

## Notice of Meeting

# Surrey Pension Fund Committee



### Date and Time

Friday, 22 March  
2024  
11.15 am

### Place

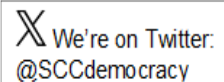
Council Chamber,  
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### **Committee/Board Members:**

#### **Elected Members**

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

#### **Co-opted Members:**

Robert King (Borough & Districts) Steve Williams (Borough & Districts),  
Kelvin Menon (Employers) and Duncan Eastoe (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](mailto:angela.guest@surreycc.gov.uk).

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## **AGENDA**

**1 APOLOGIES FOR ABSENCE AND SUBSTITUTIONS**

**2 MINUTES OF THE PREVIOUS MEETING [15 DECEMBER 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**

**Notes:**

1. The deadline for Member's questions is 12.00pm four working days before the meeting ( 18/03/2024).
2. The deadline for public questions is seven days before the meeting (15/03/2024).
3. The deadline for petitions was 14 days before the meeting, and no petitions have been received.

**5 GLOSSARY, ACTION TRACKER & FORWARD PLAN**

(Pages  
15 - 26)

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

**6 SECOND YEAR OF THE STRATEGIC PLAN FOR THE SURREY PENSIONS TEAM**

(Pages  
27 - 52)

This report provides a summary of the second year plans for the Surrey Pensions Team strategic plan.

**7 CHANGE PROGRAMME UPDATE - QUARTER 3**

(Pages  
53 - 64)

This paper details the Change Team Quarterly Report of activity for the period October-December 2023.

- 8 COMMUNICATION POLICY STATEMENT 2024/25** (Pages 65 - 84)
- This report introduces the Pension Fund communication policy statement.
- 9 TRAINING POLICY 2024/2025** (Pages 85 - 102)
- This report introduces the Pension Fund training policy.
- 10 SUMMARY OF THE LOCAL PENSION BOARD REPORT** (Pages 103 - 110)
- This report provides a summary of administration and governance issues reviewed by the Local Pension Board at its last meeting on 16 February 2024, for noting or actioning by the Pension Fund Committee.
- 11 LOCAL PENSION BOARD - PROPOSED AMENDMENT TO THE TERMS OF REFERENCE** (Pages 111 - 124)
- This report provides a summary of proposed amendments required to the Terms of Reference of the Local Pension Board. This report is for noting and actioning by the Pension Fund Committee.
- 12 BUDGET 2024/25** (Pages 125 - 134)
- The Budget for 2024/25 is the financial objective for the Fund within which to deliver its operations.
- 13 INVESTMENT MANAGER PERFORMANCE AND ASSET/LIABILITIES UPDATE** (Pages 135 - 154)
- This report is a summary of manager issues for the attention of the Pension Fund Committee, as well as an update on investment performance and the values of assets and liabilities.
- NB: Part 2 annex at item 19.
- 14 COMPANY ENGAGEMENT & VOTING** (Pages 155 - 182)
- 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).
- 15 ASSET CLASS FOCUS - CREDIT MARKETS** (Pages 183 - 196)
- As part of good governance, the Pension Fund Committee (Committee) periodically reviews the performance of the Fund's investments. There is a further focused review of different asset classes each quarter. This quarter the paper concentrates on credit markets.

- 16 RESPONSIBLE INVESTMENT IMPLEMENTATION REPORT** (Pages 197 - 344)
- One of the Fund's Responsible Investment (RI) priorities is to apply to become a signatory of the Financial Reporting Council's UK Stewardship Code, in line with the RI policy.
- 17 LGPS UPDATE (BACKGROUND PAPER)** (Pages 345 - 350)
- This report considers recent developments in the Local Government Pension Scheme.
- 18 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.
- 19 INVESTMENT MANAGER PERFORMANCE AND ASSET/LIABILITIES UPDATE** (Pages 351 - 352)
- Part 2 Annex to item 16 attached.
- 20 NEW INVESTMENT PROPOSITIONS** (Pages 353 - 380)
- As part of good governance, the Pension Fund Committee (Committee) reviews new investment propositions for inclusion into the Fund's portfolio. This paper covers two funds developed by Border to Coast Pensions Partnership (BCPP) – BCPP UK Opportunities and BCPP UK Real Estate.
- 21 BORDER TO COAST PENSIONS PARTNERSHIP UPDATE** (Pages 381 - 416)
- This paper provides the Pension Fund Committee with an update of current activity being undertaken by the Border to Coast Pensions Partnership.
- 22 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.
- 23 DATE OF NEXT MEETING**
- The next meeting of the Surrey Pension Fund Committee will be on 21 June 2024.

## **MOBILE TECHNOLOGY AND FILMING – ACCEPTABLE USE**

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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 10.00 am on 15 December 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:**

- \* Duncan Eastoe, Employees  
Robert King, Boroughs & Districts
- \* Borough Councillor Steve Williams, Boroughs & Districts
- \* Kelvin Menon, Employers

**In attendance**

Tim Evans, Chairman of Local Pension Board (online)

**70/23 APOLOGIES FOR ABSENCE AND SUBSTITUTIONS [Item 1]**

There were none.

**71/23 MINUTES OF THE PREVIOUS MEETING [8 SEPTEMBER 2023] [Item 2]**

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

**72/23 DECLARATIONS OF INTEREST [Item 3]**

Kelvin Menon declared a non-pecuniary interest in that he is a non-voting member of the Scheme Advisory Board representing Treasurers Society for England.

**73/23 QUESTIONS AND PETITIONS [Item 4]**

There were no petitions.

There was one Member question. This and the response were published with the agenda. As a supplementary Steve Williams asked:

- a) in relation to the response to the first part of the question, I would like to ask professional officers whether they were aware of the advice provided to the Derbyshire and Cheshire funds criticised in the report by Professor Steve Keen. Both the LGPS Senior Officer and the Independent Adviser responded that they were unaware of the advice. In response to a requested for this to be a future agenda item the

Chairman stated that he would look into the matter and consider whether appropriate to have this on a future agenda.

- b) in relation to the second part of my question, do officers still consider, particularly in the light of COP 28, reference to the beginning of the end for fossil fuels, that there is a trade-off between the fiduciary duty and divestment from fossil fuels? I am suggesting that the approach to date has been that on the one hand, there is the fiduciary duty of the committee and on the other hand, the committee's desire to do something about carbon reduction and climate change, and that the two are diametrically opposed. My suggestion was that the two are now synchronised because fossil fuel assets will easily become stranded assets and so our fiduciary duty requires us requires us to divest from fossil fuels.

The LGPS Senior Officer agreed in that there was no contradiction between fiduciary duty and good stewardship of assets from the point of view of climate, and also other characterisations of ESG. Hence the committee had agreed on that approach to its responsible investment policy.

There were six public questions submitted. These and the responses were published as a supplement to the agenda.

There were six supplementary questions:

1. Kevin Clarke asked if the two banks referred to in the response could be identified and whether there had been any engagement with either of those two companies, and what had been the result so far?  
The Chairman responded that there were some specific examples of engagement in a later item on the agenda.
2. Jenifer Condit asked on behalf of Lindsey Coeur-Belle: the 18th edition of the Global Risk Report, published in January 2023, states that climate and environmental risks are the core focus of global risk perceptions over the next decade and are the risks for which we are seeming to be least prepared. Border to Coast acknowledged the fact that six out of ten short term global risks are climate and environmentally related issues. As a result of this growing urgency, will the committee commit to fossil fuel divestment by 2025?  
The Chairman responded that the responsible investment policy would be reviewed in June 2024. Things were changing and it was expected investment managers to take all these factors into account and for them to both engage and consider whether fossil fuels and particular companies are the right areas to invest in.
3. Jackie Macey asked: It is encouraging to note that within their engagement with Shell, Newton's referencing scope 3 emissions and investment in clean energy. However, this seems unlikely to be successful given Shell's stated focus on expansion and exploration rather than transition to cleaner energy. If Shell's new climate transition plan does not detail a change of policy that reflects these discussions and a move away from developing new oil and gas projects, what will the committee's response be when engagement is not achieving its aim?  
The Chairman responded in a similar vein to the previous question in that it would be expected that these risks be taken into account. Later in the papers there is an analysis of the various investment managers which shows which ones are invested in Shell. It shows that not all of the managers think that Shell is the right investment to make at this time.



4. Jackie Macey asked on behalf of Janice Baker: Thank you for the responses you collected from BCPP and LGIM. It was quite likely that the 2024 directive on the protection of the environment will trigger prosecutions. Any that are successful would affect the share price and would undoubtedly lead to loss for investors. Bearing that in mind, would the committee regard it is sufficiently significant to include such risk in their risk analysis?

The Head of Investment & Stewardship responded that there was an ESG specific risk in the risk register and highlighted that investment managers were already including these risks in their analyses of stocks. A Member questioned this response in that the question related specifically to the risk of climate-related prosecutions, and whether this risk is covered by a general purpose ESG risk or if it would need to be considered separately. The Head of Investment & Stewardship responded that every investment carried regulatory risk.

5. Lucianna Cole asked: Is pushing for scope 3 emissions to be more widely available part of the engagement strategy?

The LGPS Senior Officer responded that scope 3 emissions would feed into the responsible investment approach of Border to Coast and partner funds. It was anticipated that, as the data set became more reliable, Scope 3 could be a critical point of engagement.

6. Jenifer Condit asked: My question is about how you see your fundamental role as members of a pension committee. I know that you believe that active engagement can be constructive for the planet and for your pension members as well. Given the increasing pace of regulation, moving away from fossil fuels is essential. Obviously there are changes in the air and my question is, notwithstanding what you see as your positive role owning fossil fuel companies and engaging with them, whether perhaps you might better prioritise your role as pension fund committee members as attending to the risk adjusted return of the assets in your portfolio and if that is the priority, maybe that changes the relative importance of engaging with companies that you don't actually need to own?

The Chairman responded that he would expect to continue to talk to the investment managers and to take risk adjusted returns into account. He also acknowledged the world was changing that that there was a need to consider that in the Investment Policy and in the Responsible Investment strategy.

A Member stated that the written answer on the papers would have been written before we had the outcome of COP 28. The answer does identify there are transitional risks being posed to investments depending on the outcome of COP 28. The member opined that he believed this was important in terms of giving an indication of the direction of travel of government policy. The member interpreted COP 28 as making it abundantly clear that the direction of travel of most governments, were quite clearly aligning around the phasing out of fossil fuels. Therefore, in the member's view, the question of transitional risk becomes not a question of if, but when. At what point will fossil fuel investments become stranded assets? Given the COP 28 outcome, the Member requested an update be brought back to the committee that analysed these outputs and the implications for the investment approach. The Chairman responded that he would take on board what had been said and consider the best way to update the Committee.

**Actions/ further information to be provided:**

For the Chairman to consider the best course of action on the requests for future agenda items.

*Robert Hughes left the room for two minutes during the supplementary for Lindsey Coeur-Belle.*

**74/23 GLOSSARY, ACTION TRACKING AND WORKPLAN [Item 5]****Speakers:**

Neil Mason, LGPS Senior Officer

**Key points raised during the discussion:**

1. Further to item 5/23 on the action tracker the LGPS Senior Officer explained that the Chairs of the Pension Board and the Committee had written to the Deputy Chief Executive and Director of Corporate Finance & Commercial. An update would be provided to the Chairs in the New Year with further updates reported to the Board.
2. The LGPS Senior Officer reported that the Business Plan was due for approval at the next meeting, and this would affect what was on the forward plan.

**Actions/ further information to be provided:**

None.

**Resolved:**

That the Committee workplan and the action tracker be noted.

**75/23 CHANGE PROGRAMME UPDATE - QUARTER 2 [Item 6]****Speakers:**

Nicole Russell, Head of Change Management (online)

**Key points raised during the discussion:**

1. Head of Change Management introduced the report and highlighted the following:
  - Following the recent Board meeting a number of suggested improvements were made to the One Pensions Team Dashboard. These are being worked on and will be presented in the new year.
  - A key area of focus this year has been development of people. The results of the second Pensions Team bi-annual survey had just been received and the early indications were that the changes were bearing fruit. A full report was to be provided at the next Committee meeting.
  - The programme of continuous improvement projects was ongoing. All but two projects were on track and those that were behind schedule had corrective actions in place..
2. The Committee acknowledged and commended the work being undertaken by the Change Team.

**Actions/ further information to be provided:**

None.

**Resolved:**

That the report be noted.

**76/23 SUMMARY OF THE LOCAL PENSION BOARD REPORT [Item 7]****Speakers:**

Tim Evans, Chairman of Local Pension Board (online)

Neil Mason, LGPS Senior Officer

Paul Titcomb, Head of Accounting & Governance

**Key points raised during the discussion:**

1. The Chairman of the Local Pension Board introduced the report and highlighted several areas that the Board had discussed including Unit 4, Business Continuity and Cyber Security.
2. A Member noted that the commentary for paragraph 9 of the report was the same as the report previously provided at the last meeting. It was confirmed that this had not been updated and was an administrative error. The Committee agreed that it could not therefore make recommendations to the Board.

**Actions/ further information to be provided:**

That the LGPS Senior Officer arrange to email Members the correct narrative for paragraph 9 of the report and present the correct information to the next Board and Committee meetings.

**Resolved:**

That the report be noted.

**77/23 INVESTMENT MANAGER PERFORMANCE AND ASSET/LIABILITIES UPDATE [Item 8]****Speakers:**

Lloyd Whitworth, Head of Investment & Stewardship

Steve Scott, Hymans

Tom Lewis, Head of Service Delivery

**Key points raised during the discussion:**

1. The Head of Investment & Stewardship presented highlights of the report which included: -
  - That the funding ratio was up to 140% but expressed caution with this figure and explained the effect of inflation on assets and liabilities.
  - There was an underperformance of the fund versus the benchmark, with the impact of higher interest rates and its pressure on the economy and on the performance of the portfolio.
  - The BCPP Listed Alternatives Fund continued to disappoint this quarter.
  - The BCCP Global Alpha Fund, one of our largest single mandates, performed better.
  - Emerging markets exposure, previously in a passive fund within LGIM, has been switched into an active fund managed by BCCP. £267M was switched into Border to Coast Fund in July.

2. A Member asked what the Funding level ratio would be if the discount rate of the 2022 valuation was used? The Head of Investment & Stewardship responded that using this discount rate the figure would be much closer to 100%. Hymans gave a detailed explanation of changes that have occurred since the 2022 valuation and stated that if the same discount rate were used today, then the funding level would actually be lower than that reported at the 2022 valuation, due to lower asset values.
3. A Member asked to see a breakdown in future reports regarding economic sector exposure. The Head of Investment & Stewardship stated that sector data was available for each manager but that there would be a problem combining for the whole fund because of the different mandates and different benchmarks but would look at what it was practicable.
4. A Member asked about the negative cash flow to which Hymans responded with further information and an analysis of interest rates.
5. A Member mentioned that there hadn't been any new joiners from Surrey County Council recorded since June because of issues with Surrey County Council payroll and wondered what the implications were for those employees. Were they missing out on pension entitlements and benefits? The Head of Service Delivery explained the issues being experienced and the work being undertaken with Surrey payroll to resolve the matter. He assured the committee that all pension entitlements would be properly captured in the records.

**Actions/ further information to be provided:**

Head of Investment & Stewardship to consider how best to provide economic sector exposure information.

**Resolved:**

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

**78/23 ACTUARIAL UPDATE [Item 9]**

**Speakers:**

Steve Scott, Hymans  
Neil Mason, LGPS Senior Officer

**Key points raised during the discussion:**

1. Hymans presented their report and focussed on the cash flow position - how that had changed since last year, as well as how things may change going forward. They focussed on the proposed new 'pass-through' approach for admitted bodies participating in the fund.
2. There were Member questions about the inflation figures and the LGPS Senior Officer reminded the committee that under normal circumstances a cash flow analysis would be done every three years in line with the triennial evaluation. However, the committee took the view last year due to the inflationary volatility, that this would be done annually until further notice.
3. Hymans explained the new pass-through policy and described in detail what this meant in terms of benefits and risks to the administering authority and other employers. In response to a Member question, it was confirmed there was no impact on members of the Scheme.

**Actions/ further information to be provided:**

None.

**Resolved:**

1. That the Fund's cashflow position be noted.
2. That the pass-through policy which includes the detail around the specific Surrey fund's policy be approved.

**79/23 COMPANY ENGAGEMENT & VOTING [Item 10]****Speakers:**

Lloyd Whitworth, Head of Investment & Stewardship

Neil Mason, LGPS Senior Officer

Jane Firth, Border to Coast

**Key points raised during the discussion:**

1. The Head of Investment & Stewardship gave a brief summary of the report and highlighted the new chart that split out the engagement of the LAPFF by the SDG's, as well as SDG15 relating to life on land. He noted that LAPFF had made a first step in joining a nature action 100 group.
2. In response to a Member query the Head of Investment & Stewardship confirmed that the Fund had no exposure to UK water companies. That Member then went on to express caution in any future investment in water companies because of the environmental risks of dumping sewage.
3. A Member asked whether religious factors were relevant in engagement. The Head of Investment & Stewardship explained that it was neither fund management partners nor the LAPFF that carried out such engagement. He added that whilst we have historically been asked about Sharia law in terms of our Fund, there was no separate mandate on that basis. The LGPS Senior Officer added that the Scheme Advisory Board, being the overall governing body for the LGPS, had consulted with an Islamic cleric and, while we await formal advice, it was his understanding that the LGPS is classified as Sharia compliant.
4. A Member asked if Border to Coast would consider and evaluate their approach to managing and evaluating risk in light of climate and sustainability considerations which would be subject to quite considerable change over the next 5-10 years. He thought that any insurer that doesn't move with the times in this regard could easily be caught out and landed with some quite significant liabilities. Jane Firth responded that the engagement described in the report was through LAPFF, but Robeco had separate engagements with financial companies. She was unable to say if there were any insurance companies included but there were some big banks and agreed that there was a regulatory risk, and she would pick this up with Robeco. Jane Firth also stated that she would find out from LAPFF if this work in this area was included in their engagement and, if not, would raise this as part of the annual input into their work plan.
5. There were queries and discussion around the engagement process and the Committee not being informed of results of engagement, particularly around investment managers, and therefore what was the point of including this in the RI Policy? Jane Firth confirmed that if engagements failed that the policy ultimately allowed for companies to go into an exclusion list.

**Actions/ further information to be provided:**

Feedback from Border to Coast on engagement with insurance companies.

**Resolved:**

1. That the ESG Factors were reaffirmed as fundamental to the Fund's approach, consistent with the RI Policy through:
  - a) Continuing to enhance its own RI approach and SDG alignment.
  - b) Acknowledging the outcomes achieved for quarter ended 30 September 2023 by LAPFF and Robeco through their engagement.
  - c) Note the voting by the Fund in the quarter ended 30 September 2023.

**80/23 ASSET CLASS FOCUS - PRIVATE MARKETS [Item 11]****Speakers:**

Lloyd Whitworth, Head of Investment & Stewardship  
 Anthony Fletcher, Independent Advisor, MJ Hudson

**Key points raised during the discussion:**

1. The Head of Investment & Stewardship introduced the report explaining that the Fund had an extensive private markets programme with a target asset allocation of 20%. There was a range of legacy managers but all recent commitments over the last few years had been through Border to Coast and that continued to be the case. There was also a report on the BCPP Listed Alternatives Fund which sat well with the private markets report.
2. The Independent Advisor explained the Listed Alternatives report and stated that performance figures for investments of less than five years standing should not be used to form firm conclusions due to a number of factors. The returns of the Listed Alternatives Fund have been strongly impacted by increased interest rates and increased inflation over the last couple of years, so these assets had actually done quite poorly.
3. The Independent Advisor went on to explain in detail elements of the private markets update report. This contained information on the Private Markets investments with Border to Coast. It also covered the legacy investments Surrey has with various private markets managers.
4. A few Members requested a future report looking at alternative investments and specifically renewable green alternatives.
5. The Chairman reiterated that these were long term investments and there was a need to always be mindful of the cash flow situation when looking at longer term investments.

**Actions/ further information to be provided:**

That the officers look at future reporting of renewables and green/alternative investments within the Private Markets asset class.

**Resolved:**

1. That the Fund's private market holdings and commitments, respective funds' investment performance and review from the Fund's Independent Investment Adviser be noted.
2. That the Independent Investment Adviser's report on BCPP Listed Alternatives be noted.

*Both Robert Hughes and Trefor Hogg were absent from the meeting for a few minutes each for this item.*

## **81/23 RESPONSIBLE INVESTMENT UPDATE [Item 12]**

### **Speakers:**

Lloyd Whitworth, Head of Investment & Stewardship  
Sandy Dickson & Jon Cross, Mercer  
Jane Firth, Border to Coast

### **Key points raised during the discussion:**

1. The Head of Investment & Stewardship introduced the report by explaining the two parts contained therein. The first was in response to requests from the Committee to have a discussion on some engagement case studies, and the second was in response to the question about the Fund's exposure to the 25 largest oil and gas companies globally.
2. Jane Firth highlighted the following elements of the report:
  - The escalation process as part of Border to Coast RI policy.
  - Voting guidelines had been strengthened and now included banks as part of the policy.
  - Examples of what Border to Coast were doing on Surrey's behalf by monitoring the managers of listed assets. With regards to alternatives, a similar approach was adopted. They were also involved in developing the ESG questionnaire as part of initial due diligence.
  - She explained that collaborating with other investors gave more influence and had a greater impact.
  - She noted that modern slavery was part of the social key priority theme. This was supported by joining with Royal London Asset Management (RLAM) and other investors. This included voting against companies where they were not complying to the Modern Slavery Act section 54.
  - Of the 12 companies engaged with, 11 were compliant. The one company that wasn't would be on the watch list ahead of the AGM season next year.
3. A Member questioned whether there was a need to re-evaluate whether it was fiducially responsible to be invested in any of these fossil fuel companies especially for the big 25 and whether it was time to acknowledge the fact that engagement was clearly not going to work in changing their approach and if so, to look at divestment.
4. A Member gave reasons for divestment from the fossil fuel companies as:
  - the impact of divestment from them would be very small as the weightings of those assets was very small
  - there was a level of futility in engaging with companies whose principal purpose was fossil fuel production
  - those companies could risk becoming stranded assets very rapidly.
5. Steve Williams therefore proposed a motion to change the word 'to note the underlying exposure' in the second recommendation to read 'to take steps to eliminate the underlying exposure to these assets classes'. This was seconded by George Potter.

6. A few Members spoke not supporting the motion and would prefer to make an informed and considered decision and therefore discuss in June 2024 in line with the review of the RI policy.
7. There was much discussion on this before George Potter made a further motion to retain recommendations one and two but to add a third to read 'it is recommended that the committee ask officers to include as part of the RI Annual Review in June, an assessment of the implications and impact of the exclusion of investment in the largest 25 fossil fuel companies.' This was seconded by Steve Williams who withdrew his original motion. Following a vote, the motion was carried.

**Actions/ further information to be provided:**

None

**Resolved:**

1. That the engagement case studies presented by BCPP be noted.
2. That the underlying exposure to the largest 25 fossil fuel companies within the global equity mandates and the engagement approaches by BCPP, Legal & General Investment Management (LGIM) and Newton Investment Management be noted.
3. That officers be requested to include as part of the RI Annual Review in June 2024 an assessment of the implications and impact of the exclusion of investment in the largest 25 fossil fuel companies.

*1.26pm the Committee took a comfort break and reconvened at 1.38pm*

**82/23 LGPS UPDATE (BACKGROUND PAPER) [Item 13]**

**Speakers:**

Neil Mason, LGPS Senior Officer

**Key points raised during the discussion:**

1. The LGPS Senior Officer highlighted paragraph 21 of the report which referred to the Scheme Advisory Board which was providing advice on the use of surplus funding levels. The advice was clear at the moment that contributions should not be changed on the basis of market movements, including changes in the interest rate environment.

**Actions/ further information to be provided:**

None.

**Resolved:**

That the report be noted.

**83/23 RESPONSE OF THE DEPARTMENT OF LEVELLING UP, HOUSING & COMMUNITIES TO ITS CONSULTATION ON NEXT STEPS FOR INVESTING FOR THE LGPS [Item 14]**

**Speakers:**

Neil Mason, LGPS Senior Officer



**Key points raised during the discussion:**

1. The LGPS Senior Officer highlighted several areas of the report including:
  - The requirement of funds to comply or explain with the transition of all assets into pools by the end of March 2025.
  - The government target for pools to be at least £200 billion in asset size.
  - Government mandates on training and development for Committee members. Currently Local Pensions Board members are required by regulation to have an element of knowledge and understanding; this will be extended to members of the Committee.
  - Pension funds will be required to provide plans in their investment strategy statements as to how they will meet a 5% commitment to Levelling Up investments which broadly speaking is investments in UK opportunities in private market assets.
  - The government will require pension funds to consider how they would meet a 10% allocation to private equity in their asset allocation.
2. A Member asked about the governance arrangements for Border to Coast and what member representation there was. The Chairman responded that there was a representative of the Local Pension Boards on the Border to Coast Joint Committee. He also pointed out that as the pools got bigger, then the impact of each Administering Authority would become diluted. The LGPS Senior Officer stated that each Administering Authority was also represented on the Company's Board.
3. A Member asked if the 5% would be mandated or was guidance. The LGPS Senior Officer explained that Government was proposing to clarify this in the Regulations, but the 5% was not mandated. However, if not compliant then this would need to be explained. He felt that the Joint Committee and Border to Coast were both well positioned in dealing with the Government request.

**Actions/ further information to be provided:**

None.

**Resolved:**

That the report and annex be noted.

**84/23 EXCLUSION OF THE PUBLIC [Item 15]**

**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**

**85/23 INVESTMENT MANAGER PERFORMANCE AND ASSET/LIABILITIES UPDATE [Item 16]**

**Resolved:**

That the Part 2 annex to item 9 on the agenda (Minute 77/23) be noted.

*Trefor Hogg and Robert Hughes left the meeting at 1.50pm.*

*The Committee agreed to a change of order of the agenda.*

## **86/23 BORDER TO COAST UPDATE [Item 18]**

### **Speakers:**

Neil Mason, LGPS Senior Officer  
Jane Firth and Milo Kerr, Border to 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. Border to Coast highlighted the main changes to the Responsible Investment Policy including the introduction of sections on biodiversity and real estate as well as the broadening of exclusions to include things such as controversial weapons.
3. Steve Williams proposed an amendment to recommendation 1. - for the Committee to 'note' rather than 'support' as he did not agree with the statement in the policy that Border to Coast would not divest from companies principally on social, ethical or environmental reasons. This was seconded by George Potter. Following a discussion, a vote was taken and, with the Chair using his casting vote, the motion was lost.

### **Actions/ further information to be provided:**

None

### **Resolved:**

1. That the revised BCPP Responsible Investment (RI) Policy 2024, Climate Policy 2024 and Corporate Governance & Voting Guidelines 2024, subject to the continuing work between the Fund and BCPP to align their approaches consistent with the Fund's standalone RI Policy was supported.
2. That compliance with the "necessary conditions" of governance for the BCPP Global Real Estate investment proposition and that a commitment consistent with the Surrey Pension Fund target asset allocation (c£96m) to global real estate can commence was noted.
3. That the background and progress of BCPP activity, including details of the following be noted:
  - a) Relevant items from the BCPP Joint Committee (JC) meeting of 28 November 2023.
  - b) The schedule of activity of BCPP since the last Committee meeting of 8 September 2023 until the end of the calendar year.

## **87/23 COMPETITION & MARKETS AUTHORITY (CMA) INVESTMENT CONSULTANT STRATEGIC OBJECTIVES [Item 17]**

### **Speakers:**

Lloyd Whitworth, Head of Investment & Stewardship  
Neil Mason, LGPS Senior Officer  
Anthony Fletcher, Independent Advisor, MJ Hudson

**Key points raised during the discussion:**

1. The Head of Investment & Stewardship introduced the submitted Part 2 report and the Committee discussed in detail the issues raised earlier in the meeting regarding Derbyshire and Cheshire and the risks around that.
2. It was reiterated that the Committee were just being asked to note the compliance as there was a call to defer decision.
3. The Independent Advisor read a statement shared by the Head of Pensions at Derbyshire.
4. The Committee acknowledged that further information could come in future reports to assess engagement with the Investment Consultant. In the light of this the recommendations were approved.

**Actions/ further information to be provided:**

None

**Resolved:**

1. That compliance of the Investment Consultant provider for 2023 against the Fund's Strategic Objectives for Investment Consultants, as approved in December 2021, be noted.
2. That the submission of the Competition and Markets Authority Compliance Statement and Certificate for 2023 be approved.

**88/23 PUBLICITY OF PART 2 ITEMS [Item 19]****Resolved:**

That items considered under Part 2 of the agenda should not be made available to the Press and public.

**89/23 DATE OF NEXT MEETING [Item 20]**

The next meeting of the Surrey Pension Fund Committee will be on 22 March 2024.

Meeting ended at: 2.24 pm

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**Chairman**

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**SURREY COUNTY COUNCIL**

**SURREY PENSION FUND COMMITTEE**



5

**DATE: 22 MARCH 2024**

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

**SUBJECT: GLOSSARY, ACTION TRACKER & FORWARD PLAN**

**SUMMARY OF ISSUE:**

For Members to consider and comment on the Pensions Fund Committee's (Committee) recommendations tracker and workplan.

**RECOMMENDATIONS:**

It is recommended that the Committee is asked to :-

1. Note the content of this report and make recommendations to the Local Pension Board if appropriate.
2. Monitor progress on the implementation of recommendations from previous meetings in Annexe 2.
3. Review and note any changes on the Forward Plan in Annexe 3.

**REASON FOR RECOMMENDATIONS:**

A glossary has been provided as Annexe 1 so the Committee is able to reference the abbreviations and acronyms throughout the reports and agenda.

A recommendations tracker recording actions and recommendations from the previous meetings are attached as Annexe 2, and the Committee is asked to review progress on the items listed. The Committee's workplan is attached as Annexe 3 for noting.

**Contact Officer:** Adele Seex

**Consulted:** Pension Fund Committee Chair

**Annexes:**

1. Annexe 1 - Glossary
2. Annexe 2 - Action Tracker
3. Annexe 3 - Forward Plan

**Sources/background papers:**

1. None

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**GLOSSARY – Pension Fund Committee 22 March 2024**

AAF	Audit and Assurance Faculty
AAPAC	Affordable & Clean Energy, Decent Work & Economic Growth, &
ABS	Annual Benefit Statement
ACGA	Asian Corporate Governance Association
ACS	Authorised Contractual Scheme
AFIM	Alternative Investment Fund Manager
AI	Artificial intelligence
ARE	Asia Research Engagement's
AUM	Assets Under Management
AVC	Additional Voluntary Contributions
B of E	Bank of England
BAU	Business as usual
BBB	British Business Bank
BCPP	Border to Coast Pensions Partnership
CARE	Care Average Revalued Earnings
CBRE	Coldwell Banker Richard Ellis
CCB	China Construction Bank
CDP	Climate Disclosure Project's
CI	Continuous Improvements
CIPFA	Chartered Institute of Public Finance and Accountancy
CMA	Completion and Markets Authority
CPI	Consumer Price Index
CRC	Compliance and Reporting Committee
DCU	Deferred choice underpin
DLUHC	Department for Levelling up, Housing and Communities
DWP	Department for Work and Pensions
DWP	Department for Work and Pensions (DWP)
ECB	European Central Bank
ELT	Extended Leadership Team
ESG	Environment, Social & Governance
EU	European Union

EY	Ernst Young
FAIRR	Farm Animal Investment Risk and Return
FCA	Financial Conduct Authority
FCA	Financial Conduct Authority
FED	Federal Reserve
FOI	Freedom of Information
FX	Foreign exchange
GAD	Government Actuaries Department
GDP	Gross domestic product
GMP	Guaranteed Minimum Pension
HM	His Majesty's Treasury
HM Treasury	His Majesty's Treasury
HMRC	His Majesty's Revenue and Customs
ICARA	Internal Capital and Risk Assessment
ICGN	International Corporate Governance Network
IIGCC	Institutional Investor Group on Climate Change
IPDD	Investor Policy Dialogue on Deforestation
ISS	Investment Strategy Statement
ISSB	International Sustainability Standards Board
JC	Joint Committee
KOSPI	Korea Composite Stock Price Index
KPI	Key Performance Indicators
KRX	Korea Exchange
LAPFF	Local Authority Pension Fund Forum
LGA	Local Government guidance
LGIM	Legal and General Investment Management
LGPS	Local Government Pension Scheme
LGPS	Local Government Pension Scheme
LOLA	LGPS online Learning Academy
LTA	Lifetime Allowance
MAC	Multi Asset Credit
MaPS	Money and Pensions Service



MI	Management Information
OECD	Organisation for Economic Co operation and Development
OOG	Officer Operations Group
PASA	Pension Administration Standards Association
PDP	Pensions Dashboard Programme
PLSA	Pensions and Lifetime Savings Association
PMI	Purchasing managers' index
PRI	Principles for Responsible Investment
PSLT	Pension Senior Leadership Team
PSPS	Public Service pension scheme
RI	Responsible Investment
SAB	Scheme Advisory Board
SCAPE	Superannuation Contributions Adjusted for Past Experience
SCC	Surrey County Council
SDG	Sustainable Development Goals
SEC	Security and Exchange Commission
SLA	Service Level Agreements
SPT	Surrey Pension Team
TCFD	Task Force on Climate related Financial Disclosures
TNFD	Taskforce on Nature related Financial Disclosures
TPO	The Pension Ombudsman
tPR	The Pensions Regulator
TPS	Teachers Pension Scheme
UN SDGs	United Nations Sustainable Development Goals
WBA	World Benchmarking Alliance
WCA	Web Content Accessibility
WDI	Workforce Disclosure Initiative

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## Surrey Pension Fund Committee Action Tracker

## ACTIONS

Number	Meeting Date	Item	Recommendation / Action	Action by whom & when	Action update
2/23	16 June 2023	Surrey Pension Team 3 Year Strategic Plan	a) That the LGPS Senior Officer review how the scheduling of the backlog remediation programme can be advanced in the 3-year Plan.	LGPS Senior Officer  September 2023	a) Work addressing the backlog has commenced and an update will be provided at the next meeting of the Local Pension Board.  <b>COMPLETE</b>
9/23	15 Dec 2023	Public Questions	For the Chair to consider the best course of action on the requests for future agenda items.	Chair	The Chair notes officer updates to the Committee on COP 28 (January 8 <sup>th</sup> from Border to Coast and February 19 <sup>th</sup> from the investment consultant, Mercer) and is satisfied that the Committee have been provided with appropriate information on the outputs and the implications for the investment approach of COP 28 and that a specific dedicated agenda item is not required at this stage.
10/23	15 Dec 2023	Summary of Local Pension Board	That the LGPS Senior Officer arrange to email Members the correct narrative for paragraph 9 of the report and present the correct information to the next Board and Committee meetings.	LGPS Senior Officer	<b>COMPLETE</b>  Emailed to Members 18 December 2023
11/23	15 Dec 2023	Investment Manager Performance	Head of Investment & Stewardship to consider how best to provide economic sector exposure information.	Head of Investment & Stewardship	<b>COMPLETE</b>  Sector breakdown to be included as an annexe in the March 2024 meeting papers for the actively managed/ factor tilted equity portfolios.

### Surrey Pension Fund Committee Action Tracker

Number	Meeting Date	Item	Recommendation / Action	Action by whom & when	Action update
12/23	15 Dec 2023	Company Engagement & Voting	Feedback from Border to Coast on engagement with insurance companies.	Border to Coast	<b>COMPLETE</b> Emailed to Members 7 March 2024
13/23	15 Dec 2023	Asset Class Focus	That the officers look at future reporting of renewables and green/alternative investments within the Private Markets asset class.	Head of Investment & Stewardship	<b>COMPLETE</b> Next private markets review scheduled for the December 2024 meeting. Officers and Independent Advisor to emphasize 'green' investments.

## Surrey Pension Fund Committee Action Tracker

## COMPLETED RECOMMENDATIONS/REFERRALS/ACTIONS – TO BE DELETED

4/23	16 Jun 2023	Responsible Investment Update	To provide information on engagement case studies.	Head of Investment and Stewardship December 2023	Border to Coast to provide a report at the Pension Fund Committee meeting in December 2023  COMPLETE
5/23	8 Sept 2023	LPB Report  MySurrey (Unit 4)	That further information regarding the financial systems transition n be provided to Cllr Hughes, of the Resources and Performance Committee.	Head of Service Delivery & Accounting and Governance  December 2023	Update on current position provided to the Board on 10 November 2023 – Annexe 2 has been shared with the Cllr Hughes.  COMPLETE
6/23	8 Sept 2023	Company Engagement & Voting	that the LGPS Senior Officer consider how best to respond to the request that the Committee receives a separate report on the world's largest fossil fuel companies, the Fund's involvement with them and the details of engagement.	Head of Investment & Stewardship  December 2023	RI Report provided to the Pension Committee in December 2023  COMPLETE
7/23	8 Sept 2023	Asset Class – Listed Alternative	a) That the Listed Alternative part of the report be brought to the next meeting for consideration.	Head of Investment & Stewardship  December 2023	Report prepared and included in report pack for December's meeting.  COMPLETE

**Surrey Pension Fund Committee Action Tracker**

8/23	8 Sept 2023	Response To Consultation On The Future For Investing	a) That the Chairman work with the LGPS Senior Officer to further strengthen the wording of the response. a)	Assistant Director – LGPS Senior Officer  December 2023	Completed and submitted  COMPLETE
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# Annexe 3: Surrey Pension Fund Committee: Forward Plan

Date	Investment & Stewardship	Accounting & Governance	Service Delivery	Change Management
22 Mar 2024	a) Strategic Business Plan 2024/2025			
	<ul style="list-style-type: none"> <li>a) Border to Coast Pension Partnership update</li> <li>b) Investment and Funding update</li> <li>c) Engagement and Voting update</li> <li>d) Asset class focus</li> <li>e) Responsible Investment Update</li> <li>f) New Investment Propositions</li> </ul>	<ul style="list-style-type: none"> <li>a) Local Pension Board update</li> <li>a) Glossary, Action Tracker, Forward Plan</li> <li>b) LGPS Update</li> <li>c) Budget 2024/25</li> <li>d) Update to Terms of Reference Local Pension Board</li> </ul>		<ul style="list-style-type: none"> <li>a) Pension Team Performance Dashboard</li> <li>b) Training Policy</li> <li>c) Communication Policy</li> </ul>
21 Jun 2024	a) Outturn Report for Strategic plan 2024/2025			
	<ul style="list-style-type: none"> <li>a) Border to Coast Pension Partnership update</li> <li>b) Investment and Funding update</li> <li>c) Engagement and Voting update</li> <li>d) Asset class focus</li> <li>e) Responsible Investment Update</li> <li>f) Investment Strategy – UK Real Estate</li> <li>g) Investment Consultant roles and responsibilities</li> <li>h) Agree the scope and process for reviewing the Investment Beliefs of the Committee</li> </ul>	<ul style="list-style-type: none"> <li>a) Local Pension Board update</li> <li>a) Glossary, Action Tracker, Forward Plan</li> <li>b) LGPS Update</li> <li>c) Actuarial update</li> <li>d) Actuary Tender Update</li> </ul>		<ul style="list-style-type: none"> <li>a) Pension Team Performance Dashboard</li> </ul>
13 Sep 2024	a) Local Pension Board update			
	<ul style="list-style-type: none"> <li>a) Border to Coast Pension Partnership update</li> <li>b) Investment and Funding update</li> <li>c) Engagement and Voting update</li> <li>d) Asset class focus</li> <li>e) Responsible Investment Update</li> <li>f) Consider findings of the Investment Beliefs review*</li> </ul>	<ul style="list-style-type: none"> <li>a) Glossary, Action Tracker, Forward Plan</li> <li>b) LGPS Update</li> <li>c) Actuary appointment update</li> </ul>		<ul style="list-style-type: none"> <li>a) Pension Team Performance Dashboard</li> </ul>
13 Dec 2024	a) Local Pension Board update			
	<ul style="list-style-type: none"> <li>a) Border to Coast Pension Partnership update</li> <li>b) Investment and Funding update</li> <li>c) Engagement and Voting update</li> <li>d) Asset class focus</li> <li>e) Responsible Investment Update</li> </ul>	<ul style="list-style-type: none"> <li>a) Glossary, Action Tracker, Forward Plan</li> <li>b) LGPS Update</li> </ul>		<ul style="list-style-type: none"> <li>a) Pension Team Performance Dashboard</li> </ul>

# Annexe 3: Surrey Pension Fund Committee: Forward Plan

	f) Investment Consultant CMA review			
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All items are subject to review and content.

\*This report may be carried over until the December 2024 Committee meeting, subject to member availability



**SURREY COUNTY COUNCIL**

**SURREY PENSION FUND COMMITTEE**



**DATE: 22 MARCH 2024**

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

**SUBJECT: SECOND YEAR OF THE STRATEGIC PLAN FOR THE SURREY PENSION TEAM**

**SUMMARY OF ISSUE:**

This report provides a summary of the second year plans for our Surrey Pension Team strategic plan.

**RECOMMENDATIONS:**

This report recommends that the Pension Fund Committee:

Approves the plans contained in this report and Annexe.

**REASON FOR RECOMMENDATIONS:**

The Surrey Pension Team is part way through Phase 3 of its Transformation which is detailed in its Strategic Plan. The end of March sees the end of the first year of the three-year plan. This report outlines the plans for year 2.

**DETAILS:**

**Background**

1. This report is a continuation of the Transformation plans as commenced last year.

**CONSULTATION:**

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

**RISK MANAGEMENT AND IMPLICATIONS:**

3. There are no risk management implications.

**FINANCIAL AND VALUE FOR MONEY IMPLICATIONS**

4. The financial implications of delivering the Strategic Plan are contained in the 2024/25 Pension Team budget.

**DIRECTOR OF CORPORATE FINANCE, CORPORATE AND COMMERCIAL COMMENTARY**

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

**LEGAL IMPLICATIONS – MONITORING OFFICER**

6. There are no legal implications.

**EQUALITIES AND DIVERSITY**

7. Equality or diversity considerations are a key element of the Strategic Plan.

**OTHER IMPLICATIONS**

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

**WHAT HAPPENS NEXT**

9. The following next steps are planned:
- a) The Pensions Senior Leadership Team will continue to enact the items laid out in the Strategic and resulting business plans and will report the progress regularly.

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**Contact Officer:** Nicole Russell

**Annexes:**

- 1. Year 2 Strategic Plans

**Sources/background papers:**

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# 2024/25 Strategic Plan Update

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Prepared for the Pension Committee  
March 2024



# A reminder...



## Vision

---

Providing our customers with a better tomorrow

## Mission

---

Responsibly delivering a first-class customer experience by ensuring we deliver the right benefits and services to the right people at the right time

# To deliver our mission and vision we are pulling on these 4 levers

## Customer Focus

Relentless focus on delivering value to the customer through provision of a first class service and customer experience

## Investment Expertise

Delivering our investment requirements by thought leadership in responsible investment and quality partnerships

## Fit for Purpose

Continuously improving the efficiency and effectiveness of all our resources achieving excellence and the highest assurance ratings

## Ready for Tomorrow

Organisational resilience and agility to design and pivot to new service models

# Enabled by our Pensions Team Resources

People

Systems &  
Processes

Culture &  
Values

Communication

All things are not equal !



# Together these represent our Strategic Plan

## Vision

Providing our customers with a better tomorrow

## Mission

Responsibly delivering a first-class customer experience by ensuring we deliver the right benefits and services to the right people at the right time

### Customer Focus

Relentless focus on delivering value to the customer through provision of a first-class service and customer experience

### Investment Expertise

Delivering our investment requirements by thought leadership in responsible investment and quality partnerships

### Fit for Purpose

Laser focus on continuously improving the efficiency and effectiveness of all our resources achieving excellence and the highest assurance ratings

### Ready for Tomorrow

Organisational resilience and agility to design and pivot to new service models

People

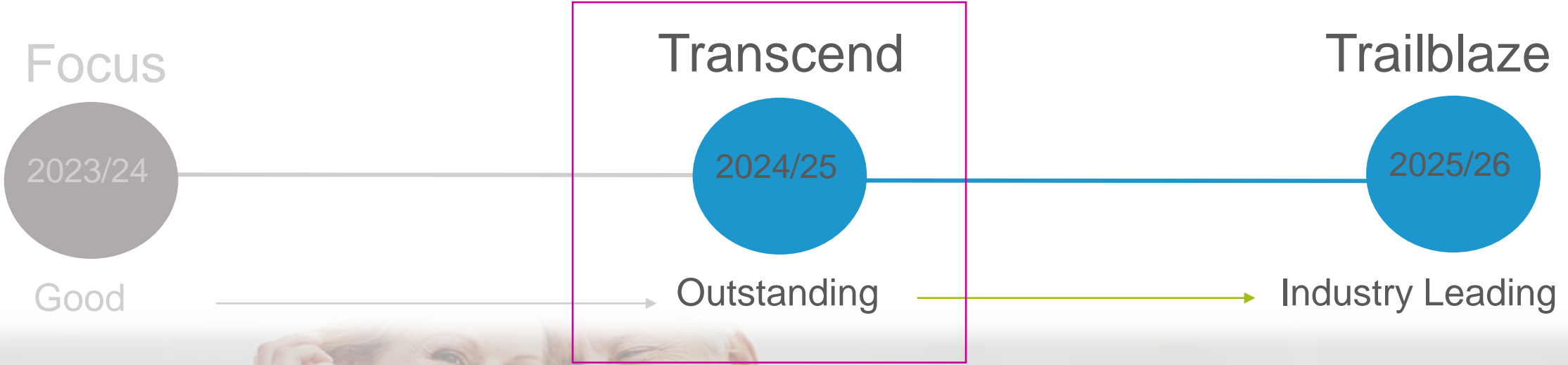
Systems & Processes

Communication

Culture & Values

# Yearly Strategic Themes – we are now moving into Transcend

Page 34



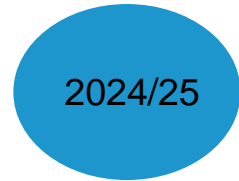


# Our Strategic Priorities for 24/25 and beyond

Transcend

Trailblaze within LGPS

?



Outstanding



Trailblaze



?

Page 35

Customer Focus

First Class User Experience

Next Generation Experience

Investment Expertise

Monitor Net Zero Targets

Investment Monitoring & Reporting

Yet to be agreed

Fit for Purpose

Performance Excellence

External Recognition

Ready for Tomorrow

Enhanced Delivery Models

Disruption

People

Systems & Processes

Communication

Culture & Values

# Successes

### Vision

Providing our customers with a better tomorrow

### Mission

Responsibly delivering a first class customer experience by ensuring we deliver the right benefits and services to the right people at the right time

Customer Focus	Investment Expertise	Fit for Purpose	Ready for Tomorrow
<ul style="list-style-type: none"> <li>Customer service training rolled out</li> <li>Consumer insight project initiated</li> </ul>	<ul style="list-style-type: none"> <li>Net Zero target agreed</li> <li>Emerging Market Equity switch to B2C</li> </ul>	<ul style="list-style-type: none"> <li>Legacy backlog programme launched and ahead of schedule for service delivery</li> <li>One Pensions Dashboard created</li> <li>Audit improvement</li> </ul>	<ul style="list-style-type: none"> <li>B2C workshops to align partner funds and refresh principles</li> <li>Kicked off scoping of governance review</li> <li>Kicked off Digital Transformation discovery</li> </ul>

People	Systems & Processes	Communication	Culture & Values
<ul style="list-style-type: none"> <li>Workforce strategy devised and launched</li> <li>Introduced Talent development, Career pathways, Succession planning</li> </ul>	<ul style="list-style-type: none"> <li>8 Continuous improvement projects completed. 9 newly commenced</li> </ul>	<ul style="list-style-type: none"> <li>Strategic stakeholder communications amplifying our presence plan created and implemented</li> <li>New member website launched</li> </ul>	<ul style="list-style-type: none"> <li>Pulse staff survey introduced</li> <li>Lunch and Learn programme with Technical and Health and wellbeing focus</li> </ul>

# Milestones

42 key milestones over 2023/2024

31 complete (some ahead of schedule)

*More to come in the  
June report....*

# Summary of Key Priorities Year 2



## Service Delivery

- Enhancement of service performance (focus on consistency)
- **Digital Transformation**
  - Member self-service provisions
  - Automated admin options (internal & external support)
  - Chat Bots & CRM Systems
  - **iConnect (the employer portal) & TME**
- **Customer Insights adoption**
- **System contract review**
- Statutory work
  - McCloud
  - Dashboard



## Investment & Stewardship

- Pool remaining equity assets
- **Investment beliefs**
- **Consider local investment**
- Produce TCFD
- Apply for Stewardship Code membership
- **RI and Net Zero policy review**
- Review communications with Committee
- Review resourcing
- Review 3rd party roles and responsibilities



## Change Management

- **Culture development**
- **Digital transformation**
- **Governance review**
- Leadership capability build
- Continuous Improvement Pain Point Resolution programme
- **Stakeholder communication - amplifying our presence plan**
- Deploy best practice change management tools
- Communicate Change Management strategy
- **Workforce strategy Y2**
- Border to Coast partnership : next steps



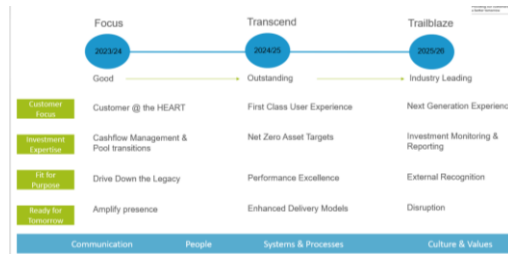
## Accounting & Governance

- Continued focus on operational basics
- Annual Report production
- Investment values posting
- Finance manual production
- **Budget produced and monitored**
- **Actuarial Services tender**
- Planning for 2025 Actuarial Valuation
- Policy documents comprehensive review
- **Business Continuity Plan**
- Legacy substantially addressed

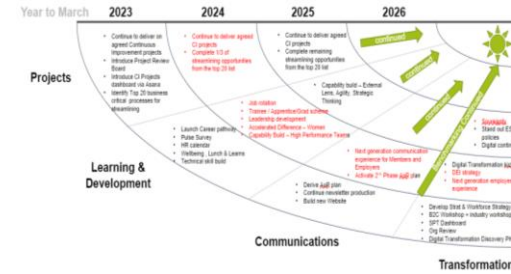
# Activities flow from strategy to tactical plans



3y Strategic Plan



Yearly Strategic Priorities



Business Function Plans



2024/2025 Performance Conversations

Red thread





# Change Management Business Plan

Feb 24 Update

# Selected activities in 2024-27+ horizon

Year to March

2024 - 2025

2025-2026

2026-2027

2027+

**Systems & Processes**

- Continue to deliver on agreed Continuous Improvement projects
- Dashboard finalisation and Business as Usual handover
- Devise rolling continuous improvement programme – embed the culture

**Learning & Development**

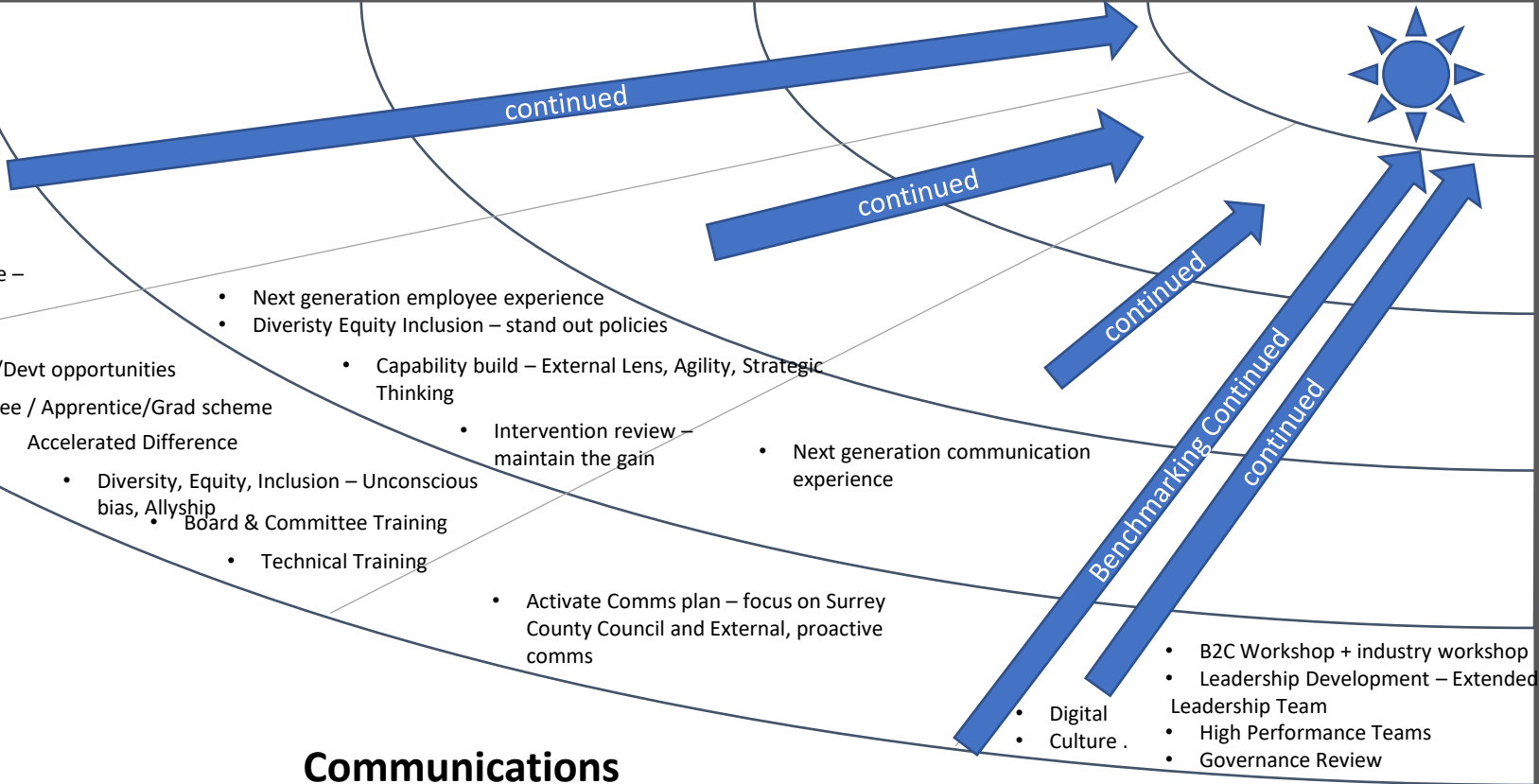
- Job rotation /Dev't opportunities
- Trainee / Apprentice/Grad scheme
- Accelerated Difference
- Diversity, Equity, Inclusion – Unconscious bias, Allyship
- Board & Committee Training
- Technical Training
- Next generation employee experience
- Diveristy Equity Inclusion – stand out policies
- Capability build – External Lens, Agility, Strategic Thinking
- Intervention review – maintain the gain

**Communications**

- Activate Comms plan – focus on Surrey County Council and External, proactive comms
- Next generation communication experience

**Transformation**

- Digital
- Culture
- B2C Workshop + industry workshop
- Leadership Development – Extended Leadership Team
- High Performance Teams
- Governance Review



# Business Plan 2024/25 summary



Area	Ref	Description	Timing	Owner	Strategic alignment
Projects	1	Deliver Continuous Improvement projects	Ongoing	Project Managers	Systems & Processes
	2	Dashboard finalisation and handover to Business as Usual	March 2024	Project Managers	Systems & Processes
	3	Devise rolling Continuous Improvement programme	June 2024	Project Managers	Systems & Processes
Learning & Development	1	Launch Job Rotation /Career Development opportunities	November 2024	Training Officer	People
	2	New Trainee Scheme	September 2024	Training Officer	People
	3	Accelerated Difference programme for Top Talent	November 2024	Training Officer	People
	4	Diversity, Equality and Inclusion – Unconscious Bias and Allyship training	January 2025	Training Officer	Culture & Values
	5	Technical Skill Build	Ongoing	Training Officer	People
	6	Board and Committee - new Training Residential	October 2024	Project Managers	People
Communications	1	Amplifying our Stakeholder Communication Presence Plan – focus on External and Surrey County Council	March 2025	Communication Manager	Communication
	2	Continue Newsletter production	Ongoing	Communications Assistant	Communication
Transformation	1	Digital Transformation – Develop phase	March 2025	Change Manager	Ready for Tomorrow
	2	Culture Development	March 2025	Change Manager	Culture and Values
	3	Border to Coast Partnership + Industry Workshop	March 2025	Head of Change Management	Ready for Tomorrow
	4	Leadership Development – Extended Leadership Team	January 2025	Change Manager	People
	5	High Performance Teams	March 2025	Change Manager	People
	6	Governance Review	May 2024	Head of Change Management	Ready for Tomorrow



# Accounting & Governance Business Plan

March 2024

# Selected activities in 2024-27+ horizon



Year to March

**2024/2025**

**2025/2026**

**2026/2027**

**2027+**

**Finance**

- Annual Report by Sep '24
- Finance manual produced
- Implemented appropriate system changes
- Accounts pack produced regularly w. KPIs / scope automation
- Budget variances highlighted and followed up

- Annual Report by summer 2025
- Reporting automation solution
- Medium Term Financial Plan implemented

- Annual Report by summer 2026
- Reporting automation solution implemented

*Accounts swiftly produced and accurately reflect activities*

*All contributions captured accurately and timely and employer engagement high*

*Board and Committee updates matter of course*

*Risk identification and reporting BaU*

*Seamless technical input across all activities*



- Preliminary planning for 2028 valuation

- Digital solutions reviewed and implemented

**Employer**

- Planning for 2025 valuation / FSS Review / Actuarial unitisation process review
- Actuary Tender complete
- Employer Discretions
- i-Connect rollout to all Employers (reporting)

- Completion of 2025 valuation
- Actuarial unitisation process reviewed and updated

- Governance activities reviewed and reset

- Review and update all policy documents
- Good governance alignment
- Governance 'charter' implemented

- Risk register digital solution
- Cyber security review updated

- Regulatory areas highlighted for action
- Policy documents reviewed for technical content

**Governance**

**Risk**

**Technical**

# Business Plan 2024/25 summary

## Continued focus on operational basics

Area	Ref	Description	Timing	Owner	Strategic alignment
Finance	1	Annual Report produced	September 2024	Finance Manager	Fit for Purpose
	2	Implemented appropriate system changes	September 2024	Finance Manager	Fit for Purpose
	3	Finance manual produced	March 2025	Finance Manager	Fit for Purpose
	4	Budget 2024/25 monitored	March 2025	Finance Manager	Fit for Purpose
	5	Accounts pack produced w. KPIs / scope automation	March 2025	Finance Manager	Fit for Purpose
Employer	1	Planning for 2025 valuation / FSS Review / Unitisation review	March 2025	Employer Manager	Fit for Purpose
	2	Employer Discretions	March 2025	Employer Manager	Fit for Purpose
	3	Actuary Tender complete	December 2024	Employer Manager	Fit for Purpose
	4	i-Connect rollout to all Employers – reporting	March 2025	Employer Manager	Fit for Purpose
Governance	1	Review and update all policy documents	March 2025	Governance Manager	Fit for Purpose
	2	Good governance alignment	March 2025	Governance Manager	Fit for Purpose
	3	Governance 'charter' implemented	March 2025	Governance Manager	Fit for Purpose
Risk and Compliance	1	Business Continuity Plan drafted	May 2024	Risk and Compliance Manager	Fit for Purpose
	2	Stakeholder strategic relationship management explored	March 2025	Risk and Compliance Manager	Fit for Purpose
Technical	1	Regulatory areas highlighted for action	March 2025	Technical Manager	Fit for Purpose
	2	Policy documents reviewed for technical content	March 2025	Technical Manager	Fit for Purpose
All	1	Legacy substantially addressed	September 2024	All Managers	Fit for Purpose



# Investment & Stewardship Business Plan

13 February 2024

# Selected activities in 2024-27+ horizon

Year to March

**2024/2025**

**2025/2026**

**2026/2027**

**2027+**

## Investment & Stewardship

- Prepare standing quarterly Committee papers
- Quarterly asset class meetings and report
- Review investment beliefs

- Continue private market programme including local investment consideration

- Improve and prepare standing quarterly Committee papers
- Quarterly asset class meetings and report
- Asset allocation review
- Investments aligned to target allocation

- Transfer to BCPP Global and UK Real Estate established.

- Annual Report submissions
- Cost transparency templates submitted to CEM

- Prepare standing quarterly Committee papers
- Quarterly asset class meetings and report
- Asset allocation review

- Model private market cash flow profile

- Initiate switch to BCPP UK Real Estate

- Streamlined, informative, Committee reports

- Reporting against net zero progress and pathway
- Consideration of 'local', impact, levelling-up, investments

- Expanded data in TCFD Report

- Review RI policy for best practice
- Stewardship Code submission

- Dynamic review of asset allocation.
- Assets aligned to target

- TCFD Report wide ranging
- Stewardship Code reporting established

- Net Zero date and trajectory review



- Leading position in RI considerations and reporting

- Stewardship Code membership ongoing

- Review investable universe for Net Zero dates
- TCFD Report

# Business Plan 2024/25 summary



Area	Ref	Description	Timing	Owner	Strategic alignment
<b>Investment</b>	1	Prepare standing committee papers	Quarterly	I & S	Customer focus
	2	Asset class reviews	Quarterly	Independent Advisor/ I & S	Investment expertise
	3	Initiation of transition to BCPP UK Real Estate	September 2024	I & S	Fit for purpose
	4	Facilitate Committee's consideration of investment beliefs	December 2024	I & S/ Mercer/ Ass. Director	Fit for purpose
	5	Review Investment Consultant responsibilities	June 2024	I & S	Fit for purpose
	6	Map pooling timetable for non-pooled equities	March 2025	I & S/ Mercer/ Independent Advisor	Ready for tomorrow
	7	Consider local investment	March 2025	I & S/ Mercer/ Independent Advisor	Investment expertise
<b>Responsible Investment</b>	1	Report on RI implementation	Quarterly	I & S	Fit for purpose
	2	Stewardship Code submission	May 2024	I & S	Fit for purpose
	3	Review RI policy for best practice	June 2024	Minerva/ I & S	Fit for purpose
	4	Review Net Zero investable universe	June 2024	Mercer/ I & S	Fit for purpose
	5	TCFD report	September 2024	Mercer/ I & S	Customer focus
	6	Consider RI mapping exercise	March 2025	I & S/ Minerva/ Mercer/ Independent Advisor	Ready for tomorrow
<b>Operational</b>	1	Review resourcing of Service	June 2024	I & S/ Ass. Director	Fit for purpose
	2	Model private market cash flow profile	December 2024	I & S	Investment expertise
	3	Cost transparency submissions to CEM	September 2024	I & S	Fit for purpose
	4	Annual report submissions	October 2024	I & S	Customer focus
	5	Review communications with Committee	March 2025	I & S/ Change Mgt/ Ass. Director	Customer focus
	6	Develop oversight of BCPP funds and strategic relationship	December 2024	I & S/ Ass. Director	Fit for purpose

# Service Delivery Business Plan

13 February 2024



# Selected activities in 2024-27 horizon

Year to March

2024/25

2025/26

2026/27

2028+

Benefits

- Consistently exceeding performance levels
- Increase process automation – bulk defer and aggregation
- Implement self-service online retirement facility
- Launch the electronic overseas pensioner's service
- Explore the future proofing of administration

- All incoming BaU completed on time
- Review KPI targets
- Continuation of digital self-service enhancements
- Design future proofing model

*Administration carried out by matter of course & exception*

*Single source of data to deliver an integrated employer contribution validation process*

*Fully Integrated self-service CRM model*

*System standardisation*

- Monthly returns (iCon) rolled out to 100% of employers
- Valuation data cleanse
- GMP rectification
- McCloud remediation

- Dashboard readiness
- McCloud remediation continued
- Enhance analytics to maximise CI opportunities

- Customer insight drives CI through analytics
- Enhancement of customer self-service provision
- CRM system review

- Pension Dashboard board launch
- System procurement complete
- Maximise iConnect employer portal functionality

- Review remit of Legacy team & its potential commercial opportunities

Data

- Customer insights research complete
- Implement 'voice of the customer' initiative into BAU
- Increase CRT service provision across the whole SPT

- Dashboard ISP procured & linked to eco-system
- System provider tender
- Implement online payslip & P60 stationary

- Legacy cases 100% complete
- Transition back to BAU
- Residual non LGPS admin transferred out

Customer Relations

Systems

Legacy





# Business Plan 2024/25 summary

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Area	Ref	Description	Proposed Timing	Owner	Strategic alignment
Benefits	1	Key Performance Measures - Consistently exceed expected performance levels - Review requirements to process all case work on time - Implement electronic overseas pensioner services	Sep 2024 July 2024 May 2024	Dep HofS – Benefits Admin SD Management SD Management IB Manager	Customer Focus
	2	Process Improvement pipeline	Mar 2025	Dep HofS – Benefits Admin & Ops	Customer Focus
	3	Increase automation - Bulk aggregation - Bulk deferred tool	TBC 2024 TBC 2024	Dep HofS – Benefits Admin FB Manager MD Manager	Customer Focus
	4	Statutory events - Implement pension increase - Produce ABS and AA	April 2024 Aug / Oct 2024	Deputy HofS – Ops Systems Manager Systems Manager / IB Manager	Customer Focus
Data	1	GMP Rectification	Dec 2024	Dep HofS – Ops	Fit for Purpose
	2	Valuation Data Cleanse	March 2025	Dep HofS – Ops	Fit for Purpose
	3	Monthly employer returns (iConnect) 100% roll out	March 2025	Dep HofS – Ops	Customer Focus
	4	McCloud Remediation	March 2025	Dep HofS – Benefits Admin	Fit for Purpose
Customer Relations	1	Customer Insights - Customer research phase complete - Voice of the customer initiative implemented into BAU	June 2024 November 2024	Dep HofS – Benefits Admin CRT Manager / Snr Program Manager CRT Manager	Customer Focus
	2	CRT Evolution of Services	March 2024	Dep HofS – BA / CRT Manager	Customer Focus
Systems	1	Dashboard ISP Go Live	TBC	Dep HofS – Ops / Systems Manager	Fit for Purpose
	2	Pension System Tender	Sep 2024	Head of Service Delivery	Fit for Purpose
Legacy	1	Reduce backlogs by 100%	March 2025	Legacy / M&Data Manager	Ready for tomorrow
	2	Removal of residual non LGPS admin	March 2025	Snr Programme Manager	Ready for tomorrow



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## SURREY COUNTY COUNCIL

## SURREY PENSION FUND COMMITTEE



DATE: 22 MARCH 2024

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

SUBJECT: CHANGE PROGRAMME UPDATE – QUARTER 3

**SUMMARY OF ISSUE:**

This paper details the Change Team Quarterly Report of activity for the period October-December 2023.

**RECOMMENDATIONS:**

It is recommended that the Surrey Pension Fund Committee (Committee):

1. Notes the content of this report.

**REASON FOR RECOMMENDATIONS**

To provide an update to the Surrey Pension Fund Committee (Committee) and stakeholders on the Change Management team activities.

**DETAILS:**

1.
  - a) This report details the following areas of interest.

Item	Number	Details
i)	One Pensions Team Dashboard	<p>Following the feedback on the Dashboard, we have made the agreed amends. Having worked intensively with Surrey IT, we have unfortunately been unable to come to a satisfactory workaround for the access issues to the live Dashboard for those without Surrey CC email addresses. We will therefore be providing an updated copy of the Dashboard at every Board and Committee meeting and can provide a copy outside of these timings on request.</p> <p>A key highlight of the Dashboard is that we have improved on the majority of our key performance indicators (KPIs). There are minor fluctuations in the Fund performance &amp; Service Delivery metrics. Our second staff pulse survey results are now reflected in the dashboard and confirm that our change &amp;</p>

Item	Number	Details
		<p>workforce strategy activities have had a positive impact.</p> <p>The most recent Dashboard is shown as Annexe 1.</p>
ii)	Communications	<p>Over the last quarter the Communications team have sent out all planned communications within the agreed timelines as set out by the Communication policy. In addition, we have continued to implement the first stages of our Amplifying our Presence plan.</p> <p>As planned, our refreshed member website launched on 31 January 2024. It will continue to use the existing URL (<a href="http://www.surreypensionfund.org">www.surreypensionfund.org</a>).</p> <p>This year's Communication Policy has been produced and is available as part of the agenda pack.</p>
iii)	Learning & Development	<p>Since the last report we have supported 6 colleagues to commence Certificate of Pension Administration qualifications as well as launched 3 new training courses, with a further 3 under development including a Cyber Security course as required by Internal Audit.</p> <p>This year's Training Policy has been produced and is available as part of the agenda pack. Please note that this year's Training Policy includes a new approach to the training methods for the Board &amp; Committee.</p> <p>We investigated alternative arrangements for Board &amp; Committee training in preparation for a presentation to Chairs in January. The details of this presentation are covered in Annexe 2.</p>
iv)	Project Management	<p>The Continuous Improvement (CI) Project Managers are currently managing 16 projects; since the last report 1 project has completed and 1 commenced. All projects are currently on track apart from Banking Controls, Unit 4 &amp; Guaranteed Minimum Pension (GMP). Mitigation plans are in place and the programme of CI projects is reviewed on a 6-weekly basis.</p> <p>We are in the process of identifying and shortlisting a list of our top 10 systems and processes to undergo value stream mapping to further populate our CI project funnel. We have delayed the start of this to enable input from the ongoing Digital Discovery project as</p>

Item	Number	Details
		we believe that this work will highlight additional processes.
v	Transformation	<p>Since the last report the Transformation Team has continued to work on evolving our governance structures with the help of an external consultant.</p> <p>Our “Lunch &amp; Learn” programme has progressed and has proved very successful. In preparation for the kick off of our Digital Discovery project we have been working with the Surrey County Council (SCC) team to define our expectations of the output from this project.</p> <p>We continue to support the Pension Senior Leadership Team (PSLT) as we define Year 2 of our strategic plan which flows through into our corresponding Business Plans.</p>

**CONSULTATION:**

2. The Chair of the Committee has been consulted on this report.

**RISK MANAGEMENT AND IMPLICATIONS:**

3. There are no risk management implications.

**FINANCIAL AND VALUE FOR MONEY IMPLICATIONS**

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

**DIRECTOR OF FINANCE, CORPORATE AND COMMERCIAL COMMENTARY**

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

**LEGAL IMPLICATIONS – MONITORING OFFICER**

6. . There are no legal implications.

**EQUALITIES AND DIVERSITY**

7. There are no equality or diversity issues.

**OTHER IMPLICATIONS**

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

**WHAT HAPPENS NEXT**

9. In the next quarter Change Management will be working on a number of areas including the following highlights:

- 7
- a) Devising in depth the plans to achieve Year 2 of our strategic plan and resulting workforce strategy.
  - b) Taking learnings from our external advisor on evolving our governance and creating a formal project.
  - c) Reviewing and implementing feedback following the initial launch of the Surrey Pension Fund member website.
  - d) Developing a robust Communication Content plan in line with our Amplifying our Presence ambitions.
  - e) Delivering cyber security training.
  - f) Further developing the Board & Committee training proposal.
  - g) Researching and preparing for the implementation of the new trainee programme.
  - h) Commencing the discovery phase of our Digital Transformation project.
  - i) Deciding actions following the second staff Pulse Survey.
- 

**Contact Officer:**

**Nicole Russell, Head of Change Management**

**Consulted:** Chair of the Committee

**Annexes:**

1. Pensions Team Dashboard – Annexe 1
2. Board & Committee Residential Training – Annexe 2

**Sources/background papers:** None

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**Service Delivery** 19/02/2024

**% Within SLA**

Grants & Surv..	77.7%	▼	-14.3%	Less than previo..
Retirements..	86.0%	▼	-10.6%	Less than previo..
Transfers Paid	90.5%	▼	-6.3%	Less than previo..

**Target Adherence**

**Data Score**

Common Data Score	96.0%	No Change	◆
Scheme Specific	98.0%	No Change	◆

**Pass Rate Adherence**

**1st Point Fix**

84.0%

**Fund Performance** 31/12/2023

**Fund Value**

£5.56bn

**Funding Level**

130%

	3 Month	Rolling 1 Year Fund Performance	Rolling 3 Year Fund Performance
Fund Performance	4.7%	9.3%	4.6%
Performance Relative to Benchmark	-0.6%	-2.7%	-1.4%
Strategic Target Return	5.0%		

**People** 01/02/2024

Retention	100.0%	▲ 1.4%
Health & Wellbeing	82.0%	▲ 1.7%
Diversity	80.8%	▲ 0.7%
Engagement	73.9%	▲ 2.1%

**Accounting and Governance** 28/02/2024

**Internal Audit Ratings**

Substantial	1	4 Not yet started
Reasonable	1	
Partial	0	
Minimal	0	
No Opinion	1	

**Admission Agreements**

New Agreements	8
Pending	27

**Contributions**

Contributions In	£56.60m
Contributions Out	£60.90m

**Legacy Reduction** 16/02/2024

Accounting & Governance	35.0%
Service Delivery	49.0%

**Strategy** 05/01/2024

Strategic Levers	72.6%	▲ 1.7%
Strategic Enablers	70.8%	▲ 2.0%

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# Board and Committee Residential Training



**Surrey  
Pension  
Team**

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Providing our customers with  
a better tomorrow

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# Introduction



## **Why do we need to do training?**

So that members are confident and effective in the execution of their duties.

To demonstrate that we have robust training that complies with best practice, as laid out in the recent Pooling consultation and Good Governance guide.

## **Current approach**

Mandatory training requirements which members access on a self-serve basis.

## **Outcome to date**

Compliance and engagement with training has generally been lower than required.

## **A New Approach**

We therefore need an alternative way forward. We have been talking to other pension funds to understand how they meet their training obligations and therefore are recommending the following proposal.

# Proposal

In-person residential training for all Board and Committee members.

Areas to cover are:

- Investment
- Governance
- Administration
- Funding
- Responsible investing
- Fiduciary responsibility

Trial a 2 day/1 night event.

To take place outside Surrey to encourage focus and engagement.

Twice per year, first event 23-24 October 2024.

Opportunity for members to network and share knowledge.

To take the place of some existing mandatory training requirements.

Cost of this approach to be borne by the pension fund and roughly in line with existing expenditure.

# Benefits

7

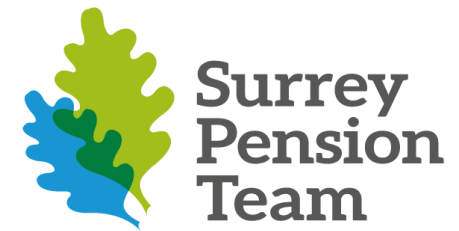


**Surrey  
Pension  
Team**

- Increased engagement
- Opportunity to meet in person, facilitating greater sharing of knowledge and development of working relationships.
- Able to tailor training to Surrey Pension Fund needs.

# Draft Agenda

(to give an idea of how the event may be structured)



Day 1	Session
11.45 - 1.00	Welcome and Session 1
1.00 - 2.00	Lunch
2.00 - 3.00	Session time
3.15 - 4.30	Session time
4.30 - 7.00	Public Sector Toolkit and networking
7.30	Dinner

Day 2	Session
9.00 - 10.30	Session time
10.30 - 10.50	Break
10.50 - 12.00	Session time
12.15 - 1.15	Lunch
1.30 - 2.30	Session time
2.30 - 3.30	Session time
4.00	Depart

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**SURREY COUNTY COUNCIL****SURREY PENSION FUND COMMITTEE****DATE: 22 MARCH 2024****LEAD OFFICER: ANNA D'ALESSANDRO, DIRECTOR OF FINANCE, CORPORATE AND COMMERCIAL****SUBJECT: COMMUNICATION POLICY STATEMENT 2024/25****SUMMARY OF ISSUE:**

Surrey Pension Fund recognises the importance of providing excellent communication to stakeholders of the pension scheme. This report introduces the Pension Fund communication policy statement.

**RECOMMENDATIONS:**

It is recommended that the Pension Fund Committee:

1. Approves the Communication Policy Statement 2024/25.
2. Reviews this policy on an annual basis.

**REASON FOR RECOMMENDATIONS:**

The Communication Policy Statement ensures that the Fund meets the Regulatory communication requirements and recognises the importance of providing comprehensive and timely information to its stakeholders.

**DETAILS:****Background**

1. The Communications Policy Statement (the Statement) sets out how the Fund complies with Regulation 61 of the Local Government Pension Scheme (LGPS) Regulations 2013, requiring each Administering Authority to prepare, maintain and publish a written statement setting out its policy concerning communication with members, prospective members, employers and other relevant stakeholders. The statement must set out its policy on:
  - a) The provision of information and publicity about the Scheme to members, representatives of members and scheme employers
  - b) The format, frequency, and method of distributing such information or publicity
  - c) The promotion of the Scheme to prospective members and their employers.
2. The Statement must be revised and published by the administering authority following a material change in this policy.

3. The main updates to the 2024-25 Communications Policy are the inclusion of Dashboards as well as a reconsidered approach to communicating with our various stakeholders in line with our Strategic Stakeholder plan to Amplify our Presence.

### **Key Objective**

4. The key objective of the policy is to:
- a) Provide clear, friendly, and timely communication to its members and stakeholders
  - b) Recognise the requirement for different methods of communication for different members
  - c) Inform members and stakeholders to enable them to make decisions regarding pensions matters
  - d) Aim for full appreciation of the pension scheme benefits and changes to the scheme by all scheme members and prospective members
  - e) Promote the LGPS as an attractive benefit to scheme members

### **Communication Plan**

5. In order to ensure that the annual delivery of communications is understood, a communications plan is attached in Annexe 1.

