



SURREY LOCAL PENSION BOARD REPORT

SURREY COUNTY COUNCIL

SURREY LOCAL PENSION BOARD

DATE: 26 JULY 2024

**LEAD OFFICER: ANNA D'ALESSANDRO, INTERIM EXECUTIVE DIRECTOR,
FINANCE AND CORPORATE SERVICES**

**SUBJECT: SUMMARY OF THE PENSION FUND COMMITTEE MEETING OF 21
JUNE 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 Local Pension Board:

1. Note the content of this report.
2. Make any recommendations to the Pension Fund Committee if required.

REASON FOR RECOMMENDATIONS:

Background

The Committee met on 21 June 2024. This report provides a summary of this meeting and decisions made.

DETAILS:

Glossary, Action Tracker, Forward Programme of Works

1. The Assistant Director, LGPS Senior Officer advised members of the completed actions, these items will be removed from the action tracker for the next meeting.
2. The Forward Programme of Works was brought to the attention of the Members, with the possibility of an additional meeting scheduled for September. This additional meeting is to consider a report regarding governance of the Fund and its relationship with the Council. Officers are working with key stakeholders including the Monitoring Officer, Section 151 Officer, and Chair of the Committee, along with Internal Audit, following the completed governance review last year to address best practice. Any recommendations would be presented to full Council for approval.

Summary of the Local Pension Board Meeting

3. The Board report was presented by the Chair of the Board who provided a summary of administration and governance issues reviewed at the last meeting on 17 May 2024. This included an update on [Annexe 1](#) and a further update on MySurrey in [Annexe 2](#), attached to the Committee Reports 21 June 2024. The Committee Members also received assurance from the Head of Service Delivery that we have received the data file from Surrey County Council Payroll to validate the data to produce the Annual Benefit Statements, within the agreed timeframe. For the current position on MySurrey please refer to the Risk Overview report later in this Agenda.
4. Members were concerned to learn that new starters and early leavers have not been processed. The Head of Service Delivery confirmed that now we have the data file from Surrey County Council and i-Connect file we are now able to process these cases.
5. The Assistant Director, LGPS Senior Officer concluded that MySurrey continues to be classified as a key risk, with no immediate plans to reduce the risk. Officers have reviewed this risk assessment in view of a material breach and at this moment have identified that this is not a material reportable breach and therefore does not need to be reported to the Pension Regulator. The Fund will continue to monitor the situation closely.
6. The Committee Chair highlighted to Members the business-as-usual performance activity was at 88% of Service Level Agreement and that the Legacy work had reduced significantly.

Surrey Pension Team Overview – Quarter 4

7. The Committee received an update on the executive summary of the Surrey Pension Team activities. The Assistant Director, LGPS Senior Officer highlighted three measures that are below the desired target, investment performance, reduction in people, and transfers paid out.
8. A Member of the Committee raised a question regarding the funding level of the Fund. The Head of Investment and Stewardship explained that if we took the same assumptions as in 2022, i.e. a discount rate of 4.4%, the funding level would be 98%, compared to today's reported level of 135%.
9. The Vice-Chair raised a question on what arrangements are being made for making the Dashboard information freely available to Members. The Head of Change Management explained that the live data is on a system called Tableau, which is hosted by Surrey County Council. Unfortunately, the system is only available to Members of the Committee with a Surrey email address. We are therefore exploring different options on how we can provide this live data to all Board and Committee Members.
10. The Chair requested as an action for Officers to provide a monthly snapshot of the Dashboard to be available to the Members of the Board and Committee.

Change Programme Update – Quarter 4

11. The Head of Change Management presented an overview of activities for the period January – March 2024. This highlighted some of the key aspects of work as follows: refresh of the members website, communication survey to Board and Committee Members, Pulse Survey for Surrey Pension Team is now open. Work is underway to finalise the speakers and agenda for the residential training in October and the digital transformation strategy for year one. A reminder to members of the Governance Hub SharePoint site.
12. The Chair requested a more detailed report of the 17 projects, specifically detail on those items have been closed and those moved to business as usual since the last report.

Surrey Pension Team Strategic Plan out-turn report – 2023/24 financial year.

13. The Committee received a report that summarised the activities completed in Year 1 of the Surrey Pension Team (SPT) Strategic Plan, highlighting the areas for each Service.
14. The Chair of the Committee commented on the recharges and noted these have moved back to business as usual. The Employer Manager confirmed that the recharges are being completed monthly and quarterly and that historical recharges had been invoiced and recovered.
15. A Member requested an update on the Stewardship Code application. The Head of Investment and Stewardship confirmed submission of the report that contained over 100 pages in April and that we are awaiting a response from the Financial Reporting Council.
16. The Chair of the Committee highlighted to other Members the move to the Emerging Market Alpha Fund, which resulted in lowering the carbon footprint of those assets by approximately 50%.
17. The Chair also commented on the excellent work in reducing the Legacy transactions and requested a final report as we approach near completion of the project. This is to be reviewed by the Board initially. The Service Delivery Manager confirmed this work is expected to be completed in October/November, then aim to move towards business as usual. A more detailed Legacy reduction report to be provided to the Board for its next meeting in July.2024.

