

MINUTES of the meeting of the **SURREY PENSION FUND COMMITTEE** held at 11 am on 21 March 2025 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)
- r David Harmer
- * Trefor Hogg (Vice-Chairman)
- * Robert Hughes
- * George Potter
- * Richard Tear

Co-opted Members:

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

In attendance

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

1/25 APOLOGIES FOR ABSENCE AND SUBSTITUTIONS [Item 1]

Apologies were received from David Harmer (remote), Cllr Claire Malcomson.

2/25 MINUTES OF THE PREVIOUS MEETING [13 DECEMBER 2024] [Item 2]

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

3/25 DECLARATIONS OF INTEREST [Item 3]

Kelvin Menon declared that he is a member of the Local Government Pension Scheme (LGPS).

David Harmer declared that he is a retired member of the LGPS.

Nick Harrison (Chairman) declared that he is a retired member of the LGPS.

The Director of Pensions (LGPS Senior Officer) noted that in line with the Conflicts of Interest Policy, being a member of the LGPS is not considered to be a conflict of interest.

4/25 QUESTIONS AND PETITIONS [Item 4]

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

There were six supplementary questions:

SQ1 - Borough Councillor Shasha Khan: Called on the Surrey Pension Fund (the Fund) to restrict investments in firms manufacturing cluster munitions which can have a discriminate and disproportionate impact on civilians in conflicts such as in Gaza. The Fund is investing in BAE Systems PLC which makes vital components used for F-35 jets which indiscriminately and disproportionately affect civilians.

The Chairman acknowledged the overwhelming situation in Gaza and Israel, and other conflicts. He noted the Committee's fiduciary duty to pay pensions, the relevant acts and United Nations policies were followed. He noted that the Committee had sessions on fiduciary duty, which was an important factor in the Investment Beliefs going forward.

A Committee member noted that fiduciary duty means investing in a way that ensures a suitable return. He noted the need to consider whether the Committee believes that investment in BAE Systems PLC is so significant that to divest would have a direct harmful material impact on the Fund, if not then it is not an issue of fiduciary duty. Noted several crimes against humanity being carried out, with some actions meeting the legal definition of genocide. He noted that if the Responsible Investment (RI) Policy is to be meaningful, a more serious review of the matter was needed.

A Committee member noted that BAE Systems PLC creates systems for the UK's defence, stressed that it is the Government's decision to export weapons.

SQ2 - Jackie Macey: Welcomed the reduction of the exclusion threshold from 75% to 25% for oil sands. Asked the Committee to use its influence to reduce the 25% threshold and accept that investment in companies like ConocoPhillips is unacceptable due to its heavy involvement in the production of oil sands.

The Chairman noted that Border to Coast Pensions Partnership (BCPP) undertakes an annual review of its RI Policies, with a light touch review in 2024. There would be an opportunity to contribute to the evolution of the policies in 2025 and the Committee has requested a clear definition of engagement with consequences in the next annual review.

SQ3 - Kevin Clarke: Asked whether the Committee would consider that investment in the oil and gas sector not only affects climate change but also promotes plastic production.

The Chairman noted that it would be factor when the policy is reviewed.

SQ4 - Lucianna Cole: Asked whether there were plans in place to keep Fund members updated on the different potential options and steps taken during any transfer.

The Chairman explained that the interim plan submission deadline for Local Government Reorganisation (LGR) is today and had been submitted by the Council, and the district and borough councils. The final plan to be submitted in May. Discussions would be needed on the Fund's future administering authority and managing the risks in the transfer. Fund members would be kept updated and their benefits would not be impacted.

A Committee member highlighted the other services of greater priority to be a focus in the final plan and asked whether an item could be added to the Forward Programme of Work to discuss potential options, to offer a suggestion to the Council, and district and borough councils on the best way forward for Fund members.

The Chairman added that in some other unitary moves, pensions governance had been an afterthought, he and the Director of Pensions (LGPS Senior Officer) had spoken to

the Deputy Chief Executive and Executive Director - Resources who views it as an important issue to address. The Vice-Chairman noted that he raised the issue with the Leader. The Deputy Chief Executive and Executive Director - Resources noted that the matter had been discussed and there was a report at item 18, the Committee's views would be sought, pensions governance would feature in the final plan in May.

SQ5 - Lindsey Coeur-Belle: Noted that on 7 February 2025 the Government's actuary department published recommendations to guide and support public sector organisations in Scotland on climate scenario analysis, concerning climate emissions pathways or temperature scenarios, and chronic and acute physical climate hazards. Asked whether the Committee thought it to be a logical way forward for public sector organisations in England and therefore would include it in its Investment Beliefs.

The Chairman noted that he was unaware of that, it could be considered and he was intrigued to know why that only applied to Scotland. The Independent Advisor explained that the regulatory environment on pensions in Scotland is different to the UK.