### **CONSULTATION:**

6. The Chair of the Board and Committee has been consulted and the Chair of the Board supports the recommendations.

### **RISK MANAGEMENT AND IMPLICATIONS:**

7. There are no direct risk implications arising from the recommendation of this report.

### **FINANCIAL AND VALUE FOR MONEY IMPLICATIONS**

8. Provision of appropriate communication media will result in expenditure that will be met by the Pension Fund.

### **DIRECTOR OF FINANCE, CORPORATE AND COMMERCIAL COMMENTARY**

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

### **LEGAL IMPLICATIONS – MONITORING OFFICER**

10. There are no legal implications or legislative requirements.



## **EQUALITIES AND DIVERSITY**

11. The approval of Communication Policy Statement does not require an equality analysis, as the initiative is not a major policy, project, or function.

## **OTHER IMPLICATIONS**

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

## **WHAT HAPPENS NEXT**

13. Subject to agreement by the Committee, policy will be published.

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### **Contact Officer:**

Bethany Goss

### **Annexes:**

1. Annexe 1: Communication Policy Statement 2024/25

### **Sources/background papers:**

None

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# Communications Policy Statement 2024/25

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## Contents

- Introduction
- Regulatory Framework
- Key Objective
- Stakeholders of the Fund
- Accessibility
- Communication Channels
- Data Protection
- Freedom of Information
- Review
- Further Information
- Appendix - Communications Plan

## Introduction

This is the Communication Policy for the Surrey Pension Team (SPT), who administer the Surrey Pension Fund (the Fund).

Communication is at the heart of everything the SPT does and there is a dedicated communication team in place to help the Fund meet its current and future communication challenges.

Circa January 2024, the Fund has 349 employers with contributing members and a total membership of around 100,000 scheme members, which are split into the categories below and with the approximate numbers of members in each category:

Type of Membership	Approximate Numbers (000s)
Active members	34
Deferred members	46
Pensioner members	27

The policy outlines the strategic approach of SPT regarding communications and should be read in conjunction with the Communication Plan which is detailed in Appendix A of this document.

In addition, in line with our wider strategic plan, a Strategic Stakeholder plan to Amplify our Presence has been developed to provide greater focus on elements of this communication policy.

## Regulatory Framework

The policy has been produced in accordance with Regulation 61 of the Local Government Pension Scheme (Administration) Regulations 2013.

The Regulation requires that an administering authority must prepare, maintain, and publish a written statement setting out its policy concerning communications with:

- Members
- Representatives of members
- Prospective members
- Scheme employers

In particular, the statement must set out its policy on:

- The provision of information and publicity about the scheme to members, representatives of members, and scheme employers
- The format, frequency, and method of distributing such information or publicity
- The promotion of the scheme to prospective scheme members and their employers.

The policy must be revised and published by the administering authority following a material change in their policy on any matters referred to in paragraph 7.

For the purposes of this policy published means being accessible on the publicly available [Surrey Pension Fund](#) website.

## Key Objective

The key objective is to ensure that SPT delivers clear, timely and accessible communication with a broad range of stakeholders.

To achieve this, SPT will:

- Communicate information about the scheme's rules and Regulations in an effective, straightforward, and timely manner to the different groups of stakeholders
- Recognise the requirement for different methods of communication for different members
- Promote the Local Government Pension Scheme (LGPS) as an attractive benefit to scheme members and potential scheme members
- Communicate information about the investment decisions made by the SPT
- Inform customers and stakeholders to enable them to make decisions regarding pension matters
- Inform customers and stakeholders about the management and administration of the Fund
- Consult with key stakeholders on changes to policies and procedures that affect the Fund and its stakeholders
- Support employers to enable them to fulfil their statutory role in the Fund by providing regular relevant information and access to various types of resources
- Seek continuous improvement in the way that SPT communicates
- Amplify the presence of SPT with identified stakeholders.

## Stakeholders of the Fund

The Fund has a varied audience of stakeholders with whom it communicates, including:

### Internal bodies:

- Scheme members
- Prospective scheme members
- Representatives of scheme members
- Scheme employers
- SPT officers
- Pension Fund Committee
- Local Pension Board
- Administering Authority
- Border to Coast Joint Committee

### Partner Groups:

- Pensions and Lifetime Savings Association (PLSA)
- The Scheme Advisory Board (SAB)
- The Local Government Association (LGA)
- Pensions Officers Groups
- The Local Authority Pension Fund Forum (LAPFF)
- Border to Coast Company and Border to Coast partner funds
- AVC Providers
- Trade Unions
- Surrey County Council - other departments, Council Members and Chief Officers
- Internal Audit

### External bodies:

- General Public
- Prospective Employees
- Surrey Residents (Council Taxpayers)
- Her Majesty's Revenue & Customs (HMRC)
- Department for Levelling Up, Housing and Communities (DLUHC)
- Pension Fund Investment Managers, Advisers, Actuaries and Pension Fund Custodian
- The Pensions Regulator (tPR) and Pensions Ombudsman
- Department of Work and Pensions (DWP)
- Chartered Institute of Public Finance and Accountancy (CIPFA)
- External Auditors
- Wider Pensions Industry

## Accessibility

SPT is committed to ensuring communications are accessible to all stakeholders.

To achieve this, SPT will ensure that all communications use plain English and where possible, are available in electronic, print, large print, braille, and audio as requested.

SPT is committed to develop further use of electronic means of communicating through email, websites and the 'My Pension' portal.

Where possible, responses will be sent to stakeholders by electronic means unless requested otherwise.

SPT is committed to ensuring that the [Surrey Pension Fund](#) website and the [Surrey Pension Fund for Employers](#) website, together with the documents available on the websites, meet the [Web Content Accessibility Guidelines \(WCAG 2.1\)](#).

## Communication Channels

LGPS support is available nationally through websites and guidance for both employers and scheme members. SPT communications will continue to reference these national resources, together with material provided by pension industry experts.

SPT will continue to support collaboration and development of communication media with other administering authorities through membership of the Communications Working Group.

The Communication Plan in Appendix A of this document details SPT's method of communication, intended audience, publication media, frequency, and method of distribution.

SPT maintains the [Surrey Pension Fund](#) website which provides access to member guides, forms, policies, reports, investment information, newsletters, videos, and other information.

The member self-service portal ([‘My Pension’ portal](#)) is a secure online web portal hosted by Aquila Heywood. Registered members can:

- View the details SPT hold for them and keep their personal details up to date
- View personal correspondence such as letters and general scheme forms and guides
- View and print annual benefit statements (active members) or annual statements (deferred members)
- Create, view and update nominations for any death grant that may be payable
- The ability to project benefit calculations for deferred and active members
- View P60s and pay slip information (pensioner members)

To encourage members to engage with their pension, SPT have integrated the ‘My Pension’ portal with standard work processes, to increase take up across all membership groups.

Monthly website and ‘My Pension’ portal data is recorded to monitor the usage and member registration numbers, to measure the success of campaigns run by the SPT.

SPT maintains the [Surrey Pension Fund for Employers](#) website which provides access to employer procedures, guides, investment information, forms, spreadsheets, newsletters, and other information.

SPT provides access to iConnect for employers who use Surrey payroll as their payroll provider. This requires monthly payroll updates and provides the facility to request estimated benefits, including costs, and other information. iConnect will be made available to other employers in the future.

All members and employers can contact the Customer Relationship Team for information or requests. The team have two telephone numbers: one for general enquiries and one for assistance with the ‘My Pension’ portal, together with a general use email address and an email address for forms, certificates, etc.

SPT recognises the growing importance for organisations to have an online presence and has a [corporate LinkedIn profile](#). The LinkedIn account is used to amplify our presence, raise SPT online profile in business, promoting SPT’s innovations and achievements, advertise job opportunities, and help build relationships with other LGPS funds and professional bodies within the pensions industry.

News items and blogs are produced on the websites regularly and as the need arises, to highlight current issues, upcoming changes or to provide articles of interest.



Members can visit our offices if they prefer to speak to us face to face. This must be by appointment, to ensure that the correct member of staff is available to discuss the member's enquiry.

Periodical documents are issued to members, including:

- Annual Benefit Statements by 31 August to active members
- Annual Statements by 31 August to deferred members
- Pay advices, pension increase letters, and P60s to pensioner members between March and May each year
- Annual Allowance letters to relevant members by 6 October

SPT arranges a programme of online and face-to-face events each year to meet with groups of members. SPT arranges these events in conjunction with employers, via Olive for Surrey CC members, and these events are advertised to members of the scheme.

For Surrey CC members, SPT provides a SharePoint site and regular posts to advertise events and provide information.

SPT obtains feedback periodically for different member groups and employers and publishes all relevant results on the websites. SPT are currently researching with our stakeholders the way we obtain feedback and how they wish to be communicated with; we will make revisions based on these findings.

SPT recognises that its staff are its greatest resource and that they are kept informed about the Fund's aims to deliver a quality and accurate service. This is achieved via use of email, internal and on-line meetings, quarterly performance meetings, internal and external training events on specific topics, together with the opportunity to study for professional qualifications.

SPT communicates with the Pension Fund Committee and Local Pension Board in various ways including:

- Weekly email from the LGPS Senior Officer on Border to Coast and administration updates, and other useful information
- A regularly updated SharePoint site specifically for the use of the Board and Committee
- Committee and Board meetings
- Fund officer reports
- Investment manager reports
- Training (refer to Training Policy)
- Quarterly Surrey Pension Team dashboard.

SPT proactively communicates with several external bodies, including:

- Border to Coast, Pension Fund Investment Managers, Advisers and Actuaries
- Pension Fund Custodian
- Pensions and Lifetime Savings Association (PLSA)
- Local Authority Pension Fund Forum (LAPFF)
- Minerva Analytics

## Data Protection

SPT has a duty to protect personal information and will process personal data in accordance with the Data Protection Act 1998 and any amendments to the act. SPT may, if it chooses, pass certain details to a third party, if the third party is carrying out an administrative function of the Fund, for example the Fund's Actuary or Additional Voluntary Contribution (AVC) provider.

The Privacy Notice can be found on the Surrey Pension Fund website.

## Freedom of Information

Anyone has a right under the Freedom of Information (FOI) Act to request any information held by the Fund which is not already made available.

FOI requests will be dealt with openly and swiftly. Requests should be made in writing to the Freedom of Information Officer at the address at the end of this document. A fee may be charged, in line with our published FOI guidance.

## Review

The policy will be reviewed annually and updated sooner if the communications arrangements, stakeholder feedback, or other matters included within it merit reconsideration.

## Further Information

Our contact details are:

Surrey Pension Team

PO Box 465

Reigate

RH2 2HA

Telephone: 0300 200 1031 – general enquiries

Email: [crt pensions@surreycc.gov.uk](mailto:crt pensions@surreycc.gov.uk)

Telephone: 0300 200 1034 – ‘My Pension’ portal registration/logon enquiries

Email: [crt pensions@surreycc.gov.uk](mailto:crt pensions@surreycc.gov.uk)

If you have any Freedom of Information requests, please send them to:

Freedom of Information Officer

Corporate Information Governance Team

Surrey County Council

Woodhatch Place

11 Cockshot Hill

Reigate

Surrey

RH2 8EF

Email: [corp.infogov@surreycc.gov.uk](mailto:corp.infogov@surreycc.gov.uk)

Effective date of policy	
Approved date	
Next review	April 2025

Version	Nature of Change	Implemented
1	Initial creation	December 2023
2	Review content 2024/2025  Add Dashboard and update policy in line with our strategic stakeholder plan to amplify our presence.	

## Appendix - Communications Plan

Method of Communication	Media	Frequency of Issue	Method of Distribution	Audience Group
<b>Send a notification of joining the LGPS to a Scheme Member – Contractual Enrolment</b>	Electronic or Paper Based	2 months from date of joining the scheme	E-mail, 'My Pension' portal or Letter to Home Address	<b>New Members</b>
<b>Send a notification of joining the LGPS to a scheme member – Automatic Enrolment/Re-Enrolment</b>	Various	Within 1 month of receiving jobholder information where the individual is being automatically enrolled or re-enrolled	Employer	<b>New Members</b>
<b>Inform a member who left the Scheme of their leaver rights and options</b>	Electronic or Paper Based	As soon as practicable and no more than 2 months from date of notification (from employer or from scheme member)	E-mail, 'My Pension' portal or Letter to Home Address	<b>Members leaving the scheme</b>
<b>Obtain transfer details for transfer in, and calculate and provide quotation to member</b>	Electronic or Paper Based	2 months from date of request	E-mail, 'My Pension' portal or Letter to Home Address	<b>Active Member</b>
<b>Provide details of transfer value for transfer out, on request</b>	Electronic or Paper Based	3 months from date of request (CETV estimate)	E-mail, 'My Pension' portal or Letter to Home Address	<b>Deferred Member</b>



Method of Communication	Media	Frequency of Issue	Method of Distribution	Audience Group
<b>Provide a retirement quotation on request</b>	Electronic or Paper Based	As soon as practicable, but no more than 2 months from date of request unless there has already been a request in the last 12 months	E-mail, 'My Pension' portal or Letter to Home Address	<b>Active and Deferred Member</b>
<b>Notify the amount of retirement benefits</b>	Electronic or Paper Based	1 month from date of retirement if on or after Normal Pension Age (NPA), or 2 months from date of retirement if before NPA	E-mail, 'My Pension' portal or Letter to Home Address	<b>Active and Deferred Member</b>
<b>Calculate and notify dependant(s) of amount of death benefits</b>	Paper Based	As soon as possible but in any event no more than 2 months from date of becoming aware of death, or from date of request by a third party (e.g., Personal representative)	Letter to Dependants Home Address	<b>Dependant Member</b>
<b>Provide all Active and Deferred members with an Annual Benefit Statement (ABS)</b>	Electronic or Paper Based / Other format on request	By 31 August each year	'My Pension' portal or Statement to Home Address / Other format	<b>Active and Deferred Member</b>
<b>Provide Pension Saving Statement to eligible members</b>	Electronic or Paper Based	By 6 October each year	E-mail, 'My Pension' portal or Letter to Home Address	<b>Active Member</b>

<b>Method of Communication</b>	<b>Media</b>	<b>Frequency of Issue</b>	<b>Method of Distribution</b>	<b>Audience Group</b>
<b>General Member Enquiries</b>	Electronic or Paper Based by Request	-	Email or Letter to Home Address	<b>All Members</b>
<b>Pensions Increase Letters</b>	Paper Based	By 30 April each year	Letter to Home Address	<b>Pensioner Member</b>
<b>Pensioner P60s (HMRC requirement)</b>	Paper Based	By 31 May each year	Letter to Home Address	<b>Pensioner Member</b>
<b>Member Scheme Guide</b>	Electronic or Paper Based by Request	Within 2 months of request	Member Self Service, Surrey Pension Fund website or Home Address on request	<b>All Members</b>
<b>Active Member Media</b>	Electronic or Paper Based by Request	-	Member Self Service, Surrey Pension Fund website or Home Address on request	<b>Active Member</b>
<b>Deferred Member Media</b>	Electronic or Paper Based by Request	-	Member Self Service, Surrey Pension Fund website or Home Address on request	<b>Deferred Member</b>



<b>Method of Communication</b>	<b>Media</b>	<b>Frequency of Issue</b>	<b>Method of Distribution</b>	<b>Audience Group</b>
<b>Pensioner Member Newsletters</b>	Paper Based	-	Sent with PI letters and P60s to Home Address	<b>Pensioner Member</b>
<b>Presentations/Roadshows</b>	Online and Face to Face	-	Via scheme employer	<b>Active Member</b>
<b>Drop-In Sessions</b>	Face to Face	-	Via scheme employer	<b>Active Member</b>
<b>Customer Satisfaction Feedback – Member</b>	Electronic, Face to Face or paper based	-	E-mail, in person or via post	<b>All Members</b>
<b>Customer Satisfaction Feedback – Retired Members</b>	Electronic, Face to Face or paper based	-	E-mail, in person or via post	<b>Pensioner member</b>
<b>Changes in Legislation</b>	Electronic	-	E-mail to scheme employers	<b>Scheme Employer</b>
<b>Material Alterations to Basic Scheme Information</b>	Electronic	As soon as possible and within 3 months after the change takes effect.	E-mail or Letter to Home Address	<b>All Members</b>



<b>Method of Communication</b>	<b>Media</b>	<b>Frequency of Issue</b>	<b>Method of Distribution</b>	<b>Audience Group</b>
<b>Employer Valuation &amp; Funding Consultations</b>	On-line or Face to Face	Triennially	Via scheme employer	<b>Scheme Employer</b>
<b>Employer Training</b>	On-line or Face to Face	-	Via scheme employer	<b>Scheme Employer</b>
<b>Employer Guides</b>	Electronic	-	LGPS Regs Website	<b>Scheme Employer</b>
<b>Employer Newsletters</b>	Electronic or Paper Based on Request	Quarterly	E-mail to Scheme Employer Contacts	<b>Scheme Employer</b>
<b>Customer Satisfaction Feedback – Employer</b>	Electronic	-	E-mail	<b>Scheme Employer</b>
<b>Member, employer or third- party enquiries</b>	Incoming to Customer Relationship Team via telephone	-	Telephone and Email	<b>All Groups</b>





<b>Method of Communication</b>	<b>Media</b>	<b>Frequency of Issue</b>	<b>Method of Distribution</b>	<b>Audience Group</b>
<b>Member, employer or third- party enquiries</b>	Incoming via post	-	Various	<b>All Groups</b>
<b>Member Self Service</b>	Electronic	-	Always available on-line	<b>All Member Groups</b>
<b>Employers Pension Fund Annual Engagement</b>	On-line or Face to Face	-	Via Fund	<b>Scheme Employers</b>
<b>Surrey Pension Fund Website</b>	Electronic	-	Always available on-line	<b>All Groups</b>
<b>Surrey Pension Fund for Employers Website</b>	Electronic	-	Always available on-line	<b>Scheme Employers</b>

**SURREY COUNTY COUNCIL****SURREY PENSION FUND COMMITTEE****DATE: 22 MARCH 2024****LEAD OFFICER: ANNA D'ALESSANDRO, DIRECTOR FINANCE CORPORATE & COMMERCIAL****SUBJECT: TRAINING POLICY 2024/2025****SUMMARY OF ISSUE:**

Surrey Pension Fund recognises the importance of providing appropriate training to both Pension Fund Committee and Local Board members, as well as officers in relation to the operation of the Pension Fund. This report introduces the Pension Fund training policy.

**RECOMMENDATIONS:**

It is recommended that the Pension Fund Committee:

Approves the training policy (shown as Annexe 1) and agrees that all members must prioritise attendance at training events wherever practicable.

**REASON FOR RECOMMENDATIONS:**

In providing guidance or making decisions on Pension Fund matters it is critical that Members of the Pension Fund Committee, the Local Pension Board and officers have up to date knowledge and understanding of all elements of pensions, including investments, funding, governance and delivery.

Compliance to a comprehensive training policy meets the Fund's strategic governance and delivery objectives. In order for the fund to retain its status as a professional investor, it is essential that it can demonstrate that the Committee and Board can demonstrate adequate and current training. Members must be able to evidence the appropriate level of training to be able to participate in decision making.

**DETAILS:**

1. The Training Policy was last presented to the Committee in March 2023. The focus at that time was to ensure all training requirements were met on an ongoing basis. The Pension Fund had also participated in 2022 in the LGPS National Knowledge Assessment which benchmarked Surrey Pension Fund against other LGPS Funds. This policy continues the focus on training to ensure all requirements are met on an ongoing basis and proposes a more engaging approach to Board and Committee training.

## **CONSULTATION:**

2. The key change in this policy compared to previous Training policies concerns the training residential for Board and Committee members. The Chairs of both the Pension Fund Committee and the Local Pension Board have been consulted and offered full support for the proposals.

## **RISK MANAGEMENT AND IMPLICATIONS:**

3. There are no risk direct risk implications arising from the recommendation of this report.

## **FINANCIAL AND VALUE FOR MONEY IMPLICATIONS**

4. Provision of appropriate training will result in modest level of additional expenditure that will be met by the Pension Fund.

## **DIRECTOR OF FINANCE, CORPORATE AND COMMERCIAL COMMENTARY**

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

## **LEGAL IMPLICATIONS – MONITORING OFFICER**

6. There are no legal implications or legislative requirements

## **EQUALITIES AND DIVERSITY**

7. The approval of Training policy statement does not require an equality analysis, as the initiative is not a major policy, project or function.

## **OTHER IMPLICATIONS**

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

## **WHAT HAPPENS NEXT**

9. The following next steps are planned:
  - Officers will forward relevant training invites to members of Pension Fund Committee and Local Board.

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### **Contact Officer:**

Jennifer Stevenson, Training Officer SPF

### **Annexes:**

Annexe 1: Training Policy 2024/2025

**Sources/background papers:** None

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# Training Policy

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2024/25

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Providing our customers with  
a better tomorrow

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# Training Policy 2024/25

## Introduction

1. The objectives of this training policy are to:
  - a. Ensure the Surrey Pension Fund (the Fund) is managed, and its services delivered, by officers and members of the Local Pension Board and the Pension Fund Committee with the appropriate knowledge and expertise to be competent in their role.
  - b. Provide those with responsibility for governing the Fund to evaluate the information they receive and effectively challenge it where appropriate.
  - c. Support effective and robust decision making, ensuring decisions are well founded and comply with Regulatory requirements or guidance from the Pensions Regulator, the Scheme Advisory Board and the Secretary of State for the Department for Levelling Up, Housing and Communities (DLUHC).
  - d. Ensure an understanding of the operation and administration of the Fund.
  - e. Meet the required needs in relation to the Fund's objectives.
2. Surrey Pension Team (SPT) is committed to providing training to those involved in the governance of the Fund and to ensure Pension Fund Committee and the Local Pension Board members have the necessary skills and knowledge to act effectively in line with their responsibilities.
3. Whilst Local Pension Board members have a regulatory requirement to complete training, it is a requirement of the Surrey Pension Fund that Pension Fund Committee members also complete the training set out in this policy.
4. It is important that members in both the Pension Fund Committee and the Local Pension Board commit to participating in appropriate training events to ensure that they have the necessary skills required to support them in their decision-making role.
5. In addition, officers responsible for the management and administration of the Local Government Pension Scheme (LGPS) will be expected to receive appropriate training to fill any knowledge gaps identified and seek to maintain their knowledge.
6. The Fund will demonstrate compliance with its training plan on a yearly basis through the Annual Report.

7. Should the regulator, legislation etc. require this policy to be updated, changes will be made as required.

### Local Pension Board requirements

8. In accordance with Section 248A of the Pensions Act 2004 and redrafted by the Pensions Act 2013, every member of the Surrey Local Pension Board must be conversant with:

- a. The rules of the LGPS, such as the Transitional Regulations and the Investment regulations.
- b. Any document which records policy about the administration of the Fund.

9. Local Pension Board members should also have knowledge and understanding of:

- a. The law relating to pensions
- b. Such other matters as may be prescribed.

### Induction training

10. On joining the Pension Fund Committee or Local Pension Board, all new members will receive a Member Induction Handbook and access to the LGPS Online Learning Academy (LOLA) and the Surrey Pension Fund Governance SharePoint site. LOLA contains LGPS specific learning modules, and the Surrey Pension Fund Governance SharePoint site contains a documents hub, materials from previous training courses and details of upcoming training available.

11. Local Pension Board and Pension Fund Committee members must familiarise themselves with the Surrey Pension Fund website and the information held on the site.

12. The following training is mandatory for Local Pension Board and Pension Fund Committee members:

- a. Online training courses provided in the Trustee Toolkit by the Pensions Regulator, to be completed by their first meeting or within the first three months of their appointment if earlier.
- b. The Pensions Regulator's Public Service Toolkit, to be completed within the first six months of their appointment.
- c. From October 2024, members of the Local Pension Board and the Pension Fund Committee must make every effort to attend residential training events



organised twice per year by the Fund, bearing in mind that without adequate training they may not have the objective knowledge required to be able to participate in decisions.

13. To further develop their knowledge and understanding, Local Pension Board members and Pension Fund Committee members are encouraged to:

a. Complete the online training courses available on the LOLA within the first twelve months of their appointment.

b. Attend the LGA three-day training course which covers the Fundamentals of the LGPS.

14. Local Pension Board and Pension Fund Committee members should assess their training needs by completing the training needs analysis template that the Pensions Regulator has provided to support this process. The document can be found at

<https://trusteetoolkit.thepensionsregulator.gov.uk/mod/page/view.php?id=337>

### The Pensions Regulator Toolkits

15. The Pensions Regulator toolkits provide information to understand the Governance and administration requirement in the public service schemes Code of Practice no.14.

16. The toolkits include ten Essential Learning for Trustee compulsory modules and seven Public Service Toolkit compulsory online learning modules that must be completed successfully to pass the induction training.

17. The ten compulsory modules of the Trustee Toolkit test members' knowledge in the following key areas:

- Introducing pension schemes
- The trustee's role
- Running a scheme
- Pensions law
- An introduction to investment
- How a defined benefit scheme works
- Funding your defined benefit scheme
- Defined benefit recovery plans, contributions, and funding principles
- Investment in a defined benefit scheme
- Pension scams.

18. The seven compulsory modules of the Public Service Toolkit test members' knowledge in the following key areas:

- Conflicts of interest
- Managing risk and internal controls
- Maintaining accurate member data
- Maintaining member contributions
- Providing information to members and others
- Resolving internal disputes
- Reporting breaches of the law.

19. Although the toolkit is designed with Local Pension Board members in mind, it is the view of the Fund that the material covered is of equal relevance to members of the committee.

20. The Pensions Regulator website is available at: [Workplace pensions law - auto enrolment | The Pensions Regulator](#). The Trustee toolkit and Public Service toolkit can be accessed by clicking on the link at the bottom of the page.

### Markets in Financial Instruments Directive II (MIFID II)

21. The Fund needs to demonstrate a high level of skills and knowledge across the Fund Committee and Local Board to enable it to opt-up and be recognised as a professional investor rather than a retail investor to continue to receive advice and access to investment products at a level commensurate with the types of investment required for the Fund.

22. Failure to adequately demonstrate a high level of collective skills and knowledge across the Pension Fund Committee and Local Pension Board could result in the loss of professional investor status and therefore access to the appropriate investment opportunities.

### Delivery of training

23. Training and development support for committee/board members and officers will be delivered through a variety of methods including:

Committee/Board members	Officers
Pensions Regulator on-line toolkits	Pensions Regulator on-line toolkits
Surrey Pension Fund twice-yearly residential training events.	Whole of Pensions meetings and Lunch & Learn sessions
LGPS Online Learning Academy (LOLA)	LGPS Online Learning Academy (LOLA)
LGA Fundamentals training course	LGA Fundamentals training course
Attending seminars, courses, and external events	Attending seminars, courses, and external events

Committee/Board members	Officers
Investment advisor/Actuary training	Investment advisor/Actuary training
Circulated reading material	Circulated reading material
Fund manager training	Training for qualifications from recognised professional bodies (e.g. CIPFA, CIPP)
Regular updates from officers	Courses in Olive (SCC online learning platform)
In-house training	In-house training
Surrey Pension Fund Governance SharePoint site – for further training resources.	Surrey Pension Team SharePoint site – for further training resources.

24. Where appropriate, training will be provided jointly for the Committee, Local Board, and officers. In consultation with the chairs, expression of interest will be sought from members to attend relevant trainings throughout the year.

25. Training events will be advertised to members via the LGPS Senior Officer weekly email and on the Surrey Pension Fund Governance SharePoint site as and when they are notified to officers. Members are expected to make officers aware of any events that are of interest.

### Training Plan

26. To be effective, training must be recognised as a continual process and will be centred on 3 key points

- The collective knowledge of the board/committee
- The general pensions environment
- Coping with changes (e.g. legislation)

27. As part of the commitment to good scheme governance, there are four Local Pension Board meetings and four Pension Committee meetings per year.

28. Commencing in Autumn 2024, 2-day residential training events are provided twice per year for members of the Local Pension Board and Pension Fund Committee. These include a variety of topics, presented by Fund officers and external providers, and cover the areas:

- Investment
- Governance
- Administration
- Funding
- Responsible investing
- Fiduciary responsibility

29. It is expected that all members attend residential training events, in addition to completing any induction training.

30. Surrey Pension Fund Board and Pension Committee members must also commit sufficient time to prepare for meetings and obtain and keep under review their knowledge and understanding.

31. Training plans will be developed at least on an annual basis. There will be updates as required taking account of the identification of any knowledge gaps, changes in legislation, key legislation (e.g. triennial valuation) and receipt of updated guidance.

### **Knowledge and Skills Framework**

32. There are eight areas of knowledge and skills that have been identified as the core requirements of those working in LGPS. They are:

- Pensions legislation
- Public sector pensions governance
- Pensions administration
- Pensions accounting and auditing standards
- Financial services procurement and relationship management
- Investment performance and risk management
- Financial markets and products knowledge
- Actuarial methods, standards, and practices

33. Pension Fund Committee and Local Pension Board members are expected to have collective understanding and officers are expected to have detailed understanding of these areas of knowledge and skills.

### **Acquiring, Monitoring and Reviewing Knowledge and Skills**

34. Committee and Local Board members must ensure they have appropriate degree of knowledge and understanding to carry out their stewardship role. Therefore, members should invest sufficient time in their learning and development alongside their responsibilities and duties.

35. Individual training records will be shared with members on an annual basis for them to verify. Any gaps in mandatory training will be identified and an action plan to address them provided.

36. To ensure Pension Committee and Board members have sufficient breadth of knowledge and understanding, they must undertake a personal training needs analysis and annual review of their skills, competencies, and knowledge to identify any gaps or weaknesses.

37. The Pensions Regulator has provided a training needs analysis template to support this process. The document can be found at:

<https://trusteetoolkit.thepensionsregulator.gov.uk/mod/page/view.php?id=337>.

38. Pension Fund Committee and Local Pension Board members will be required to carry out this Self-Assessment Questionnaire on an annual basis. This information must be submitted to the Training Officer so that common gaps can be addressed in future residential training sessions.

39. Periodically, the Pension Fund Committee and Local Pension Board members' knowledge will be independently assessed and benchmarked against other Administering Authorities. Any gaps in knowledge will be incorporated into the future training plans. Taking part in this assessment is a compulsory element of the policy.

## Officer Training

40. It is important that Officers in the Fund have the necessary skills and knowledge to carry out the tasks of managing the Fund's investments and administering the payment of benefits. Officers should be familiar with the requirements of the CIPFA Code of Practice on Knowledge and Skills and should have knowledge of the eight areas of the framework.

41. The knowledge and skills required of staff are set out in their job descriptions, including any formal qualifications required for the role, and are detailed in the Career Pathways model.

42. Officers' individual skills are measured against the requirements of their role and any training needs identified as part of their ongoing development plans.

43. Officers will attend relevant training events and seminars during the year to ensure they remain up to date with latest requirements. In addition, officers are also required to keep up to date with relevant issues affecting the pension fund.

44. For officers, there will be particular focus on the following areas:

- **Public Sector Pension Governance** – Understanding the guidance and regulations in relation to local pension boards and keeping up to date with how other Funds are working with their boards, in order that the Pension Board can be supported effectively and add value to the governance of the Fund.
- **New Investment Arrangements** – Understanding the implications of how the Financial Conduct Authority (FCA) will implement the Markets in Financial Instruments Directive (MiFIDII) and how the Fund will comply.

- **New Investment Products** – Keeping up to date with what the market is offering, in order to assess the validity of new products for investment by the Fund.
- **Accounting Issues** – Keeping up to date with the latest CIPFA guidance on the format of the Pension Fund Statement of Accounts and the content of the Annual Report.
- **Pensions Administration Regulations** – Understanding the latest guidance and interpretation of changes to LGPS Regulations and their impact on procedures.
- **Pensions Administration Systems** - Keeping up to date with updates/new releases to the software system Altair, passing training onto all staff.
- **Actuarial methods, Standards and Practices** – Understanding the work of the actuary and the ways in which actuarial information is produced.

### Cost

45. Where there is a cost involved in providing training, this will be paid by the Fund.
46. A budget will be allocated for members and officers training in the Fund's business plan. Costs will depend on the levels of training and support required by individual members. Where possible, training and support will be provided at nil cost through officers, existing material, and online access, and as part of existing providers' or advisors' roles.
47. Expenditure on external training courses will be logged and monitored against budgets.

### Training Monitoring and Reporting

48. To identify whether the objectives of the Policy are being met, a training log will be maintained to record training attended by members.
49. Members must notify officers of any training they have completed, in order that the log be kept up to date.
50. Members will be asked to confirm their training record every 12 months.
51. A report will also be presented to the Fund Committee and Pension Board on an annual basis setting out:
- training attended by members in the previous year.
  - any actions required, such as review of the Training Plan.

52. Failure to complete the required training is in breach of the Nolan principles. Where a member has not completed the required training in the timeframes set out in this policy, the matter will be reported to the Fund Committee and Pension Board chairs for action. Punitive measures will be agreed with the chair of the respective body but could include sanctions such as the temporary loss of voting rights until the matter is addressed.

53. Membership of the Local Pension Board and Pension Fund Committee may be terminated due to a member no longer being able to demonstrate to the Scheme Manager their capacity to attend and prepare for meetings, or to participate in required training or otherwise to carry out the requirements of the role appropriately.

## Training and Development Opportunities 2024/25

### Mandatory Training 2024/25

The following training is mandatory for all members of the Local Pension Board and the Pension Fund Committee.

Title of session	Training Context	Timescale	Training Length	Audience
The Pensions Regulator Trustee Toolkit	Introduction to pensions, law and defined benefits schemes.	Online, self-serve. To be completed within 3 months of appointment or by first meeting.	10 modules	Mandatory for Board and Committee members.  (Officers optional)
The Pensions Regulator Public Service Toolkit	Risk, administration and breaches	Online, self-serve. To be completed within 6 months of appointment.	7 modules	Mandatory for Board and Committee members.  (Officers optional)
Surrey Pension Fund Training Residential	Various	23-24 October 2024 and further 6-monthly intervals TBC	2 day	Board and Committee members must make every effort to attend.  (Officers optional)



### Optional Training 2024/25

Board and Committee members are encouraged to complete the following training where this has not been previously completed.

Title of session	Training Context	Timescale	Training Length	Audience
Fundamental Training – Day 1	Legal Framework of the LGPS	October 2024 (TBC) In person/online options	1 day	Committee, Pensions Board and Officers.
Fundamental Training – Day 2	LGPS Investments	November 2024 (TBC) In person/online options	1 day	Committee, Pensions Board and Officers
Fundamental Training – Day 3	Duties and Responsibilities	December 2024 (TBC) In person/online options	1 day	Committee, Pensions Board and Officers
LGPS Online Learning Academy (LOLA)	Pensions overview and LGPS specific knowledge	Online, self-serve.	8 modules	Committee, Pensions Board and Officers

**Other Events 2024/25**

The following optional events will support and develop knowledge and understanding of Officers and Pension Fund Committee and Local Pension Board members. Attendance should be agreed with the relevant Chair and the LGPS Senior Officer.

Title of Session	Training Context	Timescale	Training Length	Audience
LGA training sessions – aggregation, transfers	Various	Various dates, online and in person (London)	1 day	Officers
LGA Insight	Various	20-23 May 2024, York	4 days	Officers
PLSA Local Authority Conference 2023	Various	11 – 13 June 2024, Gloucestershire	3 days	Committee, Pensions Board and Officers
LGA Annual Conference and Exhibition	Various	2-4 July 2024 Harrogate	3 days	Committee, Pensions Board and Officers
LGA Insight	Various	22-26 July 2024, online	5 days	Officers
LGA Insight	Various	23-26 September 2024, Bournemouth	4 days	Officers

Title of Session	Training Context	Timescale	Training Length	Audience
Border to Coast Conference	The Pension Fund asset pool	Date TBC, Leeds	2 days	Committee, Pensions Board and Officers
PLSA Annual Conference	Various	15-17 October 2024, Liverpool	3 days	Committee, Pensions Board and Officers
Pension Managers Conference	Various	19-20 November 2024, Torquay	2 days	Officers
LGA Annual Governance Conference	Various	January 2025, Date and location TBC	2 days	Committee, Pensions Board and Officers

### Version control

Effective	25 March 2024
Reviewed	
Next review	

Version	Nature of Change	Implemented
V1	Initial Creation	1 March 2023
V2	Amended to include residential for Board & Committee training	25 March 2024

**SURREY COUNTY COUNCIL****SURREY PENSION FUND COMMITTEE****DATE: 22 MARCH 2024****LEAD OFFICER: ANNA D'ALESSANDRO, DIRECTOR OF FINANCE, CORPORATE AND COMMERCIAL****SUBJECT: SUMMARY OF THE LOCAL PENSION BOARD REPORT****SUMMARY OF ISSUE:**

This report provides a summary of administration and governance issues reviewed by the Local Pension Board (the Board) at its last meeting (16 February 2024) for noting or actioning by the Pension Fund Committee (the Committee).

**RECOMMENDATIONS**

This report recommends that the Committee:

1. Note the content of this report.
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.

**DETAILS:****Glossary, Action Tracker, & Forward Plan**

1. The Board considered the Action Tracker and Forward Plan and made the following observation:
  - a) In response to item 7/23 & 55/23 of the Action Tracker, the Assistant Director LGPS Senior Officer provided an update on MySurrey (Unit 4). There have been two meetings with the Director of Finance, Corporate and Commercial, the Chairs of the Board and Committee, alongside officers. The meetings have provided some confidence that Surrey County Council (SCC) is addressing the issues also in part as a consequence of Surrey Pension Team (SPT) officers supporting this project.
  - b) The Head of Service Delivery provided the Board a detailed analysis of the progress made with MySurrey (Unit 4) and the collaboration with SCC's Payroll Department to try to resolve the issues with the data. Remedial actions have been identified and are expected to be in place by the end of the financial year. However, this is subject to maintaining officer resource at the current level.

- c) The Chair of the Committee asked for an update on those schools that have offboarded from SCC's payroll and transferred to a new payroll provider. The Head of Service Delivery informed the Board that arrangements with new payroll providers is progressing with the new providers adopting iConnect as the method of submitting the scheme member data. The Board have asked to be provided with an update at the next meeting relating to schools where data from the payroll provider is missing. This is also required by the Fund's Actuary.
- d) A Member of the Board asked a question regarding whether SCC had given appropriate consideration to the needs and requirements of the Pension Fund (the Fund) and its administration when these difficulties had been encountered, particularly at the outset.
- e) The Assistant Director LGPS Senior Officer stated that this relates to the wider governance relationship between SCC as the Administering Authority of the Fund and SCC as an employer in the Fund. The Change Management Team is currently carrying out some discovery work on the governance arrangements to identify potential conflicts in order to manage these most effectively.

### **Change Programme Update – Quarter 3**

- 2. The Board received an update on the activities the Change Management Team. A key area of focus is Learning & Development for the Board and Committee Members. The team has been investigation more effective and engaging ways to support Members to develop their knowledge and understanding. It is proposed to trial a two-day residential course for Members in October.
- 3. The Senior Project Specialist from the Change Management Team presented the Dashboard to the Board. A Member of the Board suggested.as a preference to receive the Dashboard data monthly as they were unable to receive the information via the live document due to not having a SCC email address.
- 4. Another Member of the Board suggested it would be useful to provide a rolling performance of the Fund, against KPI (key performance indicators) The Chair of the Board would like to see if we can resolve the issue of access to the live Dashboard for those Members who do not have internal email addresses.
- 5. The Chair of the Committee asked for a progress update and commentary on the legacy reduction. The Board were informed that the Legacy Team have exceeded the set target of 25% reducing the backlog by 45%.
  - a) Deferred cases completed stands at 3,349, a total of 76%.
  - b) 1,511 cases have been terminated as on reviewing these cases, it was identified that many had an open workflow on a completed case or required a task reclassification.
- 6. The Board was also informed that the procurement process to secure the services of a third-party supplier to support the reduction of transfer, aggregation, and concurrent cases, has ceased eased as the external provider identified is no longer permitted to access the pension system. Following the success of the internal Legacy Team, it has been decided to explore undertaking this work in house.

## Communication Policy Statement

7. The Board was presented with the Communication Policy. The policy meets regulatory requirements and recognises the importance of providing comprehensive and timely information to stakeholders. The Specialist Communications Officer highlighted the policy now includes the dashboard and a section on amplifying our (the SPT's) presence. The Board noted the content and recommended that the Communication Policy be approved by the Committee.

## Summary of the Pension Fund Committee Meeting 15 December 2023

8. The Board was presented with the Summary of the Pension Fund Committee (Committee) held in December. At this meeting, the Chair of the Committee highlighted several key points discussed including: MySurrey and the actions taken jointly; the Pension Fund funding level increasing to 140%; Environment, Social & Governance (ESG) and responsible Investment; private markets, and the update from Border to Coast.
9. The Assistant Director LGPS Senior Officer highlighted several points: the Service Delivery team has been shortlisted for an award of Pensions Administration Award; the actuarial update; and the Committee approval of the passthrough arrangement. The Committee had also instructed officers to review the impact of divesting the 25 largest fossil fuel companies.
10. The Board was informed the Scheme Advisory Board (SAB) had commissioned a report on the LGPS and Sharia Law. Following advice from an Islamic scholar, the scheme is considered Sharia compliant and as such there is no proposal to change the Funds investment strategy. The SAB has commissioned a working party to look at the scope of relationships between employers and the Fund particularly considering whether changes to contribution rates from employers are not based on economic factors.
11. The Board was advised that the Committee received a report on the government's consultation on the future of pooling and the government's response to this consultation. There are several areas where the government has given its view, which, at this time is not a statutory requirement. These are:
  - a) All assets to be pooled by April 2025.
  - b) Expected by 2040 there will be smaller pools, with an optimal size each of £200 billion.
  - c) The government has laid out its expectation for Funds to provide in their Investment Strategy Statements an explanation on how it is committing 5% to the levelling up agenda.
  - d) Consideration of committing 10% of the Fund portfolio into private equity assets.
12. In considering this information, the Board was assured that the Fund had anticipated an opportunity within the levelling up space to meet local investment opportunities, that were consistent with our strategy. The Fund is working with BCPP and its partner funds on developing a UK opportunities Fund. A report will be taken to the Committee in March.

## Administration Performance Report and Update

13. The Head of Service Delivery provided an update on performance for quarter three, 1 October to 31 December 2023. For this period, the overall performance score for all tasks measured was 88%. This is an 8% increase on the previous quarter. Over the last four quarters the team have consistently met the target for transfers. Having made changes to increase the resource on the Immediate Benefits team, the performance is heading in the right direction. A review of the structure of Service Delivery team has resulted in the creation of two additional post to build in resilience.
14. The Board received five annexes to review and comment:-

Title of Annexe	Summary of Annexe
<a href="#">Annexe 1</a>	provides an update on performance for this quarter, along with commentary explaining performance and any challenges faced in meeting the Service Level Agreements (SLAs).
<a href="#">Annexe 2.</a>	Provides a comparative quarterly performance trend analysis
<a href="#">Annexe 3</a>	a summary of the most common categories of cases being terminated.
<a href="#">Annexe 4</a>	Provide details of ten complaints received during this period
<a href="#">Annexe 5.</a>	Provides the top 5 queries for the quarter received by the Customer Relationship Team.

15. The Board was advised during this quarter CRT handled a total of 8,722 enquiries. At the initial point of contact, an average of 83% of all enquiries were successfully resolved at first point of contact. The remaining 17% were passed to back-office teams to resolve.

### Guaranteed Minimum Pension (GMP) Reconciliation

16. The Board was advised that a decision has been taken to postpone the delivery of this work prior to running this year's pension increases to allow for time to address several issues that have been identified. The key area of concern is the integrity of the data relating to over and underpayments, which could result in incorrect adjustments being made to pensioner records.
17. The Head of Service Delivery advised that we are engaging with key services and third parties to determine how to proceed from this point.

### McCloud Remedy

18. The Board was advised that in line with the disclosure regulations, member communications were issued in December 2023 to update all members of the scheme regulation changes taking effect as a result of the McCloud judgement.
19. The team have also been preparing for the operational impact of this change through a combination of internal engagement sessions, attending training courses and sessions from the Local Government Association (LGA), Heywood (our pension administration software provider) and other third parties.



20. Upgrades to the pension administration software to accommodate the changes have been made and will be tested. Work on some cases has paused whilst awaiting the actual guidance to calculate them.

Monthly Employer Returns (iConnect) rollout

21. The Board were informed of the roll out of iConnect with the focus currently on those who have recently left SCC payroll and moved to a new provider. We have engaged with other employers as we look to move them to iConnect by March 2025.
22. The Chair of the Board has asked for the number of Additional Voluntary Contribution (AVC) we currently have? Head of Service Delivery advised that currently there are 1,761 members contributing to the AVC arrangement and 153 have stopped paying contributions. The AVC supplier was last reviewed by the Board in June 2019.

**Risk Register Update 2023/24 Quarter 3**

23. The Head of Accounting and Governance noted that there were no material changes to the risk register. The risk score for MySurrey remains under review. Work continues regarding the talent development plans and is progressing well. Therefore, it is anticipated that the risk score Risk ID number 16 will show a reduction on the next quarter. Given the excellent work on the legacy issues being addressed, the risk score for this may also show a reduction.
24. The Chair of the Committee requested an update on the progress towards separating the Fund and SCC banking arrangements. The Head of Accounting and Governance explained that the outcome is dependent on the stabilisation of MySurrey and available resource. A project is underway to understand how this can be further progressed. This would be reported on in future, noting the initial findings of the audit report on the banking arrangements to the Board Members. It was agreed to provide the Board with an update at the next meeting.

Top risk areas commentary

25. Commentary is provided below on the specific risks with the highest combined likelihood and impact scores.

Risk	<b>Skills / knowledge gaps lead to inefficiency and poor performance</b>	<b>Work volume mismatch with operational capacity leading to backlogs</b>	<b>Implementation of new financial systems leads to delayed processing, data integrity issues or financial loss</b>
Risk ID	9	11	16
Score	16	16	16
Comment	This risk remains with some potential single points of failure within the organisational structure.	Legacy issues have been highlighted as a result of recent improvement focus.	Ongoing issues with MySurrey
Action	A preliminary review of the organisational structure has been undertaken for	Backlogs across the whole service are receiving priority attention and identified	Engagement with project team continues.

	<p>resilience and succession planning.</p> <p>A workforce plan is in preparation, with early actions on high priority elements.</p> <p>Preliminary talent development plans are in preparation.</p> <p>Further work is planned on organisational structure.</p>	<p>for action in the Business Plan.</p> <p>Progress reporting is now part of the team dashboard.</p>	<p>Reporting issues have shown further progress – but some standard reports remain outstanding.</p> <p>Intercompany transactions generated within the system remain an issue.</p> <p>Consequential issues from ongoing payroll interface challenges continue.</p>
Residual risk	Remains a risk – pending completion of actions arising from workforce and talent plans.	Remains a risk pending progress on resolution of legacy issues.	Remains a risk pending progress on resolution of issues

### Business Continuity Plan Interim Update

26. The Board received an update which highlighted the current work in progress to establish a Fund specific Business Continuity Plan. The Board was asked to note that we are working with SCC's Risk and Resilience Forum and carrying out Business Impact Assessments. This involves reviewing and detailing processes which is taking some time. The aim is to present a report in May.
27. A member of the Board asked a question relating to work undertaken to date Q3 2023/24 asked for clarification on aggregation of contracts. The Head of Accounting and Governance explained that we are currently reviewing all contracts.
28. Another member of Board asked if we envisage the reports on cyber security and business continuity to be two separate reports, to which the answer was yes that is the intention.

### Internal Audit update

29. The Principal Auditor provided the Board with an update on the work completed by Internal Audit in quarter three, which included cyber security arrangements. The Board was also provided with an update of planned audits, the iConnect audit is in progress. The transfers in audit has been completed and a full report will be available in quarter 4. Further details can be found in [Annexe A&B](#).
30. A new member of the Board asked about the process for shaping the audit plan and what the Board requirements are. The Principal Auditor confirmed that the plan takes account of the risk register, horizon scanning of up-and-coming risks and considers external factors that may impact the Fund.

31. The Assistant Director LGPS Senior Officer also commented that the Fund seeks to use Internal Audit as a way to “deep dive” into areas of concern raised by the Board or Officers. The internal auditors provide a more detailed analysis, concentrating analytical resource in a particular area for continuous improvement.

### **External Audit Update**

32. The Board received an update from the Head of Accounting and Governance, highlighting the change of auditor for 2023/24 to Ernst and Young (EY). The Fund has been allocated a separate EY Audit manager to that of Surrey County Council. The 2022/2023 accounts are now with Grant Thornton for final review. A version of the Pension Fund Annual Report (unaudited) was sent to the Scheme Advisory Board by the statutory deadline of 1 December.

### **The Pensions Regulator General Code of Practice**

33. The Governance Manager advised that the Pensions Regulator (tPR) has published its proposed General Code of Practice. The new code replaces the Code of Practice 14 for Public Service Pension Schemes. The code is expected to come into effect on 27 March 2024.

34. The Governance Manager highlighted [paragraph 5](#) of the report which refers to the Pension Board being removed from the definition of the governing body. Public and trustee toolkits are expected to be reviewed during the summer to bring them in line with the new code.

### **The Pensions Regulator Scheme Return**

35. The Governance Manager confirmed that the Regulator’s Scheme Return had been submitted on 8 January 2024. The Board noted the content of the report.

### **Local Government Pension Scheme (LGPS) Update (Background Paper)**

36. The Board received information on issues impacting the LGPS, highlighting three key points:

- a) McCloud updates.
- b) Lifetime allowance (LTA) to be abolished.
- c) General Code of Practice published.

### **CONSULTATION:**

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

### **RISK MANAGEMENT AND IMPLICATIONS:**

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

### **FINANCIAL AND VALUE FOR MONEY IMPLICATIONS**

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

## **DIRECTOR OF FINANCE, CORPORATE AND COMMERCIAL COMMENTARY**

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

## **LEGAL IMPLICATIONS – MONITORING OFFICER**

41. 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**

42. N/A

## **OTHER IMPLICATIONS**

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

## **WHAT HAPPENS NEXT**

44. The following next steps are planned:

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

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### **Contact Officer:**

Adele Seex, Governance Manager

**Annexes:** None

### **Sources/background papers:**

1. [Administration Performance – KPI Annexe 1](#)
  2. [Administration Performance- KPI Trend Analysis – Annexe 2](#)
  3. [Administration Performance-Terminated Case Summary Annexe3](#)
  4. [Administration Performance – Q3 Complaints Summary- Annexe 4](#)
  5. [Administration Performance- CRT Top 5 Query Summary – Annexe 5](#)
  6. [Risk Register – Annexe 1](#)
  7. [Internal Audit – Annexe A&B](#)
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**SURREY COUNTY COUNCIL****SURREY PENSION FUND COMMITTEE****DATE:** 22 MARCH 2024**LEAD OFFICER:** ANNA D'ALESSANDRO, DIRECTOR OF FINANCE,  
CORPORATE AND COMMERCIAL**SUBJECT:** LOCAL PENSION BOARD – PROPOSED AMENDMENT TO THE  
TERMS OF REFERENCE**SUMMARY OF ISSUE:**

This report provides a summary of proposed amendments required to the Terms of Reference of the Local Pension Board. This report is for noting and actioning by the Pension Fund Committee (the Committee).

**RECOMMENDATIONS**

This report recommends that the Committee:

1. Note the content of this report.
2. Agree the proposed amendments to the Terms of Reference as Annexe 1.

**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.

**DETAILS:****Introduction and Background**

1. The Local Pension Board (Board) operates within defined Terms of Reference which were determined when the Board was first formed in 2015. The key Changes to Annexe 1 document are highlighted in the summary below: -

<b>Section</b>	<b>Amendment</b>	<b>Reason for Amendment</b>
Membership	Remove wording “ The Local Pension Board may also contain two other members”.  Replace with two independent members	To apply clearer transparency of membership.

2.2 & 2.3	Refer to the "General Code".	To comply with the tPR general Code of Practice.
4.2	Amend Member representatives.  Remove one GMB nominated representative, and one Unison nominated representative, to be replaced with two Union nominated representatives.	To enable to recruit more effectively to the vacant member representation roles,
4.10	Members of the Local Pension Board shall be approved by the appointment panel in consultation with Chair of People Performance and Development Committee	Update delegated powers.
4.11	Amend job titles for the Appointment panel	Update responsible officer's position / role title.
5.1	Removal reference to Scheme Manager	Update responsible officer's position / role title.
9.3 & 9.6	Add the words Training Policy and remove attendance and remove reference to knowledge and understanding policy	Knowledge and understanding Policy is referred to within the Training Policy.
20.3	Amend to Version 4 of the Terms of Reference was reviewed and adopted by date	Update reference number to version control
Throughout document	Remove reference to "Chairman" and replace with Chair.	To bring in line with standard terms. Through all documents and policies.

**CONSULTATION:**

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

### **RISK MANAGEMENT AND IMPLICATIONS:**

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

### **FINANCIAL AND VALUE FOR MONEY IMPLICATIONS**

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

### **DIRECTOR OF FINANCE, CORPORATE AND COMMERCIAL COMMENTARY**

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

### **LEGAL IMPLICATIONS – MONITORING OFFICER**

6. 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**

7. There are no equality or diversity issues.

### **OTHER IMPLICATIONS**

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

### **WHAT HAPPENS NEXT**

9. The following next steps are planned:
  - a) For the Committee to Approve the Terms of Reference
  - b) To update the Surrey Pension Team website and recruitment pack for Local Pension Board.

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**Contact Officer:**

Adele Seex, Governance Manager

**Annexes:** Terms of Reference – Annexe 1

**Sources/background papers:** None

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# Surrey Local Pension Board

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## TERMS OF REFERENCE



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Providing our customers with  
a better tomorrow

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Surrey Pension Fund

# Surrey Local Pension Board

## Membership: Total Ten

Four employee representatives  
Four employer representatives  
Two independent members.

## Terms of Reference

### 1. Introduction

- 1.1. This document sets out the terms of reference of the Surrey Local Pension Board of Surrey County Council (the 'Administering Authority') as Scheme Manager, as defined under Section 4 of the Public Service Act 2013.
- 1.2. The Local Pension Board is established in accordance with Section 5 of that Act and under Regulation 106 of the Local Government Pension Scheme (LGPS) Regulations 2013 (as amended).

### 2. Role of the Surrey Local Pension Board

- 2.1. The role of the Surrey Local Pension Board, as defined by Regulation 106 of the Local Government Pension Scheme Regulations 2013 is to assist the County Council as Administering Authority:
  - a) to secure compliance with:
    - (i) the scheme regulations;
    - (ii) any other legislation relating to the governance and administration of the LGPS Scheme and any connected scheme;
    - (iii) any requirements imposed by the Pensions Regulator in relation to the LGPS Scheme
  - b) to ensure the effective and efficient governance and administration of the LGPS Scheme.
- 2.2. The Surrey Local Pension Board will ensure it effectively and efficiently complies with the General Code of Practice on the governance and administration of public service pension schemes issued by the Pension Regulator.

2.3. The Surrey Local Pension Board will also help ensure that the Surrey Pension Fund is managed and administered effectively and efficiently and complies with the General Code of Practice on the governance and administration of public service pension schemes issued by the Pension Regulator.

2.4. The Surrey Local Pension Board has power to do anything that is calculated to facilitate or is conducive or incidental to the discharge of any of its functions.

2.5. The Surrey Local Pension Board should always act within its terms of reference. **Establishment of the Surrey Local Pension Board**

3.1. The Surrey Local Pension Board is established on 1 April 2015, subsequent to approval by Surrey County Council on 17 March 2015.

#### **4. Appointment of members of the Surrey Local Pension Board and voting rights of Surrey Local Pension Board member**

4.1. The composition of the members of the Surrey Local Pension Board is as follows:

The Surrey Local Pension Board shall consist of at least eight members and may contain up to 10 members. It shall be constituted as follows:

- (i) Four employer representatives.
- (ii) Four scheme member (employee) representatives.
- (iii) The Surrey Local Pension Board may also contain two independent members.

4.2. The Surrey Local Pension Board shall be constituted as follows.

- Employer representatives
  - 2 x Surrey County Councillors
  - 2 x other employer representatives to come from nominations from other employers in the fund (e.g. District, Borough and Parish Councils, Academies, Police and other scheduled or admitted body employers in the Surrey Pension Fund).
- Member representatives
  - 2 x Union nominated representatives.
  - 2 x other member representatives
- The Surrey Local Pension Board may also contain other members.
  - 2 x members from an external source (to be recommended by the appointment panel).

- 4.3. Scheme member and employer representatives shall be appointed in equal number and shall together form the majority of the Surrey Local Pension Board membership.
- 4.4. No officer or elected member of the Administering Authority who is responsible for the discharge of any function of the Administering Authority under the Regulations may serve as a member of the Surrey Local Pension Board.
- 4.5. Each Surrey Local Pension Board member so appointed shall serve for the life of the current Surrey County Council, a defined, fixed period which can be extended for further periods subject to re-nomination.
- 4.6. Each Surrey Local Pension Board member should endeavour to attend all Board meetings during the year. Substitutes will be permitted to attend on behalf of absent Surrey Local Pension Board members.
- 4.7. Each employer representative on the Surrey Local Pension Board should be able to demonstrate their capacity to represent scheme employers of the Surrey Pension Fund.
- 4.8. Each member representative on the Surrey Local Pension Board should be able to demonstrate their capacity to represent scheme members of the Surrey Pension Fund.
- 4.9. Each Surrey Local Pension Board member should participate in training when required.
- 4.10. Members of the Surrey Local Pension Board shall be approved by the appointment panel in consultation with Chair of People, Performance and Development Committee and in accordance with the Appointment and Termination Process.
- 4.11. The Appointment Panel shall be made up of the following:
- the Chair of the Surrey Local Pension Board
  - the Director of Finance, Corporate and Commercial (or nominee)
  - the Assistant Director-LGPS Senior Officer
  - the Director of Legal and Democratic Services (or nominee)
- 4.12. Each employer representative and member representative of the Surrey Local Pension Board will have an individual vote on any matter needing a decision. Independent Members of the Surrey Local Pension Board do not have voting rights. It is expected that the Surrey Local Pension Board will, as far as possible, reach a consensus.

## 5. Appointment and duties of the Chair and Vice Chair of the Surrey Local Pension Board

- 5.1. A Chair and Vice Chair of the Surrey Local Pension Board to be appointed by the appointment panel in consultation with the Chair of the People, Performance and Development Committee and in accordance with the Appointment Process.
- 5.2. It will be the role of the Chair of the Surrey Local Pension Board to ensure that all members of the Surrey Local Pension Board show due respect for process, that all views are fully heard and considered, and to determine when consensus has been met.
- 5.3. The full responsibilities of the Chair of the Surrey Local Pension Board are contained in the **Chair of the Surrey Local Pension Board role description**.
- 5.4. The Vice Chair shall undertake the duties of the Chair in the event of the Chair's absence.

## 6. Notifications of appointments to the Surrey Local Pension Board

- 6.1. When appointments to the Surrey Local Pension Board have been made, the Scheme Manager shall publish the name of the Surrey Local Pension Board members, the process followed in the appointment together with the way in which the appointment supports the effective delivery of the purpose of the Local Pension Board.

## 7. Termination of membership of the Surrey Local Pension Board

- 7.1. Any termination of membership of the Surrey Local Pension Board will be in accordance with the **Appointment and Termination Process**.
- 7.2. Membership of the Surrey Local Pension Board may be terminated due to:
  - (i) a member representative appointed on the basis of their membership of the scheme no longer being a scheme member of the Fund;
  - (ii) an employer representative no longer holding the office or employment or being a member of the body on which their appointment relied;
  - (iii) a Surrey Local Pension Board member no longer being able to demonstrate to the Scheme Manager their capacity to attend and prepare for meetings or to participate in required training or otherwise to carry out the requirements of the role appropriately;
  - (iv) a Surrey Local Pension Board member having a conflict of interest which cannot be managed in accordance with the Surrey Local Pension Boards Code of Conduct and Conflict of Interest Policy;

- (v) a Surrey Local Pension Board member becomes responsible for the discharge of any function of the Administering Authority under the Regulations;
- (vi) the Scheme Manager may at its discretion terminate the membership of a Surrey Local Pension Board member if it believes that it appropriate and is consistent with the role of the Surrey Local Pension Board to do so.

## 8. Conflict of Interests

8.1. The Scheme Manager will approve a **Code of Conduct and Conflict of Interest Policy** which will be adopted by the Surrey Local Pension Board and by which members of the Surrey Local Pension Board will need to abide. Members of the Surrey Local Pension Board will provide any information the Scheme Manager reasonably requires from time to time to ensure that members do not have a conflict of interest.

## 9. Knowledge and Skills

9.1. In accordance with section 248A of the Pensions Act 2004 (“the 2004 Act”), every individual who is a member of the Surrey Local Pension Board must be conversant with:

- (i) the regulations governing the LGPS; and
- (ii) any document or policy about the administration of the Fund.

9.2. Surrey Local Pension Board members should also have a knowledge and understanding of:

- (i) the law relating to pensions; and
- (ii) such other matters as may be prescribed.

9.3. The Surrey Local Pension Board shall adhere to the Scheme Manager’s Training Policy Attendance and Knowledge and Understanding Policy to address the knowledge and skills requirements that apply to Surrey Local Pension Board members under the 2004 Act.

9.4. It is for individual Surrey Local Pension Board members to ensure they have the appropriate degree of knowledge and understanding to enable them to properly exercise their functions as a member of the Surrey Local Pension Board.

9.5. In line with this requirement, Surrey Local Pension Board members are required to be able to demonstrate their knowledge and understanding and to refresh and keep their knowledge up to date. Surrey Local Pension Board members are therefore required to maintain a written record of relevant training and development.

9.6. Surrey Local Pension Board members will undertake a personal training needs analysis and regularly review their skills, competencies, and knowledge to identify gaps or weaknesses. Surrey Local Pension Board members will comply with the Scheme Manager's training policy.

## **10. Local Pension Board Meetings: Notice and Public Access to Surrey Local Pension Board Meetings and Information**

- 10.1. There will be a sufficient number of meetings to enable the Surrey Local Pension Board to discharge its functions effectively, as decided by the Chair of the Surrey Local Pension Board with the consent of the Surrey Local Pension Board members, and no fewer than two Surrey Local Pension Board meetings a year.
- 10.2. The Scheme Manager shall give notice to all Surrey Local Pension Board members of every meeting of the Surrey Local Pension Board, which will be held in public (apart from confidential matters). All members will normally be sent an agenda and papers at least five working days before the meeting unless an urgent meeting is required.
- 10.3. Any meeting of the Surrey Local Pension Board will include provision for confidential matters or matters that would involve the likely disclosure of exempt information as specified in Part 1 of Schedule 12A of the Local Government Act 1972 to be dealt with privately in Part 2 and any documents in connection with such matters will be dealt with confidentially.
- 10.4. The Scheme Manager shall ensure that a formal record of Surrey Local Pension Board proceedings is maintained. Following the approval of the minutes by the Chair of the Surrey Local Pension Board, they shall be circulated to all members.
- 10.5. All agendas, reports and minutes will be available on the website except for any confidential or exempt matters.
- 10.6. In accordance with the Public Service Pensions Act 2013, the Administering Authority shall publish information about the Surrey Local Pension Board to include:
- (i) the names of the Surrey Local Pension Board members and their contact details;
  - (ii) the representatives of employers and members of the Surrey Local Pension Board;
  - (iii) the role of the Surrey Local Pension Board;
  - (iv) the Terms of Reference.

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## 11. Quorum

11.1. The Surrey Local Pension Board shall have a quorum of a quarter of the membership, or no fewer than three members which should always include the Chair or the Vice Chair, at least one employer representative and at least one member representative.

## 12. Surrey Local Pension Board Costs and Budget

12.1. The Surrey Local Pension Board is to be provided with adequate resources to fulfil its role. In doing so, the budget for the Surrey Local Pension Board will be met from the Surrey Pension Fund.

12.2. The Surrey Local Pension Board will seek approval from the section 151 officer or their delegate for any expenditure it wishes to make.

## 13. Core Functions of the Surrey Local Pension Board

13.1. The first core function of the Surrey Local Pension Board is to assist the Scheme Manager in securing compliance with the Regulations, any other legislation relating to the Scheme and requirements imposed by the Pensions Regulator in relation to the Scheme.

13.2. The second core function of the Surrey Local Pension Board is to ensure the effective and efficient governance and administration of the Scheme.

13.3. In support of its core functions the Surrey Local Pension Board may request information from the Surrey Pension Fund Committee with regard to any aspect of the Scheme Manager function. Any such request should be reasonably complied with.

13.4. The Surrey Local Pension Board may make recommendations to the Surrey Pension Fund Committee. These recommendations should be given due consideration and a response made to the Surrey Local Pension Board within a reasonable period of time.

## 14. Reporting Arrangements

14.1. The Surrey Local Pension Board should report to the Surrey Pension Fund Committee in the first instance.

14.2. On receipt of a report from the Surrey Local Pension Board, the Surrey Pension Fund Committee should consider and respond to the Surrey Local Pension Board within a reasonable period of time.

14.3. Where the Surrey Local Pension Board is satisfied that there has been a breach of regulation which is reported to the Surrey Pension Fund Committee and is not been rectified within a reasonable period of time the Surrey Local Pension Board has a duty to escalate this perceived breach



14.4. The appropriate internal route for escalation is the Senior LGPS Officer.

15. The Surrey Local Pension Board may report concerns to the LGPS Scheme Advisory Board subsequent to the internal route for escalation.

15.1. Surrey Local Pension Board members are subject to the requirement to report breaches of law to the Pension Regulator under the Act and the Code,

## **16. Surrey Local Pension Board Review Process**

16.1. The Surrey Local Pension Board will undertake each year a formal review process to assess how well it and the members are performing with a view to seeking continuous improvement in the Surrey Local Pension Board's performance.

## **17. Advisors to the Board**

17.1. The Surrey Local Pension Board may be supported in its role and responsibilities through the appointment of advisors and shall, subject to any applicable regulation and legislation from time to time in force, consult with such advisors to the Surrey Local Pension Board and on such terms as it shall see fit to help better perform its duties including:

- (i) any Governance Advisor
- (ii) the Fund's Actuary;
- (iii) the Fund's Administrator;
- (iv) the Fund's Legal Advisor;
- (v) the Fund's Investment Manager(s);
- (vi) the Fund's Investment Advisor(s);
- (vii) the Fund's Employer Covenant Advisor;
- (viii) the Scheme Manager;
- (ix) other advisors as approved by the Scheme Manager.

## **18. Code of Conduct**

18.1. The Scheme Manager will approve a Code of Conduct and Conflict of Interests Policy which will be adopted by the Surrey Local Pension Board and which members of the Local Pension Board will need to abide by.

## **19. Data Protection and Freedom of Information**

19.1. The Surrey Local Pension Board and its members will need to comply with the Scheme Manager's Data Protection and Freedom of Information Policy.

## **20. Accountability**

20.1. The Surrey Local Pension Board will be collectively and individually accountable to the Scheme Manager and to the Pensions Regulator.

## 21. Acceptance and Review of Terms of Reference

21.1. These Terms of Reference will be reviewed on each amendment to those parts of the Regulations covering Local Pension Boards.

21.2. The Terms of Reference was adopted on 17 March 2015

21.3. Version 4 of the Terms of reference was reviewed and adopted on 22 March 2024

Effective	17 March 2015
Reviewed	22 March 2024
Next review	31 March 2025

<b>Version</b>	<b>Nature of Change</b>	<b>Implemented</b>
V4	Initial Creation	25 March 2024

**SURREY COUNTY COUNCIL****SURREY PENSION FUND COMMITTEE****DATE:** 22 MARCH 2024**LEAD OFFICER:** ANNA D'ALESSANDRO, DIRECTOR OF FINANCE,  
CORPORATE AND COMMERCIAL**SUBJECT:** BUDGET 2024/25**SUMMARY OF ISSUE:**

The Budget for 2024/25 is the financial objective for the Fund within which to deliver its operations.

**RECOMMENDATIONS:**

It is recommended that the Pension Fund Committee:  
Approve the Fund's Budget for 2024/25.

**REASON FOR RECOMMENDATIONS:**

The Budget provides a framework for understanding the cost base of the Pension Fund service.

**DETAILS:****Budget 2024/25**

- The operational budget for the Pension Fund has been rebaselined for the coming year. For 2024/25 this amounts to circa **£7.5 million**.

<b>£000</b>	<b>2024/25</b>	
Staff costs	<b>4,100</b>	Includes CRT
SCC Recharged overheads	<b>690</b>	Property/IT/other
Recharged costs	<b>1,270</b>	Including System costs
Other direct costs	<b>1,420</b>	Includes project costs
<b>Total</b>	<b>7,480</b>	

<b>We aim to monitor actuals against this budget...</b>	1.1 The budget comprises assessments for the investment, service delivery, and oversight activities of the fund. We are aiming to monitor actual results against this initial budget during 2024/25 to understand where the outturn for various line items differs from the original high level assumptions.
<b>...and use this experience for subsequent years</b>	1.2 This foundation year will provide a good basis for future comparisons as the structure becomes further established – and experience of how this works will be applied for 2025/26 and beyond.
<b>Information aggregated from multiple sources</b>	1.3 Staff, premises and IT costs are based on anticipated payroll and recharged amounts, uplifted for expected salary increases and inflation. Other items are based on net costs incurred historically.

2. The Budget schedule is attached as Annexe 1.

#### **CONSULTATION:**

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

#### **RISK MANAGEMENT AND IMPLICATIONS:**

4. A risk related issue is the possibility of not achieving part or all of the Pension Fund activities within the Budget. Officers are aware of the need to monitor performance against objectives on a regular basis.

#### **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 FINANCE, CORPORATE AND COMMERCIAL COMMENTARY**

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

#### **LEGAL IMPLICATIONS – MONITORING OFFICER**

7. There are no legal implications or legislative requirements.

#### **EQUALITY 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. Next steps include devising a framework for monitoring actual costs against budget categories.

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**Contact Officer:** Keevah Dumont – Deputy Head of Accounting and Governance  
Paul Titcomb – Head of Accounting and Governance

**Consulted:** Pension Fund Committee Chair

**Annexes:**

1. Budget Summary 2024/25

**Sources/background papers:**

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# 2024/25 Budget

March 2024

# Executive summary

**Operational cost  
planned at £7.5m**

The budget before external investment items is anticipated to be £7.5m. This includes staff costs, overheads and advisory costs.

**Overall budget is  
for inflow of £28m**

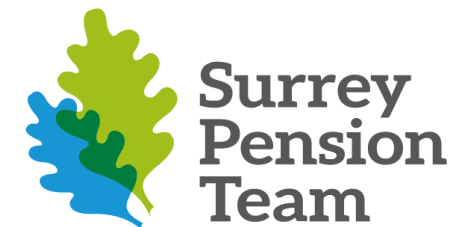
The budget for the fund as a whole sets out a surplus for 2024/25 – but this is highly dependent on the net level of transfers in vs transfers out and the investment returns received directly.

**Only direct  
payments in  
scope**

Budgetted items include direct investment returns and fees – not included are management fees paid out of investment holdings (captured as part of change in market value).



# Operational budget



	Budget 2024/25
	£000
Admin staffing	2,800
Oversight/governance/change/investments	1,300
<b>Total staff costs</b>	<b>4,100</b>
Premises	230
IT	250
Legal, Procurement, Insurance	90
HR	80
Democratic Services, Internal Audit	20
BusOps, Treasury	20
<b>Total recharged overheads</b>	<b>690</b>
Computer Services	790
Other bank staff	110
S151 allocation	20
Travel	10
Training	100
Other	240
<b>Non staff costs</b>	<b>1,270</b>
<b>Total SCC recharge</b>	<b>6,060</b>
Advisors	590
Audit	90
Memberships and Benchmarking	240
Projects	500
<b>Total direct other costs</b>	<b>1,420</b>
<b>Total</b>	<b>7,480</b>

## Staff costs include CRT

Staff costs comprise all Surrey Pension Team staff (including the Customer Relationship Team).

## SCC recharge overheads

Overhead recharges for 2024/25 are headcount based and assumed to be in line with historical experience.

## Non staff costs include Heywoods

Allocation made for computer services costs in relation to Altair system based on historic expenditure.

## Training allowance made

Material allowance made for training due to renewed focus for Board and Committee.

## Direct overheads include project costs

Additional allowance made for projects (including backlog remediation).

# Staffing

Grade	Number					Total
	Admin	A&G	Investment	Change	SLT	
PS16	-	-	-	-	1	1
PS13	1	1	1	1	-	4
PS12	2	-	-	-	-	2
PS11	-	1	1	2	-	4
PS10	6	4	-	1	-	11
PS09	-	-	-	1	1	2
PS08	8	3	-	1	-	12
PS07	11	-	-	-	-	11
PS06	25	1	-	1	-	27
PS05	14	-	-	-	-	14
	67	10	2	7	2	88

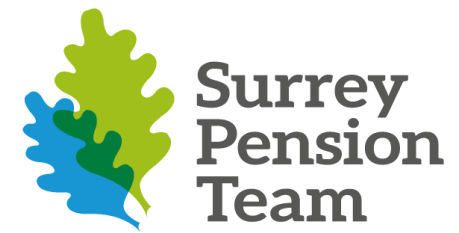
**Staffing  
scheduled by  
grade**

The grid shows FTEs by service area. Heads of Service have been allocated to the relevant service.

**Budget assumes  
2024/25 pay rates**

Staff costs derived from this grid use proposed 2024/25 pay scales.

# Fund overview



£m	Actual 2022/23	Budget 2024/25
Employer contributions	159	159
Member contributions	49	49
<b>Total contributions</b>	<b>208</b>	<b>208</b>
Transfers in	36	37
<b>Total income for pensions</b>	<b>244</b>	<b>245</b>
Pensions	(151)	(177)
Commutation/lump sum retirement	(21)	(21)
Other	(5)	(10)
<b>Total benefits</b>	<b>(177)</b>	<b>(208)</b>
Transfers out	(26)	(37)
<b>Total expenditure for pensions</b>	<b>(203)</b>	<b>(245)</b>
Investment income	42	45
Taxes on income	(1)	(1)
Investment expenses	(8)	(9)
<b>Net direct investment income</b>	<b>33</b>	<b>35</b>
Administrative expenses	(4)	(5)
Oversight/governance costs	(2)	(2)
Non-recurring items/PYA	(6)	-
<b>Total operational cost</b>	<b>(12)</b>	<b>(7)</b>
<b>Net income</b>	<b>62</b>	<b>28</b>
<b>Reconciliation of fund value</b>		
Net income	62	
Change in Market Value	(128)	
Net decrease in fund value	(66)	
Opening fund value	5,357	
<b>Closing fund value</b>	<b>5,291</b>	

## Actuarial projections used

Total contributions and total benefits agree to the Hymans cashflow analysis presented to the Pension Fund Committee in December 2023.

## Transfers contra

The budget assumes net nil transfers in/out rather than projecting a net income.

## Investment income is 'direct' only

Investment income is only that accounted for directly – other movements are captured in the 'change in market value' net figure.

## Operational cost c.£7.5m

The total costs of the service are included in the Administrative expenses and Oversight/governance costs lines.

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**SURREY COUNTY COUNCIL****SURREY PENSION FUND COMMITTEE****DATE: 22 MARCH 2024****LEAD OFFICER: ANNA D'ALESSANDRO, DIRECTOR OF FINANCE CORPORATE AND COMMERCIAL****SUBJECT: INVESTMENT MANAGER PERFORMANCE AND ASSET/LIABILITIES UPDATE****SUMMARY OF ISSUE:**

This report is a summary of manager issues for the attention of the Pension Fund 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.

