and Ewell High)	17.6%	1.3%	1.3%	1.3%	18.9%	18.9%	18.9%	
50R	Pyrcroft Grange Primary School	17.6%	1.3%	1.3%	1.3%	18.9%	18.9%	18.9%	
51F	Sayes Court School	17.6%	1.3%	1.3%	1.3%	18.9%	18.9%	18.9%	
50W	Sythwood Primary School	17.6%	1.3%	1.3%	1.3%	18.9%	18.9%	18.9%	
54W	West Ewell Primary School	17.6%	1.3%	1.3%	1.3%	18.9%	18.9%	18.9%	
55M	Woodmansterne School	17.6%	1.3%	1.3%	1.3%	18.9%	18.9%	18.9%	

Employer code	Employer name	Primary rate (% of pay)	Secondary rate (% of pay plus monetary amount)			Total contributions (primary rate plus secondary rate)			Notes
			2023/24	2024/25	2025/26	2023/24	2024/25	2025/26	
	Bright Futures Learning Trust	17.8%	0.8%	0.8%	0.8%	18.6%	18.6%	18.6%	
523	Goldsworth Primary School	17.8%	0.8%	0.8%	0.8%	18.6%	18.6%	18.6%	
57Q	Knaphill Lower School	17.8%	0.8%	0.8%	0.8%	18.6%	18.6%	18.6%	
57R	Knaphill School	17.8%	0.8%	0.8%	0.8%	18.6%	18.6%	18.6%	
50T	St John's Primary School	17.8%	0.8%	0.8%	0.8%	18.6%	18.6%	18.6%	
5M4	Bright Futures Central Staff	17.8%	0.8%	0.8%	0.8%	18.6%	18.6%	18.6%	
	Engage, Enrich, Excel Academies (EEEA)	17.9%				17.9%	17.9%	17.9%	
55W	Byfleet Primary School	17.9%				17.9%	17.9%	17.9%	
574	Engage Enrich Excel Academy	17.9%				17.9%	17.9%	17.9%	
55K	Maybury Primary School	17.9%				17.9%	17.9%	17.9%	
51R	Ravenscote Community Junior School	17.9%				17.9%	17.9%	17.9%	
54N	South Camberley Primary and Nursery School	17.9%				17.9%	17.9%	17.9%	
54Z	Westfield Primary School	17.9%				17.9%	17.9%	17.9%	
	Enlighten Learning Trust	18.4%	3.4%	3.4%	3.4%	21.8%	21.8%	21.8%	
50Y	Esher Church of England High School	18.4%	3.4%	3.4%	3.4%	21.8%	21.8%	21.8%	
53H	St Andrews CofE Primary School - Cobham	18.4%	3.4%	3.4%	3.4%	21.8%	21.8%	21.8%	
	Everychild Trust	17.6%	0.5%	0.5%	0.5%	18.1%	18.1%	18.1%	
53R	Sandcross Primary School	17.6%	0.5%	0.5%	0.5%	18.1%	18.1%	18.1%	
55N	Hatchlands Primary School	17.6%	0.5%	0.5%	0.5%	18.1%	18.1%	18.1%	

Employer code	Employer name	Primary rate (% of pay)	Secondary rate (% of pay plus monetary amount)			Total contributions (primary rate plus secondary rate)			Notes
			2023/24	2024/25	2025/26	2023/24	2024/25	2025/26	
	GLF Schools	17.6%	0.5%	0.5%	0.5%	18.1%	18.1%	18.1%	
51A	Banstead Infants School	17.6%	0.5%	0.5%	0.5%	18.1%	18.1%	18.1%	
50P	Cordwalles Junior School	17.6%	0.5%	0.5%	0.5%	18.1%	18.1%	18.1%	
51M	Cuddington Croft Primary School	17.6%	0.5%	0.5%	0.5%	18.1%	18.1%	18.1%	
526	Danetree Junior School	17.6%	0.5%	0.5%	0.5%	18.1%	18.1%	18.1%	
52W	De Stafford School	17.6%	0.5%	0.5%	0.5%	18.1%	18.1%	18.1%	
5M3	Glyn Learning Foundation	17.6%	0.5%	0.5%	0.5%	18.1%	18.1%	18.1%	
505	Glyn School	17.6%	0.5%	0.5%	0.5%	18.1%	18.1%	18.1%	
52H	Hammond Junior School	17.6%	0.5%	0.5%	0.5%	18.1%	18.1%	18.1%	
51C	Hillcroft Primary School	17.6%	0.5%	0.5%	0.5%	18.1%	18.1%	18.1%	
52J	Lightwater Village School	17.6%	0.5%	0.5%	0.5%	18.1%	18.1%	18.1%	
539	Lime Tree Primary School	17.6%	0.5%	0.5%	0.5%	18.1%	18.1%	18.1%	
50D	Marden Lodge Primary School	17.6%	0.5%	0.5%	0.5%	18.1%	18.1%	18.1%	
551	Merstham Park School	17.6%	0.5%	0.5%	0.5%	18.1%	18.1%	18.1%	
54V	Merstham Primary School	17.6%	0.5%	0.5%	0.5%	18.1%	18.1%	18.1%	
53E	Pine Ridge and Lorraine Schools Federation	17.6%	0.5%	0.5%	0.5%	18.1%	18.1%	18.1%	
520	Rosebery School	17.6%	0.5%	0.5%	0.5%	18.1%	18.1%	18.1%	
51V	Salfords Primary School	17.6%	0.5%	0.5%	0.5%	18.1%	18.1%	18.1%	
50S	Springfield Community Primary School	17.6%	0.5%	0.5%	0.5%	18.1%	18.1%	18.1%	
517	The Beacon School	17.6%	0.5%	0.5%	0.5%	18.1%	18.1%	18.1%	
55B	The Vale Primary School	17.6%	0.5%	0.5%	0.5%	18.1%	18.1%	18.1%	
50G	Warlingham Village School	17.6%	0.5%	0.5%	0.5%	18.1%	18.1%	18.1%	

Employer code	Employer name	Primary rate (% of pay)	Secondary rate (% of pay plus monetary amount)			Total contributions (primary rate plus secondary rate)			Notes
			2023/24	2024/25	2025/26	2023/24	2024/25	2025/26	
	GLF Schools (continued)	17.6%	0.5%	0.5%	0.5%	18.1%	18.1%	18.1%	
51B	Warren Mead Junior School	17.6%	0.5%	0.5%	0.5%	18.1%	18.1%	18.1%	
55G	Warren Mead Infant School	17.6%	0.5%	0.5%	0.5%	18.1%	18.1%	18.1%	
51S	Whyteleafe School	17.6%	0.5%	0.5%	0.5%	18.1%	18.1%	18.1%	
	Good Shepherd Trust	17.9%	1.8%	1.8%	1.8%	19.7%	19.7%	19.7%	
51H	Ashley CofE Primary	17.9%	1.8%	1.8%	1.8%	19.7%	19.7%	19.7%	
52N	Christ's College	17.9%	1.8%	1.8%	1.8%	19.7%	19.7%	19.7%	
55F	Ottershaw C of E Infant School	17.9%	1.8%	1.8%	1.8%	19.7%	19.7%	19.7%	
54M	Potters Gate CofE Primary School	17.9%	1.8%	1.8%	1.8%	19.7%	19.7%	19.7%	
51N	Queen Eleanor's C of E Junior School	17.9%	1.8%	1.8%	1.8%	19.7%	19.7%	19.7%	
53F	St Andrew's Church of England Infant School	17.9%	1.8%	1.8%	1.8%	19.7%	19.7%	19.7%	
50M	St John's Community Primary School and Nursery	17.9%	1.8%	1.8%	1.8%	19.7%	19.7%	19.7%	
55H	St Mark and All Saints Church of England Primary School	17.9%	1.8%	1.8%	1.8%	19.7%	19.7%	19.7%	
50N	St Mary's CofE Primary School	17.9%	1.8%	1.8%	1.8%	19.7%	19.7%	19.7%	
50Z	St.Paul's Church of England Primary School	17.9%	1.8%	1.8%	1.8%	19.7%	19.7%	19.7%	
55A	Surrey Hills All Saints C of E Primary School	17.9%	1.8%	1.8%	1.8%	19.7%	19.7%	19.7%	
52A	The Weald Church of England Primary School	17.9%	1.8%	1.8%	1.8%	19.7%	19.7%	19.7%	
52Z	Waverly Abbey Junior CofE School	17.9%	1.8%	1.8%	1.8%	19.7%	19.7%	19.7%	
5MC	Good Shepherd Trust - central staff	17.9%	1.8%	1.8%	1.8%	19.7%	19.7%	19.7%	

Employer code	Employer name	Primary rate (% of pay)	Secondary rate (% of pay plus monetary amount)			Total contributions (primary rate plus secondary rate)			Notes
			2023/24	2024/25	2025/26	2023/24	2024/25	2025/26	
	Greensand Multi Academy Trust	18.0%				18.0%	18.0%	18.0%	
53V	Dovers Green School	18.0%				18.0%	18.0%	18.0%	
53W	Holmesdale Infant School	18.0%				18.0%	18.0%	18.0%	
53Y	Reigate School	18.0%				18.0%	18.0%	18.0%	
55E	St John's Primary School (Redhill)	18.0%				18.0%	18.0%	18.0%	
53Z	Wray Common Primary School	18.0%				18.0%	18.0%	18.0%	
5MR	Greensand MAT	18.0%				18.0%	18.0%	18.0%	
	Inclusive Education Trust	16.8%				16.8%	16.8%	16.8%	
58F	Fordway Centre Academy	16.8%				16.8%	16.8%	16.8%	
58E	Reigate Valley College	16.8%				16.8%	16.8%	16.8%	
58D	Wey Valley College	16.8%				16.8%	16.8%	16.8%	
	Kite Academy Trust	18.2%	2.3%	2.3%	2.3%	20.5%	20.5%	20.5%	
52B	Cross Farm Infant School	18.2%	2.3%	2.3%	2.3%	20.5%	20.5%	20.5%	
84U	Folly Hill Infant Academy	18.2%	2.3%	2.3%	2.3%	20.5%	20.5%	20.5%	
55T	Hale Primary School	18.2%	2.3%	2.3%	2.3%	20.5%	20.5%	20.5%	
52Y	Holly Lodge Primary School	18.2%	2.3%	2.3%	2.3%	20.5%	20.5%	20.5%	
52C	Lakeside Primary School	18.2%	2.3%	2.3%	2.3%	20.5%	20.5%	20.5%	
52D	Mytchett Primary School	18.2%	2.3%	2.3%	2.3%	20.5%	20.5%	20.5%	
52E	Sandringham School	18.2%	2.3%	2.3%	2.3%	20.5%	20.5%	20.5%	
52F	The Grove Primary School	18.2%	2.3%	2.3%	2.3%	20.5%	20.5%	20.5%	

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			2023/24	2024/25	2025/26	2023/24	2024/25	2025/26	
	Kite Academy Trust (continued)	18.2%	2.3%	2.3%	2.3%	20.5%	20.5%	20.5%	
550	Wyke Primary School	18.2%	2.3%	2.3%	2.3%	20.5%	20.5%	20.5%	
5ME	Kite Academy Trust - central staff	18.2%	2.3%	2.3%	2.3%	20.5%	20.5%	20.5%	
	Learning Partners Academy Trust	17.8%	0.8%	0.8%	0.8%	18.6%	18.6%	18.6%	
50A	Boxgrove Primary School	17.8%	0.8%	0.8%	0.8%	18.6%	18.6%	18.6%	
519	Fullbrook School	17.8%	0.8%	0.8%	0.8%	18.6%	18.6%	18.6%	
508	George Abbot School	17.8%	0.8%	0.8%	0.8%	18.6%	18.6%	18.6%	
531	Guildford County School	17.8%	0.8%	0.8%	0.8%	18.6%	18.6%	18.6%	
52U	Guildford Grove	17.8%	0.8%	0.8%	0.8%	18.6%	18.6%	18.6%	
51J	Kings College	17.8%	0.8%	0.8%	0.8%	18.6%	18.6%	18.6%	
52V	Loseley Fields	17.8%	0.8%	0.8%	0.8%	18.6%	18.6%	18.6%	
554	Northmead Junior School	17.8%	0.8%	0.8%	0.8%	18.6%	18.6%	18.6%	
556	Pirbright Village Primary School	17.8%	0.8%	0.8%	0.8%	18.6%	18.6%	18.6%	
51K	Sandfield Primary	17.8%	0.8%	0.8%	0.8%	18.6%	18.6%	18.6%	
55v	Shalford Infant School	17.8%	0.8%	0.8%	0.8%	18.6%	18.6%	18.6%	
558	Stoughton Infant School	17.8%	0.8%	0.8%	0.8%	18.6%	18.6%	18.6%	
83M	Athena GEP Trust - Central Staff	17.8%	0.8%	0.8%	0.8%	18.6%	18.6%	18.6%	

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			2023/24	2024/25	2025/26	2023/24	2024/25	2025/26	
	Lumen Learning Trust	17.8%	0.3%	0.3%	0.3%	18.1%	18.1%	18.1%	
57D	Darley Dene Primary School	17.8%	0.3%	0.3%	0.3%	18.1%	18.1%	18.1%	
52S	Riverbridge Primary School	17.8%	0.3%	0.3%	0.3%	18.1%	18.1%	18.1%	
50K	Saxon Primary School	17.8%	0.3%	0.3%	0.3%	18.1%	18.1%	18.1%	
50J	The Echelford Primary School	17.8%	0.3%	0.3%	0.3%	18.1%	18.1%	18.1%	
55J	Walton Oak School	17.8%	0.3%	0.3%	0.3%	18.1%	18.1%	18.1%	
5M7	Lumen Learning Trust - Central Staff	17.8%	0.3%	0.3%	0.3%	18.1%	18.1%	18.1%	
82G	ABM Catering Ltd (Echelford Primary School)	17.8%	0.3%	0.3%	0.3%	18.1%	18.1%	18.1%	
82H	ABM (LLT - Riverbridge Primary School)	17.8%	0.3%	0.3%	0.3%	18.1%	18.1%	18.1%	
82J	ABM Catering Ltd (Saxon Primary School)	17.8%	0.3%	0.3%	0.3%	18.1%	18.1%	18.1%	
	South East Surrey Schools Education Trust	18.0%	2.2%	2.2%	2.2%	20.2%	20.2%	20.2%	
53C	Carrington School	18.0%	2.2%	2.2%	2.2%	20.2%	20.2%	20.2%	
53A	The Ashcombe School	18.0%	2.2%	2.2%	2.2%	20.2%	20.2%	20.2%	
53B	Therfield School	18.0%	2.2%	2.2%	2.2%	20.2%	20.2%	20.2%	
	South Farnham Educational Trust	17.7%				17.7%	17.7%	17.7%	
51U	Highfield School	17.7%				17.7%	17.7%	17.7%	
509	South Farnham School	17.7%				17.7%	17.7%	17.7%	
514	The Raleigh School	17.7%				17.7%	17.7%	17.7%	
52T	Wallace Fields Infant School	17.7%				17.7%	17.7%	17.7%	

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			2023/24	2024/25	2025/26	2023/24	2024/25	2025/26	
	Stanwell Fields CofE Primary School	17.1%				17.1%	17.1%	17.1%	
	SWAN Academy Trust (UT)	17.8%	1.2%	1.2%	1.2%	19.0%	19.0%	19.0%	
50U	Barnsbury Primary School	17.8%	1.2%	1.2%	1.2%	19.0%	19.0%	19.0%	
50V	Beaufort Community Primary School	17.8%	1.2%	1.2%	1.2%	19.0%	19.0%	19.0%	
580	Kingfield Primary School	17.8%	1.2%	1.2%	1.2%	19.0%	19.0%	19.0%	
50X	The Hermitage Junior School	17.8%	1.2%	1.2%	1.2%	19.0%	19.0%	19.0%	
50B	The Horsell Village School	17.8%	1.2%	1.2%	1.2%	19.0%	19.0%	19.0%	
50E	The Oaktree School	17.8%	1.2%	1.2%	1.2%	19.0%	19.0%	19.0%	
5MP	The Swan Trust	17.8%	1.2%	1.2%	1.2%	19.0%	19.0%	19.0%	
	Tandridge Learning Trust	17.9%	0.3%	0.3%	0.3%	18.2%	18.2%	18.2%	
53M	Bletchingley Village Primary School	17.9%	0.3%	0.3%	0.3%	18.2%	18.2%	18.2%	
53N	Hamsey Green Primary School	17.9%	0.3%	0.3%	0.3%	18.2%	18.2%	18.2%	
53P	Tatsfield Primary School	17.9%	0.3%	0.3%	0.3%	18.2%	18.2%	18.2%	
529	Warlingham School	17.9%	0.3%	0.3%	0.3%	18.2%	18.2%	18.2%	
53Q	Woodlea Primary School	17.9%	0.3%	0.3%	0.3%	18.2%	18.2%	18.2%	
	The Alliance Multi Academy Trust	18.4%	0.9%	0.9%	0.9%	19.3%	19.3%	19.3%	
50H	Connaught Junior School	18.4%	0.9%	0.9%	0.9%	19.3%	19.3%	19.3%	
54R	Crawley Ridge Infant School	18.4%	0.9%	0.9%	0.9%	19.3%	19.3%	19.3%	
54S	Crawley Ridge Junior School	18.4%	0.9%	0.9%	0.9%	19.3%	19.3%	19.3%	

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			2023/24	2024/25	2025/26	2023/24	2024/25	2025/26	
	The Alliance Multi Academy Trust (continued)	18.4%	0.9%	0.9%	0.9%	19.3%	19.3%	19.3%	
54T	Holy Trinity Primary School	18.4%	0.9%	0.9%	0.9%	19.3%	19.3%	19.3%	
54U	Windlesham Village Infant School	18.4%	0.9%	0.9%	0.9%	19.3%	19.3%	19.3%	
5MM	The Alliance Multi-Academy Trust - central staff	18.4%	0.9%	0.9%	0.9%	19.3%	19.3%	19.3%	
	The Howard Partnership Trust	17.7%	1.7%	1.7%	1.7%	19.4%	19.4%	19.4%	
52R	Cuddington Community Primary School	17.7%	1.7%	1.7%	1.7%	19.4%	19.4%	19.4%	
52P	Eastwick Junior and Eastwick Infant School	17.7%	1.7%	1.7%	1.7%	19.4%	19.4%	19.4%	
58H	Fox Grove School	17.7%	1.7%	1.7%	1.7%	19.4%	19.4%	19.4%	
503	Howard of Effingham School	17.7%	1.7%	1.7%	1.7%	19.4%	19.4%	19.4%	
50Q	Kenyngton Manor Primary	17.7%	1.7%	1.7%	1.7%	19.4%	19.4%	19.4%	
53T	Linden Bridge School	17.7%	1.7%	1.7%	1.7%	19.4%	19.4%	19.4%	
55C	Meadhurst Primary School	17.7%	1.7%	1.7%	1.7%	19.4%	19.4%	19.4%	
51Z	Oxted School	17.7%	1.7%	1.7%	1.7%	19.4%	19.4%	19.4%	
51Q	St Lawrence Primary School	17.7%	1.7%	1.7%	1.7%	19.4%	19.4%	19.4%	
502	Thomas Knyvett College	17.7%	1.7%	1.7%	1.7%	19.4%	19.4%	19.4%	
512	Three Rivers Academy	17.7%	1.7%	1.7%	1.7%	19.4%	19.4%	19.4%	
53U	West Hill School	17.7%	1.7%	1.7%	1.7%	19.4%	19.4%	19.4%	
5MN	Learning and Inspiration for Tomorrow - Central Staff	17.7%	1.7%	1.7%	1.7%	19.4%	19.4%	19.4%	
5MD	The Howard Partnership - central staff	17.7%	1.7%	1.7%	1.7%	19.4%	19.4%	19.4%	

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			2023/24	2024/25	2025/26	2023/24	2024/25	2025/26	
	The Prospect Trust	17.3%	2.6%	2.6%	2.6%	19.9%	19.9%	19.9%	
58A	Frimley Junior CoE School	17.3%	2.6%	2.6%	2.6%	19.9%	19.9%	19.9%	
50F	Tomlinscote School	17.3%	2.6%	2.6%	2.6%	19.9%	19.9%	19.9%	
	The Southwark Diocesan Board of Education Academy Trust (SDBE)	17.4%	0.4%	0.4%	0.4%	17.8%	17.8%	17.8%	
54P	St Matthew's C of E Primary School	17.4%	0.4%	0.4%	0.4%	17.8%	17.8%	17.8%	
54Q	St Stephen's C of E Primary School	17.4%	0.4%	0.4%	0.4%	17.8%	17.8%	17.8%	
	Unity Schools Trust	18.3%	3.5%	3.5%	3.5%	21.8%	21.8%	21.8%	
52G	Bishop David Brown School	18.3%	3.5%	3.5%	3.5%	21.8%	21.8%	21.8%	
510	Magna Carta School	18.3%	3.5%	3.5%	3.5%	21.8%	21.8%	21.8%	
5MG	Unity Schools Central Staff	18.3%	3.5%	3.5%	3.5%	21.8%	21.8%	21.8%	
	Weydon Multi Academy Trust	17.8%	1.5%	1.5%	1.5%	19.3%	19.3%	19.3%	
533	Farnham Heath End School	17.8%	1.5%	1.5%	1.5%	19.3%	19.3%	19.3%	
511	Rodborough Technology College	17.8%	1.5%	1.5%	1.5%	19.3%	19.3%	19.3%	
552	The Abbey School	17.8%	1.5%	1.5%	1.5%	19.3%	19.3%	19.3%	
57P	The Park School	17.8%	1.5%	1.5%	1.5%	19.3%	19.3%	19.3%	
53J	The Ridgeway School	17.8%	1.5%	1.5%	1.5%	19.3%	19.3%	19.3%	
506	Weydon School	17.8%	1.5%	1.5%	1.5%	19.3%	19.3%	19.3%	
515	Woolmer Hill School	17.8%	1.5%	1.5%	1.5%	19.3%	19.3%	19.3%	