SQ6 - Jenifer Condit: Noted disappointment in BP's announcement that it would abandon its goal to embrace a greener agenda and double down on fossil fuel exploitation. She asked how the Committee would assess the effectiveness of the group of shareholders that demanded an immediate response from BP under the threat of divestment, to the ineffectiveness of the multi-year process of engagement.

The Chairman recognised that it was disappointing, he reiterated the policy of engagement with consequences, BCPP had been asked to make its policy clearer about what happens at the end of the engagement.

The Head of Responsible Investment (BCPP) noted that BCPP had been engaging with BP over several years and supported shareholder resolutions that align with the objectives of the Paris Agreement. Up until the recent changes, BP had a well-developed strategy amongst its peers. BCPP had publicly declared its disappointment and had co-signed a letter with shareholders to raise concerns and request that any changes be put to a shareholder vote. BCPP had met with managers at BP noting that as things stand it would vote against the chair. It was important as an investor to use authority and influence to put the case for long-term climate interested investors.

A Committee member noted that engagement with BP and other companies was undertaken as its business trajectory is incompatible with the Fund's Investment Beliefs and there is a significant financial risk should BP not align with an effective transition strategy. BP had listened to engagement and the threat to sell shares from other shareholders. He was dissatisfied with the written response from BCPP that engagement should continue, BCPP was failing to implement the RI Policy of the Fund. Engagement with consequences means that consequences should be applied. The Vice-Chairman agreed, consequences are needed to encourage companies to listen. A Committee member stressed the need to be clear when the consequences would apply.

- c** There were no petitions.

Actions/further information to be provided:

1. 1/25 - BCPP will provide a clear definition of engagement with consequences.

5/25 GLOSSARY, ACTION TRACKER & FORWARD PROGRAMME OF WORK [Item 5]

Speakers:

Neil Mason, Director of Pensions (LGPS Senior Officer)

Key points raised in the discussion:

1. The Director of Pensions (LGPS Senior Officer) noted that the Forward Programme of Work would be updated in line with the Surrey Pension Team Strategic Plan 2025/26 and budget. Discussion on Investment Beliefs had been postponed until the Government's positioning is known, an update was expected in the Spring Statement, the Pensions Bill to be consulted on later in the year.
2. The Chairman asked how the Investment Beliefs would align with the Investment Strategy Statement (ISS) and actuarial valuation. The Director of Pensions (LGPS Senior Officer) explained that the Investment Beliefs are the driving force of the ISS and would be interpreted into the asset allocation and actuarial valuation.
3. A Committee member noted that the request for the session was made in June 2024, he stressed that the session should take place before June 2025. The discussion on Investment Beliefs principles rather than the practical implementation to follow, should not be continually delayed. The Chairman noted that the consultation paper was unclear, the practicalities are important.
4. The Chairman noted that action 15/24 should be marked as complete.

RESOLVED:

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

Actions/further information to be provided:

None.

6/25 SUMMARY OF THE LOCAL PENSION BOARD [Item 6]

Speakers:

Tim Evans, Chairman of Local Pension Board

Tom Lewis, Head of Service Delivery

Andy Brown, Deputy Chief Executive and Executive Director - Resources

Key points raised in the discussion:

1. The Chairman of the Board highlighted the positive update on the General Code of Practice. He highlighted that LGR was under consideration. He congratulated the Head of Service Delivery and his team on the continuing improvement. He noted that work was underway on MySurrey and he noted the impact of the proposed changes to inheritance tax (IHT) and death benefits.
2. The Head of Service Delivery explained that the data received was now fully up to date, records were being processed. The team was three quarters of the way in completing the backlog of 2,100 cases predominantly for deferred cases. Work remained to be done on configurations for pensions on MySurrey, the configuration around calculating employer contributions consistently needed resolving. Work was required on member records on missed contributions, and a Council team was

in place. Backlog payments/allocations amounted to £1.5 million for employer contributions, and half that for employee contributions. Plans were in place to communicate with affected members. Employer contributions were expected to come through soon and records be updated retrospectively.

3. The Head of Service Delivery noted the significant risk on accounting and banking controls, there were areas where the system was not operating to enable reconciliation of bank accounts and invoicing. The requirements had been fully documented and understood, a solution in MySurrey was being reviewed, the Council was to provide the estimated timeframes and costs, which were to be met by the Council.
4. The Deputy Chief Executive and Executive Director - Resources emphasised that the resolution of employer contributions was a priority through the Stabilisation and the Optimisation programmes, he praised the officers working together to resolve the issue and backlog since go live. The Council had committed a significant one-off resource to resolve the issue. Other issues to be resolved were the ledger, banking, and accounting; LGR would affect that in terms of the Fund's future administration.
5. The Chairman noted that 31 March is an important date in terms of the actuarial valuation and submission of data for Annual Benefit Statements (ABS), and the position was positive. The Head of Service Delivery noted that from a valuation perspective there was a slight deficit, that could be corrected once the money comes in from the MySurrey backlog. From a data perspective for year-end, there were issues with some of those records as those were not yet reconciled from an individual member level, for example pensionable pay was lower than expected. Some members had not received an ABS this year, as the corrections were being worked through.
6. The Chairman praised the team for the performance levels of 97% overall.
7. The Chairman noted that the CEM Benchmarking report is a valuable source of information about improvements to the service, he suggested that the Board look at that. The Chairman of the Board noted that he was happy to do so.
8. The Chairman of the Board thanked the Committee's Chairman for his support.