**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.

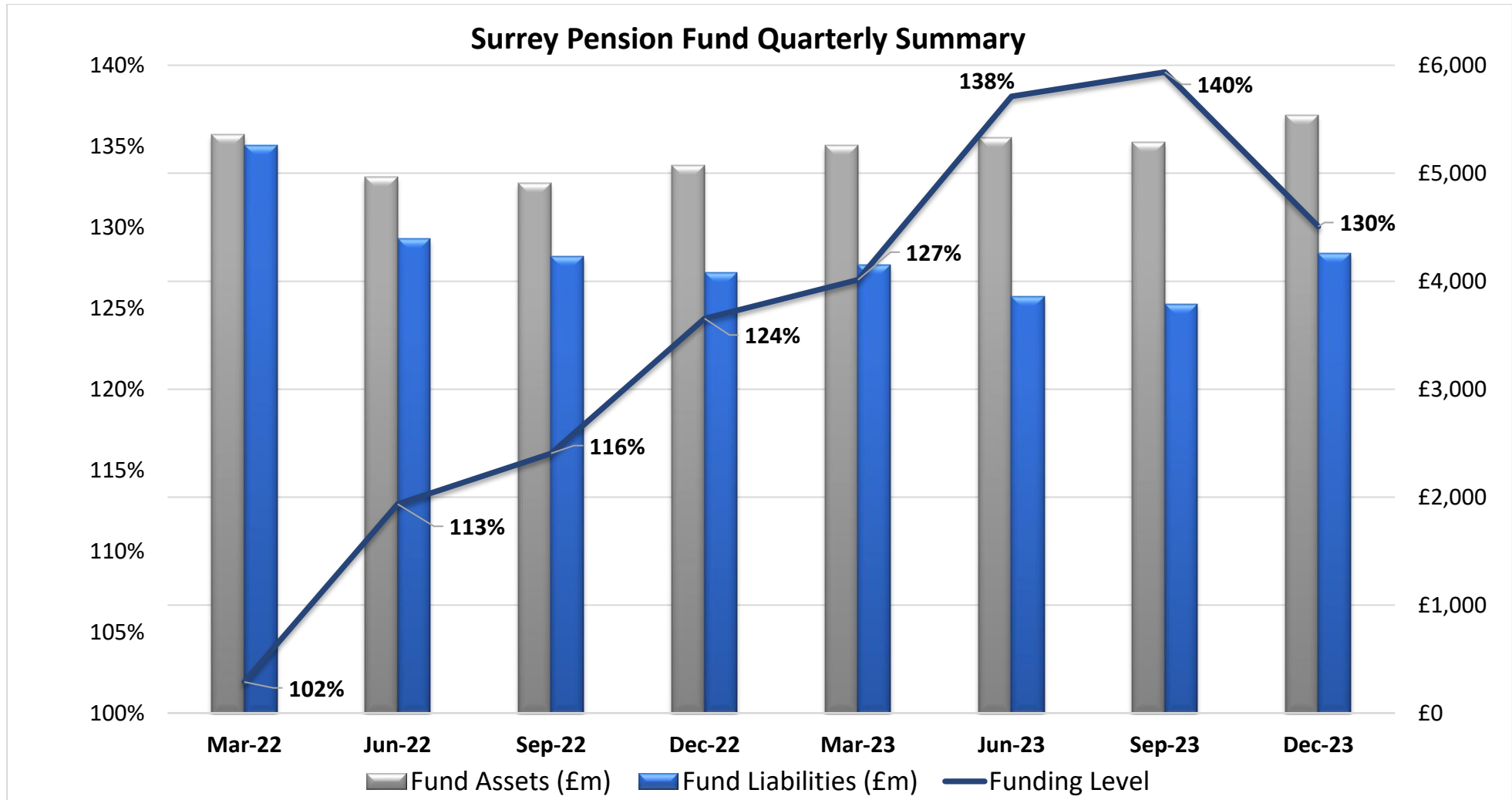
#### 4. Results and assumptions

Dynamic Discount Rate	31 March 2022	30 September 2023	31 December 2023
Assets (£bn)	5.36	5.29	5.54
Past service liabilities (£bn)	5.26	3.79	4.26
<b>Surplus (£bn)</b>	<b>0.10</b>	<b>1.51</b>	<b>1.28</b>
Funding level	102%	140%	130%
Discount Rate	4.4%	6.8%	6.1%
Salary Increases	3.7%	3.3%	3.2%
Pension Increases	2.7%	2.3%	2.2%
Likelihood of success	70%	70%	70%
Required return to be 100% funded	4.3%	4.7%	4.5%

- The liability value in the above table as at 30 September 2023 makes allowance for the April 2023 Pension Increase Order of 10.1%. Similarly, the liability values in the above table as at 31 December 2023 makes allowance for both the April 2023 Pension Increase Order of 10.1% and the expected April 2024 Pension Increase Order of 6.7%.
- The funding level has decreased over the quarter from 30 September 2023, though remains higher than that reported at the 2022 valuation. Liability values have increased since 30 September 2023 due to a decrease in the assumed level of future investment returns (the discount rate) and the allowance for the 2024 Pension Increase order. On the flipside, the value of the assets at 31 December 2023 is slightly higher than that reported as at 30 September 2023, due to positive asset returns.
- The net position has reduced from a surplus of £1.5bn at 30 September 2023 to a surplus of £1.3bn at 31 December 2023.
- The improvement in the funding level since the 2022 valuation, whilst welcome, is primarily due to an increase in the expected rate of future investment returns, i.e. the discount rate. In the absence of these higher return expectations, it is likely that the funding level would have fallen since the 2022 valuation due to higher than expected inflation experience and lower than expected asset returns. To illustrate this, the required return (the level of returns required to ensure the Fund remains 100% funded) is higher as at 31 December 2023 (4.5%) than it was as at 31 March 2022 (4.3%) i.e. higher asset returns are now required to maintain a funding level of 100%
- For comparison purposes, the actuaries have also estimated the updated funding position of the Fund as 31 December 2023 based on the fixed discount rate of 4.4%, which was set at the 31 March 2022 valuation. See table below.

Static Discount Rate	31 December 2023
Assets (£bn)	5.54
Past service liabilities (£bn)	5.70
<b>Surplus (Deficit) (£bn)</b>	<b>(0.16)</b>
Funding level	97%
Discount Rate	4.4%
Salary Increases	3.2%
Pension Increases	2.2%
Likelihood of success	87%

10. The graph below shows the development of the funding ratio since the last valuation.



11. Global equities rallied strongly over the 3 months to end December 2023, as expectations violently swung from interest rates being 'higher for longer', towards reductions during 2024.
12. October was a challenging month; global equities continued to fall, bogged down by geopolitical fears about war in the Middle East and uncertainty over whether interest rates had peaked. In the final two months of the year, however, markets staged a strong rally, buoyed by the prospect that the US Federal Reserve (Fed) had concluded its rate rises and was likely to cut rates in 2024. The Fed's optimistic outlook for a 'soft landing' for the economy was backed up by US economic data suggesting that inflation was steadily falling while economic activity remained robust. US inflation fell to 3.1% for November while the US composite purchasing managers' index (PMI) rose to 51.0 in December, marking the third straight month of growth.
13. European equities outperformed global equities. Eurozone inflation fell to 2.4% in November (driven by falling energy costs), close to the European Central Bank's (ECB's) 2% inflation target. Economic weakness however, persisted, with the HCOB composite PMI remaining in contractionary territory. The combination of falling inflation and recessionary fears raised expectations that the ECB could cut rates in 2024. UK equities underperformed amid downbeat news on economic growth and comments from Bank of England Governor Andrew Bailey that it was "too early to be thinking about rate cuts". Emerging markets also underperformed, weighed down by China, where policy meetings offered pro-growth signals but lacked specific plans to achieve this. Credit data showed lacklustre private-sector activity, and ratings agency Moody's warned that China's A1 credit rating may be downgraded.
14. Government bond yields fell, and so prices rose, over the quarter. Benchmark 10-year yields in the US, the UK, Germany and Japan all ended the quarter lower. Yields on the 10-year US Treasury fell significantly, from 4.57% to 3.87%. In December, the Fed signalled that it was prepared to cut rates, potentially even before inflation is brought fully to target, which justified the significant fall in bond yields over the previous weeks. The yield on the 10-year German bund fell from 2.81% to 2.00%. The ECB paused its interest rate hikes over the quarter, leading to expectations that the bank will cut rates in 2024. Ten-year gilt yields fell from 4.44% to 3.60%. UK inflation dropped to 3.9% in November, down from 6.7% in September, as costs declined for a wide variety of consumer products, including food, utilities, clothing and entertainment. The period saw yields on global corporate bonds fall in the US, the eurozone and the UK, reflecting the fall in government bond yields highlighted above and also a tightening of credit spreads.
15. The US dollar fell against the euro, sterling and the Japanese yen as the market speculated that the Fed may cut interest rates ahead of other regions. The Japanese yen rose against the US dollar, the euro and sterling, as the market priced in the end of rate rises in the US and Europe. However, Japanese Governor, Kazuo Ueda, said that the central bank was in no rush to exit its ultra-loose monetary policy.

## Performance Review

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16. Overall, the Fund returned 4.73% in Q3 2023/24 (September-December 2023), in comparison with the benchmark of 5.28%.
17. The performance from the actively managed equity mandates was mixed, with Newton Global Equity (Newton) and BCPP UK Equity Alpha (BCPP UK) outperforming their benchmarks and BCPP Global Equity Alpha (BCPP Global) and BCPP Emerging Markets Alpha (BCPP EM) underperforming. BCPP Global underperformed due to an underweight position to large US technology companies that did particularly well over the period, although the fund is still ahead of benchmark over 1 and 3 years. The impact of the strength of US technology shares can be seen across a number of portfolios, either negatively



or positively, depending on whether or not underlying positions to these companies are held. The level of exposure to Chinese equities was also a driver of performance as the Chinese market was weak over the period which impacted BCPP EM. On a brighter note, BCPP UK slightly outperformed over the period as expectations of rate cuts increased, supporting smaller capitalised stock's valuations and encouraging some takeovers by private equity companies. Disappointingly, the 3-year track record for BCPP UK remains poor. Newton outperformed over the 3 months, driven by stock selection in the Industrial sector and being underweight to Energy. Newton is ahead of benchmark over 1 and 3 years as well.

18. As discussed in the market review, interest rate expectations swung from 'higher for longer' to numerous reductions during 2024. This led to a re-pricing in the credit markets, generating stronger returns for the BCPP Multi-Asset Credit Fund (MAC), which benefited from both lower yields and a narrowing of spreads. This dynamic is particularly helpful to longer duration assets and MAC has a bias to high duration. The gilts switch to the Legal and General Investment Management Over 15 Year Gilts Index Fund took place during the quarter. Whilst there is no 3-month data, the fund returned 15.9% over November and December, benefiting from the same dynamic explained above and tracking the benchmark. This change in interest rate expectations also supported the BCPP Listed Alternatives Fund, especially as real estate share prices rallied.
19. Whilst all of the mandates mentioned above increased in value in absolute terms, there were both absolute falls and benchmark underperformance for private markets and real estate. The real estate benchmark was the only one over the period to have a negative return, indicating that the market remains difficult, and CBRE also underperformed this benchmark. The largest detractor relative to the benchmark was currency as the dollar weakened against sterling. CBRE was also impacted by building compliance and fire safety issues within one of their student accommodation investments and continued pressure on regional office valuations.
20. The private markets allocation has registered an absolute fall of -2.19% in value over the last 3 months, and -4.97% over the last 1 year. The most significant negative impact over the last 3 months and 1 year came from the BCPP Infrastructure sleeve of the BCPP private markets programme. This was driven by two companies involved in fibre network expansion which were negatively impacted by inflationary cost pressures and the availability and cost of debt.
21. The investment in Darwin was the other main negative driver over the full year, having been impacted by a change in the discount rate used in the valuation methodology, as discussed in the asset class review paper from the Independent Advisor at the December 2023 Committee meeting.
22. Measuring the return from private markets over short periods is difficult, especially if large parts of the investment are immature and suffering the J-curve effect, (capital and fees are drawn down but value creation strategies haven't had time to be effective) or if the transaction market is quiet, slowing disposals when value may be realised. Whilst the disappointments above have been noted, the vast majority of the private market allocation seems to be performing in line with expectations (see Independent Advisors report from Committee meeting 15 December 2023), but only a longer time frame will confirm or otherwise.
23. The Fund compares the return of private markets to the return from global listed equities in this report. While the expected return from private markets is expected to be higher than the long-term average return on listed equities, it is also less volatile. Therefore, over short periods when the listed equity market

13

falls significantly this asset class shows an outperformance and conversely an underperformance when listed equities rise significantly. As can be seen over the last year, at the same time as private markets have returned -4.97%, global listed equities have rallied 16.81%. This may not be a true reflection of ultimate returns and a case could be made that a low point for private markets is being compared to a recovered point for listed equities. The 3-year numbers show that both private markets and the benchmark have returned between 9% and 10%.

24. This comparison has had a material effect on the reported relative performance of the Fund overall given the 15.3% weighting to private markets and the scale of the performance difference. Of the Funds overall underperformance of -268bp, private markets contributed, on this measure, -372bp. In other words, comparing private markets to global listed equities over the last year has produced 139% of the reported underperformance of the Fund overall.

### **Sector Weightings**

25. As agreed at the Committee meeting of 15 December 2023, the sector positioning within the active listed portfolios and global Future World portfolio has been provided and can be found in Annexe 1.

## Fund Performance - Summary of Quarterly Results

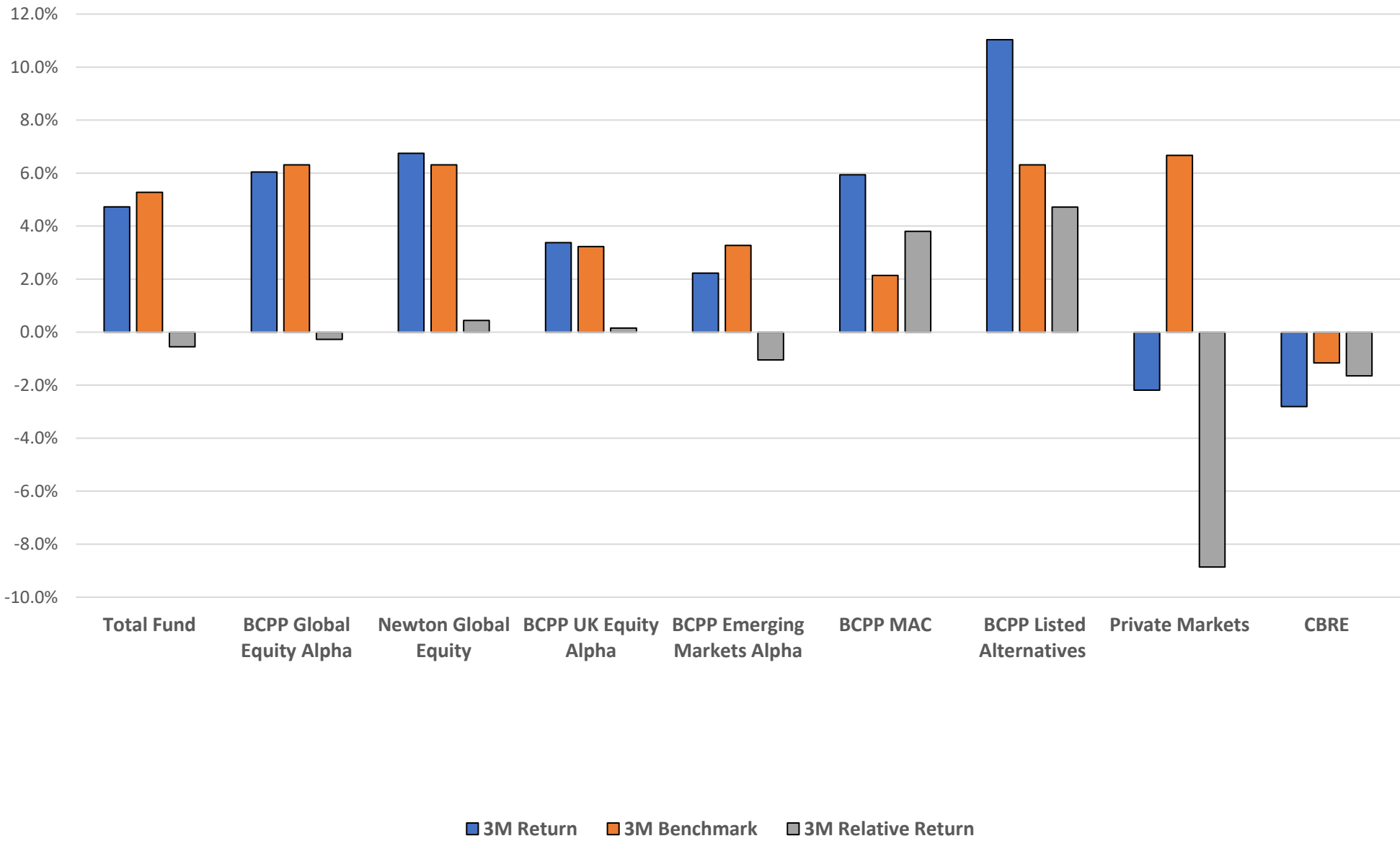
The table below shows manager performance for Q3 2023-24 (September 2023-December 2023), net of investment manager fees, against manager specific benchmarks using Northern Trust data.

As at 31 December 2023	£m	3M Return	3M Benchmark	3M Relative Return	1Y Return	1Y Benchmark	1Y Relative Return	3Y Return	3Y Benchmark	3Y Relative Return
<b>Total Fund</b>	<b>5,556.9</b>	4.73%	5.28%	-0.55%	9.30%	11.98%	-2.68%	4.58%	6.02%	-1.44%
<b>Active Global Equity</b>	<b>1,296.5</b>	-	-	-	-	-	-	-	-	-
BCPP Global Equity Alpha	811.3	6.04%	6.31%	-0.27%	16.86%	15.31%	1.55%	9.18%	8.24%	0.94%
Newton Global Equity	485.2	6.75%	6.31%	0.44%	18.75%	15.31%	3.44%	8.65%	8.24%	0.41%
<b>Active Regional Equity</b>	<b>631.9</b>	-	-	-	-	-	-	-	-	-
BCPP UK Equity Alpha	358.7	3.38%	3.23%	0.15%	7.97%	7.92%	0.05%	4.34%	8.61%	-4.27%
BCPP Emerging Markets Alpha	273.2	2.23%	3.27%	-1.05%	-	-	-	-	-	-
<b>Passive Global Equity</b>	<b>1,175.1</b>	-	-	-	-	-	-	-	-	-
LGIM - Future World Global	1,175.1	7.07%	6.96%	0.12%	16.51%	16.15%	0.36%	-	-	-
<b>Passive Regional Equity</b>	<b>119.9</b>	-	-	-	-	-	-	-	-	-
LGIM - Europe Ex-UK	56.5	7.83%	7.86%	-0.03%	15.26%	15.60%	-0.33%	7.64%	7.77%	-0.13%
LGIM - Japan	17.5	3.31%	3.30%	0.01%	13.25%	13.26%	-0.01%	3.34%	3.38%	-0.03%
LGIM - Asia Pacific ex-Japan	46.0	7.75%	7.73%	0.02%	4.85%	4.87%	-0.02%	1.79%	1.86%	-0.07%
<b>Fixed Income</b>	<b>907.7</b>	-	-	-	-	-	-	-	-	-
BCPP MAC	778.5	5.94%	2.14%	3.80%	10.37%	8.27%	2.10%	-	-	-
LGIM - 15 Yr+ Gilts*	129.2	15.93%	15.92%	0.01%	-	-	-	-	-	-
<b>Private Markets Proxy</b>	<b>100.1</b>	-	-	-	-	-	-	-	-	-
BCPP Listed Alternatives	100.1	11.03%	6.31%	4.72%	9.46%	15.31%	-5.85%	-	-	-
<b>Private Markets</b>	<b>850.0</b>	-	-	-	-	-	-	-	-	-
Private Markets	850.0	-2.19%	6.67%	-8.86%	-4.97%	16.81%	-21.77%	9.14%	9.80%	-0.66%
<b>Real Estate</b>	<b>291.7</b>	-	-	-	-	-	-	-	-	-
CBRE	291.7	-2.81%	-1.16%	-1.65%	-7.07%	-1.42%	-5.65%	2.13%	2.07%	0.06%
<b>LGIM Currency Overlay</b>	<b>18.4</b>	-	-	-	-	-	-	-	-	-
<b>LGIM Sterling Liquidity Fund</b>	<b>62.2</b>	1.38%	1.33%	0.04%	-	-	-	-	-	-
<b>Liquidity**</b>	<b>103.5</b>	-	-	-	-	-	-	-	-	-

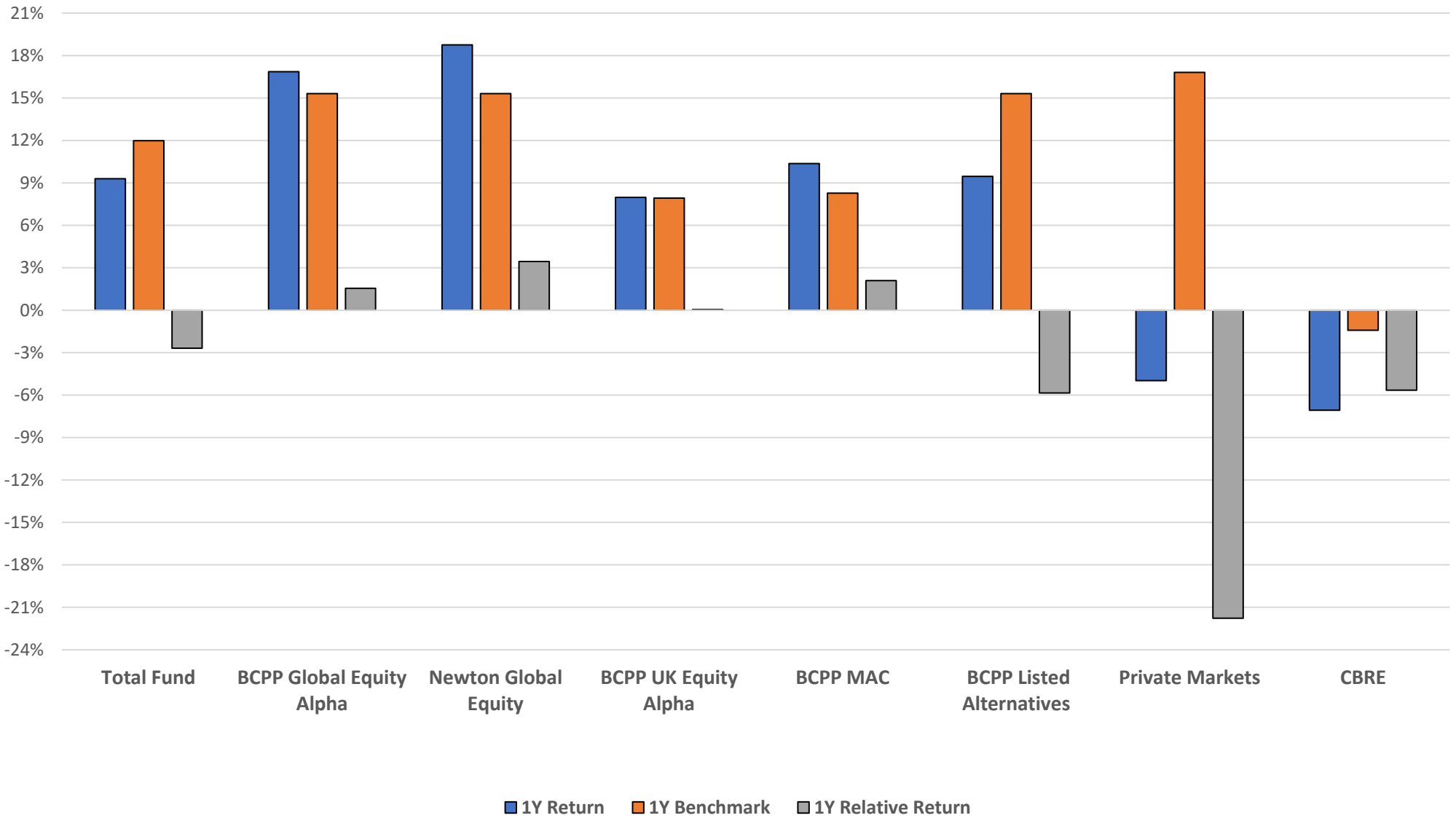
\* Performance return from 1 November 2023

\*\* Includes £38.4m of money market funds

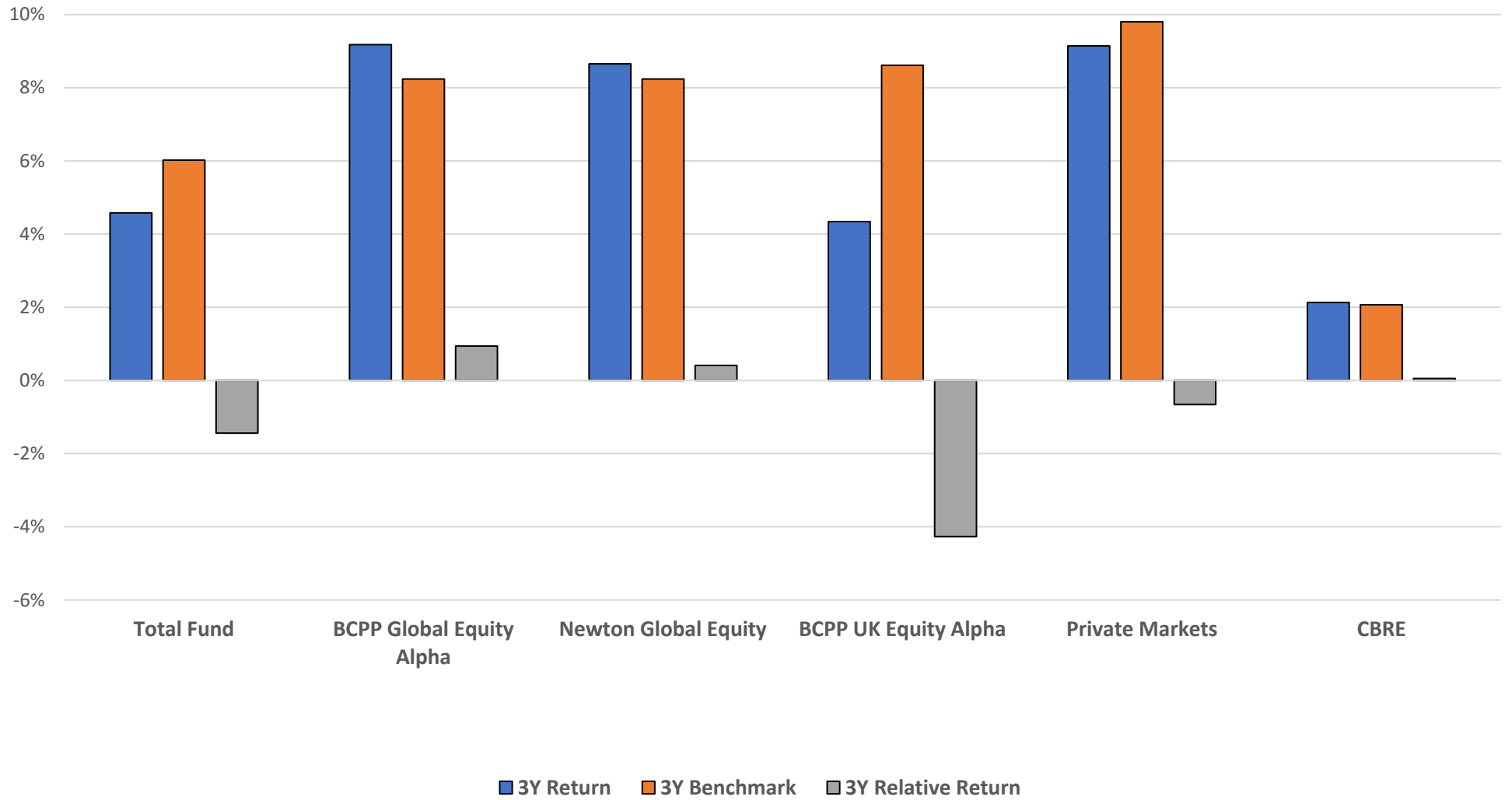
### 3 Months to 31 December 2023 Active Manager Performance Relative to Benchmark



### 1 Year to 31 December 2023 Active Manager Performance Relative to Benchmark



### 3 Years to 31 December 2023 Performance Relative to Benchmark



## Recent Transactions

26. 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.
27. From the second half of 2022 the Fund has used BCPP Listed Alternatives, BCPP UK Equity Alpha and LGIM Liquidity Fund as a source of funds for private market capital calls.
28. As part of the new asset allocation agreed in the December 2022 Committee meeting, a series of transactions has taken place during 2023.
29. In April 2023, the Fund invested another £100m into the LGIM Future World Global Equity Index Fund. This was funded by the redemption of £89m from the BCPP UK Equity Alpha Fund and an £11m in specie transfer out of LGIM Future World Emerging Markets Fund, which itself was an in-specie transfer from the LGIM Emerging Markets Fund in March 2023. Also in April 2023, £60m was switched from LGIM Bespoke to the LGIM Sterling Liquidity Fund to reduce fees.
30. In July 2023, the Fund invested £267m into the BCPP Emerging Markets Equity Alpha Fund. This was funded by the complete redemption of the Fund's remaining holding in the LGIM Emerging Markets Fund.
31. Since December 2022, £240m has been redeemed from BCPP Listed Alternatives Fund to fund capital calls in private markets.
32. Following the Committee's approval of the Investment Strategy Statement in June 2023, the MAC fund exposure was increased. As at 30 September 2023, £60m of BCPP UK Equity Alpha had been sold and £60m of MAC purchased. In October 2023, £60m of Newton Global Equity was sold and £60m of MAC purchased. In November 2023, a further £60m of MAC was purchased.
33. The re-structure of the legacy LGIM Bespoke fund was approved by the Committee in September 2023. In November 2023, in line with that decision, the LGIM Bespoke Fund was liquidated, and a corresponding amount was purchased in the LGIM Over 15Y Gilt fund. The amount of the transaction was £111.4m.
34. To align the exposure to MAC to the Investment Strategy Statement (ISS), the final purchase was completed in January 2024. This amounted to a £60m purchase of MAC and takes the weighting to approximately 15%. There was a corresponding £60m sale of Newton Global Equity. These transactions took place after the reporting period for this paper.
35. A sale of £20m in Listed Alternatives was completed in January 2024 to help fund ongoing private market capital commitments and drawdowns.
36. Capital calls have predominantly been funded by the BCPP Listed Alternatives Fund. Going forward, these calls may increasingly be funded by Newton Global Equity and LGIM Sterling Liquidity Fund assets.
37. The expected private market commitments to the BCPP programme for April 2024 are £50m to Climate Opportunities, £80 to Private Credit and £90m to UK Opportunities.

## Stock Lending

38. In the quarter to 31 December 2023, stock lending earned a net income for the Fund of £3,038 compared with £9,152 for the quarter ended 30 September 2023.

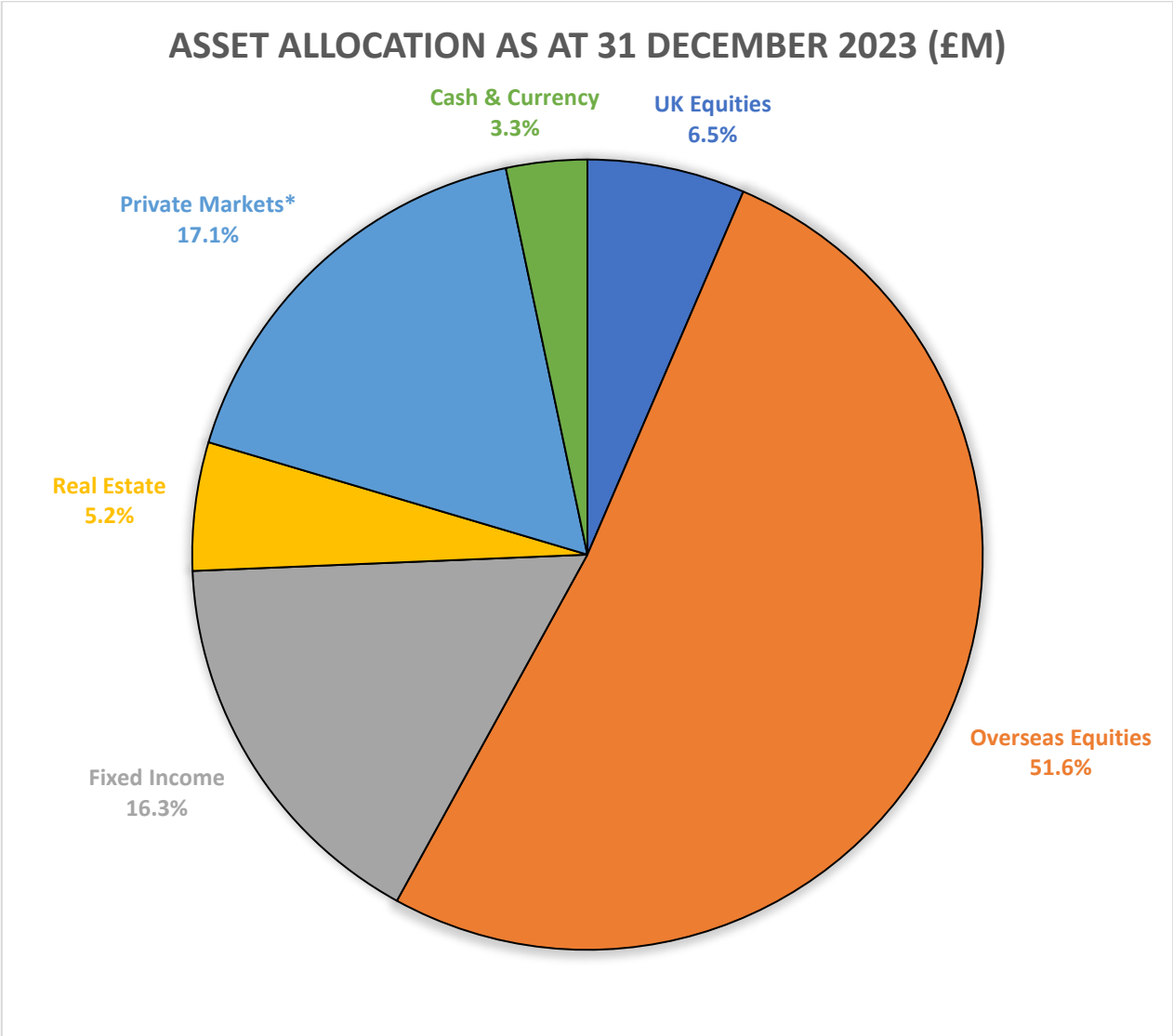
## Asset allocation

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

As at 31 December 2023	Total Fund (£M)	Actual (%)	Target (%)	Advisory ranges %	Role(s) within the strategy
<b>Listed Equities</b>	-	<b>58.0%</b>	<b>55.8</b>	<b>52.8 – 58.8</b>	Generate returns in excess of inflation, through exposure to the shares of domestic and overseas companies.
UK	358.7	6.5%	6.7	-	-
Global Market Cap	1,296.5	23.3%	21.8	-	-
Global Regional	119.9	2.2%	2.2	-	-
Emerging Markets	273.2	4.9%	5.6	-	-
Global Sustainable	1,175.1	21.1%	19.5	-	-
<b>Alternatives</b>	-	<b>22.3%</b>	<b>27.3</b>	<b>22.3-32.3</b>	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	320.3	5.8%	5	2.0-8.0	-
Infrastructure	343.6	6.2%	6	3.0-9.0	-
Private Credit	146.9	2.6%	6	2.0-8.0	-
Climate Opportunities	39.2	0.7%	3	0.0-6.0	-
Listed Alternatives	100.1	1.8%			-
Real Estate	291.7	5.2%	7.3	4.3–10.3	-
<b>Credit</b>	-	<b>16.3%</b>	<b>16.9</b>	<b>12.1-21.7</b>	Offer diversified exposure to global credit markets to capture both income and capital appreciation of underlying bonds.
Multi Asset Credit	778.5	14.0%	15.1	12.1-18.1	-
Fixed Interest Gilts	129.2	2.3%	1.8	0.0-3.6	-
<b>Cash &amp; Currency Overlay</b>	184.0	<b>3.3%</b>	-	-	-
<b>Total</b>	<b>5,556.9</b>	-	<b>100</b>	-	-



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

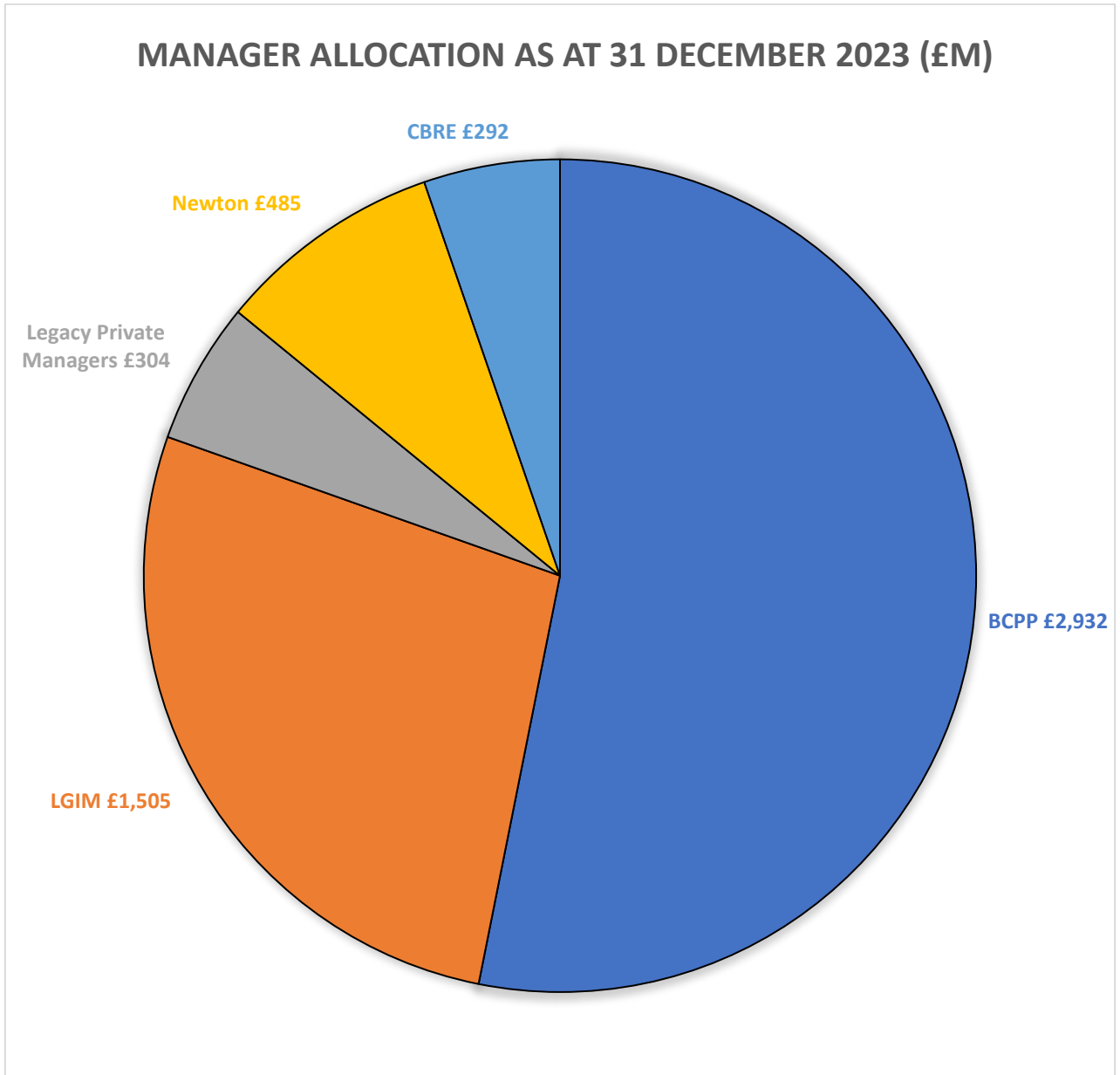


\*Includes Listed Alternatives

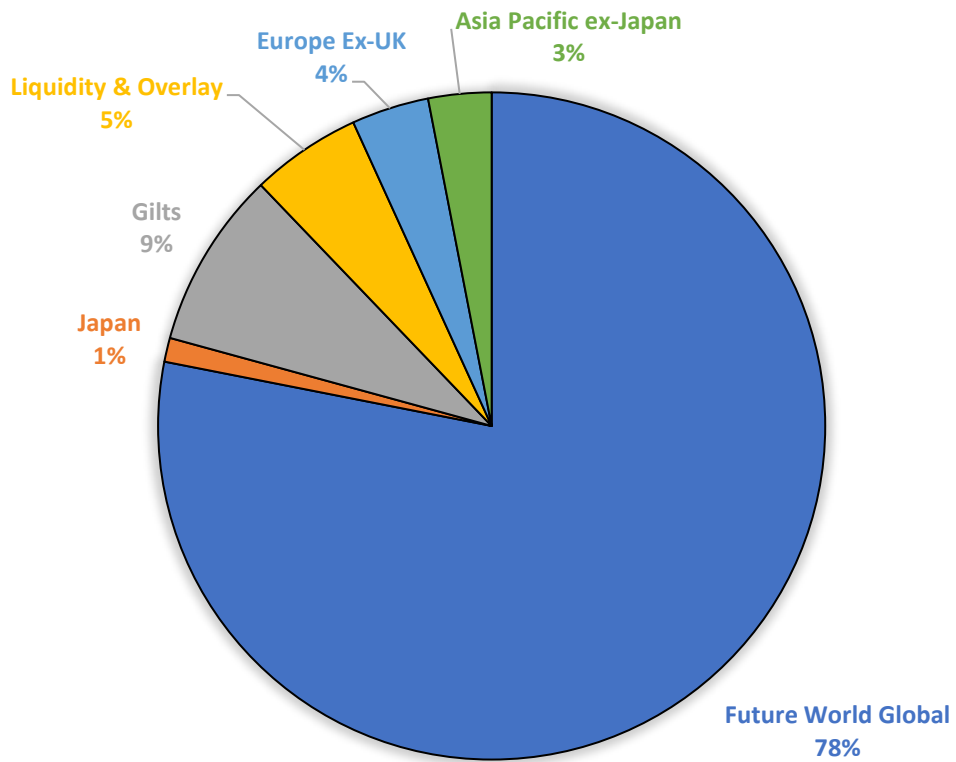
## Manager Allocation

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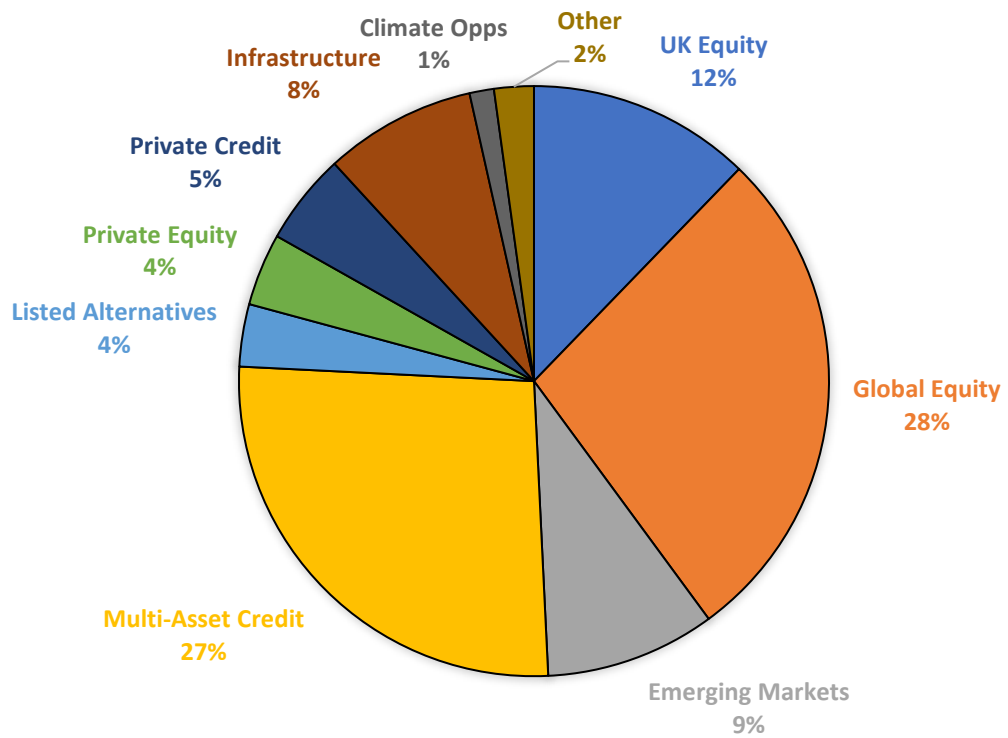
The graph below shows the manager allocation for the quarter ending 31 December 2023.



### LGIM ALLOCATION DETAIL AS AT 31 DECEMBER 2023



### BORDER TO COAST ALLOCATION AS AT 31 DECEMBER 2023



## Cashflow

40. 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.

<b>Period</b>	<b>Total contributions received £m</b>	<b>Total pension benefits paid £m</b>	<b>Net cash-flow £m</b>
Quarter 2 2023/24  (1 Jul 2023 – 30 Sep 2023)	57.5	66.5	-9
Quarter 3 2023/24  (1 Oct 2023 – 31 Dec 2023)	56.6	60.9	-4.3

Quarterly cashflow information has been derived from the finance system Unit4 / MySurrey so for the periods shown there may be timing differences due to issues with reporting.

41. An indication of the current membership trends is shown by movements in membership over Q2 and Q3. Member data listed below.

<b>Period</b>	<b>Active members</b>	<b>Deferred members</b>	<b>Pension members</b>	<b>Total members</b>
Quarter 2 2023/24  (1 Jul 2023 – 30 Sep 2023)	34,553	44,761	30,855	110,169
Quarter 3 2023/24  (1 Oct 2023 – 31 Dec 2023)	34,498	46,394	31,374	112,266

## Fund Manager Benchmarks

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

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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 ACWI	
BCPP	Emerging Markets Equity Alpha	MSCI EM Index	+2.0%
Newton	Global Equities	MSCI ACWI	+2.0%
Various	Private Markets	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 Index  Future World Global Equity Index  Japan Equity Index  Asia Pacific ex-Japan Development Equity Index  Sterling Liquidity  15 Yr+ Gilts Index	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)  SONIA  FTA Over 15 Yr Total Return	To track the performance of the respective indices within a lower level of tracking deviation (gross of fees) over rolling 3-year periods

### **CONSULTATION:**

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

### **RISK MANAGEMENT AND IMPLICATIONS:**

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

### **FINANCIAL AND VALUE FOR MONEY IMPLICATIONS**

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

### **DIRECTOR OF FINANCE CORPORATE AND COMMERCIAL COMMENTARY**

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

## **LEGAL IMPLICATIONS – MONITORING OFFICER**

46. There are no legal implications or legislative requirements.

## **EQUALITIES AND DIVERSITY**

47. 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**

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

## **WHAT HAPPENS NEXT**

49. The following next steps are planned:

- Continue to implement asset allocation shifts as agreed by the Committee.
- Continue to monitor performance and asset allocation.

### **Contact Officer:**

Lloyd Whitworth, Head of Investment & Stewardship

### **Consulted:**

Pension Fund Committee Chair

### **Annexes:**

1. Annexe 1 – Sector weightings
2. Annexe 2 - Manager Fee Rates (Part 2)

### **Sources/background papers:**

## Sector Positioning

The tables below show the sector positioning for the active listed equity funds and global Future World fund as at 31 December 2023.

### BCPP Global Equity Alpha Fund

Sector	Portfolio	Benchmark	Relative
Financials	21.3%	15.9%	5.4%
Consumer Staples	9.8%	6.8%	3.0%
Cash	2.4%	0.0%	2.4%
Consumer Discretionary	13.0%	11.1%	2.0%
Communication Services	8.7%	7.3%	1.4%
Health Care	11.4%	11.2%	0.2%
Industrials	10.3%	10.7%	-0.3%
Energy	2.4%	4.5%	-2.1%
Materials	2.4%	4.5%	-2.2%
Real Estate	0.1%	2.4%	-2.3%
Utilities	0.0%	2.6%	-2.6%
Information Technology	18.2%	22.9%	-4.7%

### Newton Global Equity Fund

Sector	Portfolio	Benchmark	Relative
Information Technology	26.6%	22.9%	3.7%
Industrials	13.9%	10.7%	3.2%
Health Care	14.2%	11.2%	2.9%
Cash	2.9%	0.0%	2.9%
Financials	18.5%	15.9%	2.5%
Consumer Staples	8.0%	6.8%	1.2%
Materials	4.2%	4.5%	-0.4%
Communication Services	5.1%	7.3%	-2.3%
Real Estate	0.0%	2.4%	-2.4%
Utilities	0.0%	2.6%	-2.6%
Consumer Discretionary	6.8%	11.1%	-4.3%
Energy	0.0%	4.5%	-4.5%

**LGIM – Future World Global Equity Fund**

Sector	Portfolio	Pre-Tilt Benchmark	Relative
Information Technology	25.9%	22.7%	3.1%
Health Care	13.2%	11.2%	2.0%
Financials	17.8%	16.0%	1.8%
Consumer Staples	7.0%	6.8%	0.2%
Real Estate	2.3%	2.3%	0.1%
Consumer Discretionary	11.0%	11.1%	0.0%
Communication Services	7.1%	7.6%	-0.4%
Utilities	1.7%	2.7%	-1.0%
Materials	3.1%	4.5%	-1.4%
Industrials	9.1%	10.7%	-1.6%
Energy	1.8%	4.5%	-2.7%

**BCPP UK Equity Alpha Fund**

Sector	Portfolio	Benchmark	Relative
Consumer Discretionary	21.6%	12.2%	9.5%
Technology	9.2%	1.4%	7.9%
Industrials	18.9%	11.6%	7.3%
Cash	1.9%	0.0%	1.9%
Telecommunications	1.4%	1.2%	0.2%
Consumer Staples	13.4%	14.1%	-0.6%
Real Estate	2.0%	2.7%	-0.7%
Utilities	1.7%	3.7%	-2.0%
Financials	20.0%	23.6%	-3.6%
Basic Materials	2.3%	7.5%	-5.2%
Energy	4.5%	11.0%	-6.5%
Health Care	3.1%	11.1%	-8.1%

**BCPP Emerging Markets Equity Alpha Fund**

Sector	Portfolio	Benchmark	Relative
Consumer Staples	8.9%	6.0%	2.1%
Cash & Synthetic Cash	2.1%	0.0%	2.1%
Energy	7.8%	5.1%	1.6%
Information Technology	25.1%	22.1%	1.5%
Consumer Discretionary	14.6%	12.8%	0.8%
Real Estate	2.3%	1.6%	0.5%
Health Care	4.0%	3.8%	-0.3%
Communication Services	7.9%	8.8%	-1.4%
Utilities	0.5%	2.7%	-2.7%
Industrials	4.6%	6.8%	-3.0%
Materials	3.9%	7.9%	-5.1%
Financials	18.5%	22.3%	-6.4%



**SURREY COUNTY COUNCIL****SURREY PENSION FUND COMMITTEE****DATE: 22 MARCH 2024****LEAD OFFICER: ANNA D'ALESSANDRO, DIRECTOR OF FINANCE CORPORATE AND COMMERCIAL****SUBJECT: COMPANY ENGAGEMENT & VOTING**

14

**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). Also included in this paper are links to the Quarterly Engagement Report from LAPFF and the Active Ownership Reports from Robeco. The Fund is a member of LAPFF so enhances its own influence in company engagement by collaborating with other Pension Fund investors through the Forum. Robeco has been appointed to provide voting and engagement services to BCPP, so acts in accordance with BCPP's Responsible Investment (RI) Policy, which is reviewed every year by all 11 partner funds within the Pool.

**RECOMMENDATIONS:**

It is recommended that the Committee:

- 1) Reaffirms that ESG Factors are fundamental to the Fund's approach, consistent with the RI Policy through:
  - a) Continuing to enhance its own RI approach and Sustainable Development Goal (SDG) alignment.
  - b) Acknowledging the outcomes achieved for quarter ended 31 December 2023 by LAPFF and Robeco through their engagement.
  - c) Note the voting by the Fund in the quarter ended 31 December 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.

**Background****DETAILS:**

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.

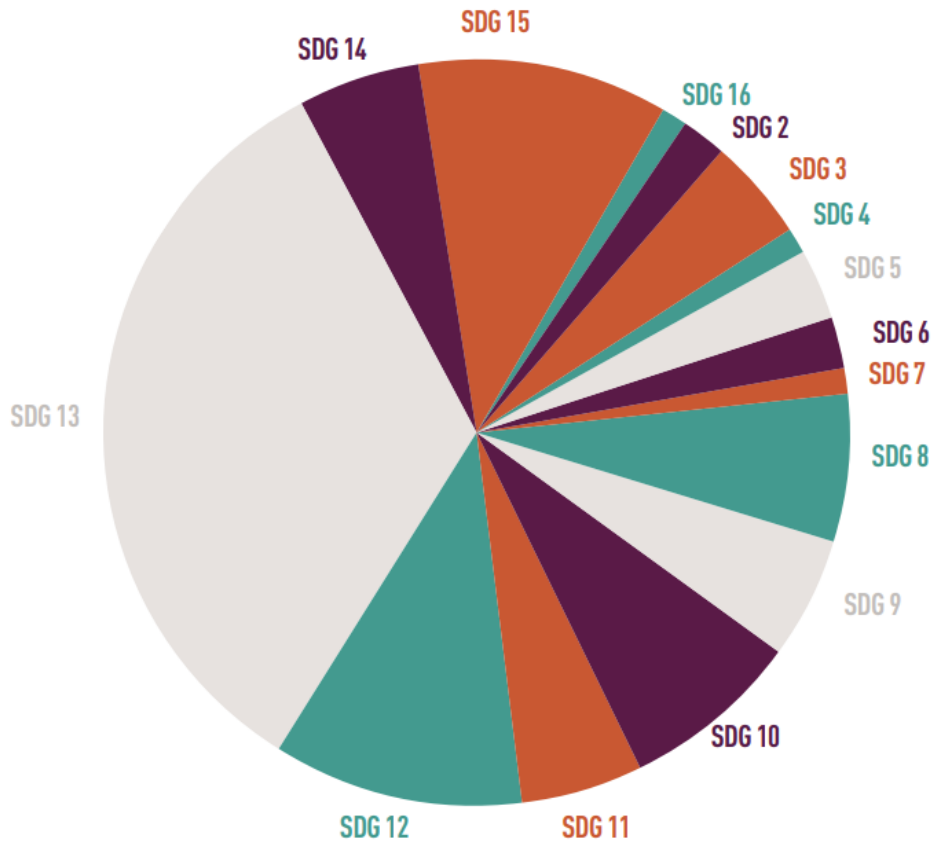
2. The Fund has commissioned Minerva Analytics (formerly Manifest) since 2013 to provide consultancy advice on share voting and the whole spectrum of company corporate governance. Minerva Analytics has assisted in ensuring the Fund's RI and voting policies reflect the most up-to-date standards and that officers learn of the latest developments and can reflect these developments in the Investment Strategy Statement (ISS). Minerva operates a customised voting policy template on behalf of the Fund and provides bespoke voting guidance in accordance with the Fund's policies.
3. 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
4. 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.

#### **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 the quarter ended 31 December 2023 are summarised below.

[LAPFF\\_QER04\\_2023.pdf \(lapfforum.org\)](#)

The chart below shows how LAPFF engaged over the quarter in relation to the UN Sustainable Development Goals (SDGs).



**LAPFF SDG ENGAGEMENTS**

SDG 1: No Poverty	0
SDG 2: Zero Hunger	2
SDG 3: Good Health and Well-Being	4
SDG 4: Quality Education	4
SDG 5: Gender Equality	3
SDG 6: Clean Water and Sanitation	2
SDG 7: Affordable and Clean Energy	1
SDG 8: Decent Work and Economic Growth	6
SDG 9: Industry, Innovation, and Infrastructure	5
SDG 10: Reduced Inequalities	7
SDG 11: Sustainable Cities and Communities	5
SDG 12: Responsible Production and Consumption	10
SDG 13: Climate Action	31
SDG 14: Life Below Water	5
SDG 15: Life on Land	10
SDG 16: Peace, Justice, and Strong Institutions	1
SDG 17: Strengthen the Means of Implementation and Revitalise the Global Partnership for Sustainable Development	0

- The ‘Say on Climate’ initiative is aimed at companies presenting their climate transition plans for shareholder voting. Last quarter LAPFF coordinated an investor letter signed by 18 other investors with around £1.8tn AUM. This letter was sent to 35 FTSE companies in high emitting sectors to request such a vote. Of the responses received, some outlined their approach to climate and stated that they are considering such a vote for their AGM next year. Some outlined previous votes and their intention to continue to hold similar votes, but others stated they are either not planning such a

vote but instead were engaging through other means, or that having had a vote in the past, there were no immediate plans to do so again. Transition plan votes are not standard practice, but LAPFF will continue to work toward the goal.

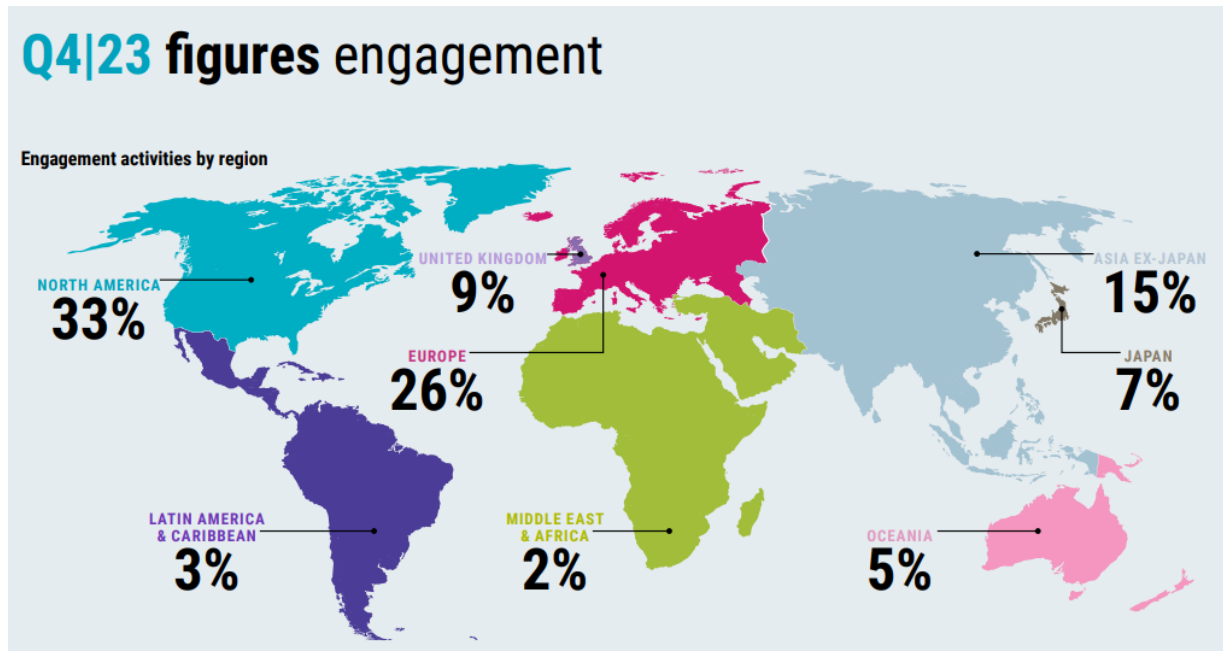
7. LAPFF has re-started its 2020 engagement with insurance companies on their climate strategies and practices. The aim is for companies to assess their impact on climate change and to integrate climate considerations into corporate strategy and operations. Active engagement included meetings with AIA, AXA, Legal & General, Lloyds Banking Group, and Ping An to discuss progress. The insurers were also asked how they are addressing natural resources within their climate strategies. This is relatively early in the engagement cycle and all companies are at the beginning of understanding the relationship between climate and natural resources and how to bring natural resources into business decision-making. In particular, insurers are focusing almost exclusively on their investment businesses in relation to climate mitigation, but LAPFF would like to see greater consideration given to the role the insurance products can play in mitigating climate change through setting societal expectations of risk. LAPFF will aim to engage with the remaining large insurance holdings before moving onto the largest bank holdings under this engagement.
8. There were engagement efforts focused on mining and human rights, particularly with Grupo Mexico and Glencore. A seminar was organised for investors featuring communities impacted by Glencore's mining projects. In relation to Mexico, LAPFF was alerted about possible inadequate reparations payments. It appears that LAPFF will now need to investigate options to escalate its engagement with Grupo Mexico, but it will need to do so in consideration of safety concerns for the affected communities.
9. Discussions with German technology giant SAP took place to address the management of adverse human rights impacts, including issues of discrimination, arising from advancements in artificial intelligence (AI) technologies. The meeting covered identification of risks and SAP set out the framework and processes it has in place for preventing negative impacts. It also covered how it had responded to the German Supply Chain Due Diligence Act.
10. A voting alert was issued for BHP, highlighting concerns over the company's climate-related practices and its corporate culture regarding human rights. BHP is currently the subject of potentially costly litigation in Brazil, the UK, and Australia. LAPFF continues to have serious concerns that BHP is not taking appropriate accountability and responsibility for its human rights and environmental practices, and that this omission could lead to large financial losses for both the company and investors.
11. Engagement with The Home Depot through the Investor Alliance for Human Rights' Uyghur Working Group is aimed at addressing the company's response to allegations of Uyghur forced labour within its supply chains. LAPFF, alongside other investors, met with Home Depot and during the call, LAPFF sought answers on what the company was doing to ensure that its supply chain was free of forced labour, potential implications of bifurcation of supply chains, and what new methods Home Depot was implementing to have sufficient audit procedures in place. LAPFF will continue to monitor the company's approach to global human rights due diligence and seek further engagement in due course for updates, with a focus on the company's implementation of enhanced audit procedures.

12. LAPFF met with the chair of Barclays to gain insight into the enhancement of its corporate governance in light of allegations associated with its former executive and Jeffrey Epstein. The Chair openly discussed the event and actions the bank had taken, including freezing deferred bonuses. It has also strengthened their board recruitment practices and remained vigilant. However, LAPFF will be monitoring the governance going forward.

### Robeco Engagement

13. In the quarter ended 31 December 2023, Robeco voted at 126 shareholder meetings, voting against at least one agenda item in 38% of cases. The Robeco report can found by following the link below, which also highlights all companies under engagement. Some of the engagements from the quarter are shown in the graphics and highlights are described below.

[Border-to-Coast-Public-Engagement-Report-2023-Q4.pdf \(bordertocoast.org.uk\)](https://www.bordertocoast.org.uk/Border-to-Coast-Public-Engagement-Report-2023-Q4.pdf)



14. The quarterly report from Robeco typically focuses on four different themes which are at different stages in the engagement cycle. There is also a section for proxy voting. The themes for the quarter ending 31 December 2023, in order of stage of engagement are Modern slavery in supply chains, Nature action 100, Net Zero carbon emissions and Responsible executive remuneration.

15. **Modern Slavery in Supply Chains:** Through complex supply chains, companies across the globe are exposed to modern slavery and forced labour risks. While difficult to monitor, companies must not only disclose information about modern slavery that they become aware of, but also effectively address the risks and prevent recurrence. The aim is to enhance effectiveness in identifying and addressing the risks, going beyond formal human rights policies and processes. The engagement will also focus on how companies provide impacted stakeholders with effective remediation measures and prevent future recurrence. Agriculture, garment, technology, mining and manufacturing sectors are often highlighted as those industries at the highest risk. Robeco selected a list of companies for engagement based on multi-layered supply chains, the nature of operations for raw materials production, and geographical areas

in which they and their suppliers operate. This is the theme in early engagement this quarter.

- 14
16. **Nature Action 100:** Formally launched in September 2023, with over 200 investors representing a collective USD 26.6tn of AUM and advice, the aim of the Nature Action 100 initiative is to establish a common high-level agenda for engagements, and a clear set of expectations to drive greater corporate ambition and action to stem biodiversity loss. It targets 100 companies in eight key sectors deemed to be systemically important in reversing biodiversity loss by 2030. As a first step, the 100 companies targeted have received a letter outlining six timely and necessary corporate actions needed to protect and restore nature. Companies are encouraged to set a public commitment to minimize biodiversity impacts and to conserve and restore ecosystems by 2030. They should set time-bound, science-based targets based on assessments of their nature-related dependencies, impacts, risks and opportunities followed by an inclusive implementation plan taking into account any local communities affected. Robeco prioritised its engagement coverage with eleven companies across the Materials (chemicals), Consumer Staples (retail, food and beverage, household and personal products) and Consumer Discretionary (retail) sectors and more than half of these companies are based in emerging markets. Dialogues will be held from 2024 onwards.
  17. **Net Zero Carbon Emissions:** This engagement started three years ago with the aim of companies setting long-term Net Zero targets, substantiated with credible emissions reduction strategies, and implementing transition plans to ensure a reduction in real-world emissions over the next decade. Overall, Robeco registered positive progress for almost all the companies under engagement. Although the oil and gas industry has taken several initiatives to address the Net Zero transition, Robeco feel there is room for improvement and have witnessed that setting targets for Scope 3 emissions has been one of the main challenges on the Net Zero pathway for that sector. The industries which registered the highest level of progress were the steel and cement sectors and showed meaningful improvements, especially in disclosing detailed capital alignment and decarbonisation strategies. The case study on Heidelberg Materials, found in the report, is one such success in this initiative.
  18. **Responsible executive remuneration:** Launched in 2020, this theme is now coming to a close. Throughout the three years of engagement, remuneration policies and disclosures, relevant key performance indicators (KPIs), and incentive structures at a set of European and American companies were reviewed. The project focused on four broad objectives: 1) equity compensation, 2) pay for performance, 3) quantum (i.e., level of pay) and the link to equity, and 4) structure and oversight. To a certain degree, remuneration should be paid in equity to ensure a longer-term holding period. This objective was successfully closed in the majority of cases. Another objective addressed the relationship between pay and performance where Robeco believe that variable pay should be aligned with long-term value creation. Companies were asked to set relevant ESG targets for their variable pay as well as considering the overall size of remuneration. Generally, European companies were more receptive to suggestions for moderation than those in the US.

## Surrey Share Voting

19. 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	4	3	75%
Board	36	4	11.1%
Capital	3	1	33.3%
Political Activity	1	1	100%
Remuneration	10	3	30%
Shareholder Rights	1	0	0%
Sustainability	8	5	62.5%
Other	0	0	0%
Total	63	17	27%

20. The Fund was more active than the average shareholder in expressing concerns through votes at corporate meetings. Whereas general shareholder dissent stood at 5.25%, the Fund opposed management on 27% of resolutions.

### Vote Outcomes

21. 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 three resolutions that received shareholder dissent of more than 20%.
22. The three resolutions that received 20% or more dissent were shareholder proposals filed at Microsoft Corp concerning ESG issues:
- Resolution 10 requested that the Board issue a tax transparency report to shareholders, prepared in consideration of the indicators and guidelines set forth in the Global Reporting Initiative's (GRI) Tax Standard.
  - Resolution 11 asked the Board to commission a report assessing the implications of siting Microsoft cloud data centres in countries of significant human rights concern, and the Company's strategies for mitigating these impacts.
  - Resolution 13 requested that the Board issue a report assessing the risks to the Company's operations and finances as well as risks to public welfare presented by the Company's role in facilitating misinformation and disinformation disseminated or generated via artificial intelligence, and plans to remediate those harms, and effectiveness of such efforts.
23. During the period, no management-proposed resolution was voted down by shareholders and no shareholder proposal was successful. On average, the shareholder proposals received 11.95% votes in favour during the Quarter.

24. **BCPP Responsible Investment** - Annexes 2, 3 & 4 provide a high-level overview of ESG performance for Global Equity Alpha, UK 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.

#### **CONSULTATION:**

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

#### **RISK MANAGEMENT AND IMPLICATIONS:**

26. There are risk related issues contained within the report.

#### **FINANCIAL AND VALUE FOR MONEY IMPLICATIONS**

27. There are financial and value for money implications.

#### **DIRECTOR OF FINANCE CORPORATE AND COMMERCIAL COMMENTARY**

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

#### **LEGAL IMPLICATIONS – MONITORING OFFICER**

29. There are no legal implications or legislative requirements.

#### **EQUALITIES AND DIVERSITY**

30. 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**

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

#### **WHAT HAPPENS NEXT**

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

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#### **Contact Officer:**

Lloyd Whitworth, Head of Investment & Stewardship

#### **Consulted:**

Pension Fund Committee Chair

#### **Annexes:**

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





# 1. VOTING VOLUMES

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

## MEETINGS

Table 1 below shows that Surrey voted at four shareholder meetings during the Quarter under review.

Table 1: Meetings Voted

Region	Meeting Type						Total
	AGM	Class	Court	EGM	GM	SGM	
North America	4	0	0	0	0	0	4
Total	4	0	0	0	0	0	4

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.

## 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 63 resolutions.

Table 2: Resolutions Voted

Region	Meeting Type						Total
	AGM	Class	Court	EGM	GM	SGM	
North America	63	0	0	0	0	0	63
Total	63	0	0	0	0	0	63

## MEETINGS BY MONTH

The table below shows that majority of the meetings voted at by Surrey during the Quarter took place in the month of December.

Table 3: Meetings Voted Per Month

Event	October	November	December	Total
AGM	2	1	1	4
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	2	1	1	4

## 2. VOTING PATTERNS

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

### 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 26.98% of the resolutions for which votes were cast during 2023 Q4, which is a higher dissent rate than the proportion of resolutions opposed in the previous quarter (2023 Q3:18.37%, 2023 Q2: 28.98%, Q1: 23.71%, 2022: Q4: 23.73%). Surrey voted on a greater number of resolutions during 2023 Q4 when compared to the previous quarter.

In the Audit & Reporting category, Surrey voted against management on three resolutions. Two of 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. Surrey also voted against one resolution to approve the report & accounts due to register concerns over the lack of establishment of a board-level nomination committee.

Board resolutions accounted for 57.14% of all resolutions voted during the Quarter and 23.53% of the total resolutions voted against management. Surrey voted against four management-proposed director candidates due to concerns regarding board composition, including independence and diversity.

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

Remuneration accounted for 15.87% of all resolution voted on during the Quarter and 17.65% of the total resolutions voted against management. Surrey voted against all three remuneration report approvals voted on during the quarter.

All resolutions in the Sustainability category were shareholder proposed resolutions. Surrey voted in favour of five of the shareholder proposals (62.50%). Surrey also voted in favour of a shareholder proposal in the Political Activity category.

Surrey voted in line with management recommendation on the Shareholder Rights category.

Table 4: Votes Against Management By Resolution Category

Resolution Category	Total Resolutions	Voted Against Management	% Against Management	% All Votes Against Management
Audit & Reporting	4	3	75.00%	17.65%
Board	36	4	11.11%	23.53%
Capital	3	1	33.33%	5.88%
Political Activity	1	1	100.0%	5.88%
Remuneration	10	3	30.00%	17.65%
Shareholder Rights	1	0	0.00%	0.00%
Sustainability	8	5	62.50%	29.41%
<b>Total</b>	<b>63</b>	<b>17</b>	<b>26.98%</b>	<b>100.00%</b>

## 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 5.25%. Surrey opposed management on 26.98% of resolutions.

Resolutions opposed by Surrey received average general shareholder dissent of 11.90%, a much higher level than the dissent received on resolutions that Surrey supported 2.32%. 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	4	75.00%	6.10%
Board	36	11.11%	3.41%
Capital	3	33.33%	4.25%
Political Activity	1	100.00%	5.31%
Remuneration	10	30.00%	3.65%
Shareholder Rights	1	0.00%	-
Sustainability	8	62.50%	19.74%
<b>Total</b>	<b>63</b>	<b>26.98%</b>	<b>5.25%</b>

Poll data was collected for 93.65% of resolutions voted by Surrey during the Quarter.

### 2.1.1 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 three resolutions that received shareholder dissent of more than 20%. This compares to no resolutions opposed with high dissent in the previous quarter. The three resolutions that received 20% or more dissent were shareholder proposals filed at Microsoft Corp concerning ESG issues:

- Resolution 10 requested that the Board issue a tax transparency report to shareholders, prepared in consideration of the indicators and guidelines set forth in the Global Reporting Initiative's (GRI) Tax Standard.
- Resolution 11 asked the Board to commission a report assessing the implications of siting Microsoft cloud datacenters in countries of significant human rights concern, and the Company's strategies for mitigating these impacts.
- Resolution 13 requested that the Board issue a report assessing the risks to the Company's operations and finances as well as risks to public welfare presented by the Company's role in facilitating misinformation and disinformation disseminated or generated via artificial intelligence, and plans to remediate those harms, and the effectiveness of such efforts.

During 2023 Q4, no management-proposed resolution was voted down by shareholders and no shareholder proposal was successful. This was also the case in the previous quarter.

## RESOLUTION TYPES AND SUB-CATEGORIES

### 2.1.2 SHAREHOLDER PROPOSED RESOLUTIONS

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.

Nine resolutions voted during this period were proposed by shareholders. In comparison, Surrey did not vote on any shareholder proposal in the previous quarter.

On average, the shareholder proposals received 11.95% votes in favour during the Quarter and no proposal was successful.

Table 6: Shareholder Proposed Resolutions

Company	Shareholder Proposal	Surrey Vote	% For
Microsoft Corp	To request the Board report to shareholders on gender-based compensation	Against	1.00%
Microsoft Corp	To request the Board report to shareholders on risk from omitting ideology in EEO Policy	Against	0.81%
Microsoft Corp	To request the Board report to shareholders on government takedown requests	Against	1.76%
Microsoft Corp	To request the Board report to shareholders on risks of weapons development	For	14.99%
Microsoft Corp	To request the Board report to shareholders on climate risks to retirement plan beneficiaries	For	8.77%
Microsoft Corp	To request the Board report to shareholders on tax transparency	For	21.11%
Microsoft Corp	To request the Board report to shareholders on data operations in human rights hotspots	For	32.94%
Microsoft Corp	To request a mandate for third party political reporting	For	5.31%
Microsoft Corp	To request the Board report to shareholders on AI Misinformation and Disinformation	For	20.88%

### 2.1.3 REMUNERATION

Votes against remuneration resolutions in 2023 Q4 reflected the principles advocated in Surrey's voting policy.

- **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 three of the resolutions opposed by the fund.
- **Severance Provisions:** Contract provisions for executives provided for potentially excessive severance payments on early termination. This was a factor in three of the resolutions opposed by the fund.
- **LTIP Vesting:** The performance period and /or vesting was considered too short this was a factor in two of the resolution's opposed by the fund.

All remaining concerns featured in less than two resolutions opposed during the Quarter. These concerns included a lack of clear linkage between the performance measures used in the incentive pay elements and the key performance indicators, and a low Minerva Remuneration Assessment grade.

Table 6: Remuneration Votes Against Management

Resolution Category	Total Resolutions	Voted Against Management	% Against Management
Remuneration other	6	0	0.00%
Remuneration - Report	3	3	100.00%
Remuneration - Policy (All -employee share plan)	1	0	0.00%
<b>Total</b>	<b>10</b>	<b>3</b>	<b>30.00%</b>

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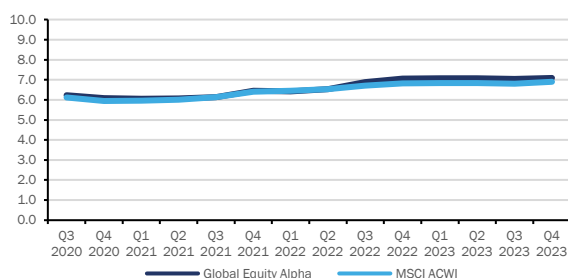
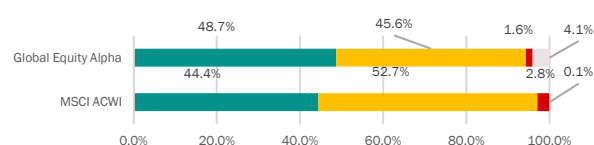
**BORDER TO COAST  
GLOBAL EQUITY ALPHA  
FUND**

ESG &amp; CARBON REPORT

**Q4  
2023**
**MSCI ESG  
RATING  
A**


	End of Quarter Position <sup>1</sup>			Key
	MSCI ESG Rating	Weighted ESG Score	vs. Benchmark	
<b>Global Equity Alpha</b>	A <sup>1</sup>	7.1 <sup>1</sup>		Fund has an equal or better <i>Weighted ESG Score</i> than the benchmark.
<b>MSCI ACWI</b>	A <sup>1</sup>	6.9 <sup>1</sup>		Fund has a <i>Weighted ESG Score</i> within 0.5 of the benchmark.
				Fund has a <i>Weighted ESG Score</i> more than 0.5 below the benchmark.

14

MSCI Weighted Score Trend<sup>1</sup>MSCI ESG Weightings Distribution<sup>1</sup>

Highest ESG Rated Issuers <sup>1</sup>				Lowest ESG Rated Issuers <sup>1</sup>			
	% Portfolio Weight	% Relative Weight	MSCI Rating		% Portfolio Weight	% Relative Weight	MSCI Rating
ASML	2.3%	+1.9%	AAA <sup>1</sup>	Jiangsu Hengli Hydraulic	0.1%	+0.1%	CCC <sup>1</sup>
Intuit	1.8%	+1.5%	AAA <sup>1</sup>	Shanghai Friendess Electronic Technology	0.1%	+0.0%	CCC <sup>1</sup>
Microsoft	1.5%	-2.4%	AAA <sup>1</sup>	Meta Platforms	0.5%	-0.6%	B <sup>1</sup>
Taiwan Semiconductor	1.0%	+0.3%	AAA <sup>1</sup>	Anta Sports Products	0.2%	+0.2%	B <sup>1</sup>
CNH Industrial	0.9%	+0.9%	AAA <sup>1</sup>	Kweichow Moutai	0.1%	+0.1%	B <sup>1</sup>

**Quarterly ESG Commentary**

- The Fund's weighted ESG score was stable over the period and remains above the benchmark.
- There were a large number of ESG rating upgrades in the quarter including Jollibee Foods and Meta Platforms which were both upgraded from 'CCC'.

**Feature Stock: Jiangsu Hengli Hydraulic**

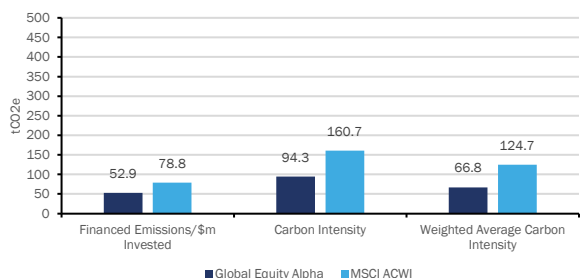
Jiangsu Hengli Hydraulic ('Hengli') is a market leader in the manufacture of hydraulic components and systems for excavators and other types of construction machinery and has around 50% market share in hydraulic cylinders for excavators in China. The Company has been successful in diversifying its business and is targeting an increase in sales from non-excavator product lines, including aerial work platforms and agricultural machinery, from ~30% of total sales in 2020 to over 50% in 2023. The Company has also significantly increased its international sales to ~25% in 2023 from ~12% in 2020. In addition, Hengli is in the process of building a factory in Mexico to reduce international trade costs. It is an important strategic partner to construction equipment companies Caterpillar and JLG.