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			2023/24	2024/25	2025/26	2023/24	2024/25	2025/26	
	Xavier Catholic Education Trust	18.0%	1.6%	1.6%	1.6%	19.6%	19.6%	19.6%	
54A	Cardinal Newman Catholic Primary School	18.0%	1.6%	1.6%	1.6%	19.6%	19.6%	19.6%	
54B	Holy Family Catholic Primary School	18.0%	1.6%	1.6%	1.6%	19.6%	19.6%	19.6%	
54C	Salesian School	18.0%	1.6%	1.6%	1.6%	19.6%	19.6%	19.6%	
54D	St Albans Catholic Primary School	18.0%	1.6%	1.6%	1.6%	19.6%	19.6%	19.6%	
54E	St Anne’s Catholic Primary School	18.0%	1.6%	1.6%	1.6%	19.6%	19.6%	19.6%	
54F	St Augustine’s Catholic Primary	18.0%	1.6%	1.6%	1.6%	19.6%	19.6%	19.6%	
54G	St Charles Borromeo Catholic Primary School	18.0%	1.6%	1.6%	1.6%	19.6%	19.6%	19.6%	
58C	St Edmunds Primary School	18.0%	1.6%	1.6%	1.6%	19.6%	19.6%	19.6%	
54H	St Hugh of Lincoln Catholic Primary School	18.0%	1.6%	1.6%	1.6%	19.6%	19.6%	19.6%	
54J	St John the Baptist	18.0%	1.6%	1.6%	1.6%	19.6%	19.6%	19.6%	
54K	The Marist Catholic Primary School	18.0%	1.6%	1.6%	1.6%	19.6%	19.6%	19.6%	
55U	St Peters Catholic Secondary School	18.0%	1.6%	1.6%	1.6%	19.6%	19.6%	19.6%	
55P	St Polycarp's Catholic Primary School	18.0%	1.6%	1.6%	1.6%	19.6%	19.6%	19.6%	
55Q	St Thomas' Catholic Primary School	18.0%	1.6%	1.6%	1.6%	19.6%	19.6%	19.6%	
559	St Cuthbert Mayne	18.0%	1.6%	1.6%	1.6%	19.6%	19.6%	19.6%	
5MH	Xavier Catholic Education Trust	18.0%	1.6%	1.6%	1.6%	19.6%	19.6%	19.6%	

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			2023/24	2024/25	2025/26	2023/24	2024/25	2025/26	
Academies									
521	Blenheim High School	17.9%	0.8%	0.8%	0.8%	18.7%	18.7%	18.7%	
579	Bramley Oak Academy	17.5%				17.5%	17.5%	17.5%	
57T	Broadwater School	17.9%	0.1%	0.1%	0.1%	18.0%	18.0%	18.0%	
51G	Carwarden House Community School	17.6%	0.4%	0.4%	0.4%	18.0%	18.0%	18.0%	
501	Cleves School	17.7%	1.3%	1.3%	1.3%	19.0%	19.0%	19.0%	
525	Cobham Free School	18.3%				18.3%	18.3%	18.3%	
507	Collingwood College	17.7%				17.7%	17.7%	17.7%	
51T	Esher Church School	18.8%	2.1%	2.1%	2.1%	20.9%	20.9%	20.9%	
920	Esher College	17.5%				17.5%	17.5%	17.5%	
922	Godalming College	17.4%				17.4%	17.4%	17.4%	
532	Gordons School Academy Trust	17.3%	1.5%	1.5%	1.5%	18.8%	18.8%	18.8%	
51Y	Heathside School	17.8%	2.2%	2.2%	2.2%	20.0%	20.0%	20.0%	
55R	Hinchley Wood Primary	17.6%				17.6%	17.6%	17.6%	
522	Hinchley Wood School	17.8%	1.1%	1.1%	1.1%	18.9%	18.9%	18.9%	
51X	Hoe Valley School	17.5%				17.5%	17.5%	17.5%	
51D	New Haw Community Junior School	18.3%	2.3%	2.3%	2.3%	20.6%	20.6%	20.6%	
538	Peaslake Free School	19.7%				19.7%	19.7%	19.7%	
51P	Pond Meadow School	16.9%	0.2%	0.2%	0.2%	17.1%	17.1%	17.1%	
51E	Pyrford Church of England (Aided) Primary School	18.1%	2.6%	2.6%	2.6%	20.7%	20.7%	20.7%	
924	Reigate Learning Alliance	18.0%				18.0%	18.0%	18.0%	
5M9	Russell Education Trust	14.5%				14.5%	14.5%	14.5%	

Employer code	Employer name	Primary rate (% of pay)	Secondary rate (% of pay plus monetary amount) 2023/24	2024/25	2025/26	Total contributions (primary rate plus secondary rate) 2023/24	2024/25	2025/26	Notes
Academies (continued)									
84S	Shawley Community Primary Academy	18.1%	2.0%	2.0%	2.0%	20.1%	20.1%	20.1%	
504	Sunbury Manor School	17.7%	1.4%	1.4%	1.4%	19.1%	19.1%	19.1%	
513	Thamesmead School	17.9%				17.9%	17.9%	17.9%	
524	The Bishop Wand School	17.9%	1.2%	1.2%	1.2%	19.1%	19.1%	19.1%	
55D	Unified Academy	16.2%	1.6%	1.6%	1.6%	17.8%	17.8%	17.8%	
530	Weyfield Primary Academy	18.4%				18.4%	18.4%	18.4%	
528	Wishmore Cross Academy	17.8%				17.8%	17.8%	17.8%	
928	Woking College	17.9%				17.9%	17.9%	17.9%	
537	Woking High School	18.1%	4.5%	4.5%	4.5%	22.6%	22.6%	22.6%	
Admitted Bodies									
	A2 Housing Group	37.5%	£71,900	£71,900	£71,900	37.5% plus £71,900	37.5% plus £71,900	37.5% plus £71,900	
816	Ability	39.0%				39.0%	39.0%	39.0%	
83B	ABM Catering (Northmead Junior School)	22.4%				22.4%	22.4%	22.4%	
740	Achieve Lifestyle	38.9%	£84,000	£84,000	£84,000	38.9% plus £84,000	38.9% plus £84,000	38.9% plus £84,000	
82N	ACM (The Academy of Contemporary Music)	20.8%	-5.4%	-5.4%	-5.4%	15.4%	15.4%	15.4%	
815	Clarion Housing Group	38.5%	£19,600	£19,600	£19,600	38.5% plus £19,600	38.5% plus £19,600	38.5% plus £19,600	
828	Compass Contract Services (U.K.) Ltd	21.2%	-4.1%	-4.1%	-4.1%	17.1%	17.1%	17.1%	
832	Compass Contract Services (Chartwells) - Salesians	30.7%	-10.3%	-10.3%	-10.3%	20.4%	20.4%	20.4%	
814	East Surrey Rural Transport Partnership	39.7%	£3,800	£3,800	£3,800	39.7% plus £3,800	39.7% plus £3,800	39.7% plus £3,800	
82A	Elmbridge Building Control Services	19.5%	-6.8%	-6.8%	-6.8%	12.7%	12.7%	12.7%	

Employer code	Employer name	Primary rate (% of pay)	Secondary rate (% of pay plus monetary amount)			Total contributions (primary rate plus secondary rate)			Notes
			2023/24	2024/25	2025/26	2023/24	2024/25	2025/26	
Admitted Bodies (continued)									
743	Freedom Leisure (Guildford)	23.5%	-7.1%	-7.1%	-7.1%	16.4%	16.4%	16.4%	
744	Freedom Leisure (Woking)	23.2%	-7.0%	-7.0%	-7.0%	16.2%	16.2%	16.2%	
818	Fusion Lifestyle	21.7%	-5.7%	-5.7%	-5.7%	16.0%	16.0%	16.0%	
44	Hanover Housing Association	39.6%	£427,600	£427,600	£427,600	39.6% plus £427,600	39.6% plus £427,600	39.6% plus £427,600	
806	Hoppa	40.4%	£5,800	£5,800	£5,800	40.4% plus £5,800	40.4% plus £5,800	40.4% plus £5,800	
745	IESE - Improvement and Efficiency South East	37.0%	£127,700	£127,700	£127,700	37.0% plus £127,700	37.0% plus £127,700	37.0% plus £127,700	
83F	Independent Catering (The Priory School)	28.2%	6.9%	6.9%	6.9%	35.1%	35.1%	35.1%	
831	Innovate Ltd (Farnham Heath End)	22.5%	4.2%	4.2%	4.2%	26.7%	26.7%	26.7%	
94	Moor House School	39.6%	£200,900	£200,900	£200,900	39.6% plus £200,900	39.6% plus £200,900	39.6% plus £200,900	
837	Pabulum (Burpham Primary School)	18.0%	15.8%	15.8%	15.8%	33.8%	33.8%	33.8%	
825	Pinnacle Housing (Woking Housing Transfer)	26.7%	-5.5%	-5.5%	-5.5%	21.2%	21.2%	21.2%	
83G	Rapid Clean (St Augustine's School)	24.5%				24.5%	24.5%	24.5%	
93	Reigate Grammar School	38.8%	£92,600	£92,600	£92,600	38.8% plus £92,600	38.8% plus £92,600	38.8% plus £92,600	
	Town and Country Housing	37.4%	£132,000	£132,000	£132,000	37.4% plus £132,000	37.4% plus £132,000	37.4% plus £132,000	1
390	S.A.D.A.S	40.7%	£36,900	£36,900	£36,900	40.7% plus £36,900	40.7% plus £36,900	40.7% plus £36,900	
809	SERCO LTD	20.8%	-4.9%	-4.9%	-4.9%	15.9%	15.9%	15.9%	
96	Sir William Perkins School	37.7%	£22,400	£22,400	£22,400	37.7% plus £22,400	37.7% plus £22,400	37.7% plus £22,400	
838	Sight for Surrey	18.8%				18.8%	18.8%	18.8%	
380	Surrey Choices	19.8%				19.8%	19.8%	19.8%	

Employer code	Employer name	Primary rate (% of pay)	Secondary rate (% of pay plus monetary amount)			Total contributions (primary rate plus secondary rate)			Date commenced participation
			2023/24	2024/25	2025/26	2023/24	2024/25	2025/26	
New employers commencing participation after 31 March 2022									
Multi Academy Trusts									
	Bourne Education Trust								
85X	The Mead Infant School	17.6%	1.3%	1.3%	1.3%	18.9%	18.9%	18.9%	1 November 2022
	Enlighten Learning Trust								
84W	St Martin's CofE Infant and Junior School	18.4%	3.4%	3.4%	3.4%	21.8%	21.8%	21.8%	1 April 2022
	Good Shepherd Trust								
85U	Scott Broadwood CofE Infants	17.9%	1.8%	1.8%	1.8%	19.7%	19.7%	19.7%	1 October 2022
86K	Valley End Primary School	17.9%	1.8%	1.8%	1.8%	19.7%	19.7%	19.7%	1 March 2023
	Hinchley Wood Learning Partnership								
85Y	Thames Ditton Junior School	21.4%	0.4%	0.4%	0.4%	21.8%	21.8%	21.8%	1 November 2022
	South Farnham Educational Trust								
85A	Busbridge Infant School	17.7%				17.7%	17.7%	17.7%	1 April 2022
85P	Great Bookham School	17.7%				17.7%	17.7%	17.7%	1 July 2022
	The Ascension Catholic Academy Trust								
86A	Our Lady of the Rosary RC Primary School	15.9%				15.9%	15.9%	15.9%	1 December 2022
86B	St Ignatius RC Primary School	15.9%				15.9%	15.9%	15.9%	1 December 2022
85Z	St Michael Catholic Primary School	15.9%				15.9%	15.9%	15.9%	1 December 2022
87A	St Paul's Catholic College	15.9%				15.9%	15.9%	15.9%	1 December 2022
Academies									
85B	Holland Junior Academy	22.7%				22.7%	22.7%	22.7%	1 April 2022

Notes to the Rates and Adjustments Certificate

1. All assets and liabilities of Rosebery Housing Association (986) transferred to Town and County Housing on 4 April 2023.

Further comments to the Rates and Adjustments Certificate

- Contributions expressed as a percentage of payroll should be paid into the Fund at a frequency in accordance with the requirements of the Regulations
- Further sums should be paid to the Fund to meet the costs of any early retirements and/or augmentations using methods and factors issued by us from time to time or as otherwise agreed.
- Payments may be required to be made to the Fund by employers to meet the capital costs of any ill-health retirements that exceed those allowed for within our assumptions.
- The certified contribution rates represent the minimum level of contributions to be paid. Employing authorities may pay further amounts at any time and future periodic contributions may be adjusted on a basis approved by the Fund Actuary.
- The monetary contributions set out in the certificate above can be prepaid in advance with appropriate adjustments for interest as and when agreed with the Administering Authority. Under these circumstances a revised Rates and Adjustments certificate may be issued reflecting any advance payments.

Steven Scott FFA

Gemma Sefton FFA

06 June 2023
For and on behalf of Hymans Robertson LLP

SURREY COUNTY COUNCIL

PENSION FUND COMMITTEE

DATE: **16 JUNE 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) engagement and voting 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).

Included in this paper are links to the Quarterly Engagement Report from LAPFF as well as the Active Ownership Reports from Robeco and Legal & General Investment Management (LGIM).

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.

The Fund is advised by Minerva in its direct voting activity in accordance with the Fund's voting policy. 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.

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

   b) Acknowledging the outcomes achieved for quarter ended 31 March 2023 by Robeco and LGIM 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 March 2023.

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

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 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.

10

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.

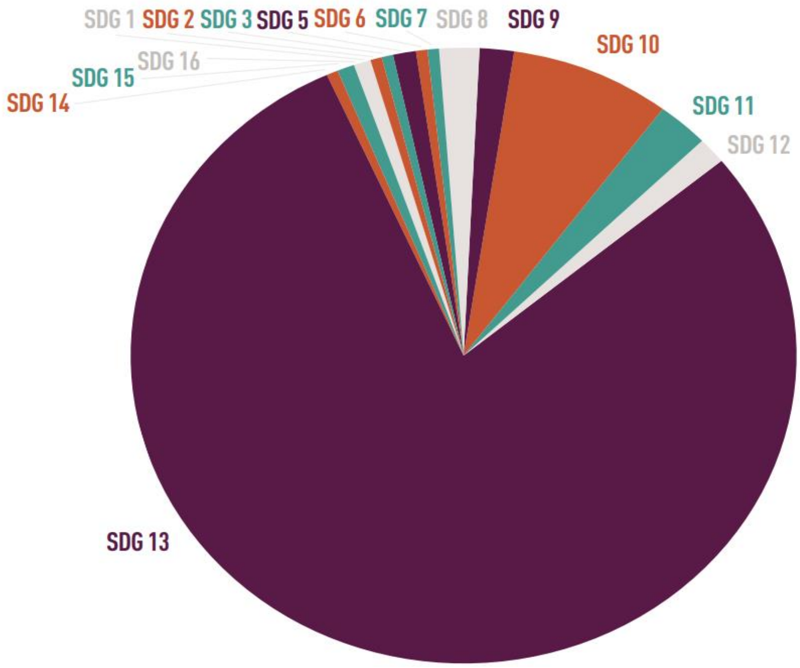
4. LAPFF is a collaborative shareholder engagement group representing most of the Local Government Pension Scheme (LGPS) Funds and UK Pension Pools, including BCPP. Its aim is to engage with companies to promote the highest standards of corporate governance and corporate responsibility amongst investee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

LAPFF Engagement

5. The LAPFF Quarterly Engagement Report can be found at the link below. This report details progress on all engagements. Some of the highlights from Q1 are summarised below.

   LAPFF-QER-Q1.pdf (lapfforum.org)

6. The chart below shows how LAPFF engaged over the quarter in relation to the UN Sustainable Development Goals (SDGs). The high number of engagements for SDG13-Climate Action reflects the letters sent out to the FTSE All Share companies as part of the Say on Climate initiative.



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LAPFF SDG ENGAGEMENTS

SDG 1: No Poverty	1
SDG 2: Zero Hunger	3
SDG 3: Good Health and Well-Being	3
SDG 4: Quality Education	0
SDG 5: Gender Equality	5
SDG 6: Clean Water and Sanitation	4
SDG 7: Affordable and Clean Energy	3
SDG 8: Decent Work and Economic Growth	10
SDG 9: Industry, Innovation, and Infrastructure	9
SDG 10: Reduced Inequalities	38
SDG 11: Sustainable Cities and Communities	10
SDG12: Responsible Production and Consumption	7
SDG 13: Climate Action	426
SDG 14: Life Below Water	3
SDG 15: Life on Land	4
SDG 16: Peace, Justice, and Strong Institutions	4
SDG 17: Strengthen the Means of Implementation and Revitalise the Global Partnership for Sustainable Development	0

7. Say on Climate is an initiative that aims to provide shareholders with a specific vote at AGMs on a company's approach to transitioning to net zero. LAPFF continues to lobby for a Say on Climate vote and, alongside Sarasin & Partners, CCLA, and the Ethos Foundation, and wrote to the FTSE All-Share (excluding investment trusts) requesting that boards provide shareholders with the opportunity to support their greenhouse gas emission reduction strategy by putting an appropriate resolution on the AGM agenda. Some companies plan to have an annual Say on Climate vote while others will have a vote every three years to approve their triennial climate plan. However, most companies said they did not intend to hold Say on Climate votes. The letter received coverage in the

press which widened awareness and LAPFF will continue to engage so shareholders can express their views specifically about climate strategies.

8. LAPFF had a number of water-related engagements including McDonald's, Constellation Brands and Chipotle. LAPFF wants McDonald's to publicly disclose the findings of a water risk assessment and physical risk scenario analysis undertaken by the company in 2020. With Constellation Brands, LAPFF wants timebound, contextual targets, goals or policies set to address impacts on water availability in water scarce areas across the sections of the value chain. In the case of Chipotle, LAPFF have engaged with Chipotle Mexican Grill (Chipotle) on its approach to water stewardship since 2019. The initial engagement objective was met during 2022 and an ingredient level water risk assessment to identify areas of water stress within the supply chain was undertaken. During a meeting in March, Chipotle demonstrated some notable progress, including the completion of a water stress evaluation for the current state of its supply chain, forecasting the impact of water stress to 2040, and developing a mitigation roadmap to establish water stewardship throughout its operation.

10

9. Both McDonalds and Constellation Brands have been identified by the Valuing Water Finance Initiative and therefore included in the 2023 VWFI benchmark. This benchmark will be used by LAPFF to measure company performance LAPFF is the co-lead investor for Constellation Brands and the lead investor for Chipotle as part of the Valuing Water Finance Initiative. During 2023, Chipotle will be benchmarked against peers on its approach to water stewardship.

10. The acceleration in moving to electric vehicles is being seen globally, as auto manufacturers seek to meet net zero targets and reduce the carbon footprint in the life cycle of their vehicles. LAPFF met with Volvo to discuss its approach to climate change and a net zero transition. As legislation tightens in Europe with the Corporate Sustainability Due Diligence Directive, companies will have to do further due diligence on and ensure greater oversight of their supply chains. LAPFF continues to impress upon vehicle manufacturers the benefits of transparent reporting and enhanced due diligence, whilst seeking to better understand how companies are managing a just transition.

Collaborative Engagements

11. **PRI Advance** - LAPFF is pleased to have been selected to join the Principle for Responsible Investment (PRI) Advance working groups for Anglo American and Vale. The initiative is aimed at improving human rights standards in the mining and renewable energy industries.

12. **Initiative for Responsible Mining Assurance (IRMA)** - IRMA has come up in conversation with many of the engagements with electric vehicle manufacturers companies on their approach to responsible mineral sourcing and supply chain due diligence. LAPFF sought a meeting to discuss their certification standard for industrial scale mine sites. Meetings have provided insight into the value of greater due diligence at mine sites and how this can be achieved, particularly through effective multi-stakeholder engagement with a range of industries, including the mining sector and auto-manufacturers which are being engaged by LAPFF.

