

**MINUTES** of the meeting of the **SURREY PENSION FUND COMMITTEE** held at 11.15 am on 13 September 2024 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:**

(Present = \*)

(Remote Attendance = r)

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

**Co-opted Members:**

- \* Duncan Eastoe, Employees
- r Cllr Nirmal Kang, Borough & Districts
- r Cllr Claire Malcomson, Borough & Districts
- r Kelvin Menon, Employers

**In attendance**

Tim Evans, Chair of the Local Pension Board (remote)

*The Chairman welcomed the two new co-opted members representing the Borough and Districts, thanking the outgoing co-opted members.*

**47/24 APOLOGIES FOR ABSENCE AND SUBSTITUTIONS [Item 1]**

Apologies were received from Kelvin Menon, Cllr Nirmal Kang, Cllr Claire Malcomson who all attended remotely.

**48/24 MINUTES OF THE PREVIOUS MEETING [21 JUNE 2024] [Item 2]**

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

**49/24 DECLARATIONS OF INTEREST [Item 3]**

There were none.

**50/24 QUESTIONS AND PETITIONS [Item 4]**

- a There were no Member questions.
- b Five public questions had been submitted, those and the responses were published in a supplementary agenda.

There were five supplementary questions:

SQ1 - Janice Baker: Asked whether a graphic such as a pie chart or explanation could be provided when Fund members are next sent letters about their pension, showing the amount of money invested in fossil fuels, animal farms, the community-built environment.

The Chairman noted that a lot of information was already published, there were summary newsletters and he noted the suggestion could be taken on board.

SQ2 - Jenifer Condit - on Jenifer's behalf Lindsey Coeur-Belle: Asked whether the Committee was aware of the L&G Low Carbon Transition Global Equity Index Fund and the L&G Low Carbon Transition Developed Markets Equity Index Fund; which might use lower carbon than that used for the Future World Fund.

The Chairman noted that when the decision was made to enter the Future World Fund for LGIM a range of possibilities were reviewed such as the Paris aligned fund and the Low Carbon Fund was chosen. The Committee is aware of the other funds and would review alternative strategies in the annual review. A Committee member noted that some of the funds mentioned in the supplementary question might not have existed at the time the Committee made that decision. He noted that at the time the focus was on Surrey Pension Fund's (the Fund) responsible investment policies, particularly around the Sustainable Development Goals; at the time the Paris aligned fund was climate focused.

SQ3 - Jackie Macey: Noted that the outcomes concerning the Pension Scheme Bill were unclear, hoped that the changes would not slow the progress the Fund had made in investing in sustainable markets and divesting in fossil fuels.

The Chairman noted that the detail was awaited, the Assistant Director - LGPS Senior Officer would provide comments on the relevant agenda item.

SQ4 - Lucianna Cole - on Lucianna's behalf Jackie Macey: Welcomed that ocean biodiversity was the next theme, asked for the names of the companies that Robeco were engaging with on the issue.

The Border to Coast (BCPP) representative explained that once the engagement theme was finalised, the target companies would be identified; and a written response could be provided.

SQ5 - Lindsey Coeur-Belle: Asked the Committee to demonstrate that its portfolio meets the Paris Agreement objectives of increasing funding for green solutions and reducing funding for polluting businesses and that fossil fuel producers in the portfolio have credible transition plans to achieve that. The Chairman noted that a written response would be provided.

A Committee member noted that BP did not have a credible transition plan and backtracked from previous plans, so the Fund voted against it but continued its investment.

**c** There were no petitions.

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

1. 6/24 - The suggestion to provide a graphic such as a pie chart or explanation when Fund members are next sent letters about their pension showing the amount of money invested in fossil fuels, animal farms, the community-built environment will be taken on board.

## **51/24 GLOSSARY, ACTION TRACKER & FORWARD PROGRAMME OF WORK [Item 5]**

### **Speakers:**

Neil Mason, Assistant Director – LGPS Senior Officer

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

1. The Assistant Director – LGPS Senior Officer noted the completion of actions.
2. A Committee member referred to action 3/24, around providing monthly snapshots of data to Committee and Board members. He was surprised that this would not be implemented until all the suggested dashboard amendments had been made, and queried why it was taking so long, the issue having been raised in June that snapshots could be provided with the data available. The Assistant Director – LGPS Senior Officer noted the timing issues with the data and issues with Fund members accessing that. He would provide the monthly snapshots in the Surrey Pension Team Overview items.
3. The Chairman noted the simpler format for the forward programme of work.

