

SURREY COUNTY COUNCIL**PENSION FUND COMMITTEE****DATE:** 16 DECEMBER 2022**LEAD OFFICER:** ANNA D'ALESSANDRO, DIRECTOR CORPORATE FINANCIAL & COMMERCIAL**SUBJECT:** RESPONSIBLE INVESTMENT NEXT STEPS**SUMMARY OF ISSUE:**

A key priority of the Pension Fund Committee (PFC) is to approve the Responsible Investment (RI) policy after considering the consultation feedback and set a net zero date consistent with its fiduciary responsibility of meeting pension liabilities.

RECOMMENDATIONS:

It is recommended that the Pension Fund Committee:

1. Approve the delegation of the following to the Responsible Investment Sub Committee (RISC) regarding the consultation
 - a. Review the results of the RI policy consultation in January 2023.
 - b. Agree any recommendations resulting from the consultation to be put to the PFC in March 2023.
2. Approve the delegation of the following to the RISC regarding setting a net zero date
 - a. Agree a brief to be put to an investment consultant for the purpose of making a recommendation regarding a net zero date.
 - b. Receive analysis from the consultant.
 - c. Recommend a net zero date to be brought to PFC for approval at 16 June 2023 meeting.
 - d. To consider the pathway to the net zero date.
3. Approve officers to continue to work with the RISC, investment consultant and independent advisor to facilitate this process.

REASON FOR RECOMMENDATIONS:

To enable the Pension Fund Committee to fulfil the key priority of agreeing the Responsible Investment Policy and setting of a net zero date and pathway.

BACKGROUND:

1. The PFC approved the RI policy at the 17 June 2022 meeting subject to consultation. The feedback from the consultation will be available for review in January 2023.

2. A key priority for the Pension Fund Committee is to agree the RI policy and set a net zero date. This must be consistent with the fiduciary responsibility of the Committee.
3. Given the uncertainty regarding any impact a particular net zero date could have on the future funding position of the Fund, the Committee required further exploration of potential net zero dates.

DETAILS:

Consultation feedback

4. The RI policy consultation was launched on 12 September 2022 and closed on 6 November 2022. There were over 7000 responses, of which over 1000 included written comments in the freeform text box.
5. Data regarding the questions answered and the classification of the text replies will be available in January 2023. This will be reviewed by the RISC and any recommendations resulting from the consultation to be put to the PFC at the March meeting.
6. All consultation results and feedback to be published.

Net zero date setting

7. A key element of the RI policy is for the PFC to agree a net zero date. At the meeting of 23 September 2022, the Committee did not feel it had enough information to set a net zero date whilst maintaining confidence that it was consistent with its fiduciary duty.
8. Since the PFC meeting on 23 September 2022, Mercer, the Fund's Investment Consultant, has advised on further work they are able to carry out to enable the Committee to decide on the net zero date.
9. Therefore, it is suggested that the RISC formally set a brief with a question, or series of questions, for an advisor to analyse and report back on.
10. It is proposed that Mercer receive the agreed brief and present to the RISC their approach to answering it. The RISC will then accept Mercer's approach or, if not deemed sufficient, request a tender process to open the brief to competition. The latter solution could change the time scales.

CONSULTATION:

11. The Chair of the Pension Fund Committee has been consulted on this report.

RISK MANAGEMENT AND IMPLICATIONS:

12. The consideration of risk related issues, including investment, governance, and reputational risk, are an integral part of this project and will be considered as part of the project development.

FINANCIAL AND VALUE FOR MONEY IMPLICATIONS

13. There are no financial and value for money implications contained in this report.

DIRECTOR CORPORATE FINANCIAL & COMMERCIAL

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

LEGAL IMPLICATIONS – MONITORING OFFICER

15. There are no legal implications or legislative requirements.

EQUALITIES AND DIVERSITY

16. There are no equality or diversity issues.

OTHER IMPLICATIONS

17. There are no potential implications for council priorities and policy areas.

WHAT HAPPENS NEXT

18. The following next steps are planned:

- a. Officers to receive and prepare the results of the consultation for review by the RISC.
- b. RISC to formalise the brief for the consultant regarding net zero pathway and date.

Contact Officer:

Lloyd Whitworth, Head of Investment & Stewardship

Consulted:

Pension Fund Committee Chair

Annexes:

Sources/background papers:

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