

MINUTES of the meeting of the **SURREY PENSION FUND COMMITTEE** held at 10 am on 13 December 2024 at Committee Room, Woodhatch Place, 11 Cockshot Hill, Reigate, Surrey, RH2 8EF.

These minutes are subject to confirmation by the Committee at its next meeting.

Due to technical issues with webcasting, the meeting took place in the Committee Room and began at 10.13 am.

Elected Members:

(Present = *)

(Remote Attendance = r)

- * Nick Harrison (Chairman)
- * David Harmer
- r Trefor Hogg (Vice-Chairman)
- * Robert Hughes
- * George Potter
- * Richard Tear

Co-opted Members:

- * Duncan Eastoe, Employees
- r Cllr Nirmal Kang, Borough & Districts
- r Cllr Claire Malcomson, Borough & Districts
- * Kelvin Menon, Employers

In attendance

Tim Evans, Chair of the Local Pension Board (remote)

The Chairman welcomed:

- Andy Brown, Deputy Chief Executive and Executive Director - Resources
- Tim Manuel, Head of Responsible Investment, Border to Coast
- Cllr George Jabbour, Chair of the North Yorkshire Council Pension Fund Committee and Chair of the Border to Coast Joint Committee

70/24 APOLOGIES FOR ABSENCE AND SUBSTITUTIONS [Item 1]

Apologies were received from Trefor Hogg, Cllr Nirmal Kang, Cllr Claire Malcomson who all attended remotely.

71/24 MINUTES OF THE PREVIOUS MEETING [13 SEPTEMBER 2024] [Item 2]

The Minutes were approved as an accurate record of the previous meeting.

The Chairman referred to minute item 50/24 (Appendix 1) whereby a response was to follow in relation to supplementary Q4 - Lucianna Cole, concerning the biodiversity work being done through Border to Coast (BCPP).

72/24 DECLARATIONS OF INTEREST [Item 3]

There were none.

73/24 QUESTIONS AND PETITIONS [Item 4]

- a There were no Member questions.

- b Six public questions had been submitted, those and the responses were published in a supplementary agenda.

The Chairman noted that a seventh public question over the maximum of six had been submitted and a written response would be provided.

There were six supplementary questions:

SQ1 - Borough Councillor Shasha Khan: Noted that the UK Government was behind the curve regarding UK public and world opinion in its decision-making concerning calling for a ceasefire in Gaza. He asked whether the Committee could consult the members of the Surrey Pension Fund (the Fund) to see whether they would like to have a say regarding arms companies that have been invested in such as BAE Systems PLC and which have a direct role in the conflict in Israel/Gaza.

The Chairman noted that the Fund in consultation with its membership had adopted its own policy which included restrictions concerning certain weapons outlawed by the United Nations (UN), its policy would continue to be looked at.

A Committee member noted that when Russia invaded Ukraine, the Fund did not need to wait for the UK government's affirmation that international law was being broken, in response the Fund voluntarily chose to divest from all investments in Russian companies. The conflict in Gaza was being investigated by the International Criminal Court regarding crimes against humanity and genocide. Therefore, considering divestment from arms companies in the Israel/Gaza conflict was not incompatible with the Responsible Investment (RI) Policy, not supplying arms to nations committing genocide was in line with the UN Sustainable Development Goals (SDGs). The Committee member queried how it had been interpreted that the RI Policy did not justify acting.

The LGPS Senior Officer clarified that the Fund was taking a consistent approach by following UK government advice and had ceased trading in Russian assets following such UK government advice.

SQ2 - Jackie Macey: noted the possibility that the Government's proposed changes in the Local Government Pension Scheme (LGPS) framework might reduce the Committee's control of its investments. She asked whether the Committee saw a more pressing need to consider the application of consequences of engagement where negotiations had insufficient impact, before any of the Government's changes proposed limits on local options.

A Committee member noted that alignment to the SDGs was part of the RI Policy, in particular SDG 13 on Climate Action, it was concerning that whilst the aim of the SDGs to meet net zero was 2030, the Fund's target was 2050 or earlier.

The Chairman noted the importance about what happens at the end of engagement, that would be addressed under item 12 on Investment Beliefs and we should ask BCPP to respond when updating their RI policy.

SQ3 - Janice Baker - on Janice's behalf Jackie Macey: queried that there must be a trigger that could be applied to hold those companies that greenwash to account, UKOG continued to drill illegally for months after planning permission was quashed.

The Chairman noted that whilst drilling affected the Council, the possible planning issues was not a matter for the Surrey Pension Fund Committee.

SQ4 - Kevin Clarke: asked whether the Committee agreed that the Mercer report was a game changer regarding fossil fuels.

