

SURREY COUNTY COUNCIL**LOCAL PENSION BOARD****DATE:** 29 JULY 2022**LEAD OFFICER:** ANNA D'ALESSANDRO, DIRECTOR OF FINANCE,
CORPORATE AND COMMERCIAL**SUBJECT:** SUMMARY OF THE PENSION FUND COMMITTEE MEETING OF
17 JUNE 2022**SUMMARY OF ISSUE:**

This report provides the Local Pension Board (the Board) with a summary of any Surrey Pension Fund Committee (the Committee) meetings held since the last meeting of the Board.

RECOMMENDATIONS:

It is recommended that the Board:

Note the content of this report and make recommendations to the Committee if appropriate.

REASON FOR RECOMMENDATIONS:

The Public Sector Pensions Act 2013 requires Local Pension Boards to assist the Scheme Manager in securing compliance with the Local Government Pension Scheme (LGPS) Regulations and requirements imposed by the Pensions Regulator. This report provides the Board with insight into the activities of the Surrey pension function and furthers the successful collaboration of the Committee and Board in managing risk and compliance and promoting effective governance.

DETAILS:**Background**

1. The Committee met on 17 June 2022. This report provides a summary of this meeting and any decisions made.

Local Pension Board report

2. The Committee received the report from the Board (shown as Annexe 1).
3. The Board report provides a summary of administration and governance issues reviewed by the Board at its last meeting for noting or action by the Pension Fund Committee.

4. The Chairman of the Board presented the report, highlighting a number of key areas:
 - a) Work continues to combine and substantially update the Risk Registers to provide a more consistency approach in line with Surrey County Council.
 - b) Administration Performance report and Update.
 - c) McCloud judgement still awaiting Regulations update which is not expected until October 2023.
 - d) Guaranteed Minimum Pension (GMP) reconciliation project is still not complete.
 - e) The Turnaround programme. The new team structure is now in place. Both Chairs of the Pension Board and the Surrey pension Committee attended a launch event on 19th May at Dakota. The event was well attended by staff.
 - f) The Audit Plan: there are three more Audit Reports to be presented to the Local Pension Board at the end of July.
 - g) Governance of Board to Coast: a separate meeting has taken place to review the changes proposed with the chairs of both Local Pension Board and Surrey Pension Committee between officers and will be reported on further in this meeting in Item 19 (part two).

5. Risk Registers

- a) To add the Pensions Dashboard to the Risk register.
- b) Request for the Risk register to be printed on A3 paper and circulated to members.

Investment and Funding Update

6. The Head of Investments and Stewardship introduced the report which has a new format, further to a review in conjunction with the Chair. The aim of the new format is to provide the Pension Committee with clearer information.

Resolved

- c) The Pension Fund Committee noted the main findings of the report in relation to the Fund's valuation (£5.322b) and funding level (108.4%), performance returns and asset allocation.

Company engagement and voting

7. The Head of Investments and Stewardship introduced a report summarising the activities of the Fund's engagement and voting partners, Minerva, Border to Coast (Robeco) and for the first time including a link to Legal and General.

Resolved

8. The Pension Fund Committee:
 - a) Reaffirmed that environmental, social and governance (ESG) Factors are fundamental to the Fund's approach, consistent with the Mission Statement through:
 - i- Continuing to enhance its own Responsible Investment approach, its Company Engagement policy, and SDG alignment.
 - ii- Acknowledging the outcomes achieved for quarter ending 31 March 2022 by Robeco in their Active Ownership approach and the LAPFF in its Engagement with multinational companies as at 31 March 2022.
 - iii- Acknowledge the LGIM 2021 Annual Active Ownership Report
 - iv- The Committee noted the voting by the Surrey Pension Fund in the quarter ended 31 March 2022.

Valuation 2022

9. The Assistant Director introduced the report outlining a series of assumptions that officers, in coordination of the fund actuary, Hymans, are recommending using for the 2022 valuation. Members of the Board and Committee attended training on 16 June provided by Hymans to provide with background information regarding the valuation process.

Resolved

- a) The Committee noted the report from Hymans and approved the recommended assumptions for the 2022 valuation.

Business Plan 2021/22

10. The Assistant Director presented the report, highlighting several key areas.
 - a) Recent activity of the Turnaround Programme.
 - b) The responsible investment agenda – draft policy taken to the Pension Committee.
 - c) Investment performance and administration to be a main focus.
 - d) Revising the risk registers to reflect the integrated team.
 - e) Training to be developed once new training officer is in post for Board and Committee members.
 - f) The progress of service delivery.

Resolved

- a) The Committee noted the achievements and progress made with regard to the 2021/22 Business Plan objectives and approved the outturn report.

