

SURREY COUNTY COUNCIL**LOCAL PENSION BOARD****DATE: 28 JULY 2023****LEAD OFFICER: ANNA D'ALESSANDRO, DIRECTOR OF CORPORATE FINANCE AND COMMERCIAL****SUBJECT: SUMMARY OF THE PENSION FUND COMMITTEE MEETING OF 16 JUNE 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.

GLOSSARY

BCPP	- Border to Coast Partner Funds
ESG	- Environmental, Social and Governance
LAPFF	- Local Authority Pension Fund Forum
LGIM	- Legal and General Investment Management
LGPS	- Local Government Pension Scheme
RI	- Responsible Investment
SDG	- Sustainable Development Goals
SPT	- Surrey Pension Team

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.

Background

1. The Committee met on 16 June 2023. This report provides a summary of this meeting and any decisions made.

Strategic 3 -Year Plan

2. The Head of Change Management, Nicole Russell presented the Surrey Pension Team (SPT) Strategic 3 Year Plan (the Plan). The Plan sets out how the SPT will achieve its Vision and Mission.
3. The Chair requested sight of Communications in particular newsletters to our members, employers etc. These newsletters are available on our website and are also included as part of the Board update from Service Delivery. Officers will work with the Chair on how best to share this information.
4. The Committee noted and endorsed the Plan.

Summary of the Local Pension Board Report

5. The Board report provides a summary of administration and governance issues reviewed by the Board at its last meeting on 19 May 2023 for noting by the Pension Fund Committee.
6. The Chair of the Board, Tim Evans, specifically highlighted: the transition of the financial system from SAP to MySurrey (Unit4); the quarterly performance for administration; and the greater focus of training for the Board and Committee Members.
7. A Member of the Committee asked for an update on the current position for the go live of MySurrey. The Head of Accounting and Governance, Paul Titcomb, confirmed: MySurrey had gone live as expected; the platform appears stable; some data and processes still to be fully transitioned. It was confirmed suitable contingencies are in place, if required.
8. The Committee was informed that whilst the risks associated with the implementation of MySurrey had lessened, work continues with Surrey Payroll to ensure we have accurate data for Scheme employers.
9. The second question related to the backlog of deferred status and the approach to deal with this. The Head of Service Delivery, Tom Lewis, highlighted the progress made by the team on the legacy plan. This work has involved carrying out detailed analysis and benchmarking to other Pension Funds of similar size; commencing the recruitment of a separate team to process the deferred cases; and agreement to outsource the more complex cases of transfers. A report on progress on the legacy plan is detailed elsewhere within this agenda.
10. The Committee noted the report.

Investment Manager Performance and Asset/ Liabilities Update

11. The Committee noted the main findings of the report in relation to the current value of the Fund (£5.2bn) and its funding level (127%); performance returns and asset allocation as of 31 March 2023.

12. The following points were highlighted:

- a) The discounted liabilities are still at the lower levels, with a sharp improvement over the course of the year. Members of the committee were reminded this is a snapshot and involved a lot of assumptions.
- b) The Head of Investment and Stewardship, Lloyd Whitworth, confirmed that overall asset values were up and the liabilities flat, providing a relatively strong position.

2022 Valuation Update

- 13. The report was presented to the Committee by the Actuary, Steven Scott, from Hymans Robertson who confirmed the Pension Fund valuation was completed, signed off and submitted on time. Employers are now paying the new contribution rates and a constructive feedback session has taken place with Officers to understand how the process could be improved in the future.
- 14. The Committee noted the completion of the actuarial work for the 2022 triennial valuation including the report from the actuary and approved the up-to-date Rates and Adjustments Certificate dated 2 June 2023.
- 15. Steven Scott from Hymans Robertson agreed to circulate to member of the Board and Committee the [report LGPS – 2022 Valuation the big picture](#).

