

MINUTES of the meeting of the **SURREY PENSION FUND COMMITTEE** held at 10.00 am on 12 March 2021 at Remote via Teams.

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

Elected Members:

- Ms Charlotte Morley
- * Mr Tim Evans (Chairman)
- * Mr Ben Carasco (Vice-Chairman)
- * Mr John Beckett
- Mr David Mansfield
- * Mrs Hazel Watson

Ex officio Members:

Mr Tim Oliver, Leader of the Council

Co-opted Members:

- * Kelvin Menon
- * Borough Councillor Ruth Mitchell, Hersham
- * District Councillor Tony Elias, Bletchingley and Nutfield
- * Philip Walker, Employees

83/21 APOLOGIES FOR ABSENCE AND SUBSTITUTIONS [Item 1]

Apologies were received from David Mansfield and Charlotte Morley.

84/21 MINUTES OF THE PREVIOUS MEETING [11 DECEMBER 2020] [Item 2]

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

85/21 DECLARATIONS OF INTEREST [Item 3]

There were none.

86/21 QUESTIONS AND PETITIONS [Item 4]

There were six questions from members of the public. These and the responses were published as a supplement to the agenda. Summary of supplementary questions included:

1. Jenifer Condit acted as representative for Simon Hallett who asked a detailed question around whether or not it was believed that external organisations were green washing or just prudent risk managers. The Chairman stated that this was asking for his opinion which he could not give and pointed out that later in the meeting was to be a report from Border to Coast that shows that they are taking ESG very seriously. Simon was asked to email his question to the pension team for a written response.

2. Jenifer Condit stated that she was concerned about the Committee's engagement policy. One part in particular was to do with voting on a motion for Shell to disclose targets to be in line with the Paris Agreement. In the years 2017-19 the Fund voted for the motion but in 2020, abstained from supporting it. What was the rationale? The pension team to give a written response.
3. Helena Ritter asked if the Committee were aware of the Net Zero Investment Framework and would they engage with Border to Coast to encourage them to apply to the framework? The Strategic Finance Manager (Pensions) stated that they and Border to Coast were aware of the framework and that it was under consideration.
4. Pat Smith stated the BP were investing £53.2 billion in fossil fuels and renewables and gave examples of why the Committee should divest from BP, for example they were not agreeing to Paris and ignoring engagement. Therefore what more did the Committee need to instruct Border to Coast to instruct managers to divest from BP? In response, the Chairman stated that the Committee believed in engagement rather than divesting and that divesting from any company was not the right way forward and just pushed the problem elsewhere. The Chairman went on to say that managers would be aware of the issues she raised and that it was down to them to engage or divest.
5. Ian Chappell stated that as of end of December the Fund Manager Newton held £1.1m of shares in Suncore and that this was a worst in class company. Therefore, why does the Fund continue to invest in Suncore? The Chairman responded that the Committee did not instruct managers to invest or divest but gave them an overriding set of principles linked to the Investment Strategy and that he would arrange for a written response from the Investment Manager.
6. Janice Baker stated that she could not see from the response to the original question that there was any sense of urgency in getting down to this and asked what are the outcomes of the analysis and what were the target outcomes and asked for a timeframe. The Chairman responded that the Committee were aware of stranded assets and pointed Janice to a later report on the agenda for the implementation of the investment strategy which gave regard to sustainable development and growth. The concept of stranded assets was incorporated in everything that was being done. The Committee were continually looking to move the portfolio to a position where it does satisfy the those principles as far as able.

87/21 BUSINESS PLAN 2021/22 [Item 5]

Speakers:

Neil Mason, Strategic Finance Manager (Pensions)

Key points raised during the discussion:

1. The Strategic Finance Manager (Pensions) introduced the Business Plan which provided the operational framework for the Pension Fund Committee to agree and deliver its strategic objectives for investment, funding, governance and delivery. He highlighted the additions to the business plan which were laid out in paragraph eight of the report. He also explained that the Mission Statement had been amended to make it clearer as laid out in the annex to the report.

Actions/ further information to be provided:

None.

Resolved:

1. That the proposed amendments to the Committee's Mission Statement was approved.
2. That the Business Plan 2021/22, as provided as annex 1 to the submitted report, was approved.

88/21 COMPANY ENGAGEMENT AND VOTING [Item 6]**Speakers:**

Mamon Zaman, Senior Pensions Finance Specialist

Anthony Fletcher – Advisor

Neil Mason, Strategic Finance Manager (Pensions)

Key points raised during the discussion:

1. The Senior Pensions Finance Specialist highlighted the following paragraphs of the submitted report:
 - Paragraph 10 that explained Robeco had begun a new engagement programme following the introduction of the new Net Zero Company Benchmark by Climate Action 100+.
 - Paragraph 19 that explained the Impact Investing Principles for Pensions are set of Principles designed to assist pension schemes navigate and respond to the significant shift in understanding of environmental, social and governance (ESG) risks and opportunities. There were two new principles adopted which were set out in annex 1 to the report.
 - Paragraph 23 which explained the Say on Climate Initiative that was designed to address the issue that both investors and companies have, as of yet, not made significant enough progress to manage the low carbon transition.
2. In response to a question the Senior Pensions Finance Specialist stated that Team had pushed beyond capabilities, given the resources available, in order to make things happen.
3. The Strategic Finance Manager (Pensions) also pointed out that engagement was undertaken collaboratively with Border to Coast and therefore took a consensual position on the Pension Funds.