13. **CA 100+: General Motors -** LAPFF is a member of the CA100+ transport group which is engaging with the largest emitters from the automotive sector. Road transportation is a major contributor to global emissions, the industry faces tightening regulation on emissions standards and some countries have set dates after which the sales of new petrol vehicles will be banned. As such, investors are seeking to ensure that car companies are managing these risks by setting targets and taking action to shift production to electric vehicles. LAPFF participated in a CA100+ collaborative meeting

with General Motors. The meeting covered the impact of the Inflation Reduction Act in the US, GM's targets and how GM is planning on reaching its ambitions. The company plans to have capacity in excess of one million EV units in both North America and China by 2025.

14. **Valuing Water Finance Initiative (VWFI)** - LAPFF is a founding member of the initiative and is well positioned to be at the forefront of driving positive change in this area in 2023.

15. **Market Forces** - Market Forces is an environmental advocacy project which primarily focuses on financial institutions. After recommending votes in favour of Market Forces' resolutions at Barclays and Rio Tinto AGMs in 2021, LAPFF met with representatives from the organisation to discuss plans for development in 2023 and will monitor Market Forces' resolutions and work as the year progresses.

16. **Taskforce on Social Factors**

LAPFF is a member of the Taskforce on Social Factors that has been established by the DWP. The taskforce has been established to look at how investors can best address and manage social factors, including by identifying reliable data and metrics. The taskforce is comprised of people from the industry and, alongside the DWP, includes observers from the Financial Conduct Authority, Financial Reporting Council, HM Treasury and the Pensions Regulator 10

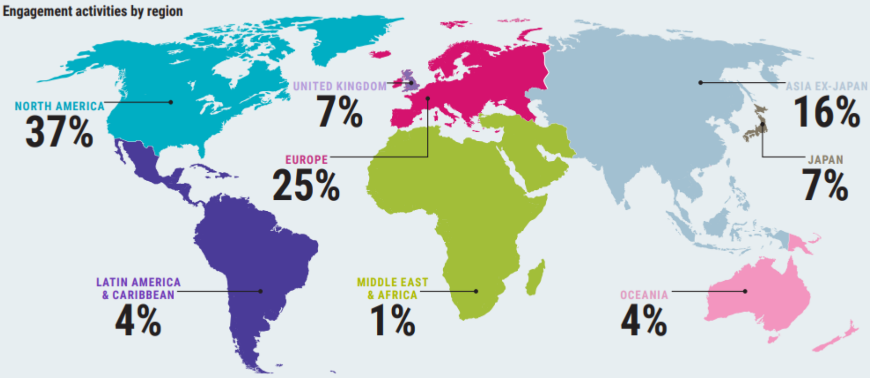
Robeco Engagement

17. In the quarter ended 31 March 2023, Robeco voted at 139 shareholder meetings, voting against at least one agenda item in 65% of cases. The Robeco report can by following at the link below, which also highlights all companies under engagement. Some of the engagements from the quarter are shown in the graphic and also described below.

[Robeco-Active-Ownership-Report-Q1-2023-1.pdf (bordertocoast.org.uk)]

Q1|23 figures engagement

Engagement activities by region



Number of engagement cases by topic*

	Q1	Q2	Q3	Q4	YTD
Environment	23				23
Social	11				11
Corporate Governance	12				12
Voting Related	7				7
SDGs	17				17
Global Controversy	6				6
Total	**76**				**76**

Number of engagement activities per contact type

	Q1	Q2	Q3	Q4	YTD
Meeting	2				2
Conference call	57				57
Written correspondence	52				52
Shareholder resolution	0				0
Analysis	12				12
Other	1				1
Total	**124**				**124**

Lifecycle Management of Mining

18. Robeco closed the 2020-initiated Lifecycle Management of Mining theme. Over the three years of the engagement, Robeco engaged with 14 mining companies across four continents. Of the 14, engagement with four of them was halted for various reasons. Of the 10 remaining companies, Robeco closed 90% of the cases successfully, with almost all having strengthened their water management policies and improved their water use efficiency and recycling. They have also pledged to uphold the Global Industry Standard on Tailings Management, however, to create an industry free from fatalities and environmental pollution, a systemic and long-term collaboration with the sector is required, prompting Robeco to join the 'Mining 2030' global investor initiative.

19. Water management is greatly improving. 90% of the companies have adopted adequate water management policies, with 80% disclosing performance of their operations on water-related metrics. 60% of companies have set targets to improve water use efficiency, while two others are planning to do so in the near future.

20. Tailings management transparency and adoption of best practices continues to improve.
10 Eight companies in the peer group disclose all their tailings storage facilities in operation
to the Global Tailings Database, and nine companies have committed to implement the
Global Industry Standard on Tailings Management.

21. Asset retirement engagement was less successful. Integrated closure activities in business plans was expected, with financial assurances for mine closure liquid and accessible. This should cover costs of reclamation and closure and also redress impacts that were caused to wildlife, soil and water quality. The financial surety should be safeguarded and releasable only with a regulatory authority's specific consent. The results were mixed, with only one company scoring well on the three sub-targets on asset retirement issues. In general, financial assurances for mine closure need to be much better disclosed in annual reports.

Next steps - Launch of Mining 2030

22. In January 2023, Mining 2030 to raise sustainability standards by the end of this decade. Mining 2030 was launched to ensure that growth in mineral demand does not harm people or the environment. Key systemic risks that challenge the mining sector's ability to meet increasing mineral demand for the low-carbon transition will be addressed. Focus areas include the impact on biodiversity and climate change, corruption in the industry, the legacy of mining and rehabilitation, water risk management, seabed mining and many other material issues. Robeco expects to play an active role in the initiative, leading to the identification of global best practice standards and disclosures.

Acceleration to Paris

23. It has been a little over a year since the Acceleration to Paris engagement program began and since then, material events have occurred. The most significant are the passing of the Inflation Reduction Act (IRA) in the US, and the invasion of Ukraine by Russia. Both impact the energy transition, and subsequently how companies manage these risks and opportunities.

24. In the case of the IRA, the financial incentive for investing in the energy transition is material, and companies are already taking part. This has catalysed action by other jurisdictions to match these subsidies and promote investment in their own regions. Although difficult to quantify an impact, it will certainly benefit the speed at which low-carbon technologies come down in price.

25. The Russian invasion of Ukraine has caused a fragmentation of oil and gas markets not previously been seen. Actions taken by the EU to reduce exposure to the importation of Russian fossil fuels has forced an acceleration in the deployment of low-carbon technologies and the sourcing of natural gas from other regions.

26. Acceleration to Paris is classified as an enhanced engagement program, and, as such, Robeco intends to take a more proactive approach to escalation. Using their proprietary Paris-alignment tool to identify companies that are the greatest laggards, Robeco can select the companies they see as having the greatest potential for impact through their engagement.

27. In 2022 Robeco implemented steps to create greater synergies between climate performance assessment and their related voting approach. As such, Robeco will vote against the re-election of the chair for companies rated as ‘misaligned’ in the traffic light assessment, including all those within the Acceleration to Paris program. 10

28. As the most polluting fossil fuel, and one which has economically available low-carbon substitutes in the form of wind and solar, thermal coal power is an area of focus with the goal of limiting new construction of coal-fired power plants and ensuring that companies put transition plans in place for phasing out exposure to these assets. Robeco have seen positive progress from a number of companies cancelling thermal coal power projects and clarifying the timelines for phasing out their exposure.

29. The emergence of Just Energy Transition Partnerships (JETPs), particularly in Indonesia and Vietnam, have helped to create a policy framework to accelerate the decommissioning of thermal coal assets. The first few Acceleration to Paris companies have publicly stated their commitment to work with the governments of these countries on the potential for the accelerated decommissioning of assets. Further investment in renewable energy sources is required, and the JETPs already announced, should help to facilitate this investment. Expected reforms to the World Bank and other multi-lateral development banks seek to take a more aggressive approach to facilitating investments in low-carbon technologies in emerging markets.

Corporate governance reform in the US

30. While the focus on ESG has gained in importance, there are still shortcomings in the quality, consistency and comparability of ESG reporting, and investors often lack the appropriate tools to voice their concerns regarding a company’s ESG performance. In 2022 thew SEC adopted new rules to improve the quality of US companies’ disclosure and enhance a board’s accountability. Five of the most relevant regulatory initiatives rolled out in the US in 2022 include universal proxy cards, the revamp of shareholder proposal rules, more defined links between pay and performance, the clawback rule and climate related disclosure requirements.

31. **Universal proxy cards** place investors voting in person or by proxy on an equal footing. The new rules strengthen the means by which shareholders can hold companies accountable for poor governance.

Revamp of the shareholder proposal rule

32. The SEC is aiming to "improve the shareholder proposal process and promote consistency" by changing the process by which shareholder proposals are included in a company's proxy statement. Under rule 14a-8, a company may omit a shareholder proposal from its proxy statement if it falls within one of 13 substantive bases and the proposed amendments would revise three of these criteria. Existing rules have been criticised over inconsistent implementation, leading to unpredictable outcomes. If adopted, the amendments would ensure a clearer framework for the rule's application.

33. Robeco support the changes, participated in the SEC's public consultation, and view the shareholder proposal process as one of the most important means of engagement to ensure that ESG issues reach ballots. The shareholder proposal process is currently
10 under scrutiny in various jurisdictions across the world. In Germany, a lawsuit filed in 2022 will test whether a German company has the right to refuse to table a shareholder proposal. In Australia, shareholders cannot propose an advisory resolution or a shareholder vote to express an opinion unless permitted by the company's constitution continues, drawing significant criticism. The US model is perceived as striking a balance between issuers from being swamped by frivolous proposals, yet still facilitating shareholder suffrage.

34. **Link between pay and performance -** New rules introduced by the SEC require registrants to clearly illustrate the relationship between executive compensation and the financial performance of the company by providing certain disclosures in a tabular format, accompanied by narrative and/or graphical disclosure.

35. This information must include a new measure: the 'executive compensation actually paid' and must be calculated based on a prescribed formula, to represent total compensation as reported in the summary compensation table, with adjustments to reflect changes in the value of stock awards and pension benefits. Robeco believe a company's executive remuneration policy is one of the main instruments with which to guide, evaluate and reward the behaviour and achievements of executives. The new rules will aid investors in their evaluation of companies' remuneration policies and practices. and will likely incentivize issuers to re-evaluate and strengthen the link between executive pay and performance.

36. **Clawback Rule** - The rules direct national securities exchanges to have listing standards requiring issuers to adopt and apply a written clawback policy, providing for the recoupment of incentive based compensation received by current or former executive officers, based on erroneously reported financial information and must apply irrespective of whether the executive engaged in misconduct or not, with the rules requiring registrants to provide detailed disclosure regarding actions to recover erroneously awarded compensation.

37. Robeco support the new rules as they will strengthen a board's accountability and enhance the transparency of companies' disclosures. Some argue that companies may resort to increasing the ratio of fixed, time-based or discretionary pay, so as to shield executives from the prospect of recoupment. Robeco are strong proponents of pay-for-performance and will oppose any changes which they assess would weaken the alignment between pay and performance.

38. **Climate disclosure amidst ESG backlash** - Under the new rules, companies would be required to provide disclosure on, inter alia, the governance of climate-related risks, Scope 1 and 2 greenhouse gas emissions, and Scope 3 emissions if these are material. They also apply if the registrant has set an emissions reduction target that includes Scope 3, as well as various other qualitative and quantitative climate risk disclosures

39. Robeco view the proposed requirements as more than just a call for greater disclosure, but as a driver of change. The new rules, if adopted as proposed, will force companies to review their policies and practices with regards to climate risk.

Labour Practices in a Post Covid-19 World

40. In 2021, this engagement was launched to focus on those sectors put into the spotlight throughout the pandemic, whether due to extreme pressures on them, or a complete halting of operations. As such, Robeco began to engage with companies across the hotel, food retail and online food delivery sectors to address the systemic labour risks highlighted throughout the times of crisis. 10

41. **The online food delivery sector** has grown threefold, having been the only route for many restaurants to overcome the lockdowns, for people to receive groceries, and for furloughed workers to make ends meet. However, the pandemic also highlighted core risks, from missing sick pay and not being paid while waiting for orders, to their high dependency on algorithms defining delivery routes, pressures and wages.

42. The enormous economic and social potential of the gig sector is being recognised and many countries are beginning to formalise and create structures to allocate responsibilities appropriately. The Chinese government has started to stipulate minimum accident protections for online food delivery workers and is seeking ways to hold employers accountable for their working conditions. Europe's Directive on Platform Work sets clear rules to define gig workers' employment status and concrete requirements for algorithmic management.

43. Beyond relying solely on regulation, Robeco is encouraging companies to proactively fill existing gaps and the first gig companies have started conducting fair pay assessments and setting up health insurance partnerships for delivery riders.

44. **In the hotel sector**, the recent trend across the industry in leaving the actual ownership and management of hotels to third parties is creating challenges around oversight and accountability. Prohibitive competition laws in many countries are making responsible labour practices on the ground a legal minefield. Robeco's engagements focus on how hotel brands can overcome legislative limitation, encouraging them to set up incentive systems, engage franchisees and, where allowed, conduct social audits. Yet, proactive assumption of responsibility, concrete awareness of labour risks on the ground, and the embedding of responsible labour practices in franchising contracts remains limited, despite the main brands' high reputational risks.

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45. Despite having a more centralised employment model, **the food retail sector** is feeling the realities of the post Covid-19 world possibly the most. Supermarkets are battling with soaring food prices and falling demand, and inflated prices impact not only supermarket customers, but also the employees, highlighting the living wage gap that exists across the sector. In the UK, the Living Wage Foundation found that 45% of supermarket employees earned below living wages in 2020. As a response, in 2021 the shareholder advocacy group, ShareAction, filed the first-ever shareholder proposal in the UK calling upon British supermarket Sainsbury's to commit to paying a living wage to all its workers. Although it wasn't passed at the AGM, the resolution put forward a template for other investors to tackle living wages across the food retail sector.

Surrey Share Voting

46. The full voting report produced by Minerva is included in Annexe 1. 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	11	4	36%
Board	56	10	18%
Capital	4	1	25%
Corporate Action	0	0	0%
Remuneration	20	7	35%
Shareholder Rights	3	1	33%
Sustainability	3	0	0%
Total	97	23	24%

47. The Surrey Pension Fund voted against management on 24% of the resolutions for which votes were cast during the quarter ended 31 March 2023. General shareholder dissent stood at 6% in the same period.

Shareholder Proposed Resolutions/ Management Resolutions

48. The 'Dissent by Resolution Category' section in the full voting report in Annexe 1 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.

49. 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 four resolutions that received shareholder dissent of more than 20%.

50. During the quarter ended 31 March 2023, no resolutions proposed by management were defeated and one shareholder proposed resolutions was successful.

51. Surrey voted in favour on a shareholder proposal at Applied Materials Inc requesting the Board to lower the threshold required for shareholders to call a special shareholder meeting from 20% to 10% of outstanding shares. Surrey voted supported the proposal and the proposal was successful receiving majority support, 50.3%. The Board of Directors has stated it will take the vote under consideration. The ability to call special meetings gives shareholders a way to bring important matters to the attention of both management and shareholders outside of the annual meeting cycle and is generally considered an important shareholder right. Currently, a majority of companies in the S&P500 allow shareholders to call special meetings and institutional investors generally favour a threshold of between 10% to 15%.

52. **BCPP Responsible Investment -** Annexes 2, 3 & 4 provide a high-level overview of ESG performance for UK Equity Alpha, Global Equity Alpha and Listed Alternatives using a variety of measurements. The reports highlight specific examples which provide insight into how ESG integration works in practice.

53. **LGIM -** Active ownership report 2022 | LGIM Institutional

CONSULTATION:

54. The Chair of the Pension Fund Committee has been consulted on this report. 10

RISK MANAGEMENT AND IMPLICATIONS:

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

FINANCIAL AND VALUE FOR MONEY IMPLICATIONS

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

DIRECTOR CORPORATE FINANCIAL & COMMERCIAL COMMENTARY

57. 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

58. There are no legal implications or legislative requirements.

EQUALITIES AND DIVERSITY

59. 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

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

WHAT HAPPENS NEXT

61. 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 – Surrey Voting Report (Minerva) Q4 2022
2. Engagement & Voting – BCPP ESG Global Equity Alpha Q1 2023
3. Engagement & Voting – BCPP ESG UK Equity Alpha Q1 2023
4. Engagement & Voting – BCPP ESG Listed Alternatives Q1 2023

The Surrey Pension Fund

Voting Report: Q1 2023

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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 seven AGMs during the Quarter under review.

Table 1: Meetings Voted

Region	Meeting Type						
	AGM	Class	Court	EGM	GM	SGM	Total
Asia & Oceania: Emerging	1	0	0	0	0	0	1
Asia & Oceania: Developed	1	0	0	0	0	0	1
Japan	1	0	0	0	0	0	1
North America	4	0	0	0	0	0	4
Total	**7**	**0**	**0**	**0**	**0**	**0**	**7**

10

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 97 resolutions.

Table 2: Resolutions Voted

Region	Meeting Type						
	AGM	Class	Court	EGM	GM	SGM	Total
Asia & Oceania: Emerging	9	0	0	0	0	0	9
Asia & Oceania: Developed	8	0	0	0	0	0	8
North America	13	0	0	0	0	0	13
UK & Ireland	67	0	0	0	0	0	67
Total	**97**	**0**	**0**	**0**	**0**	**0**	**97**

10

1.3 MEETINGS BY MONTH

The table below shows the majority of the meetings voted at by Surrey in the Quarter were held in March. The higher number of meetings in March reflects the earliest of the AGMs for companies with financial years ending on 31st December 2022.

Table 3: Meetings Voted Per Month

Event	January	February	March	Total
AGM	0	1	6	7
Class	0	0	0	0
Court	0	0	0	0
EGM	0	0	0	0
GM	0	0	0	0
SGM	0	0	0	0
Total	**0**	**1**	**6**	**7**

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 23.71% of the resolutions for which votes were cast during 2023 Q1, which is a slightly lower dissent rate than the proportion of resolutions opposed in the previous quarter (2022: Q4: 23.73%, 2022 Q3: 42.86%, 2022 Q2: 29.36%, Q1: 24.67%).

Board resolutions accounted for 57.73% of all resolutions voted and 43.48% of the total resolutions voted against management. Surrey voted against eight management proposed director candidates due to independence concerns. In addition, Surrey also voted against a resolution to elect the board by way of slate due to a lack of disclosure concerning the nominees to be elected and supported a shareholder proposal concerning the shareholder right to nominate directors.

10

35% of Remuneration resolutions were voted against management. Of the seven resolutions voted against, four were remuneration report approvals, one was a long-term incentive plan approval, one was a resolution to set the limit on aggregate remuneration payable to the Board of Directors, and one was a shareholder proposal.

Surrey voted against four 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.

In the Capital category, Surrey voted against a share issue authority request due to concerns over the size of the dis-application of pre-emption rights and potential dilution to existing shareholders.

The sole Shareholder Rights resolution voted against management recommendation concerned a shareholder request to lower the threshold required for shareholders to call a special shareholder meeting.

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

Table 4: Votes Against Management By Resolution Category

Resolution Category	Total Resolutions	Voted Against Management	% Against Management	% All Votes Against Management
Audit & Reporting	11	4	36.36%	17.39%
Board	56	10	17.86%	43.48%
Capital	4	1	25.00%	4.35%
Corporate Action	0	0	-	-
Other	0	0	-	-
Remuneration	20	7	35.00%	30.43%
Shareholder Rights	3	1	33.33%	4.35%
Sustainability	3	0	0.00%	0.00%
Total	**97**	**23**	**23.71%**	**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 5.62%, Surrey opposed management on 23.71% of resolutions.

Resolutions opposed by Surrey received average general shareholder dissent of 11.40%, a much higher level than the dissent received on resolutions which Surrey supported (3.56%). 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	11	36.36%	3.04%
Board	56	17.86%	5.39%
Capital	4	25.00%	1.00%
Corporate Action	0	-	-
Other	0	-	-
Remuneration	20	35.00%	4.01%
Shareholder Rights	3	33.33%	24.88%
Sustainability	3	0.00%	14.40%
Total	**97**	**23.71%**	**5.62%**

Poll data was collected for 86.60% 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 four resolutions that received shareholder dissent of more than 20%. This compares to one resolution opposed with high dissent in the previous quarter.

Table 6: High Dissent Resolutions

Company	Resolution	Shareholder Dissent	Surrey Policy Concern
Apple Inc	To approve the shareholder proxy access amendments	31.64%	The shareholder proposal if enacted, would enhance shareholder rights.
Applied Materials Inc	To amend the appropriate company governing documents to give the owners of a combined 10% of our outstanding common stock the power to call a special shareholder meeting	50.49%	The shareholder proposal if enacted, would enhance shareholder rights.
Bank Mandiri (Persero) Tbk PT	To approve the changes in the Composition of the Company's Management	26.46%	Insufficient disclosure provided to make an informed voting decision.
Samsung SDI Co Ltd	To elect Jun Young-Hyun as an internal director	20.40%	Independence concerns.

