

SURREY COUNTY COUNCIL**LOCAL PENSION BOARD****DATE:** 10 NOVEMBER 2023**LEAD OFFICER:** ANNA D'ALESSANDRO, DIRECTOR OF FINANCE, CORPORATE AND COMMERCIAL**SUBJECT:** SUMMARY OF THE PENSION FUND COMMITTEE MEETING OF 08 SEPTEMBER 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:**Background**

1. The Committee met on 8 September 2023. This report provides a summary of this meeting and any decisions made.

DETAILS**Performance Dashboard**

2. The Head of Change Management, Nicole Russell presented the one Surrey Pension Team (SPT) Performance Dashboard which provided the Committee high visibility of key performance indicators (KPIs) across the team.
3. Committee Members were invited to provide any feedback by email outside of the meeting, to Nicole and to copy in the Chair.
4. This report also provided the Committee with activity carried out by the Change Management Team for the period April – Jun 2023.

Summary of the Local Pension Board Report

5. The Board report provided a summary of administration and governance issues reviewed by the Board at its last meeting on 28 July for noting by the Committee.
6. The report updated the Committee on the current position of the implementation of the new financial system MySurrey (Unit 4), along with details of the Cyber Security

review of third-party providers and employers. The Committee asked the Board to take the cybersecurity review to the next level.

7. The Chair asked Officers to comment on Surrey County Council withdrawing its service as a payroll provider from schools in particular. The Head of Service Delivery, Tom Lewis confirmed engagement with payroll and the DB&I project team had taken place and 128 schools are transferring to 11 new payroll providers during the period October to December 2023.
8. The Chair raised whether there are any remaining concerns with the implementation of MySurrey (Unit 4). The Assistant Director - LGPS Senior Officer, Neil Mason confirmed that this remains a key risk to the fund. Specifically, the Head of Service Delivery, Tom Lewis highlighted the issue of non-receipt of the monthly electronic i-Connect payroll data for the last quarter. A workaround is in place to receive payroll information for death and retirement cases.
9. A Member of the Committee requested that the Resources and Performance Committee is provided with an update on the ongoing issues with Payroll. The Chair also asked that an update on the schools' payroll provision specifically be provided to the Board at the next meeting.

Appointment of Independent Chair of the Local Pension Board

10. The Committee was provided with a summary of the steps taken to appoint the Independent Chair of the Local Pension Board. The Committee noted the appointment of Tim Evans for a period of four years.

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 (£5.3bn), its funding level (138%); performance returns and asset allocation as of 30 June 2023.
12. The Head of Investment and Stewardship, Lloyd Whitworth highlighted some activity that had taken place in July: confirming the switch from Legal & General Investment Management (LGIM) emerging markets passive fund into the Border to Coast actively managed fund, with a value of just under £270m.
13. The Chair drew the Committee's attention to page 71, paragraph 16, the impact of private markets and asked the officer to clarify how we measure the private market? The Head of Investment and Stewardship, Lloyd Whitworth explained the table on page 72 and emphasised the timing difference in performance between Private versus Listed Equity markets. Lloyd also confirmed that the 9% return indicated was in line with what we were hoping to achieve from the assets.

Draft Annual Report

14. The Committee was provided with an update of the production of the 2022/23 Pension Fund Annual Report.
15. The Committee received a verbal update from the Head of Accounting and Governance, Paul Titcomb that the external audit on the Pension Fund accounts for

2021/22 has not yet been completed. The external auditor is considering the results of the 2022 actuarial valuation and its inclusion within the Fund accounts. A small number of queries are outstanding however these will be answered shortly.

16. The Committee agreed to delegate approval of the Annual Report to the Chair, subject to an unqualified audit.

Investment Benchmarking

17. The Committee received a presentation from Fluer Dubbelboer from CEM Benchmarking outlining work undertaken comparing the Fund's returns and fees against other funds to establish value for money. The Committee requested CEM to provide a further report in a year's time with the metrics and information gathered on pool cost savings and contributions to net value added. The Committee noted the report.

