



# SURREY LOCAL PENSION BOARD REPORT

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**SURREY COUNTY COUNCIL**

**SURREY LOCAL PENSION BOARD**

**DATE: 15 NOVEMBER 2024**

**LEAD OFFICER: NEIL MASON, LGPS SENIOR OFFICER**

**SUBJECT: SUMMARY OF THE PENSION FUND COMMITTEE MEETING OF 13 SEPTEMBER 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. Notes the content of this report.
2. Makes any recommendations to the Pension Fund Committee if required.

## **REASON FOR RECOMMENDATIONS:**

### **Background**

The Committee met on 13 September 2024. This report provides a summary of this meeting, and decisions made.

## **DETAILS:**

### **Glossary, Actions Tracker, Forward Programme of Work**

1. A Member of the Committee raised concerns on the length of time it is taking to provide members with a monthly snapshot of the dashboard. The LGPS Senior Officer agreed to provide the dashboard figures once a month as part of the weekly update to members of the Board and Committee.

### **Improving the Governance of the Surrey Pension Fund**

2. The LGPS Senior Officer presented a report that recommends ways in which the governance of the Surrey Pension Fund can be improved to enable conflicts to be more effectively managed. A further update report is included in this agenda.

## **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 26 July 2024. This included an update on MySurrey, Unit 4 and the impact on the administration, particularly to Surrey County Council's Scheme members. Extensive efforts to resolve the outstanding issues are ongoing.
4. The Chair of the Board brought attention to paragraphs 23A and 24 regarding the letter from the Minister concerning pooling, which highlights the questions of governance, efficiency and effectiveness of the scheme.
5. The Head of Service Delivery provided the Board with a detailed update on the administration of the scheme. A new programme board, comprising officers from Finance, IT and Payroll, has been established, which includes the Surrey Pension Team. It has a ring-fenced budget to address the issues with MySurrey Unit 4, with a deadline of 31 March to resolve them. A further update is included as part of this agenda pack.
6. A Member of the Committee raised concerns on the time taken to resolve the issues of data quality and the risk score for MySurrey Unit 4 within the Risk Register. The Committee agreed to raise their concerns again formerly with the Council's Section 151 Officer on the impact these issues are having on the administration of the scheme.

## **Surrey Pension Team Overview – Quarter 1**

7. The Committee received an update on the Surrey Pension Team activities for the last quarter. This highlights the excellent progress achieved by the Legacy Team. The LGPS Senior officer advised Members of the audit work, which included admission agreements, Fund investments, the process for overseas pensioners, the administration of death cases and governance and banking follow up audits.

## **Change Programme Update – Quarter 1**

8. The Head of Change Management presented an overview of activities for the period April to June 2024. Highlights include business as usual communications, supporting Service Delivery with the submission of the Annual Benefit Statements; along with support to the Governance changes.

## **Draft Annual Report 2023/24**

9. The Head of Accounting and Governance provided an update on the production of the 2023/24 Pension Fund Annual Report. The draft report has been produced taking account of the new statutory guidance issued by Ministry of Housing, Communities and Local Government (MHCLG) dated April 2024. The report has been circulated to the Local Pension Board Members and external auditors for comment and will be published by the

statutory deadline of 1 December. The Committee agreed that approval of the final version of the Annual Report be delegated to the Chair.

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

10. The Head of Investment and Stewardship introduced the report confirming the funding ratio of 143%. This was due to a lower value of the liabilities as a result of a higher discount rate and a higher current asset value.
11. The Head of Investment and Stewardship highlighted that, despite the increase in assets, the Fund had underperformed against its benchmark over the period. A contributing factor was the ongoing underperformance of the Border to Coast (BCPP) Global Equity Alpha Fund.
12. The Head of Strategic Client/Client Director from LGIM was online with LGIM Head of Tax to explain the situation regarding the performance of Europe Ex-UK index tracking fund, in respect to changes to the treatment of withholding tax on dividends. Based on tax advice and recent developments in those jurisdictions, LGIM have concluded that withholding tax paid on dividends from Swiss and Belgian holdings is no longer expected to be recoverable. Therefore, a decision has been taken to make the adjustment in June to the net asset value of the pooled funds by removing the accruals that relate to those Swiss and Belgian holdings. The adjustment of these accruals meant that the value of the pooled funds was reduced by the corresponding value of the withholding tax. This was a one-off adjustment.
13. A Member of the Committee raised a question regarding the underperformance of the BCPP Global Equity Alpha Fund and when a response from the Chief Investment Officer at BCPP is expected. The Head of Investment and Stewardship advised that a workshop with partner funds will be arranged within the next few weeks. The purpose of this workshop is to provide more detail about the concerns each partner fund has and therefore benefiting from a collective oversight from all officers.