10 During 2023 Q1, no resolutions proposed by management were defeated and one shareholder-proposed resolution was successful. This compared to no defeated management-proposed resolutions and no successful shareholder-proposed resolutions in 2022 Q4.

Surrey voted in favour on a shareholder proposal at Applied Materials Inc requesting the Board to lower the threshold required for shareholders to call a special shareholder meeting from 20% to 10% of outstanding shares. Surrey voted supported the proposal and the proposal was successful receiving majority support. The Board of Directors has stated it will take the vote under consideration.

The ability to call special meetings gives shareholders a way to bring important matters to the attention of both management and shareholders outside of the annual meeting cycle and is generally considered an important shareholder right. Currently, a majority of companies in the S&P500 allow shareholders to call special meetings and institutional investors generally favour a threshold of between 10% to 15%.

2.3 RESOLUTION TYPES AND SUB-CATEGORIES

2.3.1 SHAREHOLDER PROPOSED RESOLUTIONS

Seven resolutions voted during the period were proposed by shareholders. All of the shareholder resolutions were proposed in the North America region. Surrey voted on six 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 19.43% votes in favour during the Quarter and one shareholder proposal was successful.

Table 7: Shareholder Proposed Resolutions

Company	Shareholder Proposal	Surrey Vote	% For
Apple Inc	To approve a Civil Rights and Non-discrimination Audit Proposal	Against	1.39%
Apple Inc	To approve the Communist China Audit	Against	4.32%
Apple Inc	To approve the board policy for communication with shareholder proponents	Against	6.40%
Apple Inc	To approve the Racial and Gender Pay Gaps report	Against	33.33%
Applied Materials Inc	To approve the shareholder proxy access amendments	For	30.69%
Applied Materials Inc	To amend the appropriate company governing documents to give the owners of a combined 10% of our outstanding common stock the power to call a special shareholder meeting	For	50.26%
Applied Materials Inc	To improve the executive compensation program and policy to include the CEO pay ratio factor	For	9.63%

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2.3.2 REMUNERATION

Votes against remuneration resolutions in 2023 Q1 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 five 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 four of the resolutions opposed by the fund.
- **Assessment**: In four 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.

10 All remaining concerns featured in only one resolution opposed during the Quarter. These concerns included a lack of transparency on the upper individual limit in respect of a long-term incentive plan and a lack of individualised remuneration disclosure.

Table 8: Remuneration Votes Against Management

Resolution Category	Total Resolutions	Voted Against Management	% Against Management
Remuneration – Other	13	1	7.69%
Remuneration - Report	4	4	100.00%
Remuneration - Policy (Long-term Incentives)	1	1	100.00%
Remuneration - Non-executive	1	0	0.00%
Remuneration - Amount (Total, Collective)	1	1	100.00%
Total	**20**	**7**	**35.00%**

BORDER TO COAST GLOBAL EQUITY ALPHA FUND

ESG & CARBON REPORT

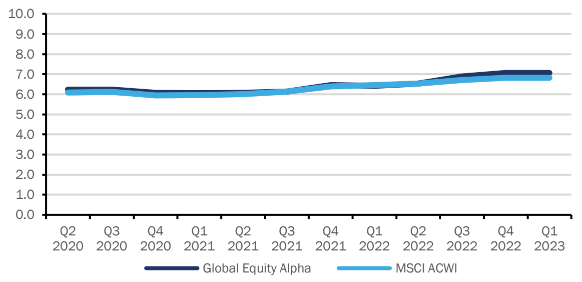
Q1 2023

MSCI ESG RATING
AAA

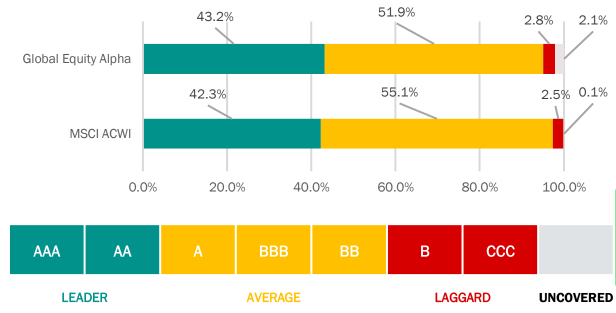
PENSIONS PARTNERSHIP

	End of Quarter Position [1]			Key	
	MSCI ESG Rating	Weighted ESG Score	vs. Benchmark	(green)	Fund has an equal or better *Weighted ESG Score* than the benchmark.
Global Equity Alpha	AAA [1]	7.1 [1]	(green)	(amber)	Fund has a *Weighted ESG Score* within 0.5 of the benchmark.
MSCI ACWI	AA [1]	6.8 [1]		(red)	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	2.4%	+2.0%	AAA [1]	META Platforms	0.5%	-0.3%	CCC [1]
Intuit	1.5%	+1.3%	AAA [1]	Jiangsu Hengli Hydraulic	0.1%	+0.1%	CCC [1]
Microsoft	1.1%	-2.3%	AAA [1]	NTPC	0.1%	+0.1%	CCC [1]
Taiwan Semiconductor	0.8%	+0.1%	AAA [1]	Jollibee Foods	0.0%	+0.0%	CCC [1]
Cummins	0.8%	+0.8%	AAA [1]	Saudi Tadawul Group	0.0%	+0.0%	CCC [1]

Quarterly ESG Commentary

- The Fund's weight ESG score and that of the benchmark were stable over the quarter. The Fund scores slightly above the benchmark overall, due to its higher proportion of companies considered ESG leaders amongst their global peer group.
- The Fund does have exposure to several CCC-rated companies, due predominantly to the recent establishment of an explicit emerging markets allocation. These companies are relatively low proportion of the overall Fund, and the Fund remains underweight to emerging markets relative to the benchmark.

Feature Stock: Jollibee Foods

Jollibee Foods is a fast-food chain, headquartered in the Philippines. The company operates more than 1500 outlets worldwide, including an anytime delivery service and is expanding its chain significantly across Asia and Europe. As movement restrictions ease, particularly in Asia, robust growth is expected to follow as Jollibee builds new commissary facilities and retail locations.

The Company's corporate governance trails when considered relative to a global peer group that includes the likes of McDonalds and Starbucks; it is however in line with emerging market peers and is demonstrating improvement. Taking note of feedback around board composition, the Company nominated one additional independent director and a female director to the board at the AGM in June 2022.

Most of its affiliated businesses are certified to FSSC22000 standards, an internationally accepted certification scheme for food safety. The Company conducts periodic audits on suppliers and raw materials to pre-empt food safety incidents in the supply chain and made steps to gradually address them. There remain areas for improvement and engagement is ongoing with the Company to ensure they continue to move in the right direction on governance matters.

[1]Source: MSCI ESG Research 31/03/2023

BORDER TO COAST GLOBAL EQUITY ALPHA FUND

ESG & CARBON REPORT

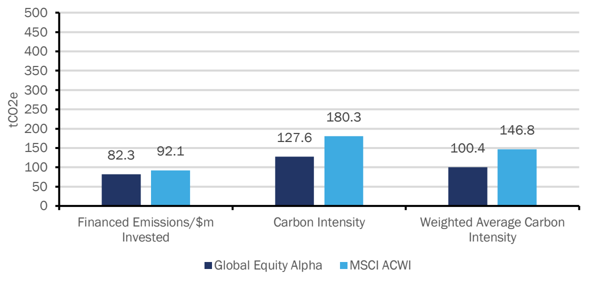
Q1 2023

MSCI ESG RATING

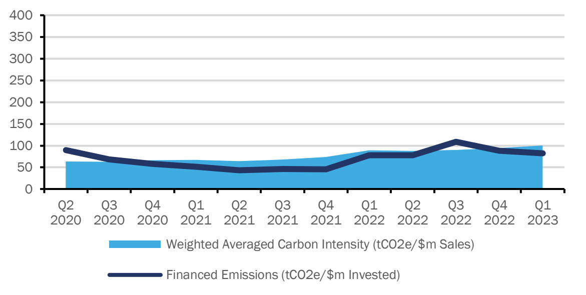
AAA

BORDER TO COAST PENSIONS PARTNERSHIP

Carbon Emissions and Intensity[1]



Carbon Trends[1]



Weight of Holdings Owning Fossil Fuel Reserves[1]

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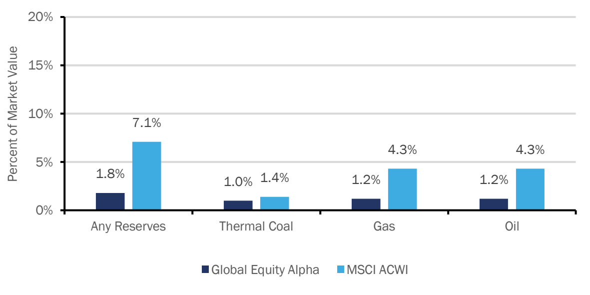
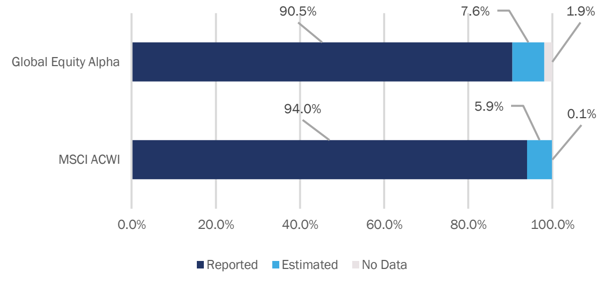


Availability of Carbon Emissions Data (% of Market Value)[1]



Largest Contributors to Financed Emissions[1]

	% Portfolio Weight	% Relative Weight	Contribution	CA100+	TPI Level
HeidelbergCement	0.6%	+0.0%	41.3% [1]	Yes	3
Holcim	0.5%	+0.5%	20.8% [1]	Yes	4
Southwest Airlines	0.4%	+0.4%	4.0% [1]	No	4
Linde	1.0%	+0.7%	2.7% [1]	No	3
Vitesco Technologies	1.2%	+1.2%	2.7% [1]	No	N/A

Quarterly Carbon Commentary

- The Fund is currently below the benchmark for portfolio financed emissions, carbon intensity and weighted average carbon intensity (WACI).
- Between them, HeidelbergCement and Holcim account for around 62% of portfolio financed emissions, due to the carbon intensive nature of the cement production process. Therefore, the carbon metrics of the Fund are currently highly sensitive to each of these companies' scope 1 emissions, as well as any fluctuations in investment value and/or allocation.

Feature Stock: Southwest Airlines

Southwest Airlines operates as a passenger airline company that provides scheduled air transportation services in the United States and nearby-international markets.

The Company operates a well-organised US-domestic point-to-point network. This has for years allowed the original low-cost carrier to earn robust operating margins. As both Southwest and the airline industry continue to recover from the pandemic disruption, the Company was also hit with a severe, and well publicised, operational disruption during the cold weather snap around Christmas 2022. Analysis of the financials and discussion with the Company has given comfort that the issue was temporary and was well placed to deal with the disruption.

The airline is set to receive many new aircraft over the next 8 years. While approximately half of the order is designated to replace older aircraft, the other is to further grow Southwest's fleet and earnings power. These new aircraft provide a key step towards the company's 2050 carbon net zero ambition in that they are expected to reduce per-seat emissions by over 20% through more efficient engines and increased seat count.

[1]Source: MSCI ESG Research 31/03/2023

Issuers Not Covered [1]		
Reason	ESG (%)	Carbon (%)
Company not covered	0.8%	0.6%
Investment Trust/ Funds	1.3%	1.3%

[1]Source: MSCI ESG Research 31/03/2023

Important Information

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* In accordance with the licence agreement between Border to Coast and MSCI

[1]Source: MSCI ESG Research 31/03/2023

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BORDER TO COAST UK LISTED EQUITY ALPHA FUND

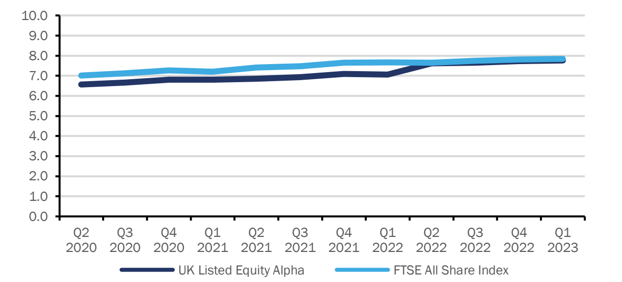
ESG & CARBON REPORT

Q1 2023

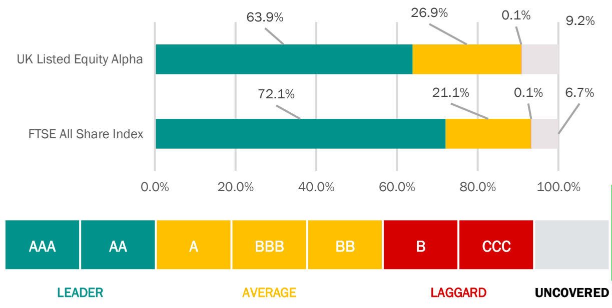
MSCI ESG RATING **AAA**

	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]	7.8 [1]			Fund has a *Weighted ESG Score* within 0.5 of the benchmark.
FTSE All Share Index	AAA [1]	7.9 [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]				Lowest ESG Rated Issuers [1]			
	% Portfolio Weight	**% Relative Weight**	**MSCI Rating**		**% Portfolio Weight**	**% Relative Weight**	**MSCI Rating**
Burberry	3.8%	+3.4%	AAA [1]	Youngs & Co Brewery	0.7%	+0.7%	B [1]
Diageo	3.4%	-0.1%	AAA [1]	Fevertree Drinks	2.5%	+2.5%	BB [1]
Relx	2.5%	+0.4%	AAA [1]	Lancashire Holdings	0.6%	+0.5%	BB [1]
Unilever	2.2%	-2.2%	AAA [1]	Learning Technologies Group	0.2%	+0.2%	BB [1]
The Sage Group	1.9%	+1.6%	AAA [1]	Alpha Financial Markets Consulting	0.2%	+0.2%	BB [1]

Quarterly ESG Commentary

- The ESG Weighted score of both the Fund and benchmark increased marginally over the quarter.
- The Fund score remains slightly below the benchmark, due to its greater allocation to companies rated A-BB. This is driven primarily by a strategic overweight to smaller companies, which are often less mature in their reporting and disclosure practices.

Feature Stock: Alpha Financial Markets Consulting

Alpha Financial Markets Consulting (Alpha FMC) provides consulting and related services to the asset management, wealth management, and insurance industries in the United Kingdom, North America, Europe, and Asia Pacific.

The Company has a strong record of profitable growth and cashflow generation since its initial public offering in 2017 and has consistently beaten market expectations. Underlying drivers aiding growth include helping clients deal with increasing cost pressures and regulatory demands alongside underlying growth in client numbers. The Company has expanded both organically and by targeted acquisitions; for example the acquisition of Lionpoint, which provided material exposure to the US and alternative asset manager customers. The Company is seen as an attractive employer and has added significant headcount by recruiting a combination of graduates and high-quality staff from the larger 'Big 4' accountancy firms.

The Company relies on highly skilled workers, and this may pose recruitment and retention challenges. Data security is also a key risk, with the Company required to collect sensitive client information as part of its normal course of business, and MSCI noted it lags more established, larger peers in this area. The Company does, however, lead peers in corporate governance. The board has 50% women directors, an independent majority, separate CEO-chair roles, and fully independent key committees.

[1]Source: MSCI ESG Research 31/03/2023

BORDER TO COAST UK LISTED EQUITY ALPHA FUND

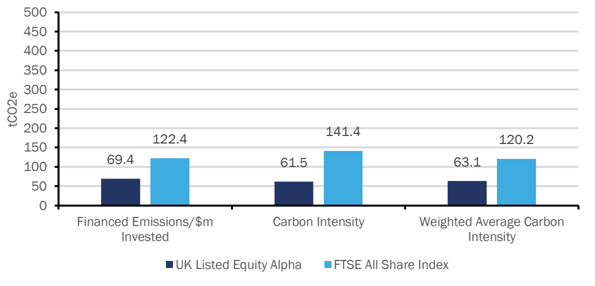
ESG & CARBON REPORT

Q1 2023

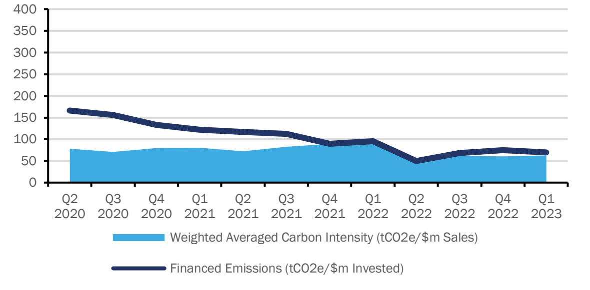
MSCI ESG RATING
AAA

BORDER TO COAST PENSIONS PARTNERSHIP

Carbon Emissions and Intensity[1]

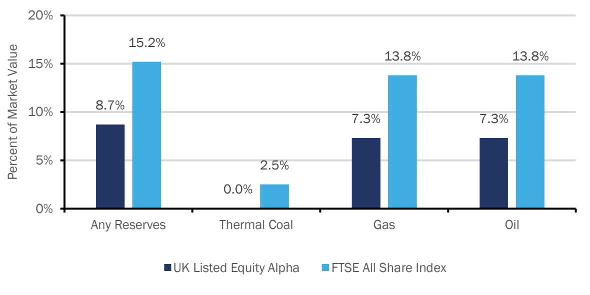


Carbon Trends[1]

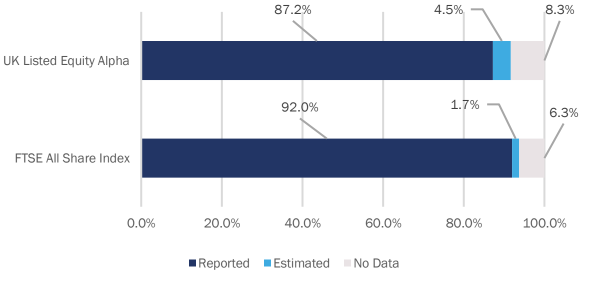


Weight of Holdings Owning Fossil Fuel Reserves[1]

10



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



Largest Contributors to Financed Emissions[1]

	% Portfolio Weight	% Relative Weight	Contribution	CA100+	TPI Level
Centrica	2.1%	+1.8%	19.8% [1]	Yes	4
Shell	2.2%	-4.7%	17.4% [1]	Yes	4
BP	2.6%	-1.3%	14.3% [1]	Yes	4*
Anglo American	1.5%	+0.1%	7.8% [1]	Yes	4*
easyJet	0.9%	+0.7%	5.8% [1]	No	3

Quarterly Carbon Commentary

- Portfolio financed emissions and carbon intensity metrics were relatively stable over the quarter.
- The Fund remains materially below the wider index all metrics, owing to the relative underweight allocations to high emitting sectors including materials and energy.

Feature Stock: easyJet

easyJet was founded in 1995 and operates as a low-cost airline carrier in Europe. It also engages in the sale of holiday packages; aircraft trading and leasing; development of building projects; financing and insurance business; and tour operator activities.

The Company had been negatively impacted by the pandemic and in mid-2021 raised £1.3bn of fresh capital through equity issuance to support its balance sheet. At the time of this capital raise, the Company set out its medium-term profitability targets, indicating an attractive opportunity should these targets be reached. As with the Airlines industry more broadly, there is considerable volatility in easyjet's earnings, driven by fuel prices, currency movements and cyclical demand patterns. The Company is, however, well-placed strategically to capitalise on a more stable operating environment.

As a result of its heavy reliance on hydrocarbon fuels, the Airlines industry generates significant emissions and is therefore subject to compliance costs and risks associated with climate change mitigation policies. Aircraft fuel use is the largest contributor to total emissions from the industry, and fuel management is a critical part of reducing emissions. easyJet has joined the UN-backed Race to Zero campaign, committing to reaching net-zero carbon emissions by 2050. Importantly, the Company has also set an interim, science-based carbon emissions intensity improvement target of 35% by 2035, which has been validated by the Science-Based Targets initiative (SBTi). The aim is to deliver this through a number of initiatives such as modernisation, fleet renewal and the development and usage of more sustainable fuels.