The major ESG concern is the perceived corporate governance risk relative to its global peers. The Company has a controlling shareholder (the Wang family holds c.70% of the Company) which may pose a conflict of interest. These governance concerns can be somewhat typical of companies based in China where it is more common for there to be a controlling shareholder, cross-shareholding and less disclosure than in Developed Markets. Given most of the Company's sales are generated by selling hydraulic components and systems to construction machinery players, the amount of infrastructure spending in China is also one of the key risks to consider. However, the weaker the macroeconomic outlook, the more likely it is that the government will be willing to spend on infrastructure to boost GDP growth, putting Hengli in a strong position in terms of risk mitigation.

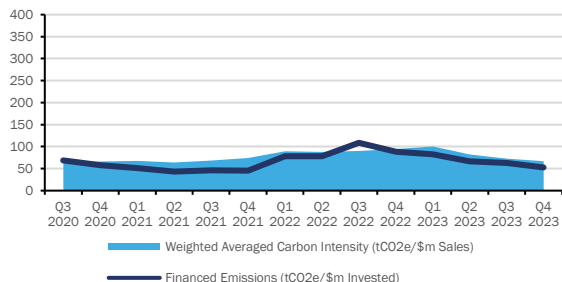
Dialogue and engagement with Hengli began in 2022, with the aim to improve its transparency and approach to climate change. Given the relatively small holding in Hengli, this engagement may take several years to reflect in an improvement in the Company's actions



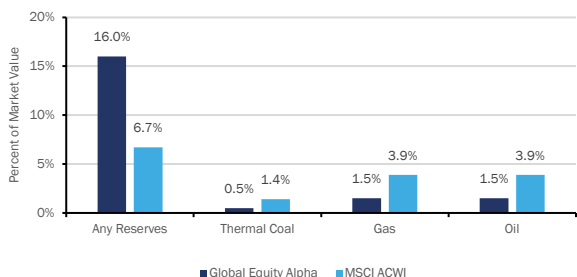
**Carbon Emissions and Intensity<sup>1</sup>**



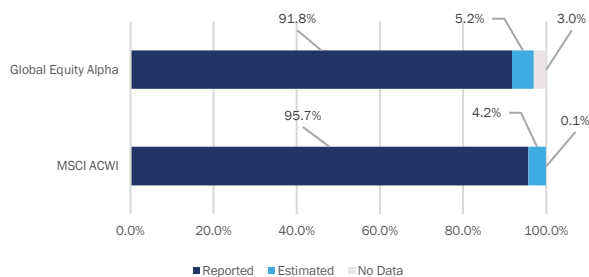
**Carbon Trends<sup>1</sup>**



**Weight of Holdings Owning Fossil Fuel Reserves<sup>1</sup>**



**Availability of Carbon Emissions Data (% of Market Value)<sup>1</sup>**



**Largest Contributors to Financed Emissions<sup>1</sup>**

Company	% Portfolio Weight	% Relative Weight	Contribution	CA100+	TPI Level
Heidelberg Materials	0.5%	+0.4%	37.4% <sup>1</sup>	Yes	4
Holcim	0.2%	+0.2%	8.7% <sup>1</sup>	Yes	4
easyJet	0.3%	+0.3%	6.8% <sup>1</sup>	No	3
Southwest Airlines	0.2%	+0.2%	4.8% <sup>1</sup>	No	4
Linde	1.0%	+0.7%	3.8% <sup>1</sup>	No	4

**Quarterly Carbon Commentary**

- The Fund remains materially below the wider index on all metrics, owing to the underweight allocations to some high emitting sectors including oil and gas.
- Heidelberg Materials and Holcim account for around 45% of portfolio financed emissions, down from 62% in Q1 2023. Emissions fell during the period, owing primarily to an increased market cap and slightly reduced portfolio weight.

**Feature Stock: easyJet**

easyJet PLC is a United Kingdom-based holding company engaged in providing flights and package holidays, principally in Europe. Following the disruption to the airline industry from the coronavirus pandemic, easyJet has emerged in a very competitive position. The overall airline seat capacity in Europe has returned to pre-pandemic levels. With demand marching structurally higher, from the pricing perspective this bodes well for incumbent airlines. easyJet has already recorded its highest ever revenues, which are only set to grow further.

easyJet's balance sheet strength is not only instrumental to its ability to grow, but also to its capacity for contribution to cleaner air travel. Short-term actions for the airline industry's transition to lower carbon operations include single-engine taxiing, electrified ground-handling equipment, and aircraft routing for optimised descent profile. The medium-term actions that enable meaningful carbon reduction involves replacement of older, less efficient aircraft with newer models that yield significant improvement in fuel consumption per aircraft. This, in combination with more seats per aircraft, reduces per-passenger carbon emissions by more than 20% for easyJet.

Other medium-term and long-term carbon considerations focus on the use of sustainable aviation fuels, which are presently in the process of sourcing and supply chain establishment, and investment in electric jet engines. easyJet is involved in several programmes to explore the future of cleaner aviation. Extensive engagement has been undertaken with the Company and currently this is in the form of a collaborative engagement with other large institutional investors as part of the IIGCC Net Zero Engagement Initiative. The engagement covers the following areas: i) comprehensive commitment; ii) aligned emission targets; iii) disclosures; iv) credibility of decarbonisation strategy.

<sup>1</sup>Source: MSCI ESG Research 30/12/2023

**Issuers Not Covered <sup>1</sup>**

Reason	ESG (%)	Carbon (%)
Company not covered	0.1%	0.5%
Investment Trust/ Funds	4.0%	2.5%

**Important Information**

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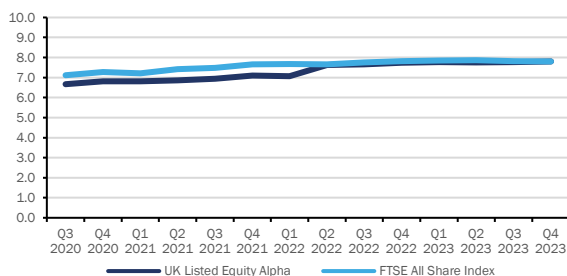
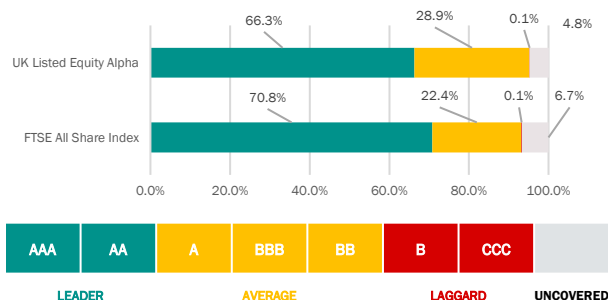
**BORDER TO COAST  
UK LISTED EQUITY  
ALPHA FUND**

ESG &amp; CARBON REPORT

**Q4  
2023**
**MSCI ESG  
RATING  
AA**


14

	End of Quarter Position <sup>1</sup>			Key
	MSCI ESG Rating	Weighted ESG Score	vs. Benchmark	
<b>UK Listed Equity Alpha</b>	AA <sup>1</sup>	7.8 <sup>1</sup>		Fund has an equal or better <i>Weighted ESG Score</i> than the benchmark.
<b>FTSE All Share Index</b>	AA <sup>1</sup>	7.8 <sup>1</sup>		Fund has a <i>Weighted ESG Score</i> within 0.5 of the benchmark.
				Fund has a <i>Weighted ESG Score</i> more than 0.5 below the benchmark.

MSCI Weighted Score Trend<sup>1</sup>MSCI ESG Weightings Distribution<sup>1</sup>

Highest ESG Rated Issuers <sup>1</sup>				Lowest ESG Rated Issuers <sup>1</sup>			
	% Portfolio Weight	% Relative Weight	MSCI Rating		% Portfolio Weight	% Relative Weight	MSCI Rating
Diageo	3.4%	+0.7%	AAA <sup>1</sup>	Young & Cos Brewery	0.1%	+0.1%	B <sup>1</sup>
The Sage Group	2.5%	+2.0%	AAA <sup>1</sup>	FeverTree Drinks	2.3%	+2.3%	BB <sup>1</sup>
Relx	2.5%	+0.0%	AAA <sup>1</sup>	Learning Technologies Group	0.2%	+0.2%	BB <sup>1</sup>
Burberry Group	2.2%	+1.9%	AAA <sup>1</sup>	Alpha Financial Markets Consulting	0.2%	+0.2%	BB <sup>1</sup>
Unilever	2.1%	-2.0%	AAA <sup>1</sup>	Softcat	1.0%	+0.9%	BBB <sup>1</sup>

**Quarterly ESG Commentary**

- The Fund's weighted ESG score was stable over the period and remains in-line with the benchmark.
- The Fund's weighted ESG score increased in the quarter due to several upgrades including Serica Energy (AAA), Smart Metering Systems (AAA), Trainline PLC (AAA) and Moonpig Group (AAA).

**Feature Stock: Young & Co**

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

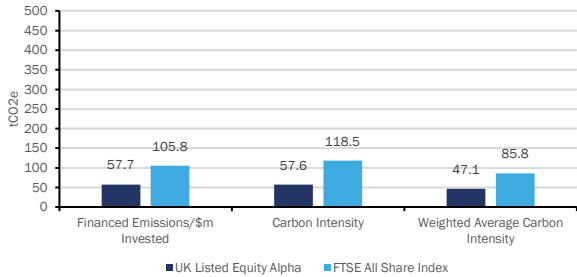
Youngs' B rating is a function of perceived weaker reporting when compared to a more global peer group of larger companies. Better reporting by these companies on specific topics such as packaging and waste recovery make Youngs appear poorer on a relative basis. Youngs is a small, domestic company, and therefore ESG reporting is not expected to be as mature and comprehensive. Engagement has, however, been conducted on issues such as labour management and employee engagement and enhanced disclosure has been encouraged around environmental initiatives. For instance, the Company has set targets for eliminating single use plastics from front of house operations by end of FY 2024. The Company has also publicly announced short, medium and long-term environmental targets.

Although listed on the London Stock Exchange, the Company retains strong ties with the original founding family, who own c.20% of the share capital. The Company is therefore predisposed to scoring below average versus peers on governance issues. However, in the last year the Company has undergone thoughtful succession planning. In late 2023 it also announced plans for the long tenured executive chair to step down and be replaced by a non-executive chair at the upcoming AGM.

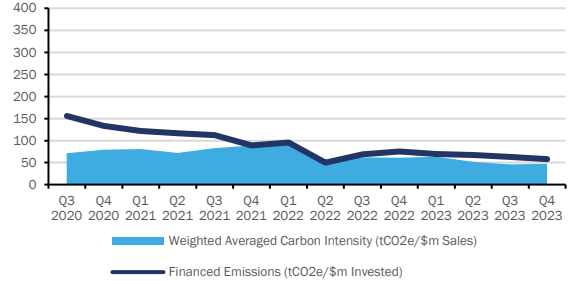


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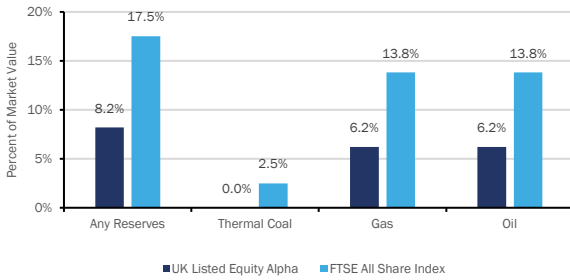
**Carbon Emissions and Intensity<sup>1</sup>**



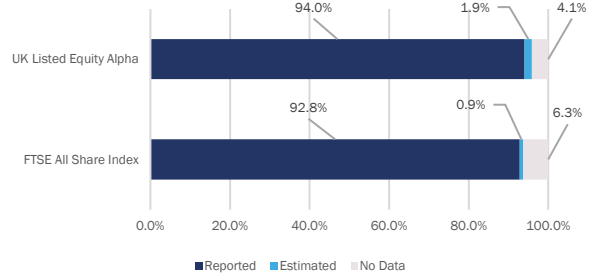
**Carbon Trends<sup>1</sup>**



**Weight of Holdings Owning Fossil Fuel Reserves<sup>1</sup>**



**Availability of Carbon Emissions Data (% of Market Value)<sup>1</sup>**



**Largest Contributors to Financed Emissions<sup>1</sup>**

Company	% Portfolio Weight	% Relative Weight	Contribution	CA100+	TPI Level
easyJet	0.7%	+0.6%	17.1% <sup>1</sup>	No	3
Shell	2.1%	-5.3%	16.0% <sup>1</sup>	Yes	4
BP	2.0%	-1.4%	12.5% <sup>1</sup>	Yes	4*
Anglo American	0.9%	-0.1%	6.8% <sup>1</sup>	Yes	4
Centrica	1.7%	-1.3%	6.2% <sup>1</sup>	Yes	4

**Quarterly Carbon Commentary**

- Portfolio financed emissions, carbon intensity and weighted average carbon intensity (WACI) all fell in line with the benchmark over the period.
- The Fund remains materially below the wider index on all metrics, owing to the relative underweight allocations to high emitting sectors including materials and energy.

**Feature Stock: BP Plc**

BP is a multinational integrated oil and gas company, operating through three key segments: Gas and Low Carbon Energy, Oil Production and Operations, and Customers and Products. Over the last few years, BP has strengthened its balance sheet and offers a well-covered dividend that can grow. The investment in BP is not predicated on a particular view of energy prices but at an attractive valuation multiple to cash earning that offers an attractive margin of safety.

In 2023, BP announced that it would be increasing investment spend in both its transition assets and its traditional oil and gas assets, to take advantage of the high returns on offer. BP have a stated ambition to achieve net zero emissions across Scope 1, 2 and 3 with a reduction in carbon emissions from operations of 50% by 2030 (Scope 1 and 2, vs 2019 levels). Engagement is continuing with the Company on the transition of its business in line with the Paris Climate Agreement.

**Issuers Not Covered <sup>1</sup>**

Reason	ESG (%)	Carbon (%)
Company not covered	2.2%	1.5%
Investment Trust/ Funds	2.6%	2.6%

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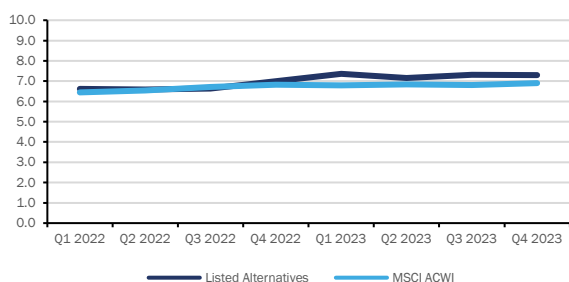
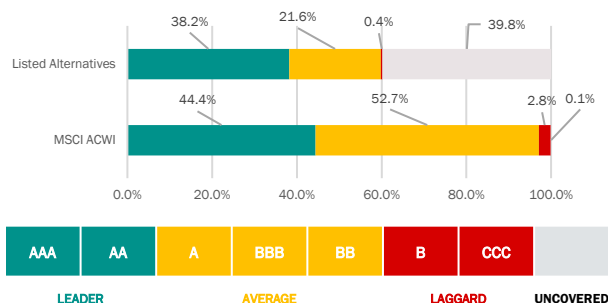
**BORDER TO COAST  
LISTED ALTERNATIVES FUND**

ESG &amp; CARBON REPORT

**Q4  
2023**
**MSCI ESG  
RATING  
AA**


	End of Quarter Position <sup>1</sup>			Key	
	MSCI ESG Rating	Weighted ESG Score	vs. Benchmark		
Listed Alternatives	AA <sup>1</sup>	7.3 <sup>1</sup>			Fund has an equal or better <i>Weighted ESG Score</i> than the benchmark.
MSCI ACWI	A <sup>1</sup>	6.9 <sup>1</sup>			Fund has a <i>Weighted ESG Score</i> within 0.5 of the benchmark.
					Fund has a <i>Weighted ESG Score</i> more than 0.5 below the benchmark.

14

MSCI Weighted Score Trend<sup>1</sup>MSCI ESG Weightings Distribution<sup>1</sup>

Highest ESG Rated Issuers <sup>1</sup>				Lowest ESG Rated Issuers <sup>1</sup>			
	% Portfolio Weight	% Relative Weight	MSCI Rating		% Portfolio Weight	% Relative Weight	MSCI Rating
Iberdrola	2.6%	+2.5%	AAA <sup>1</sup>	Hercules Capital	0.4%	+0.4%	B <sup>1</sup>
3i Group	1.2%	+1.2%	AAA <sup>1</sup>	LXI REIT	3.2%	+3.2%	BBB <sup>1</sup>
National Grid	1.2%	+1.1%	AAA <sup>1</sup>	KKR	3.2%	+3.1%	BBB <sup>1</sup>
Transurban	1.1%	+1.1%	AAA <sup>1</sup>	Alexandria Real Estate Equities	2.8%	+2.8%	BBB <sup>1</sup>
Orsted A/S	1.0%	+1.0%	AAA <sup>1</sup>	Blackstone Mortgage Trust	0.6%	+0.6%	BBB <sup>1</sup>

**Quarterly ESG Commentary**

- The ESG Weighted score has remained constant since the Fund launched in Q1 2022 and remains above the benchmark for weighted ESG Score.
- During the quarter Union Pacific Corporation (AA) was upgraded and there were no downgrades..

**Feature Stock: VNV Global**

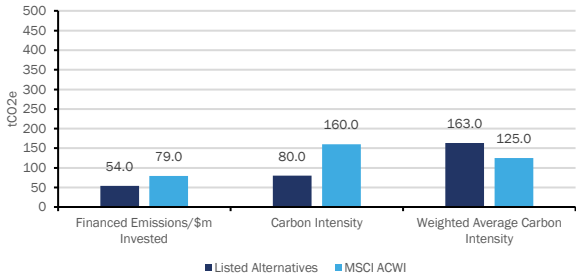
VNV Global is a Swedish-listed holding company that acts as an investment vehicle for venture capital investments. The Company focuses on high-growth, platform-businesses in areas such as online classifieds and future mobility. Key holdings include European ride-sharing app BlaBlaCar and cosmetic bookings platform Booksy.

The main weaknesses in VNV's MSCI ESG Rating are down to its small team size. For example, it is penalised for the lack of a dedicated ESG team and no membership of responsible investing initiatives. As VNV has always had a small, focused investment team generally comprised of less than five people, therefore this evaluation appears unwarranted. While membership of additional bodies may be helpful in building the Company's external credibility on ESG, there are no concerns over the portfolio companies or the approach to incorporating ESG issues. In addition, while VNV undoubtedly has risks relating to its reliance on a skilled workforce, it has strong incentive mechanisms in place to retain talent and utilises a flexible scout model to pull in sector-specific resource temporarily for individual projects.

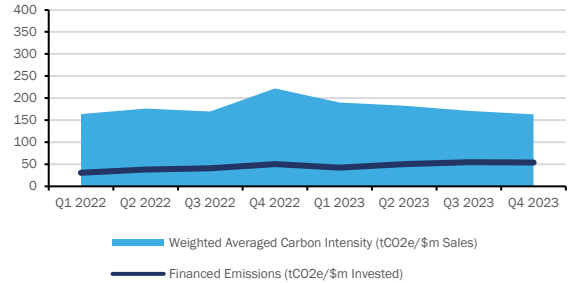


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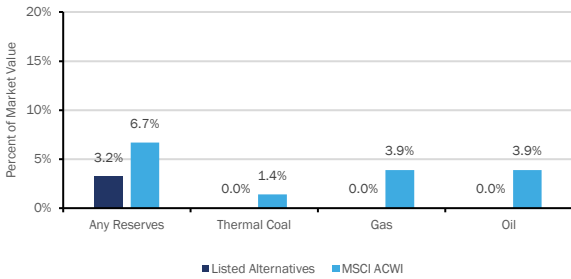
**Carbon Emissions and Intensity<sup>1</sup>**



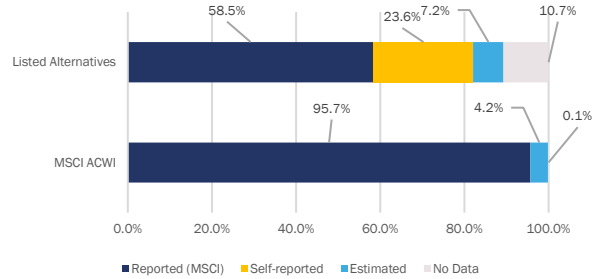
**Carbon Trends<sup>1</sup>**



**Weight of Holdings Owning Fossil Fuel Reserves<sup>1</sup>**



**Availability of Carbon Emissions Data (% of Market Value)<sup>1</sup>**



**Largest Contributors to Financed Emissions<sup>1</sup>**

Company	% Portfolio Weight	% Relative Weight	Contribution	CA100+	TPI Level
Cheniere Energy	3.3%	+3.2%	38.5% <sup>1</sup>	No	2
NextEra Energy	2.6%	+2.4%	19.6% <sup>1</sup>	Yes	4
Enbridge	2.5%	+2.4%	10.0% <sup>1</sup>	No	3
Iberdrola	2.6%	+2.5%	9.6% <sup>1</sup>	Yes	4
Eurazeo SE	1.4%	+1.4%	4.7% <sup>1</sup>	No	N/A

**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 and financed emissions decreased slightly in the quarter largely driven by a small reduction in portfolio weight of Cheniere Energy and NextEra Energy. NextEra is included as this quarters' Feature Stock.

**Feature Stock: NextEra Energy**

NextEra Energy is the world's largest developer of generated electricity from the wind and sun. Its clean energy subsidiary has nearly 30GW of renewable energy assets in operation with a further 21GW of renewable energy generation and storage in its backlog of orders. NextEra also owns a traditional utility business, Florida Power and Light (FPL), which generates power for consumers in The Sunshine State primarily through legacy gas-fired power stations. Consequently, its overall emissions are significant, despite its clean energy credentials.

NextEra has an ambitious sustainability plan to decarbonise FPL, aiming for 'Real Zero' – fully decarbonised operations without the use of offsets or credits – by 2045. The plan is credible given its expertise in solar energy and the support of local regulators. The Company has already made significant progress in carbon intensity reduction which is materially below the sector average and on a falling trajectory. As a result of its progress on carbon emissions and its major contribution to renewable energy expansion in the US, MSCI awards NextEra an 'AA' ESG rating with a latest environmental score of 7.4 out of 10. The Transition Pathway Initiative also recently upgraded its assessment of the veracity of the Company's decarbonisation plans.

<sup>1</sup>Source: MSCI ESG Research 30/12/2023

**Issuers Not Covered <sup>1</sup>**

Reason	ESG (%)	Carbon (%)
Company not covered	29.6%	2.8%
Investment Trust/ Funds	10.2%	7.9%

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**SURREY COUNTY COUNCIL****SURREY PENSION FUND COMMITTEE****DATE: 22 MARCH 2024****LEAD OFFICER: ANNA D'ALESSANDRO, DIRECTOR OF FINANCE CORPORATE AND COMMERCIAL****SUBJECT: ASSET CLASS FOCUS – CREDIT MARKETS****SUMMARY OF ISSUE:**

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

**RECOMMENDATIONS:**

It is recommended that the Committee:

1. Note the Fund's credit market holdings, respective funds' investment performance and review from the Fund's independent investment adviser.

**REASON FOR RECOMMENDATIONS:**

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

**DETAILS:****Background**

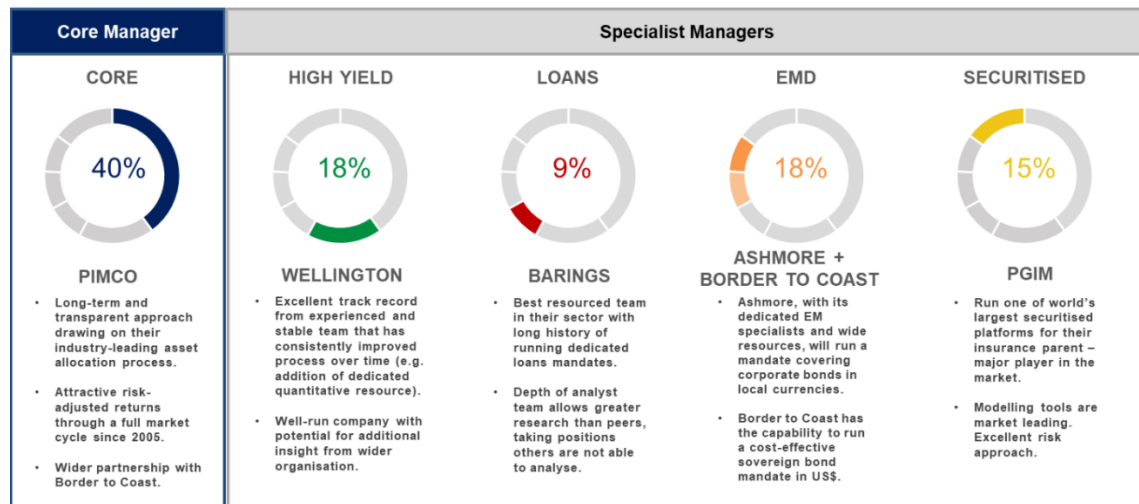
1. A fixed-income investment is a debt instrument that investors use to loan money to a company or country in exchange for interest payments. A fixed-interest investment pays a defined rate of interest over the life of the investment. The face value is returned when the investment matures.
2. The Fund (£5.6bn) currently has a target allocation of 16.9% of the portfolio to fixed-interest investments. This is made up of 15.1% to multi-asset credit and 1.8% to gilts. The current Fund positioning is 14.0% (£779m) in multi-asset credit and 2.3% (£129m) in gilts.

**Multi-asset credit**

3. Multi-asset credit seeks to achieve a diversified fixed interest approach by investing in a range of geographies and credit instruments.
4. The Fund completed its transition into the Border to Coast Pensions Partnership (BCPP) Multi-Asset Credit fund (MAC) on 11 November 2021. MAC aims to provide a total return which outperforms the total return of

SONIA (cash) plus 3.5% per annum over rolling five years periods (net of management fees).

5. Following a review of the Fund’s employer strategies, it was agreed at the 16 June 2023 Committee meeting that the target asset allocation for MAC should increase from 12.1% to 15.1%. The Fund has been steadily buying into MAC to move the exposure to this new target. As at 31 December 2023, the Fund’s exposure was 14.0%. A further purchase of MAC was carried out in January 2024 such that the weight is now at target.
6. MAC has a core/satellite fund management design, as follows:



7. The Chair of the Committee, Independent Investment Advisor, Assistant Director - LGPS Senior Officer and Head of Investment & Stewardship met with the BCPP MAC portfolio management team on 9 February 2024. A review of MAC from the Fund’s independent investment advisor is included as Annexe 1.

### Gilts

8. Gilts are government bonds issued by the UK Government.
9. The Fund’s target asset allocation to gilts is 1.8%. Conventional gilts are nominal bonds that promise to pay a fixed coupon rate at set time intervals. When a conventional gilt matures, its holder receives the last coupon and the principal. Index-linked gilts differ from conventional gilts in that both the semi-annual coupon payments and the principal payment are adjusted in line with movements in the General Index of Retail Prices in the UK (also known as the RPI).
10. Following a review of the Fund’s employer strategies, it was agreed at the 16 June 2023 Committee meeting that the target asset allocation for gilts should reduce from 5.5% to 1.8%. The Fund’s exposure was already approximate to the new target.
11. The gilt exposure was previously held directly by the Fund through individual conventional gilts. However, at the 8 September 2023 Committee meeting it was agreed that these gilts should be sold and the Fund should invest through a passive conventional gilt fund managed by Legal & General

Investment Management (LGIM), reducing cost and aligning to the Fund's liabilities. This switch took place in November 2023. The Fund is now invested in the LGIM Over 15 Year Gilts Index Fund.

12. Also approved at the September meeting was the automated switch from the LGIM Over 15 Year Gilts Index Fund to the LGIM All Stocks Index-Linked Gilts Index Fund if two predefined conditions are met.
13. The two criteria are a) The real redemption yield on the FTA All Stocks Index-Linked Gilts Index is in excess of 0%, and b) The FTA Over 15 Year Gilts Total Return Index has outperformed the FTA All Stocks Index-Linked Gilts Total Return Index by 15% since July 2023.
14. A review of gilts from the Fund's independent investment advisor is included as Annexe 1.

#### **CONSULTATION:**

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

#### **RISK MANAGEMENT AND IMPLICATIONS:**

16. Risk related issues are contained within the report.

#### **FINANCIAL AND VALUE FOR MONEY IMPLICATIONS**

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

#### **DIRECTOR OF FINANCE CORPORATE AND COMMERCIAL COMMENTARY**

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

#### **LEGAL IMPLICATIONS – MONITORING OFFICER**

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

#### **EQUALITIES AND DIVERSITY**

20. 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**

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

#### **WHAT HAPPENS NEXT**

22. The following next steps are planned:
  - a. Ongoing review of performance of the credit investments.

---

**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:**



# Surrey Pension Fund Committee

Bonds Manager Review Meeting Minutes

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**February 2024**

## Attendees

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

## Background

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The purpose of this report was to receive an update from BCPP on their Multi-Asset Credit Fund and to report on the portfolio of UK government bonds (Gilts) held as part of the Employer related strategies sub-portfolio managed by LGIM.

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

## BCPP – Multi-Asset Credit fund

### *Mandate summary*

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

At the end of December 2023, the value of Surrey's investment was £778.5 million. The Fund has been steadily increasing its exposure to MAC in order to bring the allocation up to 15% as stated in Surrey's strategic asset allocation. The performance of the MAC fund improved significantly as fixed income markets in general delivered better returns over the calendar year. This was especially true in the fourth quarter of 2023, when government yields and spreads of non-government bonds fell significantly in the expectation that the US Fed was to start cutting interest rates in the first quarter for 2024. Year to date in 2024 performance has been more mixed with government bonds delivering negative returns and credit markets doing generally better as spreads have continued to tighten.

### *Market background Calendar year 2023*

The first nine months of 2023 were characterised by rising government bond yields; however, the negative performance wasn't as extreme as in 2022. As was the case in 2022, most of the negative outcome was the result of stronger than expected growth and inflation, and further increases in central bank interest rates. Government bonds are vulnerable to rising inflation and interest rates because of their low income yield and high interest rate sensitivity, this is especially true of UK government bonds (Gilts). The types of assets owned in a Multi-Asset Credit fund tend to have lower interest rate sensitivity but importantly their income yield is much higher and in some cases may be floating rather than fixed which means their income increases as interest rates increase. As a result, MAC funds broadly enjoyed a much better performance in the first nine months of the year. This can be seen in the MAC fund section of table 1 below and in the performance of global leveraged loans and global high yield bonds. For these credits, roughly half of the total return for the year was achieved in the first nine months whereas for government bond and investment grade credit nearly all the total return for the year was achieved in the fourth quarter only.

In the fourth quarter the landscape began to change, year over year headline inflation data fell sharply, outside of the US economic growth began to show signs of slowing and most importantly the US Fed, ECB and BoE stopped increasing interest rates. By November bond markets were expecting interest rate cuts as early as March 2024 and this optimism was fuelled by statements from Jerome Powell, governor of the US Fed that he could see the possibility of three 0.25% rate cuts in 2024. The fact that he and several other members of the FOMC said "*if inflation continues to fall and remain stable at lower levels*" was ignored by the government bond markets. This resulted in the very strong performance of interest rate sensitive, government bonds and investment grade credit in the last three months of the year as noted on table 1 below.

Equity markets also performed strongly on the idea of lower interest rates, but also due to stronger than expected earnings and better profit margins and generally lower cost pressures from inflation and falling goods prices, even as labour markets remain tight. This helped spreads fall for the more economically sensitive credit markets as well, which benefitted the high yield bond and leveraged loans markets.

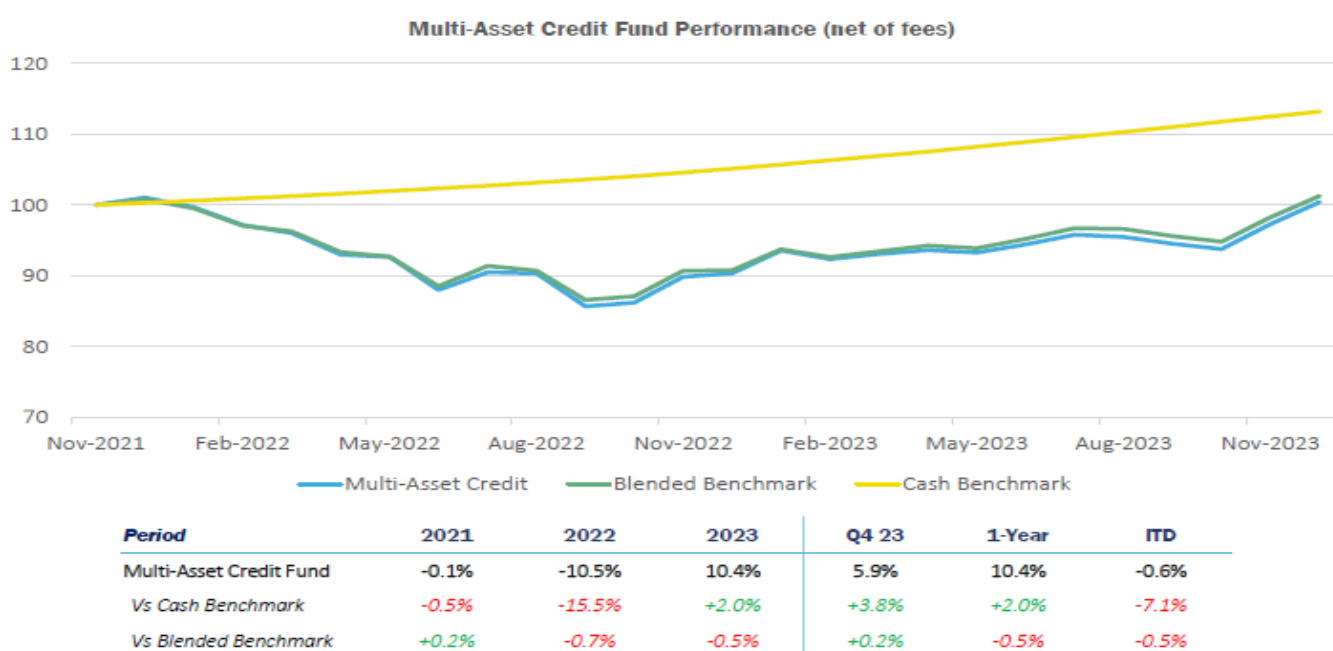
Year to date in 2024, much of this optimism in the government bonds markets has evaporated with the yield of US and UK 10 year government bonds higher, reversing nearly all their gains in the fourth quarter of 2023. Credit markets have outperformed due to their higher income and have continued to deliver positive returns. The yield of credit markets is slightly higher and remains attractive as a source of income. However, credit spreads have continued to narrow to government bonds, making non-government bonds now look relatively more expensive.

I expect this volatility to continue throughout 2024 as inflation data and optimism on rate cuts ebbs and flows. The amplitude of changes in yields and spreads could also increase as we get closer to the US presidential election campaign. I expect central banks to cut rates this year led by the US Fed, but not as early, or by the amount expected by the market because I believe growth could be stronger than expected and inflation, especially core inflation, could remain sticky.

**Table 1: - % Total return Period end 31<sup>st</sup> December 2023**

Indices	3 months	12 months
Global equity FTSE All-World	+6.3	+15.3
UK Gilts – Fixed Interest Gilts >15y	+14.3	+2.0
UK Gilts - Index Linked Gilts >15y	+13.8	-3.4
Overseas Government bonds*	+8.4	+9.7
Sterling 7 day SONIA	+1.4	+5.0
UK Investment grade corporate bonds	+8.3	+9.8
Global investment grade corporates*	+7.0	+7.8
Global High yield corporates*	+6.4	+12.0
Emerging market Government bonds*	+9.1	+9.3
Global Leveraged loans*	+6.0	+12.0
<b>MAC Funds**</b>		
<b>BCPP Multi-Asset Credit Fund</b>	<b>+5.9</b>	<b>+10.5</b>
Another Pool's MAC fund	+5.4	+12.4
CQS Credit Multi-Asset fund	+4.2	+12.4
Western Asset Multi-Asset Credit fund	+6.6	+10.6

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

**Chart 1: - BCPP performance and attribution**

Source: - BCPP

The BCPP MAC fund delivered 10.4% net of fees in 2023, slightly behind the blended asset class benchmark but +2% ahead of the Sonia+3 - 4% cash benchmark, helped by a strong fourth quarter. Inception to date, only just over two years, the fund is also slightly behind the blended benchmark and -7.1% annualised behind the cash benchmark.

The attribution analysis for calendar year 2023 provided by BCPP shows very small negative contributions to performance from Ashmore (local ccy EM debt), Barings (Loans) and BCPP (hard ccy EM debt). With the largest positive contribution to performance coming from Wellington, the high yield bond manager, who have consistently outperformed by their security selection. The largest negative contributions to returns came from PIMCO (Core MAC) and PGIM (Securitised). While much of the difference arising from PGIM's performance has been attributed to the benchmark. It would appear that PIMCO were on the wrong side of the duration and credit spread movements

throughout the year.

Since inception Barings, PGIM and Wellington have each delivered a positive absolute return and BCPP, Ashmore and PIMCO a negative absolute return, none of the managers outperformed the cash plus benchmark. Relative to their chosen market comparison benchmarks, only BCPP and Wellington have outperformed and all the other managers have underperformed.

### Current positioning

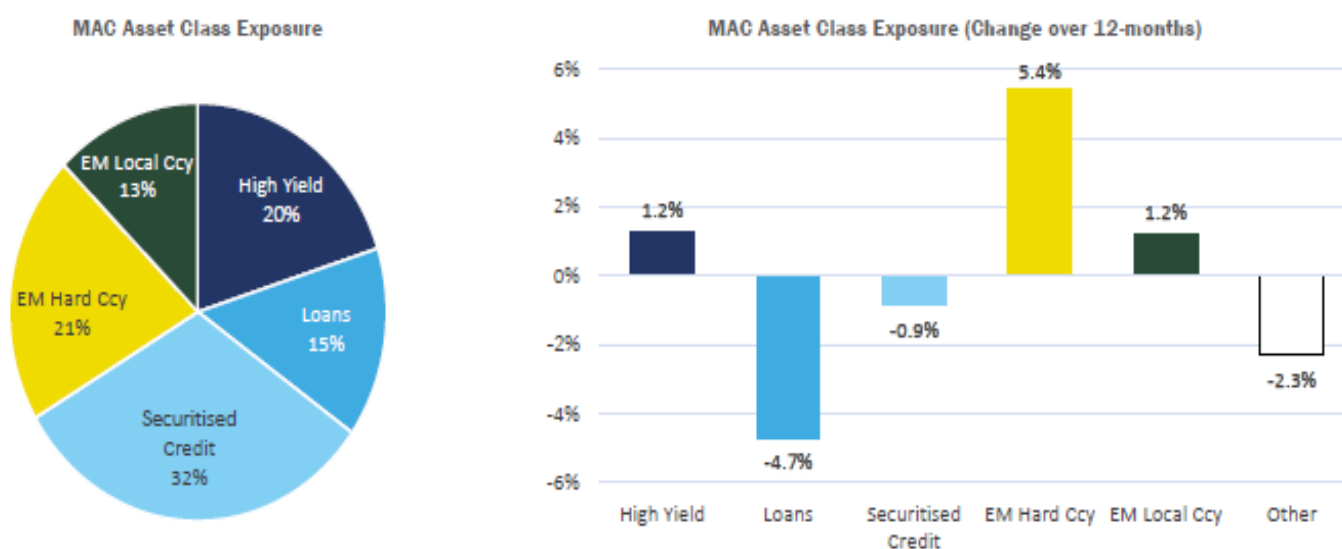
Table 2 below shows relative weights of each manager in the fund as decided by BCPP compared to the Fund's strategic asset allocation. The underweight allocation to PIMCO can be explained by performance drift rather than any active decisions taken by BCPP. At the start of the year BCPP set out to have a higher credit quality portfolio due to their ongoing concerns about credit and default risk. They wanted to increase the (Duration) interest rate sensitivity of the fund because they also believed that central banks were coming to the end of the interest rate hiking cycle. To achieve this, they started to reduce the fund's exposure to Loans and High yield debt and increase the exposure to Hard currency emerging market debt (EMD) and Securitized assets.

**Table 2: - Strategic and BCPP active tactical manager allocations 31<sup>st</sup> December 2023.**

%	Strategic weight	Tactical weight		BCPP Active decision		Comments
		31-12-22	31-12-23	31-12-22	31-12-23	
Ashmore (local ccy EMD)	9	11	10.1	+2	+1.1	
Barings (Loans)	9	10	8.6	+1	-0.4	Reduced from +1% to increase duration of the fund
BCPP (Hard ccy EMD)	9	8	9.7	-1	+0.7	Increased from -1% to increase duration of the fund
PGIM (Securitized)	15	15	15.8	0	+0.8	Increased to +1% to improve overall Quality of the fund
PIMCO (Core)	40	40	39.8	0	-0.2	Performance drift
Wellington (High yield bonds)	18	16	16	-2	-2	Maintained at -2% underweight due to concerns about credit risk

Chart 2 shows the resulting positions of both the BCPP tactical manager asset allocation decisions and the decisions taken by each manager in their asset class. The decisions by the individual managers have amplified the interest rate sensitivity decision, so that the fund is nearly 5% underweight Loans which are predominantly linked to floating rates and over 5% overweight Hard currency EMD which are linked to fixed coupons and much higher duration. Despite BCPP's efforts to reduce credit risk, the fund remains overweight High yield and underweight Securitized assets. Other consists of FX positioning and other derivatives used by some of the managers to dampen market volatility.

**Chart 2: - "Look through" resulting active asset class allocations 31<sup>st</sup> December 2023**



Source: - BCPP

***Specialist manager comments******Ashmore: - Local currency EMD***

Ashmore are recognised as being a high conviction manager confident to take large positions. Their performance benchmark / market comparator is made up of 2/3 local currency EMD and 1/3 EM corporate bonds. This can be advantageous, but most EM corporate debt is denominated in hard currencies rather than local currency. In the last year while Ashmore delivered a positive contribution to performance from the decisions in local currency EMD this was more than offset by the negative contribution from their corporate bond decisions.

***Barings: - Leveraged Loans***

Are so large in this area that their performance will always be very close to that of the index. Relative to the index they are likely to be low risk which should be good for the Fund in times of poor loan performance because of the high quality of their credit analysis, but it also means they are unlikely to outperform when times are good.

***BCPP: - Hard currency EMD***

The universe of issuers in this asset class is relatively narrow and well researched. They tend to be high credit quality and long duration. Given these characteristics and BCPP having a low cost in-house capability it was reasonable to appoint BCPP to manage this allocation. The MAC team have placed BCPP on watch because one of the lead fund managers is leaving the team.

***PGIM: - Securitised Credit***

Have a very conservative approach and a large well respected team of analysts and like Barings they are a large player in the asset class. How much of their underperformance is driven by their conservative approach and market position is difficult to assess because the selected performance benchmark would appear to be inconsistent with how the fund is allocated. They also use derivatives to dampen the market volatility of the fund, this means they are often paying for insurance their clients do not need.

***PIMCO: - Core MAC***

Have a very well-resourced business in fixed income and their MAC team is well supported by this infrastructure. The analysis presented by BCPP showed that they have been active in terms of asset class positioning, duration and overall credit risk exposures. But it would appear their over-arching macro-economic call may not have been ideal for how the market performed, resulting in them being “whipsawed” by the market.

***Wellington: - High yield bonds***

Have stuck to their knitting over the last year and delivered another outperformance of the market comparator benchmark. The analysis presented by BCPP shows that they were directionally overweight credit risk when spreads were attractive and reduced this as markets became expensive and they seem to have been diligent in their credit work. High yield managers have to pick up the “nickels and dimes” presented by the market because the carry of the index is usually +0.6% per month even when spreads are narrow.

***Adviser view***

It remains the case that it is too early to judge the performance of the BCPP MAC fund compared to the primary benchmark of cash +3% to +4% over rolling 5 year years. Whereas compared to the blended market benchmark of how the underlying markets have performed the BCPP MAC fund had another reasonable year. Overall contributions to return were not helped by the active decisions taken by BCPP to move away from the strategic asset allocation and some of the individual managers also struggled, most notably PIMCO who have the largest portion of the fund.

Now that the fund has been running for more than 2 years, I believe it reasonable to re-visit the investment universe and market comparator benchmarks of each of the managers. I believe this should start with Ashmore, they have been

appointed predominantly for their skills in local currency EMD which they seem to be good at, but they also have benchmark allocation to EM corporates, maybe this should be an off-index opportunity? I also believe BCPP should re-visit the performance benchmark for PGIM, the fund's asset allocation bares almost no relationship to the AAA, CLO benchmark. I also do not like the use of derivatives to dampen market volatility as this rarely offsets the magnitude of the volatility when needed and as a result needlessly pays away hard won income, it also demonstrates a lack of conviction by the manager.

While BCPP have improved the reporting package for the fund it remains well below industry standard, let alone best practice.

## LGIM – Over 15year Gilt fund

### *Mandate summary*

Legal & General Investment Management (LGIM) manage a portfolio of UK government bonds (Gilts), with a maturity of over 15 years in order to match the liabilities of the Fund's employer strategies. The inception date for this investment was 1<sup>st</sup> November 2023 and the amount invested was £111.4 million.

The LGIM fund is passively matched to the weight of Gilts in issue with a maturity of more than 15 years, defined as being a constituent of the "FTSE Actuaries UK Conventional Gilts Over 15 Years Index". When the time to redemption of a holding falls below 15 years it will automatically be sold and the money redistributed to other Gilts with a maturity of greater than 15 years. Equally if the government issues a new Gilt with a maturity of more than 15 years it will automatically be purchased by selling the appropriate amount of the existing Gilts in the Fund. No active decisions are taken by LGIM in managing this fund, the purpose is at times to match the characteristics of Fixed Interest Gilts with a maturity of greater than 15 years.

### *Performance*

As would be expected the fund has performed in line with the movements of the over 15year Gilt index. In the last few months of 2023 as noted above in the market background section and can be seen in table 1 government bonds delivered strong positive returns. Surrey's investment between the beginning of November and the end of December delivered a return of around +14%. However, year to date in 2024 (to 14<sup>th</sup> February 2024) returns have been negative which has brought down the holding period return to around +8%.

As noted in table 1 above inflation linked gilts have delivered a lower return than fixed interest gilts, over the same period as the real yield has increased. Over the last 2 years the real yield of over 15 year Index Linked Gilts has increased from the extremely over valued level of -2.1% in February 2022. At the end of February 2024 the real yield had increased to +1.2%.

As noted by the Officers in their report if the real yield of over 15 year Linkers continues to rise to a level where the necessary conditions are met, the Fund's employers strategy will automatically switch from Fixed Interest Gilts to Index Linked Gilts.

### *Adviser view*

LGIM are highly skilled and extremely well resourced to manage this strategy on behalf of the Surrey Pension Fund. They are one of the leaders in providing this kind of investment approach and their scale and systems enable them to do it at an extremely low cost, much lower than how the strategy was being implemented before and below the cost of similar solution available from BCPP.



**Anthony Fletcher – Independent Adviser to the Surrey Pension Fund**



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**SURREY COUNTY COUNCIL****SURREY PENSION FUND COMMITTEE****DATE: 22 MARCH 2024****LEAD OFFICER: ANNA D'ALESSANDRO, DIRECTOR OF FINANCE CORPORATE AND COMMERCIAL****SUBJECT: RESPONSIBLE INVESTMENT UPDATE****SUMMARY OF ISSUE:**

One of the Fund's Responsible Investment (RI) priorities is to apply to become a signatory of the Financial Reporting Council's UK Stewardship Code, in line with the RI policy.

**RECOMMENDATIONS:**

It is recommended that the Committee:

1. Note the draft Stewardship Code application document.
2. Agree the delegation to the Chair the final approval of the application for the Fund to become a signatory of the UK Stewardship Code.

**REASON FOR RECOMMENDATIONS:**

Officers have produced an application for the Fund to become a signatory to the UK Stewardship Code covering the 12 principles required. The document needs approval before it can be submitted by the deadline in May 2024.

**BACKGROUND:**

1. Following approval of the Fund's RI policy in 2023, it was agreed that the Fund should apply to become a signatory of the UK Stewardship Code.

**DETAILS:**

2. The UK Stewardship Code 2020 sets high stewardship standards for those investing money on behalf of UK savers and pensioners, and those that support them.
3. The code comprises 12 'apply and explain' principles for asset owners. To become a signatory, the Fund must apply all the principles and explain how they have been applied over the last 12 months. The Code has a focus on reporting stewardship activities and outcomes.
4. The 12 principles are classified into 4 sections:
  - a) Purpose and Governance
  - b) Investment Approach

- c) Engagement
  - d) Exercising Rights and Responsibilities
5. Within Purpose and Governance there are 5 principles:
- a) Purpose, strategy and culture
  - b) Governance, resources and incentives
  - c) Conflicts of interest
  - d) Promoting well-functioning markets
  - e) Review and assurance
6. Within Investment Approach there are 3 principles:
- a) Client and beneficiary needs
  - b) Stewardship, investment and ESG integration
  - c) Monitoring managers and service providers
7. Within Engagement there are 3 principles:
- a) Engagement
  - b) Collaboration
  - c) Escalation
8. Within Exercising Rights and Responsibilities there is one principle:
- a) Exercising rights and responsibilities
9. The next application deadline for the Fund to become a signatory is 31 May 2024.
10. Annexe 1 contains the Fund's draft application to become a signatory of the UK Stewardship Code.

#### **CONSULTATION:**

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

#### **RISK MANAGEMENT AND IMPLICATIONS:**

12. 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**

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

#### **DIRECTOR OF FINANCE CORPORATE AND COMMERCIAL**

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

### **LEGAL IMPLICATIONS – MONITORING OFFICER**

15. There are no legal implications or legislative requirements.

### **EQUALITIES AND DIVERSITY**

16. There are no equality or diversity issues.

### **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. Apply to become a signatory to the UK Stewardship Code.
  - b. An analysis of excluding the largest 25 fossil fuel companies from the Fund.
  - c. A review of the investable universe in relation to Net Zero dates.
  - d. A best practice review of the RI policy.
- 

#### **Contact Officer:**

Lloyd Whitworth, Head of Investment & Stewardship

#### **Consulted:**

Pension Fund Committee Chair

#### **Annexes:**

1. Draft application for the Fund to become a signatory to the UK Stewardship Code – Annexe 1

#### **Sources/background papers:**

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**UK Stewardship Code Report**

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*Insert foreword*

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**Principle 1**

**Principle 1** = Signatories' purpose, investment beliefs, strategy, and culture enable stewardship that creates long-term value for clients and beneficiaries leading to sustainable benefits for the economy, the environment and society.

## **1.1. Context**

### **1.1.1. Background and purpose of the Fund**

Surrey Pension Fund (the 'Fund') is part of the Local Government Pension Scheme (LGPS) which is a statutory scheme established by an Act of Parliament and governed by the Public Service Pensions Act 2013. The LGPS is a multi-employer scheme operating on a "funded" basis, meaning that contributions from employees and employers are paid into a fund which is invested, and from which pensions are paid. Regulations are set on a national basis, though individual Funds are managed at the local level by a designated Administering Authority. Surrey County Council is responsible for managing the Fund and is known as the 'Administering Authority'. Surrey Pension Fund Committee (the 'Committee') is the scheme manager for the Administering Authority under Regulation 5(7) of the Public Service Pensions Act 2013. The Committee is assisted by the Surrey Local Pension Board (the 'Board') which was established under Regulation 7 of the Public Service Pensions Act 2013 and performs an advisory role.

The Fund is also one of eleven Partner Funds in the Border to Coast Pensions Partnership (BCPP) which operates investment funds for the Partner Funds based on respective strategic asset allocations. The Fund does not therefore invest or engage directly with companies, but rather invests and engages through its pooled (BCPP) and non-pooled investment managers. A significant proportion of the Fund's assets have transitioned into the Border to Coast pool over recent years and are now managed by BCPP's internal and external investment managers who hold direct stewardship responsibility for these assets.

The purpose of the Fund is to ensure that it has sufficient assets to be able to meet its long-term obligations to pay pensions to the Fund's members, i.e., over the long term to be at or above a 100% funding level. It also has an objective to maintain employer contribution rates as reasonably stable and affordable as possible. The Fund is open to all eligible employees of Surrey County Council, the District and Borough councils within Surrey, and other participating employers. Employee contribution rates are set by the LGPS regulations, with the level of employer contribution being reviewed every three years through an actuarial valuation of the Fund.

### **1.1.2. Culture, values, and strategy**

The Fund's focus remains on the fiduciary duty that it has to its employers and members, and the Fund understands the importance of being a responsible asset owner. This duty is embedded into the Fund's Strategic Plan (see Section 1.1.3. below) which draws on the Fund's core principles as set out in the Governance Policy Statement (see Section 1.1.4. below), and its Investment Strategy Statement which articulates the Fund's Investment Beliefs (see Section 1.1.5. below) and Responsible Investment Beliefs (see Section 1.1.6. below).

### 1.1.3. Strategic plan

The Fund sets a three-year Strategic Plan which outlines the Fund’s vision, mission, culture and values, yearly strategic themes as well as a detailed year-on-year outline of the actions that must be taken to achieve success. The Committee is updated on the Strategic Plan on a quarterly basis through a Surrey Pension Team Dashboard which was confirmed at the June 2023 Committee meeting, and the Plan is reviewed and approved annually. For 2023-2026, the Plan details the trajectory that the Fund must take to evolve from a ‘Good’ service in 2023/24 to an ‘Industry Leading’ service in 2025/26.

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

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Moreover, in the Plan, the Fund has outlined four key priorities for 2023/24 which are continually monitored and are used to guide performance and lead the trajectory towards becoming an ‘Industry Leading’ service in 2025/26. These four levers are outlined below:

- i. **Customer focus** = the Fund has a relentless focus on delivering value to the customer through the provision of a first-class service and customer experience.
- ii. **Investment expertise** = the Fund delivers its investment requirements by thought leadership in responsible investment and quality partnerships.
- iii. **Fit for purpose** = the Fund seeks to continuously improve the efficiency and effectiveness of all of its resources in order to achieve excellence and the highest assurance ratings.
- iv. **Ready for tomorrow** = the Fund is organisationally resilient and agile to design and pivot to new service models.

It is also important to note that the trajectory that the Fund has set within its Strategic Plan is centred on the Fund’s three key resources: its people, its systems and processes, and its culture and values. With regard to the latter of these three resources, the Fund has identified a number of overarching aspects of its culture and values. These include:

- i. **Performance** = we have a culture of going beyond and striving for excellence and have high-performing teams.
- ii. **Continuous Improvement** = we place great importance on continually developing and improving performance.
- iii. **Laser Focus** = we are laser-focused on delivering value to the customer.
- iv. **Accountability** = we are honest, open, inclusive and look after ourselves and each other.

#### **1.1.4. Core principles**

The Fund's culture and values are rooted in five principles identified by the Administering Authority and its advisors as fundamental to supporting the Fund's overall governance framework. The following five principles are detailed in the Fund's Governance Policy Statement and are underpinned by an overarching culture of risk management.

- i. **Effective Committee** = the effectiveness of the Pension Fund Committee and Officers to which delegated function has been passed, including areas such as decision-making processes, knowledge, and competencies.
- ii. **Written Plan Policies** = the establishment of policies and their implementation.
- iii. **Appropriate Accountability** = clarity of areas of responsibility between Officers and Pension Fund Committee Members.
- iv. **Effective Information Flow** = the ability of the Pension Fund Committee and Officers to communicate clearly and regularly with all stakeholders.
- v. **Rigorous Supervision and Monitoring** = the ability of the Pension Fund Committee and Officers to ask for the appropriate information and advice and to interpret that information in their supervision and monitoring of the Scheme in all areas.

#### **1.1.5. Investment beliefs**

The Fund's investment beliefs are articulated clearly in an Investment Strategy Statement which was last updated in August 2023. This document is an important governance tool for the Fund and provides transparency in relation to how the Fund's investments are managed. The Fund's key investment beliefs are set out below:

##### **i. Investment governance**

The Fund has access to the necessary skills, expertise, and resources to manage the whole Fund, as well as internally managing a small proportion of the Fund's assets (primarily cash).

Investment consultants, independent advisors and Officers are a source of expertise and research to inform and assist Committee decisions.

The Fund should continuously monitor and improve its governance structure where relevant, through bespoke training in order to implement tactical views more promptly but acknowledges that achieving optimum market timing is very difficult.

##### **ii. Long-term approach**

The Fund looks to take a long-term approach to setting investment strategy, as appropriate, depending on a number of factors, including consideration of the strength and status of underlying employer covenants.

The most important aspect of risk is not the volatility of returns, but the risk of absolute loss, and of not meeting the objective of facilitating affordable, stable contribution rates for employers.

Illiquidity and volatility are risks which offer potential sources of additional compensation to the long-term investor. Moreover, it is important to avoid being a forced seller in short-term market setbacks.

Participation in economic growth is a major source of long-term equity return.

Over the long term, equities are expected to outperform other liquid assets, particularly government bonds and cash.

Well governed companies that manage their business in a responsible manner will likely produce higher returns over the long term.

### iii. **Appropriate investments**

Allocations to asset classes other than listed equities and bonds (e.g., private market assets) offer the Fund other forms of diversification/returns with different risk premia.

Diversification across asset classes and manager strategies that have relatively low correlations with each other will tend to reduce the volatility of the overall Fund return.

In general, allocations to bonds are made to achieve additional diversification.

### iv. **Management strategies**

A well-balanced portfolio has an appropriate mix of passive and active investments.

Passive, index-tracker style management provides low-cost exposure to equities and bonds and is especially attractive in efficient markets.

Active managers, capturing diversified investment styles, can add value over the long term, particularly in less efficient markets, and the Fund believes that, by following a rigorous approach, it is possible to identify managers who are likely to add value, over the long term.

Active management can be expensive but can provide additional performance. Fees should be aligned to the interests of the Fund rather than performance of the market.

Active management performance should be monitored over multi-year rolling cycles and assessed to confirm that the original investment process on appointment is being delivered and that continued appointment is appropriate.

## **1.1.6. Responsible Investment beliefs**

In addition to its investment beliefs, the Fund has also developed a set of Responsible Investment (RI) beliefs. The RI beliefs were developed because the Fund believes that investments made on behalf of scheme members should be

sustainable in the short, medium, and long-term through the identification and consideration of Environmental, Social and Governance (ESG) factors into the investment selection, monitoring, and deselection process. The Fund has an overriding fiduciary and public law duty to act in the best long-term interests of scheme members to achieve the best possible financial returns with an appropriate level of risk. It recognises that RI considerations increasingly reflect real financial risks, and as a result these factors should be included in the investment decision-making process.

Specifically, since early 2020 and on an ongoing basis the Fund has worked to understand how its investments might impact on the delivery of the United Nations Sustainable Development Goals (SDGs). The SDGs are ‘an urgent call for action by all countries – developed and developing – in a global partnership. They recognise that ending poverty and other deprivations must go hand-in-hand with strategies that improve health and education, reduce inequality, and spur economic growth – all while tackling climate change and working to preserve our oceans and forests’.

The results of an SDG Mapping exercise were delivered in early 2021, which showed a link between the Fund’s investments and their potential impact on the delivery of the SDGs. The Committee determined that this link was worth exploring further, and as a result identified the link between the Fund’s investments and the SDGs to be an important component of any future RI activity. Consequently, the UN SDGs act as the framework through which the Fund’s RI beliefs have been developed, and these RI beliefs are set out below:

- i. Surrey Pension Fund believes that the United Nations Sustainable Development Goals represent an appropriate foundation in terms of the Fund’s overall RI approach.
- ii. Surrey Pension Fund believes that taking account of RI considerations can provide investment opportunities, as well as identifying investment risks.
- iii. Surrey Pension Fund requires the consideration of ESG factors to be incorporated into the portfolio construction process of all investments made by its investment managers.
- iv. RI considerations are important irrespective of asset class.
- v. RI considerations are important across all time horizons. This is true not just in terms of protecting and enhancing long-term investment return, but also increasingly in terms of the interests expressed by our stakeholders.
- vi. Going further, Surrey Pension Fund believes that ESG factors are relevant in the context of benchmarking, risk analysis and investment opportunity identification.
- vii. Responsible management of RI issues by Surrey Pension Fund and its agents is also considered a reputationally important issue.
- viii. Surrey Pension Fund views climate risk – and the issues which contribute to it – as being of significant direct and indirect concern to all stakeholders and as a result, the Fund’s approach towards ‘Net Zero’ is a prominent area of focus.
- ix. Surrey Pension Fund believes in an ‘Engagement with Consequences’ approach. This advocates the use of engagement over divestment as the means to promote our RI beliefs – however, taking legal action against

company management or selling an asset remain options when it comes to inadequately addressed ESG concerns in the investments made by our managers.

- x. We also recognise the value in engaging collaboratively to leverage greater influence together with other investors who share our priorities through joint initiatives and organisations.
- xi. The exercise of our ownership rights through voting is an important part of implementing our RI beliefs.

## **1.2. Activity**

### **1.2.1. Actions taken**

The Fund has taken a number of significant actions to ensure that its investment beliefs, strategy, and culture are embedded in its stewardship activities. The key activities undertaken are outlined below:

#### **i. Launching of an RI Policy**

Previously, Surrey's RI approach was set out in terms of its approach to ESG factors within the Fund's Investment Strategy Statement (ISS), which was created and periodically updated by the Committee. When the ISS was updated in September 2021, it was decided to create a separate RI Policy to reflect the increased importance of RI matters, and to capture recent changes in terms of institutional investors' approaches towards RI and ESG factors.

Following this commitment, the Fund's RI Policy was launched in June 2022 subject to consultation before a final document was approved at the June 2023 Committee meeting. This policy constitutes the Fund's first standalone articulation of its RI approach, and formally acknowledges the Fund's commitment to putting into practice its RI beliefs. It is of utmost importance to emphasise this launch as it is the priorities contained within the Fund's RI policy that have continuously been drawn upon throughout the current reporting period to drive the stewardship activities outlined below. The policy sets out the Fund's approach as a responsible asset steward in addressing RI issues associated with its investment strategy and communicates the Fund's position to stakeholders.

In acknowledgement of the fact that approaches to RI and ESG factors are continually developing, the Fund's RI Policy is to be reviewed annually and updated to reflect developing best practice.

#### **ii. Setting a Net Zero date**

In line with the priority set out in the Fund's RI Policy to 'make a commitment to achieving "net zero" in terms of the Fund's investments,' in June 2023 the Committee agreed to set a carbon Net Zero target date of '2050 or sooner'. This commitment was made following rigorous scenario analysis and engagement by the Committee, the Fund's RI Sub-Committee and the Fund's Investment Consultant and recognises the position of the Administering Authority and a number of the Fund's scheduled and admitted bodies who have declared a climate emergency. Climate risk, as

detailed extensively in Principle 4, is of prominent concern to the Fund and the Fund recognises the need to consistently measure progress against this commitment. Moreover, as the regulatory environment evolves towards requiring the reporting and management of climate risk strategies by LGPS pension funds, short, medium, and long-term metrics are equally significant. In the short-term, activity-related metrics such as annual asset-related GHG emissions, investment manager reviews (including policy as well as performance reviews) and strategic engagement progress targets all contribute towards a consistent approach to medium and long-term objective delivery.

In determining a Net Zero date of '2050 or sooner,' the Fund believes that this target balances the need for portfolio decarbonisation alongside the Committee's fiduciary duty. The terminology 'or sooner' has been used to recognise that the Committee may review its target date in the future, notably, for example, if more companies adopt earlier Net Zero targets with more credible implementation plans.

### iii. **Increased investment into LGIM Future World**

In line with the Fund's increased commitment to RI, its articulation of a set of RI Beliefs and the launch of a standalone RI Policy, the Fund has made a concerted effort to increase its investment in the LGIM Future World Global Equity Index Fund which increased from 0% to 18% of the Fund's total portfolio between 31 March 2021 and 31 March 2023. Over the 2023/24 reporting period, the Fund invested a further £100m (April 2023) through the redemption of £89m from the BCPP UK Equity Alpha Fund and an £11m in-specie transfer out of the LGIM Future World Emerging Markets Fund.

The LGIM Future World Global Equity Index Fund is a fund that incorporates 34 ESG factors to tilt the portfolio's investments. The Future World product range also executes exclusions through the application of 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. Exclusions also apply to 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. The Climate Impact Pledge is the 'engagement with consequences' approach that LGIM takes in relation to climate engagement and through the use of a set of metrics, companies are assessed with consistent laggards generating votes against the Chair for all products and divestment from Future World funds.

### iv. **Emerging markets**

In alignment with the Fund's RI beliefs, in July 2023 the Fund switched from a passive to an active management approach in relation to its Emerging Markets allocation. This switch was made through the complete redemption of the Fund's remaining holding in the LGIM Emerging Markets Fund with £267m being invested



into the actively managed BCPP Emerging Markets Equity Alpha Fund. The intention of this approach was for the Fund to access potentially higher returns and concomitantly cut the carbon emissions of its portfolio whilst simultaneously driving a just, green transition by continuing to invest in markets where the potential for carbon emission reductions was highest. This shift in portfolio management was therefore favoured over divestment to avoid carbon emissions from one portfolio merely being transferred to another without necessarily having any real-world impact on carbon emission reductions. From the Fund's perspective, the share of the Fund's carbon emissions derived from the Emerging Markets allocation is expected to fall from approximately one-third to 15%, in line with the Fund's Net Zero ambitions.

### **1.3. Outcome**

#### **1.3.1. How the Fund's purpose and investment beliefs have guided stewardship, investment strategy, and decision-making**

In line with the activities outlined above, the Fund has also made significant progress in ensuring that its purpose, Investment Beliefs and RI Beliefs guide its actions and decision-making. This progress has been reflected in a concerted effort to produce a new and bespoke Fund Voting Policy in addition to an updated Investment Strategy Statement that better aligns with the Fund's purpose and Investment Beliefs.

##### **New voting policy**

One of the Fund's key priorities following acceptance of the RI Policy was to thoroughly review and update its voting policy. With investment governance at the heart of the Fund's investment beliefs, the Committee agreed that, with help from its RI Consultant, the Fund's Voting Policy needed to be recalibrated to reflect best practice in the industry. Specifically, to account for the latest UK Stewardship Code, 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. Put simply, the Fund recognised that stewardship is an evolving concept and that its voting policy had to be updated to reflect this.

At the September 2023 Committee meeting, this objective was achieved with the Committee unanimously approving an updated and bespoke Fund Voting Policy for non-pooled assets that codified the Fund's approach into specific voting actions and which embraces the idea that the active oversight and stewardship of companies encourages good long-term value and performance. This codification and the adoption of a much greater depth of voting rules has enabled the Fund to implement a revised voting template to improve the consistency of voting in line with the Fund's policy. The Fund takes seriously its responsibility to ensure that its voting rights are exercised in an informed, constructive and considered manner and in accordance with its Investment and RI Beliefs, the new policy covers nine key areas of corporate governance:

- 1) Audit and Accountability
- 2) Executive Remuneration
- 3) Mergers and Acquisitions
- 4) Political and Charitable Donations
- 5) Environmental Issues
- 6) The Board and Committees
- 7) Shareholders' Rights and Capital Structures
- 8) Article Changes
- 9) Shareholder Resolutions

## ii. New ISS

The Fund's Investment Strategy Statement was also updated and approved by Committee in June 2023 to reflect the Fund's new asset allocation as well as reaffirming the Fund's Investment Beliefs. A section has also been added in the ISS on 'Employer-Related Strategies' which places emphasis on the more prudent valuation of Exited and Closed liabilities within the Fund which, in line with the Fund's purpose, is designed to reduce the risk to other employers that deficits emerge that would need to be funded.

### **1.3.2. How the Fund has served the best interests of its clients and beneficiaries**

As outlined in Section 1.1.1., the overarching measure through which the Fund determines its performance and therefore how well it has satisfied the best interests of beneficiaries is through its funding level. Between 31 March 2023 and 31 December 2023, this measure improved significantly from 127% to **XXX%**, in line with the Fund's purpose over the long-term to be at or above a 100% funding level.

**\*check in March**

Moreover, as detailed in Section 4.2.1., despite dips (primarily attributable to external market crises driven by Covid, the Liability-Driven Investment crisis and the Russian invasion of Ukraine, as well as aggressive central bank actions to combat persistently high inflation), the Fund's value has increased significantly over the last few years from £3.8bn at 31<sup>st</sup> March 2020, to £5.2bn at 31<sup>st</sup> March 2023. **\*check in March**

The Fund has also sought more direct channels through which to be informed about beneficiaries' views so as to ensure that it is satisfying their needs. Whilst these measures are outlined in detail in Principle 6, of particular note has been the Fund's concerted effort to gain insights from beneficiaries regarding its RI activities with an extensive RI consultation being undertaken between September and November 2022 which has played a continuous role in informing the Fund's RI approach throughout the current reporting period. This consultation was undertaken with the help of the Fund's dedicated RI Consultant and resulted in over 7,300 online and postal responses from stakeholders that fed into the Fund's RI Policy. More details of this consultation and the impact that it continues to have can be found in Section 5.1.1.

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**Principle 2**

**Principle 2** = Signatories' governance, resources and incentives support stewardship.

## **2.1. Activity**

### **2.1.1. How the Fund's governance structure and processes have enabled effective stewardship**

#### **Pension Fund Committee:**

Responsibility and governance for the Pension Fund, including investment strategy, fund administration, liability management and corporate governance is delegated to the Surrey Pension Fund Committee. More specifically, the Committee is responsible for determining the Fund's investment beliefs, setting the Fund's strategic asset allocation, producing the Fund's stewardship policies, providing arrangements for holding its agents (including BCPP) to account, requesting specific investment options from BCPP, and the timing of any transition of assets to BCPP. As the Fund's decision-making body, the Committee has a key role in ensuring that the Fund's stewardship activities are effective and is ultimately responsible for producing the Fund's stewardship and RI policies.

The Committee is advised by a representative of the Fund's professional investment consultant, an independent advisor, the Director of Finance, Corporate and Commercial, and the Assistant Director, LGPS Senior Officer. The Pension Fund Committee meets on at least a quarterly basis and more frequently, as deemed required.

#### **Local Pension Board:**

From 1 April 2015 the Surrey Pension Fund Committee has been assisted in its management of the Fund by a Local Pension Board made up of employer and scheme member representatives. The role of the Local Pension Board, as defined in Section 106 of the Local Government Pension Scheme Regulations 2013, is to assist the County Council as the Administering Authority:

- (a) To secure compliance with:
  - I. the scheme regulations;
  - II. any other legislation relating to the governance and administration of the LGPS Scheme and any connected scheme;
  - III. any requirements imposed by the Pensions Regulator in relation to the LGPS Scheme.
  
- (b) To ensure the effective and efficient governance and administration of the LGPS Scheme.

The Local Pension Board effectively and efficiently complies with the Code of Practice on the governance and administration of public service pension schemes issued by The Pensions Regulator and meets on at least a quarterly basis. The Local Pension Board has power to do anything that is calculated to facilitate or is

conducive or incidental to the discharge of any of its functions but should always act within its terms of reference.

### **2.1.2. Resourcing of stewardship activities**

#### **Structure and representation:**

##### **i. Surrey Pension Fund Committee:**

Surrey Pension Fund Committee is comprised of six nominated members of the County Council, two representatives from the Borough/District Councils nominated by the Leader of the Council, one representative from the external employers, and one representative of the members of the Fund.

##### **ii. Local Pension Board:**

The Local Pension Board is made up of representatives of the employers and members within the Surrey Pension Fund and the representation between employees and employers should be equal. The Fund is overseen by an independent non-voting chairman. The Terms of Reference of the Board outline the constitution of members as follows:

##### **– Employer Representatives:**

- 2 x Surrey County Councillors
- 2 x Other employer representatives (these representatives come from nominations from other employers in the Fund such as District, Borough and Parish Councils, Academies, Police and other scheduled or admitted body employers in the Surrey Pension Fund)

##### **– Member Representatives:**

- 1 x GMB nominated representative
- 1 x Unison nominated representative
- 2 x Other member representatives

#### **Training, experience, and skills:**

Surrey Pension Team is committed to providing training for those involved in the governance of the Fund to ensure that Committee and Board Members have the necessary skills and knowledge to act effectively in line with their responsibilities. Members of both the Committee and the Board participate in regular training delivered through a formal programme to ensure they have the knowledge and capacity to carry out their roles and all Members and Officers are expected to complete a minimum of four hours of training per financial year, in addition to any induction training. As part of the Fund's commitment to delivering a professional pensions service to stakeholders, an annual training plan is prepared and approved by the Committee. The annual training plan outlines the Fund's vision of training as a continual process centred on three key points:

- a) The collective knowledge of the Board/Committee
- b) The general pensions environment
- c) Coping with changes (e.g., legislation)

It is recommended that such knowledge, understanding, and competency is evaluated on an annual basis to identify any training or educational needs of Officers and the Committee. Updates are provided as required taking account of the identification of any knowledge gaps, changes in legislation, key legislation (e.g., triennial valuation) and the receipt of updated guidance.

Staff also regularly attend LGA and CIPFA training as appropriate, and receive in-house training from actuary, fund managers and via a dedicated Training Officer. Professional courses, such as CIPP are also offered and are recorded via a staff skills matrix. Ad hoc training courses are produced as the LGPS regulations change. More specific training for Committee and Board Members is outlined below alongside details of training provided by the Fund's pooling company, BCPP.

#### Local Pension Board [\\*check table](#)

Board Members must complete, by their first meeting or within the first three months of their appointment if earlier, the online training courses provided in the Public Service Toolkit by The Pensions Regulator (TPR), and within the first six months of their appointment, the TPR Trustee Toolkit. Board Members must also complete, within the first twelve months of their appointment, the online training courses available on the LGPS Online Learning Academy (LOLA) which contains LGPS-specific learning modules, with the first introductory module required to be completed prior to their first meeting. Members must also attend the LGA three-day training course covering the Fundamentals of the LGPS at the earliest opportunity, and within the first twelve months of their appointment. Moreover, Board Members must also assess their training needs by covering the training needs analysis template provided by The Pensions Regulator.

The following table provides an outline of the mandatory training log for Board Members in 2023/24 whilst beyond this, Tim Evans also attended the LGPS Governance Conference in York between 18<sup>th</sup>-19<sup>th</sup> January 2024. [\\*check with Jennifer at end of March](#)

Board Training and Development Log 2023/24

**Mandatory training log:**

Training	Tim Evans	David Lewis	Jeremy Webster	William McKee	Trevor Willington	Siobhan Kennedy	Brendan Bradley	Chris Draper (new)
TPR Public Service Toolkit	-	✓	✓	✓	✓	✓	✓	✓
TPR Trustee Toolkit	-	-	-	-	✓	✓	✓	-
Local Government Association Fundamentals 1	-	✓	✓	✓	✓	✓	-	-
Local Government Association Fundamentals 2	-	✓	✓	✓	-	✓	-	-
Local Government Association Fundamentals 3	-	✓	✓	✓	✓	✓	-	-
LOLA v2 Unit 1	-	✓	✓	-	-	✓	✓	-
LOLA v2 Unit 2	-	✓	✓	-	-	✓	✓	-
LOLA v2 Unit 3	-	✓	✓	-	-	✓	✓	-
LOLA v2 Unit 4	-	✓	✓	-	-	✓	✓	-
LOLA v2 Unit 5	-	✓	✓	-	-	✓	✓	-
LOLA v2 Unit 6	-	✓	✓	-	-	✓	✓	-
LOLA v2 Unit 7	-	N/A	N/A	-	-	✓	-	-
LOLA v2 Unit 8	-	N/A	N/A	-	-	✓	-	-

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LOLA v2 Current Issues	-	N/A	N/A	-	-	✓	-	-
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Pension Fund Committee

The administrators of the Fund are committed to the implementation of the Code of Practice on public sector pensions finance knowledge and skills and the Committee has agreed the following knowledge and skills policy statement.

1. The Pension Fund Committee recognises the importance of ensuring that all staff and members charged with the financial administration and decision-making with regard to the pension scheme are fully equipped with the knowledge and skills to discharge the responsibilities allocated to them.
2. It therefore seeks to utilise individuals who are both capable and experienced and it will provide/arrange training for staff and members of the Committee to enable them to acquire and maintain an appropriate level of expertise, knowledge, and skills.

All Committee Members receive a Member Induction Handbook, access to the LOLA and the Surrey Pension Team Governance SharePoint site upon becoming a Member. The Fund's SharePoint site contains a documents hub, materials from previous training courses and details of upcoming training available. It is also a requirement of the Fund that Committee Members complete the equivalent training of Board Members outlined above within the same required timescales. It is the view of the Fund that the material covered by The Pensions Regulator Public Service Toolkit is of equal relevance to Committee Members as to Board Members.

