

**SURREY COUNTY COUNCIL****LOCAL PENSION BOARD****DATE:** 19 MAY 2023**LEAD OFFICER:** ANNA D'ALESSANDRO, DIRECTOR OF FINANCE,  
CORPORATE AND COMMERCIAL**SUBJECT:** SUMMARY OF THE PENSION FUND COMMITTEE MEETING OF  
10 MARCH 2023**SUMMARY OF ISSUE:**

This report provides the Local Pension Board (the Board) with a summary of the Surrey Pension Fund Committee (the Committee) meeting 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 Pension Fund Committee if appropriate.

**REASON FOR RECOMMENDATIONS:**

The Public Sector Pensions Act 2013 requires Local Pension Boards to assist the Scheme Managers in securing compliance with the Local Government Pension Scheme (LGPS) Regulations and requirements imposed by the Pension 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 10 March 2023. This report provides a summary of this meeting and any decisions made.

**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 on 17 February 2023 for noting by the Pension Fund Committee.

4. It was highlighted to the Committee several key points that the Board reviewed at the last meeting. This included the risk register, risk of inflation, cashflow and Administration issues including the quarterly performance. The Committee also noted the support of the Board for the new Communications and Training policies.
5. The Assistant Director drew the Committee's attention to Page 25 of the report, which explained that the Pension Team will be transitioning to a new financial system called My Surrey (Unit 4) from the Current system SAP. The Board voiced their concerns of not having sufficient visibility of plans in respect of the delivery of this complex project which has significant risks for the pension fund.
6. The Board requested a detailed update be brought to their next meeting. Officers are working with the My Surrey / Unit 4 project team and have provided a list of assurances required, before the go live date. The outcome of these meetings will be reported to the Board at its next meeting. My Surrey / Unit 4 representatives have also agreed to attend the next Board meeting to take questions.

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

7. The Committee noted the main findings of the report in relation to the Fund's valuation (£4.9bn) and funding level (124%), as of 30 September 2022.
8. The following points were highlighted:
  - a) The discount rate of 6.2 % with a fixed probability of 70% had driven the improved funding level which is now at 124%. The fund has increased the absolute level value this quarter and has outperformed its benchmark.
  - b) A member of the Committee asked whether inflation would have an effect on the cash flow position of the fund.
  - c) The Head of Investment and Stewardship replied that inflation forecasts are included in the actuary's assumptions. The 10.1% pension increase from April, based on last September CPI will be covered by distributions from income yielding assets in the portfolio.

#### **Responsible Investment Update**

9. After considering the consultation feedback the Committee agreed and noted the Responsible Investment (RI) policy. A change to recommendation number 2 was proposed and agreed such that the wording in the policy regarding engagement with consequences would be reviewed and would incorporate current investment exclusions.

10. The proposed wording is to ensure that the escalation process is clearer and to specify the categories of investments currently excluded from the portfolio. The draft wording is to be reviewed the RI subcommittee and then the proposed re wording of the RI policy to be brought back to the Pension Fund Committee for final approval.

### **Company Engagement & Voting**

11. This report detailed Environmental Social and Governance (ESG) issues undertaken by LAPFF and Robeco through the quarter. Including Press release from Border to Coast regarding their engagement process.

### **External Audit update**

12. The external audit is now reaching a conclusion. There have been significant delays across public sector audit not just pension funds. There have been high levels of scrutiny – particular of the valuation of illiquid (level 3) assets.

### **Valuation 2022 – update**

13. The valuation key activities remain on track for year end. This quarter all the individual rate schedules have been circulated.

### **Business Plan 2023/24**

14. Key focus areas of the 2023/24 Business Plan were presented to the Committee. These are as follows: -
  - a) Investment and Stewardship – delivery of the Responsible Investment Policy
  - b) Service Delivery – Backlog plan
  - c) Accounting and Governance – Transferring the Banking function which has identified backlog. Enhancing reporting and documentation.

### **Communication Policy**

15. Following the ratification of the Communication policy by the Board, the Committee approved the policy.

### **Training Policy**

16. Following the ratification of the Training policy by the Board, the Committee approved the Training policy.

### **LGPS Update (Background information)**

17. It was highlighted to the Committee that the government have delayed the roll out of the Pensions Dashboards. Also the change to the CARE revaluation date.

## **Border to Coast Pensions Partnership Update**

18. An update of current activity being undertaken by the Border to Coast Pensions Partnerships (BCPP) was presented to the Committee.
19. Board and Committee members are encouraged to attend the Border to Coast AGM Conference, which will take place on 28 & 29 September.

The Committee noted the followings points: -:

- a) The shareholder approval of the Border to Coast Strategic Plan 2023-26.
  - b) Details of the Border to Coast Strategic Review 2025-2030.
  - c) The completion of the restructuring of the Border to Coast Global Equity Alpha Fund and post trade report.
  - d) The schedule of activity of Border to Coast since the last Committee meeting of 16 December 2022 until the end of the calendar year.
20. The Committee were also provided with a summary of the work undertaken by officers of Border to Coast and Partner Funds in respect of understanding the next stage of strategic planning of the pool. Further updates will be provided to the Joint Committee and partner fund committees later in the year, in line with the reporting timetable.

## **Real Estate**

21. The Committee were provided with the developing range of Real Estate funds that Border to Coast Partner Funds can invest in. The Committee noted the following: -
  - a) The previous delegation of authority to officers and the Chair to transition the Fund's Real estate asset allocation to Border to Coast, gained in September 2020, subject to necessary conditions being met.
  - b) The training update provided by Border to Coast on the development of the Real Estate product offering within the asset pool and the summary presented.

## **Investment Strategy Review, Currency Hedging**

22. The Pension Fund is reviewing its Investment Strategy in parallel with the 2022 valuation, considering its investment core beliefs and consistent with the asset offerings of Border to Coast to ensure the Fund continues to comply with Government guidance on pooling.
23. The Fund's investment consultant produced a paper on the currency hedging policy and process, in which it was recommended that the current hedging policy continued to be appropriate.
24. The Committee noted the existing currency hedging policy and process and approved its continuation.

**CONSULTATION:**

25. The Chair of the Board has been consulted on this report.

**RISK MANAGEMENT AND IMPLICATIONS:**

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

**FINANCIAL AND VALUE FOR MONEY IMPLICATIONS**

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

**DIRECTOR OF FINANCE, CORPORATE AND COMMERCIAL**

28. 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**

29. There are no legal implications or legislative requirements.

**EQUALITIES AND DIVERSITY**

30. There are no equality or diversity issues.

**OTHER IMPLICATIONS**

31. There are no other implications.

**WHAT HAPPENS NEXT**

32. The following next steps are planned:

- a) Further updates will be provided to the Board at its next meeting on 28 July 2023.

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**Contact Officer:**

Adele Seex – Governance Manager

**Consulted:**

Local Pension Board Chairman

**Annexes:** Summary of Board Meeting- Annexe 1

**Sources/Background papers:** None

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