

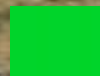
Surrey Pension Fund



Investment Benchmarking Results Presentation – Year Ending 31 March 2022

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08 September 2023





Introduction to CEM



CEM Benchmarking



Expert

35 professionals including 7 CFAs, 7 MBAs, 3 MSc. and 2 PhDs. – 30 years benchmarking the World's top asset owners.



Independent

Benchmarking pension plans is all we do. We are not looking for a 'downstream' consulting project.



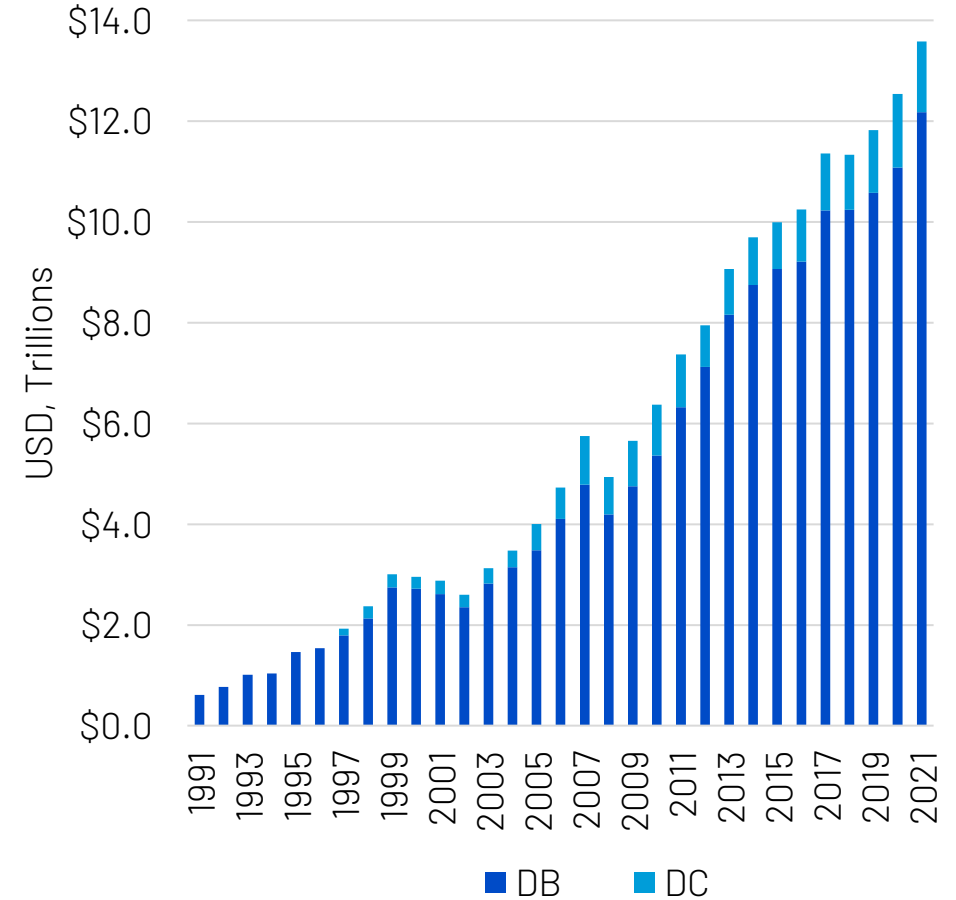
Trusted

The information that CEM collects is sensitive. We are very careful about how we use it.

CEM in numbers

- 30** Years serving institutional funds
- 20+** Countries served
- 500** Institutional funds benchmarked
- 150** Of the world's top 300 funds use CEM
- \$14T** AUM investment database

Participating AUM, 1991-2021



Data-driven • Objective • Expert • Trusted

Why benchmark with CEM?