### **RESOLVED:**

1. Noted the content of this report. Made no recommendations to the Local Pension Board.
2. Monitored progress on the implementation of recommendations from previous meetings in Annexe 2.
3. Reviewed and noted the Forward Programme of Work in Annexe 3.

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

None.

## **52/24 IMPROVING THE GOVERNANCE OF THE SURREY PENSION FUND [Item 6]**

### **Speakers:**

Neil Mason, Assistant Director – LGPS Senior Officer

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

1. The Assistant Director – LGPS Senior Officer noted that the report went through a rigorous consultation process. It reflected the relationship between the Council as a scheme employer in the Fund and as the administration authority. It sought to more effectively manage the potential conflicts of interest, there would be a requirement to annually bring a Conflict of Interest Policy to the Committee. The delegations had been tidied up. The services and products provided by the Council to the Fund had been reviewed. The recommendations from Internal Audit from their last governance audit were being met.
2. The Chairman noted that the proposed changes to the Constitution were modest but important. The review of services sought to understand the nature of the charges, introducing some Service Level Agreements.
3. A Committee member welcomed the management of conflicts of interest. He asked whether the changes in the report were in response to the possible impacts of potential future legislation including the delegation of investment decisions to officers. The Assistant Director – LGPS Senior Officer clarified that there were no changes in the delegation of what were Committee decisions to officers; the report was horizon scanning.

4. A Committee member noted the arguments for the benefits of the Single Purpose Combined Authority such as resolving the conflict of interests and asked what the position was on that. The Chairman explained that the report by the independent pensions industry expert outlined the options available. It was a first step and he urged caution against making changes that future legislation might prohibit.
5. A Committee member noted that the right decisions should be made for governance based on the current situation. The indications from the Government were that combined authorities and equivalent bodies were their preferred route. He asked whether the issue would be revisited in the future and was unclear whether the Single Purpose Combined Authority would be considered. The Assistant Director – LGPS Senior Officer explained that the Single Purpose Combined Authority was a potential solution, the report was the first step on establishing better governance within the existing framework and the Constitution. Forming a combined authority was not viable in London Boroughs.
6. A Committee member noted concern that with a significant number of organisations around the county who were employers within the Fund, it would be sensible to wait until the Government's position is known. The Assistant Director – LGPS Senior Officer clarified that there were no radical changes proposed in the report, it improved governance best practice now. Organisations using the Fund should not be nervous as it ensured that the Fund was treating them equally to the Council.
7. The Vice-Chairman welcomed the commitment to benchmark costs and have clear Service Level Agreements in place, demonstrating that conflicts of interest were being managed and Fund employers and members get the right deal.

**RESOLVED:**

1. Supported the proposed changes to the Council's Pension Fund Committee Terms of Reference and Scheme of Delegations and recommended approval of these changes to SCC at the full Council meeting of 8 October 2024.
2. Noted that officers are exploring options for the future of SPF, as outlined in this report. Any proposed options to be taken forward will be subject to further consideration by the Pension Fund Committee and the Council's governance, legal and financial due diligence.

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

None.

**53/24 SUMMARY OF THE LOCAL PENSION BOARD [Item 7]**

**Speakers:**

Tim Evans, Chairman of Local Pension Board  
 Tom Lewis, Head of Service Delivery  
 Neil Mason, Assistant Director – LGPS Senior Officer

**Key points raised in the discussion:**

1. The Chairman of the Board highlighted that the issues with the Unit 4/MySurrey system had many consequences for the Council and the impact on the administration of the Scheme was considerable. Both he and the Committee's Chairman were attending monthly progress meetings to resolve the issues; the project deadline was March 2025. He also noted the letter from the Minister on pooling.

