

**MINUTES** of the meeting of the hybrid **SURREY PENSION FUND COMMITTEE** held at 10.00 am on 9 July 2021 at Woodhatch Place, 11 Cockshot Hill, Reigate RH2 8EF.

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

**Elected Members:**

- \* Nick Harrison (Chairman)
- \* David Harmer
- \* Trefor Hogg (Vice-Chairman)
- \* George Potter
- Richard Tear
- \* Mark Sugden

**Co-opted Members:**

- \* Kelvin Menon, Employers  
Philip Walker, Employees

**101/21 APOLOGIES FOR ABSENCE AND SUBSTITUTIONS [Item 1]**

Apologies were received from Richard Tear and Philip Walker.

**102/21 MINUTES OF THE PREVIOUS MEETING [12/03/2021] [Item 2]**

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

**103/21 DECLARATIONS OF INTEREST [Item 3]**

There were none.

**104/21 QUESTIONS AND PETITIONS [Item 4]**

One petition with 751 signatories was received from Mr Stephen McDonald that requested the removal of all investments in oil, gas and coal. The petition and the Committee response were published as a supplement to the agenda.

There were six questions from six members of the public. These and the Committee responses were published as a supplement to the agenda.

Supplementary questions included:

1. Janice Baker welcomed the prospect of a new investment policy and asked how the policy would inject urgency into divestment of those not reaching the goals and would there be some sort of plan in place in which say a two-year period for improvement could be given and then divestment will happen if goals not reached? The Chairman stated that he hoped a more proactive approach be taken in relation to these issues in the new Responsible Investment policy.
2. Ian Chappell on behalf of Steve McDonald requested that the Committee response to the Surrey Pension Act Now report be provided before the September meeting of the Committee. The

Chairman stated that the Committee were unable to commit to any specific deadline, but if it is able to publish the response before then it would.

3. Ian Chappell asked what changes were expected and how will those changes be measured and to what timescale? The Chairman noted Mr Chappell's points which were well made and assured Mr Chappell that the Committee were serious.
4. Jenifer Condit stated that if the Pension Fund voted its shares in a particular way, but, this did not achieve overall support and Shell continue to not publish a plan that is consistent with Paris aligned goals, how can engagement teeth bite or will further escalation be required? If so, what further evidence will be required in the view of the Committee? The Chairman responded that the question could not be answered until the strategy was developed.
5. Jenifer Condit on behalf of Simon Hallett stated that the report on responsible investing contains information regarding applying SDG criteria to manager selection but nothing about discussion with managers in order to positively contribute to lower carbon transition. Can you confirm that the Committee will consider and report back on this when the strategy is developed? The Chairman responded that points made were noted and would be considered.
6. Jenifer Condit on behalf of Isobel Griffiths stated that the response to her original question did not answer her question. She has asked to see the allocation of funding to fossil fuel shares and the only way she can get this information is through a freedom of information request which is not made public. Also, the Fund does not give detail on sector breakdown: why? The Chairman responded that a lot of information is made public and the Fund were looking at other ways in which to give members information. Another Member stated that he was disappointed with the response given to the original question and that the information requested should be easily provided routinely. The Chairman stated that this comment would be taken on board and that the communication strategy was reviewed annually.

#### **105/21 PENSION FUND COMMITTEE - FORWARD PLAN [Item 5]**

**Speakers:**

Neil Mason, Strategic Finance Manager (Pensions)

**Key points raised during the discussion:**

The Committee were asked to review the Forward Plan.

**Actions/ further information to be provided:**

None

**Resolved:**

That the Forward Plan be noted.

#### **106/21 BUSINESS PLAN 2021/22 [Item 6]**

**Speakers:**

Neil Mason, Strategic Finance Manager (Pensions)

**Key points raised during the discussion:**

1. The Strategic Finance Manager explained that this plan was agreed by the previous committee.
2. A Member requested that Governance item 17 be replaced with a wider risk on data protection and that the Communications item address accessibility.

**Actions/ further information to be provided:**

That the Governance item 17 be replaced with a wider risk on data protection and that the Communications item address accessibility.

**Resolved:**

That the Business Plan 2021/22 shown in Annexe 1 be noted and the amendments requested be included.