The Chairman noted that the Committee commissioned that crucial report.

A Committee member believed that the workshops underway were partly about deciding what actions to take as a result of Mercer's report and sought clarification about whether that was the case as opposed to simply noting the report. The Chairman highlighted item 12 on Investment Beliefs, two panel sessions had been held and a third was planned. He noted that the matter of divestment would be looked at as part of the RI Policy.

SQ5 - Lindsey Coeur-Belle: noted that despite the UN Summit held in September 2023 to invigorate efforts to achieve the SDGs by 2030, progress was patchy and as reported in 2023: only 15% were on track, 48% were moderately or severely off track, and 37% had stagnated or regressed. Regarding RI, she asked whether the Committee would reconsider its position given the poor performance to date.

The Chairman noted the need to look at performance and the RI Policy.

A Committee member noted that the issue concerned the interpretation of the RI Policy, that needed to be discussed. Another Committee member noted that the UN's aim for SDGs to be reached by 2030 was clearly defined, and therefore they must be taken more seriously.

SQ6 - Jenifer Condit - on Jenifer's behalf Lindsey Coeur-Belle: noted a recent announcement of a new 50:50 joint venture called Jera Nex BP. It appeared to be greenwashing, BP was shifting its renewables business off its balance sheet and looked for further investment elsewhere. She asked how many times BP had to indicate that it was not serious about divestment from fossil fuels, before the Committee decides to believe them.

The Chairman requested a written response from BCPP regarding the investments in the three companies identified and how engagement had proceeded.

A Committee member was disappointed by the written response which simply stated that the position was to favour engagement over blanket divestment, and whilst in line with the RI Policy, the question asked specifically about the three companies which based on the records were not serious about decarbonisation. Divestment, whilst to be used as a last resort, could be used to apply consequences when engagement fails.

The Chairman noted that regarding the RI Policy, the decision to make investments to get satisfactory returns was delegated to the Fund's investment managers, he noted that it would be useful to get their views on why they continued to invest in the three companies listed in the original question.

c There were no petitions.

Actions/further information to be provided:

1. 12/24 - A written response to the seventh public question would be provided outside of the meeting, and a written response to SQ6 would be provided.

74/24 GLOSSARY, ACTION TRACKER & FORWARD PROGRAMME OF WORK [Item 5]

Speakers:

Neil Mason, LGPS Senior Officer
 Andy Brown, Deputy Chief Executive and Executive Director - Resources
 Tom Lewis, Head of Service Delivery

Key points raised in the discussion:

1. The LGPS Senior Officer referred to the Forward Programme of Work, highlighting the sessions on 15 January and 21 March 2025 to be provided by the actuary regarding the valuation assumptions, including those related to climate risk.
2. The LGPS Senior Officer noted that regarding item number 23: Progress of the 2023/24 Business Plan, for the 21 March 2025 Committee meeting, the year should be amended to 2025/26.
3. The Chairman referred to action 7/24 regarding the continuing issues with Unit4/MySurrey, and the delegation to himself and the Chairman of the Local Pension Board to continue to progress it with senior Council officers. The matter had been discussed with the Deputy Chief Executive and Executive Director - Resources who understood the importance of the improvements needed. The Deputy Chief Executive and Executive Director - Resources noted that Unit4/MySurrey was a priority and he attends the Stabilisation Board, and sought a resolution for pensions around auto-enrolments and correcting records.
4. A Committee member noted that the MySurrey issue had been long-standing and was concerned that without more resources being committed there would never be a satisfactory conclusion. The LGPS Senior Officer highlighted the material improvements, that additional resource had been focused and that a resolution was in sight.
5. A Committee member asked for the latest update on what the response had been to the letter. The Chairman noted that issues remained, the responsibility for making payroll payments was the Council's; there was substantial work underway to ensure that members' contributions were correctly recorded.
6. The Deputy Chief Executive and Executive Director - Resources noted that MySurrey went live in June 2023, Internal Audit had undertaken numerous reports. He noted that an update report on the Stabilisation Board set up in September 2024 was scheduled for January's Audit and Governance Committee meeting. He would liaise with the LGPS Senior Officer to provide an update report to this Committee on the specific issues related to pensions. He noted that the i-Connect system was now providing data through into pensions, but the historical issue of contributions needed to be addressed; the stabilisation work and correcting of data going into pensions systems was now sufficient.
7. The Head of Service Delivery referred to the i-Connect system and the monthly returns and final pay information for leavers was in place and working, with only minor issues to amend. The Pensions Payroll team was running those retrospectively from April to September to understand the cases. The team had been resourced to process the backlog of cases by June up to the valuation deadline. Once processed, work would start on data reconciliation regarding the contributions broken down by employer, to be run retrospectively to April to make any adjustments to contribution rates. Since the Stabilisation Board was set up, work had progressed thanks to the commitment between the Council and the Fund. There was some work to do on the employees' side to ensure the right calculations and work to do on the employer side, but he was confident that would be sorted by January.
8. The LGPS Senior Officer highlighted the extremely satisfactory progress made by the team in clearing other legacy issues. A Committee member commended the work by the Head of Service Delivery and his team.
9. A Committee member noted that the Resources and Performance Select Committee set up a task group to look at the implementation of MySurrey. A report