2. The Head of Service Delivery noted that he was a member of the newly established MySurrey Stabilisation Board so could ensure that the developments were fit for purpose. He welcomed the ring-fenced budget to address the critical improvements. Pensions work was a priority in the first workstream, the team was nearing the point where the reports could be run live. 2,000 cases had been unable to be processed due to the MySurrey issues, adjustments were being made. The incorrect configuration of contribution deductions was an issue, and work was needed on data rectification as the data migrated was insufficient. For the active membership 94% of Annual Benefit Statements had been delivered, that figure would be 97% in line with previous years, excluding the 88% figure for the County Council employees. An impact assessment rated the risk situation at Amber as there were efforts to fix the issues and an update would be provided to the Regulator.
3. Responding to the Chairman, the Head of Service Delivery clarified that the contact with the Regulator was from the enrolment office around monthly returns.
4. A Committee member noted that significant issues remained to resolve data quality. He asked what the current impact risk score was. The Head of Service Delivery noted that the score was at a sufficient level at 16/20, as timely services were maintained for those retiring or in need of an immediate benefit.
5. A Committee member asked whether the Committee could formally note its concern to Cabinet or Council as the service provided was negatively impacting the Fund members. The Chairman noted that he and the Chairman of the Board, had raised it formally and discussed the matter with the Section 151 Officer. A Committee member noted that the Resources and Performance Select Committee had revisited how far the Lessons Learned Review was embedded in, and that the report was welcomed by Cabinet. The Assistant Director – LGPS Senior Officer explained that as a result of the letter to the Section 151 Officer, there had been workshops including the lead Cabinet Member. Greater resource and commitment had been provided by the Council, and there was a positive trajectory.
6. A Committee member hoped that once an adequate Service Level Agreement was in place, there would be recompense. He stressed that data quality should have been sorted out before the information was transferred.
7. A Committee member explained that the Council had intended to change its supplier, however the existing provider gave little warning that they would stop providing the previous software. The task and finish group recommended that for future acquisitions a detailed review must be undertaken of the outcomes, and the transfer to MySurrey should have been done properly rather than too rapidly. The Chairman would jointly with the Chairman of the Board, follow-up the previous letter calling for adequate resources to meet the March 2025 deadline.
8. A Committee member emphasised that the Council should have had a contingency plan, and it should have accurately exported the data. There was a commercial relationship between a customer and a provider, and the supplier should be asked to recompense Fund members. The Chairman noted that Fund members could go through the Internal Dispute Resolution Procedure (IDRP) or go to the Regulator. The Assistant Director – LGPS Senior Officer noted that if the IDRP was invoked, compensation was awarded where appropriate, and the cost recharged to the Council as the responsible employer.

**RESOLVED:**

1. Noted the content of this report.
2. Made no recommendations to the Local Pension Board.
3. Delegated the Chairmen of the Committee and the Board to take the matter regarding MySurrey further with the appropriate officers at the Council.

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

1. 7/24 - The Chairman will jointly with the Chairman of the Board, follow-up the previous letter calling for adequate resources to meet the March 2025 deadline to resolve Unit4/MySurrey issues.

**54/24 SURREY PENSION TEAM OVERVIEW - QUARTER 1 [Item 8]**

**Speakers:**

Neil Mason, Assistant Director – LGPS Senior Officer  
Tom Lewis, Head of Service Delivery

**Key points raised in the discussion:**

1. The Assistant Director – LGPS Senior Officer noted that the Fund has a very good funding ratio of 143%, its assets surpassed £6 billion for the first time. There had been some underperformance against benchmark. The legacy reduction programme was proceeding well. The team was focused on McCloud, the pensions dashboard, GMP and MySurrey rectification work; and acted as a pipeline of talent. He noted upcoming audits and follow-up work with the Internal Audit team.
2. The Chairman referred to the dashboard report and queried why the performance and grants and survivor benefits had decreased by 10%. The Head of Service Delivery noted that the performance of the previous team had been inconsistent due to the impact of MySurrey, vacancies and inefficient processes. The Immediate and Future Benefit teams had blended, enabling staff to have a broader understanding of casework, increasing resilience. Targets and objectives were being set and the August KPIs were significantly higher.

**RESOLVED:**

Noted the content of this report.

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

None.

**55/24 CHANGE MANAGEMENT UPDATE [Item 9]**

**Speakers:**

Nicole Russell, Head of Change Management

**Key points raised in the discussion:**

1. The Chairman welcomed the description of all the individual projects.
2. The Head of Change Management noted that the team worked with colleagues to ensure the delivery of the Annual Benefit Statements. The team was on track in terms of the business as usual communications; and had been nominated for several awards. The reports template had been updated to be accessible. The third staff survey closed in June, and the results remained similar. The successful lunch and learn programme continued. The team was supporting officers in the Surrey Pension team in their certificate of Pensions Administration; and was looking to help upskill the leadership capability of the Extended Leadership Team. Progress was underway on a Digital Transformation Strategy.