RESOLVED:

1. Noted the content of this report.
2. The Committee asked the Board to review the CEM Benchmarking report to consider service improvements.

Actions/further information to be provided:

None.

7/25 SURREY PENSION TEAM OVERVIEW - QUARTER 3 2024/25 [Item 7]

Speakers:

Neil Mason, Director of Pensions (LGPS Senior Officer)
Colette Hollands, Head of Accounting and Governance

Key points raised in the discussion:

1. The Director of Pensions (LGPS Senior Officer) noted that he sent regular email updates. He noted that the funding level was 152% and the investment target was being met, but the performance was below benchmark. He highlighted the positive performance on the Key Performance Indicators in the Service Delivery team; the

legacy had been reduced and was up to 82% in the Accounting and Governance team. The external auditors had signed off the 2023/24 Financial Statements.

2. A Committee member queried the variation in the contributions in and out. The Head of Accounting and Governance explained that regarding the receipt of contributions, the figure for quarter 3 was lower as some money was as yet unallocated into the ledger. Catch up work was being done and should reflect an increase in contributions in quarter 4. On benefits paid out, a lot more transfers out of member benefits had been processed and those on average were higher in value than the previous quarter.

RESOLVED:

Noted the content of this report.

Actions/further information to be provided:

None.

8/25 CHANGE MANAGEMENT REPORT - QUARTER 3 2024/25 [Item 8]

Speakers:

Neil Mason, Director of Pensions (LGPS Senior Officer)
Tom Lewis, Head of Service Delivery

Key points raised in the discussion:

1. The Director of Pensions (LGPS Senior Officer) clarified that another LGPS fund won the Defined Benefit Scheme of the Year Award. Learning and development: the results were being collated for the most recent Pulse Survey which validates the improvements occurring as part of the Strategic Plan implementation. There had been a successful Talking Talent session to continue to support the development of our people. Transformation: digital transformation, suppliers have been appointed and discovery work was underway, there would be quick wins around the reconciliation issues in the Employer/Finance area. Projects: work on customer insights had completed and the teams were incorporating that into continuous improvement projects.
2. The Head of Service Delivery provided an update on GMP regarding to the contracting out periods and comparison undertaken around liabilities. All affected members had been written to. 71 members were underpaid, totalling £177,000 to be backdated and paid in the March payroll. Regarding overpayments, the changes would be made to members' payments going forward but overpayments would not be recovered. 305 members were overpaid, totalling £509,000.
3. The Chairman queried whether there had been feedback from those members. The Head of Service Delivery noted that the Customer Relationship team received some queries and had been provided with the necessary information. He received some queries which were significant in terms of the annual amount, the highest one was £2,700 a year; information was provided to that member.
4. The Chairman asked whether the right amount was being paid. The Head of Service Delivery confirmed that it was, officers had quality assured and reconciled the data. 600 to 700 cases were to be investigated further from April as the data supplied had nuances. The Chairman asked for an update at the next meeting.
5. The Chairman noted that it would be helpful for the Pension team to look at the processes and operations for employers and employees as a result of the consumer insights project, the Committee referred that to the Board.

RESOLVED:

Noted the content of this report.

Actions/further information to be provided:

1. 2/25 - The Head of Service Delivery will provide an update at the next Committee meeting on the 600 to 700 cases to be investigated further from April.
2. 3/25 - The Pension team will look at the processes and operations for employers and employees as a result of the consumer insights project, the Board to use that data and receive reports on improvements.

9/25 SPT POLICY REVIEW: COMMUNICATIONS POLICY 2025/26 AND TRAINING POLICY 2025/26 [Item 9]**Speakers:**

Neil Mason, Director of Pensions (LGPS Senior Officer)

Key points raised in the discussion:

1. The Director of Pensions (LGPS Senior Officer) highlighted the key changes in the Communications Policy: work had been undertaken to ensure compliance with accessibility requirements. He highlighted the key changes in the Training Policy: there was a statutory requirement for Board members on knowledge and understanding, proposals in the Government's consultation would make that a requirement for the Committee too. Officers were ready to provide support.
2. The Vice-Chairman noted that it was essential that members have training so the Fund could maintain its status as a professional investor and to be able to demonstrate that decisions taken are done with due care and an understanding of the subject.
3. The Chairman noted that training has always been mandatory, but it was the first time sanctions have been set out.