Investment Manager Performance and Asset/ Liabilities Update

18. The Head of Investment and Stewardship highlighted the return on assets in absolute and relative terms. The Fund is worth £5.8 billion with an allocation of nearly 60% in equities. Overall, the Fund returned 5.28% in Q4 2023/24 (January-March 2024), in comparison with the benchmark of 6.65%.
19. The Committee noted the main findings of the report in relation to the Fund's valuation and funding level, performance returns and asset allocation.

Company Engagement & Voting Update

20. The Deputy Head of Investment and Stewardship introduced the report and highlighted some key points: LAPFF engagement was mostly in SDG Categories 8, 16 and 17 driven by the Votes against Slavery (VAS) initiative spearheaded by Rathbones. [Annexe 4](#) is the first ESG report for Border to Coast Emerging Markets Equity Alpha Fund. One of the goals for moving into this fund was to reduce the carbon footprint, which was confirmed as being achieved.
21. The Committee noted the summary of various Environmental, Social & Governance (ESG) engagement and voting issues that the Surrey Pension Fund (the Fund), Local Authority Pension Fund Forum (LAPFF), Robeco, and Border to Coast Pensions Partnership (BCPP) have been involved in.

Investment Strategy Fiduciary Duty and Investment Beliefs

22. Committee Members were asked to agree to establish a sub-committee to consider how the Committee's fiduciary duty in law relates to the objectives of the Fund and reaffirm its investment beliefs. The proposed training and discussions are aimed to establish the parameters to enable effective decision making. The Chair noted that all Committee members were invited to join this sub-committee. The Committee agreed all three recommendations.

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

23. The Head of Investment and Stewardship provided the Committee with an update on the Strategic objectives for the investment Consultant (IC). The Committee approved the updated Strategic Objectives for the IC of the Fund in line with CMA requirements.

LGPS Update (Background Paper)

24. The Assistant Director, LGPS Senior Officer highlighted the recently received letter from the Minister for the Department for Levelling up, Housing & Communities [Annexe 1](#) regarding efficiencies in Local Government and the Management of the Local Government Pension Scheme.

25. The Assistant Director, LGPS Senior Officer agreed with the Chair to circulate the response with the Committee members once the new minister has been appointed and the response sent.
26. The Committee noted the report providing the update of recent developments in the Local Government Association (LGPS).
27. A Member of the Committee requested clarification on the meaning on the Cost Cap. The Assistant Director, LGPS Senior Officer provided an explanation, that the Cost Cap is considered for the whole of LGPS and not just for the Surrey Pension Fund. There are two factors that would trigger a change in scheme benefits, both the Scheme Advisory Board's and the Treasury's trigger point would need to be surpassed. Overall, this means the mechanism has not been breached at this time and therefore the Government is not proposing to make any changes to scheme benefits.

Responsible Investment Update

28. The Committee noted and received an update from Minerva on the alignment of the Responsible Investment policy (RI) to industry best practice.
29. The Committee noted the report from Mercer, the Funds Investment consultant (IC) on the investable universe in relation to potential Net Zero dates. It was agreed to keep the Net Zero date as 2050 or sooner.
30. The Committee noted another report by Mercer on the potential impact of excluding the largest 25 fossil fuel companies globally from the Fund's investment universe. The final annex showed the Fund's exposure to each of the companies in the list of 25.

Actuarial Update

31. An update report was received on the actuarial contract for services to the Fund and the Employer Manager provided Members explained the reasons for proposing extending the current contract. The re-tender for the actuarial services will now be scheduled for April 2026. The Committee agreed the extension of the contract with Hymans Roberson for the continued provision of actuarial services to 30 September 2026.

Asset Class Focus - Equity

32. This quarter a report was received by the Committee on Equities Investments. The Committee noted the Fund's Equity holdings, their performance, and the review from the Fund's Independent Investment Advisor.

Real Estate Update

33. The Committee noted the review by the investment consultant (IC) of the Border to Coast Pension Partnership (BCPP) BCPP UK Real Estate funds.

Border to Coast

34. The Committee received an update from the Assistant Director, LGPS Senior Officer, asking the Committee to note details of the proposed Border to Coast 2030 Strategy, together with the minutes of the Border to Coast Joint Committee meeting 26 March 2024.

CONSULTATION:

35. The Chair of the Local Pension Board has been consulted on this report.

RISK MANAGEMENT AND IMPLICATIONS:

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

FINANCIAL AND VALUE FOR MONEY IMPLICATIONS:

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

INTERIM EXECUTIVE DIRECTOR FINANCE AND CORPORATE SERVICES COMMENTARY:

38. The Interim Executive Director Finance and Corporate Services is satisfied that all material, financial and business issues and possibility of risks have been considered and addressed.

LEGAL IMPLICATIONS – MONITORING OFFICER:

39. There are no legal implications or legislative requirements.

EQUALITIES AND DIVERSITY:

40. There are no equality or diversity issues.

OTHER IMPLICATIONS:

41. There are no other implications.

NEXT STEPS:

42. The following steps are planned:

- a) Further updates will be provided to the Board at its next meeting on 15 November 2024.

Contact Officer:

Colette Hollands, Interim Head of Accounting and Governance

Annexes:

1. None

Sources/Background papers:

1. MySurrey Update – Local Pension Board (17 May 2024) – [Annexe 2](#)
2. MySurrey Update – Pension Fund Committee (21 June 2024) - [Annexe 1](#)
3. Letter from Department of Levelling up, Housing & Communities – [Annexe 1](#)
4. ESG report for Border to Coast Emerging Markets (PFC 21 June 2024 – [Annexe 4](#)

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