on lessons learned had been produced. The previous supplier had pulled out more suddenly than anticipated so the move to Unit4 was hurried. He noted that going forward extra precautions were necessary concerning changing critical systems.

10. A Committee member sought assurance that no members had suffered any loss or that they would be compensated if they had. The Head of Service Delivery noted that he was not aware of any specific cases where a member had lost out regarding their benefits. There had been cases where the team had intervened to ensure that a member was not waiting for a long period; their benefit would be processed using the information available and updated once the final information was available. He acknowledged members' complaints and concerns about significant delays in getting their benefits. To make progress as quickly as possible, for an interim period the team was carrying out the employer functions on behalf of the Council.
11. The Head of Service Delivery noted that the Deputy Head of Accounting and Governance had been working on understanding the requirements from an accounts and finance perspective. The Stabilisation Board had placed it as a high-risk area to ensure that the appropriate action was being taken.

RESOLVED:

1. Noted the content of this report.
2. Made no recommendations to the Local Pension Board.
3. Monitored progress on the implementation of recommendations from previous meetings in Annexe 2.
4. Reviewed and noted the one change on the Forward Programme of Work in Annexe 3.

Actions/further information to be provided:

1. 13/24 - The Committee Manager will amend the year regarding item number 23: Progress of the 2023/24 Business Plan, to 2025/26.
2. 14/24 - The Deputy Chief Executive and Executive Director - Resources will liaise with the LGPS Senior Officer to provide an update report to this Committee on the specific issues related to pensions, concerning the MySurrey Stabilisation Board.

75/24 SUMMARY OF THE LOCAL PENSION BOARD [Item 6]

Speakers:

Tim Evans, Chairman of Local Pension Board
Neil Mason, LGPS Senior Officer

Key points raised in the discussion:

1. The Chairman of the Board noted that MySurrey was the biggest issue and the Risk Register had been updated. He looked forward to solutions as quickly as possible, he continued to have monthly discussions with the Committee's Chairman and the team. He commended the pensions team for addressing the legacy issues, noting the two months in a row where all the Key Performance Indicators were green. Guaranteed Minimum Pension (GMP) and McCloud were ongoing issues.
2. The LGPS Senior Officer referred to paragraph 14 whereby as part of the risk review by the Accounting and Governance team, 51 sub-ids had been created; it was hoped that a more robust risk framework would be provided by this development.

RESOLVED:

1. Noted the content of this report.
2. Made no recommendations to the Local Pension Board.

Actions/further information to be provided:

None.

76/24 SURREY PENSION TEAM OVERVIEW – QUARTER 2 [Item 8]

The Chairman took items 8 and 9 before item 7.

Speakers:

Neil Mason, LGPS Senior Officer

Key points raised in the discussion:

1. The LGPS Senior Officer referred to his weekly update, which noted the deep dive in finance and investment. He noted that the enablers 'our people' were being monitored, the staff retention scoring was encouraging and diversity was increasing. The results were awaited of the pensions team's pulse survey issued last week.

RESOLVED:

Noted the content of this report.

Actions/further information to be provided:

None.

77/24 CHANGE MANAGEMENT REPORT [Item 9]**Speakers:**

Nicole Russell, Head of Change Management
Tom Lewis, Head of Service Delivery

Key points raised in the discussion:

1. The Head of Change Management noted that the second year of the strategic plan set some challenging targets, however the dashboard showed positive progress. She highlighted the new video series on the Surrey Pensions Team LinkedIn account, the first video was on the workforce strategy. The Board and Committee residential joint training received positive feedback and would be repeated. McCloud and GMP were the most complex projects, but work was on track. She noted that the changes to the Scheme of Delegation and other documents were approved at October's Council meeting.
2. Regarding the enabler 'our people', she noted the importance of social cohesion as the teams came together from different places to form the 'one' pensions team. A social committee was established this year. She noted the work underway on digital transformation with an update to be provided in March's report. She noted the successful "lunch and learn" sessions.
3. The Chairman requested a future update on member self-service as the best schemes used that. The Head of Service Delivery noted that work was underway.

RESOLVED:

Noted the content of this report.