Company Engagement & Voting Update

18. The Committee received a report detailing Environmental Social and Governance (ESG) engagement by LAPFF and Robeco, along with details of voting by the Fund for the quarter ending 30 June 2023.
19. A member of the Committee proposed an amendment to the wording in the recommendation that ESG Factors are fundamental to the Fund's approach, consistent with the RI Policy. Replacing the word "Fundamental" to "Significant" however the motion was lost.
20. The Committee resolved that the ESG Factors are fundamental to the Fund's approach, consistent with the RI Policy by:
 - a) Continuing to enhance its own RI approach and SDG alignment.
 - b) Acknowledging the outcomes achieved for quarter ended 30 June 2023 by LAPFF and Robeco through their engagement.

The Committee noted the voting by the Fund in the quarter ended 30 June 2023.

Asset Class Focus- UK Real Estate & Listed Alternatives

21. The Committee received a report from the Fund's Independent Advisor, Anthony Fletcher on the Fund's Real Estate holdings, respective funds' investment performance and review.
22. The Committee noted the report, and the Chair requested a report on Listed Alternatives be presented to the Committee in December.

Responsible Investment Update

23. The Head of Investment and Stewardship, Lloyd Whitworth, presented the report confirming that two of the four key priorities of Responsible Investment (RI) policy are now complete (setting a net zero date and updating the Fund's voting policy). The area of focus now moves to the reporting and re-engaging with Border to Coast to provide case studies enabling development of the RI policy.
24. The Task Force on Climate-related Financial Disclosures (TCFD) data provided in the report is up to March 2023. The metrics indicated a significant trend down and therefore the recommendation is for the TCFD report to be approved.
25. The Vice Chair asked for a status on the Stewardship code. The Committee received a verbal update from the Head of Investment and Stewardship on the current position. The application to become a signatory to the Stewardship Code is a significant piece of work covering 12 principles. Additional resource has been available to the Investment and Stewardship team over the summer months such that it is expected that the Fund will make its application at the next possible date, which is May 2024.
26. The Committee noted: -
 - a) the alignment of Border to Coast Pension Partnership (BCPP), LGIM and Newton Investment Management to the Fund's RI policy.
 - b) the draft TCFD 2022/3 report and approved the delegation of authority to the Chair of the Committee to issue the final report.

LGPS Update (Background Paper)

27. The Committee noted the report providing an update of recent developments in the LGPS, including the response to the consultation of the McCloud remedy.

Investment Strategy Review- Gilts (Part Two)

28. Steve Turner, Mercer Investment Advisor asked the Committee to consider a report that recommended that the Fund review the current exposure to gilts through individual gilt holdings and switch the assets to a LGIM passive fund.

Response to Consultation on the future for investing

29. The Committee received an overview of the proposed draft collaborative response from BCPP on the future for investing to the Department for Levelling Up, Housing & Communities (DLUHC) consultation. A separate draft response from the Surrey Pension Fund was also considered.
30. Those Committee and Board Members that did not attend the training session regarding the consultation will be contacted outside of this meeting.

31. The Chair will work in conjunction with the Assistant Director – LGPS Senior Officer to strengthen the Fund’s response to the consultation.

Border to Coast Pensions Partnership Update (Part two)

32. An update was presented to the committee of the current activity being undertaken by BCPP.

33. The Committee noted the background and progress of BCPP activity, including details of the following:

- a) Update received on the Border to Coast Strategic Review 2025-2030
- b) Relevant items from the BCPP Joint Committee (JC) meeting of 13 June 2023.
- c) The schedule of activity of BCPP since the last Committee meeting of 13 June 2023 until the end of the calendar year.

CONSULTATION:

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

RISK MANAGEMENT AND IMPLICATIONS:

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

FINANCIAL AND VALUE FOR MONEY IMPLICATIONS

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

DIRECTOR OF FINANCE, CORPORATE AND COMMERCIAL

37. 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

38. There are no legal implications or legislative requirements.

EQUALITIES AND DIVERSITY

39. There are no equality or diversity issues.

OTHER IMPLICATIONS

40. There are no other implications.

WHAT HAPPENS NEXT

41. The following next steps are planned:

- a) Further updates will be provided to the Board at its next meeting on 16 February 2024.
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Contact Officer:

Adele Seex – Governance Manager

Consulted:

Local Pension Board Chair

Pension Committee Chair

Annexes:

- None

Sources/Background papers:

1. [Cyber Security Review Update – Annexe 1 8 September 2023 PFC](#)
 2. [Financial System Update Unit 4 – Annexe 2– 8 September 2023 PFC](#)
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