



The Surrey Local Pension Board 25 April 2019

Summary of the Pension Fund Committee meeting of 8 February 2019

Recommendations:

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

Detail:

Introduction

2. The Pension Fund Committee met on 8 February 2019. 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):
 - Approves the following changes to the Fund risk register:
 - i) Amendments to the following risks (shown as Annex 1) chiefly to reflect updates in regards to Border to Coast:
 - 1-2, 4-8, 11, 13-15, 17-20, 23-24, 27.
 - ii) Addition of the following risks:
 - Transition of assets to BCPP be included as risk number 29, with a total risk of 40 (Red) and net risk of 10 (Green).

- The HM Treasury and Scheme Advisory Board cost management process has an implied increase in employer contributions be included as risk number 30, with a total risk of 28 (Amber) and net risk of 7 (Green).
- Impact of the Pension Services Manager leaving the council be included as risk of 31, with total inherent risk of 21 (Amber) and Residual risk of 7 (Green).
- Failure to deliver accurate and effective pension administration be included as risk of 32, with total inherent risk of 36 (Red) and Residual risk of 18 (Amber).

The Committee approved all the recommendations

5. The Local Board brought to the attention of the Committee the number of serious administration errors that had been reported by the Assistant Director for Business Operations at its last meeting.
6. Members of the Committee queried how the profound weaknesses had not been detected sooner and were informed that the establishment of the Local Pension Board had been a key factor in identifying these working alongside Internal Audit.
7. The Committee requested that a detailed update report be presented to the June meeting of the Committee.

Company engagement and voting

8. The Committee were provided with a report outlining the outcomes achieved for quarter ending 30 September 2018 by Robeco and the Local Authority Pension Fund Forum (LAPFF), by engaging with companies on various Environmental, Social and Governance Issues (ESG) issues.
9. Details of the Surrey Pension Fund's share voting process for the quarter ending 31 December 2018 were further noted.

The Committee requested further detail on share voting and resolutions made on behalf of the Surrey Pension Fund be included in future update reports.

Training policy

10. The Committee approved a revised training policy and agreed that all members should prioritise attendance at training events wherever practicable. Training will be reviewed on an annual basis.

Cash-flow analysis

11. The Committee noted the cash-flow position for quarters two and three which confirmed that no further action was required.

Investment strategy statement (ISS)

12. The Committee approved the following changes to the ISS:
 - Changes to job titles and frequency of Local Board meetings.

- The change in the Environmental, Social and Governance (ESG) policy to support and, where relevant, comply with the Border to Coast Pension Partnership (BCPP) Responsible Investment Policy (the BCPP Responsible Investment Policy was revised in November 2018 and is reproduced as Appendix C in the amended ISS).
- The change in the Policy of the exercise of rights (including voting rights) attaching to investments to support the BCPP Corporate Governance and Voting Guidelines (the BCPP Corporate Governance and Voting Guidelines were revised in November 2018 and are reproduced as Appendix D in the amended ISS).
- Addition of Glennmont Clean Energy Fund Europe III to the list of Private Equity Managers.
- Inclusion of UK Base Rate as benchmark for Ruffer and inclusion of Fund's target return of +3% (gross of fees) over 3 year rolling periods against UK Base Rate.

Investment Manager Issues and Asset/Liabilities Performance Update

13. The Committee noted that the downside equity protection policy was effectively and had mitigated equity losses in quarter four. The equity protection strategy will be formally reviewed at the Committee meeting in September 2019.
14. The recent transfer to Border to Coast Pension Partnership (BCPP) had gone well during a difficult trading period. The Committee informed that a range of alternative investment options were being created by Border to Coast that the Surrey Pension Fund would be able to invest in going forward.
15. That the funding level as at 31 December 2018 was 93.3%. That the Fund's investment performance for the quarter ending 31 December 2018 was -3.4%.

National Pooling Update

16. Details regarding this item are included in a separate paper.

Report contact: Neil Mason, Strategic Finance Manager (Pensions)

Contact details: T: 020 8213 2739 E: neil.mason@surreycc.gov.uk

Sources/background papers:

Annexes:

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

This page is intentionally left blank