Actions/further information to be provided:

1. 15/24 - The Head of Service Delivery will provide a future update on member self-service.

78/24 THE GOVERNMENT'S CONSULTATION ON THE FUTURE OF THE LOCAL GOVERNMENT PENSION SCHEME (LGPS) [Item 7]**Speakers:**

Neil Mason, LGPS Senior Officer
Steve Turner, Mercer

Key points raised in the discussion:

1. The LGPS Senior Officer noted that there was a clear message from the Government on what it expects the structure of asset pools to be: Financial Conduct Authority (FCA) regulated entities with internal management capability, with funds taking their primary investment advice from their pooling partners. He noted that the Government seeks to capture local growth plans within pension fund investment strategies. Defining "what local investment looks like" for Surrey was an open issue. The Fund would need to work with local partners and the BCPP pool if each had a different view on how they approach investing in the local regions.
2. The LGPS Senior Officer congratulated the Committee for anticipating the improvement in LGPS governance, having created the role of LGPS Senior Officer in 2022. The Government proposed that would be a biennial governance review. Several of the proposals in the Government's consultation were anticipated in the 2030 BCPP Strategy. A joint response of the eleven partner funds and BCPP, and a Surrey response were being formulated, a draft to be shared with the Committee before Christmas. A meeting would be scheduled in early January to discuss the proposed response.
3. A Committee member queried whether the pools would be geographically separated covering different regions and asked whether the strategy of requiring investment geographically, would need to be proportionate to the distribution of the members of the pool. The LGPS Senior Officer noted that it would be a prescribed percentage of the portfolio that the Fund would look to match to local growth plans (currently pension funds could invest up to 5% of its portfolio in its own administering authority location). The Fund had made an allocation of the portfolio to the BCPP UK Opportunities Fund. The partner funds and BCPP need to define a mechanism that captures the local growth strategies, Surrey would have its own local strategy which BCPP would seek to implement.
4. The Chairman noted the disbanding of the Local Enterprise Partnerships (LEPs) and the Council taking on the responsibility for economic development; he noted the importance of having a mechanism managed by BCPP for private asset investment. A Committee member noted a previous model of the South East England Development Agency and its regional assembly which were scrapped.
5. A Committee member noted that having reviewed the ministerial statements, the intention was for five large regional pools to be formed and he noted concern in the consolidation of pools into a smaller number. The Government's focus on regional investment could potentially mean that existing pools would be broken up and pension funds reorganised, or pension funds would be merged. The LGPS Senior Officer explained that the pools must respond to the Government by the end of

- March setting out how they meet the consultation's criteria. He noted that the Government did not seek to regionalise the pools but sought further collaboration.
6. A Committee member noted that his concern on the collaboration between funds was that the disruption and costs of changing administration for a pension fund would exceed the long-term efficiency sought. The Chairman shared that concern.
 7. A Committee member noted that the Government's proposals would shift power to the pools with those providing investment advice, and he noted that at a local level the Committee would lose a significant amount of influence. He asked what the future of the Committee might be. The Chairman noted that the Committee remains responsible for the Fund's administration, to undertake the assessment of the liabilities, the actuarial valuation and set the overall investment strategy; but it was anticipated that although principal investment advice would be taken from BCPP, there were discussions around independent members or advisors to the Committee.
 8. The LGPS Senior Officer explained that the Government's premise was that most of the value in investment returns would be provided through strategic asset allocation, the investment beliefs which include RI and a local approach would still be owned by the Committee as the sovereign asset owner. How that translates into asset allocation and the level of responsibilities retained by partner funds was contentious.
 9. The Mercer representative noted that going forward individual committees would have to compromise more and pools would have to find a way to offer more choice of how funds invest in certain asset classes. The LGPS Senior Officer reiterated the need to ensure that the governance and oversight structures are robust, to provide influence in the way the company runs and the way assets are managed.
 10. A Committee member highlighted there were a few hundred non-local government organisations in the Fund that the Government could not stop them from going elsewhere. The LGPS Senior Officer explained that the other employers in the Fund would be required to be part of the administration authority in their region, to change the administration authority an application to the Secretary of State was needed.

RESOLVED:

Noted the content of this report and proposed schedule of consultation.

Actions/further information to be provided:

1. 16/24 - The LGPS Senior Officer will share a draft Surrey response with the Committee before Christmas and will consult with the Committee members in early January.

