

MINUTES of the meeting of the **SURREY PENSION FUND COMMITTEE** held at 10.00 am on 10 September 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:

- * Borough Councillor Mark Maddox, Borough & Districts
- * Borough Councillor Steve Williams, Borough & Districts
- * Kelvin Menon, Employers
- * Philip Walker, Members

121/21 APOLOGIES FOR ABSENCE AND SUBSTITUTIONS [Item 1]

Apologies were received from Richard Tear and Mark Maddox.

122/21 MINUTES OF THE PREVIOUS MEETING [9 JULY 2021] [Item 2]

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

123/21 DECLARATIONS OF INTEREST [Item 3]

There were none.

124/21 QUESTIONS AND PETITIONS [Item 4]

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

Supplementary questions included:

1. Jenifer Condit explained how Railpen was going to go completely Paris aligned and asked if Surrey Pension Fund would consider taking this route. The Chairman responded that there many things on the table to be considered including looking at the Investment Policy and that these were work in progress.
2. Jenifer Condit, on behalf of Isobel Griffiths, asked if the Fund would poll its members views on holding fossil fuel assets? The Chairman could not add much to responses previously given for the same question but reiterated that engaging with members was paramount. The Strategic Finance Manager (Pensions) explained that polling members had not been

discounted and that it was being assessed as to what the most effective ways of getting members views was. One Member stated that he would pursue divestment on the Committee. Another Member put forward the idea of a simple email to members to gain a temperature check should be considered.

3. Ian Chappell stated that engagement with companies did not work and had provided research that showed this with his original question. He went on to ask the Committee to defend its stance with this information in mind and what lessons had been learned over the last six years and how would he know if the engagement policy was not fit for purpose. The Strategic Finance Manager (Pensions) explained that the Responsible Investment Policy set out some metrics for measuring success.

125/21 PENSION FUND COMMITTEE - FORWARD PLAN [Item 5]

Speakers:

Chairman

Key points raised during the discussion:

1. The Chairman highlighted that responsible investment would be on the agenda for December 2021 and March 2022 meetings.

Resolved:

That the Forward Plan be noted.

126/21 LOCAL PENSION BOARD UPDATE [Item 6]

Speakers:

Tim Evans, Independent Chairman of Local Pension Board

Key points raised during the discussion:

1. The Local Board Chairman gave a detailed introduction to the papers contained in the agenda pack.
2. The Chairman stated that the Committee supported the work to improve the Fund's operational service to scheme members (the "Turnaround Programme") and urged Members to look at the papers that went to the Local Board which were available online.

Actions/ further information to be provided:

None.

Resolved:

1. That the minutes of the Local Pension Board meeting of 5 August 2021 be noted.
2. That the following changes to the administration risk register be approved:
 - risk A5, poor reconciliation process leads to incorrect contributions,

- risk A11, failure to get on top of the backlog leads to resource issues and management distractions,
- risk A12, failure to identify GMP liability leads to ongoing costs for the pension fund,
- risk A13, Inability to respond to a significant event leads to prolonged service disruption and damage to reputation and,
- risk A23, poor management control of the backlog leads to inaccurate Key Performance Indicators (KPI's) leading to a loss of confidence in levels of assurance from the Pensions Administration team.

127/21 INVESTMENT CORE BELIEFS / RESPONSIBLE INVESTMENT UPDATE [Item 7]

Speakers:

Neil Mason, Strategic Finance Manager (Pensions)
Andrew Stone, Border to Coast

Key points raised during the discussion:

1. The Committee discussed the Part 2 addendum that replaced recommendation 3 of the submitted report. Members requested that the addendum be redacted and made public.
2. There was discussion around the timelines for setting up a working group to discuss a proposed Responsible Investment Policy. Volunteers were requested for this working group. It was also confirmed that Border to Coast were developing their own strategy on climate change.
3. It was noted that the submitted report referred to an annex 4 but this was an error.

Actions/ further information to be provided:

1. That the addendum be redacted and made public.

Resolved:

1. That the proposed revised Investment Strategy Statement be approved.
2. That the proposed structure for a standalone Responsible Investment Policy be approved and a sub-committee of Committee members to be convened to work with officers, Minerva and the Fund's consultants and independent advisors to progress the drafting of a policy for future consideration was approved. The Strategic Finance Manager (Pensions) to issue invitations to participate in the sub-committee to all Committee members.
3. Recommendation 3 of the published report was replaced with a Part 2 addendum that was discussed in the private part of the meeting. (see Minute 135/21).