[1]Source: MSCI ESG Research 31/03/2023

Issuers Not Covered [1]		
Reason	ESG (%)	Carbon (%)
Company not covered	7.2%	6.3%
Investment Trust/ Funds	2.0%	2.0%

[1]Source: MSCI ESG Research 31/03/2023

Important Information

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BORDER TO COAST
LISTED ALTERNATIVES FUND

ESG & CARBON REPORT

Q1 2023

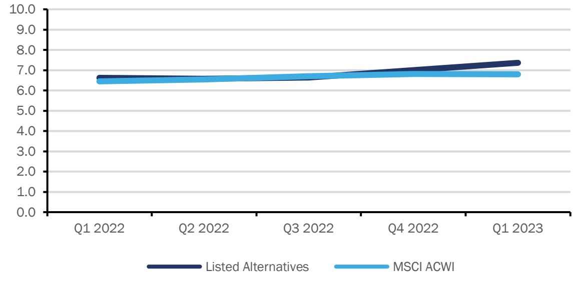
MSCI ESG RATING

AAA

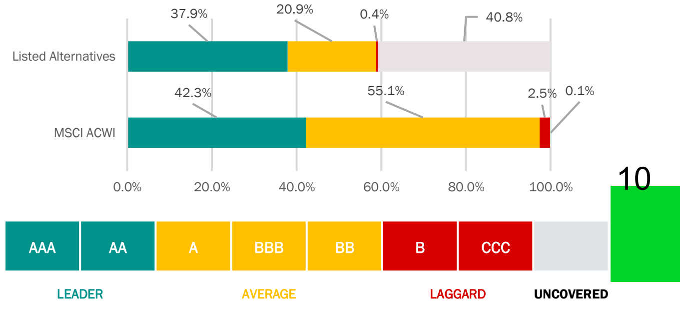
BORDER TO COAST PENSIONS PARTNERSHIP

	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.
Listed Alternatives	AAA [1]	7.4 [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]



Highest ESG Rated Issuers [1]				Lowest ESG Rated Issuers [1]			
	% Portfolio Weight	**% Relative Weight**	**MSCI Rating**		**% Portfolio Weight**	**% Relative Weight**	**MSCI Rating**
Welltower	3.2%	+3.1%	AAA [1]	Hercules Capital	0.5%	+0.5%	B [1]
Iberdrola	2.9%	+0.1%	AAA [1]	Blackstone Mortgage Trust	0.9%	+0.9%	BB [1]
3i Group	2.7%	+2.7%	AAA [1]	VNV Global	0.4%	+0.4%	BB [1]
National Grid	1.8%	+1.7%	AAA [1]	LXI REIT	2.4%	+2.4%	BBB [1]
Transurban	1.1%	+1.1%	AAA [1]	KKR & Co	2.2%	+0.1%	BBB [1]

Quarterly ESG Commentary

- The ESG Weighted score has remained constant since the fund launched in Q1 2022. Two upgrades in the quarter – Primary Health Properties (A) and Tritax Big Box REIT (AA) have resulted in an increase in weighted ESG score.
- The ESG rating (AAA) is slightly above the benchmark, as is the weighted ESG score which is a better long-term indicator of ESG performance.

Hercules Capital

Hercules Capital is a US-listed direct lending fund that specialises in loans to early-stage businesses. Unlike many of its peers, Hercules is internally managed which reduces costs and provides some diversification of revenue streams. The Firm is the dominant lender in the venture capital industry with a focus on life sciences, technology and software start-ups that are typically underserved by banks. The focus on venture is a key differentiator versus peers and provides investors with an attractive combination of short-term, high interest debt and potential for upside participation through additional structuring.

MSCI award Hercules a below-average rating versus its peers, primarily due to Social factors. Many of the key issues relate to lack of disclosure, such as failure to provide a policy for staff bonuses or evidence of third-party information security certificates. Neither of these issues is a major concern; staff at Hercules are well-remunerated and there are no indications that their data security is inconsistent with similar sized organisations across the industry. Where Hercules still has room to improve is in the integration of ESG factors in the investment process. Hercules is a small US-based business operating in a niche asset class and is still behind the standards that we would expect from a large European asset manager; we will engage accordingly to ensure this develops positively.

[1]Source: MSCI ESG Research 31/03/2023

BORDER TO COAST
LISTED ALTERNATIVES FUND

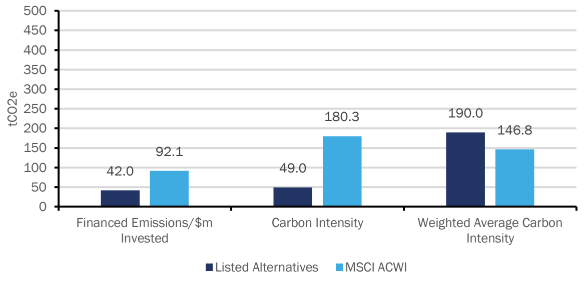
ESG & CARBON REPORT

Q1 2023

MSCI ESG RATING
AAA

PENSIONS PARTNERSHIP

Carbon Emissions and Intensity[1]



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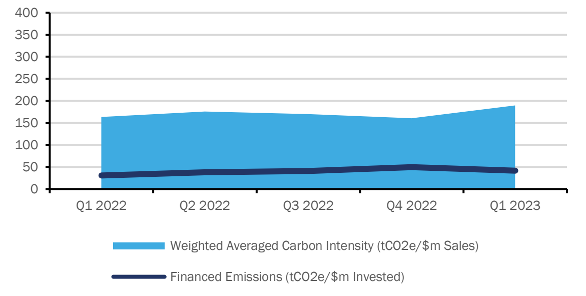

Weight of Holdings Owning Fossil Fuel Reserves[1]

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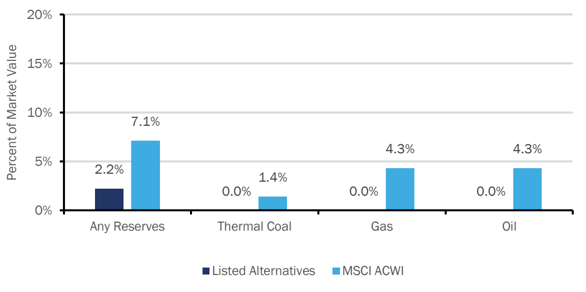
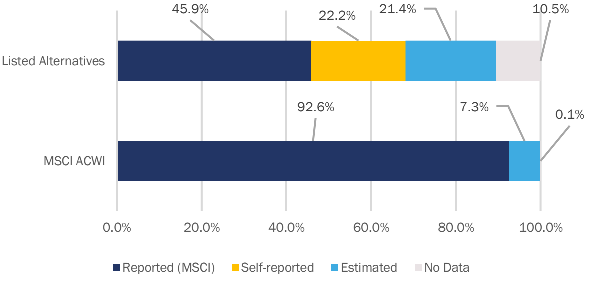


Availability of Carbon Emissions Data (% of Market Value)[1]



Largest Contributors to Financed Emissions[1]

	% Portfolio Weight	% Relative Weight	Contribution	CA100+	TPI Level
NextEra Energy	3.5%	+3.3%	26.6% [1]	Yes	3
Cheniere Energy	3.0%	+2.9%	19.5% [1]	No	2
Iberdrola	2.9%	+2.8%	15.0% [1]	Yes	4
Enbridge	2.0%	+1.8%	9.1% [1]	Yes	4
National Grid	1.8%	+1.7%	7.5% [1]	Yes	4

Quarterly Carbon Commentary

- When factoring in company reported data outside of MSCI data the Fund is currently significantly below the benchmark for carbon emissions and carbon intensity.
- WACI increased in the quarter following the addition of Cheniere Energy, which now contributes approximately 20% of the fund's WACI. An overview of Cheniere Energy including their climate scenario analysis is covered below.

Cheniere Energy

Cheniere Energy is a world-leading producer of Liquified Natural Gas (LNG). About 80% of LNG volume is through long-term contracts of typically 10-15 years in length. The Company aims to minimise exposure to gas prices by linking prices to gas indexes and collecting a liquefaction fee as the difference between two index pegs. As most volume is sold through long-term agreements, future sales are largely secure.

While legacy fossil fuels are clearly not the long-term solution to global energy sustainability, LNG is a critical transition fuel that has a major part to play in reducing coal-fired power generation in emerging markets, particularly Asia. Even accounting for transportation, LNG is a cleaner source of energy than thermal coal and has a major advantage in respect to particulate pollution, a key source of mortality in China and other parts of Asia. Cheniere is at the forefront of emissions analysis and has a strong reputation for the quality of its environment oversight. Moreover, Cheniere operates in the strongly regulated US gas market which gives it a major governance advantage versus its Qatari competitors.

While Cheniere Energy has not yet set a net zero target it is ahead of many US LNG distribution peers having reported annual climate disclosures in line with TCFD recommendations. Cheniere also published a Climate Scenario Analysis Report as early as 2021 in which it shows a robust business model under well-below 2°C scenarios and high carbon prices (such as the IEA Sustainable Development Scenario).

[1]Source: MSCI ESG Research 31/03/2023

Issuers Not Covered [1]		
Reason	ESG (%)	Carbon (%)
Company not covered	24.1%	0.0%
Investment Trust/ Funds	16.7%	10.5%

[1]Source: MSCI ESG Research 31/03/2023

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SURREY COUNTY COUNCIL

PENSION FUND COMMITTEE

DATE: **16 JUNE 2023**

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

SUBJECT: **ASSET CLASS FOCUS – EQUITY**

SUMMARY OF ISSUE:

As part of good governance, the Committee periodically reviews the performance of the Fund's investments. There is a further focused review of different asset classes. This paper concentrates on Equities.

RECOMMENDATIONS:

It is recommended that:

The Committee note the Fund's Equity holdings, respective funds' investment performance and review from the Fund's independent investment adviser.

11

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. 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. These investments would tend to be classified as higher risk, with the expected return coming from both capital appreciation (a rising share price) and dividend income. Both the share price and dividend income can rise and fall over time.

2. The Fund currently has a target allocation of 54.8% of the portfolio to listed equities.

3. 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.

4. The Fund's passive funds are managed by Legal and General Investment Management (LGIM), and the active funds are managed by Border to Coast

(BCPP) and Newton Investment Management. As at 31 March 2023, BCPP managed £1,490m (including the Listed Alternatives Fund) in equities for the Fund, LGIM £1,323m, and Newton £491m.

5. The LGIM fees range from 0.75bp to 4bp and the manager is seen as one of the leading proponents of responsible investing globally. The Fund's largest investment with LGIM is in the Future World Global Index Fund, which amounted to £926m as at 31 March 2023. This fund incorporates 34 different ESG factors to tilt the portfolio's investments.

6. Border to Coast do not directly buy company shares for Global Equity Alpha or UK Equity Alpha, but instead allocate investment to external managers for active management. There are 4 external managers in the UK Equity Alpha Fund, having seen UBS removed during the year and replaced by Lindsell Train and Redwheel. There are 7 managers in the Global Equity Alpha Fund after the addition of GSAM for Emerging Markets excluding China, and FountainCap for Chinese exposure. The blending of various investment styles aims to improve risk adjusted returns.

UK Equity Alpha Manager	**Investment Style**	**Percentage Allocation as at 31 March 2023**
Redwheel	Intrinsic Value	32%
Baillie Gifford	Growth	31%
Janus Henderson	Small Cap	11%
Lindsell Train	Quality	26%

11

Global Equity Alpha Manager	**Investment Style**	**Percentage Allocation as at 31 March 2022**
Loomis Sayles	Quality Growth	23%
NinetyOne - Franchise	Quality	19%
NinetyOne - Value	Value	18%
Harris	Intrinsic Value	27%
Lindsell Train	Quality	10%
GSAM	EM ex China	2%
FountainCap	China	1%

7. The equity asset class report by the Fund's Independent Investment Advisor is in Annexe 1.

CONSULTATION:

8. The Chair of the Pension Fund has been consulted on the report.

RISK MANAGEMENT AND IMPLICATIONS:

9. Risk related issues are contained within the report.

FINANCIAL AND VALUE FOR MONEY IMPLICATIONS

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

DIRECTOR OF CORPORATE FINANCE & COMMERCIAL COMMENTARY

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

LEGAL IMPLICATIONS – MONITORING OFFICER

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

EQUALITIES AND DIVERSITY

13. 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.

OTHER IMPLICATIONS

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

WHAT HAPPENS NEXT

15. The following next steps are planned:

    a) Continued monitoring of equity holdings with a performance review report to be brought to the committee on an annual basis.

11

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: None

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11

Surrey Pension Fund Committee

Manager Review Meeting Minutes

3rd May 2023

Attendees

Councillor Nick Harrison, Chairman of the Pension Fund Committee
Lloyd Whitworth, Head of Investment and Stewardship
Neil Mason, Assistant Director – LGPS Senior Officer
Anthony Fletcher, Independent Adviser

Background

The purpose of this meeting was to receive an update from Newton, Border to Coast Pension Partnership (BCPP) and LGIM, on performance and activity over the last year for the Surrey Pension Fund. The meetings were held at LGIM's offices in London.

11

Newton Investment Management

Paul Markham – Portfolio Manager
David Moylett – Client Director

Mandate summary

An active global equity mandate seeking to outperform the MSCI All Country World index by 2% per annum (gross of fees) over rolling 3 year periods, Surrey appointed Newton in November 2007. It is intended that the Newton portfolio will be transitioned to BCPP when a suitable global equity investment solution becomes available.

Surrey's investment with Newton was valued at £489.5 million on the 31st March 2023.

Performance

In the three months to 31st March 2023 Newton returned +6.0% compared to the Index return of +4.4% and over twelve months the return was -0.3%, compared to -1.4% for the Index.

The key investment period for comparison to the benchmark and the target is gross annualised performance over three years, the fund's total return in this timeframe was +14.6% per annum (p.a.), compared to the benchmark return of +15.5% p.a. this outcome is -0.9% below the benchmark and -2.9% behind the target. The fund has outperformed the benchmark over longer timeframes delivering +1.3% p.a. extra over 5 and +0.6% p.a. over 10 years, but it has only outperformed the benchmark gross of fees by +0.2% p.a. since inception, which is -1.8% p.a. versus the performance target.

11

The performance deviations in 2015/16 would suggest that the fund may have been carrying too much active risk because relative returns were +7.2% and -7.7% respectively. In 2017 changes were made to better manage the risks being taken to deliver the +2% performance objective. Since 2018 relative performance been less volatile despite the market's increased volatility, but gross performance while +1.3% p.a. ahead of benchmark remains -0.7% p.a. behind the performance target.

Positioning

Persistent inflation and the new geo-political reality has caused Newton to modify its long term broadly deflationary themes of Debt, Demographics, Disruption and Distortion, to Big Government, China influence, Financialisation and the Great power competition. With these themes as a guide, they are focusing their research and analysis on the following factors that could inform their stock selection decisions, corporate earnings, tighter liquidity, geopolitics, consumer strain, sticky inflation and the risk of a policy error. Over the last year with these factors in mind they have made 6 new purchases, increased exposure to 5 stocks; reduced exposure to 5 stocks and sold out completely from 5 others.

The fund consists of concentrated portfolio of 59 individual holdings up 5 from last year. At the sector level the largest overweight's are now financials, healthcare and information technology (IT) compared to IT, industrials and consumer discretionary last year. It could be that the fall in exposure to IT and consumer discretionary are the result of markets movements, Microsoft, Apple, Sony and Amazon's share price in particular had a difficult year, but Newton have added 2 new IT companies Nvidia and Roper Technologies. Industrials and consumer discretionary are now underweight, industrial exposure has been reduced by the sale of Norfolk Southern and Deutsche Post and a reduction in Trane Technologies.

The biggest swing was in the exposure to financials which was underweight last year but is now the biggest overweight. Newton stated last year that while they were cautious on banks, they saw opportunities in insurance and emerging markets and that the new resources the global team had it disposal could lead to more investment in these areas. They have reduced Swedbank and sold Chubb, but they have increased exposure to financials by adding to CME and Progressive the US insurance company, and by new positions in Hiscox the UK insurer and the Brazilian financial companies B3 and XP. At the meeting they also highlighted their exposure to south-east Asian insurers AIA and Ping An and the French underwriter Scor. The next largest overweight is healthcare, Newton have sold their holding in Novartis on continuing concerns about the direction of the company, but have added Danaher, the US life sciences and industrial conglomerate and topped on their exposure to Eli Lilly following the success of their new anti-obesity drug.

The fund remains underweight Energy, Materials and Real estate. The fund also remains overweight the UK and Europe and underweight the US, but these country level relative weights are more about where global companies are listed than the attractiveness of the domestic economies and companies.

In their presentation Newton also showed how ESG and RI is fully integrated into their investment process and demonstrated that their global equity fund's scope 1 and 2 net emissions exposure had fallen from 65% lower than the benchmark index last year to 76% lower this year. They also stated that the fund's WACI was this year 41% lower than the "typical" global low carbon index tracker fund compared to 40% lower last year. Newton actively engages with their portfolio companies on behalf of all investors. The examples they sited were Tesla on Governance issues, Amazon and Darling Ingredients on Social issues and Shell, Barclays and Darling ingredients on Environmental issues. They also mentioned GE's transformation to a strong ESG pure play through its involvement in green energy supply and transition.

Adviser view

This was another very good meeting with Newton once again I was impressed by the level of energy and enthusiasm demonstrated in the meeting and the quality of the reporting package.

I am satisfied that Newton is sticking to their investment themes and processes and encouraged that while their fund does not have a primarily "sustainable" or "ESG" driven investment approach, its scores on these metrics are very strong. The introduction of more robust risk controls following the highly volatile relative performance in 2015 and 2016 seems to be working as the returns since 2018 show. But it is disappointing that the longer term returns are only
11 just ahead of benchmark on a gross basis, having said that, I am happy that Surrey Pension Fund can remain invested with Newton until BCPP have a replacement investment strategy the Fund can subscribe to.

BCPP

Graham Long – Head of the External Investment Team
Milo Kerr – Head of Client Relationship Management

Mandate summary

Surrey has transitioned all of its UK active and a significant portion of its Global active equity assets into two funds designed by BCPP in conjunction with the other Partner Funds. Namely the UK Equity Alpha fund and the Global Equity Alpha fund.

UK Equity Alpha fund

The UK Equity Alpha fund is designed to outperform the FTSE All Share index by 2% net of fees. At the end of March 2023 Surrey had just over £499.5 million invested in the fund. The inception date for the fund was 18th December 2018.

Performance

Over the quarter to 31st March 2023, the UK Equity Alpha fund has returned +5.5% compared to +3.1% for the benchmark and over 12 months -0.1% versus +2.9%. Over rolling 3 years the fund returned +14.1% p.a. and the benchmark returned of +13.8% p.a.

Since inception the fund has given back all of its outperformance and is now behind benchmark with a fund return of +5.7% p.a. compared to the benchmark return of +6.2% p.a. According to the most recent attribution data while the combination of managers added +1.0% through their stock selection decisions, BCPP's manager selection decisions have detracted -1.6% p.a. from total fund performance since inception. 11

At the end of March 2023, the fund had 4 underlying managers each with a distinctive investment style. Redwheel and Lindsell Train replaced UBS during the 2nd quarter of 2022 and have been responsible for their performance since the 9th May 2022 when the transition was complete. As part of the transition the strategic weight to each of the managers in the strategy has been modified; the neutral allocation to Baillie Gifford (growth) has been reduced from 35% to 30%, and Janus Henderson (small cap) from 15% to 12.5%. The neutral allocation to Redwheel's value style is 30%, and Lindsell Train's UK Quality style is 27.5%.

Over the year both Ballie Gifford and Janus Henderson underperformed the FTSE All share but Baillie Gifford outperformed its peer group benchmark. Over 3 years UBS must have delivered some of the outperformance as both Baillie Gifford and Janus Henderson underperformed. Since May last year and in the 3 months to the end of March the new managers, Redwheel and Lindsell Train, have delivered the majority of the positive contribution to returns, although Baillie Gifford did outperform the FTSE All share over the quarter.

Positioning

The replacement of UBS by Redwheel and Lindsell Train has changed the stock selection but interestingly the relative sector level allocation of the fund, is similar. The combined manager relative overweight allocations remain Technology followed by Consumer discretionary and Industrials the fund remains underweight Basic materials, Energy and healthcare. The individual managers have different sector weightings; however, they are all overweight consumer discretionary and industrials, only Redwheel is neutral technology with Baillie Gifford the largest overweight. Of the underweight sectors Redwheel has the largest overweight in Energy and Ballie Gifford the only overweight in healthcare.

Despite the restructure of the fund, Ballie Gifford still dominates the risk budget, and is responsible for about half the risk taken on an ex-ante and ex-post measurement basis, even after their neutral allocation was reduced. It also appears from the analysis that the largest drawdowns in performance occur when Baillie Gifford's ex-ante risk is rising or contributing the most. The analysis also shows that total fund ex-ante risk peaked at over 8 on the inclusion of the new managers and has remained greater than the 2 to 6 (95% of the time) guidance range given by BCPP and above what is the maximum industry expectation for fund with a 2% outperformance objective.

At the manager level BCPP periodically rebalances the manager allocations based on their longer term views of market developments and how relative performance has taken manager exposures away from their neutral weights in the strategy. The most recent of these BCPP manager selection decisions have moved Baillie Gifford's allocation to +1.5%, and Janus Henderson to +1.0% overweight, and Lindsell Train to -1.0% and Redwheel -1.5% underweight relative to the neutral strategic exposure.

Manager update

In the last 12 months due to very poor performance, team and portfolio construction changes, Baillie Gifford was placed on "watch" with a full review conducted in August 2022. The result of the review gave BCPP sufficient confidence to retain Ballie Gifford, and at the end of December 2022 BCPP decided to take them off "watch" but they continue to closely monitor developments.

Janus Henderson was also placed on "watch" due to Board level management changes, including a change in CEO, the retirement of the CIO and a couple of highly experienced fund managers. These changes were considered and it was decided that they had no impact of the UK smaller companies team. The review also determined that the recent poor performance can be attributed to shorter term changes in the macro-economic environment and the increase in interest rates and not the long term philosophy or investment approach of the team.

