

**MINUTES** of the meeting of the **SURREY PENSION FUND COMMITTEE** held at 12.45 pm on 2 June 2017 at Committee Room C, County Hall, Kingston upon Thames, Surrey KT1 2DN.

These minutes are subject to confirmation by the Committee at its next meeting.

**Elected Members:**

(\*Present)

- \* Mr Tim Evans (Chairman)
- Mr Ben Carasco (Vice-Chairman)
- \* Ms Ayesha Azad
- \* Mr John Beckett
- \* Mr David Mansfield
- \* Mrs Hazel Watson

**Co-opted Members:**

- \* Mr Tony Elias, Borough/District Representative
- \* Margaret Janes, Employers
- \* District Councillor Peter Stanyard, Borough/District representative
- Philip Walker, Employees

**In attendance:**

Sheila Little, Strategic Director of Finance  
 Phil Triggs, Strategic Finance Manager (Pensions and Treasury)  
 John Harrison, Advisor  
 Jo Holden, Mercer  
 Mr Nick Harrison, Chairman Local Pension Board  
 Neil Mason, Senior Advisor  
 Jason Bailey, Pension Lead Manager  
 Angela Guest, Regulatory Committee Manager

**18/17 APOLOGIES FOR ABSENCE AND SUBSTITUTIONS [Item 1]**

Apologies were received from Mr Ben Carasco and Mr Philip Walker.

**19/17 MINUTES OF THE PREVIOUS MEETING - 10 FEBRUARY 2017 [Item 2]**

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

**20/17 DECLARATIONS OF INTEREST [Item 3]**

There were none.

**21/17 QUESTIONS AND PETITIONS [Item 4]**

There was one question from Mr Stephen McDonald. This and the response are attached as Annex A.

**22/17 COMMITTEE WORKPLAN [Item 5]**

The Committee workplan was noted.

With the committee's agreement the Chairman re-ordered the agenda to run as follows: Items 9, 6, 14, 13, 7, 8, 10, 11 and 12 followed by the Exempt urgent item.

### **23/17 INVESTMENT STRATEGY STATEMENT [Item 9]**

**Declarations of interest:**

None

**Witnesses:**

Phil Triggs, Strategic Finance Manager (Pensions and Treasury)

**Key points raised during the discussion:**

1. The Strategic Finance Manager explained that the latest Statement had been approved at the last meeting, with minor amendments added to this latest version as a result of new investment opportunities approved at the previous meeting. The Committee's stance to Environmental, Social and Governance (ESG) issues are set out in the Statement and the Committee had previously requested for the Local Pension Board to review the ESG Policy and to feed back. He went through each section of the Statement explaining it to the new members.
2. The Committee agreed that the objectives were well written.

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

None.

**Resolved:**

That the Investment Strategy Statement, as in Annex 1 to the report, was approved.

**Reason for decision:**

It is a statutory requirement that the Pension Fund Committee should approve and regularly review its Investment Strategy Statement.

### **24/17 MANAGER ISSUES AND INVESTMENT PERFORMANCE [Item 6]**

**Declarations of interest:**

None

**Witnesses:**

John Harrison, Advisor  
 Phil Triggs, Strategic Finance Manager  
 Sheila Little, Strategic Director of Finance  
 Mercer

**Key points raised during the discussion:**

1. John Harrison presented the report to the committee. Notes from meetings with fund managers was tabled and are attached as Annex B.

2. Each of the fund managers were discussed regarding performance and issues arising. It was agreed that Newton should be visited every three to six months, rather than annually, to seek reassurance.
3. Mercer had been requested to review the asset allocation and risks as there may be a risk of being overweight in equities. Their comments were attached as Annex 4 to the report.
4. The Chairman was of the opinion that the Strategy should not be correlated to the measure of liabilities. That the Committee should decide if they were happy with the level of equities and whether to rebalance, but not on the percentage level of funding.
5. The Strategic Director of Finance explained that the Committee would govern the Strategy but the way the Strategy will be delivered will be the responsibility of the new Border to Coast Pension Pool (BCPP).
6. Mercer agreed to send some proposals to the Strategic Manager.

**Resolved:**

That under Section 100(A) of the Local Government Act 1972, the public be excluded from the meeting for the discussion on the exempt appendix on the grounds that it involved the likely disclosure of exempt information under the relevant paragraphs of Part 1 of Schedule 12A of the Act.

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

To consider setting up an additional meeting in July 2017 for potential interviews.