RESOLVED:

1. Approved the Communication Policy Statement 2025/26.
2. Approved the Training Policy 2025/26.

Actions/further information to be provided:

None.

10/25 CONFLICTS OF INTEREST POLICY [Item 10]**Speakers:**

Colette Hollands, Head of Accounting and Governance
Neil Mason, Director of Pensions (LGPS Senior Officer)

Key points raised in the discussion:

1. The Head of Accounting and Governance explained that the policy would apply equally to all parties involved in the administration and governance of the Fund.

The policy recognises the differences between the Council being the administering authority of the Fund and being one of the employers - albeit the largest.

2. A Committee member welcomed the inclusion of the form. Having a single register to be completed once a year to declare conflicts would be useful. The Director of Pensions (LGPS Senior Officer) confirmed that the forms would be circulated.
3. The Vice-Chairman noted that it was important that there is a publicly available register that could be checked.
4. The Chairman highlighted a revision to the form on the question about being in receipt of an LGPS pension, the change would cover any status of member.

RESOLVED:

Approved the Surrey Pension Fund Conflicts of Interest Policy.

Actions/further information to be provided:

1. 4/25 - The Governance Manager will circulate the declaration of interests, and register of interests forms.

11/25 ACTUARIAL UPDATE - SURREY PENSION FUND CASHFLOWS [Item 11]

Speakers:

Colette Hollands, Head of Accounting and Governance
 Steven Scott, Hymans Robertson
 Neil Mason, Director of Pensions (LGPS Senior Officer)

Key points raised in the discussion:

1. The Head of Accounting and Governance noted that at the last review in December 2023 the actuary reported that the Fund was looking to become cashflow neutral. The Fund was now looking at being cashflow negative by 2028.
2. The Hymans Robertson representative provided a detailed overview, noting that over the past three years the Fund has been cashflow positive, with contributions and transfers in exceeding benefits paid. However, the net cashflow position has decreased due to high pension increases as a result of inflation, and reduced employer contributions following improved funding positions at valuations.
3. The Hymans Robertson representative noted that the Fund was approaching cashflow negativity, requiring income from assets to cover the payment of pension benefits. He noted the three inflation scenarios and three contribution rate scenarios. The expected growth was from £200 million to approximately £375 million in twenty years. The contribution projections assume no change in local authority size and constant payroll growth. Under baseline and high inflation scenarios, the maximum required income yield is below 1%. The Fund is likely able to invest to generate required income for pension benefits. The cashflow position would be monitored.
4. A Committee member noted concern that there would be a significant drop in the number of people employed due to LGR, and so a reduction in contributions. The Hymans Robertson representative noted that would reduce contribution income but would not reduce benefits outgoing, in the short-term benefits outgoing could increase due to redundancies. Modelling could be undertaken in due course.
5. A Committee member noted that over the long-term most pension funds end up being cashflow negative as there are fewer people coming in than going out, that was nothing to be worried about if that transition is managed well.

6. A Committee member asked whether modelling had been done on the level of the reduction in employees which would lead to cashflow becoming negative. The Hymans Robertson representative explained that from 2026/27 the Fund is likely to be in a position where benefits exceed contributions income, any decrease in employees would increase that gap; that would be monitored.
7. The Vice-Chairman noted that the State Pension is suffering from similar issues as pension payments continue to rise but the number of people of working age supporting that has dropped so the retirement age increases. The Hymans Robertson representative acknowledged that issue. He noted that benefits exceeding contributions was a natural position for the Fund to be in, it was vital to ensure that the ISS reflects the income needs of the Fund.
8. The Director of Pensions (LGPS Senior Officer) noted that if members of the LGPS are made redundant and are of pensionable age, they would be entitled to an immediate non-reduced pension. The employer would face a one-off capital cost to fund that, the short-term effect to cashflow would not be detrimental.
9. A Committee member noted that there could be resistance against the change to increase the State Pension age. The Chairman noted that there was no indication that the Government would amend the LGPS along those lines.

RESOLVED:

Noted the Surrey Pension Fund cashflow position.

Actions/further information to be provided:

None.

12/25 SURREY PENSION TEAM STRATEGIC PLAN 2025/26 [Item 12]

Speakers:

Neil Mason, Director of Pensions (LGPS Senior Officer)
Tom Lewis, Head of Service Delivery

Key points raised in the discussion:

1. The Director of Pensions (LGPS Senior Officer) noted that it was the third year of a three-year transformation plan transitioning now into continuous improvement. Customer focus is enabled through three pillars: Compliance, Ready for today, Better for tomorrow. A clear articulation of Investment Beliefs was vital. He noted the total operations budget of £7.2 million, the main variables are: inflationary pay increases, a small change in headcount, the IT system costs and project costs such as LGR.
2. A Committee member asked whether the costs are benchmarked against other similarly sized funds. The Director of Pensions (LGPS Senior Officer) noted that costs and performance were benchmarked, he highlighted the CEM Benchmarking report. There is a statutory requirement to provide an SF3 report which provides data across all the LGPS funds. He noted that it was difficult to ascertain a good comparison as data input points vary, depending on how funds allocate costs. He noted that the Fund seeks to offer good value for money and an outstanding service.
3. A Committee member queried whether the IT costs have increased due to more systems being hosted. The Head of Service Delivery noted that in December 2023 there was a move to a hosted service to improve controls and additional functions had been taken on for compliance purposes: GMP, McCloud and the Pensions

Dashboard Programme. The Chairman noted that those costs were offset by savings in IT costs allocated from the Council.