<u>Global Equity Alpha fund</u>

The Global Equity Alpha fund is designed to outperform the MSCI World Index by 2% net of fees. At the end of
11 March 2023 Surrey had £739.4 million invested in the fund. The inception date of the fund was 24th October 2019.

Performance

Over three months to 31st March 2023, the Global Equity Alpha fund returned +6.5% compared to +4.4% for the benchmark, over the year the fund returned +3.7% versus -1.4% for the benchmark. Over three years the fund outperformed the benchmark and performance objective by +2.9%, and +0.9% respectively delivering +18.3% p.a. relative to the benchmark return of +15.5% p.a. Since inception the fund has delivered a total return of +9.5% p.a. compared to the benchmark return of +9.1% p.a.

The fund has 5 managers each with distinctive styles: -

Manager	Investment style	Neutral weight
Loomis Sayles	Growth	25%
Ninety One – Franchise	Quality	20%
Ninety One – Value	Value	20%
Harris	Value	25%
Lindsell Train	Quality	10%

In the last year there has been a lot of discussion about whether the benchmark index should include emerging markets and China in particular, for more details about this see the positioning section below. In December 2022 GSAM and FountainCap were added to the manager line up to increase the potential emerging market exposure of the opportunity set.

A rolling three year period is a reasonable timeframe to measure investment performance, although longer periods of delivering consistent risk adjusted outperformance are more highly sought after by pension fund investors. Over three years it is the value managers that have delivered the outperformance, and the quality managers that have consistently underperformed and Loomis Sayles the growth manager has performed more like a market neutral manager i.e. never too far away from the benchmark. Over the slightly longer period since inception of the fund in October 2019, Lindsell Train has consistently underperformed whereas the other quality manager 91franchise is in line with benchmark and 91value has underperformed.

According to the latest performance attribution analysis provided by BCPP on an annualised basis since inception their manager selection decisions have added +1.8% p.a. whereas the security selection decisions of the combined individual mangers have detracted -1.4% p.a.

Positioning

When the partner funds were going through the design process for the Global Equity Alpha (GEA) fund there was a lot of discussion around should the benchmark index include emerging markets or not and the conclusion was the allocation to emerging markets was a sovereign decision of the partner funds and not BCPP, because many of the partner funds already had separate strategic allocations to emerging markets. Hence the performance benchmark for GEA was set as MSCI World (Developed Markets) Index, but the managers were allowed to take "off benchmark" stock selection decisions to invest in emerging markets if they chose to.

Over the last year in consultation with partner funds BCPP have decided that the GEA should be benchmarked against the MSCI All Country World Index. i.e. including China and some other emerging countries as part of the index. In order the facilitate this since December 2022 the fund has allocated a 3% strategic exposure to Emerging market equities excluding China, to be managed by GSAM and a 1% exposure to Chinese equities to be managed by FountainCap.

At the end of March 2023, the aggregate fund sector exposure was most overweight consumer discretionary, consumer staples and financials and underweight real estate, energy and utilities. At the manager level, Harris, 91Value and Loomis Sayles had their biggest positions in consumer discretionary and financials, Lindsell Train in consumer staples and 91Franchise in consumer staples and financials. In terms of the underweights only 91Value and Harris had an overweight to Energy.

In terms of the contribution to risk as measured by ex-ante tracking error, total risk is within the range expected for a fund trying to deliver outperformance of an index by 2% per annum. The largest contributors to risk remain Harris and 91Value. 11

Manager update

Loomis Sayles, was placed on "watch" due to resignations from their dedicated analyst team. BCPP have engaged with the CEO, CIO and the investment team at Loomis and have calls scheduled to discuss the matter further and will keep Partner Funds abreast of any pertinent developments.

91Franchise, Simon Brazier (co-Head of the Quality Team) has departed Ninety One. Simon was focused on the UK funds and although he shared leadership responsibilities with Clyde Rossouw (PM on Global Quality), he had no material input on the BCPP strategy and his responsibilities are being picked up by senior UK focused individuals.

Adviser view

This year's annual equity reporting package from BCPP was slightly better but overall, the papers they produced were still not specific to the Surrey pension funds' investments, unlike the papers produced by Newton and LGIM, even to the extent that they did not give Surrey's AUM in each BCPP fund. Overall, it was good to see the recent improvement in the performance of the UK and Global equity alpha funds. However, the explanation of excess ex-ante tracking error/risk management in the UK fund was unsatisfactory, if this strategy was being managed on the old model outside of pooling, I would be recommending that Surrey put BCPP UK Equity Alpha fund on watch for possible replacement if risk management does not improve.

I am also unhappy with the change to Global Equity Alpha fund's benchmark from MSCI World to the MSCI All Country World Index, in other words to include emerging market equities in the benchmark index. The decision to invest in global equity and emerging market equity has always been a sovereign decision of the partner funds. This decision by BCPP in my view decreases the flexibility of each fund to choose its most appropriate strategic asset allocation to global equity markets.

Legal & General Investment Management

James Sparshott – Head of Local Authorities
Robert Dowling – Fund Manager, Index Funds
Jeannette Andrews – Senior Global ESG Manager
Tom Simpson – Client Manager

Mandate summary

The mix of Index driven (passive) strategies managed by LGIM for Surrey has not changed significantly over the last twelve months. At the 31st March 2023 the value of assets managed by LGIM on Surrey's behalf was £1,510,784,741. The asset allocation is set out in the table below.

Investment fund	£ value 31st March 2023	%
Europe (ex-UK) Equity Index	51,590,722	3.41
Japan Equity Index	15,454659	1.02
Asia Pac (ex-Japan) Developed Index	44,048,643	2.92
World Emerging Markets Equity Index	275,655,870	18.25
Future World Emerging Markets Equity Index	11,073,595	0.73
Future World Global Equity Index	925,746,141	61.28
Bespoke Fund*	187,215,113	12.39
Total	**1,510,784,741**	**100**

11 *The Bespoke Fund consists of Fixed Interest Gilts valued at £126,200,782 (67.4%) and a Sterling liquidity fund valued at £61,047,318 (32.6%).

LGIM are also responsible for maintaining Surrey's currency hedging strategy in co-ordination with Newton and BCPP. The strategy reduces the overseas currency exposure of the equity holdings by 50% to dampen the volatility caused by currency movements, it is re-balanced and rolled over on a quarterly basis.

Performance

As expected, these funds have performed in line with the underlying performance benchmarks, with only slight variations based on the cost of rebalancing or paying for the benchmark index data.

Surrey has taken the active decision to make ESG, decarbonisation and the transition to net zero part of its investment strategy. To not adopt this approach with its index driven investment strategies would mean that Surrey passively accepts that investment will be made into companies based solely on their market cap weight in the index and this could include companies that may not have any ESG, decarbonisation or transition to net zero policies.

It is important to note however that the Future World Global Equity Fund uses a bespoke index designed by Solactive, which because of exclusions and LGIM's ESG factor score re-balancing, will not track a full market cap weight global index. This fund also has a decarbonisation policy aimed at aligning the investment strategy with a net zero future, which means that over time the funds index could move further away from a full market cap weighted index.

Over twelve months, the Future World Global Equity Index Fund has returned -1.02% compared to the Solactive benchmark index return of -1.22%, whereas the FTSE All World (full market cap) index returned -0.93%. Since the inception of Surrey's investment on the 1st October 2021, the fund has returned +0.99% p.a. versus +0.81% p.a. for the benchmark and the FTSE All World index +1.74% p.a. The FTSE All World index has a higher weight to energy companies which have significantly outperformed since the Russian invasion of Ukraine.

Most of the rest of the meeting was taken up with a detailed explanation of LGIM's net zero approach, the methodology and developments behind the Future World Index Funds range and an update on LGIM's Responsible Investment Strategy. From May 2023 LGIM's Environmental modelling will include scope 3 value chain emissions intensity, and they will be broadening their nature based scoring methodology to include Deforestation and Water Management and adding Lobbying Activities to their Governance score modelling. This increases the number of factors considered in their Environmental, Social, Governance and Transparency modelling to 34.

Adviser view

I remain impressed by the obvious skill and depth of knowledge LGIM employ to deliver cost effective index based investment solutions for clients. They have clearly thought carefully about how they can help clients achieve their ESG, decarbonisation and net zero objectives and were able to demonstrate the likely trade off between desired returns and increased tracking error, for index based strategies. I also believe their "engagement with consequences" approach is a model that can be applied not just to index (passive) investment strategies but also could be used as part of an engagement and alignment strategy for active management and even applied to the whole pension fund and asset management industry.

Surrey Pension Fund has made the active decision to invest in the "passive" Future World Global Equity Index fund that is consistent with its philosophy, investment beliefs, and long term commitments to the inclusion of ESG factors and the goals of the SDGs in its investment processes and its plans for net zero by 2050 or sooner.

Anthony Fletcher – Independent Adviser to the Surrey Pension Fund

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MJ HUDSON
Allenbridge

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SURREY COUNTY COUNCIL

PENSION FUND COMMITTEE

Surrey Pension Team

DATE: **16 JUNE 2023**

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

SUBJECT: **RESPONSIBLE INVESTMENT UPDATE**

SUMMARY OF ISSUE:

The agreed priorities of the Pension Fund Committee (Committee) in relation to the Responsible Investment (RI) policy are to set a net zero date, update the voting policy, submit an application to become a signatory of the UK Stewardship Code and align manager reporting.

RECOMMENDATIONS:

It is recommended that the Committee:

1. Accept the recommendation of the Responsible Investment Sub Committee (RISC), that the net zero date for the Fund's investments should be 2050 or sooner.
2. Approve the re-wording of the 'engagement with consequences' section of the RI policy.
3. Approve the updated voting policy.

REASON FOR RECOMMENDATIONS:

To enable the Committee to fulfil key priorities of Responsible Investment Policy.

BACKGROUND:

1. 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.

DETAILS:

Net zero date setting

2. A key element of the RI policy is for the Committee to agree a net zero date.

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3. In line with the delegated powers of the RISC, a net zero brief was agreed and, after presentations, Mercer was selected by the RISC to answer it.

4. Mercer responded to the brief at the RISC meeting on 17 May 2023. A summary presentation is attached in Annexe 1. Annexes 4 and 5 contain the full presentation and supporting data under Part 2.

5. Following the discussion, the RISC agreed to recommend to the Committee a net zero date for the Fund's investments of 2050 or sooner, with an aspiration to bring that date forward if possible, in the future.

RI policy re-wording

6. At the Committee meeting in March 2023 it was agreed that the 'engagement with consequences' section of the RI policy should be re-written to make the escalation process clearer and also list current exclusions.

7. After consultation with the Chair and Vice Chair, RISC members were sent the new wording on the 15 May 2023. All responses received as of 2 June 2023 had accepted the new wording. The new wording can be found in Annexe 2.

Voting policy

8. A priority of the RI policy is to agree a new voting policy.

9. The Fund's RI consultant, Minerva, has recalibrated the policy to best practice in the industry. The policy has been updated to account for the latest Stewardship Code and to align with best practice from the UK Corporate Governance Code, the International Corporate Governance Network (ICGN), the Organisation for Economic Cooperation and Development (OECD), EU Directives, the Financial Conduct Authority (FCA) diversity rules, guidance from the Pensions and Lifetime Savings Association (PLSA), the Investment Association Principles of Remuneration and BCPP. The new voting policy can be found in Annexe 3.

CONSULTATION:

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

RISK MANAGEMENT AND IMPLICATIONS:

11. 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

12. Responsible investment decisions can have an impact on the Fund's risk and return.

DIRECTOR CORPORATE FINANCIAL & COMMERCIAL

13. 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

14. There are no legal implications or legislative requirements.

EQUALITIES AND DIVERSITY

15. There are no equality or diversity issues.

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. The net zero date will be announced and all stakeholders informed.

    b. The RI policy will be updated with the new wording.

    c. Minerva will apply the Fund's new voting policy to the voting template.

Contact Officer:
Lloyd Whitworth, Head of Investment & Stewardship

Consulted:
Pension Fund Committee Chair

Annexes:

1. Mercer public net zero slides – Annexe 1
2. Rewording – Annexe 2
3. Updated voting policy – Annexe 3
4. Mercer net zero slides – Annexe 4 (Part 2)
5. Mercer net zero appendix – Annexe 5 (Part 2)

Sources/background papers:

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Surrey Pension Fund

Net-Zero Investing

June 2023

welcome to brighter

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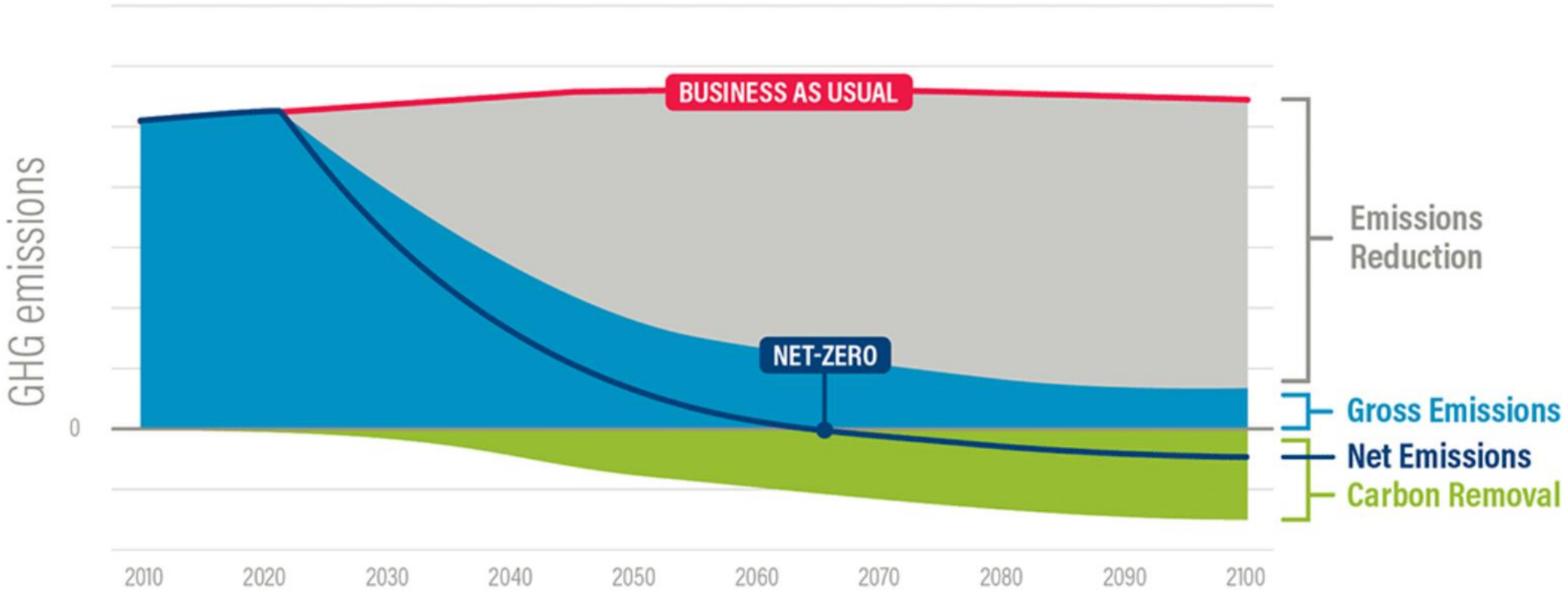
How to get to net zero

- Net zero refers to a state in which there is a balance between the greenhouse gases going into the atmosphere and the amount removed from the atmosphere.
- Reaching net zero across an investment portfolio means greenhouse gas emissions associated with a portfolio's underlying holdings hit net zero.



Source: WRI www.wri.org/blog/2019/09/what-does-net-zero-emissions-mean-6-common-questions-answered

Key elements of analysis

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Bottom up analysis: Identify opportunity set and asset class implications

Bottom up analysis informs top down analysis

Top down analysis: Climate Scenario Analysis of asset classes and total portfolio

Executive summary (i)

Legend for table below

Relatively disadvantageous from an investment perspective	Relatively neutral from an investment perspective	Relatively advantageous from an investment perspective

- Mercer has been commissioned by the Committee of the Surrey Pension Fund (the "Fund") to conduct analysis to support an understanding of the investment implications of setting a net-zero target date for the Fund's portfolio.
- The analysis – a combination of bottom up/top down and quantitative/qualitative – considers portfolios with net-zero target dates as at 2030, 2035, 2040, 2045 and 2050. The analysis considers inclusion of asset classes with low/no/net negative GHG emissions, including an allocation to forestry.
- Whilst modelled outcomes are relatively similar for all portfolios under a traditional financial analysis, a wider assessment highlights the pros and cons of the different target dates. **Based on this analysis and taking into account the Fund's wider investment objectives, in our view, we consider that the net-zero 2045 or net-zero 2050 portfolios achieve a sweet spot between balancing portfolio decarbonisation and meeting fiduciary duty for the Committee at this time**. This may change in the future, for example, should more companies adopt earlier net-zero targets. Comparing 2050 to 2045 depends on the decarbonisation pathway, e.g. a 2045 target with a more gradual pathway may be preferable.

Consideration	Net zero by 2030	Net zero by 2035	Net zero by 2040	Net zero by 2045	Net zero by 2050	Headline comment
Traditional financial metrics						Under traditional portfolio analysis, the modelled outcomes are relatively similar
Portfolio diversification						The earlier the net-zero date, the smaller the investment universe, with implications for sectoral/regional/company diversification
Rapid transition*						The earlier the net-zero date, the better the portfolio performs under a Rapid Transition scenario over the short- to medium-term
Failed transition (short term)*						The earlier the net-zero date, the worse the portfolio performs under a Failed Transition scenario over the short-term
Financing whole economy transition						Opportunity for real-world impact through financing the transition increases as the net-zero target date is extended
Implementation implications						Feasibility to implement the portfolio increases as the net-zero target date is extended

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Mercer

* In terms of what is priced in today Mercer gives a 10% weight to a Failed Transition, 40% weight to an Orderly Transition, 10% to a Rapid Transition and 40% weight to a range of low impact scenarios. Over the long-term a Failed Transition is expected to result in significant portfolio losses (regardless of the net-zero target date) resulting from the negative impacts associated with higher physical damages.

Executive summary (ii)

- Key takeaways from bottom up analysis based on illustrative equity portfolios
  1. The **number of eligible companies/assets declines** as the net-zero date is brought forward. At the extreme, 126 companies in MSCI ACWI have zero projected gross GHG emissions (scope 1 + 2) by 2030, accounting for 12.4% of the total MSCI ACWI by market capitalisation. This number of companies falls to 35 if scope 3 emissions are included.
  2. Net-zero equity portfolios are expected to result in a **loss in diversification** relative to the parent index from a sectoral, regional and company perspective.
  3. Increasing diversification through the addition of other companies introduces residual emissions that would need to be offset in some form. The purchase of offsets or forgoing return associated with the Fund not selling offsets generated through its assets will act to **reduce return**. The offsetting market is a nascent market with a number of challenges for institutional investors to use within their portfolios at present.
- Key takeaways from top down analysis of strawman portfolios with net-zero target dates of 2030, 2035, 2040, 2045 and 2050
  1. Taking into account a broader set of metrics and the Fund's wider investment objectives, we consider that **the net-zero 2045 or net-zero 2050 portfolios achieve the sweet spot between balancing portfolio decarbonisation and meeting fiduciary duty** for the Committee at present.
- The findings in this report are from an investment perspective and do not explicitly consider the legal or reputational considerations associated with setting a net-zero target date for the Fund's portfolio.

Executive summary (iii)

- Implementation considerations

1. By their nature, the net-zero portfolios presented are theoretical with the only design parameter being the net-zero date; in reality others factors will influence asset and security selection decisions.

2. To our knowledge there are very few investment strategies for listed equities (or other assets) that are currently systematically targeting net zero significantly in advance of 2050.

3. To be able to implement such a strategy new products will need to be developed by the investment industry, or on a bespoke basis for the Fund.

4. For a net-zero target to be credible, having a clear implementation plan will be key. We suggest discussing further with Border to Coast. Their "Net Zero Implementation Plan", launched in October 2022, sets out the steps they are taking to reduce its portfolio's carbon footprint to Net Zero by 2050 or sooner. This includes a 53% reduction and a 66% reduction in normalised financed emissions by 2025 and 2030 respectively (from a 2019 baseline) across listed equity and a proportion of fixed income assets.

5. Other issues that will need to be considered include: potential costs of change, additional complexity, legal opinion and alignment with the pooling agenda.