**RESOLVED:**

Noted the content of this report.

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

None.

**56/24 DRAFT ANNUAL REPORT 2023/24 [Item 10]**

**Speakers:**

Colette Hollands, Head of Accounting and Governance  
Neil Mason, Assistant Director – LGPS Senior Officer

**Key points raised in the discussion:**

1. The Head of Accounting and Governance noted that the report followed the new statutory guidance that was issued by the Ministry of Housing, Communities and Local Government in April 2024, replacing the old CIPFA guidance. The new areas covered were: increased fund management, governance and investment information; and there was now a standardised way of reporting KPIs enabling an easier comparison with peers. A difference was that links replaced the need to include the hard copies of Fund policies. The statutory publication deadline is 30 November 2024. It has also been circulated to members of the Surrey Local Pension Board and their comments would be incorporated.
2. The Chairman queried the status of the audit of the accounts. The Head of Accounting and Governance noted that EY required 143 items of information, 59 items were accepted, 79 items were under review by EY and 4 items were outstanding. EY had three weeks' worth of on-site testing to undertake in the next few weeks. The Assistant Director – LGPS Senior Officer clarified that the draft annual report would be published even if the accounts are unaudited; that was not unusual. He commended the team for meeting the new guidance proactively.

**RESOLVED:**

1. Noted the content of the draft Annual Report, shown in Annexe 1.
2. Made no recommendations to the Local Pension Board.
3. Agreed that approval of the final version of the Report be delegated to the Chair, subject to an unqualified audit.

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

None.

**57/24 INVESTMENT MANAGER PERFORMANCE AND ASSET/LIABILITIES UPDATE [Item 11]**

**Speakers:**

Lloyd Whitworth, Head of Investment & Stewardship  
James Sparshott, LGIM  
Adrian Brown, Independent Advisor  
Kathy Vawter, LGIM  
Steve Turner, Mercer  
Milo Kerr, Border to Coast  
Neil Mason, Assistant Director – LGPS Senior Officer

### Key points raised in the discussion:

1. The Head of Investment & Stewardship noted that the improved funding ratio of 143%, the dual effects of a lower discounted liability number and a higher asset number. Using the assumptions for that analysis at the last valuation, the funding ratio was 100%. The Fund underperformed the benchmark particularly the BCPP Global Alpha Fund and LGIM Europe Ex-UK.
2. The LGIM representative noted that they wrote to pooled Fund clients in June regarding the changes to the treatment of withholding tax on dividends concerning LGIM Europe Ex-UK. Investors in Swiss and Belgian companies incurred withholding tax on dividends of 35% and 30%. LGIM concluded that withholding tax paid on dividends from Swiss and Belgian holdings was no longer expected to be recoverable. An adjustment was made in June to the net asset value of the pooled funds by removing the accruals in those holdings. LGIM would continue to try and reclaim the tax for its clients and had engaged with HM Revenue and Customs. Other local authority funds were similarly affected.
3. The Chairman sought clarification that it was a one-off reversing out the accruals, delivery should be on track against the benchmarks going forward. The LGIM representative agreed and confirmed that they would continue to deliver market returns to the reference benchmark which was itself being reviewed.
4. A Committee member suggested that if no progress was being made on these issues, then investments should be withdrawn from those countries. The LGIM representative explained that the adjustment made in June reduced the net asset value of the funds, reflecting the decision and that they would continue to try and recover the withholding tax. The value of the LGIM Europe Ex-UK fund had been reduced by the amount of withholding tax, being -2.65%.
5. The Chairman noted that it was a passive fund. The LGIM representative explained that they would continue to mirror the reference benchmark and weightings of the different countries that make up the LGIM Europe Ex-UK.
6. A Committee member presumed that the tax liability changed the nature of investing, so the appropriate investment level would need to be reviewed. The Independent Advisor clarified that the matter concerned tax on dividends and not capital, the adjustment would take the drag out of the performance numbers.
7. The Independent Advisor queried what the legal view was about treating customers fairly regarding the adjustment. The LGIM representative noted that the legal opinion was that adjusting in one go was the best way to treat customers fairly, otherwise some may have withdrawn or adjusted their holdings. The Head of Investment & Stewardship emphasised that those were accruals over several years when the Fund was not involved in the LGIM Europe Ex-UK fund, units were being bought and sold at an inflated price.
8. Referring to the MSCI World Index, the Independent Advisor noted that the Fund had given itself a tough benchmark for private markets. The Head of Investment & Stewardship noted that the impact had been discussed in previous meetings.
9. A Committee member requested an update on the escalation to the Chief Investment Officer (CIO) concerning the BCPP Global Equity Alpha being the largest contributor to the Fund's underperformance. The Head of Investment & Stewardship noted that the Independent Advisor and Mercer met with the CIO, followed by meetings with BCPP and a workshop with partner funds. The Mercer representative noted frustration as it was not clear that BCPP were taking onboard the feedback from partner funds, however they were looking to introduce a new global equity manager. The BCPP representative noted the upcoming workshop to discuss partner funds' concerns further. Procurement was underway for the new manager, other changes needed would be considered.