4. The Vice-Chairman noted that the recent IT changes and LGR might result in further IT changes and any impact would need to be managed. The Chairman noted that the disaggregation elements of the Council and integration of the district and borough council elements would be a significant challenge.

RESOLVED:

1. Approved the Surrey Pension Team Strategic Plan for 2025/26.
2. Approved the Surrey Pension Team budget for 2025/26.

Actions/further information to be provided:

None.

13/25 INVESTMENT MANAGER PERFORMANCE AND ASSET/LIABILITIES UPDATE
[Item 13]

Speakers:

Lloyd Whitworth, Head of Investment and Stewardship
Anthony Fletcher, Independent Advisor

Key points raised in the discussion:

1. The Head of Investment and Stewardship noted that the target return for Private Markets Series 3 for private credit has increased from 6% to 7% per year. To ensure stable allocations over three years and avoid vintage variation, proposed allocations to Series 3 are: £40 million to infrastructure, £30 million to private equity, £85 million to private credit.
2. He noted the strong absolute performance for the quarter for the Fund of nearly 3%, but that was behind the benchmark. Drivers of underperformance were BCPP Global Alpha Fund and Multi Asset Credit Fund. There were signs of recovery in real estate asset values. The proposal was to adopt a 6% absolute return target for the CBRE real estate benchmark.
3. The Independent Advisor referred to the tracking of expected performance of the Fund compared to what the Fund delivers. Over a three-year rolling period as at 31 December the Fund's return was 3.9% versus the benchmark return of 6.4% and actuarial requirement for performance was 4.4%. The strategic asset allocation should have delivered Hymans Robertson's objective over the last three years, however the actual Fund return was around 50 basis points below that, highlighting the uncertainties.

RESOLVED:

1. Noted the findings of the report in relation to the Fund's valuation and funding level, performance returns and asset allocation.
2. Approved the delegation of authority to the Executive Director - Resources, the LGPS Senior Officer and the Chair of the Pension Fund Committee to invest in Series 3A of the BCPP Private Markets funds, subject to necessary conditions being met.
3. Agreed the change in the CBRE real estate benchmark to an absolute 6% per annum.

Actions/further information to be provided:

None.

14/25 COMPANY ENGAGEMENT & VOTING UPDATE [Item 14]

Speakers:

Mel Butler, Deputy Head of Investment and Stewardship
 Tim Manuel, Head of Responsible Investment, BCPP
 Neil Mason, Director of Pensions (LGPS Senior Officer)

Key points raised in the discussion:

1. The Deputy Head of Investment and Stewardship outlined the Local Authority Pension Fund Forum (LAPFF) engagement, including engagement in the automotive industry on the transition to electric vehicles with progress in improved reporting on raw material sourcing, initiatives in education and supply chain audit, and increased accountability in mineral sourcing. Engagement with airlines resulted in long-term supply agreements and specific targets for sustainable fuel usage. Robeco's 2025 theme is 'Ocean Health' and companies are expected to define climate and biodiversity ambitions with quantifiable, time-bound roadmaps. BCPP continues to monitor the pushback on Environmental, Social and Governance (ESG) integration in investment decision making. She outlined the Surrey voting activity.
2. The Vice-Chairman noted the fiduciary duty to speak up and take action to protect Fund members' investments, he welcomed the interventions made.
3. A Committee member noted that the engagement with vehicle manufacturers and financial institutions in line with the RI goals demonstrated the value of successful engagement, in contrast with other sectors with unsuccessful engagement.
4. The Head of Responsible Investment (BCPP) noted that there had been a shift in the United States (US) political landscape with President Trump's withdrawal from the Paris Agreement, removal of pro-electric vehicle policies, freezing offshore wind development, and shift in energy policy toward fossil fuels. That had impacted on large financial institutions with ties to the US with prominent exits from climate alliances and the Net Zero Asset Manager Initiative had suspended activities to review its future direction. The US Securities and Exchange Commission issued new guidance imposing an onerous disclosure requirement if large investors actively engaged on ESG issues. BCPP was engaging with industry partners and external fund managers to understand implications and maintain long-term climate commitments.
5. A Committee member noted that the US President was issuing presidential executive orders that contravene the constitution, for example targeting a legal firm that acted in a legal case against the US government; that firm had backtracked and offered free legal services to the US government. He noted that posed challenges as the global financial systems are entwined with the US and major financial institutions were having to choose between aligning with some parts of the world looking for stability, and on ESG strong frameworks versus the opposite. He queried whether the Fund and BCPP could act more quickly if needed regarding the impacts on investments.
6. The Head of Responsible Investment (BCPP) noted that the Fund and BCPP benefit from being longer-term investors. There are investment market implications with tariffs and trade barriers, with investment managers making the best of opportunities and managing risks. There is a shift in attitudes towards climate risk

and ESG topics. BCPP is staying close to industry partners to understand the best way to respond and avoid constantly responding to the volatile situation.