Assumptions and limitations

- The bottom up and top down analysis in this report is subject to a number of assumptions and limitations. Relevant to the key findings, we would highlight:
  - Challenges associated with quantifying the risks resulting from a reduction in the investable universe based on a single criterion (i.e. net zero by a certain target date) over multiple time periods.
  - Constraints/feasibility associated with implementing certain net-zero portfolios, specifically in relation to Border to Coast.
  - Performance under climate scenarios should take into account the context and plausibility of a given scenario occurring.
- **Bottom up analysis**
  - Company projected emissions are based on assumptions and their realisation relies on companies meeting their climate-related commitments. Projected emissions data is also subject to change over time.
  - Scope 3 emissions have been ignored (due to limited reliability of data currently) unless otherwise stated. Inclusion of Scope 3 emissions is expected to increase company emissions and extend the date at which net zero is achieved.
  - Risk-return analysis at the sector level does not capture the impact of company-level concentration within sectors, which could have a material impact on overall portfolio performance.
  - The analysis considers the inclusion of carbon offsets. The voluntary carbon offset market is unregulated and global best practice is still emerging on what constitutes a “good” offset. A number of challenges exist when considering the inclusion of offsets in an investment strategy including credibility, additionality in respect of carbon reduction, lack of scale and reputational risk.

Results in this report should be considered in light of these assumptions and limitations.

Assumptions and limitations

- **Top down climate scenario analysis**
  - Traditional financial analysis does not capture climate impacts and is based on broad asset class assumptions, which do not capture sector/company concentration. Risk and return numbers have been calibrated based on historical data. Past performance does not guarantee future results.
  - Climate Scenario analysis is subject to a number of limitations:
    - The further into the future you go, the less reliable any quantitative modelling will be.
    - There is a reasonable likelihood that physical impacts are grossly underestimated. Feedback loops or ‘tipping points’, like permafrost melting, are challenging to model particularly around the timing of such an event and the speed at which it could accelerate.
    - Financial stability and insurance ‘breakdown’ is not modelled. A systemic failure may be caused by either an ‘uninsurable’ 4°C physical environment, or due to the scale of mitigation and adaption required to avoid material warming of the planet.
    - Most adaptation costs and social factors are not priced into models. These include population health and climate-related migration.

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Results in this report should be considered in light of these assumptions and limitations.

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Mercer has entered into a global agreement with Ortec Finance on the use of their climate scenarios and the agreement is based on a "per-client" fee. Therefore the data, assumptions and results of the attached report can only be used for this particular client and cannot at any moment be shared with another Mercer client or prospect as this would result in a breach of contract with Ortec Finance.

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4.3.2 ‘Engagement with Consequences’

Surrey believes in an ‘Engagement with Consequences’ approach towards its investments - constructively engaging with investee companies on any identified ESG & RI issues, rather than immediate divestment. As Surrey is externally managed, the actual implementation of the ‘engagement with consequences’ approach in relation to individual investments falls to its investment managers. Engagement is a legitimate step by our managers in an escalation process where issues are identified, communicated to company management and their responses are assessed. However, Surrey does not believe that engagement should be an open-ended process without resolution. It is important that the materiality of each engagement is analysed, and that the response is carefully considered, so a conclusion can be reached as to whether the original issue has been resolved, has a reasonable expectation of being resolved, or is not likely to be resolved at all.

If initial engagement does not lead to the desired results, escalation by the managers may be necessary. Options for this escalation include collaborating with other investors, supporting shareholder resolutions, voting against directors or other relevant meeting agenda items, attending Annual General Meetings (AGMs) in person to raise concerns, publicly expressing concerns and co-filing shareholder resolutions.

If, after the escalation process, the investment case is still seen as fundamentally weakened, the decision may be taken by the manager to sell the company’s shares. Regulatory, legal, reputational, environmental, social and governance issues are all risks that may be considered.

Surrey believes its investment managers should seek to first engage with investee companies on issues that they perceive to present a material financial risk. However, the reporting of these engagements, their materiality, the engagement outcomes and their implications have not always been clearly communicated. Surrey commits to work with its investment managers to improve the disclosure and reporting of engagement activities undertaken on its behalf. Surrey will ask its investment managers to justify specific investments where it feels that engagement is not being effective or where financial risk may not be reflected in valuations. Where engagement fails to mitigate perceived material financial risks then Surrey expects its investment managers to consider stronger measures including collaborative engagement and/ or investment action.

Surrey supports the objectives of the Paris Agreement, specifically Article 2, 1(a), which is:

“Holding the increase in the global average temperature to well below 2°C above pre-industrial levels and pursuing efforts to limit the temperature increase to 1.5°C above pre-industrial levels, recognizing that this would significantly reduce the risks and impacts of climate change.” Accordingly, the Fund expects its investment managers to make climate risk a key component of any engagement process on Surrey’s investments.

Surrey also believes in a ‘Just Transition’ to a low carbon economy that ensures fair treatment for employees and communities that would otherwise bear the brunt of rapid, wholesale industrial change.

The investment exclusions currently in place for the Fund are listed below.

Russian restrictions.

All managers are abiding by governmental sanctions against Russia and Belarus and new investments into the region are prohibited. The Fund's position is to review existing investments with a view to exiting in due course as and when markets permit, as long as the current circumstances prevail. The statement by the Surrey Pension Fund can be found here, The Surrey Pension Fund is saddened by and strongly condemns the invasion of Ukraine by Russia. | Surrey Pension Fund

Equity restrictions currently in place, by fund manager

BCPP
BCPP have exclusions related to two areas - thermal coal & oil sands and cluster munitions.

BCPP will not invest in public companies where more than 70% of revenue is derived from thermal coal and/or oil sands. For illiquid investments in private markets, the threshold is reduced to 25%.

There will also be no investment in companies contravening the Convention on Cluster Munitions (2008). This excludes from investment companies where there is evidence of manufacturing cluster munition whole weapons systems and those manufacturing components that were developed or are significantly modified for exclusive use in cluster munitions.

LGIM
There are no exclusions relating to their market capitalisation linked index funds.

The Future World product range does execute exclusions. Future World products apply the Future World Protection List and the Climate Impact Pledge.

The Future World Protection List is a set of exclusions based on companies which fail to meet either globally accepted principles of business practice, or whose business is incompatible with a low-carbon transition. No company with over 20% of revenue derived from thermal coal mining and extraction and/or thermal coal power generation and/or oil sands can be considered for investment. Neither are manufacturers of controversial weapons or companies in perennial breach of the UN Global Compact, an initiative to encourage businesses worldwide to adopt sustainable and socially responsible policies. More details on LGIM's Future World Protection List can be found here, Future World Protection List Methodology (lgim.com)

The Climate Impact Pledge is LGIM's engagement with consequences approach related to climate engagement. Using a set of metrics for assessment, companies that remain consisted laggards generate votes against the Chair for all products and divestment from the Future World funds. More details can be found here, Climate Impact Pledge | Climate change | LGIM Institutional

Newton

The Fund has not imposed any explicit exclusions related to the Newton mandate, other than those relating to Russia and Belarus. However, for their pooled range, the manager does have exclusions in companies involved in cluster munitions and this policy is taken into account when investment decisions are made for the Surrey Pension Fund.

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Voting Policy

1 Introduction

1.1 Surrey Pension Fund (the Fund) aims to be an informed and responsible long-term shareholder of the companies in which it invests. The Fund has a commitment to encourage responsible corporate behaviour, which is based upon the belief that active oversight and stewardship of companies encourages good long-term value and performance. The Fund has a duty to protect and enhance the value of its investments, thereby acting in the best interests of the Fund's beneficiaries.

1.2 The Fund takes seriously its responsibility to ensure that its voting rights are exercised in an informed, constructive and considered manner.

1.3 The fund complies with the Myners Principles of investment management and the UK Stewardship Code, the 12 principles of which are shown below at section 5.

2 Scope

2.1 The Fund aims to vote its shares in all markets wherever practicable. However, due to the relative size of its holdings, we will focus our attention on the quality of our major asset holdings, i.e., UK, EU, US, Far East and emerging markets assets.

2.2 The Fund supports the 'comply or explain' principles of The United Kingdom Corporate Governance Code (the Code) and will seek to take all relevant disclosures into account when exercising its votes. While the Fund expects companies to take appropriate steps to comply with the Code, we recognise that departure from best practice may be justified in certain circumstances. In these situations, the Fund expects a considered explanation from the company.

2.3 Corporate governance principles and standards vary from market to market and so the Fund's voting policy allows for some flexibility and discretion with due consideration to local circumstances.

3 General Principles

3.1 In general, the Fund aims to support corporate management in their stewardship role. This document sets out the Fund's high level voting principles and the circumstances where the Fund may override support for company management proposals. In general, where the Fund cannot support management, it will positively abstain or withhold a vote but, in certain cases, reserves the right to vote against company management.

3.2 In ordinary circumstances, the Fund delegates individual corporate engagement activity to its investment managers. The Fund will, however, consider engaging on a collective basis with other investors on issues of mutual interest.

4 Voting Policy

4.1 Audit & Accountability

The robustness of financial controls and the integrity of financial statements are the basis for the healthy functioning of companies. Companies should provide their report and accounts as complete by an independent, competent, and qualified auditor sufficiently ahead of the Annual General Meeting ("AGM") in accordance with high-quality accounting standards. Such audit reports provide an external and objective assurance to shareholders that the financial statements fairly represent the financial position and prospects of the company. The audit process affords investors significant protections by ensuring that management has effective internal controls and financial reporting systems.

- **Approval of Financial Statements**

Where there is a qualified audit statement, or restatements of annual results made in the previous year (apart from where adapting to new regulations), or where there are concerns of fundamental significance, the Fund will generally oppose the resolution to approve the report and accounts.

- **Auditor Appointments**

Auditor independence may be compromised if the same firm has audited the company for a long time (three years or more) or where the firm earns significant fees from non-audit services. In order to help maintain auditor objectivity we would expect companies to consider submitting the audit function to periodic tender and to disclose their policy on tendering, including when the audit was last put to tender.

There is a concern over the potential conflict of interest between audit and non-audit work when conducted by the same firm for a client. Companies should provide full disclosure where such a conflict of interest arises and provide a clear breakdown of the fees paid for audit and non-audit services.

If an auditor has been in place for more than 20 fiscal years, Surrey Pension Fund will normally vote against the resolution to re-appoint the auditor. Additionally, Surrey Pension Fund will not support the re-appointment of auditors where non-audit fees exceed the audit fees in the year under review or exceed 70% of the audit fees on a three-year aggregate basis, unless sufficient explanation is given in the accounts.

Surrey Pension Fund will normally vote with management on proposals for the removal of auditors unless the proposal is for alleged financial irregularities. In this instance, the Fund will judge on a case-by-case basis.

- **Extra Financial Reporting**

The board is responsible for presenting a balanced and understandable assessment of the company's position and long-term prospects in the annual report and accounts. This extends to sustainability-related factors that impact company performance and long-term value creation, such as human capital and natural capital.

Companies should have regard to the environmental and societal risks and impacts of their operations as these can have a material impact on shareholder returns over a variety of time horizons. We believe that it is good management practice to assess and report on exposure and management of material "Extra Financial" or "Environmental, Social and Governance" ("ESG") risks and opportunities. Disclosure should be aligned to sector, industry, and company specific indicators. To support consistency and comparability in sustainability disclosure, we encourage companies to adopt an internationally recognised sustainability reporting standard and to implement independent verification procedures of their sustainability disclosures.

Surrey Pension Fund encourages companies to report and disclose in line with the Financial Stability Board's Task Force on Climate-related Financial Disclosures (TCFD) recommendations, and the

Workforce Disclosure Initiative in relation to human capital reporting. The Fund also encourages companies to assess the relevance of the United Nations Sustainable Development Goals (SDGs) to their business and to incorporate material goals into their strategies and to report on how they are responding to SDGs. The Fund recognise that the SDGs are an articulation of the world's most pressing sustainability issues and, as such, function as a globally agreed sustainability framework.

Where we consider that disclosure on ESG risks is inadequate the Fund will generally vote against the approval of the annual report or, where available, the sustainability report.

4.2 The Board & Committees

A successful company is led by an effective and entrepreneurial board, whose role is to promote the long-term sustainable success of the company, generating value for shareholders and contributing to wider society. The board should comprise a sufficient mix of directors with relevant knowledge, independence, competence, industry experience and diversity of perspectives to generate effective challenge, discussion and objective decision-making in alignment with the company's purpose, long-term strategy and relevant stakeholders.

- **Composition and Independence**

The board should be of sufficient size that the requirements of the business can be met and that changes to the composition of the board and its committees can be managed without undue disruption. Conversely, the board should not be so large as to be unwieldy.

The board should include an appropriate combination of executive and non-executive (particularly independent non-executive) directors, such that no one individual or small group of individuals dominates the board's decision-making. There should also be a clear division of responsibilities between the leadership of the board and the executive leadership of the company's business.

Surrey Pension Fund regard independent non-executive directors comprising half of the board as best practice, although we note that practice may legitimately vary from this standard. The criteria that may impair a director's independence varies market to market.

The Fund will generally not consider a director to be independent if they:

- Are currently or have been an employee of the company or a subsidiary and there has not been an appropriate cooling-off period between ceasing such employment and serving on the board.
- Have or have had, within an appropriate time period, a material business relationship with the company.
- Received or have received additional remuneration from the company other than director's fees.
- Have close family ties with any of the company's advisers, directors or senior management.
- Hold cross-directorships with other directors.
- Represent a significant shareholder.
- Have served on the board for such a period that his or her independence may have become compromised.

If the board is assessed as having less than 50% independent representation, the Fund will generally vote against the election or re-election of a non-independent non-executive director.

- **Nomination & Succession Planning**

There should be a formal, rigorous and transparent procedure for the appointment of new directors to the board. The board should have plans in place for orderly succession and the policies relating to this should be disclosed in the Company's annual report.

- **Committee Independence**

Audit, Remuneration and Nomination Committees are key components of effective governance for companies. We expect the Audit Committee to be comprised entirely of independent non-executive directors and to have relevant accounting or financial expertise. We also expect the Remuneration Committee to be wholly independent and for the Nomination Committee to be at least 50% independent. The Fund may therefore vote against a director's election if they are an executive or non-independent director on a Committee which is considered insufficiently independent.

- **Separation of Chairman & CEO**

The Fund believes the roles of Chairman and CEO should be separate to avoid unfettered powers of decision-making in any one individual. The Board should be chaired by an independent director who should be independent on the date of appointment. There may be individual circumstances where it is necessary to combine the roles for a specified purpose or over a period of time in which case, we will take account of the explanations provided. Where the roles are combined, the board should appoint a senior independent director to ensure a structure that provides an appropriate balance between the powers of the CEO and the independent directors.

Where the roles are combined and no senior independent non-executive director has been appointed, we will vote against the nominee holding the combined Chair/CEO role.

- **Board Balance & Diversity**

Companies should seek to ensure that their boards comprise a sufficient mix of directors with relevant knowledge, independence, appropriate skills, competence, industry experience and diversity of perspectives to generate effective challenge, discussion and objective decision-making in alignment with the company's purpose, long-term strategy and relevant stakeholders.

Companies should broaden the search to recruit non-executives to include open advertising and the process for board appointments should be transparent and formalised in a board nomination policy. Companies should adopt and disclose a policy on diversity and inclusion which references gender, ethnicity, age, skills and experience.

We support the UK Government-backed Davies, Hampton-Alexander and Parker reviews which set goals for companies regarding their representation of women and ethnic minorities on boards, executive teams and senior management.

Whilst the Fund recognises different market and legal practice on board diversity, we expect companies in developed markets to have boards with at least 33% female representation. We expect companies in emerging markets to have at least one female director on the board. The Fund will vote against the Nomination Committee Chair where we have concerns with the board's progress on gender diversity.

For large UK companies, we will generally support voting against the nomination committee chair if the board does not have at least one racially diverse director, in line with the Parker Review. We encourage all companies globally to consider board ethnic diversity.

- **Board Evaluation**

There should be a formal and rigorous annual evaluation of the performance of the board, its committees, the chair and individual directors. The annual evaluation of the board should consider its composition, diversity and how effectively members work together to achieve objectives. Individual evaluation should demonstrate whether each director continues to contribute effectively. Boards are expected to undertake an internal evaluation annually and to seek external assistance at least every three years. The board should disclose the process for evaluation and, as far as reasonably possible, the outcome of the evaluation and if applicable, any steps taken as a result.

- **Director's availability and attendance**

All directors should be able to allocate sufficient time and attention to the company to discharge their duties alongside their other commitments. Overcommitment is a governance risk as it could potentially compromise the quality of the board and, where directors hold full-time executive director positions, it can impact the discharge of their executive responsibilities.

Surrey Pension Fund considers that a full-time executive director should not take on more than two external roles at publicly listed companies. With regard to non-executive directors, a director should not hold more than four other directorships in listed companies outside the group.

The number of meetings attended by each director should be disclosed in the annual report. The Fund will generally vote against a director whose attendance rate is less than 75% of board and committee meetings, unless we receive an appropriate explanation from the company.

- **Director Elections**

Surrey Pension Fund supports the re-election of directors at regular intervals to ensure the effectiveness of the board and accountability to shareholders. Directors should be elected to the board preferably on an annual basis or stand for election at least once every three years. The Fund considers it good practice for directors to stand for election on an individualised basis rather than by slate.

Directors in uncontested elections should be elected by a majority of the votes cast. In contested elections, plurality voting should apply. An election is contested when there are more director candidates than there are available board seats.

The Fund considers it essential for companies to provide detailed biographical information on each director candidate before the vote at the meeting to ensure shareholders can make an informed voting judgement.

4.3 Executive Remuneration

Executive remuneration should be determined by a formal procedure which is independent of the executives in question. The remuneration committee, in addition to demonstrating independent membership should have written terms of reference and receive independent advice which is wholly separate from other corporate activities such as, for example, audit or HR.

There should be comprehensive, transparent and comprehensible disclosure of directors pay and policy. Policy in particular should fully explain the aims and objectives of reward strategies in the context of corporate objectives. When looking at executive remuneration arrangements, we consider the linkage between the performance measures used in the incentive pay elements and the key performance indicators ("KPIs") as defined by the company. Where companies are potentially subject to high levels of environmental and social risks as part of its business, the remuneration committee should consider the inclusion of relevant material ESG performance metrics in incentive pay.

- **Annual Bonus Plans**

The terms of the annual bonus plan must be understandable to shareholders, and clear and comprehensive information provided each year in the remuneration report. The bonus opportunity should be set at an appropriate level of base salary and should be capped. We expect companies to disclose the performance conditions used under the annual bonus plan, along with the targets set and the performance achieved for the year under review. Provisions should be in place to reclaim the annual bonus where the company has experienced a significant negative event. We encourage companies to operate a bonus deferral mechanism to enhance alignment of interests with long-term shareholders.

- **Long Term Incentive Schemes**

The Fund's policy on executive remuneration is that companies should develop equitable reward systems that genuinely incentivise directors to deliver sustainable, long-term shareholder value, avoiding reward for results over the short term. The Fund wishes to encourage companies to move away from "one-size-fits-all" performance conditions and to introduce objective performance conditions related to the company's long-term strategy. Discretionary share options and other Long Term Incentive Plans can, subject to appropriate safeguards, be acceptable elements of a director's remuneration.

The Fund will vote in favour of executive reward plans when:

- The company has a remuneration structure that encourages participation across the workforce.
- Where executive directors are encouraged to build a significant shareholding in the company to ensure alignment with shareholders. These shares should be held for at least two years post exit.
- Where the exercise of options or the vesting of shares for executive participants is based on performance targets which reflect outstanding and sustainable performance, and which are insulated from a particular treatment in the accounts or general market factors.
- Where disclosure is adequate to enable the assessment of rewards under the scheme and the cost to the company, including disclosure of the achievement of performance targets and vesting outcomes at the end of the performance period of awards.
- Where the performance and/or vesting period for any long term scheme is five years or more and at a minimum, three years. Companies should consider adopting post-vesting holding periods to enhance alignment,
- Where the participants are not eligible for multiple share-based incentives.
- Where malus and clawback provisions apply to long-term incentive awards.
- Where there is a limit on award size and the scheme does not have the potential to involve the issuing of shares which will unduly dilute existing holdings or involve a change in control of the company.

- **Non-executive Remuneration**

Remuneration for non-executive directors should be structured in a way that aligns their interests with the long-term interests of shareholders and does not compromise their independence. To this end, we are not in favour of non-executive directors receiving performance-based pay.

The introduction of all-employee share plans within a firm is encouraged and supported as this helps all employees understand the concept of shareholder value. The Fund will generally vote against the introduction of an all-employee share scheme where non-executives are also permitted to participate.

- **Executive Contracts**

Director notice periods are an important corporate governance consideration. The notice period and severance provisions for the executive directors should be disclosed in the annual report. The Fund is generally opposed to an executive director's notice period exceeding 12 months or severance pay exceeding 12 months' fixed pay or may withhold support in such circumstances.

Double-trigger change in control arrangements, which require both a change of control and termination, are considered good practice. Vesting of equity awards on a change of control should be on a pro-rata basis that considers the time elapsed and attainment of any performance targets between the grant date and the transaction.

The pension contribution rates for executive directors, or payments in lieu, should be aligned with those available to the workforce. Incentive pay should not be pensionable.

4.4 Shareholders' Rights & Capital Structures

The rights of shareholders should be equal and protected. The following outlines the principles that Surrey expect investee companies to adhere to:

- **Pre-emption right for issues of new capital**

Resolutions seeking the authority to issue shares with and without pre-emption rights should be separate and should specify amounts involved, the time periods covered and whether there is any intention to utilise the authority. The Fund does not support resolutions that are inconsistent with the Pre-emption Group Guidelines.