**Resolved:**

1. The report was noted.
2. The Border to Coast side letter for inclusion in the final governance BCPP governance documents was approved (Exempt Annex 1 to the report).
3. That the £15m commitment to the Standard Life Secondary Opportunities III Fund (SOF III) agreed at the meeting on 10 February 2017 be denominated in US dollars in the sum of USD20m.
4. That USD20m is not committed to BlackRock PEP VII (2016 Vintage).
5. To allocate USD20m to the West Street Infrastructure Partners Fund III was approved.
6. That the Pool's revised approach to cost allocation was approved.

**Reason for decision:**

In order to achieve best possible performance alongside optimal risk.

*Mr John Beckett left the meeting at 1.45pm.*

*Mr Tony Elias left the meeting at 1.55pm*

*The Committee adjourned for a five minute comfort break at 1.55pm and reconvened at 2pm.*

**25/17 LOCAL PENSION BOARD UPDATE & REPORT ON ENVIRONMENTAL, SOCIAL AND GOVERNANCE COMPLIANCE [Item 14]**

**Declarations of interest:**

None

**Witnesses:**

Mr Nick Harrison, Chairman Local Pension Board

Mercer

**Key points raised during the discussion:**

1. The Chairman of the Local Pension Board explained the report and went through each recommendation from the Board. Mercer explained their advice provided in the exempt annex provided with the report. Both responded to Member queries.

**Resolved:**

That under Section 100(A) of the Local Government Act 1972, the public be excluded from the meeting for the discussion on the exempt Annex 2 on the grounds that they involve the likely disclosure of exempt information under paragraph 3 of Part 1 of Schedule 12A of the Act.

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

None.

**Resolved:**

1. That the Local Pension Board continue to gather evidence from peers, such as South Yorkshire Pension Authority, the Environment Agency and Avon, with a view to recommending proposals to the Committee for long term ambition in regard to sustainable investment for consideration later in 2017.
2. That the Fund publishes its Stewardship Statement with the Financial Reporting Council (FRC) as part of the Strategy review.
3. To develop a set of principles on its approach to climate change as part of its Investment Strategy Statement (ISS).
4. To consider what additional transparency and reporting arrangements could be made in regard to its Responsible Investment activities, including reporting its interaction with the Local Authority Pension Fund Forum (LAPFF), annual Environment, Social and Governance (ESG) ratings and stewardship reports.
5. That UN Principles for Responsible Investment (PRI) be followed but not to be a member.
6. To request that Mercer undertake further research into the fiduciary prudence of adopting a target of investment in low carbon assets.
7. That the Committee support the following expectations with the Border to Coast Pensions Partnership (BCPP) asset pool:
  - That portfolio level monitoring of ESG metrics and carbon foot printing is developed as part of the pooling arrangements.
  - That the pooled fund use its scale and influence to develop a consistent RI approach.
  - That the pooled fund appoint managers with clear ESG policies in place.
  - That the pooled fund retain specialist expertise in respect of responsible investment.
  - That the pooled fund make arrangements to develop a specific low carbon passive investment vehicle.
8. That the next steps contained in the report be taken forward.

**Reason for decisions:**

They set out both a short-term and long-term approach to incorporating ESG considerations into the investment decisions made by the Fund, and reflect industry standards around good governance, transparency and fiduciary prudence.

**26/17 ADMINISTRATION UPDATE AND ISSUES [Item 13]****Declarations of interest:**

None

**Witnesses:**

Neil Mason, Senior Advisor  
Jason Bailey, Pension Lead Manager

**Key points raised during the discussion:**

1. The Senior Advisor introduced the report and the Pension Lead Manager explained the Key Performance Indicators (KPIs). In response to a member query regarding the three KPIs not met it was explained that officers expected them to be met within three to six months.

**Resolved:**

That under Section 100(A) of the Local Government Act 1972, the public be excluded from the meeting for the discussion of exempt annex 2 on the grounds that it involved the likely disclosure of exempt information under paragraph 1 of Part 1 of Schedule 12A of the Act.

2. Some serious concerns were raised in respect of the Internal Audit report on pensions administration and the performance of pension administration in general. Officers propose to take an update report on the Orbis management response to Internal Audit recommendations and the general performance of pension administration to the Local Pension Board meeting of 27 July 2017. Members of the Committee were welcome to attend that local board meeting of 27 July.

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

None.

**Resolved:**

1. To commission the local pension board to monitor improvement progress of the pension administration function.
2. That the reports on Key Performance Indicators for the quarter to 31 March 2017, the Pensions Administration Audit 2016/17 and the update from the Local Pension Board be noted.