The following table provides an outline of the mandatory training log for Committee Members in 2023/24 whilst two Members also attended the PLSA Local Authority Conference between 26<sup>th</sup>-28<sup>th</sup> June and one Member attended the LGPS Governance Conference in York between 18<sup>th</sup>-19<sup>th</sup> January. \*check with Jennifer at end of March

Committee Training and Development Log 2023/24

**Mandatory training log:**

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Training	Nick Harrison	David Harmer	Trefor Hogg	Richard Tear	George Potter	Kelvin Menon	Steve Williams	Robert Ashley King	Robert Hughes	Duncan Eastoe (new)
TPR Public Service Toolkit	✓	-	✓	✓	-	✓	-	-	-	✓
TPR Trustee Toolkit	✓	-	✓	-	-	✓	-	-	-	-
LGA Fundamentals 1	✓	-	✓	-	-	✓	✓	-	-	✓
LGA Fundamentals 2	✓	-	✓	-	-	✓	✓	-	-	✓
LGA Fundamentals 3	✓	-	✓	-	-	✓	✓	-	-	✓
LOLA v2 Unit 1	✓	-	✓	✓	-	✓	✓	-	-	-
LOLA v2 Unit 2	✓	-	✓	✓	-	✓	-	-	-	-
LOLA v2 Unit 3	✓	-	✓	✓	-	✓	-	-	-	-
LOLA v2 Unit 4	✓	-	✓	✓	-	✓	-	-	-	-

LOLA v2 Unit 5	✓	-	✓	✓	-	✓	-	-	-	-
LOLA v2 Unit 6	✓	-	-	✓	-	✓	-	-	-	-
LOLA v2 Unit 7	✓	-	-	✓	-	N/A	-	-	-	-
LOLA v2 Unit 8	✓	-	-	✓	-	N/A	-	-	-	-
LOLA v2 Current Issues	✓	-	✓	✓	-	N/A	-	-	-	-

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## Officers

It is crucial that Officers have the necessary skills and knowledge to carry out the tasks of managing the Fund's investments responsibly and administering the payment of benefits. The knowledge and skills required of staff are set out in their job descriptions, including any formal qualifications required for the role. Officers should be familiar with the requirements of the CIPFA Code of Practice on Knowledge and Skills and should have knowledge of the six areas of the framework. The knowledge required for each Officer is held in the Surrey Pension Team matrix and the Officer's individual skills are measured against this matrix with any training needs identified being added to the individual's training plan. Officers attend relevant training events and seminars during the year to ensure they remain up to date with the latest requirements and they are also required to keep up to date with relevant issues affecting the Fund. Specifically, Officer training focuses on the following areas:

- a) **Public Sector Pension Governance** = understanding the guidance and regulations in relation to local pension boards and keeping up to date with how other Funds are working with their boards, in order that the Board can be supported effectively and add value to the governance of the Fund.
- b) **New Investment Arrangements** = understanding the implications of how the Financial Conduct Authority (FCA) will implement the Markets in Financial Instruments Directive (MiFIDII) and how Surrey Pension Fund will comply.
- c) **New Investment Products** = keeping up to date with what the market is offering, in order to assess the validity of new products for investment by the Surrey Pension Fund.
- d) **Accounting Issues** = keeping up to date with the latest CIPFA guidance on the format of the Fund's Statement of Accounts and the content of the Annual Report.
- e) **Pensions Administration Regulations** = understanding the latest guidance and interpretation of changes to LGPS Regulations and their impact on procedures.
- f) **Pensions Administration Systems** = keeping up to date with updates/new releases to the software system Altair, passing training onto all staff.
- g) **Actuarial Methods, Standards and Practices** = understanding the work of the actuary and the ways in which actuarial information is produced.

Throughout the 2023/24 reporting period, Officers engaged in a broad range of optional training courses and events. A non-exhaustive list includes: two LGA Insights Residentials (May 15<sup>th</sup>-18<sup>th</sup> and September 4<sup>th</sup>-7<sup>th</sup>), a PLSA Local Authority Conference (June 26<sup>th</sup>-28<sup>th</sup>), two LGA Insights Online courses (July 3<sup>rd</sup>-7<sup>th</sup> and February 19<sup>th</sup>-23<sup>rd</sup>), a Prosci course (October 17<sup>th</sup>-19<sup>th</sup>), a Pensions Managers Conference (November 21<sup>st</sup>-22<sup>nd</sup>), a Cyber Security Conference (November 30<sup>th</sup>), a Motivating and Engaging your Team course (November 14<sup>th</sup>), an LGPS Governance Conference (January 18<sup>th</sup>-19<sup>th</sup>) and a course on Writing Effective Press Releases

(January 19<sup>th</sup>). \*check with Jennifer at end of March Beyond this, a number of individuals within the Surrey Pensions Team have been working throughout the year towards a Certificate in Pensions Administration (CIPP).

With regard to Officers' experience and qualifications, an outline of the experience and qualifications of relevant Senior Officers within the Fund is detailed in the table below:

<b>Role</b>	<b>Qualifications</b>	<b>Experience</b>
<ul style="list-style-type: none"> <li>– <b>Assistant Director – LGPS Senior Officer</b></li> </ul>	<ul style="list-style-type: none"> <li>– Diploma in Investment Planning (The Chartered Institute of Bankers)</li> <li>– CF2 Investment &amp; Risk (CII)</li> <li>– Certificate in Lean Competency</li> <li>– Part Qualified Accountant (CIPFA)</li> </ul>	<ul style="list-style-type: none"> <li>– 6 years in role</li> <li>– 23 years relevant experience</li> <li>– 6-year member of the Policy Board of the Pensions and Lifetime Savings Association (PLSA)</li> </ul>
<ul style="list-style-type: none"> <li>– <b>Head of Investment and Stewardship</b></li> </ul>	<ul style="list-style-type: none"> <li>– Associate of the Society of Investment Professionals, CFA UK</li> <li>– CFA Certificate in ESG Investing</li> </ul>	<ul style="list-style-type: none"> <li>– 2 years in role</li> <li>– 33 years in investment management</li> </ul>
<ul style="list-style-type: none"> <li>– <b>Deputy Head of Investment and Stewardship</b></li> </ul>	<ul style="list-style-type: none"> <li>– BSc Accounting and Finance degrees</li> <li>– Certified Public Accountant</li> </ul>	<ul style="list-style-type: none"> <li>– 2 years in role</li> <li>– 22 years in Investment Accounting, Financial Modelling and Financial Services Software</li> </ul>
<ul style="list-style-type: none"> <li>– <b>Head of Accounting and Governance</b></li> </ul>	<ul style="list-style-type: none"> <li>– Postgraduate Diploma in Financial Strategy</li> <li>– Fellow of the Institute of Chartered Accountants in</li> </ul>	<ul style="list-style-type: none"> <li>– 2 years in role</li> <li>– 34 years in Finance</li> </ul>

	<p>England and Wales (FCA)</p> <ul style="list-style-type: none"> <li>- Business and Finance Professional (ICAEW)</li> <li>- Associate Member of the Association of Corporate Treasurers (AMCT)</li> </ul>	
<ul style="list-style-type: none"> <li>- <b>Head of Service Delivery</b></li> </ul>	<ul style="list-style-type: none"> <li>- BA Honours in Business Management &amp; HR</li> <li>- Certified (previously practitioner) in Agile Project Management</li> </ul>	<ul style="list-style-type: none"> <li>- 1.5 years in role</li> <li>- 5 years in LGPS</li> <li>- 13 years in Local Government</li> </ul>

Border to Coast Pensions Partnership (BCPP)

All Partner Funds, including Surrey Pension Fund, are offered training by BCPP in relation to RI and ESG issues and specific training is provided on identifying ESG risks and opportunities so as to develop Partner Funds’ policies and investment principles for inclusion in respective Investment Strategy Statements. Moreover, RI and ESG training is also provided to BCPP’s Investment Team where required with assistance and input from Robeco, BCPP’s Voting and Engagement Partner, and other experts.

**Diversity:**

Though the Fund does not formally report on workforce diversity, its Strategic Plan is committed to tangibly improving the diversity, equalities and inclusion status of the Fund which fully embraces the position taken by the Administering Authority: Surrey County Council is committed to being a fair, compassionate, and inclusive council that genuinely values difference and makes everyone feel safe and that they belong. Focusing on equality, diversity and inclusion is also vitally important to the Council to improve the experiences of residents and staff and ensure no-one in the county is left behind. The Council’s latest workforce Equalities and Diversity analysis is available online at: [Equalities and Diversity Analysis 2019-2021 \(surreycc.gov.uk\)](https://www.surreycc.gov.uk/equality-diversity-analysis-2019-2021).

Over the past twelve months, the Fund has also developed two key measures to improve its insights and reporting on diversity. Firstly, a pulse survey has been developed and is being emailed to Fund staff on a six-monthly basis to help to understand views on workforce diversity and how it can be improved in the future. Secondly, a dashboard providing details of the Fund’s overarching workforce

strategy including its approach to workforce diversity is in the process of being developed. The aim of this development is to provide staff across the Fund with up-to-date information and a better understanding of how the Fund’s workforce strategy is being implemented.

**Investment in systems, processes, research, and analysis:**

**i. Asset Pooling: Border to Coast:**

In order to satisfy the requirements of the LGPS (Management and Investment of Funds) Regulations 2016, the Fund became a 1/11<sup>th</sup> equal shareholder in Border to Coast Pensions Partnership (Border to Coast) Limited. Border to Coast is a Financial Conduct Authority (FCA) regulated Operator and an Alternative Investment Fund Manager (“AIFM”).

Border to Coast has an internal team of investment managers, in addition to appointing external managers. Its role is to implement the investment strategies of the Partner Funds through a range of investment sub-funds, offering internally and externally managed solutions. A significant proportion of the Fund’s investments are made through Border to Coast and where it is not practical or cost effective for assets to be transferred into the pool (e.g., existing private equity investments), they are managed at the Fund level. Whilst these assets are unlikely to be transferred, it is expected that once these investments are fully distributed, the proceeds will be reinvested into Border to Coast.

**Service providers and advisors:**

<u>Role</u>	<u>Company</u>	<u>Services provided</u>
<b>Pooling Partner</b>	Border to Coast Pensions Partnership	– Operates investment funds for the Fund including equities, credit, private markets, and real estate.
<b>Fund Manager</b>	Newton Investment Management	– Manages a global equity alpha mandate for the Fund.
<b>Fund Manager</b>	CBRE Global Investors	– Manages real estate mandate for the Fund.

<b><u>Role</u></b>	<b><u>Company</u></b>	<b><u>Services provided</u></b>
<b>Fund Manager</b>	Legal and General Investment Management	<ul style="list-style-type: none"> <li>– Manages a range of regional and global equity funds, fixed income and currency hedging on behalf of the Fund.</li> </ul>
<b>Actuary</b>	Hymans Robertson	<ul style="list-style-type: none"> <li>– Prepares valuations, including setting employers' contribution rates, agreeing assumptions, working within the Funding Strategy Statement and LGPS regulations and appropriately targeting Fund solvency and long-term cost efficiency.</li> </ul>
<b>Global Custodian</b>	Northern Trust	<ul style="list-style-type: none"> <li>– Produces a customised benchmark to analyse performance data for the Fund and for each manager and more generally ensures the safekeeping of the Fund's investments.</li> </ul>
<b>Banker</b>	HSBC	<ul style="list-style-type: none"> <li>– Provides banking services.</li> </ul>
<b>Legal Advisor</b>	Eversheds (Pensions Law)	<ul style="list-style-type: none"> <li>– Ensures the Fund complies with all regulations and</li> </ul>

<u>Role</u>	<u>Company</u>	<u>Services provided</u>
		broader local government requirements, including the Administering Authority's own procedures.
<b>Legal Advisor</b>	Browne Jacobson (Legal Due Diligence)	– Ensures the Fund complies with all regulations and broader local government requirements, including the Administering Authority's own procedures.
<b>Advisor</b>	Minerva Analytics	– Responsible Investment and Voting Consultant
<b>Private Market Manager</b>	abrdn Private Equity	– Manages private market investments on behalf of the Fund.
<b>Private Market Manager</b>	BlackRock	– Manages private market investments on behalf of the Fund.
<b>Private Market Manager</b>	Capital Dynamics	– Manages private market investments on behalf of the Fund.
<b>Private Market Manager</b>	Goldman Sachs Asset Management	– Manages private market investments



<u>Role</u>	<u>Company</u>	<u>Services provided</u>
		on behalf of the Fund.
<b>Private Market Manager</b>	Hg Capital	– Manages private market investments on behalf of the Fund.
<b>Private Market Manager</b>	Livingbridge Equity Partners	– Manages private market investments on behalf of the Fund.
<b>Private Market Manager</b>	Pantheon Global Infrastructure	– Manages private market investments on behalf of the Fund.
<b>Private Market Manager</b>	Glenmont Partners	– Manages private market investments on behalf of the Fund.
<b>Private Market Manager</b>	Darwin Alternative Investment Management	– Open-Ended Investment Company (OEIC) focussed on UK real assets.
<b>AVC Provider</b>	Prudential Assurance Company	– Manages additional voluntary contributions that the membership may make.
<b>AVC Provider</b>	Utmost Life and Pensions	– Manages legacy additional voluntary contributions that

<u>Role</u>	<u>Company</u>	<u>Services provided</u>
		the membership has made.
<b>Auditor</b>	Ernst and Young	<ul style="list-style-type: none"> <li>– Ensures compliance with standards and requirements, monitors, and advises on fraud detection and signs off annual reports and financial statements.</li> </ul>

### **Incentives to integrate stewardship into investment decision-making:**

As has previously been outlined, the Fund is a Partner Fund of BCPP with the operation of investment funds principally delegated to BCPP. In line with this pooling approach, BCPP is required to engage with investment funds on the Fund’s behalf and make investments that align with the Fund’s investment strategy and RI priorities. The Committee reviews BCPP’s RI Policy on an annual basis. Whilst Partner Funds have a range of pathways through which to monitor and cooperate with BCPP, further incentives to integrate stewardship into investment decision-making are principally held by the pooling partner.

As detailed in BCPP’s latest Responsible Investment and Stewardship Report, this integration of stewardship and investment decision-making is principally held through BCPP’s governance structure. Specifically, BCPP has a dedicated RI Team that sits within its Investment Team to ensure that responsible investment and stewardship priorities run through all of its investment decision-making processes. The Fund regularly cooperates and engages with BCPP’s RI and Investment teams to ensure that its RI priorities inform investment decisions. Stewardship is therefore integral to BCPP’s selection and appointment of investment fund managers and the pooling partner has a range of RI Specialists who monitor and implement this process as well as monitoring how such managers vote on key RI-related issues.

## **2.2. Outcome**

### **2.2.1. Measuring the effectiveness of governance structures and processes in promoting stewardship**

The Fund considers it best practice to monitor and regularly review its governance structure and processes and does so in a range of ways as outlined below:

## **One Pensions Team Dashboard:**

Throughout the 2023/24 reporting period, the Fund recognised that improvements could be made regarding the transparency and cohesiveness of the way that it monitors and reviews the performance and processes of each of the Fund's teams and sought to address this. This recognition resulted in the launch of a One Pensions Team Dashboard which is designed to pull together the Key Performance Indicators of each of the Fund's four teams (Service Delivery, Accounting & Governance, Investment & Stewardship and Change Management) into a single page dashboard so as to enable more effective, transparent, and overarching insights to be gained into the Fund's overall performance, structures, and processes. Further details and explanation notes regarding the One Pensions Team Dashboard can be found in the September 2023 Committee Meeting Agenda Reports Pack ([\(Public Pack\)Agenda Document for Surrey Pension Fund Committee, 08/09/2023 11:15 \(surreycc.gov.uk\)](#), pp. 41-51), at which the Dashboard was presented.

## **Reviewing the Fund's RI Policy:**

As outlined in Principle 1, the Fund has recently worked towards completing its own Responsible Investment Policy with the help of external experts. This policy builds on the holistic review of the Fund's approach to Responsible Investment in 2020, where it was agreed that the UN Sustainable Development Goals should play a key role in helping shape the investment strategy, as well as monitoring progress on ESG issues over time. After several rounds of review by the Responsible Investment Sub-Committee, the Policy was approved by the Pension Fund Committee on 17<sup>th</sup> June 2022 subject to consultation with the Pension Fund members. Following this consultation, the Fund's RI policy was formally agreed at the June 2023 Committee meeting and is to be reviewed and updated annually to reflect best practice approaches to RI and ESG factors. For more details of the review of the Fund's RI Policy, see Section 5.1.1.

## **Reviewing training:**

In line with best practice, the Board reviews its training needs on an annual basis with a knowledge and understanding log included in the Board's annual report. The Board also adheres to a Governance, Attendance, Knowledge, and Understanding Policy which sets out the required attendance of Board Members at meetings each year, the roles and responsibilities of Board Members as well as their knowledge and understanding requirements. The Board has also applied CIPFA's technical knowledge and skills framework which outlines six areas of knowledge and skills that have been recognised as the core technical requirements for those working in public sector pensions. It is anticipated that Members will, over a period of time, work towards a full understanding of the relevant issues, with Board Member progress being reviewed on an annual basis.

Moreover, Committee and Board Members must undertake a personal training needs analysis and annual review of their skills, competences, and knowledge to identify gaps and weaknesses. They will also be periodically and independently assessed and benchmarked against other Administering Authorities with knowledge gaps being

incorporated into future training plans. Members are also required to complete an annual Self-Assessment Questionnaire to assess their overall levels of 'Knowledge and Understanding' with training being provided on identified areas as necessary, including induction and ongoing refresher training.

### **Reviewing the Fund's Voting Policy:**

The Fund periodically reviews its Voting Policy to incorporate current or developing stewardship issues and takes on board feedback received from ongoing discussions with the investment managers. As outlined in Principle 1, it was recognised over the year that the Fund's Voting Policy needed to be updated to reflect best practice and was subsequently reviewed and approved at the September 2023 Committee meeting. Minerva Analytics have also been contracted over the last ten years to review and provide consultancy advice on share voting and company corporate governance which has assisted the Fund in ensuring that its stewardship approach is up to date as well as helping to keep Officers and the Committee up to date with the latest stewardship developments to be reflected in the Fund's Investment Strategy Statement. Moreover, as more of the Fund's assets have transitioned into the Border to Coast pool over recent years, the direct stewardship responsibility for these assets has transferred to BCPP which has created its own Voting Policy accordingly.

### **Reviewing the effectiveness of the Committee:**

The effectiveness of the Committee is monitored by the Board which receives regular updates regarding Committee activities and has oversight of Pension Fund policies and processes as well as reviewing Key Performance Indicators for pension administration on a quarterly basis.

### **Reviewing the Fund's Investment Strategy:**

The investment strategy is set for the long-term but is reviewed from time to time. Normally, a full review is carried out as part of each actuarial valuation and is kept under review annually between actuarial valuations to ensure that it remains appropriate to the Fund's liability profile and that it will achieve the expected returns assumed during the valuation process. A core component of the next review will be to consider the most suitable ways of addressing the risks and opportunities from climate change.

#### **2.2.2. Determining how governance structures and processes can be improved to promote stewardship**

Whilst the Fund currently has in place a range of mechanisms through which it reviews the effectiveness of its governance structures, processes, and policies, it is continually looking for innovative ways through which they can be improved to promote stewardship.

Improvements in the process through which RI-related information is disclosed are at the forefront of the Fund's attention as a means of promoting stewardship by ensuring that RI reporting is as accessible as possible for stakeholders. To this end, the Fund will look to expand upon the content of the RI-related information that it communicates to stakeholders as well as the methods through which this

communication takes place. With regard to the former, the Fund will look to go beyond reporting that focuses on asset holdings, valuation and performance, and future reporting requirements to encompass a wider range of stewardship issues including more detailed information on voting activity, engagement activity and outcomes, asset sales/divestments (particularly in relation to disposals made in relation to unacceptable ESG factor risks) and the carbon intensity of specific investments and portfolios. With regard to communication methods, the Fund currently provides RI-related information to stakeholders via the Surrey Pension Fund website, the Fund's Annual Report, and through reports submitted at Committee and Board meetings but is actively considering ways in which it can expand upon these delivery methods as a means of promoting its stewardship activities.

Over the last twelve months, the Fund has placed a concerted effort on staff development and training to add value to the Fund as well as supporting the Fund's plans to 'grow its own'. Specifically, the Fund has sought to enhance staff knowledge through the revision of training plans and skills matrices which have been coupled with the launch of a more focussed staff development and Pensions Trainee program as well as a career pathway tool designed to facilitate the development and retention of Pension Team members.

With regard to the training and development of Board and Committee Members, personalised training plans for Members have been issued over the course of the 2023/24 reporting period in order to ensure that training is tailored to the needs of each Member. Moreover, prior to Committee meetings Members have been involved in bespoke, BCPP-led training sessions designed to improve Members' understanding of the investment opportunities within different asset classes. As an example, prior to the March 2024 Committee meeting, BCPP led a session on UK real estate and UK-focussed private markets to enhance Members' awareness of the Fund's private market investments. The Fund will look to ensure that these training sessions continue throughout the 2024/25 reporting period to maximise Members' understanding of the Fund's investments in different asset classes. The Fund has also actively considered changes to the format of Board and Committee training for the 2024/25 reporting period to improve compliance and engagement with the Fund's Training Policy.

Moreover, whilst oversight and administration of the Fund is carried out by a team of 71 full-time staff [\\*Jennifer to email end of March figures on 05/04](#), two of whom focus specifically on investment and stewardship following the establishment of a dedicated Investment and Stewardship team in 2022, the Fund recognises that effective resourcing is crucial in ensuring that RI priorities are met. With the approval of the Committee, the Fund will seek additional resources where deemed necessary to ensure that its RI priorities are effectively delivered.

## **Principle 3**

**Principle 3** = Signatories manage conflicts of interest to put the best interests of clients and beneficiaries first.

### **3.1. Context**

Conflicts of interest, including those relating to matters of investment stewardship, are managed across three areas: (i) the Board, (ii) the Committee, and (iii) Officers and third parties. The relevant Codes have been produced to ensure that Members, Officers and third parties uphold the highest standards of conduct in alignment with the Seven Principles of Public Life: Selflessness, Integrity, Objectivity, Accountability, Openness, Honesty, and Leadership.

#### **(i) Board**

The process through which the Fund identifies and manages Board conflicts of interest is outlined in The Surrey Local Pension Board's Code of Conduct & Conflict of Interest Policy which was updated in early 2024. For the Board, a conflict of interest exists where there is a divergence between the individual interests of a person and their responsibility towards the Local Pension Board, such that it might be reasonably questioned whether the actions or decisions of that person are influenced by their own interests. In other words, conflicts of interest impinge upon individuals' objectivity, therefore prejudicing their capacity to perform their duties and responsibilities towards the Board. Prior to appointment, all prospective Board Members are required to complete the Surrey Local Pension Board Conflict of Interest declaration which is held on a Register of Interests managed by the Fund's Accounting and Governance team. A preventative training policy (the Public Service Toolkit) is also maintained for all Members. As part of this training, Members must successfully complete a Conflicts of Interest module within the first three months of their appointment in order to improve their awareness and understanding of conflicts of interest.

#### **(ii) Committee**

Conflicts of interest within the Committee are governed by the Administering Authority's Constitution which details how the Administering Authority conducts its business, how decisions are made, and the procedures that must be followed to ensure that these decisions are efficient, transparent, and accountable to local people. Part 6 of the Constitution explains the process for identifying and managing Councillors' conflicts of interest with a specific emphasis placed on the Register of Interests that must be consulted when or before an issue arises to ensure that the public, employees, and fellow Councillors are aware of the interests that may give rise to a conflict. The Constitution also states that Councillors are personally responsible for deciding whether an interest should be declared during the standing item relating to conflicts of interest at the start of each Committee meeting. Such declarations help to ensure that public confidence in the integrity of the Committee and the Administering Authority is maintained. These declarations are managed and monitored by the Administering Authority's Democratic Services team. Part 6 of the Administering Authority's Constitution can be found at the following link: [Part 6 01 - Member Code of Conduct.doc.pdf \(surreycc.gov.uk\)](#).

### (iii) Officers and third parties

In line with the governance of Committee conflicts of interest, Part 6 of the Administering Authority's Constitution also includes an Officer Code of Conduct document which explains the process by which personal interests and outside commitments of Officers and third parties should be identified and managed. This policy document applies to all Officers within the Administering Authority in addition to agency workers, contractors and their staff whilst working on behalf of the Administering Authority. Specifically, the policy document states that Officers must ensure that:

- a) Their private interests or beliefs do not conflict with their professional duties
- b) Their position within the Council is not used to confer an advantage or disadvantage on any person
- c) They are not involved in, nor influence, any decision or allocation of Council services or resources from which they, their family or friends might benefit.

Officers are required to declare personal interests whenever there is, or could be perceived to be, a conflict of interest between their duties as an employee and their membership of an organisation. Any conflicts should be approved and reassessed every 12 months by the relevant Officer's Line Manager. Further details relating to the identification and management of Officer conflicts of interest can be found at the following link: [Officers code of conduct \(surreycc.gov.uk\)](http://surreycc.gov.uk).

### 3.2. Activity

The process by which conflicts of interest are identified and managed is outlined in the relevant documents noted in Section 3.1. above. For Board Members, this process is detailed in the Board's Code of Conduct & Conflict of Interest Policy and in the first instance, is the responsibility of Board Members who must complete the Surrey Local Pension Board Conflict of Interest Declaration and the compulsory Conflicts of Interest module that forms part of the Public Service Toolkit induction training. These two steps provide the groundwork for Members to understand where they may hold a conflict of interest and it is their duty to declare such a conflict to the Chair of the Local Pension Board, or alternatively to the Scheme Manager. Potential conflicts of interest may come in many guises and an example may be:

- A Local Pension Board Member may be required to review a decision which may be, or appear to be, in opposition to another interest or responsibility, e.g.:
  - A review of a decision which involves the use of departmental resources in the function of the Board, whilst at the same time being tasked with reducing this departmental resource by virtue of their employment;
  - A Local Pension Board Member could also be employed or have an interest either privately or as part of the



Council in a service area of the Council for which the Board has cause to review;

- An independent Member of the Board may have a conflict of interest if they are also advising the Scheme Manager.

When a conflict has been identified, it is then recorded in a Register of Interests which is circulated to the Board and the Scheme Manager for review and publication. The Register of Interests is included in the Fund's Annual Report and is updated to reflect any new conflicts of interest that have been identified during the reporting period (see p. 27 of the Fund's 2022/23 Annual Report [Surrey County Council's Annual Report 2023 \(surreypensionfund.org\)](https://www.surreypensionfund.org)). With regard to addressing conflicts of interest, if the Board suspects any conflict of interest, it should report its concerns to the Scheme Manager and when seeking to prevent a potential conflict of interest becoming detrimental to the conduct of decisions, the Board should consider obtaining legal advice when assessing its course of action and response. The Board may wish to consult the Director of Legal and Democratic Services in the first instance.

For Committee Members, the process for identifying and managing conflicts of interest is detailed in Part 6 of the Administering Authority's Constitution and similarly in the first instance, is the responsibility of Members themselves. Specifically, within 28 days of becoming a Member (or within 28 days following re-election), Members must register with the Monitoring Officer any disclosable pecuniary interests as well as any other registerable interests. The Monitoring Officer then updates the Register of Interests based on those declared. It is the responsibility of Members to ensure that the Register of Interests is kept up to date with the Monitoring Officer being notified of any new interests or changes to existing registered interests within 28 days of the Member becoming aware of the change. Moreover, Declarations of Interest are a standing item on the Committee's agenda with Members required to declare any disclosable pecuniary interests and/or other interests arising under the Code of Conduct in respect of any items considered during the meeting. With regard to addressing conflicts of interest, Members are required to not participate in any item where they have a disclosable pecuniary interest. Where Members have a significant personal interest in an agenda item, they may participate in the discussion and vote on the matter unless that interest could be reasonably regarded as prejudicial.

Officers, like Members, are primarily responsible for identifying any potential or actual conflicts of interest that they have and should declare such interests within 28 days of joining the Fund/Administering Authority or within 28 days of transferring to a new role within the Fund/Administering Authority. The declaration of conflicts of interests is made through the My Surrey logging system and is assessed by the Officer's Line Manager who must approve the conflict and reassess the situation every 12 months. An example of an Officer conflict of interest may be membership of an organisation that is not open to the public, requires commitment of allegiance to the organisation to be a member, and which has secrecy about its rules, membership, or conduct.

### **3.3. Outcome**

Throughout the 2023/24 reporting period, only one declaration of interest was raised by a Board or Committee Member at respective quarterly meetings which was handled accordingly. At the Committee meeting on 15 December 2023, one Member confirmed that they were a non-voting member of the Scheme Advisory Board. This declaration was acknowledged by the Chair of the Committee and no immediate action was required based on the contents of the agenda. Two Committee Members also updated their register of interests during the current reporting period.

#### **Further steps:**

##### **1. New Board Conflicts of Interest Policy**

The Fund reviewed its Local Pension Board Code of Conduct and Conflict of Interest Policy during the reporting period to make sure that it reflected best practice. Following discussions with Senior Officers, the Fund's Change Management and Accounting and Governance teams agreed to work towards the production of a revised Local Pension Board Code of Conduct and Conflict of Interest Policy which is due to be reviewed in **April 2024 \*check date with Adele when published**. This revision is designed to improve how Board conflicts of interests are identified and managed and is to be updated in line with best practice. The policy will also confirm that for Board Members, education on identifying and dealing with conflicts of interest will be included as part of the training requirement in the Governance, Attendance, Knowledge, and Understanding Policy.

##### **2. Good Governance Project**

The Fund has continued to actively prepare for and consider the implications of the LGPS Good Governance Project throughout the 2023/24 reporting period in line with ongoing developments and the Good Governance Report published by Hymans Robertson in 2021. The contents of this initial report assisted the Fund's restructure in 2022/23 with a designated LGPS Senior Officer position being created and discussions have been ongoing throughout the current reporting period to improve the Fund's approach to identifying and managing conflicts of interest, as well as in relation to Member training. The Fund will seek to actively apply any updated findings arising from the LGPS Good Governance Project throughout the 2024/25 reporting period.

## **Principle 4**

**Principle 4** = Signatories identify and respond to market-wide and systemic risks to promote a well-functioning financial system.

## **4.1 Activity**

### **4.1.1 Approach to identifying systemic and market-wide risks**

The identification and management of systemic and market-wide risks is an important mechanism through which the Fund promotes a well-functioning financial system and operates as an effective asset steward. Risk management policies are established to identify and analyse the risks faced by the Council's pensions operations, with policies being reviewed regularly to reflect changes in activity and in market conditions. Responsibility for the Fund's risk management strategy rests with the Fund itself with the Committee responsible for approving and the Deputy Chief Executive and Executive Director of Resources responsible for maintaining the Risk Register. Oversight of the Risk Register and the Fund's risk management protocols is maintained by the Board which meets ahead of the Committee and takes the lead in reviewing the Risk Register and reporting issues of concern to the Committee.

The Fund's primary long-term risk is that the Fund's assets will fall short of its liabilities (i.e., promised benefits to members). Consequently, the aim of the Fund's investment risk management is to minimise the risk of an overall reduction in the value of the Fund and to maximise the opportunity for gain across the whole portfolio. The Fund achieves this through asset diversification to reduce exposure to market risk to an acceptable level. In addition, the Fund manages its liquidity risk to ensure there is sufficient liquidity to meet the Fund's forecast cash flows. The Administering Authority monitors these investment risks as part of its overall pension fund risk management programme.

### **4.1.2. Examples of how the Fund has identified and mitigated systemic and market-wide risks**

The table below illustrates the primary systemic and market-wide risks identified by the Fund as well as the mitigations that the Fund has implemented to manage these risks.

<b><u>Risk identification</u></b>	<b><u>Risk Mitigation</u></b>
<p><b>Climate risk</b> = the Fund recognises that climate change is a material investment consideration and must be continually monitored and reported on. In line with the Fund's long-term approach to investment, climate risks have been categorised based on their likely impact in the short- (0-10 years), medium- (10-30 years), and long-term (30-80 years). In the short-term, climate risk is focused</p>	<ul style="list-style-type: none"> <li>• The Fund included climate scenario stress testing in the contribution modelling exercise for the local authority employers at its latest 2022 valuation. The modelling results under the stress tests were slightly worse than the core results but were still within risk tolerance levels, particularly</li> </ul>

<b><u>Risk identification</u></b>	<b><u>Risk Mitigation</u></b>
<p>on the potential for rapid market repricing in relation to climate transition activities (e.g., market awareness of the implications of climate change become clearer, perceived or real increased pricing of greenhouse gas emissions etc.,). In the medium-term, whilst the impacts of a climate transition remain in focus, the risk/opportunity is centred on potential technological or policy changes and the impact that they may have on investments. In the long-term, the Fund has identified the impact of physical risks as the core component of climate risk with issues such as natural disasters and changes in the availability of resources potentially impacting the volatility of financial markets and the viability of certain assets or business models.</p>	<p>given the severity of the stresses applied.</p> <ul style="list-style-type: none"> <li>• As part of work to determine a suitable Net Zero date for the Fund, the RI Sub-Committee has undertaken a number of scenario analyses throughout the 2023/24 reporting period using both qualitative and quantitative data analysis so as to ascertain the impacts on portfolio composition of different target dates.</li> <li>• All of the Fund’s investment managers have been asked to provide carbon footprinting metrics, where available, in order to take a “total portfolio” approach and be consistent with TCFD recommendations. This analysis helps to identify key sources of carbon risks in manager portfolios and helps the Committee to engage with managers on such risks.</li> <li>• The Committee will continue to monitor the progress of the Fund’s approach to climate risk and reporting, in the context of all risks to sustainable development, and how it can impact investment decisions.</li> <li>• The Fund’s UN SDG mapping exercise had TCFD considerations included at its core, and as such climate risks were formally considered as part of this exercise. One of the key outputs was the identification of the Core Investment Beliefs to be used by the Fund in setting its overall investment strategy.</li> <li>• The Fund approved the policy of BCPP in respect of climate considerations, and on behalf of Partner Funds BCPP will continue to:</li> </ul>

<b><u>Risk identification</u></b>	<b><u>Risk Mitigation</u></b>
	<ul style="list-style-type: none"> <li>→ Assess its portfolios in relation to climate change risk where practicable.</li> <li>→ Incorporate climate considerations into the investment decision-making process.</li> <li>→ Engage with companies in relation to business sustainability and disclosure of climate risk in line with TCFD recommendations.</li> <li>→ Encourage companies to adapt their business strategy in alignment with a low carbon economy.</li> <li>→ Support climate-related resolutions at company meetings which we consider reflect our Responsible Investment Policy.</li> <li>→ Encourage companies to publish targets and report on steps taken to reduce greenhouse gas emissions.</li> <li>→ Co-file shareholder resolutions at company AGMs on climate risk disclosure after due diligence, that are deemed to be institutional quality shareholder resolutions consistent with our RI policies.</li> <li>→ Monitor and review fund managers in relation to climate change approach and policies.</li> <li>→ Participate in collective initiatives collaborating with other investors</li> </ul>

<u>Risk identification</u>	<u>Risk Mitigation</u>
	<p>including other pools and groups such as the Local Authority Pension Fund Forum (LAPFF).</p> <p>→ Engage with policy makers on climate change through membership of the Institutional Investor Group on Climate Change (IIGCC).</p>
<p><b>Currency risk</b> = the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.</p>	<ul style="list-style-type: none"> <li>• The Fund has a policy to passively hedge up to 50% of the equity exposure to US dollar, yen, and the euro. Legal and General Investment Management (LGIM) manages this currency hedge on behalf of the Fund.</li> <li>• Individual fund managers may use derivatives if permitted by their investment management agreements.</li> <li>• Fund managers will take account of currency risk in their investment decisions.</li> </ul>
<p><b>Cyber security risk</b> = business interruption or cyber security breach leading to data integrity issues or financial loss.</p>	<ul style="list-style-type: none"> <li>• The Fund's disaster recovery plan is closely monitored by the Senior Leadership Team and business continuity plans are regularly reviewed, communicated, and tested.</li> <li>• The Fund gains assurance from its custodian, Northern Trust, regarding their cyber security compliance.</li> <li>• The Fund ensures that system security and data security is in place and that internal control mechanisms ensure the safe custody and security of LGPS assets.</li> </ul>

**Risk identification**

**Risk Mitigation**

- The Fund ensures that its memorandum of understanding and privacy notice is compliant with current legislation and regularly engages with the host authority IT team to ensure security protocols are up to date.
- The Fund maintains a central registry of key partners' business continuity plans, ensures staff are aware of their roles and responsibilities under Surrey's cyber security policy and ensures members' data is remotely and securely backed up.
- Data encryption technology is in place, which allows the secure sending of data to external service providers.
- Records held via paper files are being phased out and any hardcopy pension admin records are locked daily in a secure place.
- The Fund's custodian proactively and reactively identifies and responds to cyber threats.

**General market risk** = the risk of loss from fluctuations in equity prices, interest and foreign exchange rates and credit spreads.

- The Fund is invested in a diverse pool of assets to ensure a reasonable balance between different asset categories, having taken external professional advice as necessary.
- The management of the Fund's assets is split between a number of investment fund managers with different benchmark performance targets and investment strategies.
- Managers are expected to maintain a diverse portfolio and each manager has investment guidelines in place that specify the manager's investment powers and restrictions.



<u><b>Risk identification</b></u>	<u><b>Risk Mitigation</b></u>
	<ul style="list-style-type: none"> <li>Managers are required to report on any temporary breaches of their investment powers and are required to take corrective action as soon as is practicable.</li> </ul>
<p><b>Inflation risk</b> = pay and price inflation is significantly more than anticipated.</p>	<ul style="list-style-type: none"> <li>The focus of the actuarial valuation process is on real returns on assets, net of price and pay increases.</li> <li>Inter-valuation monitoring is maintained to give early warning.</li> <li>Some investment in bonds helps to mitigate inflationary risk to a limited degree, specifically for those employers in the closed and exited strategies.</li> <li>Employers pay for their own salary awards and should be mindful of the geared effect on pension liabilities of any bias in pensionable pay rises towards longer-serving employees.</li> </ul>
<p><b>Regulatory risk</b> = changes by the Government to particular employer participation in LGPS Funds leading to impacts on funding and/or investment strategies. Changes to national pension requirements and/or HMRC rules e.g., changes arising from public sector pensions reform. Time, cost and/or reputational risks associated with any DLUHC intervention triggered by the Section 13 analysis.</p>	<ul style="list-style-type: none"> <li>The Administering Authority considers all consultation papers issued by the Government and comments where appropriate.</li> <li>Advice is taken from the Fund Actuary, Consultants, Independent Advisor and Fund Managers amongst others on the impact of changes on the Fund and strategies are amended as appropriate.</li> <li>The Fund and the Administering Authority are monitoring progress on the McCloud court case and will consider an interim valuation or other appropriate action once more information is known. The Deputy Head of Service Delivery at the Fund provided numerous update meetings throughout the</li> </ul>

<u>Risk identification</u>	<u>Risk Mitigation</u>
	<p>2023/24 reporting period including a ‘Lunch &amp; Learn’ session to ensure that Officers were aware of the risks and who could be affected. These update meetings were designed to mitigate any risks from the case.</p> <ul style="list-style-type: none"> <li>• The Government’s long-term preferred solution to the GMP indexation and equalisation – conversion of GMPs to scheme benefits – was built into the 2019 valuation.</li> <li>• Advice is taken from the Fund Actuary on the position of the Fund as at prior valuation, and consideration of proposed valuation approach relative to anticipated Section 13 analysis.</li> </ul>
<p><b>Social Risk</b> = human rights and equity – the Fund’s relationships with people, as well as its policies and actions that impact individuals, groups, and society.</p>	<ul style="list-style-type: none"> <li>• ESG factors including social risks such as human rights, social equity and a Just Transition are at the heart of the engagement activity carried out on behalf of the Fund by its investment managers. In the 2023/24 reporting period, one of Robeco’s (BCPP’s Voting and Engagement Partner) engagement themes was a ‘Just Transition in Emerging Markets’ which focussed on the energy and mining sectors and sought to ensure that companies understood and considered the need for a fair and inclusive approach to decarbonisation.</li> <li>• Beyond engagement, the Fund mitigates social risk through its voting activity. Specifically, the bespoke Voting Policy published in the reporting period states the Fund’s expectations of companies to report on the societal risks and impacts of their operations. The adequacy of such disclosures</li> </ul>

<u>Risk identification</u>	<u>Risk Mitigation</u>
	<p>helps to inform the Fund’s decision to vote on the company’s annual report or a sustainable alternative resolution.</p> <ul style="list-style-type: none"> <li>• The Fund actively considers and discusses social risk with its investment managers as part of the review of its escalation process with investee companies.</li> <li>• As outlined in Principle 1, the Fund’s RI Beliefs were formulated following a UN SDG mapping exercise and provide a framework through which the Fund’s investments are made. As such, social issues encompassed by the SDGs (e.g., combatting poverty and reducing inequalities) run through and inform the Fund’s investment and stewardship activities.</li> </ul>

**4.1.3. Participation in industry initiatives and collaboration with other stakeholders**

The Fund recognises the importance of engaging with industry initiatives and works closely with a range of stakeholders to manage market-wide and systemic risks and promote a well-functioning financial system. The principal industry initiatives that the Fund is involved in are outlined below though the Fund also regularly reviews opportunities to join more initiatives as well as considering the function that the Fund should play within them (e.g., active member vs signatory) to achieve desired outcomes.

**Pensions and Lifetime Savings Association (PLSA):**

The Fund is a Member of the PLSA and is represented on the Policy Board and in the Local Authority Committee by the Assistant Director, LGPS Senior Officer. The Fund plays an active role in the quarterly meetings held by the Policy Board which guides and decides the public policy positions of the PLSA with a particular focus on the six priority themes of adequacy, pensions dashboards, Defined Benefit funding, Defined Contribution decumulation, responsible investment and the LGPS. Two particular focuses of the Policy Board over the reporting period have been the themes of LGPS Pooling/Consolidation and LGPS Retirement Living Standards. Through its representation on the Policy Board, the Fund was also involved in discussions culminating in the PLSA’s two strategic projects for 2024: Pensions and

Growth (ensuring that the role for pensions in supporting UK growth does not compromise the interest of scheme members and, if possible, provides some advantages for pension funds and providers) and the PLSA 2035 Vision (sets out the PLSA vision for the future of UK pensions in a short document such that politicians, regulators, think tanks and the pensions industry are clear on the PLSA's high-level view).

#### **Cross-Pool Collaboration Client Group (CPCCG):**

The Fund's Assistant Director, LGPS Senior Officer represents the Fund as a Member of the CPCCG which was established by and for LGPS Administering Authority Pension Funds involved in investment pooling across the LGPS. The CPCCG comprises representatives from Administering Authorities from the LGPS Investment Pools and meets on at least a bi-monthly basis to enable ideas and best practice to be exchanged between Funds across a wide range of areas including governance, regulatory matters and investment management and pooling.

#### **LGPS Cross-Pool Responsible Investment Group:**

The Fund participates in the LGPS Cross-Pool Responsible Investment Group, a collaborative group consisting of representatives from each of the eight LGPS pools. The Fund plays an active role in meetings within the group which aims to share information and best practice in relation to Responsible Investment between funds and pools. Over the 2023/24 reporting period, the Fund has updated the group on its commitment to TCFD reporting, the launch of its new RI Policy and the setting of a Net Zero date.

#### **LAPFF:**

The Fund is a member of the Local Authority Pension Fund Forum (LAPFF), a collaborative shareholder engagement group representing most of the LGPS Funds and UK Pension Pools that campaigns on ESG issues, thereby demonstrating the Fund's commitment to sustainable investment and the promotion of high standards of corporate governance and responsibility. More information on the LAPFF and the engagement role that it plays on behalf of the Fund can be found in Principle 10.

#### **Pensions for Purpose:**

In 2021, the Fund became a member of Pensions for Purpose, a professional investment member network with the objective of directing capital towards sustainable and impactful investments by empowering members through a range of training platforms, events, and member forums which the Fund has continued to play an active role in throughout this reporting period, as well as an online Knowledge Centre. The network functions to create connections between asset managers, pension funds and their professional advisors to encourage investments that align with environmental and social aims.

#### **TCFD:**

In June 2019, the Fund voluntarily became an early adopter of the Task Force for Climate-Related Financial Disclosures (TCFD), an industry-led initiative created by

the Financial Stability Board to provide recommendations regarding climate-related financial risk disclosures across a wide range of sectors to demonstrate the risk that climate change poses at a macro-economic level. In developing such disclosures, the TCFD's aim is that organisations will be better placed to identify and consider relevant information about material climate-related financial risks and opportunities that can have an impact on the decisions made by their stakeholders. The Committee supports the recommendations of the TCFD as a framework to help manage and report on the actions being taken to identify climate change-related risks and opportunities in the Fund's investment strategy.

Since its launch, the TCFD has become the de-facto climate framework for global regulators. In November 2020, the UK Chancellor of the Exchequer announced that in order to accelerate progress on climate risk disclosures, the UK will move towards mandatory TCFD reporting across major segments of the UK economy by 2025, with a significant portion of requirements introduced by 2023. The Fund became an early adopter of the TCFD because it recognised the importance of understanding climate risks and opportunities relative to its role as an institutional investor. The Fund's first formal annual report on its commitment to the TCFD was approved by the Committee at its meeting on 11 September 2020 and the Fund produces an annual TCFD Report detailing how the Committee maintains oversight to ensure that the Fund's relevant climate-related risks and opportunities are considered appropriately by all stakeholders involved in the day-to-day management of the Fund.

#### **4.1.4. How has the Fund aligned its investments according to its identification and management of risks?**

##### **Increased investment in LGIM Future World Global Equity Index Fund**

ESG risks are at the heart of the Fund's investment decision-making process and in response to these risks, the Fund increased its investment in the LGIM Future World Global Equity Index Fund by £100m in April 2023. As outlined in Section 1.2.1., the LGIM Future World Global Equity Index Fund seeks to tackle ESG risks whilst improving long-term financial outcomes by incorporating 34 ESG factors to tilt the portfolio's investments whilst concurrently applying the Future World Protection List and the Climate Impact Pledge so as to exclude businesses whose business practices are incompatible with a low-carbon transition. Exclusions within this index include companies with over 20% revenue derived from thermal coal mining and extraction and/or thermal coal power generation and/or oil sands whilst companies failing to meet LGIM's minimum corporate governance standards may also be excluded from the fund. By substantially increasing its investment in the LGIM Future World Global Equity Index Fund, the Fund is thereby aligning its investments to its assessment of ESG risks and promoting a low-carbon transition in line with its Net Zero date.

##### **Climate Opportunities and Climate Opportunities 2 Fund**

In addition to the Fund's commitment to LGIM Future World Global Equity Index Fund and as outlined in greater detail in Section 7.3.1., the Fund has also continued to fund its commitment to BCPP's Climate Opportunities Fund throughout the

2023/24 reporting period as well as being involved in discussions with BCPP regarding the launch of a Climate Opportunities 2 Fund. BCPP's Climate Opportunities Strategy is an approach to mitigating climate risk and was agreed with Partner Funds to invest not only in operational renewable assets but also in companies at the forefront of the technological developments that are leading the transition of the "built economy" to a sustainable, low carbon future. The Fund's original commitment to BCPP's Series 2 Climate Opportunities Strategy was £235m and the funding of this has continued throughout the 2023/24 reporting period. As the pipeline of opportunities aligned with BCPP's Climate Opportunities Fund have been greater than expected, discussions have continued throughout the 2023/24 reporting period regarding the launch of a Climate Opportunities 2 Fund which will be **\*update after March** discussed at the Fund's March 2024 Committee meeting. In line with this development, training has been planned for Committee Members in early 2024 to improve their understanding of the Climate Opportunities Strategy **\*update after March**.

### **Switch to BCPP Emerging Markets Equity Alpha Fund**

As outlined in detail in Section 1.2.1., in July 2023 the Fund redeemed the entirety of its holdings in LGIM's passively managed Emerging Markets Fund and reinvested into BCPP's actively managed Emerging Markets Equity Alpha Fund. This product was created by BCPP at the request of Partner Funds (including Surrey Pension Fund) as it was believed that an actively managed product would provide Partner Funds with greater opportunities to invest in companies with ambitious ESG and decarbonisation policies, rather than investing solely on the basis of a company's market cap weight in the index. In total, the Fund invested £276m into BCPP's Emerging Markets Equity Alpha Fund which better aligned with the Fund's ambition to mitigate climate risk and to become Net Zero by 2050 or sooner.

## **4.2. Outcome**

### **4.2.1. How effective has the Fund's approach been in identifying and responding to market-wide and systemic risks and promoting well-functioning financial markets?**

#### **Reduced carbon intensity of the Fund's investments:**

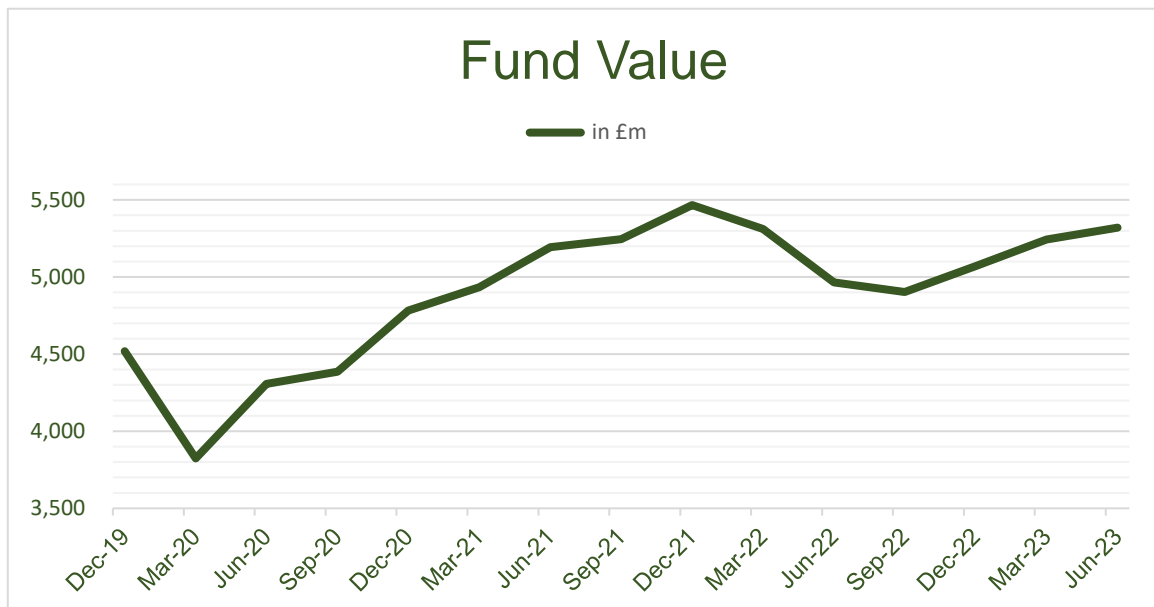
One of the clearest indicators of the success of the Fund's approach to addressing ESG risks through its investments has been the significant reduction in the Weighted Average Carbon Intensity (WACI) of the Fund's investments over recent years. The WACI measurement is expressed as metric tonnes of CO<sub>2</sub> equivalent and represents the carbon dioxide and equivalent emissions of a company divided by the company's revenue, with this measure then being weighted by the weighting within the portfolio. At the September 2023 Committee meeting, Members were presented with and approved the draft TCFD report for 2022/23 which noted that since 2018 the Fund's WACI measurement had fallen by 58% for the listed equity portion of the Fund with a WACI (119 tCO<sub>2</sub>e per \$million revenue) 19% lower than the MSCI All Companies World Index benchmark (147 tCO<sub>2</sub>e per \$million revenue). Moreover, the carbon footprint of the Fund's listed equities (61 tCO<sub>2</sub>e per \$million invested) was found to

be more than 33% below the MSCI All Companies World Index benchmark (92.1 tCO<sub>2e</sub> per \$million invested). These figures provide a clear indication of the Fund's desire to become Net Zero by 2050 or sooner which has been further buttressed by the Fund's investments in the LGIM Future World Global Equity Index Fund during the 2023/24 reporting period.

**Continued increase in Fund value \*alter graph at end of March with latest figures:**

In addition to the reduction in carbon intensity of the Fund's investments, the Fund believes that the risk identification and mitigation strategies outlined above alongside its robust governance structure have been effective in minimising the negative effects of broader market-wide and systemic risks. Specifically, despite a number of seismic and unforecastable crises over recent years including Covid and the Liability-Driven Investment (LDI) crisis, the Fund's value has grown despite dips over the last four years (see graph below). To a significant extent, this growth can be attributed to the Fund's firm belief in a long-term investment strategy and a diversified portfolio which has minimised the Fund's exposure to such risks. A greater focus on stewardship and RI (notably through an extensive RI Policy consultation and the production of an RI Policy in 2023) has improved the Fund's resilience and confidence when managing unforeseen risk.

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## **Principle 5**



**Principle 5** = Signatories review their policies, assure their processes and assess the effectiveness of their activities.

## 5.1. Activity

### 5.1.1. Policies and review process

The Fund recognises the importance of having well-defined policies that are reviewed regularly to enable effective governance and stewardship. The following table outlines the Fund’s key policies and the respective review process that the Fund undertakes.

<u>Policy</u>	<u>Review Process</u>
<p><b>Investment Strategy Statement</b> = this Statement sets out the Fund’s investment policy, suitable persons appointed to implement the policy as well as the regular reviews and monitoring of investments. The Investment Strategy Statement is an important governance tool for the Fund, as well as providing transparency in relation to how the Fund’s investments are managed.</p>	<ul style="list-style-type: none"> <li>The Fund’s Investment Strategy Statement is reviewed following each triennial valuation to ensure that the investment strategy will achieve the expected returns assumed during the valuation process. The Statement is also reviewed and revised from time to time in order to reflect any policy changes.</li> </ul>
<p><b>Funding Strategy Statement</b> = this Statement details the Fund’s approach to setting contribution rates and maintaining stable and affordable employer contributions.</p>	<ul style="list-style-type: none"> <li>The Funding Strategy Statement is reviewed in detail at least every three years as part of the valuation. Amendments may be made before then if there are regulatory or operational changes. Any amendments will be consulted on, agreed by the Pension Fund Committee, and included in the Committee meeting minutes.</li> </ul>
<p><b>Responsible Investment Policy</b> = this policy sets out the Fund’s approach as a responsible asset steward in addressing RI issues associated with its investment strategy. It is also produced to communicate the Fund’s position to stakeholders.</p>	<ul style="list-style-type: none"> <li>The Fund commissioned a dedicated RI consultant, Minerva, to help to produce the Fund’s Responsible Investment Policy. This went through the Fund’s RI Sub-Committee and is reviewed, updated, and approved annually to reflect developing best practice. Moreover, though taking place prior to the current reporting period, it provides crucial context</li> </ul>

	<p>to understand the extensive RI consultation that the Fund undertook in 2022 which has fed into and provides the foundation for the Fund’s formal adoption of its RI Policy at the June 2023 Committee meeting. From September to November 2022 the Fund undertook an extensive review of its RI Policy through consultation with LGPS Members, Employers, Board and Committee Members as well as the general public in order to gain feedback on the draft version of the Fund’s first RI Policy. This process resulted in 7,337 online and postal consultation responses in the form of surveys which gave the Fund a range of insights including how respondents viewed the use of the UN SDGs as a foundation for the policy, and how important they viewed the need to incorporate ESG factors into the portfolio construction process. A ‘Further Thoughts’ section was also included at the end of this consultation process as a qualitative addition to enable respondents to provide more detailed feedback to inform the Fund’s RI policy and activities.</p>
<p><b>Training Policy</b> = the Fund’s Training Policy is produced to: a) ensure the Fund is managed, and its services delivered, by Members and Officers with the appropriate knowledge and expertise to be competent in their role; b) provide those with responsibility for governing the Fund to evaluate the information they receive and effectively challenge it where appropriate; c) support effective and robust decision-making, ensuring decisions are well-founded and comply with regulatory requirements or guidance from The Pensions Regulator, the Scheme Advisory Board and the</p>	<ul style="list-style-type: none"> <li>• The Fund demonstrates compliance with its training plan on a yearly basis through the Annual Report with training plans being developed on an annual basis and updated as required taking account of the identification of any knowledge gaps, changes in legislation, key legislation (e.g., triennial valuation) and receipt of updated guidance. The Fund’s latest Training Policy was supported by the Board and approved at the June 2023 Committee meeting.</li> </ul>

<p>Secretary of State for the Department for Levelling Up, Housing and Communities (DLUHC); d) ensure an understanding of the operation and administration of the Fund and; e) meet the required needs in relation to the Fund's objectives.</p>	
<p><b>Pension Administration Strategy</b> = this Strategy sets out the expected levels of administration performance of both the Fund and the employers within the Fund, as well as details on how performance levels will be monitored and the action that might be taken where persistent failure occurs.</p>	<ul style="list-style-type: none"> <li>• The Administration Strategy is subject to basic annual reviews as well as thorough periodic reviews that are aligned with the triennial valuations.</li> </ul>
<p><b>Communications Policy</b> = this policy provides an overview of how the Fund communicates with its stakeholders and is produced to ensure that the Fund delivers clear, timely and accessible communication.</p>	<ul style="list-style-type: none"> <li>• The Communications Policy is reviewed annually and updated sooner if the communications arrangements or other matters included within it merit consideration. The Fund's latest Communications Policy was supported by the Board and approved at the June 2023 Committee meeting.</li> </ul>
<p><b>Admissions Policy</b> = this policy sets out the Administering Authority's approach to admitting new employers into the Fund.</p>	<ul style="list-style-type: none"> <li>• The Admissions Policy is reviewed annually and updated accordingly.</li> </ul>
<p><b>Cessations Policy</b> = this policy sets out the Administering Authority's approach to dealing with circumstances where a scheme employer leaves the Fund and becomes an exiting employer.</p>	<ul style="list-style-type: none"> <li>• The Cessations Policy is reviewed annually and updated accordingly.</li> </ul>
<p><b>Risk Management Policy and Risk Register</b> = this policy sets out the Fund's approach to identifying, evaluating, and controlling risks in order to ensure that risks are recognised, and then either eliminated or reduced to a manageable level.</p>	<ul style="list-style-type: none"> <li>• Changes to the Risk Register are reported to the Committee on a quarterly basis with both the Risk Management Policy and the Risk Register being approved on an annual basis.</li> </ul>

**Voting Policy** = this policy sets out the principles of good corporate governance and details how the Fund seeks to exercise its influence on investee companies.

- The Fund periodically reviews its Voting Policy and takes into account current and developing stewardship issues whilst incorporating feedback received from ongoing discussions with the investment managers.

In addition to the policies outlined above, BCPP and Robeco also report on BCPP's stewardship activities each quarter with these activities being reviewed and reported to the Committee.

### **5.1.2. Internal or external assurance received by the Fund and the rationale behind the Fund's chosen approach**

#### **Internal assurance:**

- **Internal Audit** = the Internal Audit team assess the internal controls in place at the Fund to ensure that the Fund's processes and systems are appropriate for managing risks. The Internal Audit team also undertake testing each year across a range of areas to enable the Fund to identify areas of good practice as well as areas where improvements may be made. For example, in April 2023 the Internal Audit team provided a Reasonable Assurance opinion regarding the Fund's governance structure and gave the Fund insight into the extent and effectiveness of its current governance arrangements, specifically in relation to the preliminary LGPS Good Governance Project recommendations.
- **Local Pension Board** = as outlined in Principle 2, the Local Pension Board performs a crucial assurance role in ensuring that the Fund is managed and administered efficiently and that its governance and stewardship activities are effective.

#### **External assurance:**

- **Actuary** = the Fund's Actuary prepares valuations including the setting of employers' contribution rates and also assists the Administering Authority in considering possible changes to employer contributions between formal valuations where necessary. The Actuary also provides advice relating to new employers in the Fund (including the level and type of bonds or other forms of security) and relating to bulk transfers and individual benefit-related matters, as well as advising on the termination of employers' participation in the Fund.
- **External Audit** = the Fund's financial statements are audited annually by a professional services firm. The audit firm reviews the regulatory compliance and financial reporting of the Fund. The financial statements must be prepared in accordance with LGPS regulations and CIPFA guidance. As part of their work, the external auditor conducts an independent analysis of the operation of the Fund including a review of its investment holdings.

- **Independent Advisor** = the Fund's Independent Advisor performs an assurance role by providing advice to the Committee where necessary, notably in relation to the Fund's approach to RI risk identification and mitigation.
- **Investment Consultant** = the Fund's Investment Consultant provides the Fund with assistance in the management of its investments and informs and assists the Committee in making investment decisions.

### **5.1.3. How has the Fund ensured that its stewardship reporting is fair, balanced, and understandable?**

The Fund recognises the importance of reporting on its stewardship activities in a fair, balanced and understandable way and has put in place several measures to action this throughout the 2023/24 reporting period. A selection of these measures are outlined below:

#### **I. Improving stakeholder understanding of the Fund's stewardship activities**

One of the insights gained from the Fund's Responsible Investment consultation process was that the technical terms used in the RI Policy and the consultation more broadly were sometimes confusing to stakeholders and this is a consideration that has therefore been at the forefront of the Fund's attention when producing policies and other published documents throughout the 2023/24 reporting period. This point was raised in the qualitative feedback section of the consultation process and the Fund recognises that whilst technical language is sometimes unavoidable when discussing investment and stewardship activities, there is a need to use more 'plain English' in policy documents and consultations to ensure that its stewardship reporting is as understandable as possible.

#### **II. Summarising LAPFF and Robeco documents**

The Fund has put in place additional voluntary measures to ensure that whilst Committee sessions are livestreamed for the general public and Committee papers are published online, the content of these papers is made as user-friendly as possible so that viewers are able to understand any stewardship issues discussed. Specifically, the Fund now provides additional summarised versions of the reports produced by the LAPFF and BCPP's Voting and Engagement Partner, Robeco, given the naturally technical nature of their reports. This action is designed to ensure that whilst their reports are available to the public, less technical and more user-friendly versions are also available, thereby maximising opportunities for those interested to engage with the content in future meetings.

#### **III. Improving the accessibility of the Fund's website and communications**

In addition to improving the understandability of documents and reports, the Fund has placed a concerted effort in bolstering the accessibility of its website and the information it contains and is committed to ensuring that all information meets the Web Content Accessibility Guidelines (WCG 2.1). Specifically, all reports published

on the website are required to go through thorough style and usability checks and the Fund draws upon advice provided by the Administering Authority's accessibility team to ensure that the wording and formatting of documents is accessible to the widest possible audience. The Fund also ensures that all communications to stakeholders are available, where possible, in electronic, print, large print, braille and audio formats as requested.

## **5.2. Outcome**

### **5.2.1. How has the Fund's review and assurance led to the continuous improvement of stewardship policies and processes?**

#### **Aligning the Fund's new RI Policy to the UN SDGs:**

As part of the Fund's attempts to enhance its sustainable stewardship activities and incorporate ESG into its investment approach, the Fund agreed in 2020 to adopt the UN SDGs as a framework through which to approach Responsible Investment. Though completed prior to the current reporting period, this framework is important to emphasise as it remains of utmost importance in providing the contextual foundation upon which improvements to stewardship policies and processes in the current and previous reporting periods are, and have been, based. A review of support for this alignment with the UN SDGs was incorporated into the Fund's extensive RI consultation with LGPS members, Employers, Board and Committee Members and the general public in 2022, with only 4.5% of respondents disagreeing or strongly disagreeing with the statement that the UN SDGs should be the guiding principles for the Fund's ESG engagement. This feedback played a key role in informing the development of the Fund's RI Policy which was formally approved at the June 2023 Committee meeting.

#### **Changes to the wording of the Fund's RI Policy in response to RI consultations:**

A second change arising from the Fund's RI consultation was the need to change the wording of one section of the RI Policy in response to feedback from stakeholders. Specifically, whilst the average response rate with the Agree or Strongly Agree categories across the range of questions was 70% and no question had a response rate of more than 7% for Disagree or Strongly Disagree combined, there were a larger than average number of neutral votes regarding the Fund's engagement approach. With regard to a belief in the Fund's 'Engagement with Consequences' approach, 34.9% of respondents neither Agreed nor Disagreed, suggesting that the Fund could provide further clarity on the meaning of this term. This matter was discussed at the June 2023 Committee meeting with an agreement that a re-wording was required to clarify the Fund's escalation process and specify investment categories that are excluded from the Fund's portfolio. This was voted on by Members at the September 2023 Committee meeting and unanimously agreed.

#### **Concerted effort on setting a Net Zero date following RI consultations:**

The Fund has invested a significant amount of time in understanding the investment strategy implications of potential Net Zero policies and whilst the Fund's approach to

Net Zero was already a prominent area of focus and a key part of the Fund's RI Beliefs, the need for the Fund to set an explicit Net Zero date in the 2023/24 reporting period was further evidenced by the RI consultation with stakeholders in 2022. The qualitative section of this consultation saw a wide range of views including support for the setting of a Net Zero date. In response to the consultation, the setting of a Net Zero date for the Fund's investments became a key priority for the Committee for the 2023/24 reporting period with this priority being completed in June 2023 when the Committee agreed a Net Zero date of '2050 or sooner'. The Fund will review the investment opportunity set on an annual basis to determine whether a full review of the Net Zero target date is required.

## **Principle 6**



**Principle 6** = Signatories take account of client and beneficiary needs and communicate the activities and outcomes of their stewardship and investment to them.

## **6.1. Context**

### **6.1.1. Structure of the scheme**

As outlined in Principle 1, the Fund is part of the Local Government Pension Scheme (LGPS) and is a contributory defined benefit pension scheme that provides pensions and other benefits for pensionable employees of Surrey County Council, the borough and district councils in Surrey, and a range of other scheduled and admitted bodies within the county area (teachers, police officers and firefighters are not included as they come under other national pension schemes). Scheduled bodies include Local Authorities and similar bodies whose staff are automatically entitled to be members of the Fund. Admitted bodies include voluntary, charitable, and similar bodies or private contractors undertaking a Local Authority function following the outsourcing of services to the private sector.

Benefits are funded by contributions and investment earnings. Contributions are made by Active Members of the Fund in accordance with the Local Government Regulations 2013 and ranged from 5.5% to 12.5% of pensionable pay for the financial year ending 31 March 2023 **\*need updated figures when possible**. Employee contributions are supplemented by employers' contributions using rates which are set based on triennial actuarial funding valuations. The last such valuation was at 31 March 2022 and new rates were applied from April 2023. Currently, employer contribution rates range from 12.7% to 43.6% of pensionable pay. **\*need updated figures when possible**

### **6.1.2. Size and profile of membership** **\*need updated figures for 2023/24 when possible**

As at 31 March 2023, the Fund was comprised of over 300 employers and approximately 111,000 Members broken down into approximately 36,000 Contributory Employees, 44,000 Deferred Pensioners, and 31,000 Pensioners and Dependants. The table below provides a breakdown of the profile of membership by age range:

Age Group	Active	Deferred	Pensioners	Widow/Dependent	Grand Total
0-5	-	-	-	10	10
6-20	616	29	-	156	801
21-40	10,431	10,096	1	89	20,617
41-55	15,397	19,899	160	151	35,607
56-75	9,083	14,396	18,361	1,409	43,249
76-100	4	50	8,282	2,028	10,364
100+	-	-	39	29	68
<b>Total</b>	<b>35,531</b>	<b>44,470</b>	<b>26,843</b>	<b>3,872</b>	<b>110,716</b>

### 6.1.3. Breakdown of assets under management \*need updated figures when possible

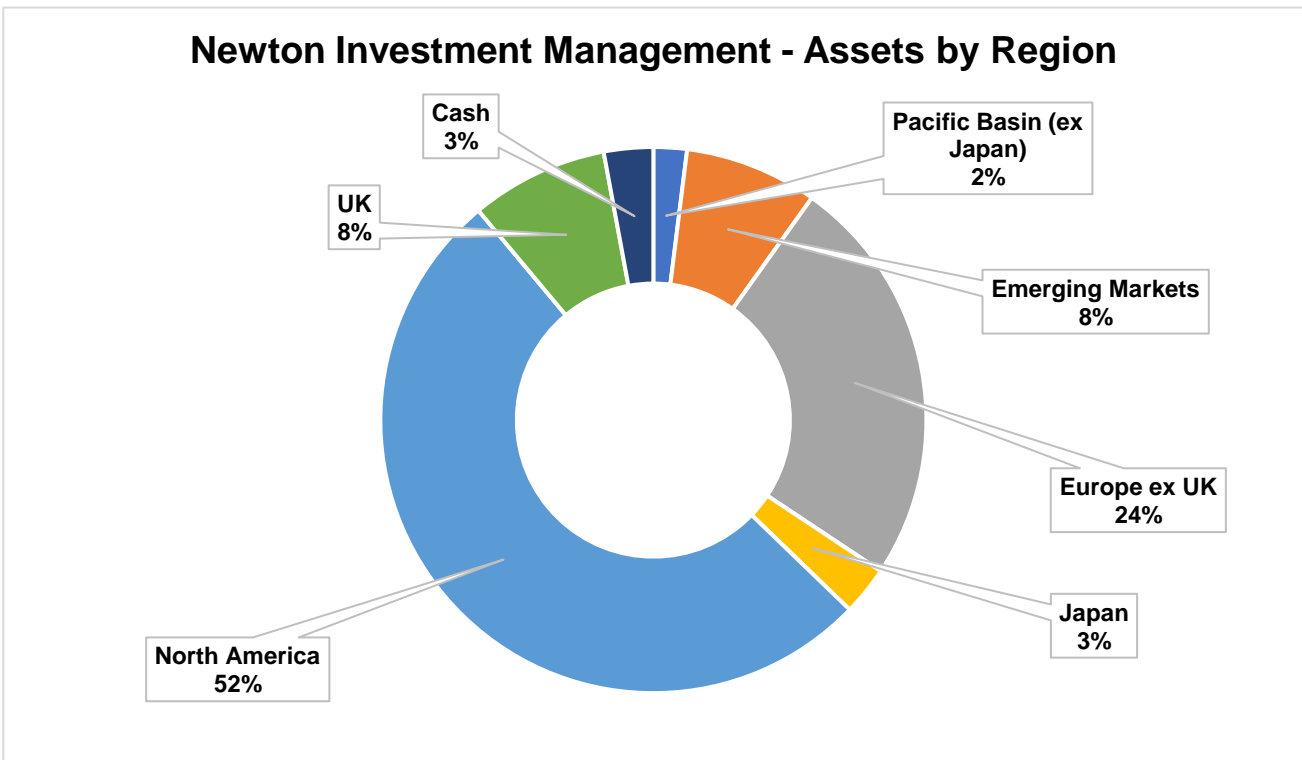
The allocation of the Fund's investments by asset class is outlined in the Fund's Investment Report with the table below outlining the Fund's investment breakdown over the last two years as at 31st March.