7. The Vice-Chairman noted the risk of a serious and fast-moving event, with the US adopting similar behaviours to BRIC countries - with high global emissions. He noted the need to diversify investments and avoid investments in such countries which posed a risk on ESG performance.
8. The Director of Pensions (LGPS Senior Officer) noted that increased volatility in the market had been anticipated, hence the additional prudence in the actuarial assumptions.

RESOLVED:

1. Acknowledged the outcomes achieved for quarter ended 31 December 2024 by LAPFF and Robeco through their engagements.
2. Noted the direct voting by the Fund in the quarter ended 31 December 2024.

Actions/further information to be provided:

None.

15/25 RESPONSIBLE INVESTMENT UPDATE [Item 15]

Speakers:

Lloyd Whitworth, Head of Investment and Stewardship
Milo Kerr, BCPP

Key points raised in the discussion:

1. The Head of Investment and Stewardship noted that the UK Stewardship Code renewal submission incorporated the Surrey Pension Team Strategic Plan 2025/26, and key policies. Feedback from the Financial Reporting Council on last year's submission was incorporated into the submission to be made in May, such as emphasising the long-term nature of the investment mindset of the Fund. There was a review underway on the Code on the level of burden placed on signatories.
2. The BCPP representative confirmed that BCPP was on hand to provide support in providing data for the submission.

RESOLVED:

1. Noted that a UK Stewardship Code renewal submission is being prepared for the application to remain a signatory to the UK Stewardship Code.
2. Agreed the delegation to the Chair the final approval of the application for the Fund to remain a signatory of the UK Stewardship Code.

Actions/further information to be provided:

None.

16/25 ASSET CLASS FOCUS - CREDIT MARKETS [Item 16]

Speakers:

Lloyd Whitworth, Head of Investment and Stewardship
Anthony Fletcher, Independent Advisor

Milo Kerr, BCPP

Key points raised in the discussion:

1. The Head of Investment and Stewardship noted the allocation of around £900 million invested in the BCPP Multi Asset Credit (MAC) Fund.
2. The Independent Advisor noted that investments in government bonds managed by LGIM performed as expected, fixed interest gilts delivered negative returns over twelve months to 31 December. Non-government bonds and credit markets, saw reasonable returns. MAC in 2024 delivered a 7.2% return over the year, nearly 2% behind the cash benchmark but 1% above market return. Securitised assets and core manager PIMCO outperformed. Emerging market debt and high yield portfolio underperformed due to too much duration exposure and too much exposure to emerging markets which underperformed due to the strength of the dollar.
3. The Independent Advisor clarified that on 'un-intended asset allocation positions', comments made in the paper were incorrect, for example MAC's exposure to securitised credit was less overweight and not underweight as suggested by the report. On the dynamic asset allocation regarding table 3, concerning the Wellington manager he clarified that BCPP's objective was to be overweight on high yield debt and not underweight; the data was not easy to understand. He noted that MAC performance had been below the cash + 3-4% target, duration decisions had dominated the performance. With the current narrow credit spreads it would be difficult for BCPP to recoup MAC's underperformance. His view was for Surrey to engage with BCPP's Chief Investment Officer and manager selection team to strengthen confidence in BCPP's ability to deliver target returns.
4. The Head of Investment and Stewardship explained that all the different partner funds meet to discuss the various funds every quarter via an Officers Operations Group. There was a mix of views of whether MAC should be graded two or three - one being that the fund is 'on track' and three being that a reviewed was needed. The final decision of that group was to grade the MAC fund as two ('getting back on track'). There would be engagement between BCPP and partner funds to discuss their views.
5. The BCPP representative welcomed the clarifications made regarding the errors and acknowledged the need to be clear in reporting. Over the long-term, the performance versus the cash benchmark was impacted by the slump in bond prices in 2022 after launch. BCPP would like to discuss with partner funds whether there is a role for greater flexibility. Making up lost ground must be done in a risk-controlled manner; BCPP had shifted the portfolio towards the core which is managed by PIMCO which was more dynamic. BCPP had reduced exposure to managers with interest rate sensitivity, and reduced exposure to emerging markets. MAC is well positioned to provide diversification having delivered +2% in the first quarter to date, BCPP would be working with officers through the review.