Appointment of the Chair of the Local Pension

11. The Chair introduced this report which set out the proposed extension of the appointment of the current independent Chair of the Board, Tim Evans, for a further one-year term.
12. It further recommended that, on expiring of this one-year term, the role of Independent Chair be appointed for a four-year term (2023-2027) through an open recruitment process.

Resolved

- a) The Pension committee agreed to recommend approval by the People, Performance and Development Committee (PPDC) for the extension of the appointment of the current independent chairman of the Local Pension Board, Tim Evans, for a further one-year term.
- b) The Pension Committee also agreed to recommend for approval by the PPDC, on expiring of this one-year term, the role of Independent Chair be appointed for a four-year term (2023-2027) through an open recruitment process.

LGPS Update (Background information)

13. The committee noted the content of this report

The Chairman asked the Assistant Director to provide clarification regarding Local Assets. The Department for Levelling up, Housing and Communities (DLUHC) has issued a paper exploring the requirements to make 5% of LGPS assets available for levelling up projects. This is in advance of a consultation from DLUHC, expected in Autumn 2022, that will provide more detail.

Investment Strategy Review

14. The Investment Consultant, Mercer, introduced a Part 2 report and described in detail the high-level focus areas for the Investment Strategy Review, presenting the roadmap and a high-level overview.

Resolved

- a) The Committee agreed that the current Investment Strategy remains appropriate, subject to the 2022 valuation and further discussion.
- b) The Committee approved the roadmap for the remainder of the year regarding the further development of the investment strategy.
- c) The Committee approved for officers to work with the independent investment advisor, investment consultant, Fund actuary and Border to Coast, in consultation with the Chair, with the purpose of progressing the review in accordance with the high-level project plan.

Responsible Investment Update

15. The Investment Consultant, Minerva, introduced a Part 2 report and described the process completed in developing the Fund's standalone Responsible Investment (RI) Policy.
16. The Assistant Director explained the next steps regarding a consultation with members and employers in the Fund.

Resolved

- a) The Committee approved the Responsible Investment Policy, subject to consultation.
- b) The Committee approved for officers to continue work with the independent investment advisor, investment consultant, Minerva, and Border to Coast to undertake planning to implement the RI Policy.

Asset Focus Class – Equities

17. The Head of Investments and Stewardship provided an overview of the equity asset class. The Independent Advisor, MJ Hudson, introduced a Part 2 report reviewing the performance of the Fund's equities fund managers.

Resolved

18. The Committee:
 - a) Noted the Fund's equity holdings, respective funds' investment performance and review from the Fund's independent investment adviser.
 - b) Agreed to the continued monitoring of equity holdings with a performance review report to be brought to the Committee on an annual basis

Border to Coast update

15. The Committee considered a Part 2 report that provided an investment and governance update from Border to Coast.
16. The Assistant Director highlighting key points to the Committee including:
 - a) Development of the Border to Coast Emerging Market Equity Alpha Fund
 - b) Border to Coast Joint Committee (JC) meeting 8 March 2022 (summary)
 - c) Post trade analysis of the transition to the Border to Coast Multi-asset credit (MAC) Fund.
 - d) Update on the transition to the Border to Coast Listed Alternatives Fund.
 - e) Update on the UK Equity Alpha (internal) transition.

Resolved

- a) The Committee approved the delegation of authority to the Director of Corporate Finance and Commercial, in consultation with the Assistant Director – LGPS Senior Officer and the Chairman of the Pension Fund Committee, to transition the active emerging market equity portion of the Surrey Pension Fund portfolio to the Border to Coast when its design has been established to the satisfaction of officers and Fund advisors and assuming that the “necessary conditions” of governance have been satisfied.

CONSULTATION:

24. The Chairman of the Local Pension Board has been consulted on this report

RISK MANAGEMENT AND IMPLICATIONS:

25. Any relevant risk related implications have been considered and are contained within the report.

FINANCIAL AND VALUE FOR MONEY IMPLICATIONS

26. Any relevant financial and value for money implications have been considered and are contained within the report.

DIRECTOR OF FINANCE, CORPORATE AND COMMERCIAL

27. The Director of Finance, Corporate and Commercial is satisfied that all material, financial and business issues and possibility of risks have been considered and addressed.

LEGAL IMPLICATIONS – MONITORING OFFICER

28. There are no legal implications or legislative requirements.

EQUALITIES AND DIVERSITY

29. There are no equality or diversity issues.

OTHER IMPLICATIONS

30. There are no other implications.

WHAT HAPPENS NEXT

31. The following next steps are planned:
 - a) Further updates will be provided to the Board at its next meeting on .

Contact Officer:

Adele Seex – Governance Manager

Consulted:

Local Pension Board Chairman

Annexes:

1. Board Report to the Committee meeting of 17 June 2022

Sources/background papers:

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