Asset class	MV as at 31 March 2022 (£m)	Asset allocation as at 31 March 2022 (%)	MV as at 31 March 2023 (£m)	Asset allocation as at 31 March 2023 (%)
<b>Listed Equities</b>	3,185.9	59.8	3,053.6	58.1

<b>Private Markets</b>	558.1	10.5	795.2	15.1
<b>Listed Alternatives</b>	402.3	7.6	250.7	4.8
<b>Property</b>	338.4	6.4	307.8	5.9
<b>Fixed Interest Securities</b>	760.1	14.3	689.8	13.1
<b>Internally Managed Cash, Liquidity Fund &amp; Currency Overlay</b>	80.4	1.5	160.6	3.1
<b>Total</b>	5,325.2	-	5,257.6	-

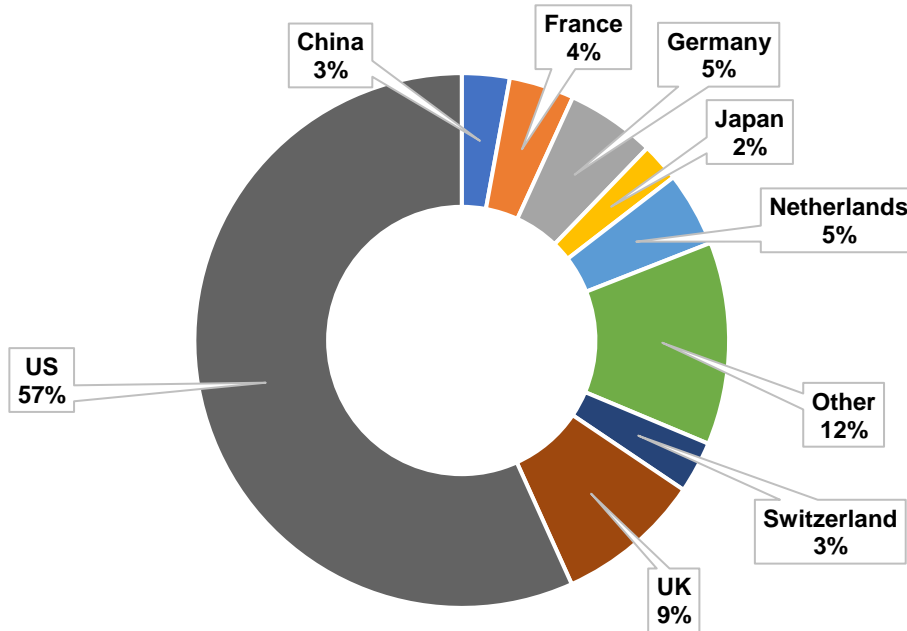
The following charts provide a detailed geographical breakdown of individual holdings within each of the Fund’s global mandates:

**1. Newton Investment Management (as at December 31<sup>st</sup> 2023) \*update after March if possible**



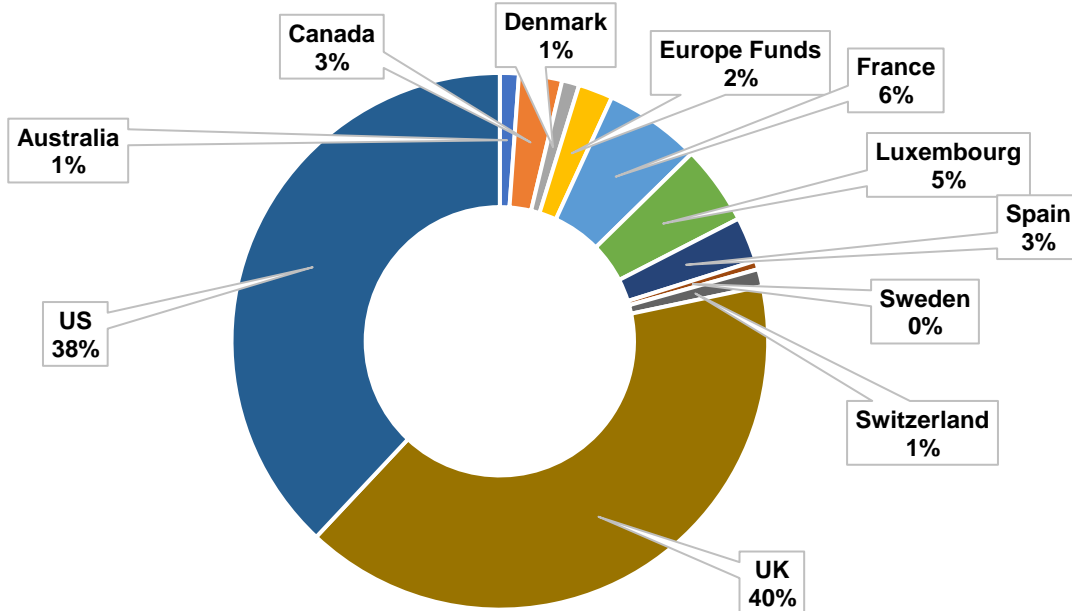
2. **BCPP Global Equity Alpha Fund (as at December 31<sup>st</sup> 2023)** \*update after March if possible

**BCPP Global Equity Alpha Fund - Assets by Region**



3. **BCPP Listed Alternatives (as at December 31<sup>st</sup> 2023)** \*update after March if possible

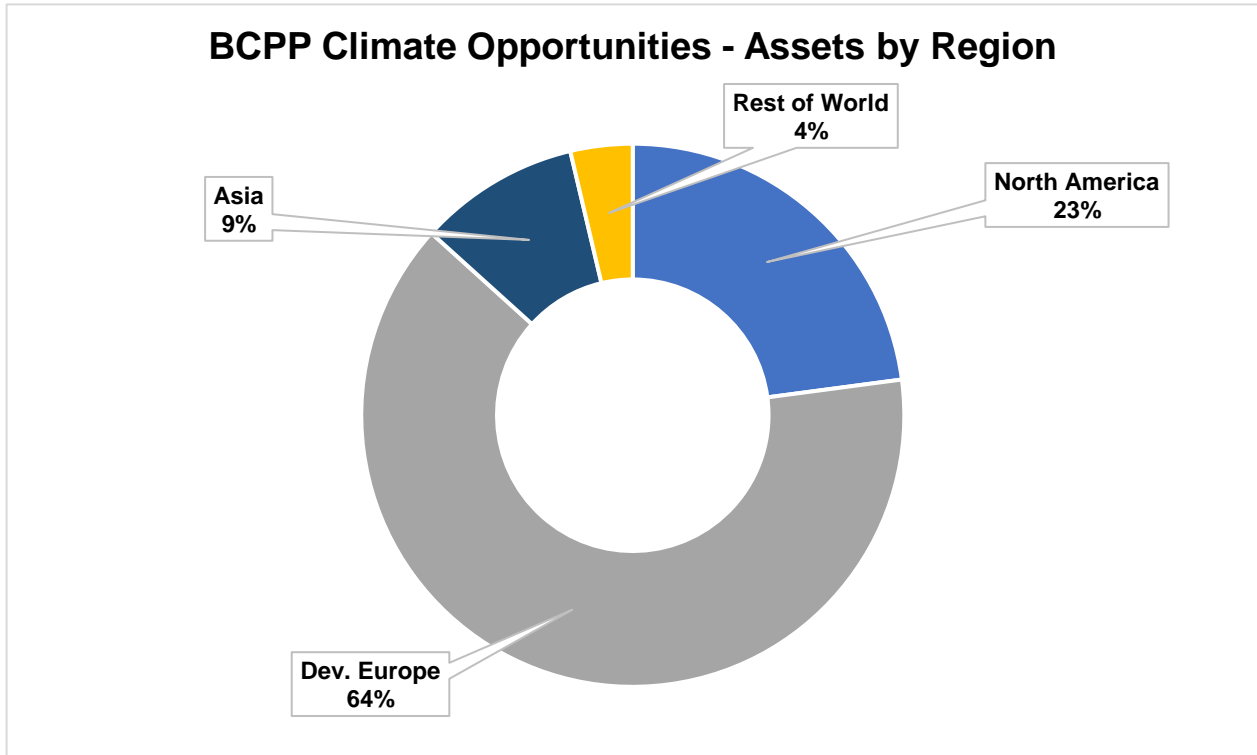
**BCPP Listed Alternatives - Assets by Region**



16

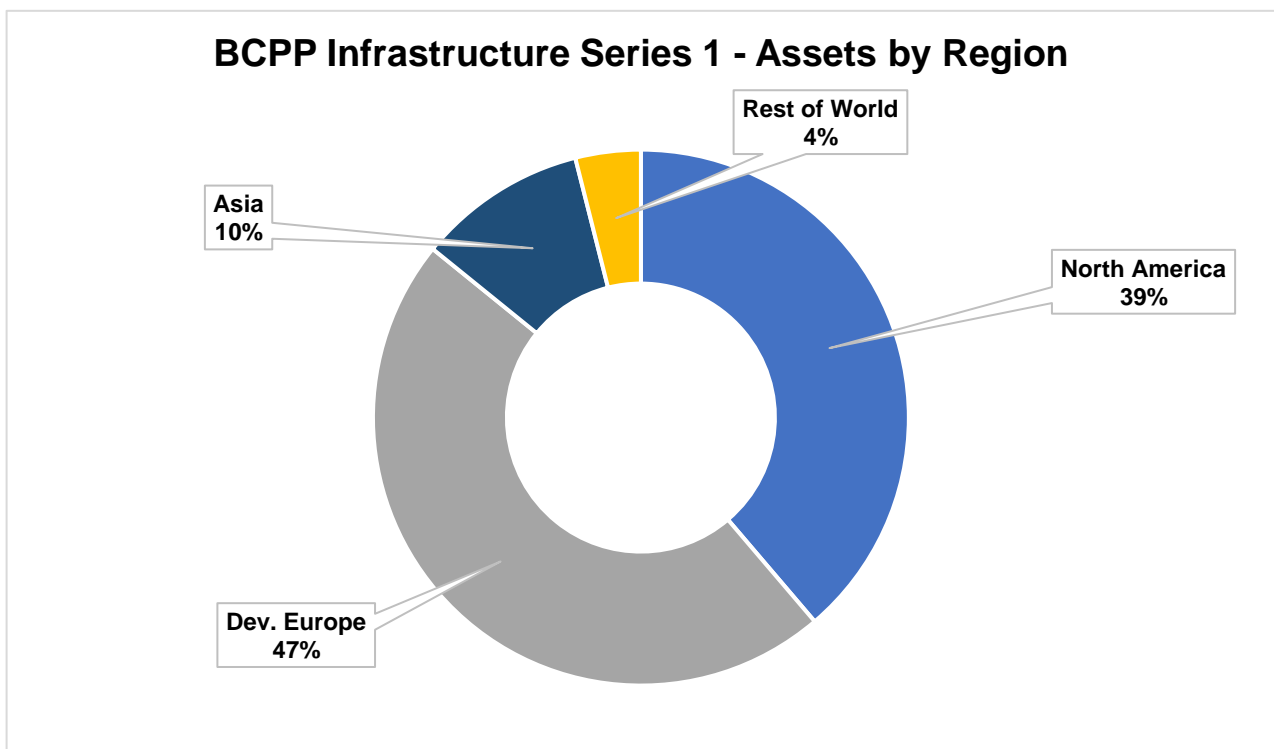
4. **BCPP Alternatives (as at September 30<sup>th</sup> 2023)** **\*update after March if possible**

a) **Climate Opportunities Fund:**

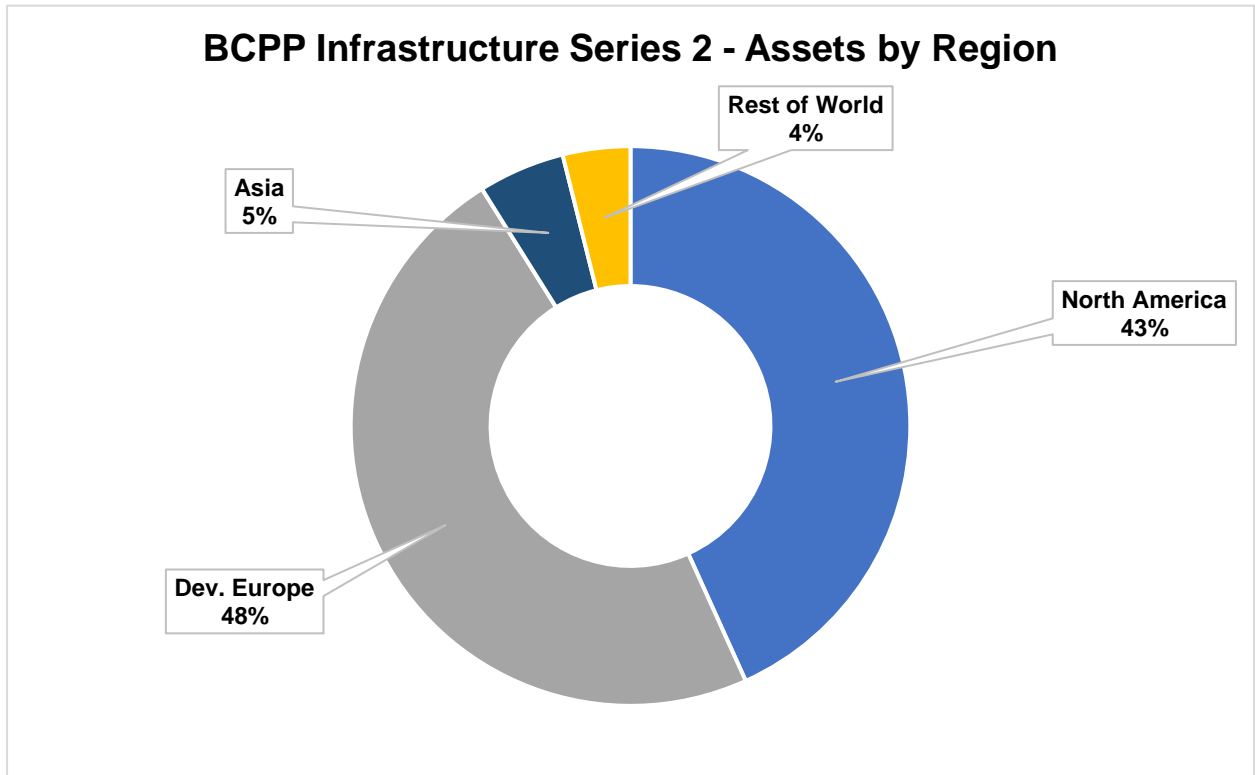


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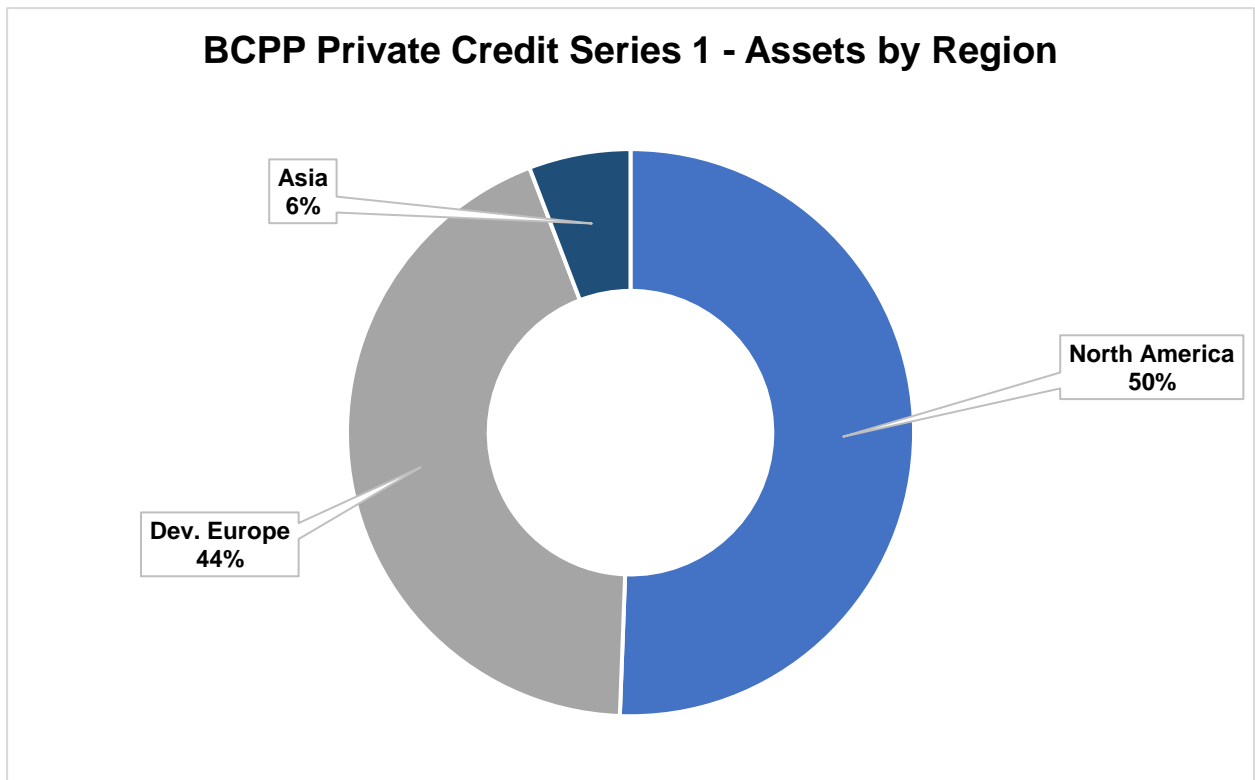
b) **Infrastructure – Series 1:**



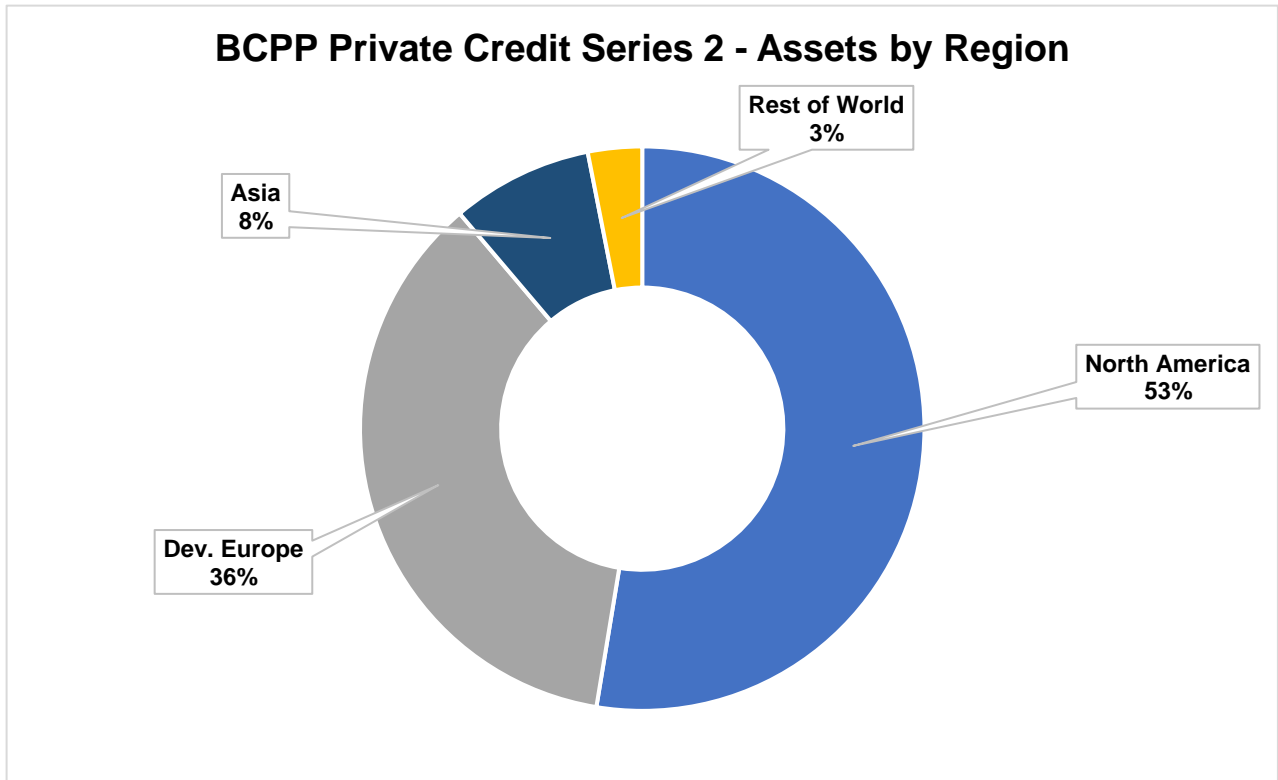
c) Infrastructure – Series 2:



d) Private Credit – Series 1:

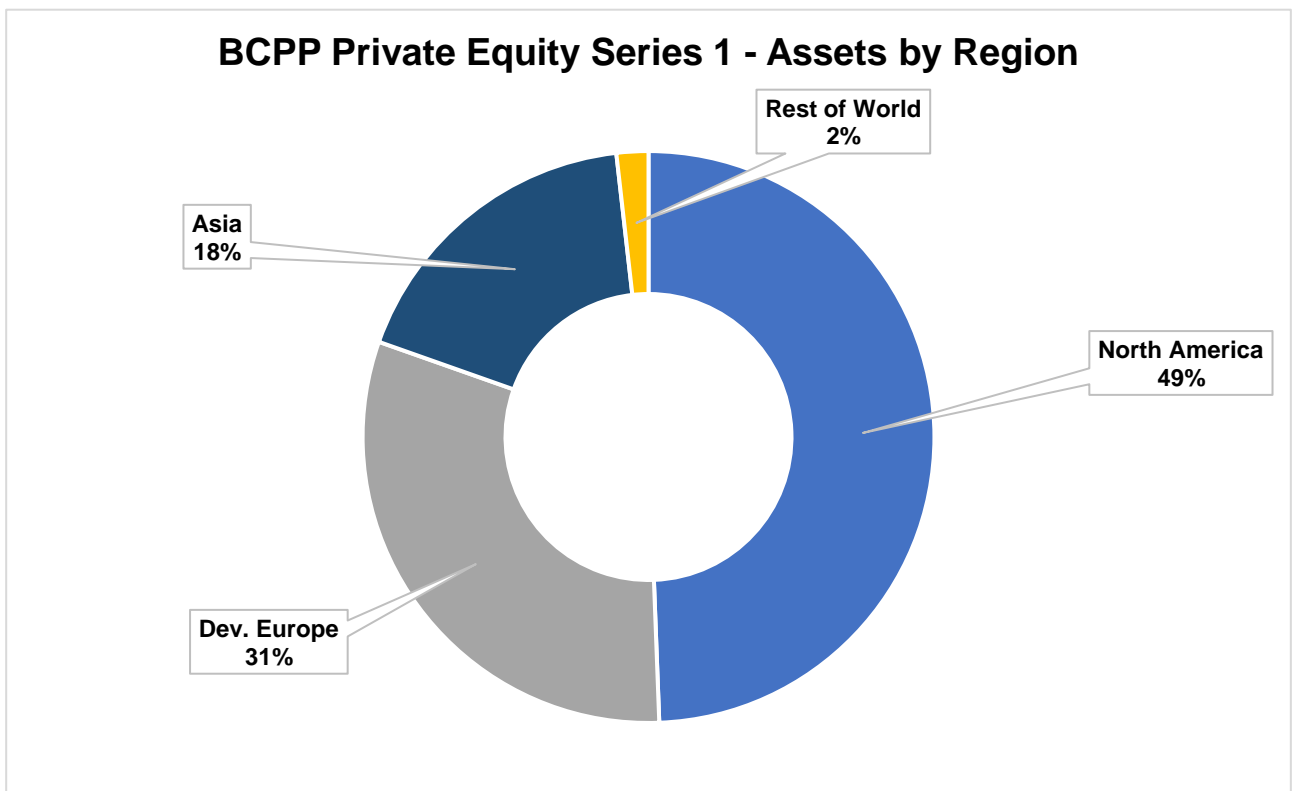


e) Private Credit – Series 2:

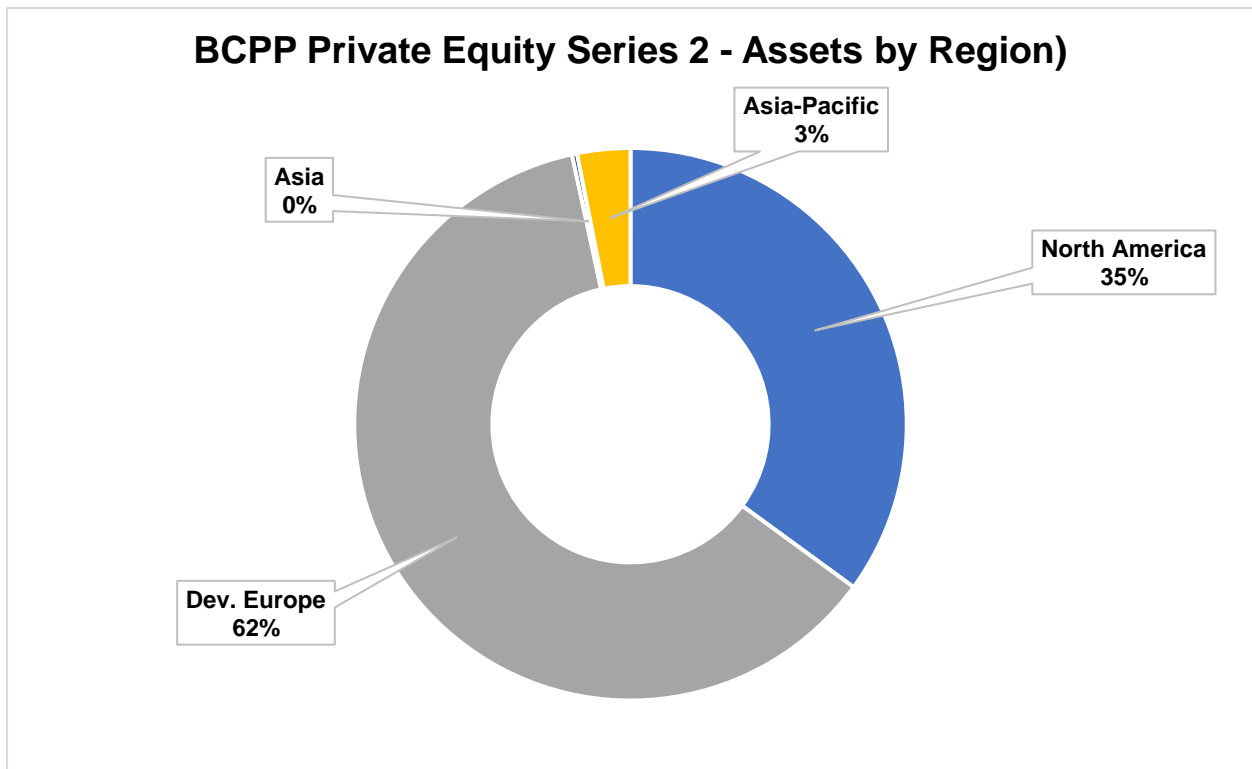


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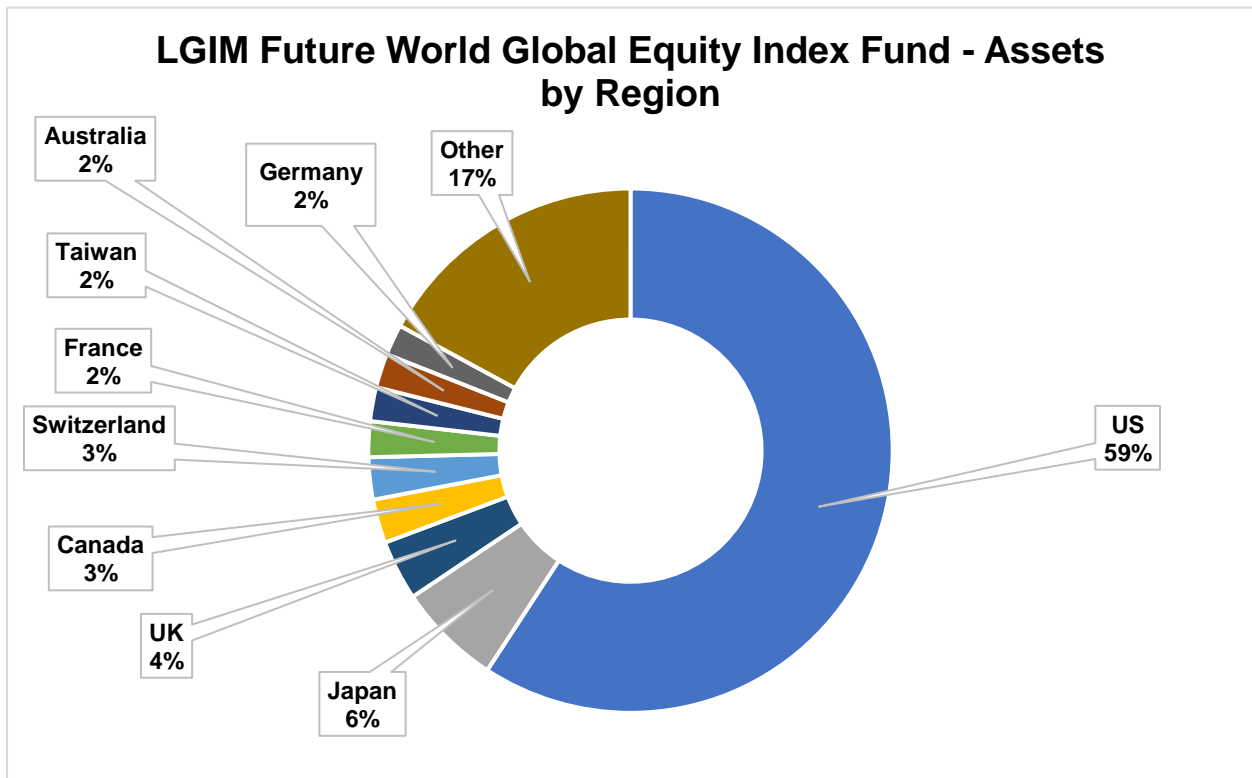
f) Private Equity Series 1:



g) Private Equity Series 2:



4. LGIM Future World Global Equity Index Fund (as at September 30<sup>th</sup> 2023)  
\*update after March if possible





#### **6.1.4. Investment time horizon**

The Fund primarily operates on the basis of a long-term investment time horizon with the aim, as outlined in Principle 1, to be at or above a 100% funding level over the long-term. The Committee recognises that funding levels can be volatile from year to year, as they depend on both investment market levels and estimates of liability values. Consequently, the Fund has chosen a long-term investment strategy that is able to steer a robust course through changing market environments so as to deliver to the needs of beneficiaries.

### **6.2. Activity**

#### **6.2.1. Seeking beneficiaries' views**

The approach that the Fund takes to seeking beneficiaries' views is set out in the Fund's Communication Policy Statement. This policy outlines the strategic approach taken by the Fund regarding communications and specifically details the means by which a wide range of stakeholders (including Scheme Members and Employers) are informed of, and consulted on, pension matters, including investment and stewardship activities.

The Fund communicates with beneficiaries through a wide range of channels which are outlined in detail in the Communication Policy Statement, and the Fund is committed to ensuring communications are accessible to all stakeholders. A selection of key communication channels are outlined below:

<b><u>Communication Channel</u></b>	<b><u>Purpose</u></b>
<b>Surrey Pension Fund website</b>	The Fund's website provides access to investment information, member guides, forms, policies, reports, newsletters, videos, and other information. New items and blogs are also produced on the website regularly and as the need arises, to highlight current issues, upcoming changes or to provide articles of interest. In January 2024, a new website dedicated to Members was also launched as a means of improving access to information and providing a more user-friendly navigation system. Specifically, this website was designed to be bespoke for Surrey Pension Fund and gives greater opportunity for the Fund to directly add different varieties of information such as blogs and articles that have previously required Members

	to access through links which are less user-friendly and more prone to errors.
<b>Surrey Pension Fund for Employers website</b>	The Fund's dedicated employer website provides access to employer procedures, guides, investment information, forms, spreadsheets, newsletters, and other information.
<b>Customer Relationship Team</b>	The Fund's Customer Relationship Team was established in its current format in October 2022 and functions as a dedicated team that responds to queries posed by beneficiaries. Moreover, the Customer Relationship Team actively runs online and face-to-face events such as webinars and walk-in pension clinics (see below) where beneficiaries are able to ask questions directly to Officers on a broad array of subjects including investment and stewardship issues.
<b>Employer newsletters</b>	The Fund sends a newsletter to employers on a quarterly basis.
<b>Active Member newsletters</b>	The Fund provides active members with a newsletter on a biannual basis (in April and August) to improve understanding of pensions, how the LGPS works and the impact of any changes in legislation. The newsletter also advises scheme members of their rights and benefits.
<b>Deferred and Pensioner Member newsletters</b>	The Fund provides deferred members with a newsletter on an annual basis to provide information regarding how the LGPS functions, the impact of any changes in legislation, and the implications of transferring out of the scheme.

<p><b>Online and face-to-face events</b></p>	<p>The Fund arranges a programme of online and face-to-face events each year to meet with groups of members. The Fund arranges these events in conjunction with employers, via Olive for Surrey County Council members, and these events are advertised to members of the scheme via a SharePoint site. In 2023/24, three highly attended online Question &amp; Answer webinars were also held for the Fund's active members on a range of topics including understanding the 'My Pension' Portal, understanding Members' Annual Benefit Statement as well as a webinar providing an overview of the LGPS and the benefits that it offers.</p>
<p><b>Individual meetings</b></p>	<p>Members can visit the Fund's offices by appointment if they prefer to speak face-to-face. Throughout the 2023/24 reporting period, due to high demand five walk-in pension clinics were held throughout November to enable Members to ask questions regarding matters of interest.</p>
<p><b>Committee and Board meetings</b></p>	<p>Committee and Board meetings are open to the public and can be attended both in-person and online with relevant papers published online.</p>
<p><b>RI Policy Consultation</b></p>	<p>For more details, see Section 5.1.1.</p>

### **6.3. Outcome**

#### **6.3.1. Evaluating the effectiveness of methods to understand the needs of clients and/or beneficiaries**

The Fund's Communication Policy is reviewed annually and updated sooner if the communications arrangements, stakeholder feedback, or other matters included within it merit reconsideration. The 2023/24 Communications Policy was approved at the June 2023 Committee and further projects to improve the Fund's approach to

communicating with beneficiaries have been discussed throughout the reporting period. Three of these projects are outlined below:

### **Further steps:**

#### **1. Customer Insights Project**

At the heart of the Fund's approach to improving the way in which it considers beneficiaries' views is its Customer Insights project, first discussed at the August 2021 Board meeting before being launched substantively in 2023. The aim of this project is to improve the Fund's understanding of the perceptions that stakeholders have both of the Fund as a whole and of the services that it provides. By listening, analysing, and acting on the insights of stakeholders, the Fund believes that it will be in a better position to deliver services more effectively whilst achieving its key strategic objectives. In this sense, the project is intrinsically tied to the Fund's Strategic Plan (see Section 1.1.3) and specifically targets the first lever within this plan, Customer Focus.

In practice, the preliminary step within the project was to identify the core stakeholder groups that insights would be derived from and to then determine the format through which information would be gained. Throughout the current reporting period, the Fund has considered plans to engage with four core stakeholder groups: recently retired members, active members nearing retirement, members who have recently transferred out of the Fund, and those members who have recently joined the Fund. From these four groups, around 350/400 individuals will be contacted with extensive qualitative research being undertaken to provide both a detailed and representative understanding of stakeholders' perceptions of the Fund. Though the precise format that this qualitative research will take for each of the stakeholder groups is under consideration (e.g., focus groups, in-depth interviews etc.), the first stage of the data gathering process has commenced throughout the current reporting period with the help of a third-party service provider. Between November 2023 and February 2024, the Fund and its third-party service provider has engaged with a sample of employers through one-hour interviews that will be further analysed throughout the 2024/25 reporting period.

#### **2. 'Amplifying Our Presence' plan**

At the September 2023 Committee meeting, the Change Management Team within the Fund formally announced a multi-year 'Amplifying Our Presence' plan. The aim of this plan was to identify and engage with stakeholder groups to determine whether the Fund is communicating with stakeholders correctly, whether the forms of communication used by the Fund are preferred by stakeholders, and to consider what information the Fund wants to communicate with stakeholders going forward. From this plan, a number of activities have been scheduled for implementation throughout 2024 including the launch of a new Surrey Pension Team Member website (designed to enhance usability and enable the Fund to engage with Members through innovative methods such as blogs) and an increased reliance on Q&A webinars focusing on key topics of interest to Members given that this format has been well-received throughout 2023/24.

### **3. Provision of more pension clinics in 2024/25 due to positive feedback**

As a result of positive in-person feedback from Members in relation to the five walk-in clinics held in November 2023, the Fund has planned for walk-in clinics to become a more regular feature of communications with Members throughout the 2024/25 reporting period. Specifically, towards the end of the 2023/24 reporting period the Fund has been actively considering both a more formalised and frequent holding of pension clinics as well as expanding the sites at which the clinics are held. In November 2023, the five clinics were all held in the location at which the Customer Relationship Team was based. In future, the Fund hopes to be able to organise the clinics at each of the Administering Authority's four main offices to ensure that beneficiaries from across the county are able to posit queries at greater convenience.

## Principle 7

**Principle 7** = Signatories systematically integrate stewardship and investment, including material environmental, social and governance issues, and climate change, to fulfil their responsibilities.

## **7.1. Context**

### **7.1.1. Issues the Fund has prioritised for assessing investments, prior to holding, monitoring through holding and exiting**

The Fund's Investment Beliefs and Responsible Investment Beliefs are outlined in Principle 1 and map out the way in which the Fund assesses investments and integrates ESG issues into its investment decisions. Since 2022, an RI Sub-Committee has also operated within the Fund to further consider how the Fund's RI Beliefs can be integrated into its investments.

Alongside the extensive RI Consultation process that the Fund undertook in 2022 to gain the insights of stakeholders with regard to integrating stewardship and investment (this is outlined in depth in Principle 5), as is briefly outlined in Principles 4 and 5 the Fund has undertaken ground-breaking work over recent years to integrate the UN SDGs into its investment process with the intention of ensuring that ESG issues become systemically intertwined with the Fund's culture, values and investment beliefs. This work began in 2020 and involved using the World Benchmarking Alliance's (WBA) SDG 2000 Benchmark to understand the Fund's starting position against the SDGs. The companies targeted within the SDG 2000 Benchmark have the most potential to help deliver the SDGs if they are managed and ran in a sustainable manner and become leaders in their sectors for others to follow as an example. Through this benchmarking process, the Fund has therefore been able to evaluate its investment process to ensure that its RI Beliefs and key ESG issues are at the forefront of the assessment and monitoring of its investments.

The findings from the Fund's mapping against the WBA SDG 2000 are summarised below and illustrate the means by which the Fund's assessment of its investments through the lens of the UN SDGs has informed its decision-making:

- Approximately 63% of the Fund's equity and corporate bond holdings are also in the WBA SDG 2000 Index.
- Whilst the overlap against the WBA SDG 2000 was purely coincidental, it presented an opportunity to focus on these holdings, and how these companies are managed. Improving the management of these companies can allow them to make progress in helping to deliver the SDGs.

The Fund has since used this analysis and worked with the Committee to discuss how it can integrate the findings into its Investment Strategy as well as ensuring the SDGs form the foundation of its Investment Beliefs. The Fund is also continuing to develop its integration of ESG issues into the investment process through activities such as:

- Working with BCPP in using its influence to engage with its invested companies (see Principles 9, 10 and 11)
- Seeking further SDG-friendly investment opportunities

- Developing future Climate Impact (SDG 13: Climate Action) related performance reporting and understanding how it impacts the Fund's investments

## **7.2. Activity**

### **7.2.1. How the Fund's integration of stewardship and investment has differed for funds, asset classes and geographies**

The Fund's RI Policy outlines the approach taken to integrate stewardship across different funds, asset classes and geographies and the Fund expects its investment managers to take the Fund's RI Beliefs into account when managing investments on behalf of the Fund, irrespective of the asset class they manage.

When considering investments across asset classes, the Fund accepts that currently, incorporating ESG/RI issues into the process of making and then monitoring investments is more straightforward for some asset classes than others (e.g., for actively managed listed equities compared with Government bonds). As such, the approach the Fund chooses to integrate stewardship can vary considerably, though the Fund is continuously looking to integrate ESG factors across all asset classes. For example, from a listed equity perspective, the Fund currently holds a target allocation of 19.5% for the LGIM Future World Global Equity Index Fund, a sustainable equity fund tilted to companies less reliant on carbon in their business operations. Equally, from a private markets perspective the Fund has sought to integrate ESG factors by seeking environmentally sustainable investments, which is where the majority of climate-related investment opportunities currently exist. Specifically, the Fund has invested in a Renewable Energy Infrastructure strategy as well as committing to a Climate Opportunities Fund (see Principle 4).

Though the Fund accepts that some asset classes are at an earlier stage of development in terms of ESG integration, as a responsible asset steward the Fund expects investment managers across asset classes to demonstrate leadership in addressing, communicating, and reporting on ESG/RI issues throughout the investment process. All investment managers are required to describe how, and the extent to which, they incorporate ESG/RI issues into their investment processes, and any new investment managers appointed are also required to disclose their ESG/RI approaches at the time of consideration for appointment.

One of the key methods that the Fund uses to ensure the integration of stewardship and investment is through its engagement activity, with the Fund's RI Policy detailing the different approaches that the Fund can take when engaging with investment managers prior to and throughout the investment process. The table below illustrates a number of the Fund's engagement options which vary depending on the asset class chosen:



Asset Class	Engagement Options
<b>Equities – Index</b>	<ul style="list-style-type: none"> <li>○ Implementation of a bespoke Voting Policy for non-pooled assets that codifies the Fund’s approach into specific voting actions</li> <li>○ Implementation of a bespoke Voting Policy for pooled assets that codifies BCPP’s approach into specific voting actions</li> <li>○ Direct engagement by Robeco or by asset managers with companies held on an index-driven basis linked to engagements undertaken for any actively held holdings</li> </ul>
<b>Equities - Active</b>	<ul style="list-style-type: none"> <li>○ Implementation of a bespoke Voting Policy for non-pooled assets that codifies the Fund’s approach into specific voting actions</li> <li>○ Implementation of a bespoke Voting Policy for pooled assets that codifies BCPP’s approach into specific voting actions</li> <li>○ Direct engagement by Robeco or by asset managers with companies held on an active basis – via direct meeting / letter / email / call / attendance at investor events</li> </ul>
<b>Fixed Interest – Government Bonds, Government Index Linked Bonds</b>	<ul style="list-style-type: none"> <li>○ Limited direct engagement options – consideration of RI issues affecting national governments and their responses to them typically sits at the investment appraisal stage, prior to investing</li> </ul>

<b>Fixed Interest – Multi Asset Credit, Corporate Index Linked Bonds</b>	<ul style="list-style-type: none"> <li>○ Direct engagement is possible for the Fund’s asset managers or Robeco on listed companies that also issue debt owned by the Fund</li> <li>○ Engagement with companies issuing debt – via direct meeting / letter / email / call / attendance at investor events</li> </ul>
<b>Real Estate – Pooled</b>	<ul style="list-style-type: none"> <li>● Investment via collective vehicles means that engagement activity has to be at investment manager level, particularly if a fund of funds is the chosen vehicle of investment</li> </ul>
<b>Infrastructure – Pooled</b>	<ul style="list-style-type: none"> <li>● Investment via collective vehicles means that engagement activity has to be at investment manager level, particularly if a fund of funds is the chosen vehicle of investment</li> </ul>
<b>Private Debt / Equity / Venture Capital - Direct</b>	<ul style="list-style-type: none"> <li>● Direct ownership of private companies, or loans to private companies means that RI considerations and expectations can be established from the outset, and influence can be exerted directly on these investments as a relatively small group of investors are the owners</li> </ul>
<b>Private Debt / Equity / Venture Capital - Indirect</b>	<ul style="list-style-type: none"> <li>● Investment via collective vehicles means that engagement activity has to be at investment manager level, particularly if a fund of funds is the chosen vehicle of investment</li> </ul>

<b>Cash</b>	<ul style="list-style-type: none"> <li>For banks holding cash deposits that are listed entities, engagement can take place in the same manner as for Equities, if the bank shares are held as part of an existing investment. Where money market funds are used, engagement would again be possible at a secondary level, engaging with the investment managers of the funds involved</li> </ul>
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**7.2.2. How the Fund has ensured that: (a) tenders have included a requirement to integrate stewardship and investment including material ESG issues, and (b) that the design and award of mandates include requirements to integrate stewardship and investment to align with the investment time horizons of clients and beneficiaries**

**Border to Coast:**

As outlined previously, the Fund is a Partner Fund within the Border to Coast Pensions Partnership which possesses a dedicated RI team who effectively integrate ESG issues into investment decisions across portfolios and asset classes.

As part of the LGPS pooling requirement, the Fund is not currently, actively tendering for investment management services. It is the responsibility of BCPP to design and award mandates which the Fund is then able to invest in. More details are provided in Border to Coast’s *Responsible Investment Policy* ([Microsoft Word - Border to Coast RI Policy 2024- FINAL \(External\)](#)) which is summarised below:

**i. Key ESG issues considered in investment decisions:**

<b>Environmental Issues</b>	<ul style="list-style-type: none"> <li>– Climate change</li> <li>– Resource and energy management</li> <li>– Water stress</li> <li>– Single-use plastics</li> <li>– Biodiversity</li> </ul>
<b>Social Issues</b>	<ul style="list-style-type: none"> <li>– Human rights</li> <li>– Child labour</li> <li>– Supply chain</li> <li>– Human capital</li> <li>– Employment standards</li> </ul>

	<ul style="list-style-type: none"> <li>– Pay conditions (e.g., living wage in UK)</li> <li>– Just transition</li> </ul>
<b>Governance Issues</b>	<ul style="list-style-type: none"> <li>– Board independence</li> <li>– Diversity of thought</li> <li>– Executive pay</li> <li>– Tax transparency</li> <li>– Auditor rotation</li> <li>– Succession planning</li> <li>– Shareholder rights</li> </ul>
<b>Other Issues</b>	<ul style="list-style-type: none"> <li>– Business strategy</li> <li>– Risk management</li> <li>– Cyber security</li> <li>– Data privacy</li> <li>– Bribery and corruption</li> <li>– Political lobbying</li> </ul>

**ii. How ESG issues are integrated into internally managed assets:**

Voting and engagement is a key part of the investment process with all members of BCPP’s RI team being knowledgeable and well-informed on ESG issues. BCPP also draws on specialist providers for ESG data and research alongside general stock and sector research. BCPP also recognises the role that ESG factors play in relation to bond performance and, whilst recognising that it is often more difficult to integrate ESG for fixed income investment decisions than it is for listed equity investments, BCPP draws on ESG analysis to enable corporate and sovereign issuers to effectively manage risk whilst concomitantly drawing on third-party ESG data to determine a bond’s credit quality.

**iii. How ESG issues are integrated into externally managed assets:**

ESG criteria is included as a core element of BCPP’s Request for Proposal (RFP) criteria and scoring as part of the external manager appointment process with managers required to detail their consideration of ESG factors in their research analysis as well as their investment decisions. BCPP also monitors managers’ integration of ESG factors into investment decisions through an internal monitoring framework with managers required to report on their RI activities on a quarterly basis and become signatories or comply with the international standards applicable to their geographical location. External managers are also encouraged to become signatories to the UN-supported Principles for Responsible Investment.

**iv. How ESG issues are integrated into private markets:**

ESG questionnaires are used to assess the ESG strategies of managers chosen by BCPP in relation to private market investments with General Partners (GPs) also

required to complete an annual monitoring questionnaire to ensure alignment with specific RI and ESG-related indicators. These indicators are continually monitored with targets set where necessary to improve the integration of ESG factors into private market investments.

**v. How ESG issues are integrated into real estate:**

ESG and RI form key aspects of the selection and screening process that BCPP uses when assessing GPs in relation to Global Real Estate Funds whilst BCPP is also working to implement a best-in-class approach to managing ESG risks alongside a third-party manager.

**Other investment managers:**

Outside of BCPP, the Fund has high expectations of investment managers when it comes to integrating ESG factors into investment decisions. The Fund views investment manager selection, investment activity and ongoing monitoring processes as core elements in the effective implementation of the Fund's RI Policy. Non-pooled investment managers must be able to clearly demonstrate how the topic of ESG is embedded into their investment processes and such managers are expected to fully support the Fund in monitoring and reporting on any RI-related objectives. Moreover, the Committee reviews how its managers assess, manage, and integrate climate risks into their portfolio construction and security selection decisions and engagement takes place with managers where they are perceived to be lagging behind their peers in terms of ESG integration and climate risk management. Some of the core expectations of investment managers as detailed in the Fund's RI Policy are outlined below:

- The Fund believes that it is primarily the responsibility of its investment managers to effectively identify, mitigate and report on RI-related risks (typically covering ESG factors), specifically those that may be financially material, as part of their investment selection, monitoring, and deselection process. The Fund also expects its investment managers to take a holistic approach to identifying risk as opposed to a stand-alone concern and believes that RI risks should be fundamentally integrated into a sustainable investment approach.
- The Fund expects its investment managers, having taken the Fund's RI views into account, to be responsible for the identification, mitigation (where possible) and reporting of RI risks over short, medium, and long-term timeframes. The Fund's investment managers should be able to clearly identify any such actions that they have taken to identify and mitigate RI risks in the context of the short, medium, and long-term and then be in a position to report this activity.
- The Fund expects its investment managers to manage assets in alignment with the Fund's RI Policy. Investment manager RI policies may be directly or independently reviewed to verify an ongoing alignment with the Fund's existing policy and any applicable regulatory or best practice standards.
- The Fund's investment managers are expected to provide reporting at least annually in terms of RI-related activity associated with their mandate, and

more frequently where their mandates require them to do so (for example with quarterly reporting of voting and engagement activity).

- The Fund expects that its UK-based investment managers will be signatories to, and comply with, the Financial Reporting Council's UK Stewardship Code and also expects its non-UK-based investment managers to provide a formal statement on their approach to stewardship of client assets.

### **7.3. Outcome**

#### **7.3.1. How information gathered through stewardship has informed acquisition, monitoring and exit decisions**

##### **Glenmont Clean Energy Fund**

The Fund's active decision to commit €45m to Glenmont's Clean Energy Fund Europe III, a dedicated renewable energy fund, was made in line with the Fund's RI Beliefs and a growing concern over climate change. Glenmont Clean Energy Fund Europe III is a single strategy fund investing exclusively in renewable energy infrastructure across Europe. The Fund is fully invested and is primarily invested in solar (43%) with remaining investments in onshore wind (34%), offshore wind (21%) and other renewable energy sources. In alignment with the Fund's Net Zero ambitions, as at 31 March 2023 the operating portion of the portfolio had offset 723,155 tonnes of CO<sub>2</sub>. **\*update where possible**

##### **LGIM Future World Global Equity Index Fund**

As a direct result of the Fund's stewardship and ESG activities and the information informing the Fund's commitment to Net Zero (e.g., scenario analysis by the Fund's Investment Consultant and RI Sub-Committee, see Principle 8), the Fund switched its index-driven global equity allocation, managed by LGIM, from the RAFI Multi-Factor and MSCI World Low Carbon Target Index Funds to the LGIM Future World Global Equity Index Fund in October 2021. As outlined in Section 1.2.1., the Fund bolstered its commitment to this Fund over the 2023/24 reporting period through a further £100m investment (April 2023).

In doing so, the Fund has substantially improved the ESG metrics arising from its passive equity allocation. The index that LGIM's Future World Global Equity Index Fund follows uses a combination of exclusions and engagement with consequences to achieve a "decarbonisation pathway" target of at least 50% lower emissions compared to the benchmark as at May 2021 and a further at least 7% year-on-year reduction to 2050. The Committee believes that this product is well positioned from an ESG perspective and is expected to help reduce the Fund's exposure to companies with poor ESG practices. Investment in LGIM Future World Global Equity Index Fund is therefore both an attractive return opportunity and an important means of positively contributing to the just transition to a lower carbon world.

**Climate Opportunities Strategy** **\*potential to update following March 2024 Committee meeting:**

As detailed in Principle 4, in April 2022 the Fund committed £235 million to BCPP's Series 2 Climate Opportunities Strategy which is designed to exploit the opportunities provided by the transition to a lower carbon future and therefore aligns with the Fund's RI priorities. This strategy was considered and agreed by Partner Funds given the common aim of being able to invest not only in operational renewable assets but also in companies that were leading the development of new technologies that will be part of the transition of the "built economy," enabling a resilient and sustainable lower carbon future. Broadly, this strategy will invest in a range of assets including operating assets, development assets and new technologies, including agriculture and forestry. Over the current reporting period, the Fund has continued to fund its commitment whilst BCPP has also begun to plan the launch of a second Climate Opportunities Fund given that the pipeline of opportunities aligned with the former have been greater than expected. Discussions regarding the launch of the second Climate Opportunities Fund will continue into the 2024/25 reporting period.

## **Principle 8**



**Principle 8** = Signatories monitor and hold to account managers and/or service providers.

## **8.1. Activity**

### **8.1.1. How the Fund monitors investment managers and service providers**

The monitoring of investment managers and service providers takes place through a range of processes as outlined below:

#### **Monitoring of investment managers:**

##### **– Performance monitoring:**

- The Fund performs quarterly investment monitoring analyses on investment managers' performance relative to the index benchmark. The customised benchmark is provided by the Fund's custodian which is derived from a series of investment indices weighted by the Fund's asset allocation. Benchmark targets are specified in the contract between the Fund and the manager. The Fund's global custodian also produces performance data for each manager as well as for the Fund as a whole and this performance data is reported to the Committee on a quarterly basis.
- The Independent Advisor presents a review of all fund managers to the Committee on at least an annual basis to discuss the portfolio composition, strategy, and performance.
- New Investment Management Agreements (IMAs) set out specific expectations regarding resourcing, deliverables, targets, and/or objectives. Monitoring of these agreements forms part of the routine investment manager engagement meetings and feeds into the existing investment manager reporting and review processes.

##### **– ESG/RI-specific monitoring:**

- In addition to the expectations outlined in Principle 7, the Fund also conducts the following ESG/RI monitoring of its investment managers:
- The Fund expects its investment managers to report on their ESG/RI factor integration approaches for all asset classes. All investment managers are also required to describe how, and the extent to which, they incorporate ESG/RI issues into their investment processes, and any new investment managers appointed are also required to disclose their ESG/RI approaches at the time of their consideration for appointment. Examples of information that must be disclosed to the Fund include the investment manager's use of ESG data (e.g., details of data sources and tools used, verification, scope of portfolio coverage of the data etc.), ESG risk management information (e.g., updates or changes

to ESG risk management processes, positive and negative examples of how ESG factors have impacted investment decisions etc.), as well as any material RI 'incidents' (i.e., details of the incident and an explanation of any investment actions taken as a result).

- Investment managers are required to provide a robust explanation of any positions they have adopted which are not in alignment with either the Fund's RI Policy or any RI-related performance objectives set out in their mandate. As outlined in Principle 7, the Fund also expects that investment managers provide reporting at least annually in terms of RI-related activity associated with their mandate, and more frequently where their mandates require them to do so.
- In addition to performance reports, the stewardship activities of the Fund's investment managers are also regularly reported back to the Fund with this information often reported publicly via the Council's website through reports submitted for consideration by the Committee (e.g., the quarterly voting activity undertaken).
- BCPP plays a central role in the Fund's investment arrangements which includes the investment management and monitoring of RI-specific elements of mandate delivery (e.g., ensuring ongoing strategic alignment between BCPP-managed investments and Partner Funds' RI Policies), with which BCPP can track progress towards RI objectives.
- BCPP ensures that any external investment managers' procurement and selection processes contain ESG and RI considerations, including the request for proposal (RFP) criteria and scoring and the investment management agreements.

### **Monitoring of BCPP:**

- Surrey Pension Fund, in agreement with its Partner Funds, is able to guide expectations of BCPP when it comes to manager appointment, monitoring and termination.
- Reporting expectations of BCPP are determined collectively by the Partner Funds and as a result, the Fund has input into the reporting requirements. On a general basis, the Fund expects BCPP's RI reporting to cover areas such as voting, engagement, portfolio carbon intensity measurement and other ESG reporting requirements as identified by the Fund. The Fund also expects BCPP to undertake regular reporting on the investment, stewardship and ESG-associated activities undertaken by any external investment managers appointed by the pool.
- BCPP holds quarterly performance workshops where each Partner Fund is able to ask questions and engage with BCPP on performance-related matters.

- BCPP also holds monthly meetings with the Partner Funds with a broader agenda which gives each Fund the opportunity to hold BCPP to account on specific matters.
- Quarterly Officer Operation Groups are also held each quarter which enable Officers from each Partner Fund to meet with BCPP in-person to discuss investment performance alongside other matters of interest.

### **Monitoring of service providers:**

#### **– Service delivery monitoring:**

- Agent Service Level Agreements (SLAs) include provisions relating to performance, supporting RI activity, resourcing, strategy, progress towards objectives and reporting. Certain objectives will be contract-specific, reflecting the nature of the service (e.g., in relation to the asset class in question for an investment manager, the range of ancillary services provided by a custodian, or the specialist services provided by a third party outsourced service provider etc.).
- On an annual basis, the Fund's Investment Consultant is held to account through a CMA Scoresheet which scores the Investment Consultant across a number of objectives.

#### **– ESG/RI-specific monitoring:**

- The custodian of both the Fund and BCPP, Northern Trust, supports service providers in carrying out their respective roles in the execution of the Fund's RI Policy, as well as in relation to services provided by Northern Trust themselves which are relevant (e.g., securities lending and reporting).
- All service providers must have a verifiable public commitment to RI (e.g., being a PRI signatory).
- The Fund expects all service providers to have their own standards regarding sustainable business practices which are in alignment with the Fund's RI Policy, including socially responsible business practices and commitments in relation to environmental standards (including, but not limited to, TCFD reporting).
- The Fund formally sets out reporting requirements for specialist agents (e.g., RI consultants, third party portfolio reporting, proxy voting services, engagement services or securities litigation specialists) that are appointed to provide services to the Fund which contribute to the implementation of the Fund's RI Policy. These requirements are set out in contractual arrangements. The Fund believes that reporting expectations should reflect what should reasonably be expected of a professional asset management firm, either because of regulatory requirement or from client interest and demand.

## **8.2 Outcome**

### **8.2.1. How services have been delivered to meet the Fund's needs**

#### **Setting a Net Zero date:**

Following the approval of the Fund's RI Policy by the Committee in June 2022, one of the Fund's core objectives for 2023/24 was to set a Net Zero date. This objective was set because the Fund recognised that climate risk was a significant concern to all stakeholders. In March 2023, the Fund's Investment Consultant was commissioned to conduct analysis to support an understanding of the investment implications of setting a Net Zero target date for the Fund's portfolio. The Fund's RI Sub-Committee has also undertaken a range of scenario analyses over the reporting period using both qualitative and quantitative data analysis to determine the impacts on portfolio composition of different target dates. As detailed in Section 1.2.1., at the June 2023 Committee meeting the extensive analysis conducted by the Fund's Investment Consultant was presented to the Committee and it was agreed, based on the evidence provided, that the Fund would set a Net Zero date of '2050 or sooner'. This work by the Fund's Investment Consultant therefore enabled the Fund to achieve one of its core objectives for 2023/24.

#### **Switch from LGIM Emerging Markets Fund to BCPP Emerging Markets Equity Alpha Fund:**

In December 2022, the Committee agreed that the Fund's emerging markets exposure would move from a passive LGIM product to an actively managed BCPP product. This decision was made to attempt to enhance returns and because ESG, decarbonisation and the transition to Net Zero are core components of the Fund's investment strategy. The Fund believed that emerging markets offered an attractive investment opportunity but was conscious that when this area of the portfolio was invested through a passive product, it accounted for an outsized proportion of the Fund's total carbon footprint. Switching to an actively managed fund allows the Fund to continue to access these potential returns whilst also positively impacting the Fund's approach to ESG, decarbonisation and a Just Transition. The decision by BCPP, in line with the wishes of Partner Funds (including Surrey Pension Fund), to create an actively managed product therefore aligned with the Fund's needs, its RI Beliefs, and the services provided by the Fund's Investment Consultant which helped to inform the commitment to become Net Zero by '2050 or sooner'. Notably, the Fund's assets held within BCPP's Emerging Markets Equity Alpha Fund now fall under the BCPP 2050 Net Zero or sooner target (no such targets had been set for LGIM's Emerging Markets Fund).

As outlined in Section 1.2.1., in July 2023 this switch from LGIM's Emerging Markets Fund (passive) to BCPP's Emerging Markets Equity Alpha Fund (active) was formally completed through the complete redemption of the Fund's remaining holding in LGIM Emerging Markets Fund. In total, £276m was invested into BCPP's Emerging Markets Equity Alpha Fund.

### **Investment in LGIM Future World aligns with Fund's RI Principles:**

Whilst the Fund's switch to LGIM's Future World Global Equity Index Fund in 2021 and increased investment in the 2023/24 reporting period have been outlined in Principles 1, 4 and 7, these activities illustrate the importance of the Fund's engagement with its dedicated RI Consultant and investment managers. Specifically, following the Fund's RI consultation with stakeholders in 2022, the Fund worked closely with its RI Consultant to produce a set of RI Principles that would help to guide future investment and stewardship decisions. In line with these RI Principles outlined in Section 1.1.6, during the 2023/24 reporting period the Committee considered further investment into LGIM's Future World Global Equity Index Fund with the Fund's Investment Consultant given that the product not only provided a robust and measurable framework for assessing the effectiveness of its engagement with companies but also aligned directly with at least eight of the UN SDGs identified in the Fund's UN SDG Mapping exercise in 2021 (see Principle 1). Consequently, as detailed in Section 1.2.1., the Fund invested a further £100m into the LGIM Future World Global Equity Index Fund in April 2023.

## **Principle 9**

**Principle 9** = Signatories engage with issuers to maintain or enhance the value of assets.

## **9.1. Activity**

### **9.1.1. Expectations the Fund sets of those who engage on its behalf**

#### **General Fund approach to engagement:**

As a long-term asset steward, the Fund seeks to positively influence companies' ESG approaches through the use of voting rights and by formal shareholder engagement. The Fund expects its investment managers to follow this model of responsible asset stewardship, but the services of other third-party providers may be sought when necessary to help identify issues of concern and engage with investee companies. The Fund believes that the best way to influence companies on RI matters is through an ongoing process of responsible ownership. The investment managers' four-step process guiding engagement is set out below:

- 1) **Assess:** the identification and consideration of all material issues and risk factors associated with any given investment (including ESG & RI factors);
- 2) **Invest/Divest:** having assessed the appropriateness of an investment opportunity, the active decision is made to buy (or sell) the asset;
- 3) **Steward:** responsible oversight of the asset involves engaging with the investee company, voting at listed company meetings and engaging with company management on issues of concern;
- 4) **Report:** providing the results of the stewardship back to the Fund, so that the Fund is informed on how the asset is being managed, and whether there are any current concerns.

This process is circular and ongoing; however, it may be the case that after several attempts at constructive engagement with an investee company that the initial concerns expressed have not been addressed satisfactorily, and so either legal action (by way of a Class Action process with other investors) or divestment/sale of the asset are appropriate next steps in the Fund's 'Engagement with Consequences' approach, as outlined in Principle 11.

#### **Expectations of each party when it comes to engagement:**

The responsibility for undertaking engagements on behalf of the Fund is shared between BCPP and the other investment managers insofar as:

- Individual investment managers follow their own approaches towards engaging with investee companies on all matters that have the potential to affect investment performance;
- BCPP currently uses the services of its Voting and Engagement Partner, Robeco, as well as carrying out its own engagement activity;
- The Fund is able to help to set any engagement priorities for the investment managers – both those within BCPP, and the non-pooled managers; and
- Either the Fund or BCPP – working on their own or with other investors – are able to take legal action against investee companies through participating in a Class Action, where deemed appropriate.

Whilst the Fund has not currently set any explicit engagement priorities, it supports those that have been determined by BCPP to be most material to their investments. These are:

Environmental	Social	Governance
<ul style="list-style-type: none"> <li>• Low carbon transition</li> <li>• Waste and water management</li> </ul>	<ul style="list-style-type: none"> <li>• Social inclusion through labour management</li> </ul>	<ul style="list-style-type: none"> <li>• Diversity of thought</li> </ul>

The Committee has the right to determine any specific engagement or RI-themed priorities and will look to its agents to help with their monitoring and delivery.

## 9.2. Outcome

### 9.2.1. Outcomes of engagement

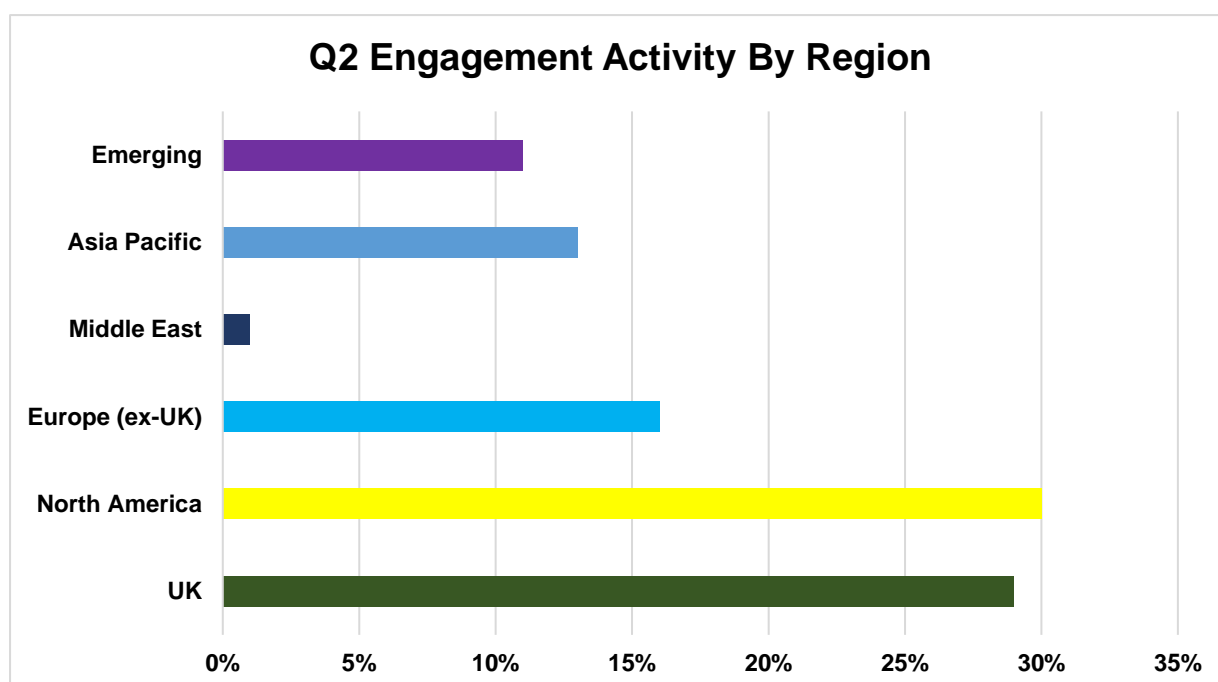
The breakdown of engagements and case study examples of stewardship activities undertaken by the Fund’s Pooling Partner on behalf of Partner Funds that have been published throughout the 2023/24 reporting period are outlined below, alongside those of BCPP’s Voting and Engagement Partner, Robeco.

#### Overview of engagements **\*add in Q1 when possible**

- **BCPP:**

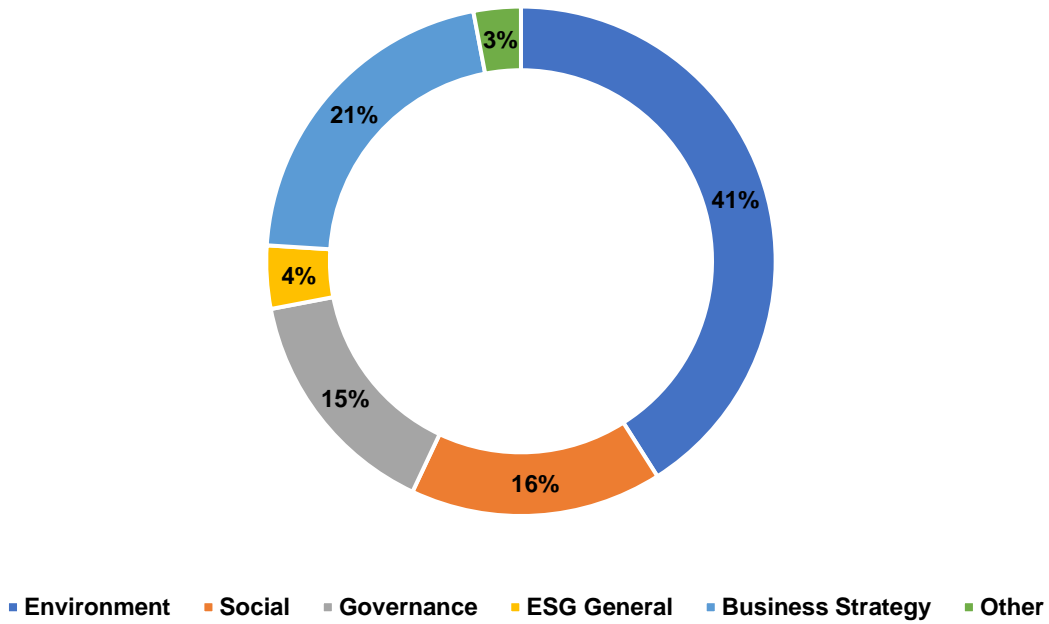
BCPP produces a Quarterly Stewardship Report which outlines the number of engagements it has had with companies over the quarter, the engagement activity by geography, as well as providing a detailed overview of a small number of those engagement activities. The charts below illustrate the breakdown of these engagements by region and by engagement topic:

**Q2 (1<sup>st</sup> April 2023 – 30<sup>th</sup> June 2023, 409 engagements):**



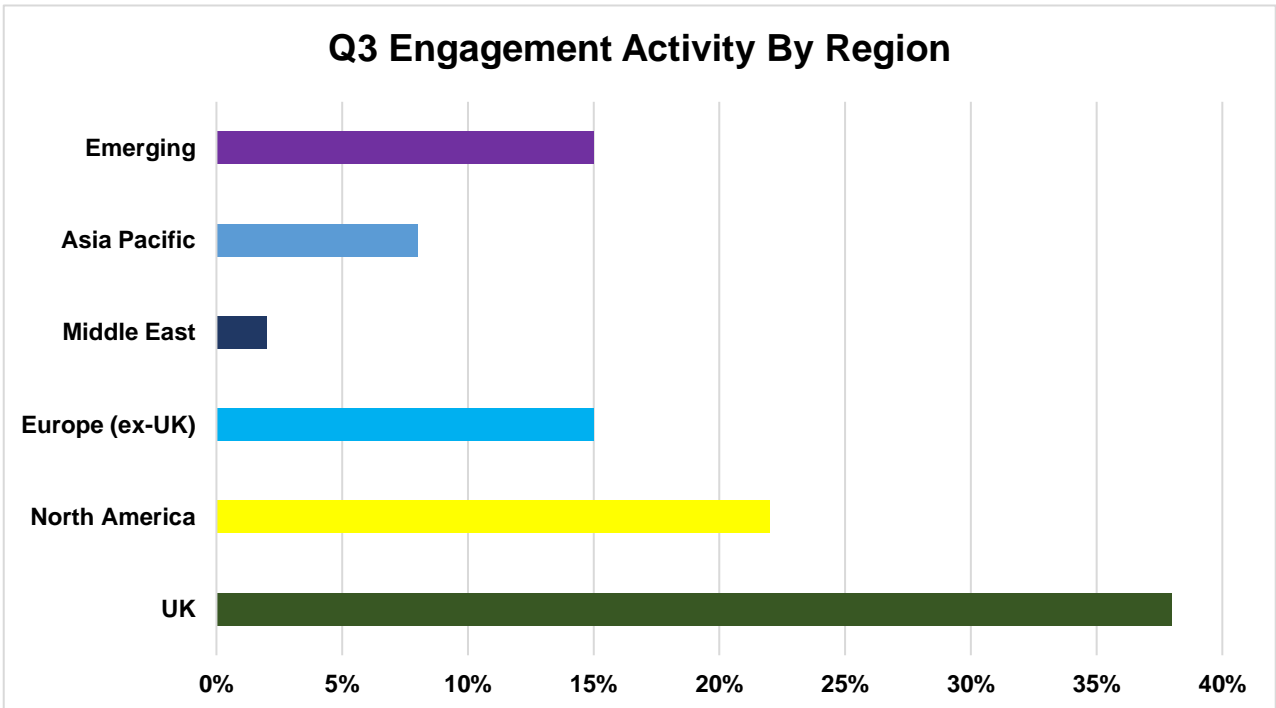


### Q2 Breakdown of Engagement Topics

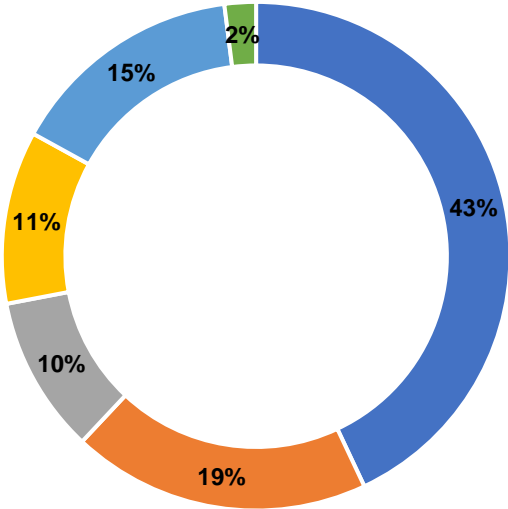


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Q3 (1<sup>st</sup> July 2023 – 30<sup>th</sup> September 2023, 550 engagements):



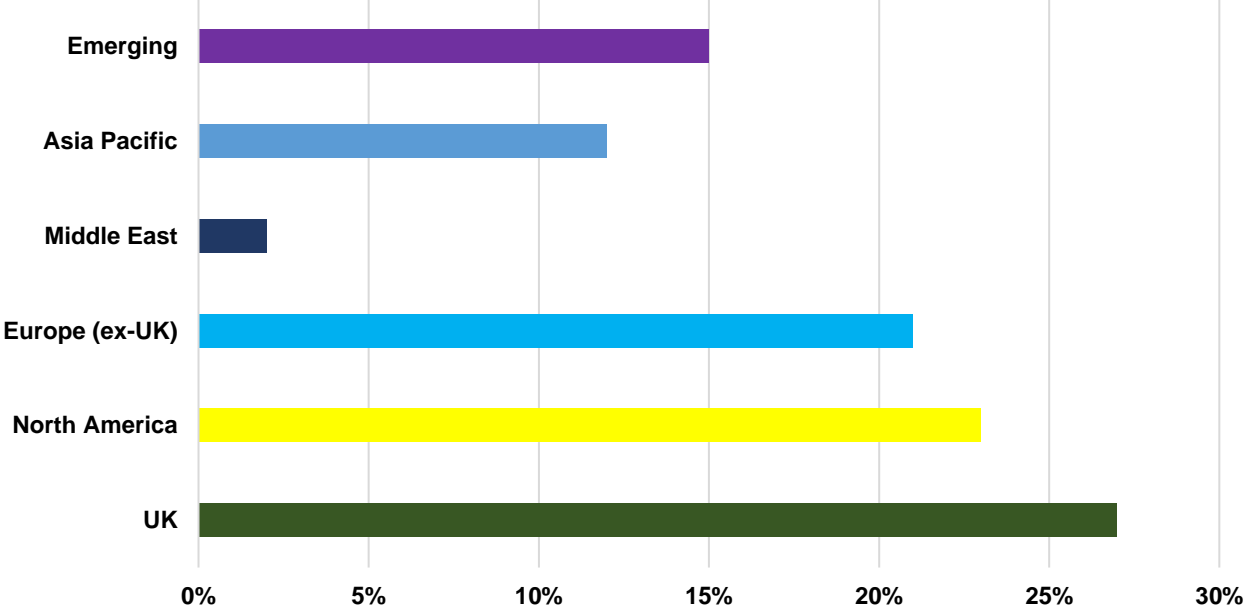
### Q3 Breakdown of Engagement Topics



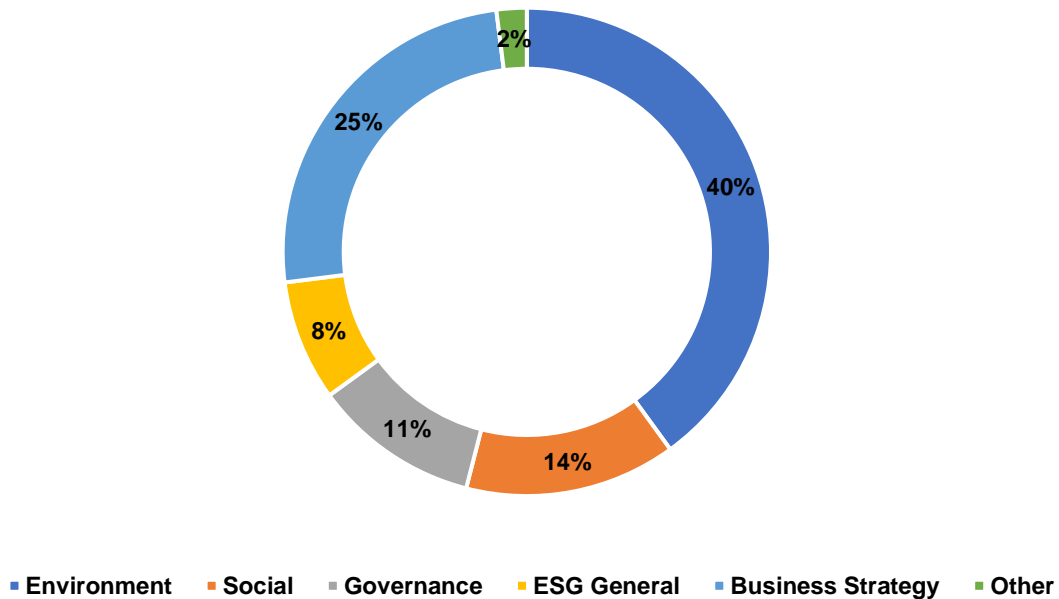
■ Environment ■ Social ■ Governance ■ ESG General ■ Business Strategy ■ Other

Q4 (1<sup>st</sup> October – 31<sup>st</sup> December 2023, 457 engagements):

### Q4 Engagement Activity By Region



## Q4 Breakdown of Engagement Topics

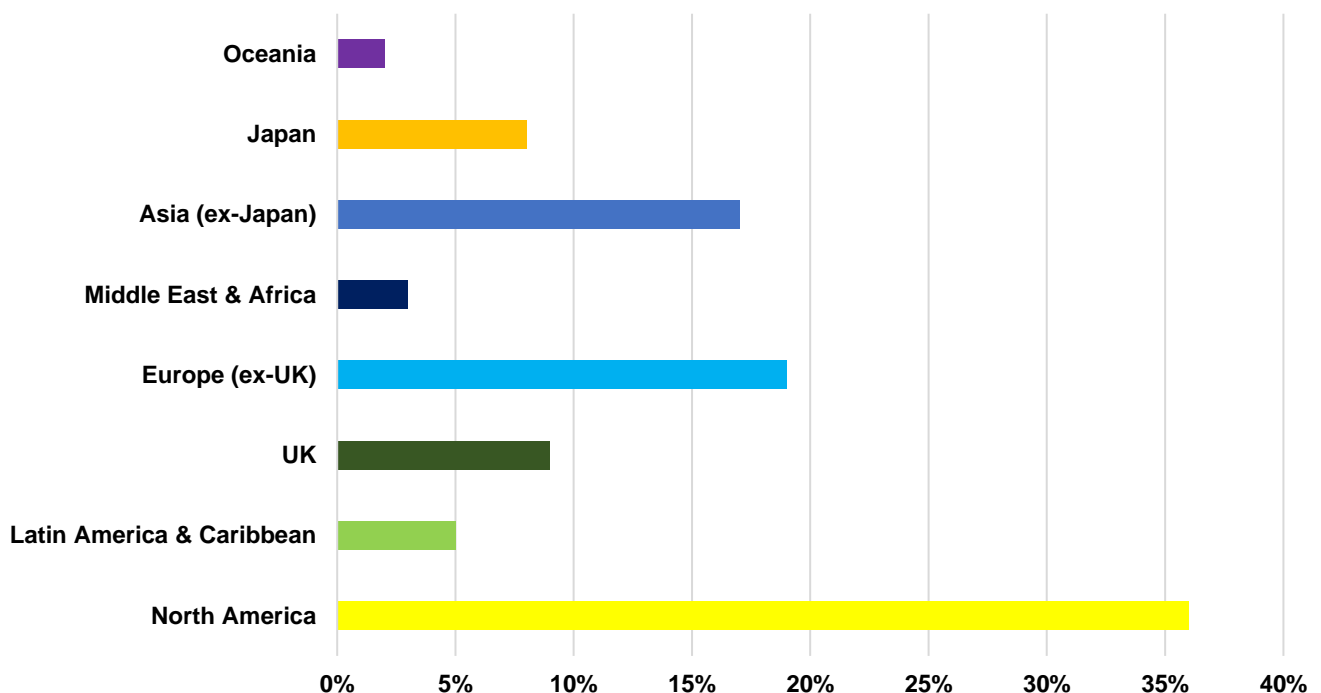


- **Robeco:**

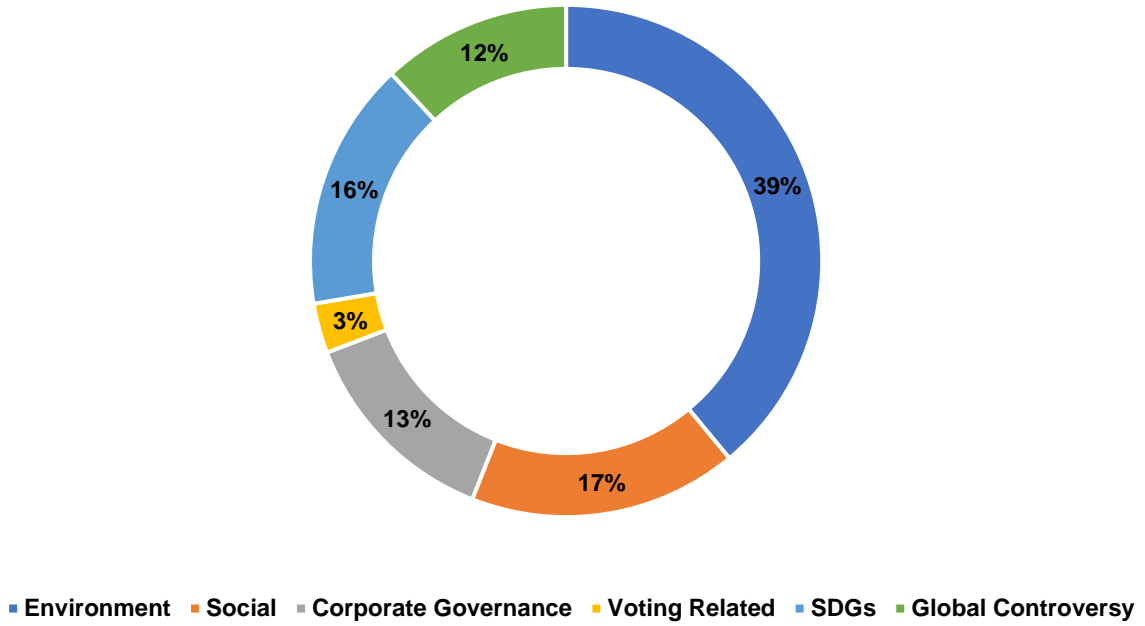
Robeco, BCPP's Voting and Engagement Partner, produces an Active Ownership Report each quarter which provides detailed engagement statistics as well as numerous case studies relating to engagement activity over the previous quarter. The charts below illustrate the breakdown of these engagements by region and by engagement topic:

**Q2 (1<sup>st</sup> April 2023 – 30<sup>th</sup> June 2023, 159 engagement cases):**

## Q2 Engagement Activity By Region

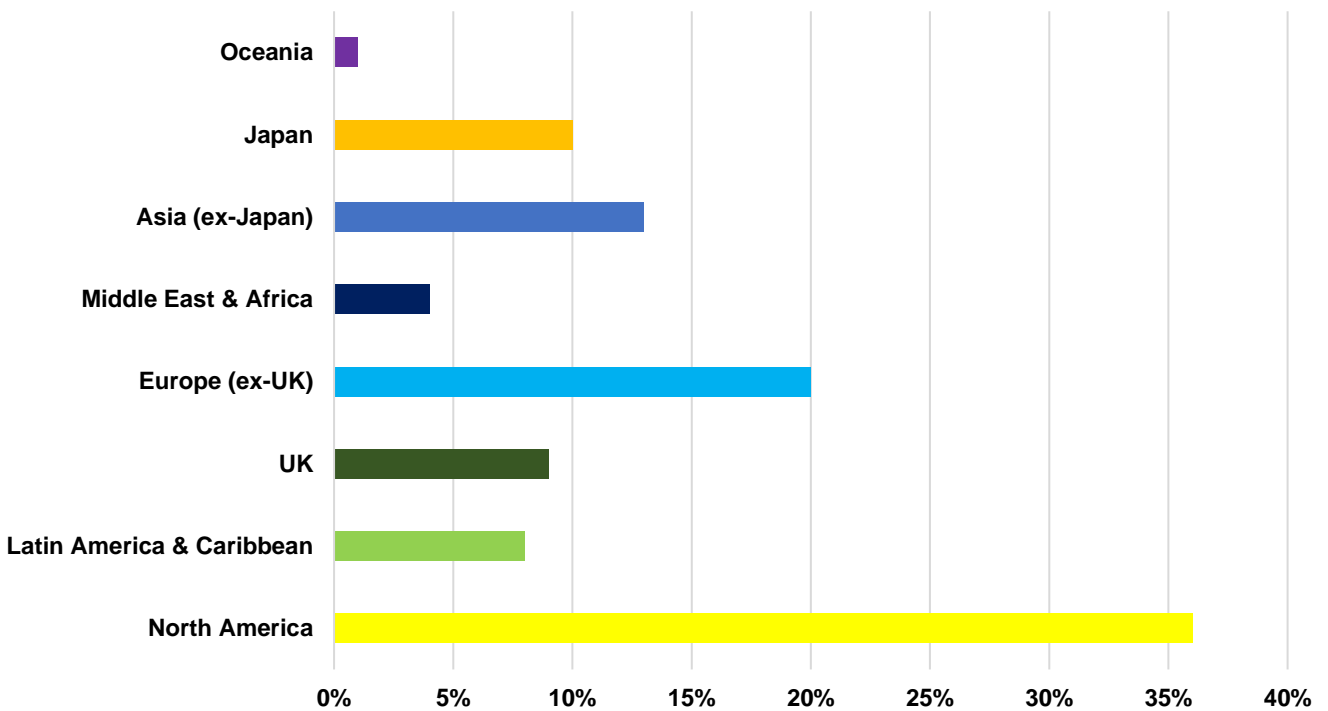


### Q2 Breakdown of Engagement Topics

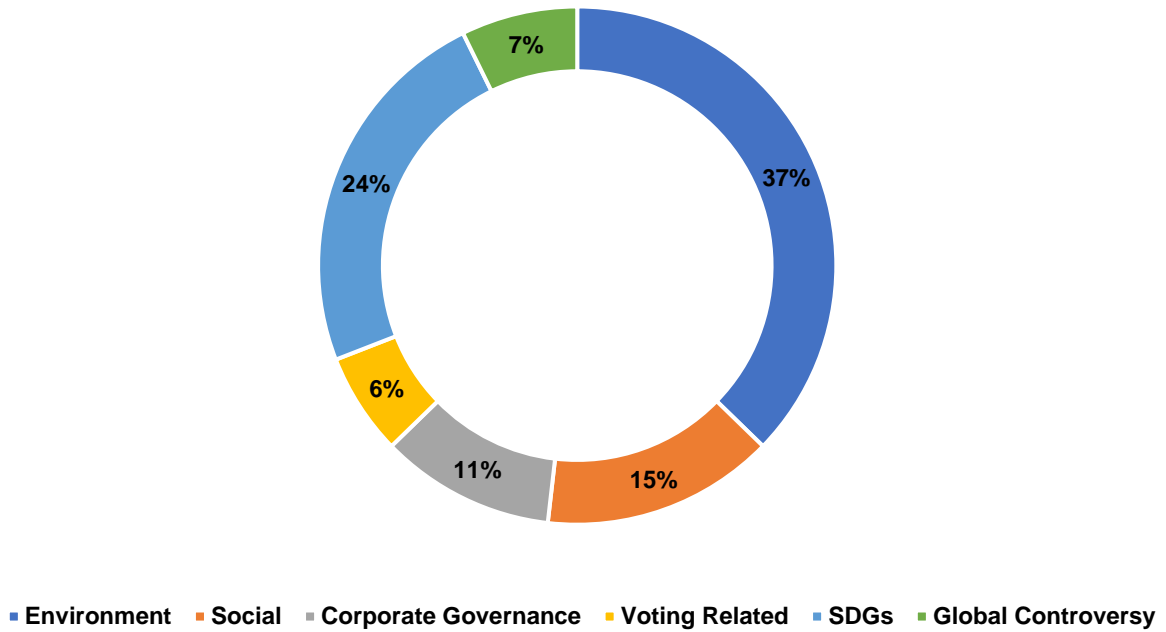


Q3 (1<sup>st</sup> July 2023 – 30<sup>th</sup> June 2023, 110 engagement cases):

### Q3 Engagement Activity By Region



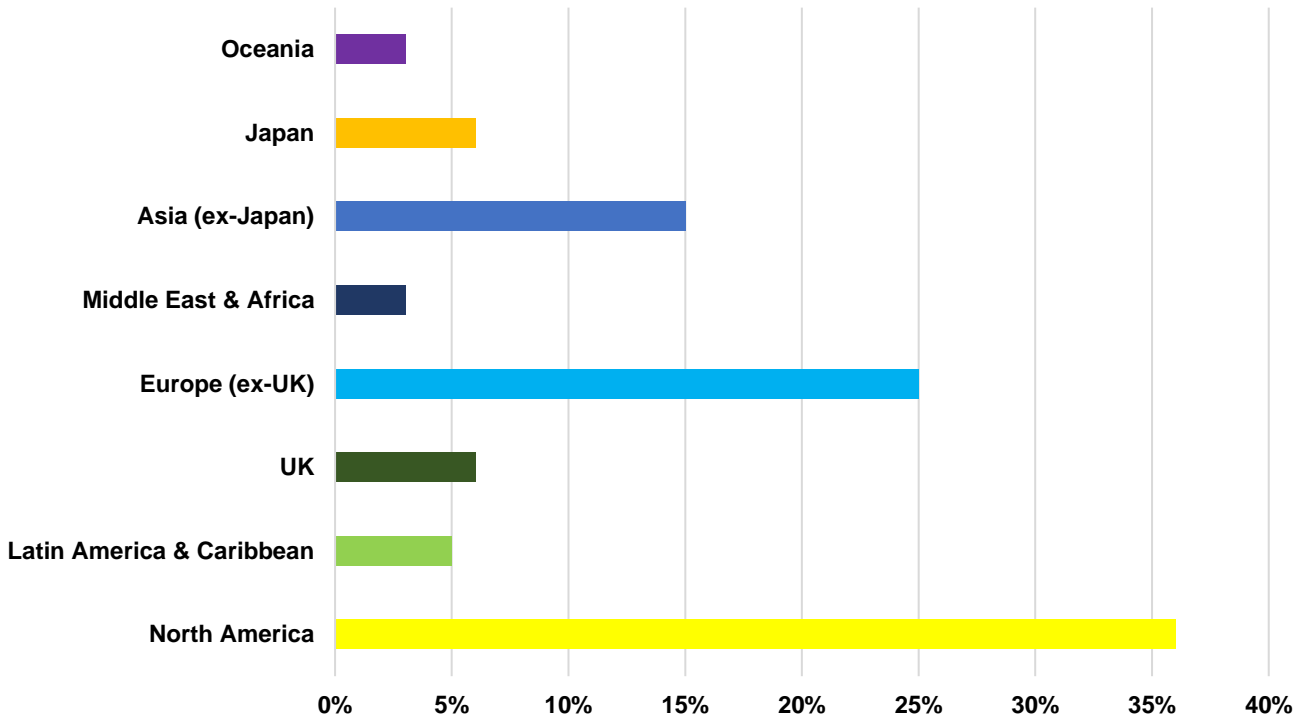
### Q3 Breakdown of Engagement Topics



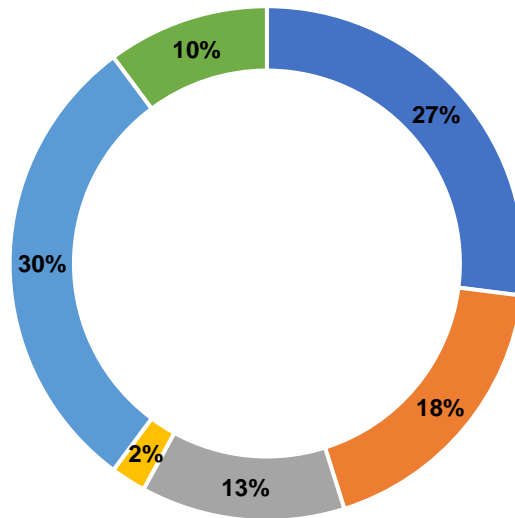
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Q4 (1<sup>st</sup> October 2023 – 31<sup>st</sup> December 2023, 226 engagement cases):

### Q4 Engagement Activity By Region



## Q4 Breakdown of Engagement Topics



■ Environment ■ Social ■ Corporate Governance ■ Voting Related ■ SDGs ■ Global Controversy

### Case study examples

- **BCPP:**

The case study example below of an engagement carried out on behalf of Partner Funds is taken from one of BCPP's Quarterly Stewardship Reports over the 2023/24 reporting period.