79/24 INVESTMENT MANAGER PERFORMANCE AND ASSET/LIABILITIES UPDATE [Item 10]

Speakers:

Mel Butler, Deputy Head of Investment and Stewardship

Key points raised in the discussion:

1. The Deputy Head of Investment and Stewardship noted that the Fund won the Pensions for Purpose Impact Investing Principles Adopter award. She noted that the funding level was roughly unchanged at 142%, and when using the discount rate determined in the 2022 valuation it was still fully funded at 101%. The assets and liabilities were slightly higher and the discount rate slightly lower. The Fund

slightly outperformed the benchmark and returned around 1.2%. The best performing funds were Multi Asset Credit and Listed Alternatives, that was offset by the underperformance in the majority of the actively managed equity funds; the underperformance in the private markets and real estate was due to a weaker US dollar. The Global Equity Alpha Fund underperformed again by more than 100 basis points against the benchmark.

2. A Committee member asked that when the US dollar strengthens, would that mean that those funds would perform better. The Deputy Head of Investment and Stewardship explained that was correct as the decline was not indefinite; a large proportion of the private investment was in US dollars.
3. A Committee member referred to the underperformance of the Global Equity Alpha Fund and other BCPP funds, he asked about the benchmarking against some of the other pooled funds to see whether it was a particular weakness in BCPP or not. The Deputy Head of Investment and Stewardship noted that the Global Equity Alpha Fund and active managers had suffered due to the concentration of the US market into the 'Magnificent Seven' stocks; she did not have insight into the other pools' information to do a comparison.

RESOLVED:

1. Noted the findings of the report in relation to the Fund's valuation and funding level, performance returns and asset allocation.
2. Acknowledged the Fund winning the Pensions for Purpose Impact Investing Principles Adopter award.

Actions/further information to be provided:

None.

80/24 COMPANY ENGAGEMENT & VOTING UPDATE [Item 11]

Speakers:

Mel Butler, Deputy Head of Investment and Stewardship
Tim Manuel, Head of Responsible Investment, BCPP

Key points raised in the discussion:

1. The Deputy Head of Investment and Stewardship provided some highlights from the quarterly engagement reports, including one area explaining that green hydrogen was a growing trend, used to create green steel; an update was included on SSAB. Sustainable airline fuel was a growing topic of interest, an update was included regarding engagement with Ryanair. BCPP was collaborating with Royal London Asset Management (RLAM) for Just Transition to net zero for UK banks and was engaging with UK water companies. BCPP was chairing a new working group with the Institutional Investor Group on Climate Change to integrate Just Transition into the Net Zero Investment Framework. The Fund voted in 91 resolutions, one resolution on remuneration at Richemont had nearly 24% shareholder dissent.
2. A Committee member referred to green steel noting that the example provided was greenwashing. The problem was that green hydrogen was not being produced on a large scale. Currently, green hydrogen was just renewable electricity with extra steps.
3. A Committee member noted that since the last quarter, fossil fuel companies such as BP had backtracked from their sustainability and climate change commitments, having been watered down since 2019. Shell had won its court case in the

Netherlands overturning a ruling whereby it must have a plan to reach net zero by 2050. He queried at what point the Fund says that engagement has failed with those companies and further action was needed. The Head of Responsible Investment (BCPP) noted that BCPP was the only large institutional asset manager that was willing to make a public statement noting its disappointment if BP was to do that and such change should go to a shareholder vote.

4. A Committee member noted BCPP's limited influence as only one institutional investor with a small portion of BP's stock and queried how it would lead to any meaningful influence, another Committee member agreed that something more was needed in line with the RI Policy; the Committee should act.
5. A Committee member queried what the outcome was with BCPP's engagement with Northumbrian Water, and on the living wage, asked whether the company had committed to clean up Lake Windermere by 2030. The Head of Responsible Investment (BCPP) noted that BCPP publishes an annual Responsible Investment and Stewardship report, that sets out the activities undertaken and outcomes achieved. He noted that through the discussions with Yorkshire Water, it brought forward investment to improve sewage infrastructure around Scarborough Bay, and Northumbrian Water intended to publish a biodiversity action plan setting out how some of its activities would impact local nature. BCPP had requested information about what the water companies were doing.
6. A Committee member noted that to effectively influence water companies, the shareholders could make modest divestments one at a time; and queried what mechanism was needed to pressurise the companies to act virtuously. The Head of Responsible Investment (BCPP) explained that in BCPP's experience, having such a divestment programme was not effective. Having proactive conversations with those companies was effective, using the collective weight of all the partners' investments in discussions; helping those companies understand what best practice looks like and how they compare to their peers.

RESOLVED:

1. Acknowledged the outcomes achieved for quarter ended 30 September 2024 by LAPFF and Robeco through their engagements.
2. Noted the direct voting by the Fund in the quarter ended 30 September 2024.

Actions/further information to be provided:

None.

