

SURREY COUNTY COUNCIL**SURREY LOCAL PENSION BOARD****DATE:** 16 FEBRUARY 2024**LEAD OFFICER:** ANNA D'ALESSANDRO, DIRECTOR OF FINANCE, CORPORATE AND COMMERCIAL**SUBJECT:** SUMMARY OF THE PENSION FUND COMMITTEE MEETING OF 15 DECEMBER 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 contents of this report and make recommendations to the Pension Fund Committee if appropriate.

REASON FOR RECOMMENDATIONS:**Background**

The Committee met on 15 December 2023. This report provides a summary of this meeting and any decisions made.

DETAILS**Change Programme Update – Quarter 2**

1. The Head of Change Management updated the Committee with activity carried out by the Change Management Team for the Quarter 2 July to September 2023. The following key points were highlighted - currently working on improvements and access issues for the One Pension Team Dashboard, work to amplify the “presence” of the Pension Fund for the benefit of members and employers and investigating training our staff to gain externally accredited training.
2. The Committee were informed that the service has been shortlisted for the Pensions Age Awards 2024 Pension Administration Award.

Summary of the Local Pension Board Report

3. The Board report provided a summary of administration and governance issues reviewed at its last meeting on 10 November.
4. The Chair of the Board highlighted the Risk Register – MySurrey (Unit4), there is a meeting in the new year to discuss the impact the implications of the new system on the Pension fund, and current administration performance.

5. The Chair of the Committee highlighted paragraph 22 of the report concerning legacy rectification and for the committee to note that were ahead of timescales.
6. The Assistant Director, LGPS Senior Officer highlighted paragraph 27, the Internal Audit update including progress against the 2023/2024 plan to undertake the following audits: admission agreements, transfers in, i-Connect and Fund investments.
7. Officers are working on the 2024/25 internal Audit Plan which will add value to the business.
8. A Member of the Committee raised the Top Risk Commentary within the report, paragraph 9 was possibly incorrect. This was confirmed as an error and the Chair agreed to circulate the corrected version to members of the Committee outside of the meeting.

Investment Manager Performance and Asset /Liabilities Update

9. The Committee noted the main findings of the report in relation to the Fund's valuation and funding level, performance returns and asset allocation.
10. The Head of Investment and Stewardship underlined the funding ratio which was up to 140%, despite the underperformance of the Fund verses the benchmark. This was caused by the markets expectation of higher interest rates for a longer period, especially within the domestic market.
11. The Global Fund from Border to Coast, one of the largest single mandates performed better than the other equity mandates.

Actuarial Update

12. The Committee received a presentation from the Actuary, Hymans Robertson to consider future projections of the Surrey Pension Fund (the Fund) cashflow under a range of different scenarios.
13. The Assistant Director, LGPS Senior Officer confirmed that due to the economic climate the cashflow analysis will continue to be undertaken on an annual basis until further notice.
14. The Committee noted the Funds cashflow position and approved the pass-through policy document which set out the general approach the fund will take when admitting new contractors into the Fund.

Company Engagement & Voting Update

15. The Committee received a report detailing Environmental Social and Governance (ESG) engagement by Local Authority pension Fund Forum (LAPFF) and Robeco, along with details of voting by the Fund for the quarter ending 30 September 2023.
16. The Head of Investment and Stewardship highlighted the quarterly Engagement Report from LAPFF.

17. The Committee resolved that the environment social & governance (ESG) Factors are fundamental to the Fund's approach, consistent with the responsible investment (RI) Policy by:
- a) Continuing to enhance its own RI approach and sustainable development goals (SDG) alignment.
 - b) Acknowledging the outcomes achieved for quarter ended 30 September 2023 by LAPFF and Robeco through their engagement.
 - c) Noting the voting by the Fund in the quarter ending 30 September 2023.

Asset Class Focus- Private Markets

18. The Committee were asked to note reports detailing the Fund's private market holdings and commitments, respective Funds' investment performance and review.
19. The Committee also noted the Independent Investment Adviser's report on Border to Coast Pension Partnership (BCPP) Listed Alternatives.