10. A Committee member asked what the recourse was should BCPP not address the concerns. The Head of Investment & Stewardship explained that there were alternatives such as LGIM global funds, and the BCPP in-house managed global fund. The Mercer representative noted that it was unrealistic to leave the pool.
11. A Committee member queried whether the LGIM's alternatives would put the Fund in a difficult position in terms of the Government's desire for more pooled funds. The Chairman noted that could be the case; the alternative was to get the fund manager to address the concerns. The Assistant Director – LGPS Senior Officer explained that LGIM passive funds were classified as being under pooled management by the Government due to joint procurement with ten partner funds. Regarding BCPP, he clarified that the Fund was an owner and not just a customer, so could challenge issues.

**RESOLVED:**

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

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

None.

**58/24 COMPANY ENGAGEMENT & VOTING UPDATE [Item 12]**

**Speakers:**

Mel Butler, Deputy Head of Investment & Stewardship  
Milo Kerr, Border to Coast

**Key points raised in the discussion:**

1. The Deputy Head of Investment & Stewardship noted the focus on climate change and impact on the Sustainable Development Goals. The finance engagement from LAPFF and Robeco were more focused, actively engaging with three of the big Canadian banks lending to oil and gas companies. Robeco broadened its engagement theme for finance to be nature-related issues. The Fund voted in forty annual general meetings to nearly 750 resolutions, voting against management in around 28% of those.
2. A Committee member welcomed Robeco's strengthening of attention to climate issues and the addition of nature. He highlighted Iberdrola, a Spanish energy company which was transitioning from its natural gas power plants and had a clear goal to reach net zero before 2050. By contrast, there were examples of north American/Canadian institutions where engagement by Robeco resulted in no meaningful change. Asked what action would be taken as three years of targeted engagement had not led to success, the Deputy Head of Investment & Stewardship explained that Robeco was BCPP's engagement partner, and BCPP followed the clear engagement strategy in the Responsible Investment Policy.
3. The BCPP representative noted that much of Robeco's engagement was over a multi-year period, and where the outcome was not favourable, escalation might be needed. He clarified that the steps to be taken regarding unsuccessful engagement was specific to each company. There was a stepped escalation approach to engagement and an ongoing consideration of risk. He would provide examples of organisations BCPP invests in and the engagement outcomes. The Committee member suggested that the report should outline the escalations.
4. A Committee member noted that artificial intelligence technology was a large area of investment globally, but high energy usage was a concern; suggested it be

picked up as a future theme looking at the need to invest and the impacts. The Chairman noted that it would be useful to raise that matter with the advisors.

**RESOLVED:**

1. Reaffirmed 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 30 June 2024 by LAPFF and Robeco through their engagements.
2. Noted the voting by the Fund in the quarter ended 30 June 2024.

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

1. 8/24 - The BCPP representative will provide examples of organisations BCPP invests in and the engagement outcomes.
2. 9/24 - The Deputy Head of Investment & Stewardship will raise the matter of AI as a future theme with the advisors.

**59/24 RESPONSIBLE INVESTMENT UPDATE [Item 13]**

**Speakers:**

Lloyd Whitworth, Head of Investment & Stewardship

**Key points raised in the discussion:**

1. The Head of Investment & Stewardship noted that the Fund was a signatory to the UK Stewardship Code. The draft Task Force on Climate-related Financial Disclosures had been provided on a voluntary basis, and there had been significant decreases in all the metrics. A notable aspect was the switch last July from a passive emerging markets fund to an active one; there was an opportunity to outperform the benchmark, and the carbon exposure reduced by over 50%.
2. A Committee member welcomed the positive report.