Actions/ further information to be provided:

None.

Resolved:

The Committee reaffirmed that ESG Factors are fundamental to the Fund's approach, consistent with the Mission Statement through;

- Continuing to enhance its own Responsible Investment Approach, its Company Engagement policy, and SDG alignment
- Applauding the outcomes achieved for quarter ending 31 December 2020 by Robeco in their Active Ownership approach

and the LAPFF in its Engagement with multinational companies as at 31 December 2020.

- Support the Say on Climate Initiative and approve Officers to work with Fund Managers and BCPP in adopting the actions
- Support the Impacting Investing Principles for Pension Schemes.

89/21 INVESTMENT CORE BELIEF IMPLEMENTATION UPDATE [Item 7]

Declarations of interest:

None

Witnesses:

Neil Mason - Strategic Finance Manager (Pensions)

Anthony Fletcher - Independent Advisor

Key points raised during the discussion:

1. The Strategic Finance Manager (Pensions) highlighted various parts of the submitted report including:
 - The work to incorporate SDG metrics in selecting, monitoring and evaluating investment managers as described in paragraphs 8-13 of the submitted report. That whilst the WBA SDG 2000 benchmark was helpful in establishing a starting position, it did not currently have a sufficiently mature data set to provide a completely reliable metric for the ongoing evaluation and monitoring of investment managers across all 17 UN SDGs.
 - As part of its pooling commitment, the Fund had embarked on transitioning all of its actively managed listed and legacy unlisted assets to Border to Coast. In the future all assets will be managed by Border to Coast, with only indexed assets excluded from this commitment. The Fund's current provider of indexed assets is LGIM, therefore, the work to develop SDGs into an engagement framework for companies will concentrate on LGIM and Border to Coast.
2. The Investment Advisor stated that companies could not remain investable unless they were moving the right direction. Surrey had pushed to get Border to Coast moved up the agenda.
3. Members noted that LGIM had been long term leaders in this field and that Border to Coast had only a few years and were having to move very quickly without the resources of LGIM.
4. Members were also pleased that a data driven approach was being taken and of the progress made. Thanks were extended to officers.

Actions/ further information to be provided:

None.

Resolved:

1. That the progress against the actions agreed in the Pension Fund Committee meeting of 11 December 2020 be noted.

90/21 LOCAL BOARD REPORT [Item 8]

Speakers:

Mr Nick Harrison, Chairman Surrey Local Pension Board
Neil Mason, Strategic Finance Manager (Pensions)

Key points raised during the discussion:

1. Mr Nick Harrison introduced the Local Pension Board report that summarised administration and governance issues reviewed by the Local Pension Board at its last meeting for noting or action by the Pension Fund Committee.
2. Some of the highlights included:
 - The re-procurement of the IT software platform which was won by Heywood Aquilla.
 - The effect of Covid on the performance of death benefit payments.
 - That the team had performed well with the annual benefit statements and that an audit was in progress on some elements.
 - The administration team were to focus on transfers in and out.
 - The Board were impressed with the detail and coverage of the Communications Policy and recommend that the Committee adopt it.
 - The Board had requested that MIFID training be incorporated into the Training Plan.
 - The Exit Cap had been temporarily revoked by Government which the Board were happy about.
 - The Board's Terms of Reference had been amended in that the quorum was now three members, rather than four, which kept it in line with other council committees.
3. The Strategic Finance Manager thanked the Board for their support on the significant number of legacy issues.

Actions/ further information to be provided:

None.

Resolved:

1. That the quorum amendment to the Local Pension Board Terms of Reference be agreed.
2. That the notes of the informal Local Pension Board meeting of 11th February 2021 were noted.
3. That the following changes to the risk register (Shown as Annexe 3): risks (A8), Head of Pension Administration leaving, (A20) and moving out of County Hall (A22) in the Administration Risk Register (background paper) be approved.
4. That the conflicts between the Restriction of Public Sector Exit Payments Regulations 2020 and the Local Government Pension Scheme Regulations 2013 have, at least temporarily, been resolved. The Government has disapplied the exit cap and promised to revoke it in due course; however, it is still looking at ways of reducing exit payments be noted.