81/24 INVESTMENT STRATEGY - FIDUCIARY DUTY AND INVESTMENT BELIEFS UPDATE [Item 12]

Speakers:

Mel Butler, Deputy Head of Investment and Stewardship
Neil Mason, LGPS Senior Officer

Key points raised in the discussion:

1. The Deputy Head of Investment and Stewardship noted that since June 2024, two sessions had been held to review the investment beliefs within the Investment Strategy Statement, to be followed by a third session in quarter four.
2. The LGPS Senior Officer noted that the Government's review and the potential changes emerging would be critical to how the Committee functions in future.
3. A Committee member noted that the March Committee meeting would be the last prior to the May County Council elections with the existing membership. He noted

concern that if there was only one further session on the Investment Beliefs before that March meeting, that there would not be the opportunity to make any further changes at that Committee meeting. The Deputy Head of Investment and Stewardship expected that at the third session, members would discuss and propose any updated wording.

4. A Committee member noted that the output from the sessions would be good training material for Committee members post the elections. The LGPS Senior Officer noted that the intention was for the Committee to formulate the investment beliefs, to be adopted and subject to further review going forward.
5. A Committee member reiterated his concern that in the case of differing opinions at the third session, that without another session in between, there would not be time to make further iterations. The Chairman noted that if needed there could be an additional session but hoped that agreement could be reached in March.
6. A Committee member noted that local government reorganisation was uncertain regarding whether Surrey County Council would propose a major restructure, potentially delaying the elections. The Chairman agreed with another Committee member who noted the need to proceed as planned. As the Government was to make an announcement in the afternoon, the situation would become clear in due course.

RESOLVED:

1. Agreed for the sub-committee to meet again to consider how the Committee's fiduciary duty in law relates to the objectives of the Fund and to consider investment beliefs.
2. Agreed that any proposed changes to the investment beliefs by the sub-committee be brought back to the Committee for consideration.

Actions/further information to be provided:

None.

82/24 ASSET CLASS FOCUS - PRIVATE MARKETS [Item 13]

Speakers:

Mel Butler, Deputy Head of Investment and Stewardship
 Anthony Fletcher, Independent Advisor
 Milo Kerr, BCPP

Key points raised in the discussion:

1. The Deputy Head of Investment and Stewardship noted that the focus of the private markets review was on highlighting the renewable energy exposure in the portfolio.
2. The Independent Advisor noted that £800 million was committed to private market investments and of that, the current investment in renewables was £200 million or 3.4% of total assets. Based on the idea that all the investments get drawn according to the BCPP proportions, it was expected that the Fund would have £322 million invested in renewable assets or 5.5% of total assets. He noted that around 25% of the Fund's private market exposure was involved in renewables, and it was anticipated that would increase to 40%. That was about the right level and he noted that a diversified portfolio was important as asset performance differed. He reported that the Capital Dynamics Clean Energy Infrastructure (CEI) fund delivered the worst performance for renewable investment at -5.6% IRR

(Internal Rate of Return) and conversely, Pantheon Global Infrastructure Fund III delivered over 30% IRR.

3. A Committee member noted that as the Government had published a report titled 'Make Britain a Clean Energy Superpower', the Fund should invest more than 5%, to mitigate climate change. Another Committee member welcomed greater investment, however noted that private markets were one part of the overall assets allocation and the Fund had other investments in renewables.
4. A Committee member noted that some of the investments were in biomass and highlighted the case of Drax biomass plant in north England where it emerged that the supposedly sustainable pellets they were using to fuel their plant mostly came from chopping down ancient Canadian forests. He asked whether investments in renewables were monitored to ensure those were genuinely green. The Independent Advisor explained that Drax had been perceived to be a green investment, Aviva Infrastructure Income Fund had biomass assets written off and Capital Dynamics struggled to make returns from green energy from wind.
5. The Independent Advisor noted that review of asset performance was undertaken to ensure delivery of the environmental benefits. BCPP was monitoring the Quinbrook Infrastructure Fund which was a large solar project in Kent, to ensure that the environmental impact would be positive. The BCPP representative noted the layers of oversight by BCPP in identifying and allocating to private markets managers, ensuring they fulfil their mandate.
6. A Committee member asked how long it would take to realise investments; and asked how the percentage invested by the Fund compared to other funds. The Independent Advisor noted that for infrastructure assets it could take twenty years in addition to the initial five years for development. He noted that whilst there was little data on benchmarking performance between funds, from his own experience he noted that Wiltshire invested much more; the Surrey Fund was in the middle.
7. A Committee member queried what the percentage investment in renewables was by the Fund across the whole portfolio. The BCPP representative noted that there was a measure - it was not heavily relied upon - and that could be provided.
8. A Committee member noted that the advantage of Drax was that it had a close link to the electricity distribution network. The Independent Advisor explained that the large solar project in Kent worked because Quinbrook used a spare interconnector and nearby land. He noted that onward electricity transmission could be a problem. The Committee member noted that the Government would need to solve that issue nation-wide with the shift to electric vehicles.