**Reason for decision:**

In order to achieve best possible performance alongside optimal risk.

**27/17 PENSION FUND RISK REGISTER [Item 7]****Declarations of interest:**

None

**Witnesses:**

Phil Triggs, Strategic Finance Manager

**Key points raised during the discussion:**

1. The Committee had a short discussion about cyber risk and whether IT systems needed changing. It was reported that the IT system did not need changing and that security level had increased.

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

**None.**

**Resolved:**

That there were no additions or amendments to be made to the Risk Register.

**Reason for decision:**

A solid framework of risk management is required in order to manage the considerable risk environment surrounding the governance and investment of the pension fund.

**28/17 SHARE VOTING [Item 8]****Declarations of interest:**

None

**Witnesses:**

Phil Triggs, Strategic Finance Manager

**Key points raised during the discussion:**

1. The Strategic Finance Manager introduced the report and in response to a member query stated that he would bring back information regarding changes as a result of voting.

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

That the Strategic Finance Manager bring back information regarding changes as a result of voting.

**Resolved:**

1. To note the report.
2. That the latest versions of the Responsible Investment and Stewardship Policy and Voting Template were approved.

**Reason for decisions:**

The Pension Fund Committee must be aware of the voting actions pertaining to the segregated portfolios of shares held within the pension fund.

**29/17 MIFIDII [Item 10]****Declarations of interest:**

None.

**Witnesses:**

None.

**Key points raised during the discussion:**

1. This report and its recommendations were agreed without discussion.

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

None.

**Resolved:**

1. That the report be noted.
2. That officers undertake the opting up to elective professional status process when the proposed Regulations come into force.

**Reason for decision:**

The Pension Fund Committee must approve all legislative processes reference the pension fund.

**30/17 ACTUARIAL VALUATION 2016: OUTCOME [Item 11]**

**Declarations of interest:**

None.

**Witnesses:**

None.

**Key points raised during the discussion:**

1. This report and its recommendations were approved without discussion.

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

None.

**Resolved:**

1. That the report was noted.
2. That the 2016 actuarial valuation and the Funding Strategy Statement be adopted.

**Reason for decision:**

A triennial actuarial valuation is a statutory requirement for the pension fund.

**31/17 PENSION FUND BUSINESS PLAN 2016/17: OUTTURN REPORT [Item 12]**

**Declarations of interest:**

None

**Witnesses:**

Phil Triggs, Strategic Finance Manager

**Key points raised during the discussion:**

1. The Strategic Finance Manager introduced the report which was an annual document and briefly explained achievements made and where further, or ongoing, work was needed. Overall most of what was wanted to be achieved was achieved to a good standard.
2. A self assessment score was tabled and it attached as Annex C. The committee were happy with the mix of members on the committee and congratulated officers.

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

None.

**Resolved:**

That the achievements and progress made with regard to the Business Plan objectives, shown in Annex 1 to the report, in respect of the 2016/17 financial year were noted.

**Reason for decision:**

A business plan is required by best practice in order to set relevant targets and monitor progress. Monitoring the outturn against the objectives set is an essential part of the planning and monitoring and outturn processes.

**32/17 EXCLUSION OF THE PUBLIC [Item 15]**

**Resolved:** That under Section 100(A) of the Local Government Act 1972, the public be excluded from the meeting for the following items of business on the grounds that they involve the likely disclosure of exempt information under paragraph 3 of Part 1 of Schedule 12A of the Act.

**33/17 URGENT ITEM - ACTUARIAL AND BENEFITS CONSULTANCY SERVICES [Item 15a]****Declarations of interest:**

None

**Witnesses:**

Phil Triggs, Strategic Finance Manager

**Key points raised during the discussion:**

1. This item has been accepted as an urgent item according to procedural rules and agreed by the Chairman for consideration on 2 June 2017.
2. The Strategic Finance Manager introduced this exempt report.

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

None.

**Resolved:**

1. To undertake a temporary contract with Hymans Robertson to 30 September 2017, or a later date mutually agreed by the Administering



Authority and Hymans Robertson, subject to Legal and Procurement advice.

2. That officers engage with National LGPS Frameworks reference the actuarial contract procurement, subject to Procurement advice, and a shortlist of candidates be brought to a Pension Fund Committee for interview.

**Reason for decision:**

To ensure continuation of the provision of actuarial and benefits consultancy services.

**34/17 DATE OF NEXT MEETING [Item 17]**

The date of the meeting was noted.

Meeting ended at: 3.30 pm

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**Chairman**

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