



# SURREY LOCAL PENSION BOARD REPORT

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**SURREY COUNTY COUNCIL**

**SURREY LOCAL PENSION BOARD**

**DATE: 21 FEBRUARY 2025**

**LEAD OFFICER: NEIL MASON, LGPS SENIOR OFFICER**

**SUBJECT: SUMMARY OF THE PENSION FUND COMMITTEE MEETING OF 13 DECEMBER 2024**

## **SUMMARY OF ISSUE:**

This report provides the Local Pension Board (the Board) with a summary of the Surrey Pension Fund Committee (the Committee) meeting held since the last meeting of the Board.

## **RECOMMENDATIONS:**

It is recommended that the Local Pension Board:

1. Notes the content of this report.
2. Makes any recommendations to the Pension Fund Committee if required.

## **REASON FOR RECOMMENDATIONS:**

### **Background**

The Committee met on 13 December 2024. This report provides a summary of this meeting, and decisions made.

## **DETAILS:**

### **Glossary, Actions Tracker, Forward Programme of Work**

1. The Committee reviewed the Glossary, Actions Tracker and Forward Programme of Work.
2. The LGPS Senior Officer highlighted the up-and-coming training from the Fund Actuary, for Committee members on 15 January and 21 March 2025 on the assumptions surrounding the valuation and related climate risk.
3. Item 23 on the programme of work should be consideration for 25/26 Strategic Plan accompanying the service business plans and budget.
4. The Chair brought to the attention of the Committee, page 37 7/24 action, relating to the continuing issues with MySurrey, Unit 4 and asked the Section 151

Officer for comment to seek reassurance that this is a high priority, and the Committee's concerns are being taken seriously. The Section 151 Officer agreed to share with the Pension Fund Committee future Audit and Governance updates, relating to pensions.

5. The Head of Service Delivery provided an update on material improvements that have been carried out since the last update.

### **Summary of the Local Pension Board Meeting**

6. The Board report was presented by the Chair of the Board who provided a summary of administration and governance issues reviewed at the last meeting on 15 November 2024. This included MySurrey, the GMP and McCloud projects, along with the extended Risk Register and steps undertaken to review the risk register.

### **Surrey Pension Team Overview – Quarter 2**

7. The Committee received an update on the Surrey Pension Team activities for the last quarter (July to September 2024). This included the snapshot in the weekly update provided by the LGPS Senior Officer.
8. The LGPS Senior Officer highlighted the Surrey Pension Team dashboard metrics on page 128, the enablers, "our people" specifically mentioning the high score for retention of staff. The December pulse survey for the Surrey Pension Team had just been released and feedback analysis will be provided to the Committee at the next meeting.

### **Change Programme Update – Quarter 2**

9. The Head of Change Management presented an overview of activities for the period July to September 2024. Reporting to the Committee that team is two years into the Strategic Plan. Highlights this quarter include winning an award at the Pension for Purpose Awards for "Impact Investing Principles Adopter" award and the production and launching of a suite of videos on LinkedIn regarding our workforce strategy.

### **The Government's Consultation on the future of the Local Government Pension Scheme (LGPS)**

10. The LGPS Senior Officer provided an overview on key implications for the Surrey Pension Fund following the publication of the government's consultation entitled "Local Government Pension Scheme (England and Wales) Fit for the Future".
11. In order to respond to the consultation, there will be an online meeting on 6 and 7 January 2025 for members of the Local Pension Board and Pension Fund Committee to discuss a draft response.

## **Investment Manager Performance and Asset/ Liabilities Update**

12. The Deputy Head of Investment and Stewardship introduced the report confirming the success in being shortlisted for Best Investment Innovation award at the annual LAPF Investment Awards, along with winning the Impact Investing Principles Adopter award from Pension for Purpose.
13. It was confirmed that the current funding ratio is 142% with a discount rate slightly lower at 6.4%. The best performing funds are multi asset credit and listed alternatives, taking advantage of the rate cut expectations quite positively. This outperformance was offset by below benchmark returns in three out of the four actively managed equity funds as well as real estate and private markets. Private markets in real estate underperformance was mostly due to a weaker U.S. dollar.
14. The Global Equity Alpha Fund underperformed; a separate paper was discussed in part two of the meeting.