**RESOLVED:**

1. Noted the success of the Fund's submission to become a signatory to the UK Stewardship Code.
2. Approved the Fund's TCFD report for the year 2023/24.

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

None.

**60/24 ASSET CLASS FOCUS - REAL ESTATE [Item 14]**

**Speakers:**

Lloyd Whitworth, Head of Investment & Stewardship  
Adrian Brown, Independent Advisor  
Milo Kerr, Border to Coast

**Key points raised in the discussion:**

1. The Head of Investment & Stewardship noted the first drawdown in April from the BCPP Global Real Estate fund for a few million pounds. The Fund would potentially be committing from March 2025 to the BCPP UK Real Estate fund.
2. The Independent Advisor noted that 25% Global and 75% UK was managed by CBRE, their global fund would be a significant part of the BCPP global property offering. Performance on the UK fund was challenging, due to closed defined benefit pension funds selling their illiquid assets, but yields were attractive. Returns on the global fund would be around 9% and slightly less for the UK fund. He noted that the global fund was open and the transition to it was necessarily slow as BCPP added in more funds; it could take them 18 months to finalise the transition. Using the BCPP UK fund would provide exposure to direct properties.
3. A Committee member asked what steps were being taken to manage the potential future financial obligations of new regulations around building standards. The Independent Advisor noted that CBRE and the fund managers were reviewing the matter. He highlighted the energy efficiency accreditation of buildings, and with legislation about minimum efficiency ratings, portfolios were being moved. He mentioned the new government was keen to improve renters' rights, with the changes concerning landlords and tenants was undefined. The Committee member noted that the Fund's investments were commercial and industrial, where currently tenant rights and the standards required were market driven rather than regulatory driven.
4. The BCPP representative explained that regarding the global proposition, BCPP chooses the underlying managers and takes a sustainable approach through assessing the managers. Whereas for the UK proposition, it was advised by a third-party investment manager - but it makes the final decision on which properties to hold - and BCPP looked at the BREEAM and GRESB which measure the sustainability and quality of buildings.
5. The BCPP representative explained that there were two stages to the launch of the BCPP Global Real Estate Fund. Firstly, for partner funds with some exposure to global real estate the existing holdings would transfer in 12 to 18 months' time to get to full investment. Secondly, BCPP was in the process of deploying for the partner funds that want to invest additional capital into global real estate. One investment had been made, five more to follow. The BCPP UK Real Estate fund launch date was 1 October 2024, the existing properties would transfer over the first six months, opening for new investment from 1 April 2025.

**RESOLVED:**

Noted the Fund's Real Estate holdings, respective funds' investment performance and review from the Fund's independent investment adviser.

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

None.

**61/24 INVESTMENT CONSULTANT UPDATE [Item 15]**

**Speakers:**

Lloyd Whitworth, Head of Investment & Stewardship

**Key points raised in the discussion:**

1. The Head of Investment & Stewardship noted that Mercer was appointed three years ago. The recommendation was to renew that contract for two more years; Mercer had knowledge of the Fund and had satisfactorily passed the Competition

and Markets Authority review of objectives.

**RESOLVED:**

Approved the extension of the contract with Mercer for the provision of investment consultancy services to the Surrey Pension Fund.

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

None.

**62/24 RECENT DEVELOPMENTS IN LGPS (BACKGROUND PAPER) [Item 16]**

**Speakers:**

Neil Mason, Assistant Director – LGPS Senior Officer

**Key points raised in the discussion:**

1. The Assistant Director – LGPS Senior Officer noted that the Government had issued a terms of reference for the pension review and a call for evidence with the response date of 25 September 2024. He was working with pooling partners and senior stakeholders to co-ordinate a response. The call for evidence covered three areas: scale and further consolidation, cost versus value, scope for greater UK investment. The Pensions Minister's statement made it clear that government departments were aligned on greater UK investment. It was expected that the Fund would be invited to speak to the Minister; there were upcoming meetings to discuss the matter.
2. Regarding the scope for greater UK investment, a Committee member hoped that the response would be subject to the Fund's fiduciary duties. The Assistant Director – LGPS Senior Officer noted that would be the case, it needed to be consistent with what needed to be delivered for Fund members and employers. The Chairman noted how little of the world equity markets were now UK listed, and this was an issue to the Government. The letter would be shared with Committee and Board members.