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

14. The Deputy Head of Investment and Stewardship introduced the report and advised the Committee that this quarter has seen significant activity as the second quarter has the majority of Annual General Meetings for listed companies. Finance engagements from both the Local Authority Pension Fund Forum (LAPFF) and Robeco are getting more and more focused. Examples are LAPFF actively engaging with three large Canadian banks this quarter and Robeco extending the engagement theme for finance, broadening the scope to include climate and nature related transitions.
15. The Committee noted the summary of various Environmental, Social & Governance (ESG) engagements and voting issues that the Surrey Pension Fund (the Fund), LAPFF, Robeco, and BCPP have been involved in.

## **Responsible Investment Update**

16. The Fund continues to implement the agreed priorities of the Pension Fund Committee. The Head of Investment and Stewardship advised the Committee of the success of the Fund's submission to become a signatory to the UK Stewardship Code.
17. The Committee approved the Fund's Task Force on Climate-related Financial Disclosure (TCFD) Report for year 2023/24.

## **Asset Class Focus – Real Estate**

18. As part of good governance, the Committee periodically reviews the performance of the Fund's investments. Adrian Brown of Apex Group – FS (a substitute for the Fund's regular Independent Advisor) presented a report on the Fund's Real Estate holdings.

## **Investment Consultant Update**

19. The Committee was provided with an update on investment consultancy services to the Fund. The Committee approved the recommendation of a two-year extension of the contract with Mercer to provide the investment consultancy services to the Fund.

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

20. The LGPS Senior Officer highlighted the government pension review terms of reference and subsequent call for evidence with a joint response from our pooling partners in Border to Coast, along with a Surrey Pension Fund response to be submitted by the deadline of 25 September.

## **Investment Benchmarking**

21. The Committee was presented with a report from CEM Benchmarking and was asked to review the Fund's returns and costs against other funds to establish value for money of the Fund. The Fund's costs are in line with peers. The asset allocation set by the Committee added value, but the execution of this strategy by the fund managers had relatively underperformed.

## **Border to Coast**

22. The Committee received an update from the LGPS Senior Officer, on the current activity of BCPP.
23. The Committee noted the shareholder approval of the Border to Coast 2030 Strategy, along with noting the minutes of the Border to Coast Joint Committee meeting of 20 June 2024.

**CONSULTATION:**

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

**RISK MANAGEMENT AND IMPLICATIONS:**

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

**FINANCIAL AND VALUE FOR MONEY IMPLICATIONS:**

26. Any relevant financial and value for money implications have been considered and are contained within the report. The cost of the resources necessary for implementing the changes recommended above and for delivering the administering authority role is met from the pension fund (under Regulation 4(5) of The Local Government Pension Scheme (Management and Investment of Funds) Regulations 2009).

**LEGAL IMPLICATIONS – MONITORING OFFICER:**

27. There are no legal implications or legislative requirements.

**EQUALITIES AND DIVERSITY:**

28. There are no equality or diversity issues.

**OTHER IMPLICATIONS:**

29. There are no other implications.

**NEXT STEPS:**

30. The following steps are planned:

- a) Further updates will be provided to the Board at its next meeting on 21 February 2025.

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**Contact Officer:**

Colette Hollands, Head of Accounting and Governance

**Annexes:**

1. None

**Sources/Background papers:**

1. None

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