- a) **US Venture Capital – Improving Standards – Alternatives (Environment, Social, Governance):**

- **Issue**

BCPP will engage with General Partners (GP) where they believe their responsible investment standards and policies require improvement. This was the case when a GP identified an attractive Venture Capital (VC) opportunity for the Private Equity Portfolio. ESG is less well developed in VC, especially in the US. The GP was considering ESG-related criteria during its investment process but had no formalised policy.

- **Engagement action and outcome**

The Border to Coast Alternatives team engaged with the manager during the diligence process to outline ESG requirements and showcase industry best practice. Consequently, the manager introduced a formalised ESG Policy, and implemented an ESG diligence checklist to use as part of their standard diligence process for all new investments. They appointed a third-party specialist firm to conduct annual ESG training for their full team and added a series of ESG-related questions to the annual reporting request issued to all portfolio companies. BCPP continues to engage with the manager to support further enhancements to their ESG process and procedures. Where a VC manager fails to collaborate with BCPP, BCPP may consider it appropriate to further escalate their approach. A similar VC manager was rejected for investment due to failing to engage or implement the required RI enhancement.

- **Robeco:**

The case study examples below are taken from Robeco's Active Ownership Reports over the 2023/24 reporting period.

- a) **Heidelberg Materials (Environment):**

- **Issue**

German building materials company Heidelberg Materials has historically had a large climate footprint due to its activities in the hard-to-abate-cement sector.

- **Engagement action and outcome**

Having engaged with the company both individually and as a supporting investor under the Climate Action 100+ initiative, the company has showcased not only good awareness of climate-related risks, but also a very proactive approach to addressing them. Over the course of the engagement, the company's emissions reduction targets were validated by the Science-Based Targets initiative against a 1.5C pathway, and the company presented a detailed decarbonisation strategy to meet its medium- and long-term targets. Within this were plans announced in July 2023 to open its first fully decarbonised cement plant in Germany. The company furthermore included climate change performance elements in its executive remuneration and appointed a

sustainability officer to the Executive Board. Robeco successfully closed the engagement in the fourth quarter of 2023.

**b) Nike (Governance):**

○ **Issue**

In response to the effects of the pandemic, US athletic footwear company Nike implemented a “more flexible” short-term incentive structure based on two equally weighted, six-month performance periods.

○ **Engagement action and outcome**

Robeco flagged their concern regarding the lack of transparency on certain adjusted performance goals and were satisfied that the company has since transitioned back to the historical design whereby short-term incentive payouts are earned based on year-long targets.

**c) Mondelez International (Environment, Social):**

○ **Issue**

Mondelez is one of the world’s largest US snacks companies. With many of their products based on chocolate, the company is a major importer of cocoa, one of the five key forest-risk commodities.

○ **Engagement action and outcome**

Robeco has been in an ongoing dialogue with the company, pushing them in particular on integrating its forest restoration efforts within its operating model. In 2023, under the company’s new sustainable cocoa sourcing models, Mondelez has for the first time included clear off- and on-farm restoration targets. While affected areas continue to be insignificant compared to the company’s sourcing footprint, Robeco sees this as a first step to a more ambitious biodiversity approach.



## **Principle 10**

**Principle 10** = Signatories, where necessary, participate in collaborative engagement to influence issuers.

## **10.1. Activity**

### **10.1.1. The Fund's approach to collaborative engagement**

#### **What is the Fund's approach to collaborative engagement?**

The Fund believes that collaborative action on ESG and RI matters is of fundamental importance to achieving change. Through working with like-minded investors, the expectation is that more can be achieved by having a louder voice. Over the 2023/24 reporting period, one of the Fund's RI priorities has been to explore the options available to the Fund in terms of collaborating with other institutional investors on ESG and RI matters. The intention has been for the Fund to present the findings to Committee for their consideration and ultimate decision as to the collaboration approaches taken by the Fund.

#### **Why does the Fund engage collaboratively?**

The principal aim of engaging collaboratively is to amplify the Fund's voice and leverage greater influence when it comes to ESG and RI matters. The Fund has set four objectives which it believes that collaborative engagement can help to achieve, as set out in the Fund's RI Policy. Specifically, the Fund believes that collaborative engagement can ensure that:

- a) The Fund's RI Beliefs and concerns are addressed as efficiently and effectively as possible;
- b) The long-term investment performance of the underlying investments is maximised through the identification and minimisation of ESG and RI risks;
- c) The Fund's views are amplified with like-minded investors to increase the chance of bringing about meaningful change; and
- d) Scheme Members' invested monies continue to be managed in a sustainable manner.

### **10.1.2. What collaborative engagement has the Fund been involved in?**

As outlined above, collaborative engagement is a crucial component of the Fund's investment approach, and such collaboration predominantly takes place through the Local Authority Pension Fund Forum (LAPFF) and BCPP (collaborating with other investor groups) who engage with companies on the Fund's behalf. The Fund's involvement in these forums and examples of collaborative engagement undertaken are outlined below:

#### **LAPFF:**

The Fund is a member of the LAPFF, a collaborative shareholder engagement membership group of LGPS funds that campaigns on ESG issues. Engagement through the LAPFF therefore amplifies the Fund's ability to promote stewardship issues in line with its RI Beliefs (see Section 1.1.6.) and therefore demonstrates the Fund's commitment to sustainable investment as well as its objective to act as a responsible asset steward. The LAPFF is a voluntary association of 85 public sector

pension funds and seven pool companies based in the UK with combined assets of over £300 billion. It exists to 'promote the long-term investment interests of local authority pension funds and to maximise their influence as shareholders to promote corporate responsibility and high standards of corporate governance amongst the companies in which they invest'. In practice, the Fund's membership of the LAPFF means that the LAPFF engages with companies on ESG issues on behalf of the Fund. The LAPFF engages with companies across the world on a wide range of issues from human rights to climate action, and in 2022 it formally engaged with 159 companies. **\*update after March 2024 with latest figures**

#### **BCPP:**

As outlined throughout the report, the Fund is a member of BCPP which, as well as engaging in its own right on behalf of the Fund, also works collaboratively with institutional investors and bodies in order to further widen its reach and amplify its voice (e.g., Climate Action 100+, 30% Club Investor Group, The Institutional Investors Group on Climate Change (IIGCC) and many more). The Fund works closely with BCPP's RI Team and meets on a regular basis to discuss the objectives and outcomes of the collaborative engagements it takes on behalf of Partner Funds, as well as how these engagements align with the Fund's RI Policy. Moreover, BCPP's Voting and Engagement Partner, Robeco, also directly engages on behalf of BCPP (and therefore Surrey Pension Fund) and produces quarterly Active Ownership Reports detailing their engagement activities. In 2022, Robeco engaged with 215 companies. **\*update after March 2024 with latest figures**

## **10.2. Outcome**

### **10.2.1. Outcomes of collaborative engagement**

The LAPFF and BCPP undertook a number of collaborative engagements throughout the 2023/24 reporting period on behalf of the Fund. The objectives and outcomes of a selection of the collaborative engagements that have been published and reported to the Committee in the 2023/24 reporting period are outlined below:

#### **LAPFF:**

- The LAPFF produces a Quarterly Engagement Report which provides a number of in-depth examples of voting alerts, company engagement meetings, collaborative/stakeholder engagement and webinars/media engagement over the previous quarter. The two examples below are taken from LAPFF Quarterly Engagement Reports published throughout the 2023/24 reporting period.
- **Say on Climate (Environment):**
  - **Issue:** It is almost universally recognised that climate change poses significant systemic and company-level risks. Yet, despite the level of investment risk and the need for capital expenditure to deliver the transition, investors are not provided with a specific vote on their

climate plans for shareholder approval. Issuers are increasingly setting out their climate ambitions within a transition plan. It is also something regulators are looking at. For example, the UK's Transition Plan Taskforce, established by HM Treasury, is developing a "gold standard" for climate transition plans. Over the past two years, the LAPFF has sent letters to the FTSE All-Share companies requesting a vote on climate transition plans. While the LAPFF has been encouraged by the substantive responses, such resolutions during 2023 were far from standard practice, including among high-emitting companies.

- **Engagement action and outcome:** To continue to encourage companies to provide shareholders with such a vote, the LAPFF organised a letter to 35 companies in high-emitting sectors considered to face heightened climate risks, whose actions are essential to the accelerated action required to meet the Paris goals and where the risk investors face are substantial. The letter, like the previous one, was supported by CCLA Investment Management, Sarasin & Partners, and the Ethos Foundation. LAPFF gained the support of a wider group of investors and in total had 18 signatories which collectively represented £1.8 trillion in assets under management. The letter stressed the climate-related risks to investors. It also urged companies to provide such votes to enable shareholders to first express their view on climate strategies through a specific AGM vote rather than immediately voting against the Chair or another Board Member. The letter requested a response so that the signatories could make an informed assessment of the company's position. LAPFF will be tracking the responses to the letter and will continue to engage with companies about holding a climate transition plan vote. This could become an important area of shareholder focus if the recommendations of the Transition Plan Taskforce are introduced. LAPFF supports such votes becoming mandatory and will raise the issue where appropriate with policymakers.
- **Company Engagement Meetings – Shell (Environment):**
  - **Issue:** LAPFF has been seeking a meeting with the new CEO given concerns about the company's climate transition strategy under the previous CEO. Instead, Shell offered a meeting with the Chair, Sir Andrew Mackenzie.

- **Engagement action and outcome:** After a difficult start to the meeting, the tone and content of the engagement improved, and there was a more refreshing and open conversation about the challenges of decarbonisation. For that reason, and because Sir Andrew is relatively new, and was appointed after the deficit 2021 Climate Transition Plan, LAPFF recommended voting for his re-election and against the incumbent Non-Executive Directors that were appointed prior to him. LAPFF noted at the AGM that Sir Andrew indicated that Shell would be presenting a new Climate Transition Plan before the 2024 AGM; the Forum will be engaging further on that plan. Of particular interest is the extent of disclaimers in the Transition Plan itself and in the Annual Report's reference to the Transition Plan. LAPFF therefore have the conclusion that the Transition Plan is not reliable enough to be included for strategic purposes in the Annual Report, the requirements for which have legal thresholds of reliability.

#### **BCPP:**

- **Find it, Fix it, Prevent it – Crest Nicholson (Social):**
  - **Issue:** Modern slavery is a widespread and criminal activity. Weak law enforcement, complex supply chains, and migration have fuelled the exploitation of people through forced labour. Earlier this year, BCPP joined the 'Find it, Fix it, Prevent it' (FFP) engagement collaboration led by the investment manager CCLA, targeting 30 companies across the high-risk hospitality and construction sectors.
  - **Engagement action and outcome:** BCPP is leading the engagement with Crest Nicholson on behalf of the investor coalition and met with them in August to discuss how they identify and mitigate human trafficking, forced labour, and modern slavery in their supply chain. BCPP discussed an assessment of the company's risk management and a forthcoming public benchmarking. The company scored well on its Modern Slavery statement, legal compliance, and adherence to guidance, but less well on proactive risk management, which is common across the sector. Engagement will continue.
- **Climate Action 100+ - TotalEnergies (Environment):**
  - **Issue:** BCPP is a supporter of the investor group Climate Action 100+ and has agreed to vote against the Chair of

the Board where a company in a high-emitting sector fails the first four indicators of the Climate Action 100+ Net Zero Benchmark covering short, medium, and long-term emission reduction targets. As highlighted in BCPP's Q2 Stewardship Report, one such example concerns TotalEnergies, an integrated oil and gas company that operates globally and covers the entire oil and gas chain from exploration and extraction to refining and trading. In relation to the four indicators of the Climate Action 100+ Net Zero Benchmark, TotalEnergies only partially meets indicators 3 and 4 (medium-term and short-term targets). The shareholder resolution called for the company to adopt a 2030 Scope 3 emissions reduction target aligned with the Paris Agreement.

- **Engagement action and outcome:** In engaging with TotalEnergies and their misalignment with the Climate Action 100+ Benchmark, BCPP chose to vote against the re-election of a Board Member and in favour of an independent climate resolution. More broadly, 16% of shareholders voted against the re-election of the longest-tenured Board Member (in place of the Chair who was not standing for re-election), while the shareholder resolution received 30% backing. These results represent large and coordinated shareholder rebellions, demonstrating significant shareholder determination to improve the company's approach to climate change through engagement.
- **Royal London Asset Management – Yorkshire Water and Northumbrian Water (Environment):**
  - **Issue:** In 2023, BCPP joined a collaborative engagement initiative with the UK water utility sector coordinated by Royal London Asset Management. Focus areas include sewage pollution, water leakage, climate change mitigation and adaptation, biodiversity, antimicrobial resistance, and industry collaboration.
  - **Engagement action and outcome:** BCPP is leading the engagement with Yorkshire Water and Northumbrian Water on behalf of the collaboration. In October, BCPP met with Yorkshire Water to discuss its assessment of the Company against sector expectations. Discussion focused on areas that BCPP had identified as priorities: pollution and maintenance of good asset health; sustainable water abstraction; and biodiversity targets and net gain. The Company's response has been positive, and Yorkshire Water recently announced that it

is bringing forward sewage infrastructure investment in Scarborough and surrounding area, an area BCPP's engagement has highlighted as in need. Northumbrian Water has responded to engagement with further disclosure on BCPP's priorities, which is currently being assessed. Engagement with Yorkshire Water and Northumbrian Water will continue.

## **Principle 11**



**Principle 11** = Signatories, where necessary, escalate stewardship activities to influence issuers.

## **11.1. Activity**

### **11.1.1. Expectations the Fund has set for asset managers that escalate stewardship activities on its behalf**

The Fund believes in an ‘engagement with consequences’ approach towards its investments – constructively engaging with investee companies on any identified ESG and RI issues, rather than immediate divestment. As the Fund is externally managed, the actual implementation of the ‘engagement with consequences’ approach in relation to individual investments across asset classes 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, the Fund 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 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.

The Fund 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. The Fund commits to work with its investment managers to improve the disclosure and reporting of engagement activities undertaken on its behalf. The Fund 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 the Fund expects its investment managers to consider stronger measures including collaborative engagement and/or investment action.

## 11.2. Outcome

### 11.2.1. Outcomes of escalation

#### **BCPP:**

The following three examples of engagement and escalation are taken from BCPP Quarterly Stewardship Reports throughout the 2023/24 reporting period.

#### **1. Shell and BP (Environment)**

- **Issue**

Shell and BP are significant contributors to BCPP's financed emissions, which BCPP are seeking to reduce to meet their Net Zero commitments. BCPP have determined that both companies have set insufficient medium-term emission reduction targets. They are also concerned about BP's backtracking on its climate targets which were put to a shareholder vote last year, and Shell's failure to meet every indicator of the Climate Action 100+ Net Zero Benchmark for the alignment of capital expenditure with Net Zero.

- **Engagement and escalation**

BCPP wrote to, and held meetings with, BP and Shell discussing their concerns and advising that they would be voting against the re-election of the Board Chairs in line with their strengthened climate voting policy and voting for independent shareholder resolutions in support of Scope 3 emissions reduction target aligned with the Paris Agreement. In April 2023, as part of engagement escalation, BCPP signalled their concern by joining other pension funds to publicly pre-declare their votes ahead of the AGMs, attracting significant press coverage. Further meetings will be held with Shell and BP in the second half of the year.

#### **2. Responsible Investment Standards (Environment, Social, Governance)**

- **Issue**

At times, BCPP must work proactively with the external manager to strengthen their RI approach. The quarterly and annual monitoring of external managers offers a key opportunity for BCPP's RI team to recognise possible areas for improvement. During the annual review of a manager, the RI team identified perceived weakness across both integration and stewardship.

- **Engagement and escalation**

The RI team downgraded the manager, and this was reported to BCPP's Investment Committee. BCPP escalated it with the manager and held further calls to discuss the improvements needed. Following their intervention, BCPP noted a material increase in the quality of the manager's disclosures and they have greater confidence in the integration of ESG factors.

### 3. Glencore (Environment)

- **Issue**

Glencore operates in emission-intensive sectors, facing climate risks that require effective management to preserve shareholder value. With this in mind, BCPP deemed the progress outlined in the company's climate report to be insufficient.

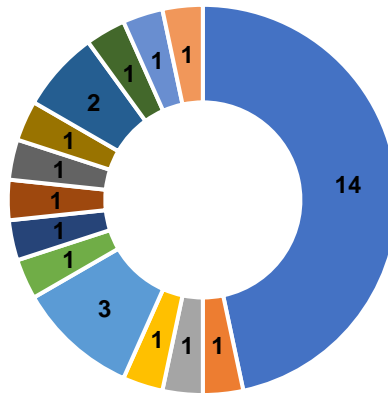
- **Engagement and escalation**

BCPP voted against the company's climate report and publicly pre-declared their votes ahead of the AGM. They also supported an independent shareholder proposal calling for a 2024 climate transition plan to include disclosure on whether the company's planned thermal coal production is aligned with the Paris Agreement, and the extent to which it is inconsistent with the IEA Net Zero scenario timelines for phasing out thermal coal for electricity generation. 30% of shareholders voted against the company's climate report, while 29% supported the shareholder resolution, evidencing a large contingent of Glencore investors seeking to improve the company's management of climate-related risks.

#### 11.2.2. Geographical breakdown of voting watchlist

The following chart provides a geographical breakdown of BCPP's Voting Watchlist for 2023 based on those companies most at risk of requiring an escalation of current engagement activities due to concerns regarding their ESG activities.

## Geographical Breakdown of BCPP Voting Watchlist (Number of Companies)



- US
- Switzerland
- Republic of Ireland
- Luxembourg
- UK
- Italy
- China
- Brazil
- South Korea
- India
- Australia
- Saudi Arabia
- Malaysia
- France

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## **Principle 12**

**Principle 12** = Signatories actively exercise their rights and responsibilities.

## **12.1. Context**

### **12.1.1. Expectations the Fund has for asset managers that exercise rights and responsibilities on their behalf**

The Fund has a clear set of expectations of asset managers tied to the Fund's Investment and RI Beliefs outlined in Sections 1.1.5. and 1.1.6 respectively and the Fund believes that asset managers' exercising of rights and responsibilities is fundamental to the achievement of high-quality investment outcomes across asset classes. A number of these expectations are outlined below:

- All of the Fund's listed equities, credit and property managers are signed up to the UK Stewardship Code which provides a framework for investors to consider environmental, social, and corporate governance issues when making investment decisions.
- In line with its RI Beliefs and long-term approach to investment, the Fund seeks to positively influence companies' ESG approaches through the use of voting rights and by formal shareholder engagement. The Fund expects its investment managers to follow this model of responsible asset stewardship, but the services of other third-party providers may be sought where necessary to help identify issues of concern and engage with investee companies.
- Investment managers are required to provide a robust explanation of any positions they have adopted which are not in alignment with either the Fund's RI Policy or any RI-related performance objectives set out in their mandate.
- When it comes to engagement, the Fund's investment managers are expected to engage in constructive dialogue on behalf of the Fund and use their influence to encourage companies to adopt best practice in key ESG areas. Any engagements undertaken on investments held by the Fund should be reported, along with an assessment of the effectiveness of the engagement, and whether the engagement issue has been resolved or is ongoing.
- The Fund receives a report on all voting activities related to pooled investments.
- The Fund also expects the following to be reflected in the stewardship reporting of its investment managers:
  - explanation of the implementation of stewardship policies
  - how ownership rights have been exercised
  - any changes to the manager's engagement processes
  - examples of engagement and how they relate to monitoring and investment decisions
  - details on measurement of engagement success
  - details on whether engagements have been concluded successfully, concluded unsuccessfully, or are ongoing

- information on how portfolio managers have been involved in active ownership activities

### **12.1.2. Fund Voting Policy**

As outlined in Section 1.3.1., the Fund produced a bespoke Voting Policy during the 2023/24 reporting period designed to reflect best practice in the industry and to recognise that stewardship is an evolving concept. The Fund's Voting Policy was approved at the September 2023 Committee meeting and applies to non-pooled assets managed by the Fund's non-pooled investment manager, Newton Investment Management. The policy forms part of the Fund's Responsible Investment and Stewardship Policy and outlines its intention to vote on shares in all markets where practicable. Where votes are particularly contentious, the Fund consults with BCPP, the LAPFF, LGIM, Newton Investment Management and Minerva to help inform its decision. As detailed in Principle 1, the policy covers nine key areas of corporate governance and can be found at the following link ([Annex 1 \(surreycc.gov.uk\)](https://www.surreycc.gov.uk/annex-1)).

### **12.1.3. BCPP Voting Policy**

BCPP produced an updated Corporate Governance & Voting Guidelines Policy in January 2024 which applies to all of the Fund's investments managed by its pooling partner. BCPP is supported by its Voting and Engagement Partner, Robeco, who ensures that votes are made in line with its Corporate Governance and Voting Guidelines.

The Voting Guidelines cover a broad array of areas ranging from the composition and independence of Company Boards to Directors' Remuneration and provide detailed insights into how and why expectations and voting may differ based on varying market practices, sectors, and geographies. For example, when considering companies' diversity and inclusion policies, there is an expectation that boards should reflect the demographic/ethnic makeup of the countries a company is active in. The rationale for this approach is to ensure that voting and engagement reflect varying market practices in different regions of the world. As the Financial Conduct Authority has set diversity targets for board and senior board positions within certain companies, BCPP therefore expects that boards in the UK will be composed of at least 40% female directors whereas the threshold for developed markets without legal thresholds will be 33%. At least one female board member is also expected in emerging market and Japanese companies. The policy also sets out BCPP's expectations with regard to key ESG issues including human rights and climate change. With regard to the latter, BCPP uses recognised industry benchmarks such as Transition Pathway Initiative (TPI) metrics to inform voting and will vote against the Chair or relevant agenda item where companies score 2 or lower, and for Oil and Gas companies that score 3 or lower (unless more recent information is available). Where companies are not covered by industry benchmarks, an internally developed framework is used to identify those with insufficient progress on climate change. It is however acknowledged that global disparities mean that voting decisions must be made on a case-by-case basis, notably when considering the transition pathways of companies in developed markets and those in emerging market economies.

The Corporate Governance & Voting Guidelines Policy is reviewed with portfolio managers and interpreted flexibly to reflect the unique circumstances of different companies and meetings. The policy does however provide three general conditions informing whether BCPP will vote for, abstain or oppose:

- a. We will support management that acts in the long-term interests of all shareholders, where a resolution is aligned with these guidelines and considered to be in line with best practice.
- b. We will abstain when a resolution fails the best practice test but is not considered to be serious enough to vote against.
- c. We will vote against a resolution where corporate behaviour falls short of best practice or these guidelines, or where the directors have failed to provide sufficient information to support the proposal.

BCPP's Voting and Engagement Partner, Robeco, use Glass Lewis as a proxy advisor to provide advice on voting decisions in line with BCPP's Voting Guidelines. Glass Lewis is an independent provider of corporate governance services and the recommendations provided are reviewed by BCPP's RI specialists to ensure that BCPP's Voting Guidelines are interpreted flexibly depending on the unique circumstances of a particular company/meeting. This flexibility enables BCPP to override voting recommendations provided by Robeco where appropriate.

BCPP has an active stock lending programme with procedures in place to allow stock to be recalled prior to a shareholder vote. Stock lenders do not generally retain any voting rights on lent stock. As outlined in BCPP's RI Policy, a number of conditions are set and when any or a combination of the following conditions are met, stock is recalled prior to meetings whilst lending may also be restricted:

- The resolution is contentious.
- The holding is of a size which could potentially influence the voting outcome.
- BCPP needs to register its full voting interest.
- BCPP has co-filed a shareholder resolution.
- A company is seeking approval for a merger or acquisition.
- BCPP deems it appropriate.

BCPP's Corporate Governance & Voting Guidelines Policy can be found at the following link ([Microsoft Word - Border to Coast Corporate Governance Voting Guidelines 2024-FINAL \(EXTERNAL\)](#)).



#### 12.1.4. LGIM Voting Policy

LGIM produces region-specific Corporate Governance and Responsible Investment Policies for the North American, UK and Japanese markets respectively in addition to producing a Global Corporate Governance and Responsible Investment Principles document which outlines LGIM's corporate governance expectations for all companies in which it invests on a global scale. These policies collectively inform how votes are made on the Fund's investments with LGIM. The Global document covers a broad array of areas ranging from the Company Board to Shareholder and Bondholder Rights whilst the region-specific documents enable votes to reflect differing market and local best practices with criteria therefore differing across geographies.

LGIM uses the Institutional Shareholder Services (ISS) ProxyExchange proxy voting platform which enables LGIM to vote electronically on clients' shares though all voting decisions are made by LGIM with no aspect of strategic decision-making outsourced. Within the UK market, LGIM does not lend stock though stock lending policies do differ for other markets with limits placed on the number of shares lent per fund and per stock. LGIM also retains the right of immediate recall of its shares where deemed necessary and always retains a number of shares in each voteable stock in order to be able to note its approval or dissent through a vote at a shareholder meeting.

LGIM's Global Corporate Governance and Responsible Investment Principles document can be found at the following link ([2023 Global corporate governance and responsible investment principles \(lgim.com\)](#)) alongside its UK ([UK corporate governance and responsible investment policy \(lgim.com\)](#)), North America ([lgim-north-america-corporate-governance-and-responsible-investment-policy-2023.pdf](#)) and Japanese policies ([2023 Japan Corporate Governance and Responsible Investment Policy \(lgim.com\)](#)).

#### 12.2. Activity and Outcome

The Fund's investments in listed equities are split between actively managed funds and passively managed funds. Actively managed funds are primarily managed by the Fund's pooling partner, BCPP, and they have direct stewardship responsibility for these assets, exercised through their own Voting Policy. As at 31 March 2023 **\*to update after March**, BCPP managed £1,490m for the Fund. Robeco has also implemented a detailed set of voting guidelines and manages BCPP's proxy voting platform which enables proxy voting recommendations to be produced for all meetings.

As at 31 March 2023 **\*to update after March**, £491m of the Fund's listed equity investments were also actively managed by one manager outside of the pool, Newton Investment Management. As these investments are managed outside of the pool, they are covered by the Fund's own Voting Policy. Since 2013, the Fund has been given consultancy advice on share voting and company corporate governance by Minerva Analytics. The aim of this consultancy is to ensure that the Fund's approach to stewardship reflects the most up-to-date standards, and that Officers

and Committee Members are therefore informed of stewardship developments so as to inform the Fund’s Investment Strategy Statement.

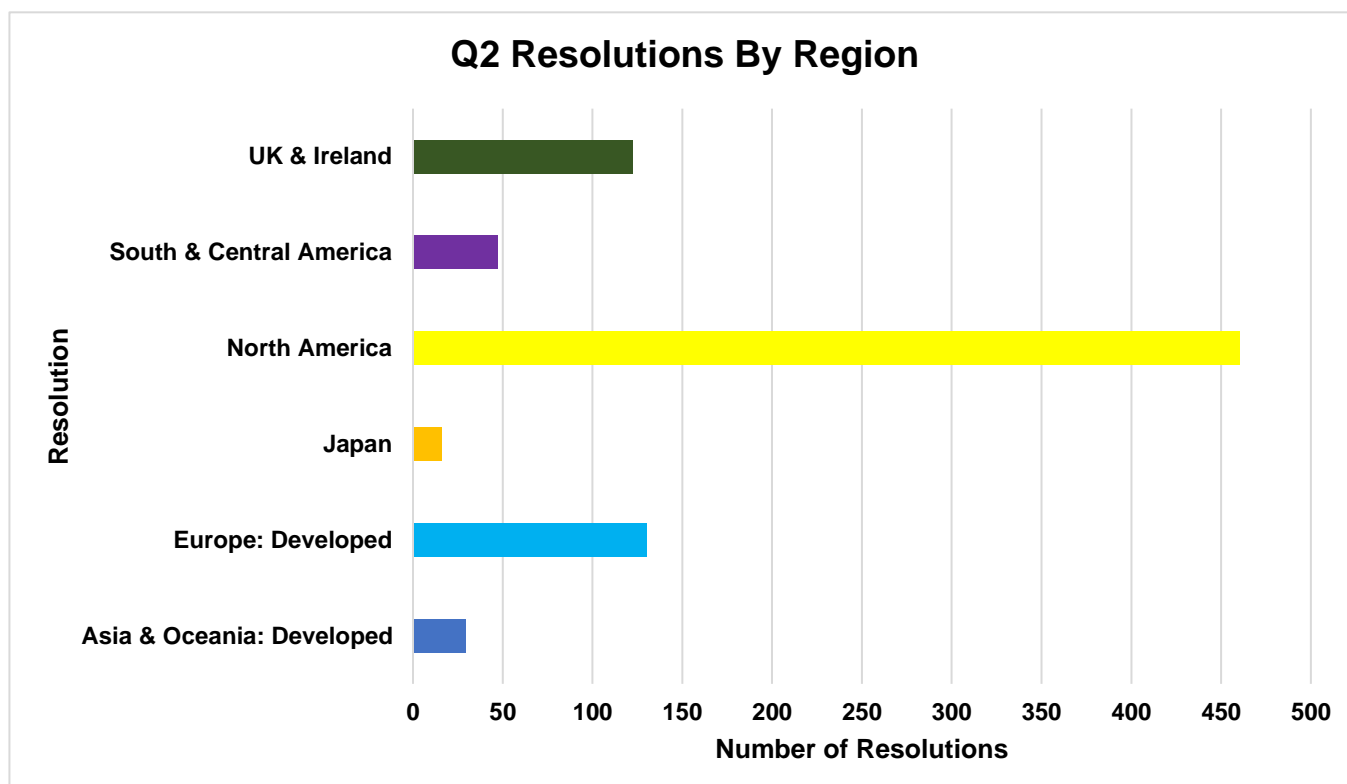
With regard to the Fund’s passively managed listed equities, these are managed by LGIM and as at 31 March 2023 stood at £1,323m **\*to update after March**.

**12.2.1. Listed equity assets – Directly Held (managed by Newton) **\*add in Q1 when available****

The Fund’s bespoke Voting Policy covers its listed equity investments outside of the pool, though there is the expectation that over time these assets will either be transferred to pooled funds or other asset classes. The voting records for each quarter (recorded based on calendar year, hence running from Q2 2023 - Q1 2024 in this report) are outlined below alongside a number of case study examples of specific voting decisions taken from each of the Fund’s Quarterly Voting Reports:

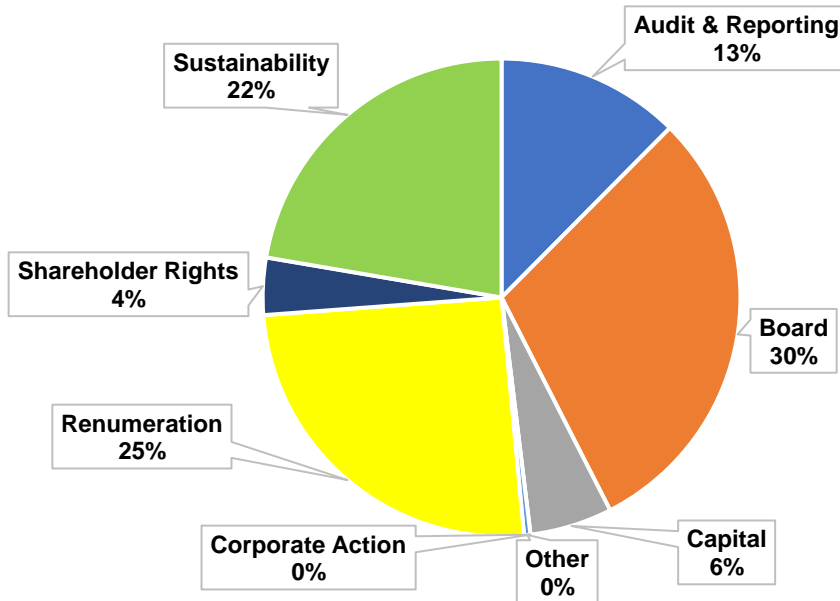
**Q2 (1st April 2023 – 30<sup>th</sup> June 2023) (43 shareholder meetings, 804 resolutions voted on, [Microsoft Word - 230717 Surrey Q2 Voting 2023 \(surreycc.gov.uk\)](#)):**

Percentage of Total Votes With Management (%)	Percentage of Total Votes Against Management (%)
71	29



16

**Q2 Percentage of Votes Against Management by Resolution Category (Total Votes Against Management = 233)**



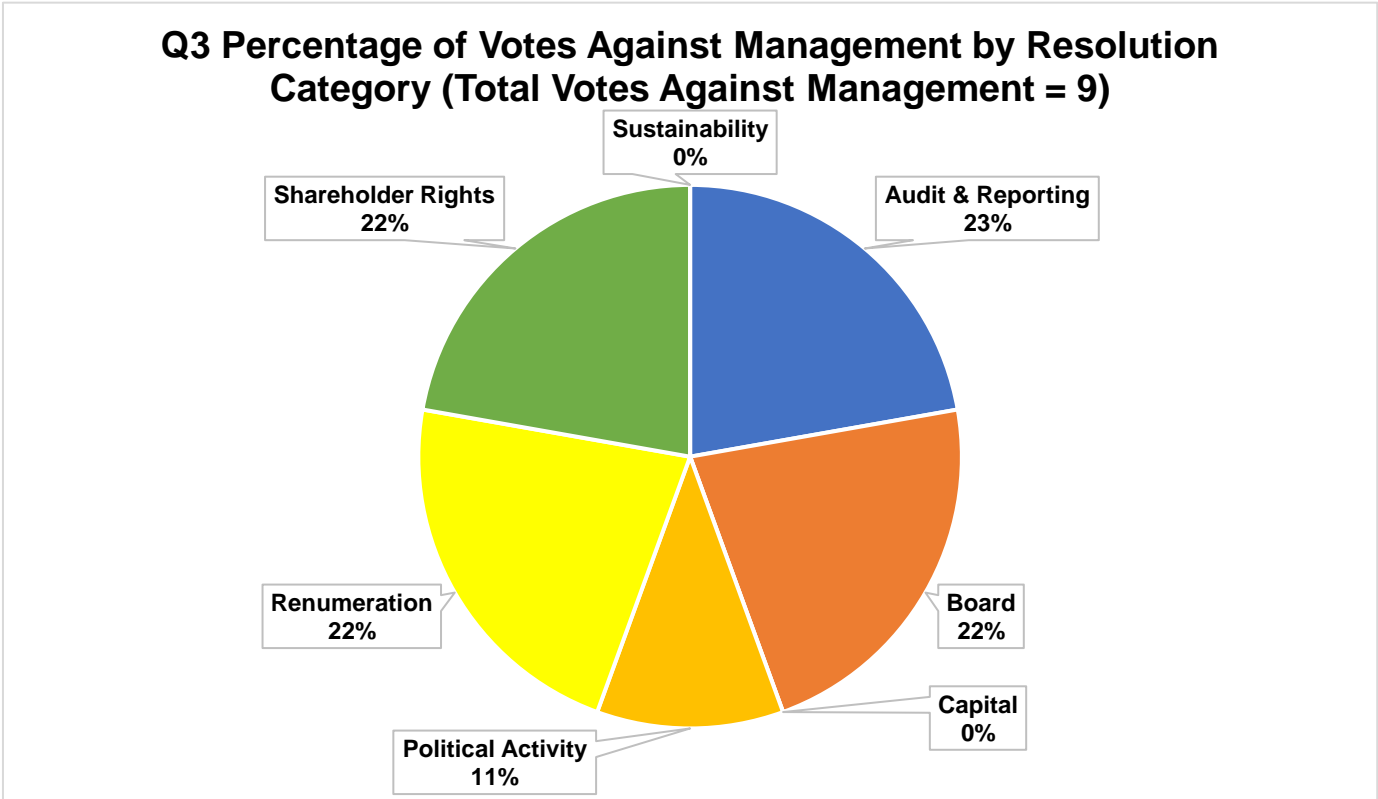
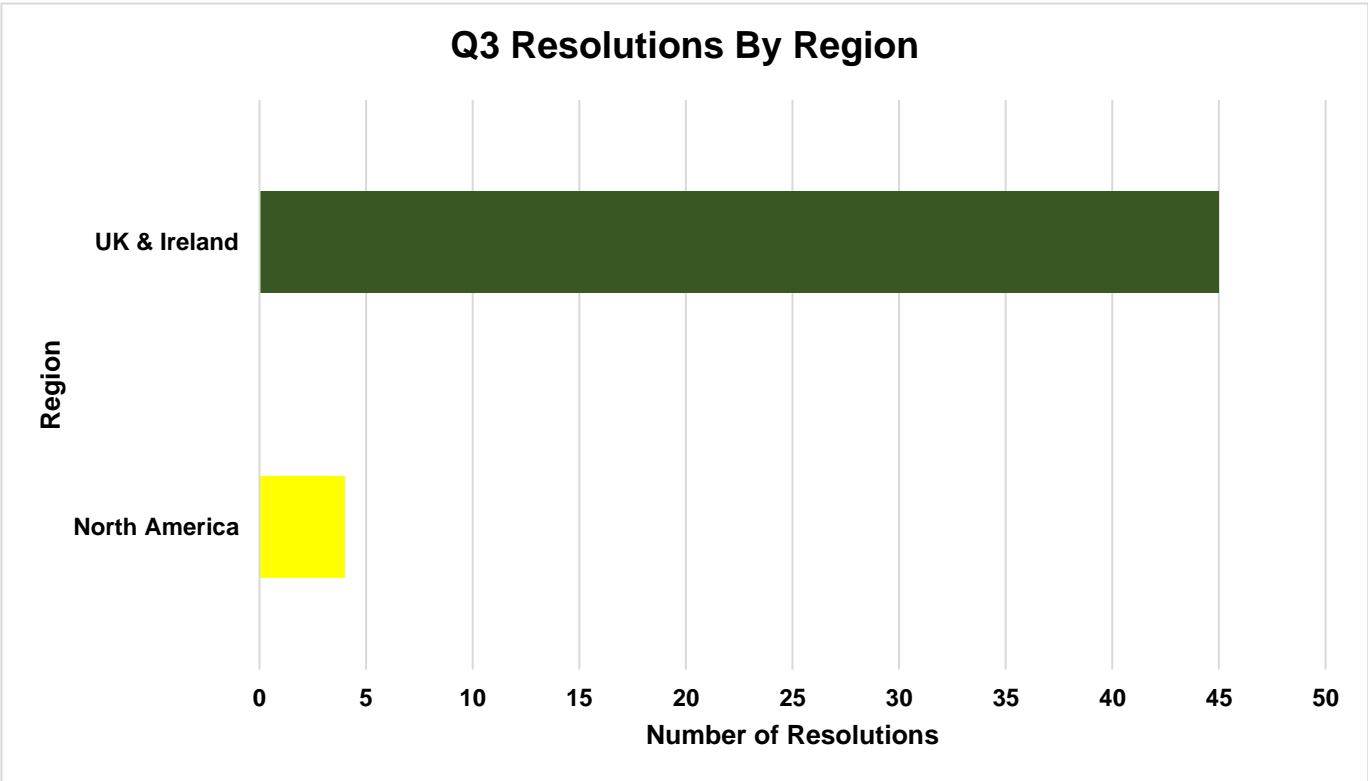
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- **Q2 Case Study - CME Group Inc (Governance)** = The Fund voted against the approval of CME Group Inc’s remuneration report, and the report was defeated with 67.92% of the shareholder ballot withholding support. The vote outcome means that the company has suffered two consecutive remuneration defeats as 76.77% of the shareholder ballot withheld support at the 2022 AGM. The Fund had held concerns over the remuneration committee’s response to shareholder concerns expressed at the 2022 AGM over the one-off \$5.0m special bonus paid to CEO Terrence Duffy and with the alignment of pay with performance. In particular, concerns were held with the remuneration committee’s decision to grant Mr. Duffy a salary increase of 33% from \$1.5m to \$2.0M, as part of a revised employment agreement and with the structure of long-term incentive awards and the cash severance provisions in place.

**Q3 (1<sup>st</sup> July 2023 – 30<sup>th</sup> September 2023) (3 shareholder meetings, 49 resolutions voted on, [Microsoft Word - 231121 Surrey Q3 Voting 2023 \(surreycc.gov.uk\)](https://www.surreycc.gov.uk/microsites/231121-surrey-q3-voting-2023))**

Percentage of Total Votes With Management (%)	Percentage of Total Votes Against Management (%)
82	18

16

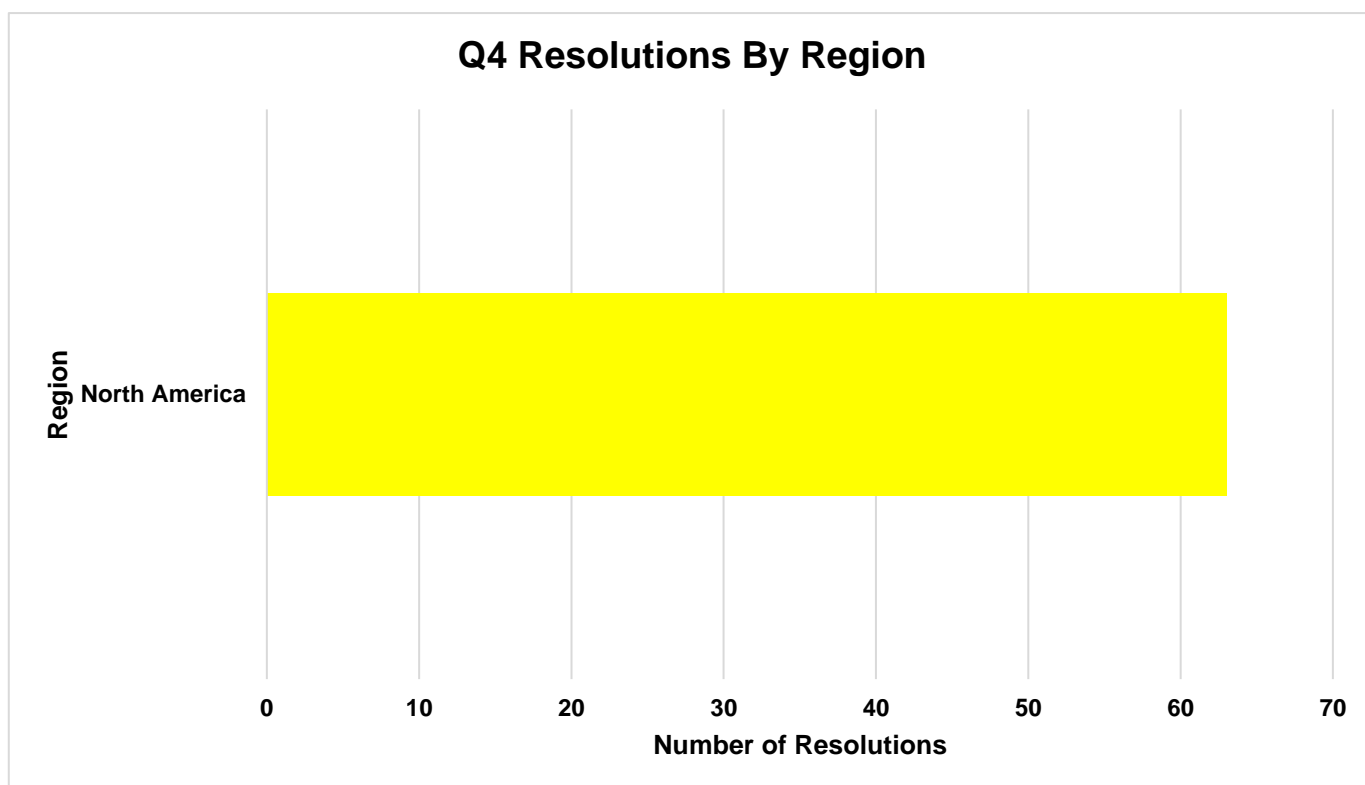


- **Q3 Case Study – Audit & Reporting (Governance)** = One of the Fund’s oppositional votes in the Audit & Reporting category was a vote cast against the appointment of an external auditor due to concerns with audit tenure and independence. The remaining oppositional vote concerned the approval of report & accounts due to disclosure concerns.

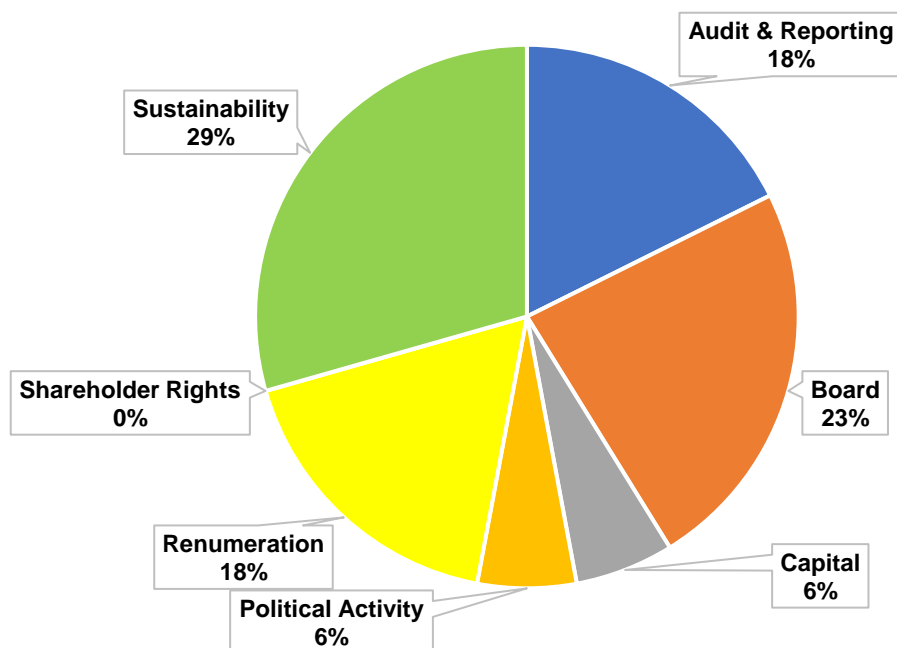
**Q4 (1<sup>st</sup> October 2023 – 31<sup>st</sup> December 2023) (4 shareholder meetings, 63 resolutions voted on, [\\*add in link when March Committee papers published](#))**

Percentage of Total Votes With Management (%)	Percentage of Total Votes Against Management (%)
73	27

16



## Q4 Percentage of Votes Against Management by Resolution Category (Total Votes Against Management = 17)



- **Q4 Case Study – Capital (Governance)** = One of the Fund’s oppositional votes in the Capital category was a vote cast against a management proposal to issue shares with the dis-application of pre-emption rights due to concerns over the size of the authority and potential dilution to existing shareholders.

### 12.2.2. Listed equity assets – BCPP

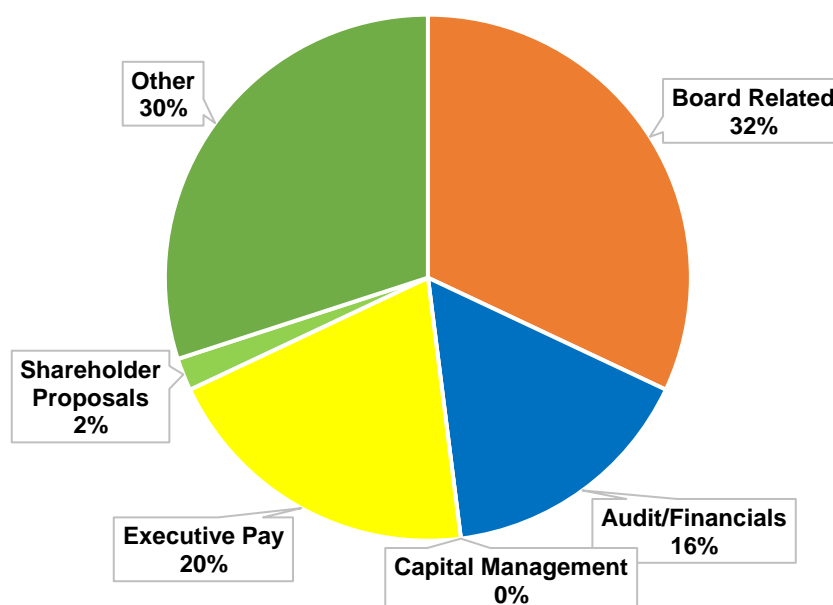
The Fund currently holds units in four listed equity funds managed by the Fund’s Pooling Partner, BCPP, all of which are governed by BCPP’s Voting Policy. As outlined in Principle 1, BCPP’s Emerging Markets Equity Alpha Fund was launched in July 2023, hence the voting records outlined below only begin in Q3. The voting records for each of the four funds across each quarter (again recorded based on calendar year, hence running from Q2 2023 - Q1 2024 in this report **\*update depending on what can be included by May 2024**) are outlined below alongside a number of case study examples of voting decisions taken by BCPP’s Voting and Engagement Partner, Robeco, throughout the year. The case studies outlined have been taken from quarterly fund-specific Summary Voting Reports with links provided.

#### 1. UK Listed Equity Alpha Fund

Q2 (1<sup>st</sup> April 2023 – 30<sup>th</sup> June 2023) (101 shareholder meetings, 1,780 items voted on) ([Border to Coast - Quarterly Stewardship Report](#))

Percentage of Total Votes With Management (%)	Percentage of Total Votes Against Management (%)
93	7

### BCPP UK Listed Equity Alpha Fund - Q2 Percentage of Votes Against by Resolution Category

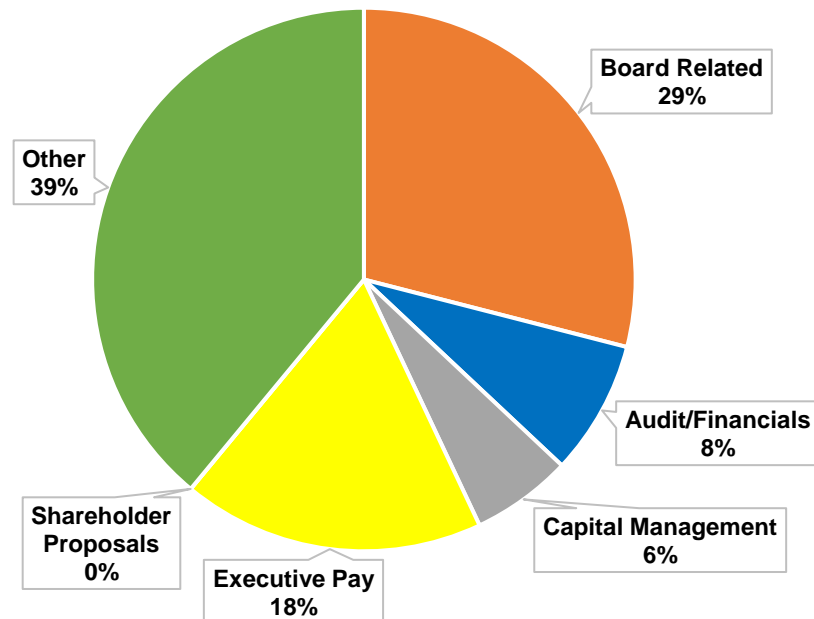


- **Q2 Case Study – BP plc (Environment)** ([Border-to-Coast-UK-Listed-Equity-Alpha-Fund-Summary-Voting-Report-2023-Q2.pdf](https://www.bordertocoast.org.uk/wp-content/uploads/2023/07/Border-to-Coast-UK-Listed-Equity-Alpha-Fund-Summary-Voting-Report-2023-Q2.pdf) ([bordertocoast.org.uk](https://www.bordertocoast.org.uk))) = BP's 2023 AGM occurred amidst high scrutiny over the company's announcement that it would backtrack on its climate ambitions. BP had garnered significant support (over 85%) for its previous climate transition plan at the 2022 AGM but decided to not put the revised plan up for a vote at the 2023 AGM. BCPP assessed this as a material governance concern and concluded that a vote against the Chair of the Board is warranted. The opposition against the chairman's election stood at ca. 10%.

**Q3 (1<sup>st</sup> July 2023 – 30<sup>th</sup> September 2023) (46 shareholder meetings, 684 items voted on)** ([Quarterly Stewardship Report](https://www.bordertocoast.org.uk/wp-content/uploads/2023/10/Quarterly-Stewardship-Report-2023-Q3.pdf) ([bordertocoast.org.uk](https://www.bordertocoast.org.uk))):

Percentage of Total Votes With Management (%)	Percentage of Total Votes Against Management (%)
93	7

## BCPP UK Listed Equity Alpha Fund - Q3 Percentage of Votes Against by Resolution Category



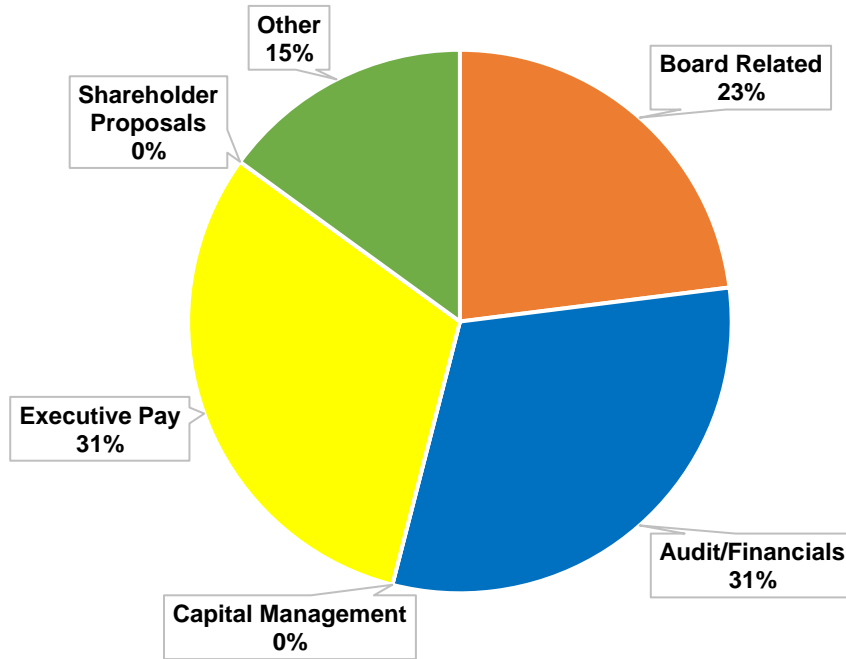
- **Q3 Case Study – Watches of Switzerland Group Plc (Governance)** ([Border-to-Coast-Integrated-Full-Details-Voting-Report-2023-Q3.pdf \(bordertocoast.org.uk\)](#)) = One of BCPP's votes against management occurred in August 2023 when they voted against the authorisation of political donations at Watches of Switzerland Group Plc. The rationale behind this opposition was that, in line with BCPP's Corporate Governance & Voting Guidelines Policy, there are significant democratic and reputational implications of companies becoming involved in the funding of political processes. As a result, any proposals concerning political donations will be opposed. BCPP's view aligns with that of the Fund, and we believe that political donations are an inappropriate use of shareholders' funds and will therefore always vote against such proposals.

**Q4 (1<sup>st</sup> October 2023 – 31<sup>st</sup> December 2023) (25 shareholder meetings, 179 items voted on)** ([Quarterly Stewardship Report \(bordertocoast.org.uk\)](#)):

Percentage of Total Votes With Management (%)	Percentage of Total Votes Against Management (%)
<b>93</b>	<b>7</b>



## BCPP UK Listed Equity Alpha Fund - Q4 Percentage of Votes Against by Resolution Category



16

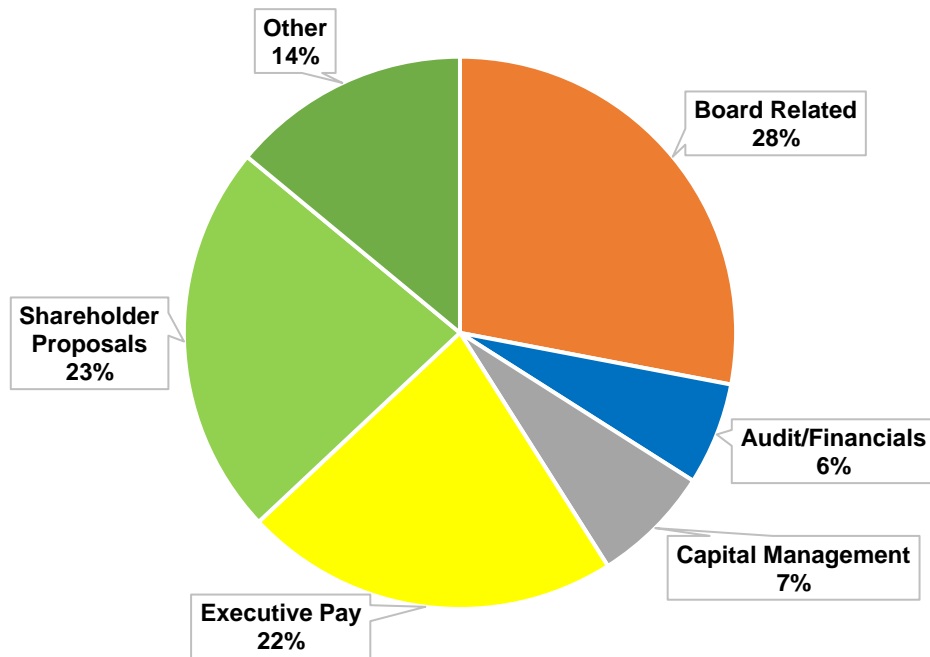
- **Q4 Case Study – Renishaw Plc (Governance)** ([BOE1E11.pdf](#) ([bordertocoast.org.uk](#))) = In November 2023, BCPP voted against management’s proposed Remuneration Policy and Remuneration Report given that the proposed remuneration structure placed excessive focus on short-term performance. This runs contrary to BCPP’s Voting Guidelines which state that incentives and bonuses should be linked to performance over the longer-term in order to create shareholder value.

### 2. Global Equity Alpha Fund

Q2 (1<sup>st</sup> April 2023 – 30<sup>th</sup> June 2023) (197 shareholder meetings, 3,203 items voted on) ([Border to Coast - Quarterly Stewardship Report](#)):

Percentage of Total Votes With Management (%)	Percentage of Total Votes Against Management (%)
83	17

## BCPP Global Equity Alpha Fund - Q2 Percentage of Votes Against by Resolution Category

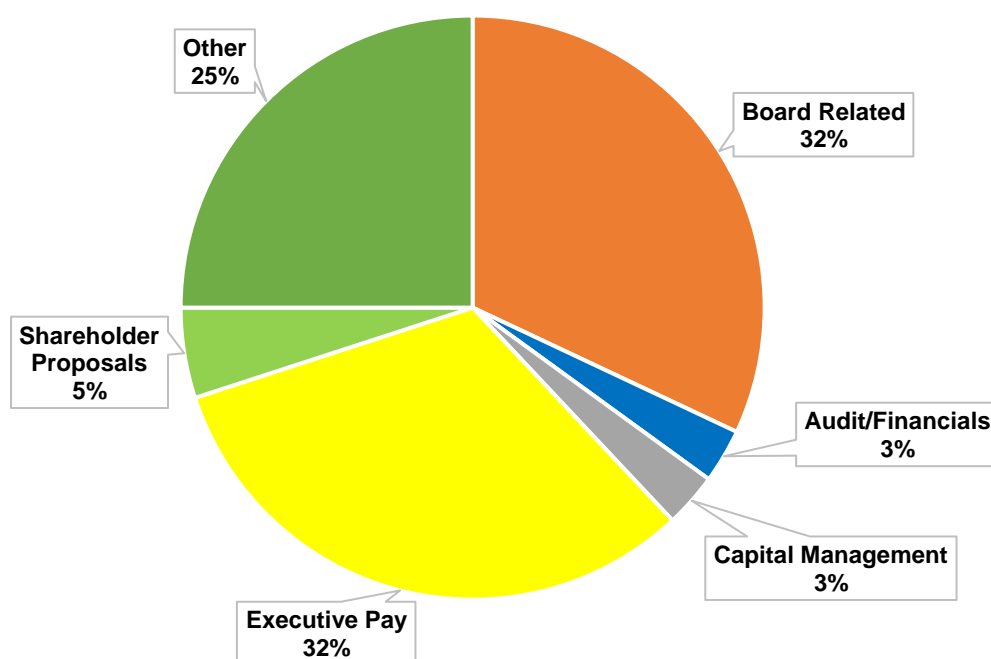


- **Q2 Case Study – Amazon (Environment, Social, Governance) ([Border to Coast - Quarterly Stewardship Report](#))** = BCPP supported 14 shareholder proposals and opposed four. Out of the 14 supported proposals, five were related to their social inclusion and labour management focus. These resolutions asked for reports on working conditions, pay gaps, employee freedom of association assessment, and considering employee salaries in executive pay decisions. Implementing these requests could improve treatment and reduce labour-related risks. For example, the working conditions proposal aims to investigate if demanding performance targets contribute to injury and turnover rates. They also opposed four shareholder proposals. One requested a report on climate risks in employee retirement plans, which they found beyond shareholder scope. Another requested the formation of a public policy committee which was deemed unnecessary. Lastly, two proposals aimed to hinder their ESG efforts. The shareholder proposals on freedom of association and working conditions both received 35% support. Gender and racial pay proposals received 29%, employee to executive pay comparisons 7%, and hourly employee board representation 18% support. These results show ongoing investor focus on labour rights at Amazon. The two anti-social proposals received 1.6% and 0.8% support, highlighting low backing for such proposals despite their increasing prevalence. The proposals on climate risks in retirement options and a public policy committee got 7% and 6% support, respectively.

Q3 (1<sup>st</sup> July 2023 – 30<sup>th</sup> September 2023) (72 shareholder meetings, 533 items voted on) ([Quarterly Stewardship Report \(bordertocoast.org.uk\)](https://www.bordertocoast.org.uk)):

Percentage of Total Votes With Management (%)	Percentage of Total Votes Against Management (%)
83	17

### BCPP Global Equity Alpha Fund - Q3 Percentage of Votes Against by Resolution Category



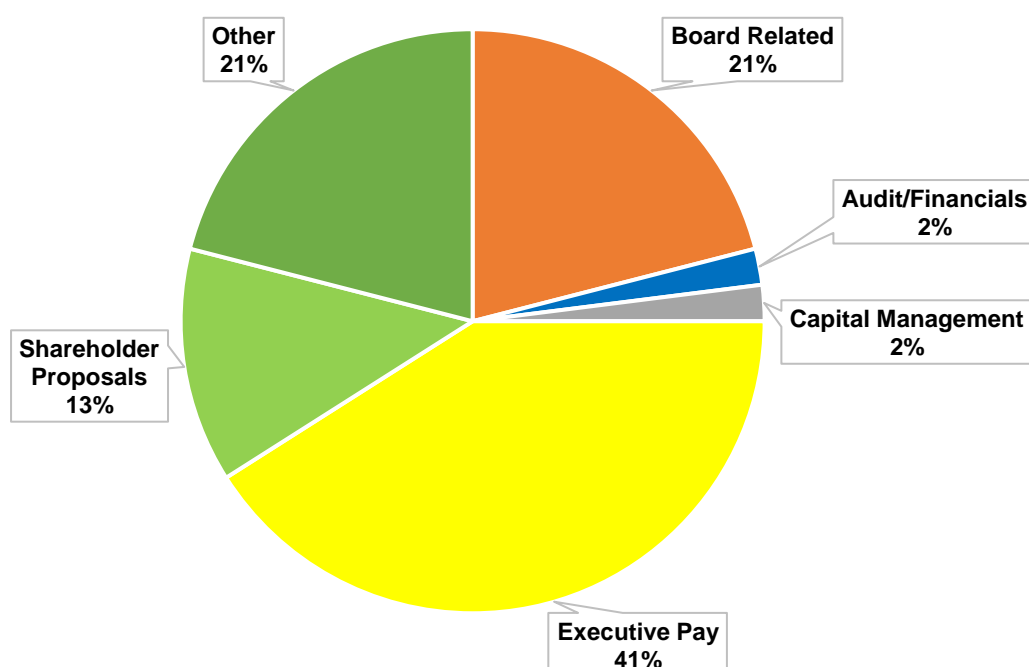
- **Q3 Case Study – Nike, Inc. 2023 AGM (Governance)** ([Border-to-Coast-Global-Equity-Alpha-Fund-Summary-Voting-Report-2023-Q3.pdf \(bordertocoast.org.uk\)](https://www.bordertocoast.org.uk)) = The Say on Pay proposal was particularly relevant as the resolution only garnered 65% support at the 2022 AGM. BCPP engaged with Nike on the topic of executive remuneration and were pleased to see that the company rolled out major improvements to its compensation program. In particular, the company increased the ratio of long-term incentives (LTI) delivered in the form of performance-based equity awards, while also moving to year-long targets under the short-term incentive plan (STI) and making no discretionary upward adjustments to final payouts. While recognising the positive changes, they maintained their concern regarding pay magnitude. Per the Summary Compensation Table, 2023 CEO pay stood at nearly USD 33 million. This, alongside a few other areas of concern, resulted in the company failing their

remuneration framework. BCPP therefore cast a vote against the Say on Pay proposal.

**Q4 (1<sup>st</sup> October 2023 – 31<sup>st</sup> December 2023) (25 shareholder meetings, 243 items voted on) ([Quarterly Stewardship Report \(bordertocoast.org.uk\)](#)):**

Percentage of Total Votes With Management (%)	Percentage of Total Votes Against Management (%)
84	16

### BCPP Global Equity Alpha Fund - Q4 Percentage of Votes Against by Resolution Category

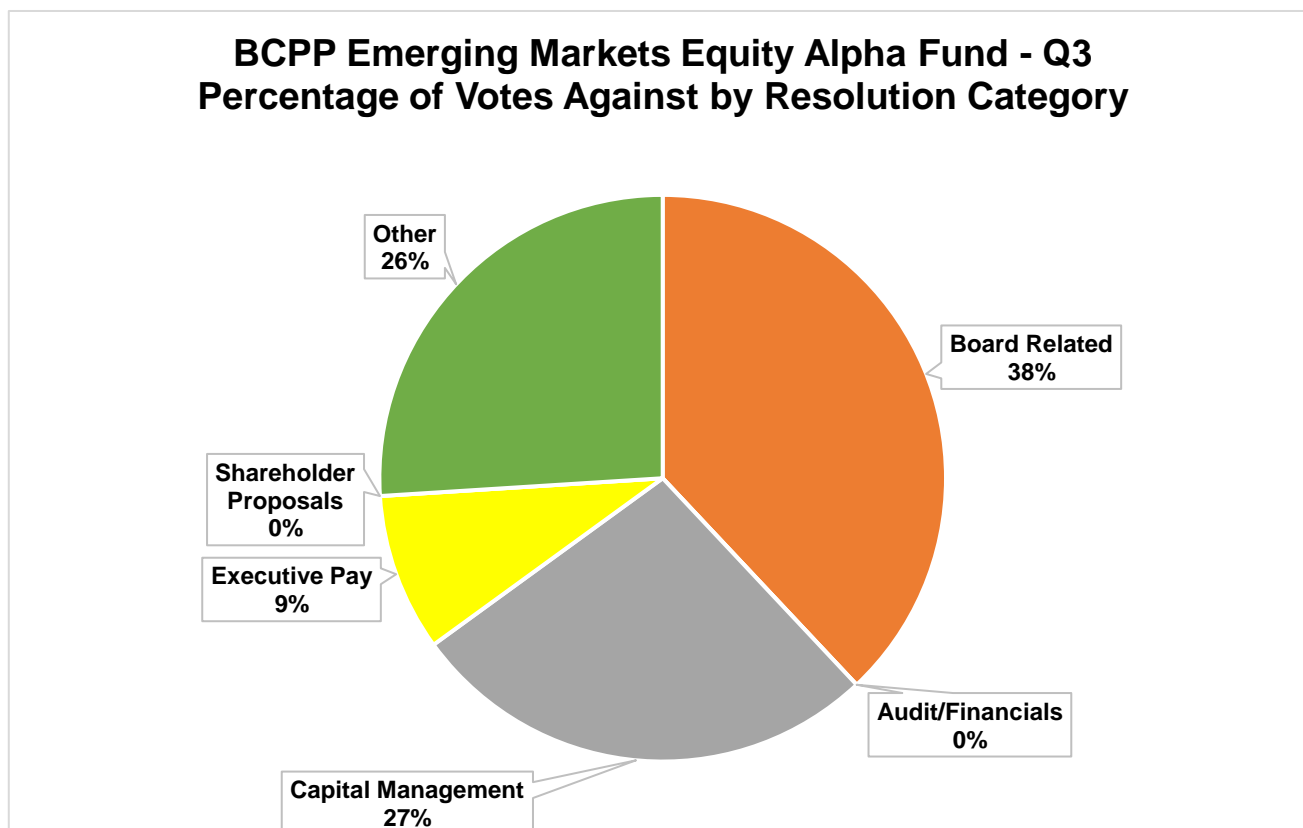


- **Q4 Case Study – XP Inc (Environmental) ([BOE1E11.pdf \(bordertocoast.org.uk\)](#))** = In October 2023, BCPP voted against management’s proposed election of directors at XP Inc given the belief that the company was not sufficiently addressing the impact of climate change.