128/21 COMPANY ENGAGEMENT AND VOTING [Item 8]

Speakers:

Ayaz Malik, Senior Pensions Finance Specialist
Neil Mason, Strategic Finance Manager (Pensions)

Key points raised during the discussion:

1. A Member asked if a tracker could be included in future reports which indicates for the companies engaged - where we started, and movement / progress against goals. He also asked how many improvements were a result of shareholder engagement, rather than other factors such as legal changes or other outside pressures? The Chairman stated that was difficult to know in that there were often numerous factors involved. The Strategic Finance Manager (Pensions) suggested inviting the Local Authority Pension Fund Forum (LAPFF) to give a presentation with more granular detail.
2. A Member noted that 145 companies had been engaged with through LAPFF, but the committee report recorded the impact on only seven of them. The Senior Pensions Finance Specialist stated that this information came from the LAPFF and he would circulate the more detailed information to the Committee. Another Members asked that this information be an appendix to future reports.

Actions/ further information to be provided:

1. That the Local Authority Pension Fund Forum (LAPFF) be invited to speak at a future meeting.
2. That the LAPFF information be circulated and attached as an appendix to future reports to the Committee.

Resolved:

1. That Pension Fund Committee reaffirmed the ESG Factors fundamental to the Fund's approach, consistent with the Mission Statement through;
 - Continuing to enhance its own Responsible Investment Approach, its Company Engagement policy, and SDG alignment.
 - Acknowledging the outcomes achieved for quarter ending 30 June 2020 by Robeco in their Active Ownership approach and the LAPFF in its Engagement with multinational companies as at 30 June 2020.

**129/21 DRAFT ANNUAL REPORT 2020/21 AND STATEMENT OF ACCOUNTS
[Item 9]**

Speakers:

Ayaz Malik, Senior Pensions Finance Specialist

Key points raised during the discussion:

1. The Senior Pensions Finance Specialist introduced the annual report and statement of accounts to the Committee. In response to Member questions he reported that:
 - The number of deferred members (page 74 of the agenda pack) had decreased as a result of aggregating different periods of member service/ employment.
 - The report would be uploaded onto the Pension Fund website.
1. The Committee expressed its thanks to staff for the enormous amount of work gone into the report.

Actions/ further information to be provided:

That next year's report shows the year-on-year progress regarding responsible investments.

Resolved:

That the Draft Annual Report with the Audited Pension Fund Accounts be approved for publication subject to audit approval.

130/21 2022 DRAFT VALUATION PROJECT PLAN [Item 10]**Speakers:**

Mel Butler, Pensions Finance Specialist
Anne Cranston - Hymans
Neil Mason, Strategic Finance Manager (Pensions)

Key points raised during the discussion:

1. The Pensions Finance Specialist introduced the report as a draft plan and the Strategic Finance Manager (Pensions) highlighted annex 2 of the submitted report and the intention to roll out training to the Committee and the Board on the triannual process.
2. A Member queried whether there would be consultation with employers on the assumptions used in the actuarial valuation. The Strategic Finance Manager (Pensions) explained that employer consultation would be part of developing the agreed Funding Strategy.

Actions/ further information to be provided:

None.

Resolved:

That the report and draft valuation project plan from Hymans Robertson be noted.

131/21 INVESTMENT AND FUNDING REPORT [Item 11]**Speakers:**

Ayaz Malik, Senior Pensions Finance Specialist
Neil Mason, Strategic Finance Manager (Pensions)
Steve Turner, Mercer
Anthony Fletcher, Mercer

Key points raised during the discussion:

1. The Senior Pensions Finance Specialist highlighted key elements of the reports including the Fund being over 100% funded as at end of June 2021, and cash flow continuing as positive.
2. In response to a Member query about the continuation of the good funding position the Chairman explained that the report was a snapshot position at the end of the quarter, and it was important to also consider the discount rate, small changes in which could lead to significant changes in the funding position. The Strategic Finance Manager (Pensions) went on to say that the tri-annual actuarial valuation took a more comprehensive view

3. It was noted that annexes 2 and 3 of the submitted report were in the Part 2 agenda.

Actions/ further information to be provided:

None.

