

LONDON BOROUGH OF SOUTHWARK PENSION FUND  
PENSIONS ADVISORY PANEL

Date: 7 <sup>th</sup> March 2017	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); Duncan Whitfield; Fay Hammond; Chris Cooper; Alex Moylan; Jo Anson; Maureen McBain; Jo Holden (Mercer); Ian Campbell (Mercer); David Cullinan; Chris Archer (AON Hewitt)	

Item No	Item
1	<b>Apologies:</b> Cllr Eliza Mann; Cllr Jon Hartley; Mike Ellsmore
2	<b>Disclosures of Interest &amp; Dispensations:</b> None
3	The minutes of the 6 <sup>th</sup> December 2016 meeting were agreed as accurate.
4	<p><b>Matters Arising:</b></p> <p>London CIV Update</p> <ul style="list-style-type: none"> <li>• Fee for passive managers has been confirmed by CIV</li> <li>• Commencing governance review. Joint committee has asked for role of scheme members to be considered.</li> <li>• 3 of 7 active equity funds due to mobilise in September. It was noted that none of these funds are non-carbon.</li> <li>• FC has discussed carbon reduction with CIV as number of funds interested</li> </ul> <p>BlackRock Fees:</p> <ul style="list-style-type: none"> <li>• It was noted that the fund has benefited from a reduction in passive fund fees commencing October 2016</li> </ul> <p>Governance Review</p> <ul style="list-style-type: none"> <li>• Agreed: items with March deadlines to be put back to June 17 PAP meeting.</li> </ul>
5	<p><b>Actuarial Valuation</b></p> <ul style="list-style-type: none"> <li>• Chris Archer, from AON Hewitt, gave an update on the results of the 2016 actuarial valuation,</li> <li>• Move from 21 year to 18 year deficit recovery period.</li> <li>• Council contribution rates remain stable</li> <li>• LBS fund improved on GAD standardised basis between 2013 and 2016 valuation.</li> </ul> <p>Agreed: outcome of 2016 valuation noted.</p>

6	<p><b>Funding Strategy Statement</b></p> <ul style="list-style-type: none"> <li>• Statement has been updated for regulatory changes since 2013 valuation.</li> <li>• Section on admitted bodies formalises approach taken.</li> </ul> <p>Agreed: contents of FSS agreed – no changes required from PAP</p>
7	<p><b>Investment Update</b></p> <p>Jo Holden (Mercer)</p> <ul style="list-style-type: none"> <li>• Update provided on fund manager performance for the quarter to September.</li> <li>• Mercer rating for BlackRock dynamic diversified growth fund has reduced from A to B+. This will be reviewed as part of the investment strategy review.</li> <li>• Brockton: following discussions at manager meeting day in December, need to agree approach to tracking performance.</li> </ul> <p>David Cullinan</p> <ul style="list-style-type: none"> <li>• David was welcomed back to PAP in his new role as independent adviser.</li> <li>• David's report was noted</li> </ul> <p>Agreed: request that Brockton and Frogmore produce a table setting out performance and costs in future rather than detailed narrative reporting.</p>
8	<p><b>Investment Strategy Statement</b></p> <ul style="list-style-type: none"> <li>• ISS replaces the Statement of Investment Principles</li> <li>• Requires the following to be set out: quantitative analysis of risk; ESG approach; how the Fund will liaise with scheme members with regards to the statement.</li> <li>• It was recognised that the ISS has a positive governance role</li> <li>• In compiling the statement, the comments from the Local Pension Board were considered. PAP thanked them for their useful input.</li> </ul> <p>Next Steps:</p> <ul style="list-style-type: none"> <li>• Add a paragraph clarifying the Fund's top down approach to carbon.</li> <li>• Publish in the pension fund annual report for feedback/consultation.</li> </ul>

9	<p><b>Investment Strategy Review</b></p> <ul style="list-style-type: none"> <li>• JH: fund has performed well. Full scale review not required.</li> <li>• Need to ensure ESG approach as set out in the ISS is considered.</li> <li>• Currency hedging to be on list of considerations.</li> <li>• Unclear re CIV plan and what products will be available.</li> <li>• Review of passive benchmarks crucial.</li> <li>• Diversified growth fund to be reviewed.</li> <li>• Separate meeting to be arranged to cover ISR.</li> </ul> <p>Actions:</p> <ul style="list-style-type: none"> <li>• Investment Strategy Review meeting to be arranged before June quarterly PAP meeting.</li> </ul>
10	<p><b>Pensions Services Update</b></p> <ul style="list-style-type: none"> <li>• JA gave an update on the new team structure: data manager has been appointed – key to improving management of data and communications; 2 secondments appointed – one permanent and the other temporary additional resource.</li> <li>• MM: worked with Aon Hewitt to develop a training programme. Systems and process reviews taking place. Plan to revisit 2016 governance review from a pensions services perspective. Then provide an action plan to PAP going forward.</li> <li>• JA: future reporting to PAP – KPIs, auto enrolment take up, equalities, use of 50:50 option.</li> <li>• FC requested that consideration be given to whether any of the team training would be useful for PAP and the Local Pensions Board</li> </ul> <p>Agreed: to note the update on changes in Pensions Services and future information to be provided to PAP.</p>
11	<p><b>Local Pension Board Update – Fay Hammond</b></p> <ul style="list-style-type: none"> <li>• Main topics which arose at January 2017 LPB meeting were fund manager fee transparency and changes in the Pensions Services team</li> <li>• Request was made for Jo Anson to attend the April 2017 meeting to provide an update on the Pensions Services team.</li> <li>• LPB members suggested amendments to the Investment Strategy Statement which have been considered in the final draft.</li> </ul>
12	<p><b>Standing Items</b></p> <ul style="list-style-type: none"> <li>• Update on Property Fund drawdowns – noted</li> <li>• Training schedule – noted</li> <li>• Responsible investment and engagement monitor – report noted</li> </ul>
13	<p><b>Any Other Business</b></p> <ul style="list-style-type: none"> <li>• FC requested an update re MiFID II.</li> </ul>

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|  | <ul style="list-style-type: none"><li>• JH: LGPS funds to be reclassified as retail. Can opt up to be classified as professional. FCA not backing down re local authority opt up requirements. Looking at ways to address this as a group rather than at individual fund level.</li><li>• DW: the London CIV, SLT and Southwark all made representations in response to the recent consultation.</li></ul> |
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