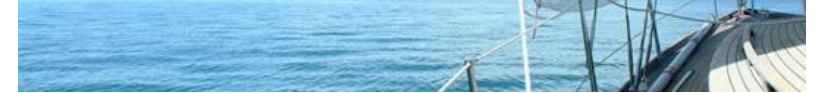


Funds use our analysis to:



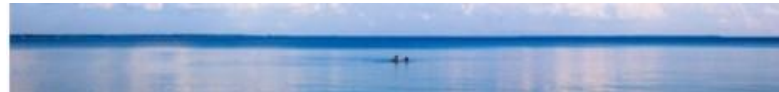
Demonstrate value-for-money

Demonstrate effectiveness, inside and outside LGPS, to Committees, members and other stakeholders.



Manage fees and costs

Revisiting areas of internal spending and negotiating commercial terms.



Identify opportunities to improve

Understand how others implement their strategies – and learn from them.

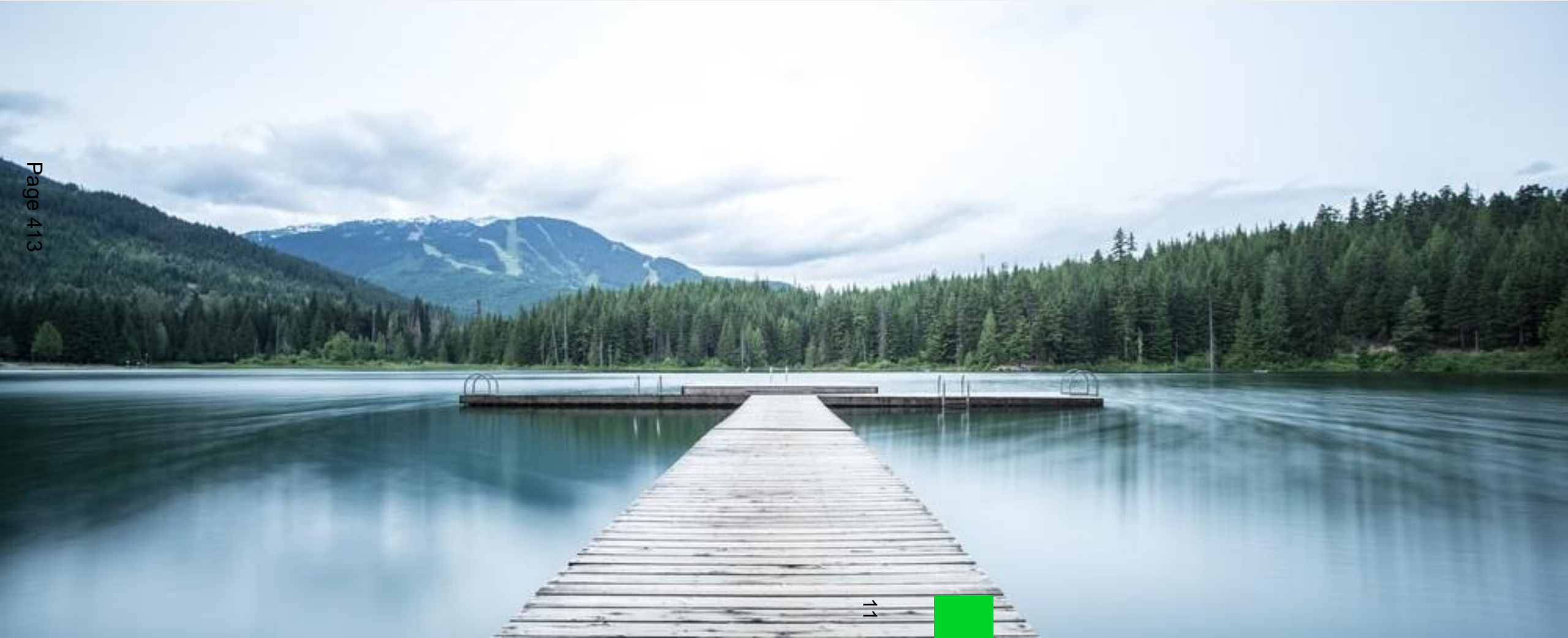


Deliver accountability

Hold suppliers, including the pool, accountable.