RESOLVED:

Noted the Fund's Private Markets renewable energy exposure and review from the Fund's independent investment advisor.

Actions/further information to be provided:

1. 17/24 - The BCPP representative will provide the Committee with the percentage investment in renewables by the Fund across the whole portfolio.

83/24 RECENT DEVELOPMENTS IN LGPS (BACKGROUND PAPER) [Item 14]

Speakers:

Neil Mason, LGPS Senior Officer

Key points raised in the discussion:

1. The LGPS Senior Officer noted that the largest item concerned the Government's consultation which had been discussed at item 7.

RESOLVED:

Noted the content of this report.

Actions/further information to be provided:

None.

84/24 EXCLUSION OF THE PUBLIC [Item 15]**RESOLVED:**

That under Section 100(A) of the Local Government Act 1972, the public be excluded from the meeting for the following items of business on the grounds that they involve the likely disclosure of exempt information under the relevant paragraphs of Part 1 of Schedule 12A of the Act.

The Committee adjourned for a comfort break, 12.18 pm to 12.27 pm.

PART TWO – IN PRIVATE**85/24 INVESTMENT MANAGER PERFORMANCE AND ASSET/LIABILITIES UPDATE [Item 16]****RESOLVED:**

Noted the Part 2 Annexe 1 to item 10 (Minute item 79/24).

86/24 PROCUREMENT OF THE PENSION ADMINISTRATION SOFTWARE [Item 17]**Speakers:**

Tom Lewis, Head of Service Delivery

Key points raised in the discussion:

1. The Head of Service Delivery noted the robust procurement process with Orbis Procurement Services in line with the LGPS National Framework for a five-year contract, the focus was on the quality and risk over costs to ensure that the chosen supplier met the full requirements to ensure a system that would be fit for purpose. He noted the weightings applied to key areas, the existing supplier and a potential new supplier were given scores and the annual fees were set out. He was confident in the outcome that the best system had been sourced and risks were mitigated.
2. Referring to the lessons learned from Unit4/MySurrey, a Committee member asked whether the specification and any modifications had been made clear to the proposed potential vendors at the outset of the process. The Head of Service Delivery confirmed that was the case, the suppliers qualified with the requirements set out in the framework and that provided an opportunity to add in questions for example to understand whether they supported the strategic direction.
3. The Vice-Chairman noted that on a procurement basis the proper test concerned obtaining value for money rather than the cost and the Committee's decision should align to that. The cheaper option would mean that the pensions team may have to undertake manual work for some of the areas not covered by the supplier. A more sophisticated solution which included automation was a vital consideration.
4. The Chairman stressed that obtaining the best system was critical.

RESOLVED:

Endorsed the outcome of the recent procurement tender for the Pension Administration Software.

Actions/further information to be provided:

None.

87/24 BCPP GLOBAL EQUITY ALPHA UPDATE [Item 18]**Speakers:**

Mel Butler, Deputy Head of Investment and Stewardship
 Steve Turner, Mercer
 Neil Mason, LGPS Senior Officer
 Anthony Fletcher, Independent Advisor
 Milo Kerr, BCPP

Key points raised in the discussion:

1. The Deputy Head of Investment and Stewardship noted that after a sustained period of underperformance, the Committee recommended that a review of the Alpha fund take place and the performance figures were shown in the report.
2. The Mercer representative stressed that BCPP was due to enact changes to the Alpha fund. There were structural issues regarding its management, the underperformance was large and long-standing. He noted the performance issues in other funds such as the UK and emerging markets funds. Regarding the Alpha fund's underperformance, he detailed three key factors: portfolio construction, manager selection and risk management.
3. The Mercer representative outlined the current position and the alternative options that could be taken. He noted that the recent government proposals on the future of the LGPS around how the Fund would take advice from and implement through BCPP was a complication.
4. The LGPS Senior Officer referred to the consultation, noting that LGIM Future World fund was currently considered as being under pooled management, in the future the decision on the level of granularity of asset allocation would be made by BCPP. The Mercer representative noted the need to be mindful of incurring transaction costs should the decision be made to move away from the fund.
5. The Chairman noted that a mix of the options could be chosen.
6. The Independent Advisor felt that BCPP had not been willing to accept the portfolio construction issue. He noted concern that the direction of travel from the consultation would make it difficult for the Fund to address the underperformance.
7. The BCPP representative noted Mercer's fair assessment, it had been a difficult operating environment for active managers but a manager could have identified the issues driving underperformance, that was a gap and BCPP was working to review the options. Partner funds had different appetites for active risk; BCPP was considering the wider aspects of operational management.
8. A Committee member asked what management oversight there was to ensure that if the wrong decisions were being made, then actions would be taken more quickly to address them. The BCPP representative explained that changes made at the manager level by the Investments Team required approval by the Investment Committee which was chaired by BCPP chief executive. There was regular monitoring, and a deep dive annual review into the funds' structures.
9. The Mercer representative noted that it sounded as though that process had been in place for several years and he queried whether that would change in the future