RESOLVED:

1. Noted the Fund's credit exposure and review from the Fund's Independent Advisor.
2. Endorsed the review on MAC performance, the Committee to receive an update at its next Committee meeting.

Actions/further information to be provided:

1. 5/25 - The Committee will receive an update on MAC performance at its next meeting following the review.

The Committee adjourned for a comfort break, 13.29 pm to 13.42 pm.

George Potter and Robert Hughes left the meeting during the break.

17/25 RECENT DEVELOPMENTS IN LGPS (BACKGROUND PAPER) [Item 17]

Speakers:

Neil Mason, Director of Pensions (LGPS Senior Officer)
Anthony Fletcher, Independent Advisor

Key points raised in the discussion:

1. The Director of Pensions (LGPS Senior Officer) highlighted Surrey's response to the Fit for the Future consultation and the BCPP pooling response is included in Part 2. Noted that the New Fair Deal which concerned government guidance for transfers of employees as applied to academies, which would now include Further Education colleges. The Fund had responded to the Government's plans to bring death benefits in pension schemes under the IHT regime.
2. The Chairman noted that the response on IHT was well crafted. He asked whether the guidance on Further Education colleges helps their funding regime and helps in assessing their credit worthiness. The Director of Pensions (LGPS Senior Officer) explained that it brings the regime closer to the Admission Body status, statutory guidance underpins that - they would have to provide an LGPS pension to the transferring staff or a broadly equivalent scheme. He clarified that those institutions were brought under the Department for Education regime guarantee, and there had been a re-assessment of the covenant strength to reflect that.
3. A Committee member supported the view on IHT, the changes could affect his members severely; thanked officers for the advice provided. The Chairman believed it to be the case that the treatment of private schemes is the same. The Director of Pensions (LGPS Senior Officer) clarified that to be the case. The Independent Advisor added that it was the same regardless of type of scheme. The accounting community involved in auditing pensions is pushing back as the Government is requiring schemes to withhold inheritance tax, without having the information to do so.

RESOLVED:

Noted the content of this report.

Actions/further information to be provided:

None.

18/25 LOCAL GOVERNMENT REORGANISATION AND THE SURREY PENSION FUND [Item 18]

Speakers:

Neil Mason, Director of Pensions (LGPS Senior Officer)
Andy Brown, Deputy Chief Executive and Executive Director - Resources

Key points raised in the discussion:

1. The Director of Pensions (LGPS Senior Officer) noted that there would need to be a decision on the local authority which will host the Fund as the Administration

Authority, due to devolution and LGR. The Pension team would engage with key stakeholders; any solution must be consistent with Surrey's strategic sustainability objectives, must have the optimal governance structure to enable execution of fiduciary duty, and provide the best outcomes to Fund members and Surrey residents.

2. A Committee member highlighted that in the run up to LGR there would be a lot of work for the team to do as people would want to know their benefits and redundancy position. The Director of Pensions (LGPS Senior Officer) noted that conversations would be had on the matter.
3. The Chairman asked whether there would be stamp duty consequences in moving assets such as real estate. The Director of Pensions (LGPS Senior Officer) understood that there would not be, however the matter would be explored.
4. The Chairman noted concern about potentially having a Mayoral Strategic Authority as the Administration Authority for the Fund, as the Mayor's mandate to drive growth could conflict with the Fund making local investment decisions.
5. The Deputy Chief Executive and Executive Director - Resources noted that there could potentially be double change as a Mayoral Strategic Authority would follow a year after the vesting day of the new unitaries. He stressed that the independence of the Fund is paramount and he intended to include the disaggregation of pensions in the final plan to the Government by 9 May. The Chairman noted that officers would consult with the Committee and stakeholders before then.

RESOLVED:

Noted the paper and work in consultation with officers in providing recommendations for Surrey's response to the government on LGR regarding the SPF.

Actions/further information to be provided:

None.

19/25 EXCLUSION OF THE PUBLIC [Item 19]

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

20/25 INVESTMENT MANAGER PERFORMANCE AND ASSET/LIABILITIES UPDATE [Item 20]

RESOLVED:

Noted the Part 2 Annexe 1 to item 13 (Minute item 13/25).

21/25 SURREY PENSION FUND VALUATION 2025 UPDATE [Item 21]

Speakers:

Steven Scott, Hymans Robertson

Anthony Fletcher, Independent Advisor
Lloyd Whitworth, Head of Investment and Stewardship

Key points raised in the discussion:

