



## **The Surrey Local Pension Board 17 January 2019**

### **Summary of the Pension Fund Committee meeting of 18 November 2018**

#### **Recommendations:**

1. The Board is asked to **note** the content of this report.

#### **Detail:**

##### **Introduction**

2. The Pension Fund Committee met on 18 November 2018. This report provides a summary of this meeting and any resolutions made.

##### **Forward Plan**

3. The latest approved Pension Fund Committee Forward Plan is shown as Annex 1.

##### **Local Pension Board report**

4. The Pension Fund Committee (Committee) received the report from the Local Pension Board (Board) including the following recommendations (shown as Annex 2):
  - Endorse requesting a legal opinion on the ramifications of recovering overpaid guaranteed minimum pensions (GMPs).
  - Approve the addition of a risk for interim / replacement Section 151 Officer, with a moderate risk score of 8 (due to the number of experienced supporting officers in the Finance Management Team).

#### *The Committee approved all the recommendations*

5. The Committee received a summary of key highlights from the Local Pension Board Chairman from its meeting of 23 October 2018.
6. It was noted that the Pensions AGM scheduled on 23 November 2018 would be a good opportunity to remind employers of the discretions exercise.

7. The Pensions Lead Manager acknowledged concerns regarding the poor performance against the key performance indicators and assured the Committee that the service would improve with the recently recruited nine new starters in place.
8. It was noted that the Pension Administration team were working towards tackling missing addresses for members of the Fund and were considering contacting the National Insurance Contributions Office to recover them.
9. The Committee raised concerns with the 37% non-compliance in relation to deferred annual benefit statements and requested the Pensions Lead Manager to provide further data on this issue. There was under 5% non-compliance in relation to active annual benefit statements.
10. There was a discussion around guaranteed minimum pension (GMP) and the Pensions Lead Manager agreed to consider gender equalisation going forward and clarifying whether the GMP exercise included transfers.

#### **Cost effective measurement benchmarking review**

11. The Pension Fund Committee noted the main findings of the report; the Fund's Net Value added, as a result of its investment strategy and active management decisions, was higher than other LGPS Funds by +0.1. The Fund's overall investment costs in 2017/18 were lower than the peer benchmark by approximately -£1m. The Fund also made cumulative savings in investment costs from 2013/14 to 2017/18, of approximately -£1.4m.

#### **Cash-flow analysis**

12. It was noted that the half-yearly (quarters one and two) cash flow for the Surrey Pension Fund showed positive cash flow of £4,112,114.
13. It was highlighted that the figures demonstrating the membership trends for quarter one 2018/19 were not an accurate representation of membership movement.
14. The Committee requested revised figures for the statistics provided by the Pensions Administration team on current membership trends.

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

15. The Committee noted the three stages of the equity transitions based on the 30 September valuations; these being.
  - i) Internal reorganisation at Legal & General Investment Managers (LGIM), to include RAFI and Low Carbon (this can be completed in Q4)
  - ii) Funding of the Border to Coast Pension Partnership (BCPP) UK Equity Alpha Fund (implemented in line with BCPP requirements and timeline)
  - iii) Funding of the BCPP Global Equity Fund (expected to be implemented in 2019)
16. It was highlighted that the overall target allocation of LGIM remained the same, therefore there was no need for transfers between managers for stage 1.

17. It was noted that stage 2 would be relatively simple. The Fund's Investment consultant Mercer, recommended that the entire holding in UBS be transferred to the new fund as it would be one of the underlying managers for the BCPP.
18. The Committee were informed that the final stage of the transfer would involve transitioning the remaining active equities to BCPP and this would bring the Fund into line with the target geographic split agreed by the Committee.
19. The Committee discussed the following managers in turn:
  - Marathon (global equity) was the largest global equity manager and was now operating under a new strategy. The Committee agreed it would be useful to view the results per the new strategy to monitor the effectiveness.
  - Majadie (UK equity) would no longer be a manager for the Surrey Pension Fund due to its transition to the BCPP.
  - Newton (global equity) had previously struggled however showed improvement in the last 12 months. Despite improvement were under review until confidence was restored.

### **Multi-employer investment strategies**

20. The Committee agreed for officers to carry out initial work, allowing the Fund to establish whether tailored strategies would be appropriate for the Fund and suggested that it would be good practice to review other LGPS strategies to get a wider spread of understanding.
21. It was highlighted that the global equity mandates in particular the global equity portfolio had become overweight (£75m) due to strong returns. Officers brought forward recommendations to rebalance the equity holdings.

### **National Pooling Update**

22. This is included in a separate paper.

### **Infrastructure Manager Selection**

23. The Fund's investment consultant, Mercer, considered a number of managers and against the desirable characteristics the Fund approved at its meeting on 14 September 2018; these being:
  - Global
  - A preference for infrastructure
  - A focus on sustainable or renewable energy
  - Consider complementarity with strategies being implemented by Border to Coast partner funds.
24. It was noted that the manager recommended by Mercer was Glenmont due to its high rating, that it invests exclusively in clean energy, its LGPS familiarity and that its strategy was currently raising capital and has begun drawing money down.
25. The Committee agreed to commit £40m to the Glenmont – Clean Energy Fund Europe III.

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**Sources/background papers:**

**Annexes:**

1. Pension Fund Committee Forward Plan
2. Local Pension Board committee report