**107/21 INVESTMENT AND FUNDING REPORT [Item 7]****Speakers:**

Neil Mason, Strategic Finance Manager (Pensions)  
 Clare Chambers, Pensions Service Delivery Manager  
 Anthony Fletcher, Independent Advisor

**Key points raised during the discussion:**

1. It was noted that the date was incorrect on page 26 of the agenda pack.
2. A Member queried the large increase in numbers on table 1 of the submitted report. The Pensions Service Delivery Manager to provide explanation outside of meeting.
3. The Independent Advisor highlighted the quarter 4 performance for the Fund as a whole was above benchmark. The performance of the Border to Coast funds was pleasing and Ruffer was performing particularly well. Some others were underperforming.
4. The Independent Advisor explained that Franklin Templeton was a type of fund which was planned for disinvestment in the future.
5. The Strategic Finance Manager explained the significant backlog of work in the administration team.
6. A Member asked for performance comparison data with other members invested in the Border to Coast Pool. The Strategic Finance Manager responded that Border to Coast members had different funding levels and used different funds so was not sure how helpful it would be to see that data. The Independent Advisor encouraged Members to look at the three-year return rather than quarterly or annual return as this gave a better performance measure. He also confirmed that the percentages included all costs including management costs.

**Actions/ further information to be provided:**

The Pensions Service Delivery Manager to provide explanation of the large increase in numbers on table 1 of the submitted report.

**Resolved:**

That the Pension Fund Committee noted the main findings of the report in relation to the Fund's valuation and funding level, performance returns, asset allocation and performance fees.

## 108/21 INVESTMENT CORE BELIEFS AND SUSTAINABLE DEVELOPMENT GOALS INCORPORATION IMPLEMENTATION UPDATE [Item 8]

### Speakers:

Neil Mason - Strategic Finance Manager (Pensions)

Steve Turner – Mercer

Sam Wereford, Border to Coast

Anthony Fletcher, Independent Advisor

### Key points raised during the discussion:

1. The Strategic Finance Manager explained the previous committee's journey over the last 2 years.
2. Members comments on report:
  - That Page 100 of the agenda pack did not give a timeframe for the 40-60% reduction. Mercer explained the annex to the Committee.
  - A Member commented that there did not appear to be much mention of the other 16 of the Sustainable Development Goals.
  - A Member queried whether LGIM had disinvested due to a poor response to ESG issues. Mercer replied that LGIM had disinvested in the past because of these issues. The Independent Advisor reported that LGIM and HSBC were trailblazers in this area. The Strategic Finance Manager offered to share LGIM's engagement policy with the Committee.

### Actions/ further information to be provided:

The Strategic Finance Manager offered to share LGIM engagement policy with committee

### Resolved:

1. That the Committee receive further background to proposals in this report, through a dedicated information session and to convene an additional Pension Fund Committee meeting to allow for the Committee to decide the next steps.
2. That the proposed revised Investment Strategy Statement be subject to further consideration in accordance with recommendation 1.
3. That the proposed structure for a standalone Responsible Investment Policy be noted and officers be authorised to work with Minerva to bring a recommended policy to the Committee, subject to further consideration in accordance with recommendation 1.
4. That the proposal for the internal transition of RAFI multi-factor and low carbon indexed equity assets with Legal and General Investment Management (LGIM) to the Future World Fund, with reference to the report from the investment consultant, Mercer (shown as Annexe 3), subject to further consideration in accordance with recommendation 1, be noted.

## 109/21 COMPANY ENGAGEMENT AND VOTING [Item 9]

### Speakers:

Neil Mason, Strategic Finance Manager (Pensions)

### Key points raised during the discussion:

1. The Strategic Finance Manager introduced the report.

2. A Member stated it was encouraging to see the engagement but there were no details of changes being made. He wanted to be assured that the strategy was meaningful. The Strategic Finance Manager listed the policies to identify those points.
3. A Member asked what about the time period and historical comparison with reference to page 127 of the agenda pack. The Strategic Finance Manager to provide outside of meeting.

**Actions/ further information to be provided:**

The Strategic Finance Manager to provide details as indicated in points 2 and 3 above.

**Resolved:**

The Committee reaffirmed that Environmental Social & Governance Factors were fundamental to the Fund's approach, consistent with the Mission Statement through;

- a) Continuing to enhance its own Responsible Investment Approach, its Company Engagement policy, and Sustainable Development Goals alignment.
- b) Acknowledging the outcomes achieved for the quarter ending 31 March 2021 by Robeco in their Active Ownership approach, and with the Local Authority Pension Fund Forum in its Engagement with multinational companies as at 31 March 2021.

**110/21 PENSION FUND ACCOUNTS [Item 10]**

**Speakers:**

Ayaz Malik, Senior Pensions Finance Specialist

**Key points raised during the discussion:**

The Senior Pensions Finance Specialist introduced the report and confirmed that it had taken account of previous comments received from Philip Walker.

**Actions/ further information to be provided:**

None

**Resolved:**

That the 2020/21 Pension Fund Accounts, subject to an unqualified opinion issued by Audit, be approved.

**111/21 GOVERNANCE COMPLIANCE STATEMENT [Item 11]**

**Speakers:**

Neil Mason, Strategic Finance Manager (Pensions)

**Key points raised during the discussion:**

The Strategic Finance Manager introduced the report and confirmed there were no changes from last year.