Investment Benchmarking Results 2021-2022

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Investment Benchmarking Survey (IBS)

The CEM IBS service provides an independent assessment of value-for-money.

Your results can help you understand:

Cost – How do our costs compare and why? Where are we paying more/less than others?

Performance – How do our returns compare with others and why? How does our 'net value add' compare with others?

Risk – How does the risk in our portfolio compare with others?

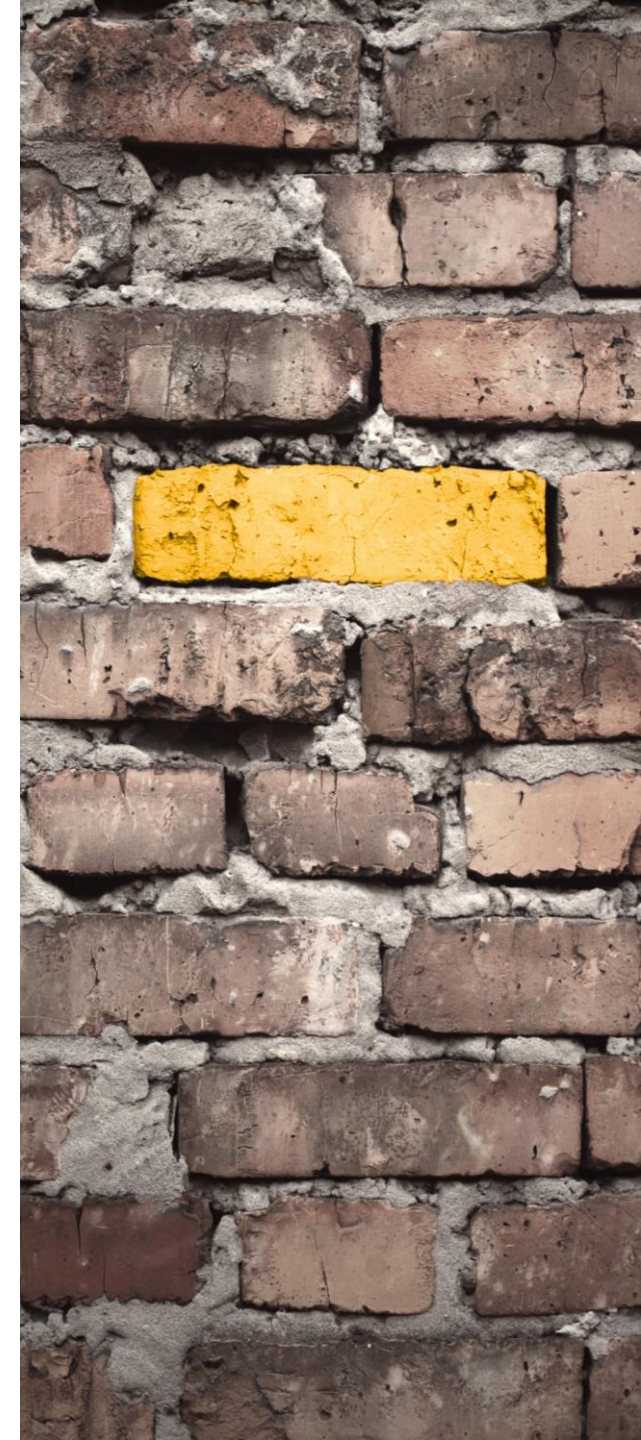
Value-for-Money – If we are paying more then are we getting more?

We compare your costs with 20 global peer funds

- Peers are selected based on size – size impacts costs.
- To include both LGPS and non-LGPS funds globally.
- Because they hold similar assets to you.

