

LONDON BOROUGH OF SOUTHWARK PENSION FUND
PENSIONS ADVISORY PANEL

Date: 7 th June 2016	Chair Person: Fiona Colley
Time: 10am	Notes of meeting: Caroline Watson
Venue: Southwark Council 160 Tooley St, London, SE1 2TZ	
Attendees: Cllr Fiona Colley (Chair); Cllr Eliza Mann; Cllr Jon Hartley(CJH); Duncan Whitfield; Fay Hammond; Chris Cooper; Yvonne Thompson-Hoyte; David Cullinan (State Street); Jo Holden (JH) (Mercer); Malcolm Laird Attendees as Observers: Dan Kanaris and Michael Ferguson (Aon Hewitt)	

Item No	Item
1	Apologies: Mike Ellsmore
2	Disclosures of Interest & Dispensations: None

3	The minutes of the 8 th March 2016 meeting were agreed as accurate.
4	<p>Matters Arising:</p> <p>London CIV Update</p> <ul style="list-style-type: none"> • DW: move of LGIM investments to CIV now scheduled for September • No indication yet re timetable for BlackRock • Contract not signed yet with CIV and LGIM. Therefore no clarity on fees, responsibilities etc. • Outstanding due diligence <p>Survey</p> <ul style="list-style-type: none"> • Results published on Source. <p>Environment Agency</p> <ul style="list-style-type: none"> • Dawn Turner attending September 2016 PAP meeting. <p>Local Pensions Board</p> <ul style="list-style-type: none"> • Year since established. Terms of office of Chair have been reviewed and it has been unanimously agreed that Mike Ellsmore return for another year. • LPB annual report being prepared. • Governance review being carried out. • Training has been carried out on the two new BlackRock investments. • LPB members attending CIPFA Local Pensions Boards one year on conference. • FC: referred to paragraph 1.2 of the LPB report re the potential for conflict of interest around the direct property investments managed by TH Real Estate which are situated in Southwark. It was agreed that officers should check with Legal as to whether this should be entered onto the Council's conflicts of interest register.
5	<p>Investment Update</p> <p>Update from Jo Holden (Mercer)</p> <ul style="list-style-type: none"> • Total fund return over 3 years of 8.2% positive but liabilities assumed to have increased. One year performance flat. Below benchmark performance largely driven by new property managers and new BlackRock funds. Recommend Frogmore and Brockton both attend September or December PAP meeting. • Large returns not expected over next few years. Therefore strategy review, as part of valuation, will need to look at working assets harder. Not expecting large changes, given recent changes made. • TH Real Estate and Newton strongest performers over 1 year. <p>David Cullinan (State Street)</p> <ul style="list-style-type: none"> • Underweight to property drag on performance. Influence of active from Newton added 0.8% over 1 year. Solid medium term performance from Newton. • Over 1 year fund in top 3rd of local authorities in terms of performance, over 3 years in top quartile and over 5 years in top third.

	<ul style="list-style-type: none"> • Agreed that Newton will be asked to meet with PAP members. Manager meetings to be arranged separately to PAP meetings. <p>Update on Performance Measurement Arrangements</p> <ul style="list-style-type: none"> • Performance measurement to be provided by fund's custodian, JP Morgan, commencing quarter to June 2016. • Consultancy Services: procurement for replacement of David Cullinan required in context of pooling arrangements. • Local authority league tables – CEM Benchmarking driving ahead with national set of league tables. • Liaise with Cllr Colley and Mike Ellsmore in this process. • DC: State Street to make every fund's data available before the end of June. • FC: will raise at LAPFF June meeting re arrangements for league tables.
6	<p>LGPS Consultation on Investment Reform Update</p> <ul style="list-style-type: none"> • FH: delay in regulations. Requirement to produce an Investment Strategy Statement by end of financial year. CIV to draft a response to consultation by 15 July. Returns at pool level and local authorities to add own schedules with variances from pool and also to report on investments not being included in the CIV. • Impact on new investment strategy of timeline of investments being available in the CIV.
7	<p>Socially Responsible Investment</p> <ul style="list-style-type: none"> • FC: views on SRI obtained from member survey to be considered as part of strategy review. • JH: requirement for Investment Strategy Statement to set out all risks, how they are quantified and mitigated. Climate risk will be included. To start by looking at current carbon exposure and how this will change over time, as part of investment strategy review. • To consider approaches to managing these risks. • FC: requested work is carried out to measure the fund's current carbon exposure. Also a differentiation between companies transitioning to new approaches vs those who are not. • CJH: asked how many funds are looking at this. JH: at a very early stage. Has been brought to attention of Local Authority funds in last few months. • DW: the index has moved from traditional towards low carbon investments over last 10 years. Analysis of this move to be considered as part of investment strategy review. Important that we know what is available in the CIV, when looking at strategy.
8	<p>Standing Items</p> <p>Actuary Funding Update</p> <ul style="list-style-type: none"> • To be covered under agenda item 9 <p>Update on PRS & Opportunistic Property Drawdowns</p> <ul style="list-style-type: none"> • An update was provided to PAP members on progress of funding Frogmore, Brockton, M&G and Invesco mandates <p>Training Schedule</p>

	<ul style="list-style-type: none"> • Officers to look out for training on new asset classes, in advance of strategy review. <p>Pension Services Team Update</p> <ul style="list-style-type: none"> • Report noted • ML: to submit valuation data by end of June • Auto enrolment has taken place. To look at demographics at end of opting out process. <p>Responsible Investment & Engagement Monitor</p> <ul style="list-style-type: none"> • Report noted • Future approach to engagement: CIV expected to vote in line with LAPFF. To be clarified in prospectus.
9	<p>Triennial Actuarial Valuation Training</p> <ul style="list-style-type: none"> • Chris Archer from Aon Hewitt provided training on the above. This was attended by both PAP and LPB members.
10	<p>AOB</p> <p>Unison Representation to Government on Infrastructure Investments</p> <ul style="list-style-type: none"> • CC: Issue around whether decisions on infrastructure investments are made by government rather than funds. • To add views to July consultation response if not already covered by CIV.