

**SURREY COUNTY COUNCIL****SURREY LOCAL PENSION BOARD****DATE: 17 MAY 2024****LEAD OFFICER: ANNA D'ALESSANDRO, DIRECTOR OF FINANCE, CORPORATE AND COMMERCIAL****SUBJECT: SUMMARY OF THE PENSION FUND COMMITTEE MEETING OF 22 MARCH 2024****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 22 March 2024. This report provides a summary of this meeting and decisions made.

**DETAILS****Forward Plan**

1. The Assistant Director, LGPS Senior Officer highlighted item 5, [Annexe 3](#) (h- 21 June 2024 and f 13 September) in the forward plan. It is intended to bring to the Committee on 21 June 2024 a report to agree the scope and process for reviewing the Investment Beliefs of the Committee. Then on 13 September 2024 a report to consider findings of the Investment Beliefs review. This may be subject to change, following the prospective announcement of the date for the General Election and availability of Members to attend a workshop.
2. In order to produce the document to be considered and reviewed on investment beliefs, Committee Members will be asked to attend a workshop, to agree the scope. This will include consideration of fiduciary duty and to understand the relationship with Border to Coast and how they play into the strategy for the Surrey Pension Fund. This will help ensure that decisions of the Committee are consistent with the beliefs of the Committee.

## **Second Year of Strategic Plan for the Surrey Pension Team**

3. The Committee reviewed and considered the second year of the Strategic Plan for the Surrey Pension Team. The Committee agreed the Strategic plan as detailed in [Annexe1](#).

## **Change Programme update – Quarter three**

4. The Head of Change Management introduced a summary of activity for the period October – December 2023. This included the Dashboard, which following continued progress on the Workforce Strategy, showed an increase in the metrics on people and strategy. The refresh of the member website, launched in January was noted.
5. A Member of the Committee asked for an update on the Banking Controls. The Head of Accounting Governance confirmed we are establishing the best way the Finance Pension team can upload the data from the bank account into MySurrey (Unit 4). This is a process the Finance Pension Team are not currently undertaking due to system limitations but is being completed by Surrey County Council's finance staff on behalf of the Surrey Pension Team.
6. The Assistant Director, LGPS Senior Officer, provided an overview of the investigation of alternative arrangements for Board and Committee training and development as detailed in [Annexe 2](#). The Committee agreed the proposal to trial a two day residential training for all Board and Committee members to take place on 23 and 24 October 2024.

## **Communications Policy Statement 2024/25**

7. The Committee reviewed the Pension Fund Communication Policy statement [Annexe 1](#) and was asked to approve the policy on an annual basis.

## **Training Policy 2024/25**

8. The Committee reviewed the Training Policy 2024/25 [Annexe 1](#) which covers training for the Board and Committee, along with officers. The main change to the document is the inclusion of the delivery of residential training for Board and Committee members. The Committee approved the policy.

## **Summary of the Surrey Local Pension Board Report**

9. The Board report provided a summary of administration and governance issues reviewed at its last meeting on 16 February 2024.
10. The Chair of the Board highlighted the continued issues with the implementation of MySurrey (Unit4). Substantial progress has been made and a number of meetings have taken place to address various issues. The last meeting was on 15 March, and another meeting is scheduled before the end of March, to ensure the end of financial year commitments are on track.

11. The Chair of the Committee highlighted substantial improvements in the level of performance of Service Delivery, and progress made with the backlogs, which are currently ahead of schedule.
12. A Member of the Committee asked if the issues with payroll and MySurrey (Unit4) were relevant to the Pension Fund. The Head of Service Delivery responded by confirming there has been an impact on the Pension Team, with delays in the data coming from Surrey County Council's payroll. Manual work arounds are in place to meet the requirements of paying pensioners their benefits. Work continues in collaboration with the payroll team to resolve the issues.

### **Surrey Local Pension Board-Terms of Reference**

13. The Committee was provided with a report that summarised the proposed amendments to the Terms of Reference. Attention was drawn to [Annexe 1](#), section 4.2 concerning amendment of the member representatives – replacing the requirement for one GMB nominated representative and one Unison nominated representative with two union nominated representatives. This will enable more flexibility to recruit more effectively to the vacant member position. The Committee approved the changes.

### **Budget 2024/25**

14. The Head of Accounting and Governance introduced the budget for 2024/25 as detailed in [Annexe 1](#). The budget provides a framework for understanding the cost base of the Pension Fund Service. The main costs revolve around staff and associated expenditure.
15. The aim is to monitor actual results against this initial budget during the coming year to understand where the outturn for various line items differs from our original high-level assumptions. The Committee approved the budget.