as BCPP took a long time to recognise that change needed to be made. The Independent Advisor noted that the processes in place were not leading to change, the small cap value bias at inception had not been addressed. The BCPP representative noted that BCPP was committed to a review of the risk management tools available to the Investments Team and speed of implementation.

10. A Committee member welcomed BCPP's review, however he noted that the Fund could not afford to wait and it would be helpful for a detailed analysis of the alternative options to be undertaken. The Chairman noted that would be included in the report to March's Committee meeting. The LGPS Senior Officer noted that the Fund was an owner and customer, it would continue to take a partnership approach.
11. A Committee member asked how the expected changes by BCPP would be communicated. The LGPS Senior Officer explained that would be covered in March's Committee report and he would also cover in his regular email updates to the Committee and Board.

RESOLVED:

1. Noted the report from the Investment Consultant on the BCPP Global Equity Alpha fund.
2. Approved the proposed next steps in this paper.

Actions/further information to be provided:

1. A18/24 - The LGPS Senior Officer will include BCPP's changes in his regular email updates to the Committee and Board.

Duncan Eastoe left the meeting at 13.11 pm.

88/24 RESPONSIBLE INVESTMENT UPDATE [Item 19]

Speakers:

Mel Butler, Deputy Head of Investment and Stewardship

Key points raised in the discussion:

1. The Deputy Head of Investment and Stewardship noted that the main change was that deforestation considerations and actions were explicitly incorporated.
2. The Chairman noted that it was a light touch year. He noted that the next update should contain specific detail on engagement with consequences.

RESOLVED:

Supported the revised BCPP RI Policy, Corporate Governance & Voting Policy and Climate Change Policy.

Actions/further information to be provided:

1. A19/24 - The Deputy Head of Investment and Stewardship will request that the next RI Policy update from BCPP contains specific detail on engagement with consequences.

89/24 COMPETITION & MARKETS AUTHORITY (CMA) - INVESTMENT CONSULTANT STRATEGIC OBJECTIVES [Item 20]

The Mercer representative left the room whilst the item was discussed.

Speakers:

Mel Butler, Deputy Head of Investment and Stewardship

Key points raised in the discussion:

1. The Deputy Head of Investment and Stewardship noted that as part of best practice, the Fund was expected to review its investment consultant annually against the strategic objectives when making the appointment. The Chairman, officers and the Independent Advisor scored the Strategic Objectives; an improvement was noted.

RESOLVED:

1. Noted compliance of the IC provider for 2024 against the Fund's revised Strategic Objectives for Investment Consultants, as approved in June 2024.
2. Approved for the submission of the CMA Compliance Statement and Certificate for 2024.

Actions/further information to be provided:

None.

90/24 BORDER TO COAST PENSIONS PARTNERSHIP UPDATE [Item 21]

Speakers:

Neil Mason, LGPS Senior Officer
Anthony Fletcher, Independent Advisor

Key points raised in the discussion:

1. The LGPS Senior Officer referred to the indicative development pipeline, several elements anticipated parts of the Government consultation in line with the 2030 BCPP Strategy. The graph showed the well-developed level of transition for the Fund and partners.
2. A Committee member asked whether private conversations were had with other BCPP partners. The LGPS Senior Officer clarified that there were regular officer operations groups and that partner funds met twice yearly for two-day workshops. He noted that the partnership was consensual, for example the partner funds co-developed the 2030 BCPP Strategy. The Independent Advisor added that there was a high level of scrutiny amongst partners in what BCPP does.
3. The LGPS Senior Officer emphasised the need to give thought to a mechanism for oversight and governance in the future and that this was expected to be considered in the next partner fund workshop.

RESOLVED:

Noted the minutes of the Border to Coast Joint Committee meeting of 26 September and 26 November 2024, included in the background papers.

Actions/further information to be provided:

None.

91/24 PUBLICITY OF PART 2 ITEMS [Item 22]

RESOLVED:

That items considered under Part 2 of the agenda should not be made available to the Press and public.

92/24 DATE OF NEXT MEETING [Item 23]

The date of the next meeting of the Committee was noted as 21 March 2025.

Meeting ended at: 13.18 pm

Chairman

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