**RESOLVED:**

Noted the content of this report.

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

1. 10/24 - The Assistant Director – LGPS Senior Officer will share the letter responding to the call for evidence with Committee and Board members.

**63/24 INVESTMENT BENCHMARKING [Item 17]**

**Speakers:**

Fleur Dubbelboer, CEM Benchmarking  
Joao Barata, CEM Benchmarking  
Steve Turner, Mercer  
Adrian Brown, Independent Advisor

**Key points raised in the discussion:**

1. The CEM Benchmarking representative presented the results of their assessment for the year ending 31 March 2023. She explained that funds benchmarked with CEM because it was independent, with data sourced from the funds directly. Compared to last year's report, the peer group had broadened to include funds of between £3.7 and £9.7 billion. The summary report on investment costs preserved the data's anonymity.
2. The investment costs incurred were driven by the asset mix and implementation choices. The difference in investment costs between the years was due to a decrease in performance fees and there was a slight increase in assets under management (AUM) base fees. The Fund's costs were broadly in line with its peers.
3. The Mercer representative queried whether for the Fund the overall allocation to private markets was lower than average. The CEM Benchmarking representative explained that it was on par with the global average, but lower than the LGPS average. She clarified that the overall fees were in line with the global peer group. The CEM Benchmarking representative explained that the peer group benchmark - 37 LGPS peers and global - was adjusted to reflect Surrey's asset mix and the peer group had roughly the same asset allocation.
4. The Chairman noted that the graph showed that the Fund was not performing as well as its peers. The CEM Benchmarking representative noted that the low Net Value Added for the Fund was due to the higher allocation to passive funds. The Net Total Return and Benchmark Return were above the LGPS median.
5. Regarding the better performance of some peers, the Vice-Chairman asked whether they had certain characteristics that explained their better performance. The CEM Benchmarking representative explained that white circles on the graph were global funds that operate under different regulatory environments and at different scale; the orange circles were LGPS funds which operated at a different scale and had a different asset mix. She could share a piece of research 'a case for scale' which noted the importance of asset mix and implementation style and choices. Some of those characteristics were down to costs.
6. The Independent Advisor noted that it looked like the non-pooled private assets were less expensive than the pooled ones. The CEM Benchmarking representative explained that pooled assets were the BCPP managed private assets funds, the high percentages were due to many of the pooled investments having recently started drawing down capital or were in the commitment phase.

**RESOLVED:**

Noted the content of the report by CEM Benchmarking.

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

1. 11/24 - The CEM Benchmarking representative will share 'a case for scale' which noted the importance of asset mix and implementation style and choices.

**64/24 EXCLUSION OF THE PUBLIC [Item 18]**

**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

### 65/24 INVESTMENT BENCHMARKING [Item 19]

#### RESOLVED:

Noted the Part 2 Annexe 2 to item 17 (Minute item 63/24).

### 66/24 INVESTMENT MANAGER PERFORMANCE AND ASSET/LIABILITIES UPDATE [Item 20]

#### RESOLVED:

Noted the Part 2 Annexes 1 and 2 to item 11 (Minute item 57/24).

### 67/24 BORDER TO COAST PENSIONS PARTNERSHIP UPDATE INVESTMENT MANAGER PERFORMANCE AND ASSET/LIABILITIES UPDATE [Item 21]

#### Speakers:

Neil Mason, Assistant Director – LGPS Senior Officer

#### Key points raised in the discussion:

1. The Assistant Director – LGPS Senior Officer noted that in its capacity as shareholder representative, Surrey County Council approved the Border to Coast 2030 Strategy on 30 July 2024. He noted that the strategy has anticipated much of what might happen in terms of future legislation.

#### RESOLVED:

1. Noted the shareholder approval of the Border to Coast 2030 Strategy.
2. Noted the minutes of the Border to Coast Joint Committee meeting of 20 June 2024, included in the background papers.

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

None.

### 68/24 PUBLICITY OF PART 2 ITEMS [Item 22]

#### RESOLVED:

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

### 69/24 DATE OF NEXT MEETING [Item 23]

The date of the next meeting of the Committee was noted as 13 December 2024.

The Chairman reminded Committee members of the Board and Committee residential off site training on 23 and 24 October 2024, full details had been circulated.

Meeting ended at: 14.24 pm

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Chairman