Company Engagement & Voting Update

- 16. This report detailed Environmental Social and Governance (ESG) issues undertaken by LAPFF and Robeco and voting by the Fund for the quarter ending 31 March 2023.
- 17. The report provided links to: the quarterly engagement report from LAPFF; and the Active Ownership Reports from Robeco and Legal & General Investment Management (LGIM). The Committee reaffirmed:
 - a) the Fund's belief that the United Nations Sustainable Development Goals (UN SDGs) represent an appropriate foundation in terms of the Fund's overall Responsible Investment (RI) approach; and
 - b) that ESG Factors are fundamental to the Fund's approach, consistent with the Mission Statement through:
 - i. Continuing to enhance its own RI approach, its company engagement policy, and SDG alignment.
 - ii. Acknowledging the outcomes achieved for quarter ending 31 March 2023 by Robeco and LGIM in their Active Ownership approach and the LAPFF in its engagement with multinational companies.

Asset Class Focus- Equity

18. The Committee received a report from the Fund's Independent Advisor, presented by Steve Tyson (on behalf of Anthony Fletcher) from MJ Hudson who reported on the Fund's passive funds that are managed by LGIM, and the active funds that are managed by Border to Coast Pension Partnership (BCPP) and Newton Investment Management.
19. The Committee was introduced to Joe McDonnell, recently appointed as the Chief Investment Officer at BCPP who provided an update on the risk position of the UK Equity Alpha fund.
20. A Member requested to see comparative performance data for the LGIM market capitalisation weighted fund and ESG-related funds.
21. A Member of the Committee requested for BCPP to produce future reports and presentation that are specific to Surrey.
22. The Committee noted the Fund's current equity holdings, respective investment performance and the review from the Fund's Independent Investment Adviser.

Responsible Investment Update

23. The Fund's Investment Consultant, Steve Turner from Mercer, presented the report to the Committee.
24. The Committee:
 - a) accepted the recommendation of the Responsible Investment Sub Committee (RISC) that the net zero date for the Fund's investments should be 2050 or sooner;
 - b) approved the re-wording of the 'engagement with consequences' section of the RI policy;
 - c) approved the updated voting policy; and
 - d) agreed that Mercer would review again whether more of the Part 2 annexe items could be put into Part 1 of the meeting.

LGPS Update (Background Paper)

25. The Committee noted the report providing an update of recent developments in the LGPS.

Investment Strategy Review- Employer Strategies, Fixed Income Weights & Investments Strategy Statement (Part two)

26. The Committee considered a Part 2 report that explained the Pension Fund was reviewing the Investment Strategy in accordance with the 2022 valuation. Having

previously analysed the employer strategies, fixed income weights and Investment Strategy Statement.

Real Estate Update (Part two)

27. The Committee were provided with the developing range of Real Estate funds that BCPP Partner Funds can invest in. Government guidance expect the LGPS to use pooling when products are available. 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; and
 - 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.

Border to Coast Pensions Partnership Update (Part two)

28. An update of current activity being undertaken by BCPP was presented to the Committee.
29. The Committee noted that compliance with the "necessary conditions" of governance for the BCPP Emerging Market equity investment proposition have been met and that a commitment consistent with the Surrey Pension Fund target asset allocation to merging Market Equity can commence.
30. The Committee also noted the background and progress of BCPP activity, including details of the following:
- a) BCPP Joint Committee (JC) meeting of 21 March 2023; and
 - b) the schedule of activity of BCPP since the last Committee meeting of 10 March 2023 until the end of the calendar year.

CONSULTATION:

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

RISK MANAGEMENT AND IMPLICATIONS:

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

FINANCIAL AND VALUE FOR MONEY IMPLICATIONS

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

DIRECTOR OF CORPORATE FINANCE AND COMMERCIAL

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

LEGAL IMPLICATIONS – MONITORING OFFICER

35. There are no legal implications or legislative requirements.

EQUALITIES AND DIVERSITY

36. There are no equality or diversity issues.

OTHER IMPLICATIONS

37. There are no other implications.

WHAT HAPPENS NEXT

38. The following next steps are planned:

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

Contact Officer:

Adele Seex – Governance Manager

Consulted:

Local Pension Board Chairman

Annexes:

- None

Sources/Background papers:

- None
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