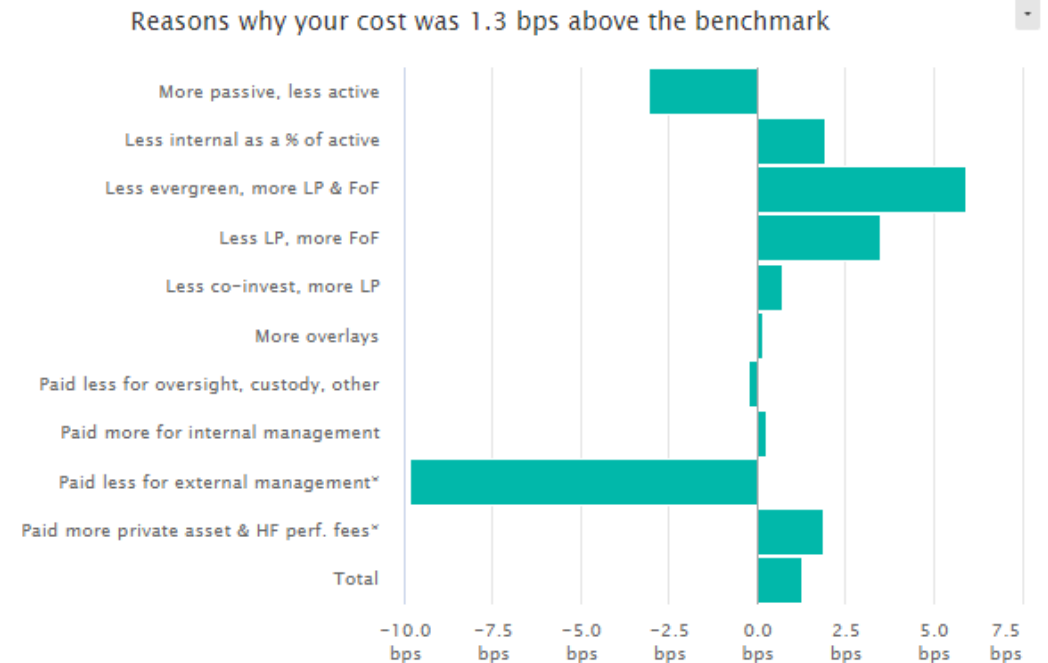
Investment costs are mostly driven by your asset mix.

- We collect your internal, external and oversight costs in a standard format.
- Your costs are then broken down into their respective asset classes such as UK equities, global equities, global bonds, property, infrastructure, and private equity. All the asset classes in which you are invested represent your asset mix.
- Asset mix is the biggest driver of cost differences between schemes.
Differences in allocations to high-cost private market assets in particular drive big cost differences in cost at a total fund level.
- We benchmark your manager base and performances fees as well as your oversight costs. In 2022, we are benchmarking total investment costs of £41.1m (78.4 bps).
- Your private market costs account for around 70% of your total investment costs, but account for only around 15% of your total assets.



Surrey's costs are broadly in line with peers

- Your investment costs of 78.4 bps comparable with a peer benchmark of 77.1 bps
- You were 1.3bps above Benchmark costs, which can be explained by two factors;
 - Implementation Style (9.2 bps)
 - Paying Less for Similar assets (-7.9 bps)
- More passive investment than peers, which is offset by higher use of Fund of Funds ("FoF") for implementation of your private assets programme
- Performance fees had material impact on overall fees for the year
- When excluding performance fees your total fund cost was 6.0 bps below the benchmark



Measures of success and position relative to peers

- Net Value Added equals total net return minus the return that would have been achieved if investments had been made passively in line with strategic asset mix.

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- Your Net Value Added over the 2-years to 31 March 2021 was 0.6%.
- This was equivalent to a median of 0.6% for the LGPS universe and 0.6% globally.
- Your cumulative 2-year net value added has added approximately £58 million to the funding of your plan.