### 3. Emerging Markets Equity Alpha Fund

**Q3 (1<sup>st</sup> July 2023 – 30<sup>th</sup> September 2023) (35 shareholder meetings, 274 voted on) ([Quarterly Stewardship Report \(bordertocoast.org.uk\)](#)):**

Percentage of Total Votes With Management (%)	Percentage of Total Votes Against Management (%)
86	14



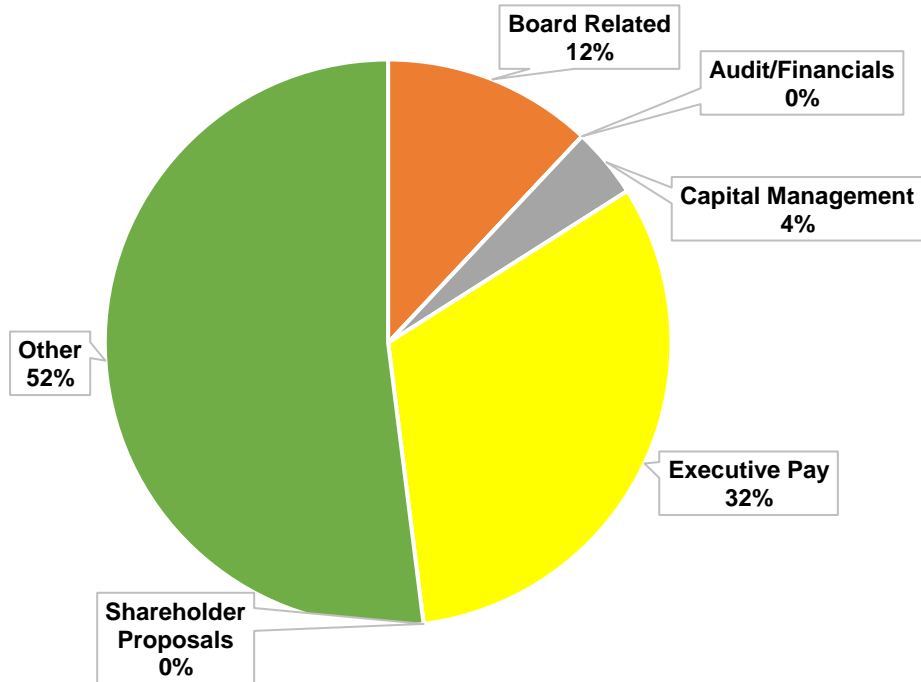
16

- **Q3 Case Study – Sao Martinho SA (Governance)** ([Border-to-Coast-Integrated-Full-Details-Voting-Report-2023-Q3.pdf \(bordertocoast.org.uk\)](#)) = In July 2023, BCPP voted against management’s proposed Remuneration Policy as the long-term awards contained within the policy were not linked to performance. BCPP’s decision was therefore in line with its Voting Policy which states clearly that incentives should be linked to performance over the longer-term to create shareholder value.

**Q4 (1<sup>st</sup> October 2023 – 31<sup>st</sup> December 2023) (37 shareholder meetings, 156 items voted on)** ([Quarterly Stewardship Report \(bordertocoast.org.uk\)](#)):

Percentage of Total Votes With Management (%)	Percentage of Total Votes Against Management (%)
84	16

**BCPP Emerging Markets Equity Alpha Fund - Q4  
Percentage of Votes Against by Resolution Category**



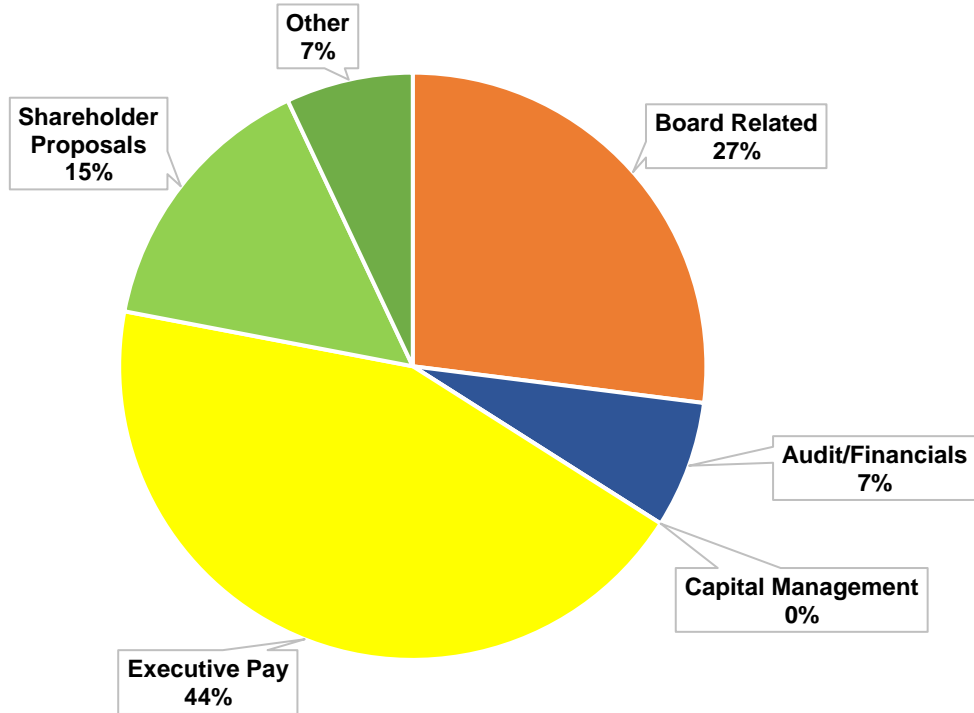
- **Q4 Case Study - Remgro Ltd (Governance)** ([BOE1E11.pdf](#) ([bordertocoast.org.uk](#))) = In December 2023, BCPP voted against management's proposed election of a member of the Audit and Risk Committee given the belief that the respective Board Member was serving on too many boards already.

**4. BCPP Listed Alternatives Fund**

**Q2 (1<sup>st</sup> April 2023 – 30<sup>th</sup> June 2023) (33 shareholder meetings, 489 votes cast)**  
([Border to Coast - Quarterly Stewardship Report](#)):

Percentage of Total Votes With Management (%)	Percentage of Total Votes Against Management (%)
89	11

### BCPP Listed Alternatives Fund - Q2 Percentage of Votes Against by Resolution Category



16

- **Q2 Case Study – Alexandria Real Estate Equities Inc. (Governance)**

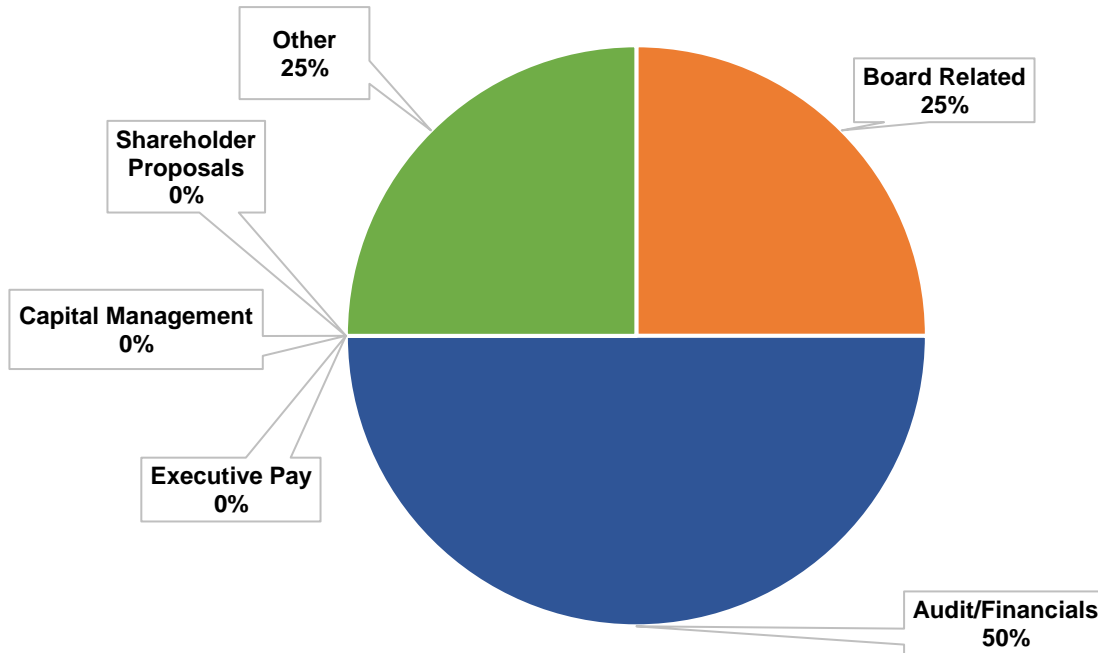
([Border-to-Coast-Integrated-Full-Details-Voting-Report-2023-Q2.pdf](https://www.bordertocoast.org.uk/wp-content/uploads/2023/05/Border-to-Coast-Integrated-Full-Details-Voting-Report-2023-Q2.pdf) ([bordertocoast.org.uk](https://www.bordertocoast.org.uk)))

= In May 2023, BCPP voted against management in an advisory vote on executive compensation as this entailed that substantial one-off payments would be made without performance criteria. This vote against was made in line with BCPP’s Corporate Governance and Voting Guidelines Policy which states that one-off payments such as annual bonuses should reflect individual and corporate performance targets with potentially negative implications when payments are made without performance-based incentives. This view is also shared by the Fund and our Voting Policy equally emphasises the need for performance-based incentives when determining executive remuneration.

**Q3 (1<sup>st</sup> July 2023 – 30<sup>th</sup> September 2023) (13 shareholder meetings, 137 votes cast) ([Quarterly Stewardship Report](https://www.bordertocoast.org.uk/wp-content/uploads/2023/09/Quarterly-Stewardship-Report-2023-Q3.pdf) ([bordertocoast.org.uk](https://www.bordertocoast.org.uk))):**

Percentage of Total Votes With Management (%)	Percentage of Total Votes Against Management (%)
<b>94</b>	<b>6</b>

## BCPP Listed Alternatives Fund - Q3 Percentage of Votes Against by Resolution Category



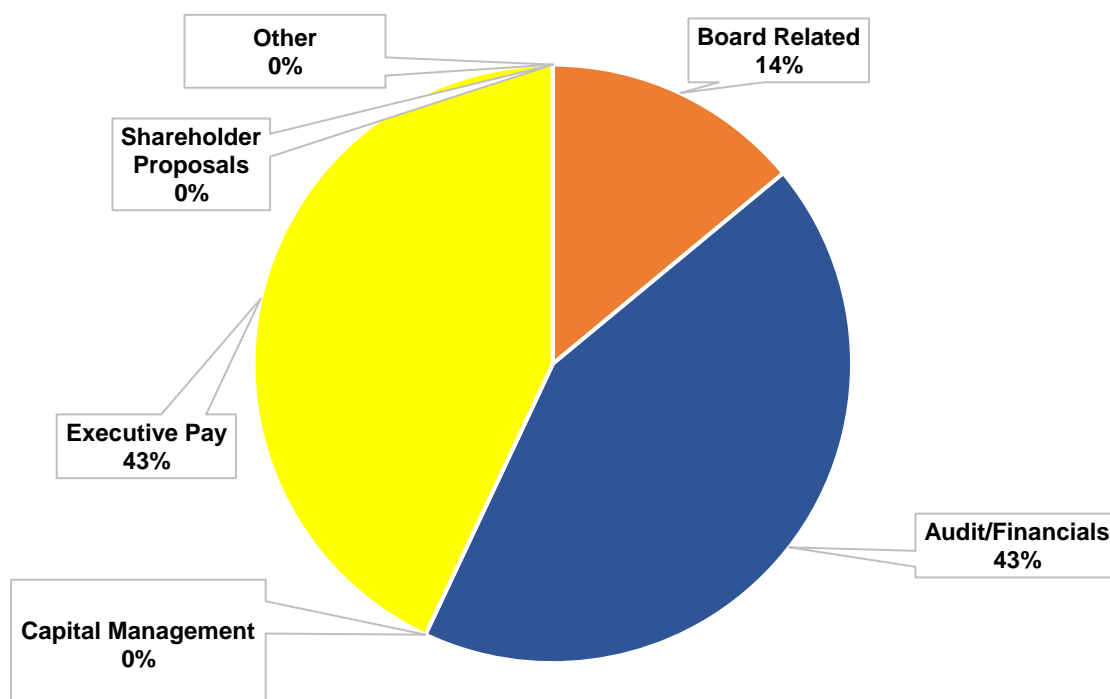
- **Q3 Case Study – National Grid Plc (Environment, Governance)** ([Border-to-Coast-Integrated-Full-Details-Voting-Report-2023-Q3.pdf \(bordertocoast.org.uk\)](#)) = In July 2023, BCPP voted against management regarding the re-election of the Chair of the Board at National Grid Plc and engaged the company ahead of the AGM to explain their rationale. In line with BCPP’s Corporate Governance and Voting Guidelines Policy, where a company is not meeting expectations regarding climate change risk management, BCPP will vote against the Chair of the Board or the most appropriate director up for election. This vote is also exercised when companies in the oil and gas sector or other high emitting companies do not fully meet the first four indicators of the Climate Action 100+ Net Zero Benchmark. As National Grid Plc only partially met the first three indicators of the Climate Action 100+ Net Zero Benchmark and failed the fourth indicator, BCPP voted against the Chair of the Board. Shareholder opposition to the re-election was 4%.

**Q4 (1<sup>st</sup> October 2023 – 31<sup>st</sup> December 2023) (5 meetings, 33 items voted on)**  
([Quarterly Stewardship Report \(bordertocoast.org.uk\)](#)):

Percentage of Total Votes With Resolution (%)	Percentage of Total Votes Against/Abstention from Resolution (%)
<b>79</b>	<b>21</b>



## BCPP Listed Alternatives Fund - Q4 Percentage of Votes Against by Resolution Category



16

- **Q4 Case Study – Bluebay FundsSicav – Bluebay Financial Capital Bon (Governance)** ([BOE1E11.pdf \(bordertocoast.org.uk\)](#)) = In October 2023, BCPP voted against management’s proposed Board Chair fees given a lack of information provided by the company.

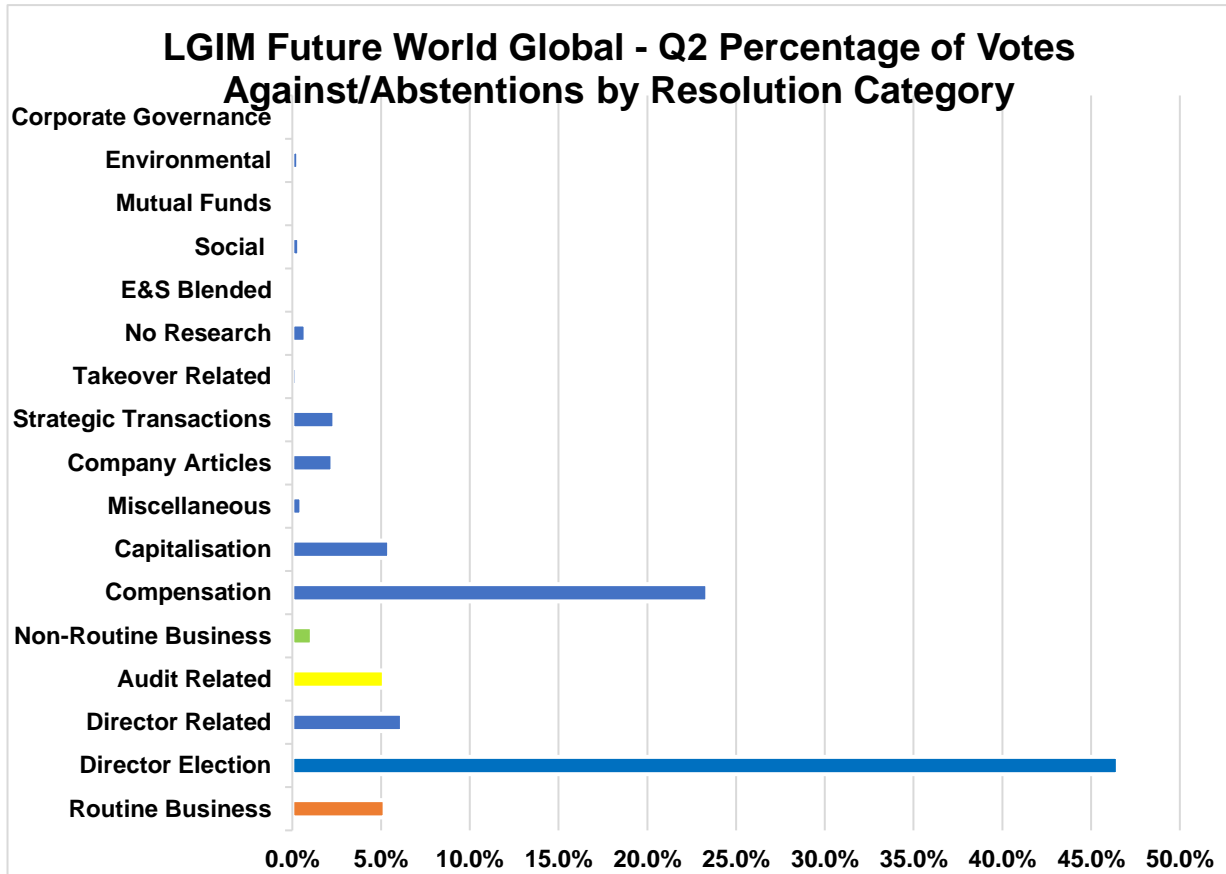
### 12.2.3. Listed equity assets – LGIM

The Fund currently holds shares in four listed equity funds managed by LGIM, all of which are governed by LGIM’s Voting Policy. The voting records for each of these funds across each quarter (again recorded based on calendar year, hence running from Q2 2023 - Q1 2024 in this report **\*update depending on what can be included by May 2024**) are outlined below alongside a number of case study examples of voting decisions taken by LGIM throughout the year. The case studies outlined have been taken from LGIM’s quarterly ESG Impact Reports with links provided.

#### 1. LGIM Future World Global Equity Index Fund

**Q2 (1<sup>st</sup> April 2023 – 30<sup>th</sup> June 2023) (98,751 resolutions)** ([Q2 2023 ESG Impact Report \(lgim.com\)](#))

Percentage of Total Votes With Resolution (%)	Percentage of Total Votes Against/Abstention from Resolution (%)
76	24

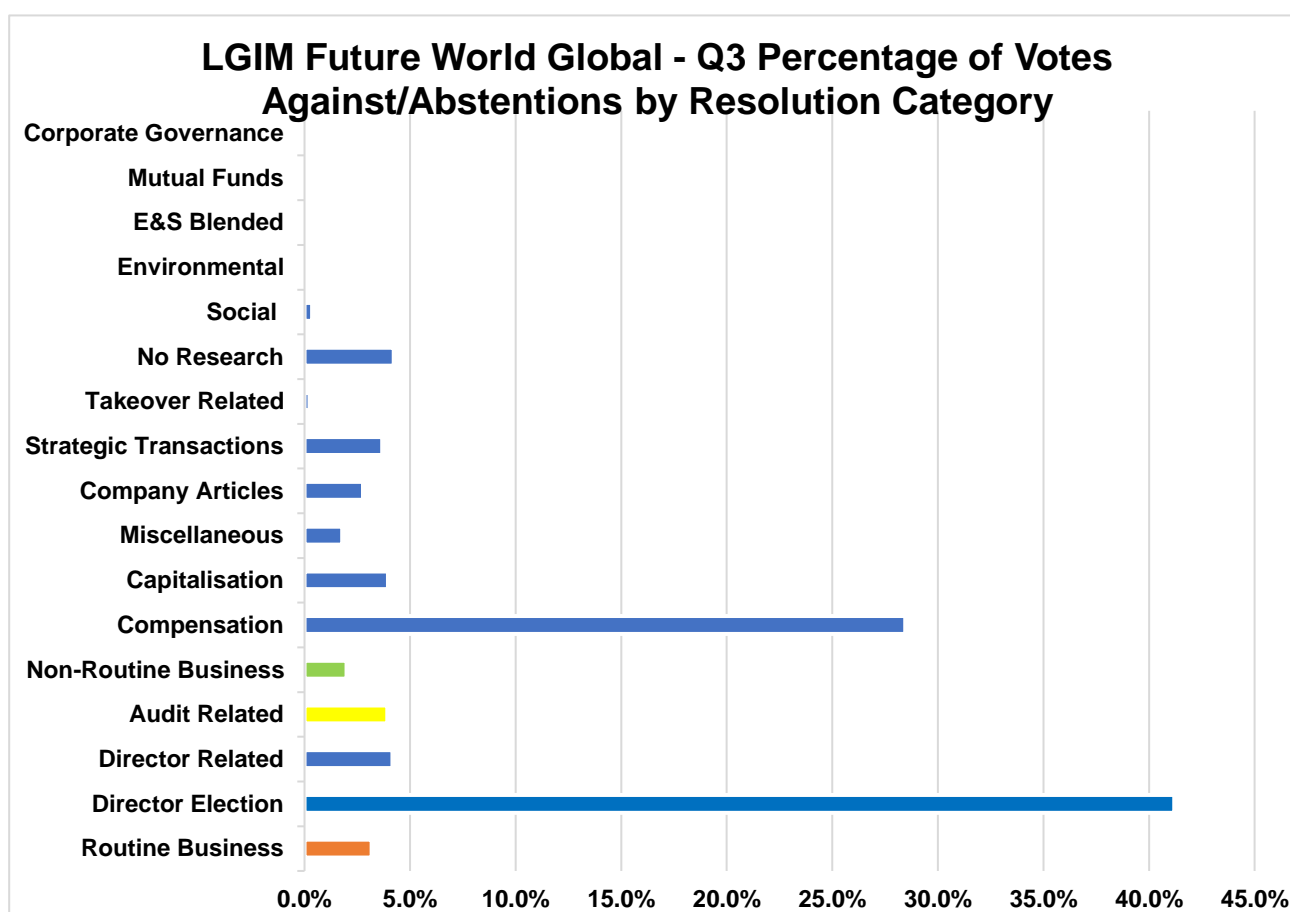


- **Q2 Case Study – Johnson & Johnson (Governance)** ([LGIM Vote Disclosures \(issgovernance.com\)](https://www.issgovernance.com)) = In April 2023, LGIM voted for a shareholder resolution in favour of reporting on government financial support and equitable access to Covid-19 products whilst management voted against. The reason for LGIM’s decision was that it was determined that reporting on the impact of public funding regarding the company’s pricing and access plans would enable shareholders to be better informed regarding the company’s management of risks throughout the expected lifetime of a vaccine.

Q3 (1<sup>st</sup> July 2023 – 30<sup>th</sup> September 2023) (15,337 resolutions) ([Q3 ESG Impact Report \(lgim.com\)](#)):

Percentage of Total Votes With Resolution (%)	Percentage of Total Votes Against/Abstention from Resolution (%)
78	22

16

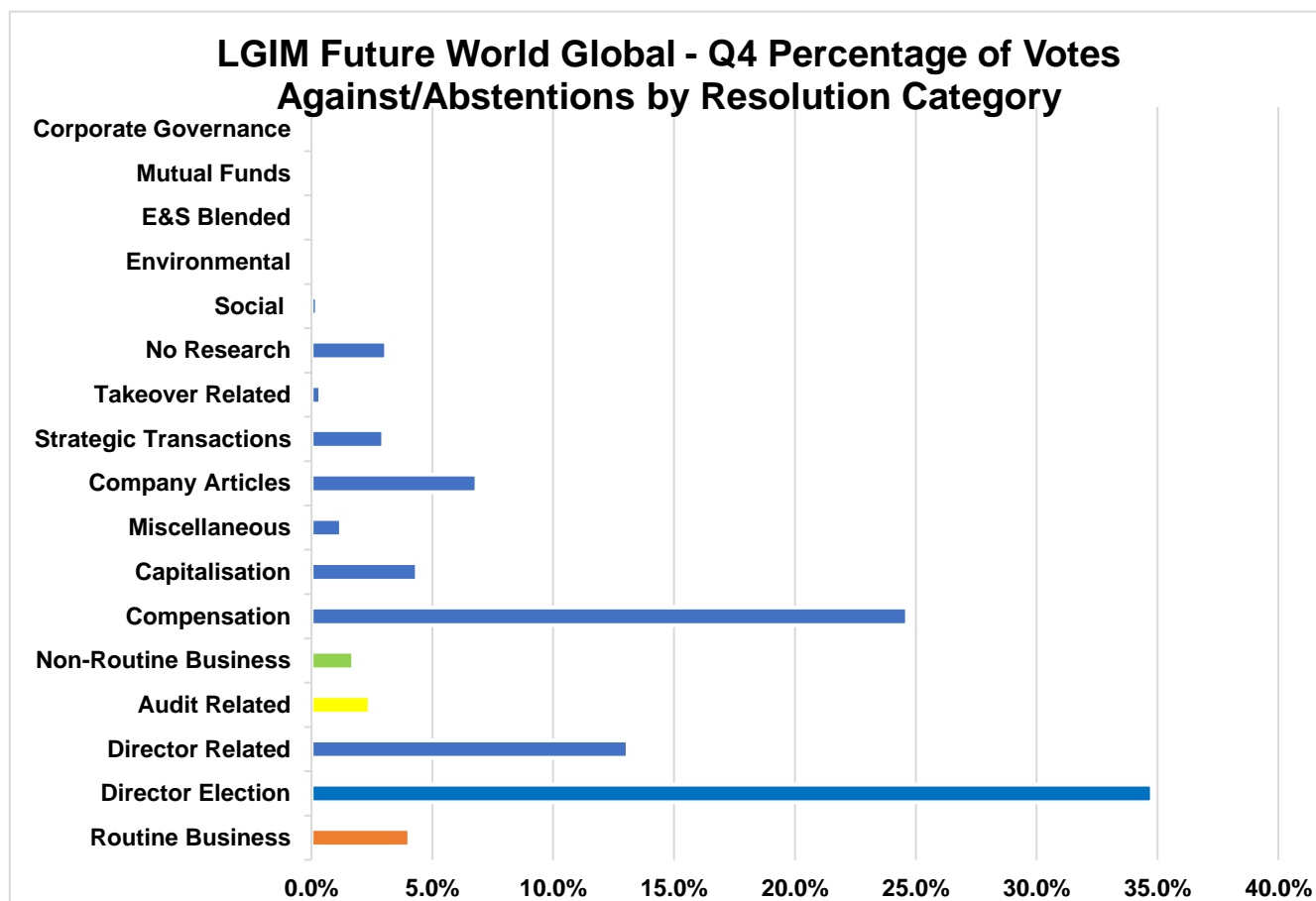


- **Q3 Case Study – Hindustan Petroleum Corporation Ltd (Governance)** ([LGIM Vote Disclosures \(issgovernance.com\)](#)) = In August 2023, LGIM voted against the management nominee to become a director given concerns around political affiliation and the lack of clarity regarding the relevance of the nominee’s qualifications and experience.

**Q4 (1<sup>st</sup> October – 31<sup>st</sup> December 2023) (12,960 resolutions) ([Q4 2023 Quarterly engagement report \(lgim.com\)](#))**

Percentage of Total Votes With Resolution (%)	Percentage of Total Votes Against/Abstention from Resolution (%)
72	28

16

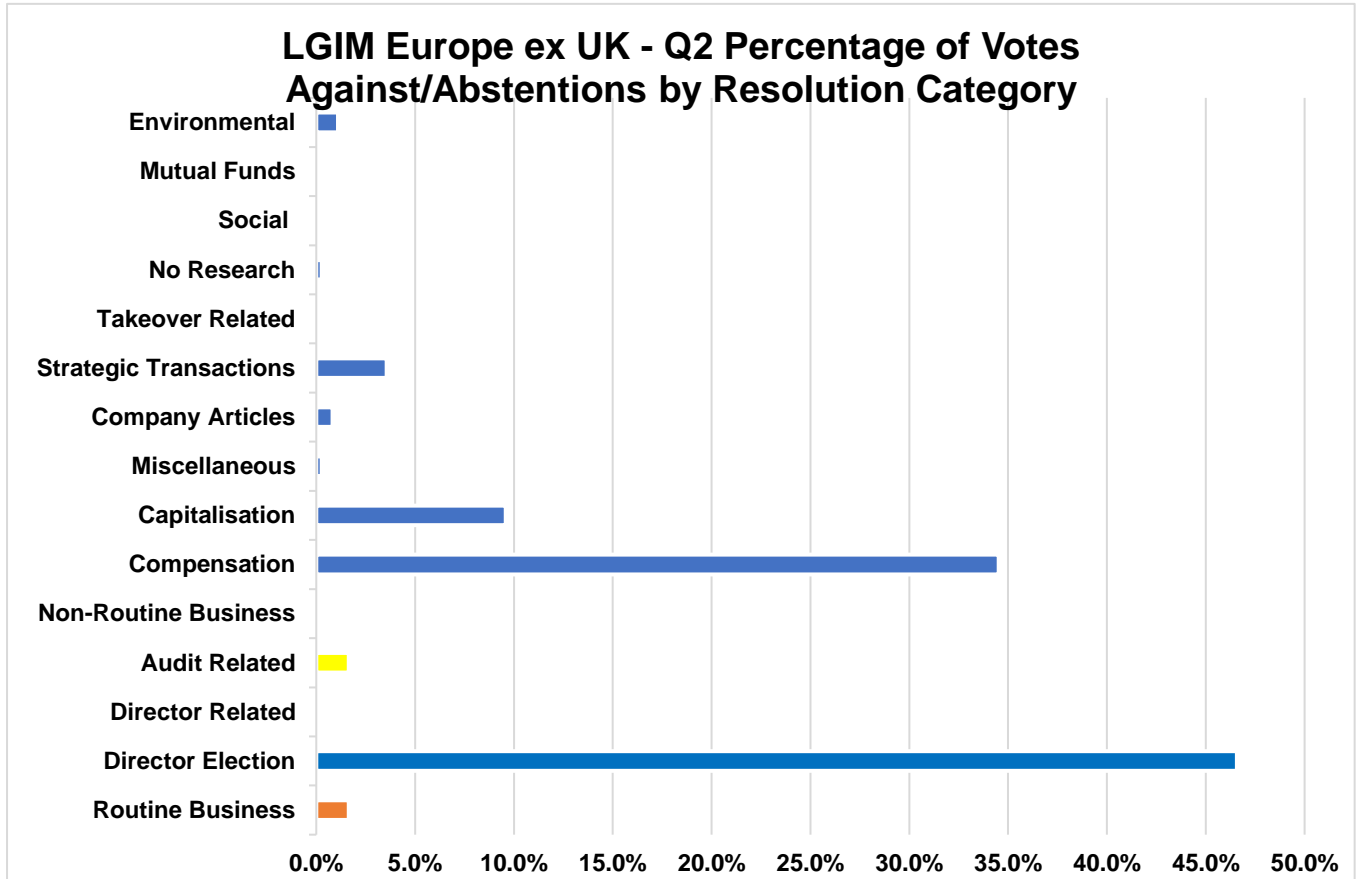


- **Q4 Case Study – Guanghui Energy Co., Ltd. (Governance) ([LGIM Vote Disclosures \(issgovernance.com\)](#))** = In November 2023, LGIM voted against a management proposal to amend the company’s Articles of Association as the proposed amendments were not considered to provide adequate accountability and transparency to shareholders.

## **2. LGIM Europe ex UK**

**Q2 (1<sup>st</sup> April 2023 – 30<sup>th</sup> June 2023) (20,058 resolutions) ([Q2 2023 ESG Impact Report \(lgim.com\)](#))**

Percentage of Total Votes With Resolution (%)	Percentage of Total Votes Against/Abstention from Resolution (%)
94	6



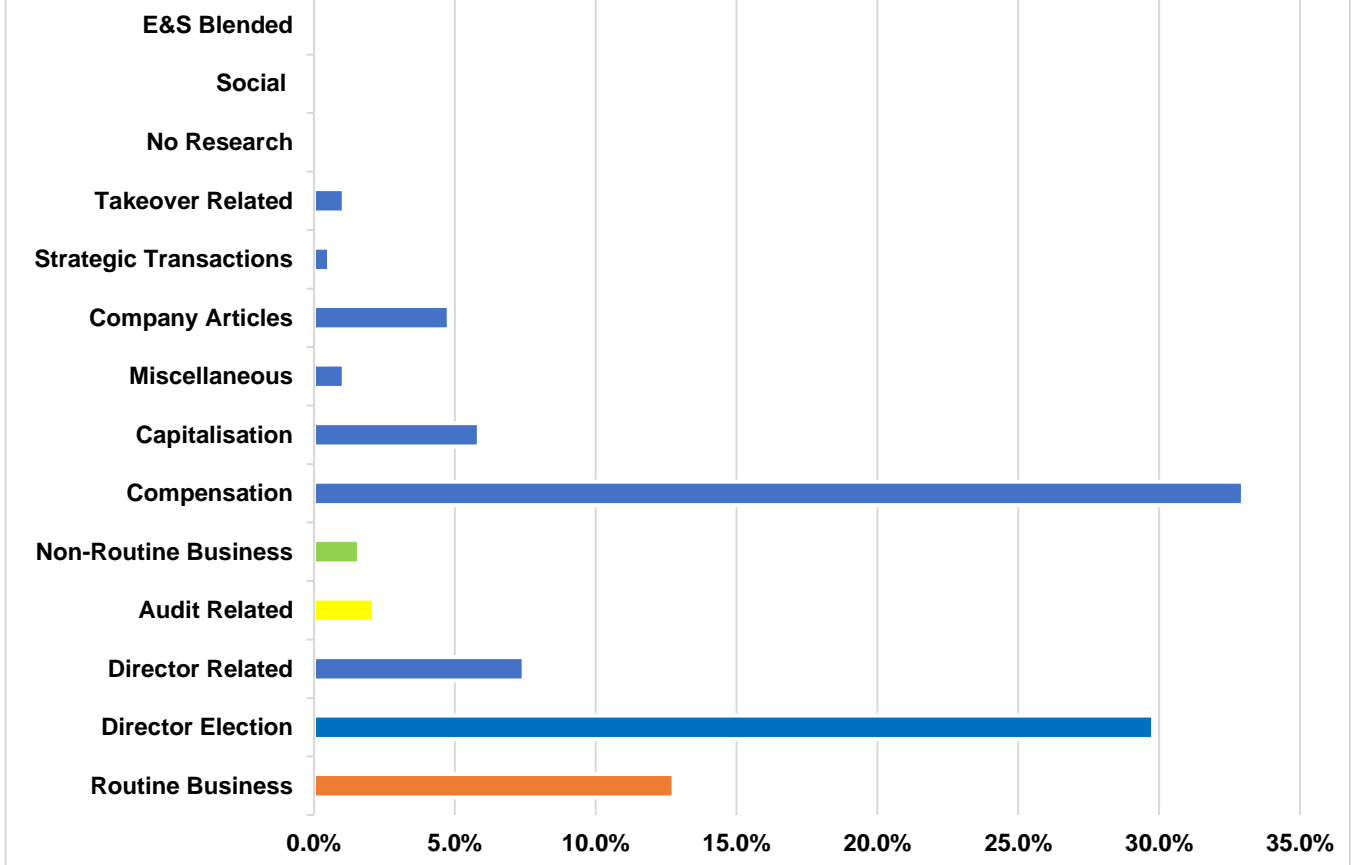
16

- **Q2 Case Study – Ion Beam Applications SA (Governance)** ([LGIM Vote Disclosures \(issgovernance.com\)](#)) = In June 2023, LGIM voted against the ratification of PricewaterhouseCoopers as auditors given that the company had not provided any rationale for the auditor change in line with applicable European regulation.

**Q3 (1<sup>st</sup> July 2023 – 30<sup>th</sup> September 2023) (975 resolutions)** ([Q3 ESG Impact Report \(lgim.com\)](#)):

Percentage of Total Votes With Resolution (%)	Percentage of Total Votes Against/Abstention from Resolution (%)
81	19

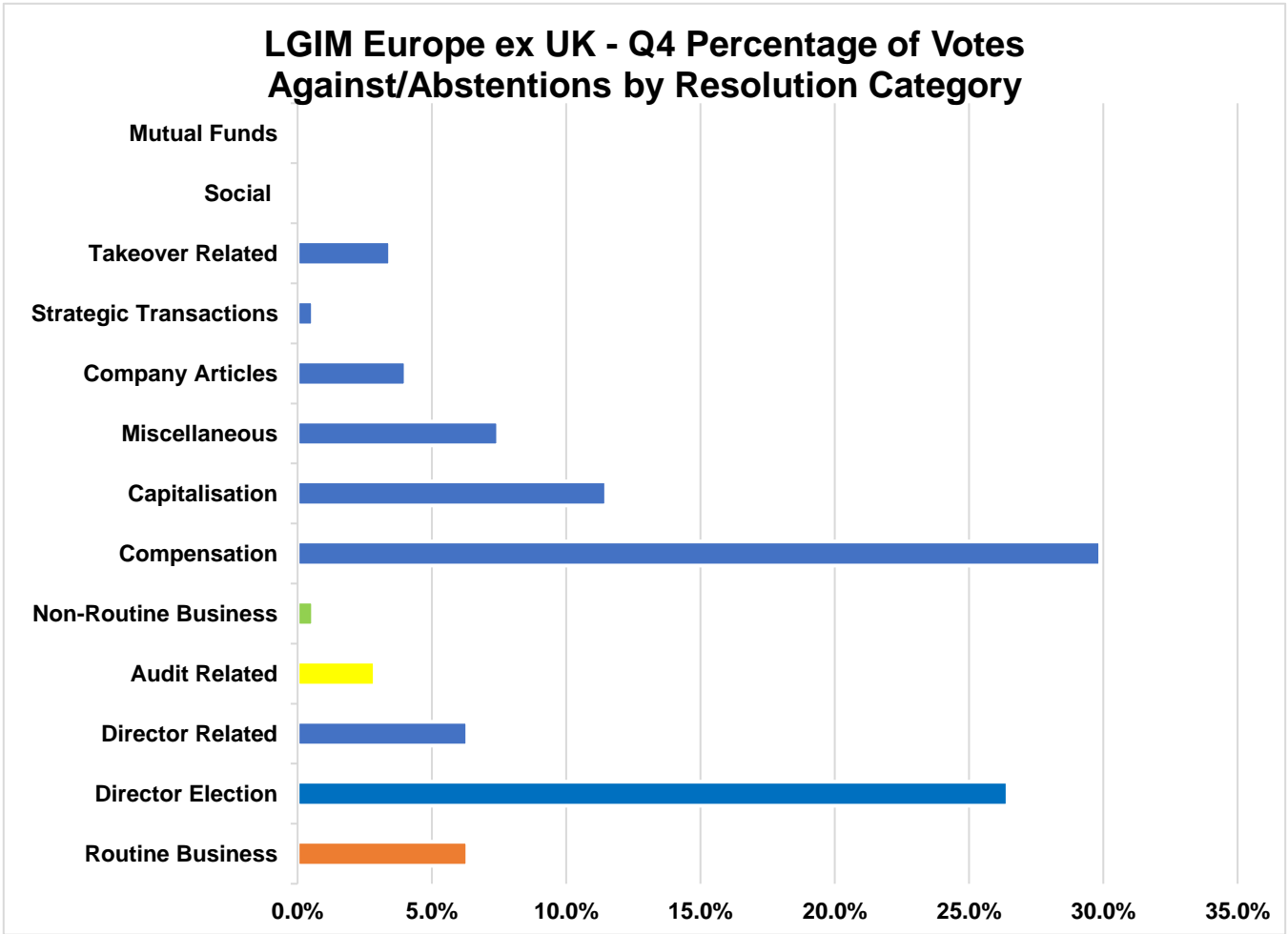
## LGIM Europe ex UK - Q3 Percentage of Votes Against/Abstentions by Resolution Category



- **Q3 Case Study – EMS-Chemie Holding AG (Governance)** ([LGIM Vote Disclosures \(issgovernance.com\)](#)) = In August 2023, LGIM voted against the approval of remuneration of the Executive Committee as there was no cap on the level of annual bonus, very little information regarding performance conditions whilst bonus payments also appeared to be determined at the discretion of the board. There was also little information provided to explain why the bonus was earned.

**Q4 (1<sup>st</sup> October – 31<sup>st</sup> December 2023) (948 resolutions)** ([Q4 2023 Quarterly engagement report \(lgim.com\)](#))

Percentage of Total Votes With Resolution (%)	Percentage of Total Votes Against/Abstention from Resolution (%)
<b>82</b>	<b>18</b>



16

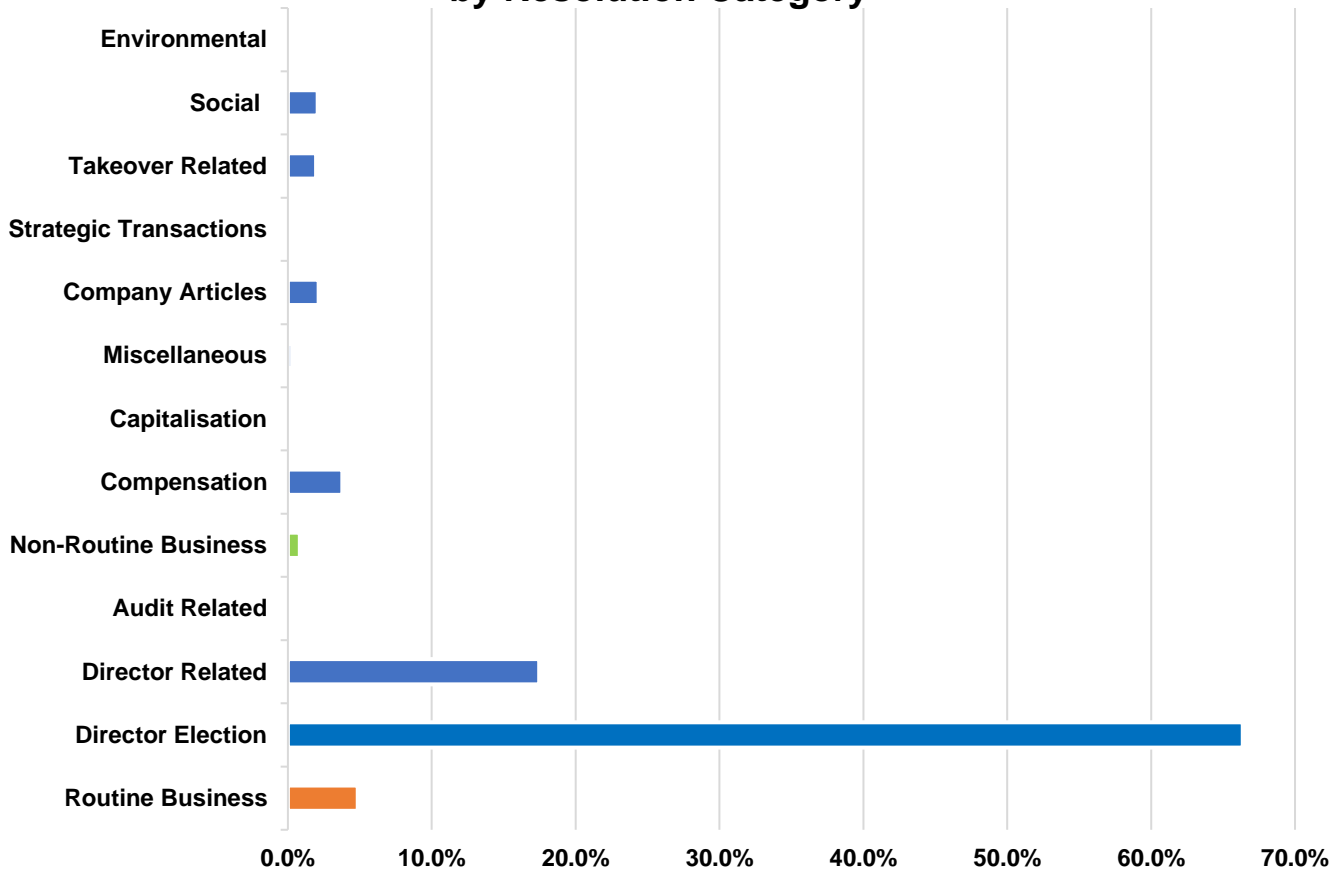
- **Q4 Case Study – Coloplast A/S (Governance)** ([LGIM Vote Disclosures \(issgovernance.com\)](#)) = In December 2023, LGIM voted against management’s proposed remuneration report due to a lack of sufficient disclosures regarding performance conditions which did not allow shareholders to make a fully informed assessment of remuneration. Equally, LGIM voted against the report because it expects a sufficient proportion of long-term incentives to be subject to performance conditions which are aligned to the company’s long-term strategy and measured over a period of at least three years.

**3. LGIM Japan**

**Q2 (1<sup>st</sup> April 2023 – 30<sup>th</sup> June 2023) (11,752 resolutions)** ([Q2 2023 ESG Impact Report \(lgim.com\)](#))

Percentage of Total Votes With Resolution (%)	Percentage of Total Votes Against/Abstention from Resolution (%)
<b>86</b>	<b>14</b>

### LGIM Japan - Q2 Percentage of Votes Against/Abstentions by Resolution Category

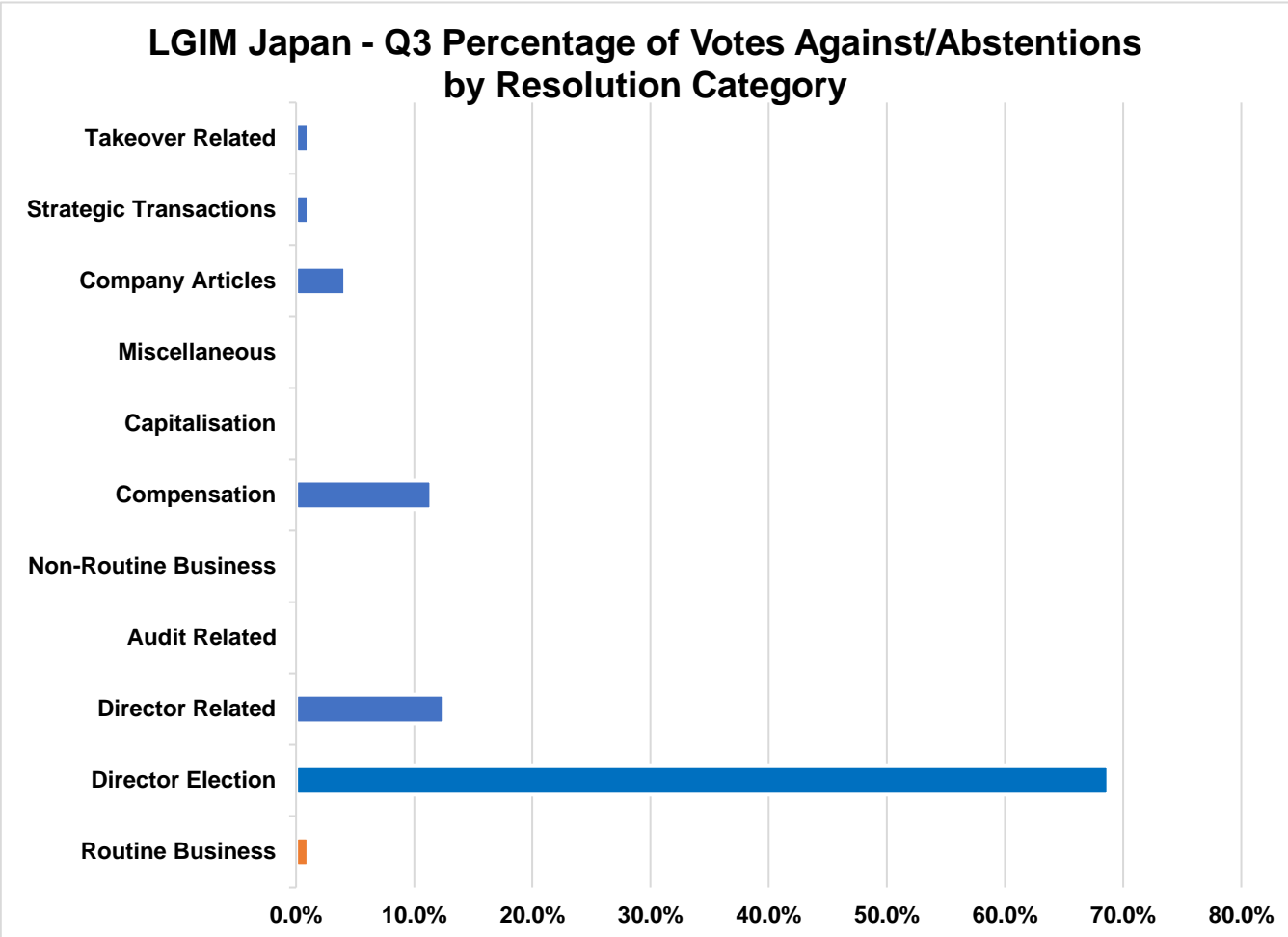


- **Q2 Case Study – Resorttrust, Inc. (Governance)** ([LGIM Vote Disclosures \(issgovernance.com\)](https://issgovernance.com)) = In June 2023, LGIM voted against the election of a Board Director due to concerns regarding the size of the board. LGIM considers board effectiveness is optimised when the board is not unduly large.

**Q3 (1<sup>st</sup> July 2023 – 30<sup>th</sup> September 2023) (574 resolutions)** ([Q3 ESG Impact Report \(lgim.com\)](https://lgim.com)):

Percentage of Total Votes With Resolution (%)	Percentage of Total Votes Against/Abstention from Resolution (%)
83	17





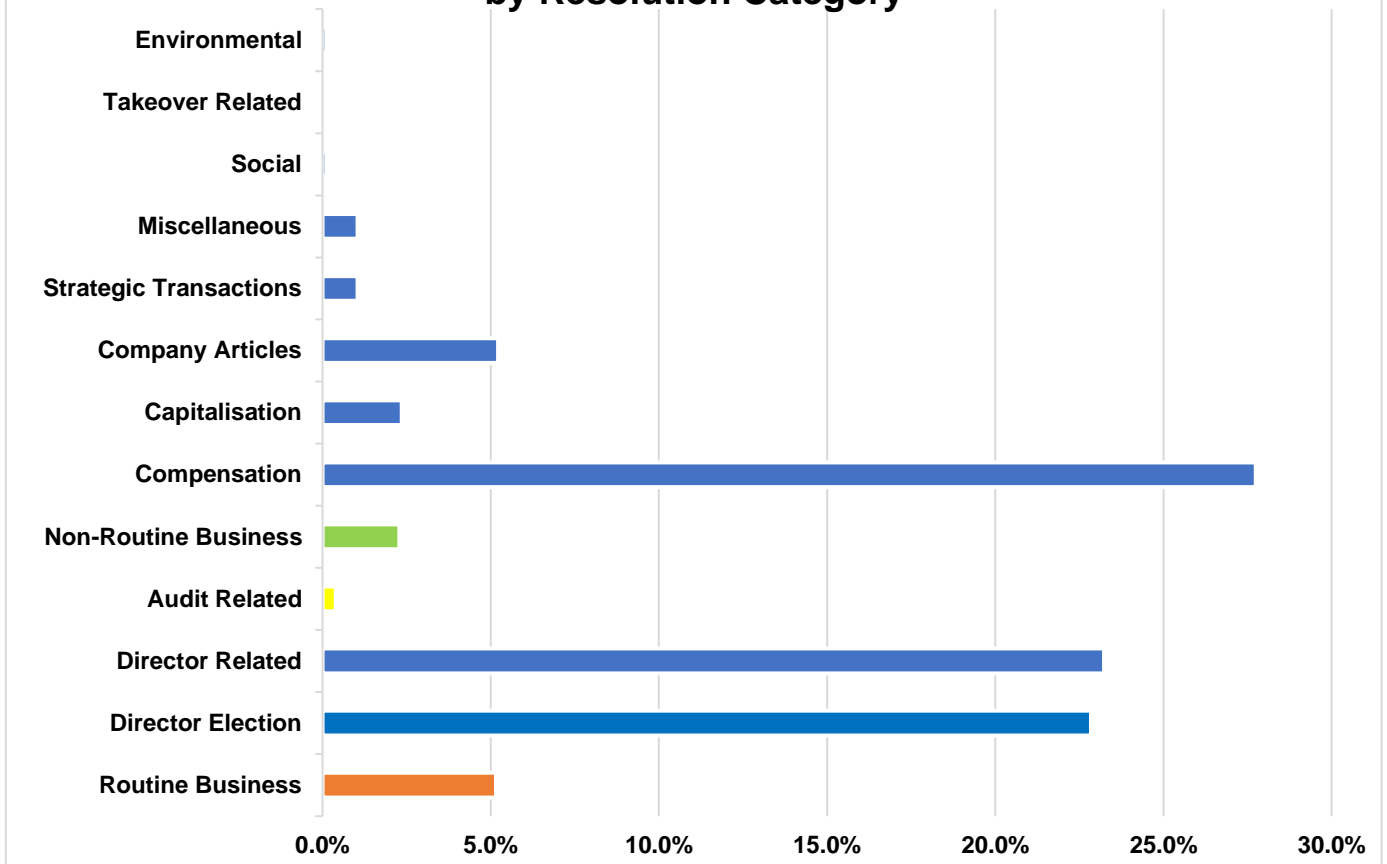
16

- **Q3 Case Study – United Urban Investment Corp. (Environment)** ([LGIM Vote Disclosures \(issgovernance.com\)](#)) = In August 2023, LGIM voted against the election of an Executive Director given that the company was deemed to not meet minimum standards with regard to climate risk management.

**Q4 (1<sup>st</sup> October 2023 – 31<sup>st</sup> December 2023) (555 resolutions)** ([Q4 2023 Quarterly engagement report \(lgim.com\)](#))

Percentage of Total Votes With Resolution (%)	Percentage of Total Votes Against/Abstention from Resolution (%)
82	18

### LGIM Japan - Q4 Percentage of Votes Against/Abstentions by Resolution Category

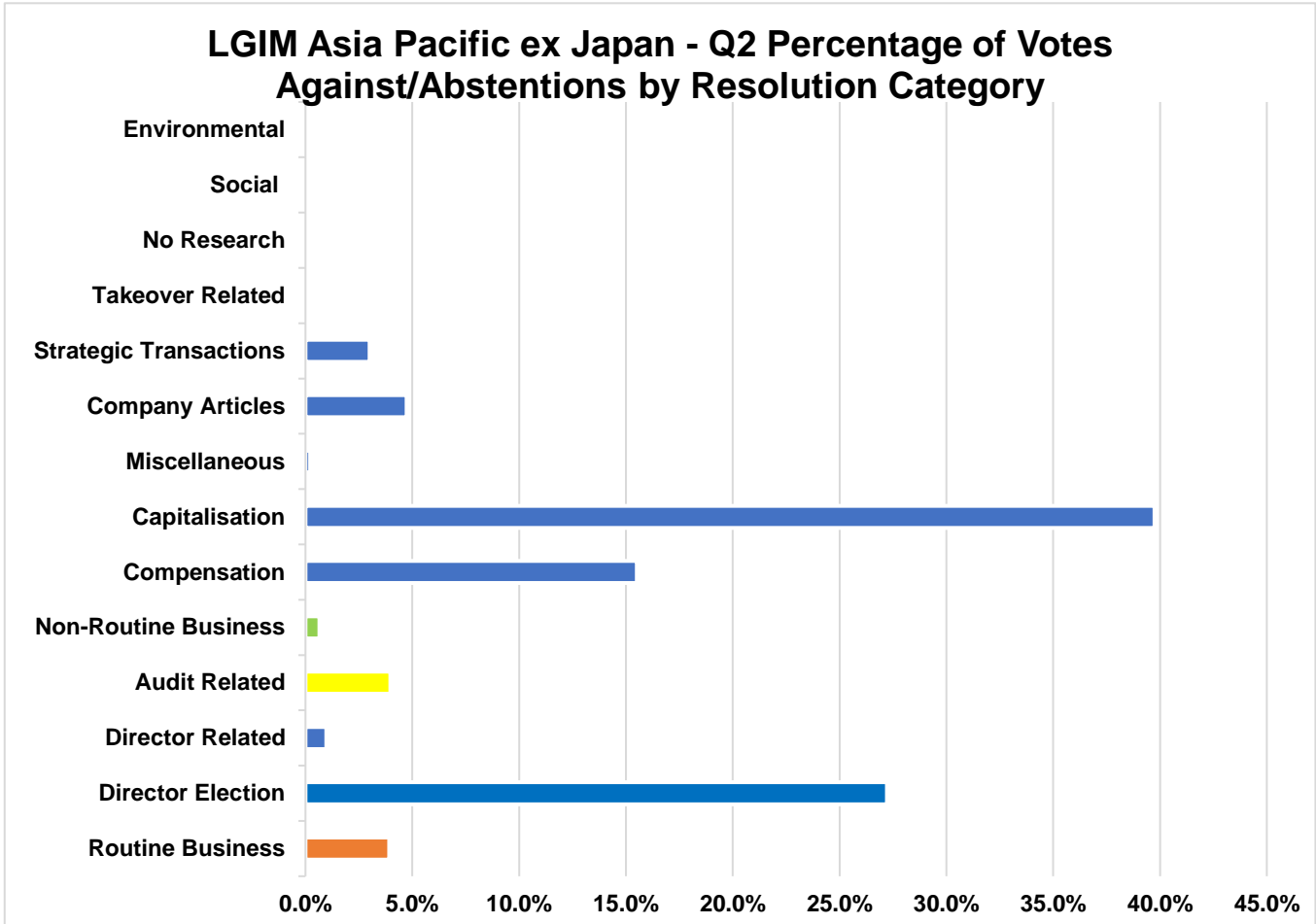


- **Q4 Case Study – Advance Residence Investment Corp. (Governance)** ([LGIM Vote Disclosures \(issgovernance.com\)](#)) = In October 2023, LGIM voted against management’s proposal for the election of an Executive Director at Advance Residence Investment Corp. due to an absence of disclosure regarding the use of a former CEO as Advisor to the Board at the company.

#### 4. LGIM Asia Pacific ex Japan

Q2 (1<sup>st</sup> April 2023 – 30<sup>th</sup> June 2023) (7,483 resolutions) ([Q2 2023 ESG Impact Report \(lgim.com\)](#))

Percentage of Total Votes With Resolution (%)	Percentage of Total Votes Against/Abstention from Resolution (%)
75	25

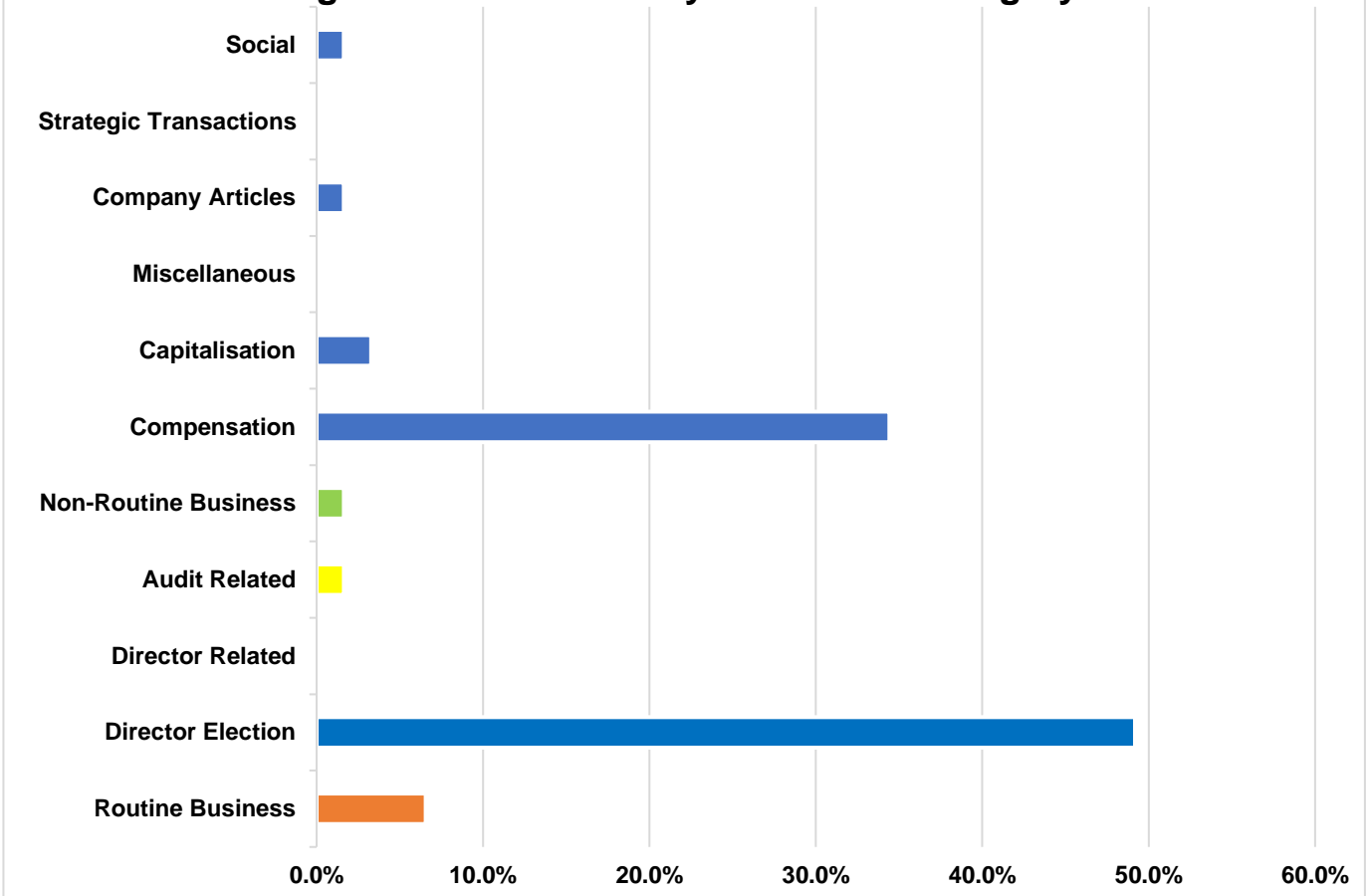


- **Q2 Case Study – Taiwan Semiconductor Manufacturing Co., Ltd. (Governance)** ([LGIM Vote Disclosures \(issgovernance.com\)](https://www.lgim.com/issgovernance.com)) = In June 2023, LGIM voted against management’s proposed endorsement and guarantee provision as it was believed that the provision may expose the company to unnecessary risks and it was believed that the company failed to provide a compelling rationale for the proposed changes.

**Q3 (1<sup>st</sup> July 2023 – 30<sup>th</sup> September 2023) ()** ([Q3 ESG Impact Report \(lgim.com\)](https://www.lgim.com/q3-esg-impact-report)):

Percentage of Total Votes With Resolution (%)	Percentage of Total Votes Against/Abstention from Resolution (%)
81	19

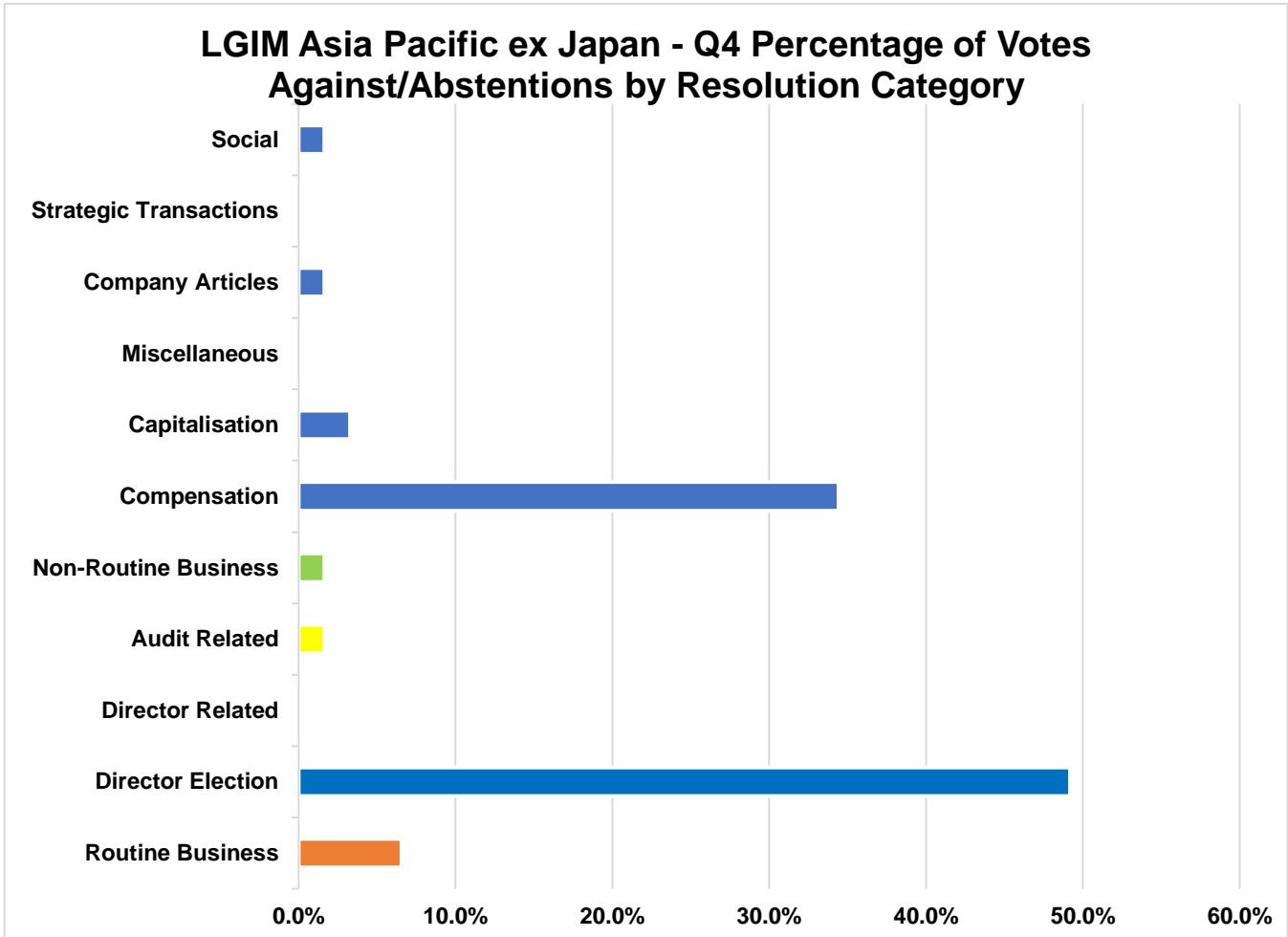
### LGIM Asia Pacific ex Japan - Q3 Percentage of Votes Against/Abstentions by Resolution Category



- **Q3 Case Study – SD Biosensor, Inc. (Governance)** ([LGIM Vote Disclosures \(issgovernance.com\)](https://www.lgim.com/issgovernance.com)) = In August 2023, LGIM voted against the election of an Outside Director to serve as a Member of the Audit Committee given that LGIM expects companies to have a diverse Board of Directors with at least one female representative.

**Q4 (1<sup>st</sup> October 2023 – 31<sup>st</sup> December 2023) (4,943 resolutions)** ([Q4 2023 Quarterly engagement report \(lgim.com\)](https://www.lgim.com/q4-2023-quarterly-engagement-report))

Percentage of Total Votes With Resolution (%)	Percentage of Total Votes Against/Abstention from Resolution (%)
69	31



16

- **Q4 Case Study – AGL Energy Limited (Environmental, Social, Governance)** ([LGIM Vote Disclosures \(issgovernance.com\)](https://www.issgovernance.com)) = In November 2023, LGIM voted against management’s proposal for the election of a director given that the company met the criteria for inclusion in LGIM’s Future World Protection List which, as outlined in Principle 4, incorporates companies that fail to meet minimum standards of globally accepted business practices.

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## SURREY COUNTY COUNCIL

## SURREY PENSION FUND COMMITTEE



DATE: 22 MARCH 2024

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

SUBJECT: LGPS UPDATE (BACKGROUND PAPER)

**SUMMARY OF ISSUE:**

This report considers recent developments in the Local Government Pension Scheme (LGPS).

**RECOMMENDATIONS:**

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

**REASON FOR RECOMMENDATIONS:**

The report provides background information for the Committee.

**DETAILS:****Highlights**

1 <b>McCloud guidance</b>	The Government Actuary Department (GAD) have now issued guidance for calculations where members are affected by the McCloud remedy. More information on McCloud in paragraphs 7 to 11.
2 <b>Finance Bill 2023-24 receives Royal Assent</b>	The Finance Act 2024 legislates the removal of the Lifetime Allowance (LTA) from 6 April 2024. More information can be found in paragraphs 21, 24 and 25.
3 <b>General Code of Practice published</b>	The new general code merges 10 existing codes into a single new code and is expected to come into force on 27 March 2024. More information can be found in paragraph 28.
4 <b>Pensions Increase and CARE revaluation confirmed for 2024</b>	The increase for LGPS pensions and LGPS Career Average Revalued Earnings (CARE) accounts effective from April 2024 have been announced. More information can be found in paragraphs 22 and 23.

**LGPS updates**

5. The employee pension contribution bands have been provided for [2024/25](#).

6. The Local Government Association (LGA) are planning to update the technical guide on digital engagement with the latest information about usage of member portals, with the purpose of the updates being:
  - a) To identify any changes in sign up rates since the guide was first published,
  - b) Allow administering authorities to benchmark their sign up rates with the average rates across the Scheme,
  - c) Share information about any significant developments or problems that funds have encountered in operating a member portal in the last year.

## **McCloud**

7. The Department for Levelling Up, Housing and Communities (DLUHC) issued new Government Actuary Guidance (GAD) on 24 January 2024 which provides additional information about how the McCloud remedy affects certain calculations. The revised guidance covers early payment of pensions, late retirement, individual incoming and outgoing transfers and interfund transfers. Prior to this, for members affected by McCloud certain transfers were put on hold and the issuing of the updated guidance now allows transfer values to be calculated for affected members. Pension Software providers, however, will take time to update the systems to make the necessary changes but in the interim the LGA have provided a spreadsheet which can be used for certain calculations. The DLUHC have confirmed that payments to other LGPS Funds (interfund transfers) may continue for affected members based on the previous guidance until 24 March 2024 and the payment will not need to be revisited.
8. Clarity is still being sought from DLUHC whether the McCloud remedy applies to transfer out calculations for deferred refund members (members who did not meet the vesting period to qualify for a benefit). Until such clarification has been confirmed, the LGA recommend Club transfers for deferred refunds remain on hold, together with non-Club transfers where the transfer sum would increase due to remedy protection.
9. The DLUHC have requested to be informed if an administering authority receives an application for compensation relating to McCloud, an example may be where a member has overpaid an annual allowance charge that HMRC will not refund.
10. The DLUHC will be issuing new actuarial guidance on divorce debits and pension credits which will be needed to process a pension sharing order for a member protected by the McCloud remedy.
11. The Teachers' Pension Scheme (TPS) have issued communications to employers about the McCloud remedy for teachers with excess service. This directs them to a dedicated page for [employers on the TPS website](#). There is also a section for [members on the TPS website](#). The TPS will be writing to employers between January and July 2024 with a list of members they believe are affected and will do this by region. The TPS have also contacted administering authorities confirming the timeframe and regions for the data collection. TPS have also published a [webpage](#) setting out their stepped process for managing the excess service.

## **Scheme Advisory Board (SAB)**

12. On 20 December 2023 the SAB issued a [statement](#) on fund surpluses.



13. The SAB has now received the [commissioned report on Sharia Law and the LGPS](#) from an Islamic finance expert. This was required to assist Counsel with a legal opinion on whether the LGPS is Sharia Law compliant and whether members opting out of the LGPS on the basis of their religious beliefs, constitutes as unlawful discrimination. The SAB have [summarised the findings](#) but make clear that report reflects the views of the author and not the Board. The SAB will now go back to Counsel for a follow-up opinion.
14. The Compliance and Reporting Committee are on track to issue new annual report guidance and produce a factsheet to help with the audit process in early 2024. They will then begin to work with DLUHC to implement the good governance recommendations, consider what is needed to help administering authorities meet the knowledge and skills requirements for pensions committee and board members, along with refreshing the current funding strategy statement guidance.
15. The SAB thanks all fund officers, pool representatives, pension committee members and pension board members who have responded to SAB surveys last year on knowledge and skills in the LGPS and climate risk reporting readiness. The survey responses have proved highly informative and useful.

### **Pensions Dashboard Programme (PDP)**

16. The PDP have published a [blog](#) following recent queries they have received covering expected timing of publication of the standards, testing and public availability. They have also published a [blog](#) on industry engagement.
17. The PDP hosted webinars in December and January, providing a progress update, understanding the architecture and find and view data, connection guidance and understanding AVCs and value data. Recordings of the webinars can be found on their [website](#) along with recordings of previous webinars held.
18. The PDP have published [Frequently asked questions newsletters](#) on varying topics about the pensions dashboards, the latest for February is the View data journey.
19. The Pensions Administrations Standards Association (PASA) has published [Pensions Dashboards Connection Ready Guidance](#) explaining what 'connection ready' means and covers five main areas, governance, matching, value data, technology and administration. PASA have also published a [Call to Action](#) which lists the top five actions schemes need to take now to prepare for dashboards.
20. The LGA have published a draft LGPS Pensions Dashboard connection guide, setting out the steps required to connect to the dashboard ecosystem. A final version will be published once the Money and Pensions Service (MaPS) issues the guidance on the staged timetable for connection.

### **His Majesty's Treasury (HM Treasury)**

21. Following the Autumn Statement on 22 November 2023 and the announcement to fully abolish the LTA from 6 April 2024, HMT published a [policy paper](#) providing a general description of the measure and detailed proposals. On 29 November 2023 HMT published the draft [Finance Bill 2023](#) to legislate the changes and on 22 February 2024 the bill received Royal Assent to become the [Finance Act 2024](#).

22. HMT published a [written ministerial statement](#) on 25 January 2024 which confirmed:
- a) Public service pensions will increase by 6.7% on 8 April 2024, in line with the Consumer Price Index (CPI) for the year up to September 2023.
  - b) Revaluation of CARE accounts in April 2024 for public service pension schemes that revalue those accounts in line with CPI (eg LGPS), will also be 6.7%, together with any local addition relevant to the scheme.
23. HMT will legislate for the above increases shown above in due course and have published the 2024 [Pensions Increase multiplier table](#), together with a [covering letter](#).

### **His Majesty's Revenue and Customs (HMRC)**

24. In December 2023 HMRC published the [Lifetime allowance guidance newsletter](#), which provides information to help support pension schemes understand the changes.
25. On 25 January 2024 HMRC published [Pension schemes newsletter 155](#) which included further updates about the abolition of the Lifetime Allowance, including answers to frequently asked questions and where further legislative changes will or may need to be added to implement the policy.

### **The Pensions Regulator (TPR)**

26. On 27 November 2023 TPR [published the results of their survey](#) on governance and administration practices amongst public service pension schemes.
27. TPR have revised their [cyber security guidance](#), which assists trustees and pension scheme managers meet their duties in assessing risk, ensuring controls are in place and responding to incidents. TPR now asks pension schemes to report any significant cyber-related incidents to them on a voluntary basis and as soon as is reasonably practicable to enable TPR build a better picture of the cyber risks the industry and its members are facing.
28. In January 2024 TPR published the [General code of practice](#) which has been laid before parliament and is expected to come into force on 27 March 2024. This will bring together previous TPR codes into one single code. Clarity is required to which parts specifically apply to the LGPS, what the new code means for funds and how this should be applied in practice. Whilst this provides an opportunity to review current practices it comes at what is already a busy time for the LGPS. The SAB will support funds in understanding any new requirements and, where needed, will produce new or update existing guidance to assist with responsibilities.

### **The Pensions Ombudsman (TPO)**

29. The Court of Appeal has ruled in a [recent case](#) that TPO is not a 'competent court' for the purposes of enforcing a dispute regarding a monetary obligation. This could affect how overpayments are recouped and monetary obligations due to misconduct are recovered from pension benefits when there is a disagreement over the amount and an order from a County Court would be required. [TPO](#) have expressed their disappointment on the ruling and the DWP is supporting legislative changes to formally empower TPO to bring such disputes to a conclusion without the need for an order from a County Court. Meanwhile TPO has produced a [factsheet](#) providing guidance to help schemes manage such disputes.

## Other news and updates

30. The National Frameworks published a [bulletin](#) in December providing updates, which includes two new frameworks that will be launched in 2024, being integrated service providers (ISP) and member data services, and for additional voluntary contribution services.

### **CONSULTATION:**

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

### **RISK MANAGEMENT AND IMPLICATIONS:**

32. None.

### **FINANCIAL AND VALUE FOR MONEY IMPLICATIONS**

33. None.

### **DIRECTOR OF FINANCE, CORPORATE AND COMMERCIAL COMMENTARY**

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

### **LEGAL IMPLICATIONS – MONITORING OFFICER**

35. None.

### **EQUALITIES AND DIVERSITY**

36. There are no equality or diversity issues.

### **OTHER IMPLICATIONS**

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

### **WHAT HAPPENS NEXT**

38. No next steps are planned.

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#### **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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