## **Company Engagement & Voting Update**

15. The Deputy Head of Investment and Stewardship introduced the report highlighting the engagement activities from this quarter of Local Authority Pension Fund Forum (LAPFF), Robecco and direct engagement from BCPP.
16. A growing trend is the move to green hydrogen and the processes being developed to create green steel. This quarter LAPFF engaged with Ryanair on their optimistic plans and on another growing topic of interest, sustainable airline fuel (SAF).
17. Border to Coast is in collaboration with Royal London Asset Management and the London School of Economics for transition to net zero for UK Banks. Border to Coast is chairing a new working group with the Institutional Investors Group on Climate Change to integrate just transition into the Net Zero investment framework.
18. Another collaboration is taking place with Royal London, participating in engagement with UK water companies, taking a lead role with Yorkshire Water and Northumbrian Water.
19. In respect of direct voting this was a quiet quarter, following the AGM season. The Fund voted on 91 resolutions and one remuneration at Richemont receiving a shareholder dissent of nearly 24%.

## **Investments Strategy – Fiduciary Duty and Investment Beliefs Update**

20. The Deputy Head of Investment and Stewardship provided the Committee with a report on the plans to review and consider changes to the current investment beliefs. The third session training is planned to take place in the fourth quarter (January – March 2025).

21. The Committee agreed for the sub-committee to meet again to consider how its fiduciary duty in law relates to the objectives of the Fund and reconsider the investment beliefs.
22. Any proposed changes to the investment beliefs by the sub-committee will be brought back to the Committee for consideration.

### **Asset Class Focus – Private Markets**

23. As part of good governance, the Committee periodically reviews the performance of the Fund's investments. This report concentrates on Private Markets and specifically the exposure to renewable energy.
24. The Committee noted the Funds private markets renewable energy exposure, along with the review provided in Annexe 1 by the Fund's independent investment advisor.

### **LGPS Update (Background Paper)**

25. The LGPS Senior Officer introduced the report, which summarises the LGA LGPS Bulletins. The main recent development is the launch of the consultation on the future of the LGPS, with the pools taking a stronger role, as discussed under Item 7 of the agenda.

### **Procurement of Pension Administration Software**

26. The Committee endorsed the outcome of the recent procurement tender for the Pension Administration Software.

### **Responsible Investment Update**

27. The Deputy Head of Investment and Stewardship introduced the report which sets out the annual review of Border to Coast Pensions Partnership (BCPP) Responsible Investment (RI) Policy, Climate Policy and Corporate Governance & Voting Guidelines annually.
28. The Chair of the Committee highlighted that for this year the review was "light touch". A request was made to include an update on engagement with consequences for the next update.
29. The Committee agreed to support the revised BCPP RI Policy, Corporate Governance & Voting Policy and Climate Change Policy

### **Competition & Markets Authority (CMA) Investment Consultant Strategic Objectives**

30. The Committee were provided with a report which sets the strategic objectives for the Investment Consultant (IC) provider.
31. The Committee noted compliance of the IC provider for 2024 against the Fund's revised Strategic Objectives for Investment Consultants, as approved in June 2024.

32. The Committee approved the submission of the CMA Compliance Statement and Certificate for 2024

### **BCPP Global Equity Alpha Update**

33. The Committee were provided with a report which explored a better understanding of the investment philosophy, process and people behind the Alpha Fund. The Committee agreed to further review this investment.

### **Border to Coast**

34. The Committee received an update from the LGPS Senior Officer, on the current activity of BCPP, including Progress made by the Officer Operations Group (OOG), Joint Committee (JC) and BCPP Shareholder Board in the drive to maintain a fully functioning asset pool, which will manage the Surrey Fund assets.
35. The Committee noted the minutes of the Border to Coast Joint Committee meeting of 26 September and 26 November 2024, included in the background papers.

### **CONSULTATION:**

36. The Chairs of the Local Pension Board and the Pension Fund Committee have been consulted on this report.

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

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

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

38. Any relevant financial and value for money implications have been considered and are contained within the report. The cost of the resources necessary for implementing the changes recommended above and for delivering the administering authority role is met from the Pension Fund (under Regulation 4(5) of The Local Government Pension Scheme (Management and Investment of Funds) Regulations 2009).

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

39. There are no legal implications or legislative requirements.

**EQUALITIES AND DIVERSITY:**

40. There are no equality or diversity issues.

**OTHER IMPLICATIONS:**

41. There are no other implications.

**NEXT STEPS:**

42. The following steps are planned:

- a) Further updates will be provided to the Board at its next meeting on 23 May 2025.

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**Contact Officer:**

Colette Hollands, Head of Accounting and Governance

**Annexes:**

1. None

**Sources/Background papers:**

1. None