- **"One Share One Vote"**

Surrey Pension Fund supports the principle of "one-share, one-vote." The Fund does not support issues of shares with restricted or differential voting rights, nor any action which effectively restricts the voting rights of shares held by it. Where dual class structures are in place, they should be kept under review and accompanied by appropriate protections for minority shareholders.

- **Share Repurchases**

The Fund will normally vote in favour of an authority for share repurchases, provided that it complies with the Listing Rule guidelines (e.g. limit of 15% of issued share capital) and that directors demonstrate that this is the most appropriate use of a company's cash resources. Companies should adopt equal financial treatment for all shareholders. The Fund therefore supports measures that limit the company's ability to buy back shares from a particular shareholder at higher-than-market prices.

- **Dividends**

Companies should have clear dividend policies that set out a sustainable approach to distributing dividends and returning capital to shareholders. Shareholders should have the chance to approve a company's proposed distribution and the resolution should be separate from the resolution to receive the report and accounts. Where a company has paid a final dividend without seeking shareholder approval, Surrey may vote against the resolution to approve the report and accounts.

- **Article Changes**

It is common for management to put forward a resolution seeking shareholder approval to amend and/or update the Articles of Association. Proposals to change the Articles of Association should be clearly outlined in the meeting materials and presented as separate resolutions for each change.

The Fund does not support proposed changes to Articles of Association and/or constitutional documents that reduce shareholder rights or do not reflect generally accepted good governance practices or where there is insufficient disclosure on the proposed changes to make an informed voting decision

- **Voting at Meetings**

Meeting materials (including the notice of meeting, proxy card and annual report) should be published sufficiently ahead of the meeting to enable shareholders to vote in an informed manner. Each substantive resolution should be voteable in its own right; therefore, the bundling of two or more matters for consideration under one resolution is discouraged.

Where a resolution is proposed to allow for any other business to be conducted at the meeting without prior shareholder notification, the Fund will not support such resolutions.

Surrey Pension Fund views the AGM as an important forum at which the board is publicly accountable. Many companies are considering using electronic means to reach a greater number of their shareholders. An example of this is via a virtual meeting where a meeting takes place exclusively using online technology, without a corresponding in-person meeting. We generally believe an online AGM should not be held without also offering a physical AGM where the company's board and shareholders attend in person (known as a 'hybrid meeting').

We recognise that in exceptional circumstances a physical AGM may not always be possible and in such circumstances, a virtual-only AGM may be supported on a temporary basis. If a virtual meeting is to be held, we expect the company to clearly outline how shareholders' rights to participate by asking questions and voting during the meeting are protected. The Fund will generally oppose article amendments seeking to introduce the ability to hold virtual-only meetings if the proposed articles do not include a caveat that virtual meetings will only be held in exceptional circumstances, such as a result of a pandemic or national emergency, or where geographical barriers prevent physical travel.

4.5 Investment Decisions

Surrey supports mergers and acquisitions that enhance shareholder returns in the longer term and encourages companies to disclose fully relevant information and provide for separate resolutions on all issues which require the shareholders to vote, for example, the effect of a merger on the compensation and remuneration packages of the individual Board members.

Due to the investment implications of M&A activity, the fund will liaise with its portfolio managers prior to making a final voting decision in support of takeovers.

Companies should seek shareholder approval on any action which alters the fundamental relationship between shareholders and the Board. Where a resolution proposes moving to an unregulated market or de-listing, the Fund will consider issues on a case-by-case basis. Schemes of arrangement, and significant transactions are also considered on a case-by-case basis.

Surrey believes shareholders should be consulted in takeover situations and should not have their rights curtailed. Accordingly, the board should not attempt to counter a takeover bid by making decisions which will prevent the shareholders from deciding on the takeover bid themselves, without first gaining the acceptance of the shareholders. Anti-takeover devices should not be used to shield management and the board from accountability. The Fund will generally vote against the introduction or renewal of an anti-takeover provision.

4.6 Sustainability

- **Board Oversight**

We believe companies that consider ESG factors as part of their business strategy generate enhanced shareholder value over the long term. We are therefore more supportive of companies with board-level responsibility for reviewing ESG risks and where a specific director or committee has been charged with responsibility for this area. The Fund may vote against the resolution to approve the report and accounts or the board chairman if there is a lack of disclosure to evidence board oversight of ESG issues.

- **Donations**

Surrey expects companies to provide full disclosure and justification for political expenditures. The Fund considers that making of donations to political parties is not an appropriate use of shareholder funds and so will vote against any authority to make such donations.

Charitable donations are acceptable if they are reasonable and further the company's wider corporate social responsibilities. The Fund encourages the issue of a policy statement by companies relating to such donations and full disclosure of the amounts given to the main beneficiaries.

- **Lobbying**

A company should be transparent and publicly disclose director lobbying, and any indirect lobbying through its membership of trade association. Boards should address instances where there are significant inconsistencies between a company's publicly stated policy positions and potentially conflicting views of trade associations of which the company may be a member, such as on climate change policy.

- **Climate Change**

Climate change presents material financial risks for businesses, investors, and stakeholders, as well as opportunities. Companies should disclose their exposure to the physical and transition risks of climate change and explain the material impacts on the business model and operations. Companies should work towards mitigating climate change by making efforts to reduce emissions and to adapt their business strategy in order to align with a low carbon economy in order to reach net zero by 2050 or sooner.

Companies are expected to provide disclosure on climate-related issues, including on governance, strategy, risk management, climate accounting, and metrics and targets. In particular, we encourage companies to provide reporting in line with the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD).

Companies are encouraged to publish a Just Transition Strategy, detailing the steps the company will take to guarantee their workforces and the communities in which they operate, are central to any net zero transition plans as we recognise there will be no successful decarbonisation without wider stakeholder support.

We will generally withhold support from the resolution to receive the annual report and accounts if a company has not disclosed its Scope 1 and 2 GHG emissions or set any emission reduction targets.

Where a board voluntarily puts forward an advisory resolution that seeks shareholder approval of the company's climate transition action plan, we will vote against where:

- The Company has not made a clear commitment to achieve net zero emissions by 2050 or sooner across all material GHG emissions (scope 1, 2 and material scope 3).
- The Company has not set and disclosed appropriate short- and medium-term GHG (Scope 1, 2 and material Scope 3) reduction targets.
- The Company has not demonstrated that its GHG reduction targets are science-based and aligned with the net zero by 2050 scenario, such as by verification by the Science Based Targets initiative.

We will also consider climate governance; strategy and Paris alignment; board oversight and incentivisation; TCFD disclosures; capital allocation alignment, climate accounting, and just transition disclosure when assessing company climate transition action plans.

4.7 Shareholder Resolutions

Shareholder proposals are resolutions put forward by shareholders who want the board of a company to implement certain measures, for example around ESG or sustainability practices.

We value the right of shareholders to submit proposals to company general meetings. While we recognise different jurisdictions have different rules in place for the filing of shareholder proposals, we are generally supportive of initiatives that seek to introduce and/or enhance the ability to submit proposals.

Shareholder proposals will generally be reviewed on a case-by-case basis. We will support requests for improved corporate disclosure, notably relating to sustainability reporting, including climate change, and enhancements to governance practices and/or shareholder rights. In other circumstances the fund will generally vote against shareholder resolutions if the proposal is considered overly prescriptive and constraining on management or assessed as not in the best interests of the company and its shareholders.

5 The Principles of the UK Stewardship Code

In order to conform with the principles of the UK Stewardship Code, institutional investors, such as the Surrey Pension Fund, should:

1. Explain the purpose of the organisation, investment beliefs, strategy and culture and how they enable effective stewardship that creates long-term value leading to sustainable benefits for the economy, the environment and society.
2. Disclose the governance, resources and incentive structures in place supporting stewardship.
3. Disclose a policy on managing conflicts of interest in relation to stewardship.
4. Explain how market-wide systemic risks are identified and responded to.
5. Review their policies, assure their processes, and assess the effectiveness of their activities.
6. Take into account client and beneficiary needs and communicate the activities and outcomes of their stewardship and investment to them.
7. Systematically integrate stewardship and investment, including material environmental, social and governance issues, and climate change, to fulfil their responsibilities.
8. Monitor and hold to account managers and/or service providers.
9. Engage with investee companies to maintain or enhance the value of assets.
10. Where necessary, participate in collaborative engagement to influence issuers.
11. Establish clear guidelines on when and how they will escalate stewardship activities to influence issuers.
12. Actively exercise their rights and responsibilities. on voting and disclosure of voting activity.

A future Board report will set out how the Surrey Pension Fund intends to satisfy the UK Stewardship Code requirements.

SURREY COUNTY COUNCIL

PENSION FUND COMMITTEE

DATE: **16 JUNE 2023**

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

SUBJECT: **LGPS UPDATE (BACKGROUND PAPER)**

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SUMMARY OF ISSUE:

This report considers recent developments in the LGPS.

RECOMMENDATIONS:

The Pension Fund Committee is asked to note the content of this report.

REASON FOR RECOMMENDATIONS:

The report provides background information for the Committee.

DETAILS:

Highlights

1	**LGPS CARE revaluation date changed due to inflation**	Regulations amended to change the LGPS CARE revaluation date due to high inflation. More information in paragraph 7.
2	**Lifetime Allowance charges abolished in Budget**	Following the Spring Budget, Lifetime Allowance charges abolished from 6 April 2023 and increases to Annual Allowance limits. More information in paragraphs 8, 27, 31 and 32.
3	**Consultations proposed on Investment Pooling and investment in illiquid assets**	Within the Spring Budget the Chancellor announced the Government will launch 2 new consultations, firstly on LGPS Pooling and secondly on investments and proposals for LGPS funds to consider opportunities in illiquid assets. More information in paragraph 28.
4	**Transfer out quotations suspended following SCAPE discount rate change**	Following change to the SCAPE discount rate, new transfer out and divorce quotations suspended from 30 March 2023. Also affected are transfers in, actual transfers out and the splitting of pension following a Pension Sharing Order. Revised factors now received but this has caused some delays in issuing information by the team, who will now work through cases that were put on hold. Other actuarial factors will be affected. More information can be found in paragraph 30.
5	**Delay to Pensions Dashboards**	DWP announced delay to Pensions Dashboards Programme. More information can be found in paragraphs 21, 35 and 37.
6	**2037 State Pension Age increase on hold**	Accelerated increase to 68 for State Pension Age from 2037 on hold until next Parliament. More information can be found in paragraph 34.

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LGPS updates

7. DLUHC launched a short consultation from 10 to 24 February 2023 on changing the annual revaluation date for CARE benefits from 1 to 6 April. The LGPS (Amendment) Regulations 2023 have now been laid and took effect from 31 March 2023. The purpose of the change is to align the revaluation date with the tax year due to the 10.1% increase that will apply to CARE LGPS benefits, had this not been done more members would have exceeded the annual allowance. The amendments also allow protections for those affected so that although the increase takes place on 6th April it will be backdated as if it had taken place on 1st April so there is no loss of benefit. The LGA have published a special bulletin that looks at the impact of the change of the revaluation date and provides examples.

8. The LGA have issued the annual update detailing the revised rates applicable from April 2023 for both administrators and employers, e.g. employee contribution rate, additional pension limit, NI limits and thresholds.

9. The Local Government (Structural Changes) (Supplementary Provision and Amendment) Order 2023 was made on 1 March and effective from 1 April 2023. This is to allow for structural changes in Cumbria, North Yorkshire and Somerset.

10. GAD have sent a formal membership data request as at 31 March 2022 to pension managers. This is required for the Section 13 exercise along with assisting with other projects including DLUHC and SAB policy work.

11. The LGPS Governance Conference will be held in York on 18 and 19 January 2024, booking information and the programme will be made available later in the year.

12. The LGA have published a FAQ on backdated pay awards for employers.

Scheme Advisory Board (SAB)

13. The Minister for Local Government has responded to a letter written to him by the SAB on delays in the external audit of local authority's accounts, including pension fund accounts. The MP has welcomed the advice and recommendation to consider the separation of main authority accounts and pension fund accounts. He has asked his officials to consider the scope for developing this further.

14. The SAB are reviewing and updating the CIPFA guidance on the Knowledge and Skills Framework for committee members and officers.

15. Bob Holloway, the Pensions Secretary to the SAB retired on 24 February 2023.

16. The SAB have updated their website, the content remains the same.

17. The SAB have provided a statement on Freedom of Information (FOI) requests on climate advice and data, which provides advice on dealing with such requests due to the increase for requests of information about responsible investment policies.

18. The SAB have published a report on the gender pensions gap in the LGPS from the Government Actuaries Department (GAD). The Board noted the findings need to be interpreted with caution and will do further work to understand the data, investigate the causes together with considering the possible next steps.

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Pensions Dashboard Programme (PDP)

19. The PDP have published 3 new videos, these are an 'Introduction to Consumer Protection', 'Myth busting pensions dashboards' and 'Frequently Asked Questions'.

20. GAD have published a blog on matching members for dashboards.

21. In March the PDP published their latest news on dashboards, which includes FAQ's on connection deadlines and revised timetable.

McCloud

22. The SAB have issued guidance for Administering Authorities setting out options where there is either missing data or, where the authority is not confident of the accuracy of the data provided.

23. DLUHC published their response to the consultation to the McCloud consultation which closed on 8 October 2020. DLUHC is expected to launch a further consultation this spring seeking views on:

    - Issues where a final decision is yet to be made due to consultation responses, for example aggregation and flexible retirement,

    - Issues not included in the original consultation, for example compensation, interest and excess teacher service, and

    - Updated draft regulations.

    After considering the responses to the further consultation, DLUHC will finalise the regulations which will come into force on 1 October 2023, with backdated effect to 1 April 2014.

24. In addition to the recent response by DLUHC, they have worked with the SAB and published a factsheet summarising the McCloud remedy for LGPS members.

HM Treasury (HMT)

25. HMT published a written ministerial statement confirming the rates of annual revaluation for all the public sector schemes together with pensions increase applicable for April 2023. For the LGPS this is confirmed as 10.1% for both CARE revaluation and pensions increase.

26. The Public Service Pension Schemes (Rectification of Unlawful Discrimination) (Tax) Regulations 2023 were laid on 6 February 2023. These regulations are relevant for the implementation of McCloud, however at present do not cover Teachers with excess service who will need to be put into the LGPS as part of the McCloud remedy. The LGA have published a commentary on the regulations that may be relevant to the LGPS.

27. The Spring Budget 2023 was held on 15 March 2023 and the Finance (No.2) Bill was published on 23rd March 2023 and with effect from 6 April 2023 proposes to enact some of the changes announced at the Spring Budget. In particular affecting the LGPS the changes are:

    - Increasing the Annual Allowance (AA) from £40,000 to £60,000 from the tax year 2023/24.

    - Increasing the Money Purchase AA from £4,000 to £10,000 from the tax year 2023/24.

    - Increasing the Adjusted income level for the Tapered AA from £240,000 to £260,000 from the tax year 2023/24.

    - Increasing the Minimum Tapered AA from £4,000 to £6,000 from the tax year 2023/24.

    - Abolishing Lifetime Allowance (LTA) charges arising in relation to Benefit Crystallisation Events (BCE) occurring on or after 6 April 2023.

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- Allowing members to accrue new pension benefits, join new arrangements or transfer, without losing enhanced protection or fixed protection where the protection was applied for before 15 March 2023.
- Except where protections apply, capping the maximum pension commencement lump sum (PCLS) a member can take to be the lower of 25% of the capital value of the pension benefits the member is taking or 25% of their remaining LTA, if they have not used any LTA then the cap will be £268,275 (being 25% of £1,073,100).
- Changing the taxation of the LTA excess lump sum, so that it is taxed as pension income and so at the member's marginal rate rather than 55% which applied under the LTA charge.
- Abolishing the LTA completely from the 2024/25 tax year through a future Finance Bill.

Although the LTA is to be removed fully from April 2024, there is still much that needs resolving as the information is still required to assess how much LTA members have previously used and how much they have taken as a PCLS previously.

28. It was also announced within the Spring Budget that DLUHC will launch two new consultations on LGPS investment.

    - The first consultation will focus on LGPS pooling, with the government challenging the LGPS in England and Wales to 'move further and faster on consolidating assets'. The consultation will include proposals for the LGPS funds to transfer all listed assets into their pools by March 2025 and set direction for the future, which might include moving towards a smaller number of pools in excess of £50 billion to optimise benefits of scale. It was highlighted that while pooling has delivered substantial benefits so far, 'progress needs to accelerate to deliver and the government stands ready to take further action if needed'.

    - The second consultation will focus on investments and include proposals for LGPS funds to consider opportunities in illiquid assets such as venture and growth capital. This has been a long-term ambition from Government, who in February 2022 suggested LGPS funds set out plans for investing up to 5% of their assets in projects that support local areas.

    It is not known however when the government will look to launch these consultations.

29. Within the Finance (No.2) Bill, clause 25 will introduce a new section to the Finance Act 2004 to allow members who contribute to a net pay arrangement, such as the LGPS, whose taxable income is below their personal allowance, to be able to claim tax relief on the pension contributions they have paid into the scheme. This will not come into effect until 6 April 2024 and the government will pay a top-up payment in the following tax year in which the contributions were paid. Those eligible will be notified by HMRC and invited to provide the necessary details to HMRC to enable the top-up payment to be paid direct to their bank account.

30. In a written ministerial statement on 30 March 2023 it was announced that the Superannuation Contributions Adjusted for Past Experience (SCAPE) rate changed. This is used to determine actuarial factors across the Public Service Pension Schemes and as a result DLUHC confirmed that calculations for certain non-club transfers, certain interfund/intrafund, certain non-club cash transfer sums and all cash equivalent values (CEV) for divorce purposes must immediately be suspended. It was expected that DLUHC would issue new transfer factors in April/May, they were received on 1 June. The remainder of the Scheme's actuarial factors will be amended in due course. DLUHC's intention is to introduce the revised factors over a four-month period starting from April 2023.

HMRC

31. HMRC published Pension Schemes newsletter 148, which summarises all the announcements in the Budget on 15 March 2023 in connection with tax relieved pension savings.

32. HMRC published a Lifetime Allowance guidance newsletter on 27 March 2023 which provides further information on PCLS's, LTA protections and how to pay and report lump sums that would have previously incurred an LTA charge but are now subject to tax as pension income. 13

Department for Work and Pensions (DWP)

33. The DWP have issued a press release confirming they support the private member's bill expanding auto enrolment. The proposal is to remove the Lower Earnings limit for contributions and reduce the age for eligible jobholders from 22 to 18.

34. The DWP published their 2023 review of the State Pension age which must be regularly reviewed in accordance with the Pensions Act 2014. The review confirms the rise of the State Pension Age to age 67 between 2026 and 2028 remains appropriate but they do not intend to raise this further to age 68 over the period from 2037 to 2039, as was recommended in the review that took place in 2017. However, a further review will take place within the next two years of the next Parliament to consider whether the raise to age 68 should occur earlier and that the report should be published no later than 29 March 2029.

35. DWP have announced delays to Pension Dashboards connection deadlines. They have said the delays are necessary to give the Pensions Dashboards Programme (PDP) the time it needs to meet the challenges in developing the digital architecture. DWP will provide an update on dashboards to Parliament before the summer recess. It is not clear if this will mean a delay to connection deadlines for Public Service Pension Schemes.

The Pensions Regulator (TPR)

36. TPR held a webinar, which was recorded, on dashboards which covered data preparation duties and steps schemes need to take to ensure their data is accurate, complete, up-to-date and digitally accessible.

37. TPR have confirmed following the announcement by the DWP of the delay to the Pensions Dashboards, that they will write to those schemes affected to confirm when the new deadlines are set. They have also published updated guidance and checklist to help schemes focus on the work they should be doing now to prepare for their dashboard duties.

38. TPR have published new guidance on liability driven investments (LDI) which sets out further practical steps schemes should take to manage risks.

39. TPR have authorised the UK's first Collective Defined Contribution (CDC) scheme, being the Royal Mail Collective Pension Plan.

Other news and updates

40. National LGPS Frameworks is looking to provide two new frameworks, one for Integrated Service Providers (ISP), which is necessary for Pension Dashboards and Member Data Services and the other for Additional Voluntary Contributions (AVCs), which will also cover salary sacrifice AVCs.

CONSULTATION:

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

RISK MANAGEMENT AND IMPLICATIONS:

42. None.

FINANCIAL AND VALUE FOR MONEY IMPLICATIONS

43. None.

DIRECTOR OF CORPORATE FINANCE COMMENTARY

44. 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

45. None.

EQUALITIES AND DIVERSITY

46. There are no equality or diversity issues.

OTHER IMPLICATIONS

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

WHAT HAPPENS NEXT

48. No next steps are planned

Contact Officers:
Sandy Armstrong Technical Manager
Paul Titcomb Head of Accounting and Governance

Consulted: Pension Fund Committee Chair

Annexes:
None

Sources/background papers:
None

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