Resolved:

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

132/21 EXCLUSION OF THE PUBLIC [Item 12]

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

133/21 INVESTMENT AND FUNDING REPORT [Item 13]

Speakers:

Anthony Fletcher, Independent Advisor
 Jamie Roberts, Border to Coast
 Neil Mason, Strategic Finance Manager (Pensions)

Key points raised during the discussion:

1. Further to Minute 132/21 the Independent Advisor explained the Part 2 annexes to the main report submitted. These detailed the performance and fees of individual managers.
2. There was some discussion about the Border to Coast Partnership and their reporting. The Committee Members were also invited to attend quarterly meetings if they so wished.

Resolved:

That the Part 2 annexes to the main Part 1 report be noted.

134/21 BORDER TO COAST UPDATE [Item 14]

Speakers:

Neil Mason, Strategic Finance Manager (Pensions)
 Jamie Roberts, Border to Coast
 David Crum, Minerva
 Tim Sankey, Border to Coast

Key points raised during the discussion:

1. The Strategic Finance Manager (Pensions) and Border to Coast introduced this Part 2 update report.

2. In response to a Member query the Strategic Finance Manager (Pensions) reported that it had been fed back to Border to Coast that more detail was needed in relation to ESG, which had been taken on board.
3. A Member requested that future reports include:
 - Benchmarking against local authority funds in relation to average climate change market practice assessment score, and
 - Performance against other funds with different investment intentions.
 The committee were informed that a small number of funds had committed to disinvest to meet climate change targets but had not done so at the moment. It was also explained that it would be very difficult to make comparisons as yet as limited information was available, and that this was not common practice. It was also not useful as a comparator as Funds have different investment strategies.
4. The setting up of a property fund was detailed with an investment strategy to provide long term benefits for both UK and global investments, delivering economy of scale. Initially work was being undertaken with investment managers to develop a Gateway Fund.

Actions/ further information to be provided:

None.

Resolved:

1. That the background and progress of Border to Coast activity be noted, including details of the following:
 - Border to Coast Joint Committee (JC) meeting of 13 July 2021;
 - The proposed Border to Coast Climate Change Policy;
 - Developments in the alternatives investment proposition (series 2);
 - Developments in the property proposition.

**135/21 INVESTMENT CORE BELIEFS / RESPONSIBLE INVESTMENT UPDATE
ADDENDUM [Item 7a]**

Speakers:

Neil Mason, Strategic Finance Manager (Pensions)
Hymans

Key points raised during the discussion:

1. Further to Minute 127/21 the Committee considered a late Part 2 addendum that replaced recommendation 3 of the Part 1 report.
2. The Strategic Finance Manager (Pensions) explained the options put forward in the report as:

'In respect of the proposed internal transition of RAFI multi-factor and low carbon indexed equity assets with Legal and General Investment Management (LGIM) to the Future World Fund:

- a) Switch from RAFI multi-factor and low carbon indexed equity assets to the Future World Fund and consider further possible changes as part of a future review of the investment strategy.
- b) Make no immediate switch from RAFI multi-factor and low carbon indexed equity assets to the Future World Fund until

further possible changes have been considered as part of a future review of the investment strategy.'

3. There was much debate on the options and concerns raised about both of the options. The concerns were mainly about timescale, strategy, costs and possible delays.
4. A motion was put forward by Steve Williams, and seconded by George Potter, that a decision be deferred until December 2021. The motion was lost with three voting for and five against.

Actions/ further information to be provided:

None

Resolved:

1. That, in respect of the proposed internal transition of RAFI multi-factor and low carbon indexed equity assets with Legal and General Investment Management (LGIM) to the Future World Fund, to switch from RAFI multi-factor and low carbon indexed equity assets to the Future World Fund and consider further possible changes as part of a future review of the investment strategy within twelve months or sooner.

136/21 PUBLICITY OF PART 2 ITEMS [Item 15]

Resolved:

That once redacted, the Investment Core Beliefs / Responsible Investment Addendum could be made public.

137/21 DATE OF NEXT MEETING [Item 16]

The date of the meeting was NOTED.

Meeting ended at: 1.12 pm

Chairman