Responsible Investment Update

20. In response to a request, the Committee received information from BCPP engaging with four companies on RI issues and data that related to the exposure to the largest fossil fuel companies within the global equity.
21. Details of the four case studies were provided in [Annexe 1. A](#) report in [Annexe 2](#) provided details of the exposure the Fund has within its global equity mandates to the largest 25 oil related companies globally.
22. Following a lengthy discussion, the Committee requested an assessment of the implications and the potential implications and impact of the exclusion of investment in the largest 25 fossil fuel companies to be included in the RI Annual Review in June 2024.

LGPS Update (Background Paper)

23. The Committee noted the report providing an update of recent developments in the Local Government Association (LGPS), including the McCloud remedy effective from 1 October 2023 and the Scheme Advisory Board (SAB) response to Department for Levelling Up, Housing & Communities (DLUHC) consultation on the next steps for LGPS investing.
24. The Assistant Director, LGPS Senior Officer drew the Committee's attention to the working party set up by the SAB tasked with looking at the issues presented by the improving funding position of Funds within the LGPS.

Response to Consultation on the future for investing

25. The Committee received an overview of the proposed draft collaborative response from BCPP on the future for investing in the LGPS to the Department for Levelling Up, Housing & Communities (DLUHC) consultation. A separate draft response from the Surrey Pension Fund was also considered.

26. Those Committee and Board Members that did not attend the training session regarding the consultation will be contacted outside of this meeting.
27. 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 (BCPP) (Part two)

28. The Committee received an update from the Head of Responsible Investment, BCPP on its current activity. The Assistant Director, LGPS Senior Officer, highlighted paragraph 11 of the report regarding the exclusion thresholds.
29. The Committee agreed to :-
- a) Support the revised BCPP Responsible Investment (RI) Policy 2024, Climate Policy 2024 and Corporate Governance & Voting Guidelines 2024, subject to the continuing work between the Fund and BCPP to align their approaches consistent with the Fund’s standalone RI Policy.
 - b) Note that compliance with the “necessary conditions” of governance for the BCPP Global Real Estate investment proposition and that a commitment consistent with the Surrey Pension Fund target asset allocation to global real estate can commence.
 - c) Note the background and progress of BCPP activity, including details of the following:
 - i. Relevant items from the BCPP Joint Committee (JC) meeting of 28 November 2023.
 - ii. The schedule of activity of BCPP since the last Committee meeting of 8 September 2023 until the end of the calendar year.

Competition & Markets Authority (CMA) Investment Consultant Strategic Objectives)

30. The Head of Investment and Stewardship presented the report to the committee which details the performance monitoring of the Investment Consultant to meet CMA requirements and that it is consistent with the Fund’s strategic investment objectives.
31. The Committee agreed to:-
- a) Note compliance of the IC provider for 2023 against the Fund’s Strategic Objectives for Investment Consultants, as approved in December 2021.
 - b) Approve the submission of the CMA Compliance Statement and Certificate for 2023.

CONSULTATION:

32. The Chair of the Board and Committee have been consulted on this report.

RISK MANAGEMENT AND IMPLICATIONS:

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

FINANCIAL AND VALUE FOR MONEY IMPLICATIONS

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

DIRECTOR OF FINANCE, CORPORATE AND COMMERCIAL

35. 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

36. There are no legal implications or legislative requirements.

EQUALITIES AND DIVERSITY

37. There are no equality or diversity issues.

OTHER IMPLICATIONS

38. There are no other implications.

WHAT HAPPENS NEXT

39. The following next steps are planned:

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

Contact Officer:

Adele Seex – Governance Manager

Annexes:

- None

Sources/Background papers:

1. [BCPP Engagement Case Studies – Annexe 1](#)
 2. [Comment related to the largest 25 fossil fuel companies – Annexe 2](#)
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