

**LONDON BOROUGH OF SOUTHWARK PENSION FUND  
PENSIONS ADVISORY PANEL**

<b>Date:</b> 10 <sup>th</sup> April 2014	<b>Chair Person:</b> Richard Livingstone
<b>Time:</b> 11.30am	<b>Notes of meeting:</b> Caroline Watson
<b>Venue:</b> Southwark Council 160 Tooley St, London, SE1 2TZ	
<b>Attendees:</b> Duncan Whitfield; Eliza Mann (EM); Toby Eckersley; Chris Cooper; Chris O'Brien; Carl Rushbridge; Pauline Birbal; Yvonne Thompson-Hoyte; Malcolm Laird; Emily McGuire (EMCG); Steven Peake	

<b>Item No</b>	<b>Item</b>
<b>1</b>	<b>Apologies:</b> David Cullinan
<b>2</b>	<b>Disclosures of Interest &amp; Dispensations</b>  None.
<b>3</b>	<b>Matters Arising</b>  none
<b>4</b>	<p><b>Investment Strategy Review</b></p> <p><b>Paper tabled by EMCG</b></p> <ul style="list-style-type: none"> <li>• Agreed that no recommendations would be made at this meeting given the timing of the elections and uncertainty re future PAP membership</li> <li>• EMCG: if hit discount rate of 5.4% then, other things being equal, should hit full funding in 20 years.</li> <li>• Cash flow (page6): Scheme expected to continue to mature, but able to meet pension payments from investment income for next 20 years. Therefore wont need to disinvest</li> <li>• Passive in portfolio A: changing benchmark from global to increase amount in emerging markets.</li> <li>• Bonds in portfolio A: Fixed interest gilts and corporate bonds – invest in an absolute return bond fund with either BlackRock or Legal and General.</li> <li>• Portfolio C (p19) largest changes. Consider cost vs. impact. Probability of being fully funded in 20 years increases</li> <li>• Existing portfolio consistent with funding strategy</li> <li>• Can make changes within existing framework.</li> <li>• Portfolio B more efficient ways if reaching full funding</li> <li>• TE asked about the steps towards implementation of Portfolio A. EMCG advised there are 3 components/stages. DW confirmed commitment to Portfolio A.</li> </ul>

Item No	Item
5	<p data-bbox="331 230 730 264"><b>TIAA Henderson Real Estate</b></p> <ul style="list-style-type: none"> <li data-bbox="379 304 1246 338">• <b>Recommend rebalance of property to 20% done elsewhere</b></li> <li data-bbox="379 338 1364 405">• <b>Direct performance with current manager better, but haven't seen ability to source properties.</b></li> <li data-bbox="379 405 1364 472">• <b>Benefits from using smaller boutique managers who aren't focused on pension funds.</b></li> <li data-bbox="379 472 1145 506">• <b>Recommend invest whole 20% with a new manager</b></li> <li data-bbox="379 506 1364 573">• <b>Transfer direct properties to new manager and give them £60m cash to bring total to 20% of fund</b></li> <li data-bbox="379 573 1364 640">• <b>Transaction costs in future when new manager balances, but not initially</b></li> <li data-bbox="379 640 1364 775">• <b>RL asked whether there are any merits in residential property. EMCG advised that lot sizes are smaller and therefore management is more intensive. Should include this as part of tender exercise</b></li> <li data-bbox="379 775 1364 842">• <b>DW asked EMCG to produce a procurement strategy and timeline to bring to the first PAP after the elections.</b></li> <li data-bbox="379 842 1364 909">• <b>TE recommended that the re-procurement of the property portfolio should go ahead.</b></li> <li data-bbox="379 909 1364 1014">• <b>RL asked about the use of the London CIV. DW stated that the CIV isn't that advanced yet and therefore property isn't likely in the foreseeable future.</b></li> </ul>
6	<p data-bbox="331 1059 1150 1093"><b>Date of next meeting – to be confirmed following elections</b></p>