**Actions/ further information to be provided:**

None.

**Resolved:**

That the Governance Compliance Statement be approved.

**112/21 SCHEME ADVISORY BOARD GOOD GOVERNANCE PHASE III [Item 12]****Speakers:**

Neil Mason, Strategic Finance Manager (Pensions)

**Key points raised during the discussion:**

1. The Strategic Finance Manager introduced the report and for the benefit of the new committee, explained the makeup and history of the Scheme Advisory Board. He also explained that Surrey had good governance procedures and did not envisage any big changes in order to comply with the governance advice.
2. A Member asked if Surrey could impose procedures on members such as parishes or academies. The Strategic Finance Manager explained that there were over 310 employers with a growing number of schools and other bodies. The Administration Strategy laid out the requirements. He went on to say that Surrey had good relationships with employers and hadn't needed to report any specific employer issues to The Pension Regulator.

**Actions/ further information to be provided:**

None

**Resolved:**

That the report be noted.

**113/21 INCREASING NORMAL EARLY RETIREMENT AGE CONSULTATION [Item 13]****Speakers:**

Neil Mason, Strategic Finance Manager (Pensions)

**Key points raised during the discussion:**

Members confirmed that they had noted the report and had no further comments.

**Actions/ further information to be provided:**

None

**Resolved:**

That the report be noted.

**114/21 DEPARTMENT FOR WORK & PENSIONS - PENSION SCAMS CONSULTATION [Item 14]****Speakers:**

Neil Mason, Strategic Finance Manager (Pensions)

**Key points raised during the discussion:**

Members confirmed that they had noted the report and had no further comments.

**Actions/ further information to be provided:**

None

**Resolved:**

That the report be noted.

**115/21 THE PENSION REGULATOR SINGLE CODE CONSULTATION [Item 15]****Speakers:**

Neil Mason, Strategic Finance Manager (Pensions)

**Key points raised during the discussion:**

1. The Strategic Finance Manager introduced the report and explained that a number of separate codes were to be combined and a response to the consultation had been sent. He also explained that the LGPS Sector would have preferred to keep their own code, but the Regulator appeared to be adamant that a single code was the way forward.
2. The Local Pension Board were to be briefed on this.

**Actions/ further information to be provided:**

The Local Pension Board were to be briefed on the single code.

**Resolved:**

That the report be noted.

**116/21 EXCLUSION OF THE PUBLIC [Item 16]**

**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.

**PART TWO – IN PRIVATE****117/21 INVESTMENT AND FUNDING REPORT [Item 17]****Speakers:**

Neil Mason, Strategic Finance Manager (Pensions)

**Key points raised during the discussion:**

The Committee noted the Part 2 annex to Item 7 of the agenda

**Actions/ further information to be provided:**

None

**Resolved:**

See minute 107/21

**118/21 BORDER TO COAST UPDATE [Item 18]****Speakers:**

Neil Mason, Strategic Finance Manager (Pensions)

Steve Turner, Mercer

Anthony Fletcher, Independent Advisor

**Key points raised during the discussion:**

1. The Strategic Finance Manager introduced this exempt paper and explained that most pools rely on external managers. Border to Coast were unusual in that they have large funds managed internally.
2. There was some discussion around private markets and how they work, in that if a commitment was made today to invest in a private fund it could take a significant number of years for that money to be invested in suitable opportunities.

**Actions/ further information to be provided:**

None

**Resolved:**

1. Notes the background and progress of BCPP activity, including details of the BCPP Joint Committee meeting of 9 March 2021.
2. Approves the delegation of authority to the Director of Corporate Finance, in consultation with the Chairman of the Pension Fund Committee, to transition the proposed allocations of the private markets portion of the Surrey Pension Fund portfolio to the Listed Alternatives sub-fund of the BCPP Pensions Partnership (BCPP) national pool when its design has been established to the satisfaction of officers and Fund advisors and assuming that the “necessary conditions” of governance have been satisfied.

**119/21 INVESTMENT CONSULTANT PROCUREMENT [Item 19]****Speakers:**

Neil Mason, Strategic Finance Manager (Pensions)

**Key points raised during the discussion:**

The Strategic Finance Manager introduced this exempt paper and in response to Member queries spoke about the applicants and the value of contract. Also explained what the projected costs would be dependent on work undertaken.

**Resolved:**

That the re-appointment of Mercer as the Fund Investment consultant on a three-year contract with an option to extend for two years, with effect from July 2021, in line with the LGPS Frameworks document was approved.

**120/21 DATE OF NEXT MEETING [Item 21]**

The date of the meeting was NOTED.

Meeting ended at: 1.19 pm

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**Chairman**