### **Investment Manager Performance and Asset /Liabilities Update**

16. The Committee noted the main findings of the report in relation to the Fund's valuation and funding level, performance returns and asset allocation.
17. The Head of Investment and Stewardship highlighted the required return on assets to be fully funded has gone up from 4.3% to 4.5% since the valuation. In terms of the Fund's performance this was a strong quarter for all asset classes.
18. The impact of the use of a global listed equity benchmark when considering short term private markets performance was highlighted to the Committee in paragraphs 20-24. In a response to a request at the last Committee [Annexe 1](#) provides the sector split for the equity portfolios.
19. The Committee were advised about the funding of Capital Calls, which currently use the Listed Alternatives Fund from Border to Coast (now reduced

to around £100 million). Going forward, Capital Calls may also be met by using Newton assets with some of the liquidity held with Legal and General

### **Company Engagement & Voting Update**

20. 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 31 December 2023.

### **Asset Class Focus- Credit Markets**

21. As part of good governance, the Committee periodically reviews the performance of the Funds' investments. This quarter a report was received by the Committee on credit markets. The Committee noted the Fund's credit market holdings, respective funds' investment performance and reviewed the report from the Fund's independent investment adviser.
22. A member of the Committee asked about an underlying investment that, despite the exclusion policies which BCPP has, would appear to invest in Athabasca tar sands oil extraction.
23. In response BCPP confirmed that the fund does not have direct exposure and that there are criteria concerning thresholds for activity that determine ownership, either directly or through third party managers. As this investment did not relate to the credit market review, the Chair agreed for BCPP to investigate as to whether there is indirect exposure.
24. In response to the advice given by the Fund's Independent Investment Advisor, ESG, risk and investment execution within the Multi-Asset Credit fund should be picked up as part of a three-year review.

### **Responsible Investment Update**

25. Following the approval of the Fund's Responsible Investment policy (RI) it was agreed that the Fund should apply to become a signatory of the UK Stewardship Code. The committee were asked to note the draft Stewardship code application in [Annexe 1](#) and agreed to delegate to the chair final approval of the application for the Fund to become a signatory of the UK Stewardship Code.

### **LGPS Update (Background Paper)**

26. The Assistant Director, LGPS Senior Officer highlighted the recently published General Code. The Committee noted the report providing the update of recent developments in the Local Government Association (LGPS).

### **New Investment Propositions**

27. Members of the Committee considered two new investment propositions for inclusion in the Fund's Portfolio. The report identified two funds developed by

BCPP – in UK real estate and UK opportunities. The committee approved the commitment to the UK Opportunities fund and noted the development of the UK Real Estate fund.

### **Border to Coast Pensions Partnership Update (BCPP) (Part two)**

28. The Committee received an update from the Assistant Director, LGPS Senior Officer, asking the Committee to note the shareholder approval of the Border to Coast Strategic Plan 2024-27.

#### **CONSULTATION:**

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

#### **RISK MANAGEMENT AND IMPLICATIONS:**

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

#### **FINANCIAL AND VALUE FOR MONEY IMPLICATIONS**

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

#### **DIRECTOR OF FINANCE, CORPORATE AND COMMERCIAL**

32. 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**

33. There are no legal implications or legislative requirements.

#### **EQUALITIES AND DIVERSITY**

34. There are no equality or diversity issues.

#### **OTHER IMPLICATIONS**

35. There are no other implications.

#### **WHAT HAPPENS NEXT**

36. The following next steps are planned:

- a) Further updates will be provided to the Board at its next meeting on 26 July 2024.

**Contact Officer:** Adele Seex – Governance Manager

**Annexes:** None

**Sources/Background papers:**

1. [Surrey Pension Fund Committee Forward Plan Annexe 3 – PFC 22/03/2024.](#)
2. [2024/25 Strategic Plan Update Annexe 1 – PFC 22/03/2024](#)
3. [Board and Committee Residential Training Annexe 1 – PFC 22/03/2024.](#)
4. [Communication Policy Statement 2024/25 – PFC 22/03/2024 – Annexe 1.](#)
5. [Training Policy Annexe 1 – PFC 22/03/2024](#)
6. [Surrey Local Pension Board Terms of Reference Annexe1 – PFC 22/03/2024](#)
7. [2024/25 Budget Annexe 1 – PFC 22/03/2024.](#)
8. [Investment Manager Performance and Asset /Liabilities Update Annexe 1 – PFC 22/03.2024](#)
9. [UK Stewardship Code Report Annexe 1– PFC 22/03/2024](#)