1. The Hymans Robertson representative outlined the four key decisions to be made and the summary of the recommendations on the assumptions.
2. The Chairman asked what the most important assumptions were. The Hymans Robertson representative explained that it was the discount rate; he highlighted a chart showing the expected funding level based on the current level of prudence and the proposed increased level of prudence. The Fund could increase its prudence which improves the likelihood of positive future funding outcomes, without having to increase contribution rates for employers. He noted the contribution stability mechanism whereby rates cannot change by more than a certain percentage in a year for major employers.
3. A Committee member noted that it was sensible to increase the level of prudence given the global situation.
4. A Committee member noted the need to think carefully about the messaging explaining why the contributions could not be reduced by a larger amount, despite the Fund having a high funding level. The Hymans Robertson representative noted that he would liaise with officers to get the communications right.
5. The Hymans Robertson representative outlined the rate setting approach, noting the likelihood of success of a given contribution strategy leading to an employer meeting the funding target in the long-term, and the risk of regret. He outlined the analysis undertaken using quantitative and qualitative factors. He outlined the strategic actions possible from the modelling. The Fund would be in a cashflow negative position if contribution rates are reduced but that could be managed.
6. The Independent Advisor referred to the decision framework and asked whether Hymans Robertson had used the expected returns as they currently are. The Hymans Robertson representative noted that Hymans Robertson was allowing for full asset return expectations; he stressed that contribution stability is important.
7. The Chairman asked how confident Hymans Robertson is that the data used in the assumptions is realistic. The Hymans Robertson representative noted that Hymans Robertson was highly confident, the analysis was done in advance of the valuation date to give employers advanced notice of the expected contribution rates. He explained that asset shares are tracked monthly for each employer, and there might be a small shift in the final valuation data, but that would not be material.
8. The Head of Investment and Stewardship asked about the implications between the higher and lower funding level and how that would affect asset allocation. The Hymans Robertson representative noted that Hymans Robertson would never look to constrain the ISS, it tried to identify a sensible way to set contribution rates.
9. A Committee member queried what mechanism would be used when providing cash when the Fund becomes cash negative. The Head of Investment and Stewardship noted that over the years there had been a switch between taking and not taking income. BCPP was working on a programme offering income units as well as accumulation units so income could be realised quickly if needed.

RESOLVED:

Noted the report from Hymans Robertson and approved the recommended valuation assumptions.

Actions/further information to be provided:

1. 6/25 - The Hymans Robertson representative will liaise with officers to draft the communications to be issued regarding employers' contributions.

22/25 MIGRATION OF REMAINING NON-POOLED ASSETS INTO THE POOL [Item 22]

Speakers:

Mel Butler, Deputy Head of Investment and Stewardship

Key points raised in the discussion:

1. The Deputy Head of Investment and Stewardship noted that at the end of December, around 83% of the Fund's assets were pooled or under pooled management. The item focused on the remaining 17%, made up of three portfolios: Newton Investment Management equity funds, the CBRE property portfolio and legacy private investments.
2. The Chairman noted that the Fund was much better positioned than many other administering authorities and that this was generally the case with BCPP members.

RESOLVED:

Noted the pooling progress to date and the expected transition plan for the remaining non-pooled assets.

Actions/further information to be provided:

None.

23/25 BCPP GLOBAL EQUITY ALPHA UPDATE [Item 23]

Speakers:

Lloyd Whitworth, Head of Investment and Stewardship

Key points raised in the discussion:

1. The Head of Investment and Stewardship noted that BCPP and LGIM had worked well together to make the in specie transfer as efficient and cost effective as possible.
2. The Chairman thanked officers, BCPP and LGIM for their coordinated work.

RESOLVED:

Noted the unanimous agreement at the private informal meeting of the Committee on 14 February 2025 that the Fund's position in GEA be sold, in its entirety, and the proceeds reinvested into the LGIM Future World Global fund (Future World).

Actions/further information to be provided:

None.

24/25 BORDER TO COAST PENSIONS PARTNERSHIP UPDATE [Item 24]

Speakers:

Neil Mason, Director of Pensions (LGPS Senior Officer)
Milo Kerr, BCPP

Key points raised in the discussion:

1. The Director of Pensions (LGPS Senior Officer) noted that while the Fund had responded to the pooling consultation, the pools themselves had also been asked by the Government to demonstrate how they meet the Government's objectives for optimal pooling conditions. The BCPP response had been made in consultation with partner funds. BCPP was already compliant with several of the areas set out, such as being a Financial Conduct Authority (FCA) Regulated Investment Management Company, and they had also laid out detailed plans for full compliance. There had been workshops on some of the areas that require further development.
2. The BCPP representative thanked officers on the development of the transition plan. Implementing the plan would take a lot of collaboration; BCPP was in a good position.

RESOLVED:

1. Noted the Transition Proposal to government from Border to Coast, approved by shareholders of Border to Coast.
2. Noted the minutes of the Border to Coast Joint Committee meeting of 26 November 2024 included in the background papers.

Actions/further information to be provided:

None.

25/25 PUBLICITY OF PART 2 ITEMS [Item 25]

RESOLVED:

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

26/25 DATE OF NEXT MEETING [Item 26]

The date of the next meeting of the Committee was noted as 30 June 2025.

The Chairman noted that he was standing down and he thanked Committee members and officers for their work and support.

Meeting ended at: 14.36 pm

Chairman