91/21 REVISED TRAINING POLICY [Item 9]**Speakers:**

Ayaz Malik - Pensions Finance Specialist
 Mr Nick Harrison, Chairman Surrey Local Pension Board
 Neil Mason - Strategic Finance Manager (Pensions)

Key points raised during the discussion:

The Pensions Finance Specialist introduced the report that set out the Pension Fund training policy.

The Chairman of the Surrey Local Pension Board stated that he thought that the Pension Board's comments had not been taken into consideration and would discuss this outside of the meeting.

The Strategic Finance Manager reported that MIFID training would be incorporated.

Actions/ further information to be provided:

None.

Resolved:

1. That the training policy, with the inclusion of MIFID training, be approved and that all members should prioritise attendance at training events wherever practicable was agreed.
2. That the Pension Fund Committee formally review the training policy on an annual basis noting that it could be updated at any time.

92/21 INVESTMENT PERFORMANCE AND FUNDING REPORT [Item 10]**Speakers:**

Mamon Zaman - Senior Pensions Finance Specialist
 Neil Mason - Strategic Finance Manager (Pensions)
 Anthony Fletcher - Independent Advisor

Key points raised during the discussion:

1. The Senior Pensions Finance Specialist gave a brief introduction to the report which set out manager issues that needed to be brought to the attention of the Pension Fund Committee, as well as an update on investment performance and the values of assets and liabilities.
2. Members commented that the fund was fully funded which was good and that contributions were kept stable regardless of the funding position.

Actions/ further information to be provided:

None.

Resolved:

1. That the main findings of the report in relation to the Fund's valuation and funding level, performance returns, asset allocation and performance fees be noted.

93/21 VOTE OF THANKS [Item 17]

The Chairman thanked the Vice Chairman, the Pensions Team, Democratic Services and the Advisors for their work and support to the Committee and to him as Chairman.

11.49am: The Committee adjourned for three minutes for a comfort break.

94/21 EXCLUSION OF THE PUBLIC [Item 11]

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**95/21 INVESTMENT PERFORMANCE AND FUNDING REPORT [Item 12]****Speakers:**

Anthony Fletcher - Independent Advisor
Neil Mason - Strategic Finance Manager (Pensions)
Andrew Stone, Border to Coast

Key points raised during the discussion:

1. The Strategic Finance Manager (Pensions) introduced the Part 2 annexes of the Part 1 report that detailed manager and performance issues and highlighted the funding level.
2. Part 2 minutes [E-6-2021].

Actions/ further information to be provided:

None.

Resolved:

See Minute 92/21.

96/21 INVESTMENT STRATEGY IMPLEMENTATION [Item 13]**Speakers:**

Neil Mason - Strategic Finance Manager (Pensions)
Anthony Fletcher - Independent Advisor
Steve Turner,
Andrew Stone, Border to Coast
Sam Wereford, Border to Coast

Key points raised during the discussion:

1. The Senior Pensions Finance Specialist introduced a Part 2 report that detailed progress on the implementation of recommendations agreed at previous meetings of the Committee.

2. See exempt minute [E-7-2021]

Actions/ further information to be provided:

None.

Resolved:

See exempt minute [E-7-2021]

Tony Elias left the meeting at 12.23pm during discussion of this item.

97/21 BORDER TO COAST UPDATE [Item 14]

Speakers:

Rachel Elwell, Border to Coast

Neil Mason - Strategic Finance Manager (Pensions)

Mr Nick Harrison, Chairman Local Pension Board

Key points raised during the discussion:

1. The Strategic Finance Manager (Pensions) introduced a Part 2 report. Rachel Elwell, Border to Coast gave a slide presentation to the Committee.
2. See Minute [E-8-21]
3. The Strategic Finance Manager (Pensions) thanked the Chairman and Committee for their support during their term of office.
4. The Vice Chairman thanked the Chairman for the inclusive way in which the Committee was run. He also thanked the Strategic Finance Manager (Pensions) and the Independent Advisor.

Actions/ further information to be provided:

None.

Resolved:

1. That the shareholder approval of the Border to Coast Strategic Plan 2021-24 Border to Coast Strategic Plan be noted.

All external invitees left the meeting.

98/21 PROVISION OF INVESTMENT ADVICE AND CONSULTATION SERVICES [Item 15]

Speakers:

Neil Mason - Strategic Finance Manager (Pensions)

Key points raised during the discussion:

1. The Committee discussed this Part 2 report that set out the current arrangements for investment consultancy services and independent investment advice. The contract for investment consultancy was due to expire in April 2021.
2. See Exempt Minute [E-9-21].

Actions/ further information to be provided:

None.

Resolved:

1. That officers be authorised to explore the most efficient way of procuring investment consultancy and independent advice services, in consultation with the Chairman.

99/21 PUBLICITY OF PART 2 ITEMS [Item 16]**Resolved:**

That no Part 2 papers be released to the public.

100/21 DATE OF NEXT MEETING [Item 18]

The date of the meeting was noted.

Meeting ended at: 1.37 pm

Chairman

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