

Pensions Advisory Panel

MINUTES of the OPEN section of the Pensions Advisory Panel held on Tuesday 13 November 2018 at 10.00 am at 160 Tooley Street, London SE1 2QH (Room 225)

PRESENT: Councillor Victoria Mills (Chair)
Councillor Peter Babudu
Councillor Eliza Mann
Alex Moylan
Chris Cooper
Karim Jalali
Susan Greenwood
Tom Bacon

**OTHERS
PRESENT:** Caroline Watson
Jo Anson
Barry Berkengoff
Mike Ellsmore
Andrew Weir

1. WELCOME AND APOLOGIES

The chair welcomed everyone to the meeting.

Apologies were received from Duncan Whitfield and David Cullinan

2. CONFIRMATION OF VOTING MEMBERS

The members present were confirmed as the voting members.

3. DISCLOSURE OF INTERESTS AND DISPENSATIONS

There were none.

4. MINUTES

RESOLVED:

That the open minutes of the pensions advisory panel meeting held on 11 September 2018 be agreed as a correct record and signed by the chair with the following amendment:

- That Karim Jalali raised concerns regarding the low carbon fund's investment in Royal Dutch Shell in relation to the Carbon Footprint, agenda item 8.

5. MATTERS ARISING

There was an update on the carbon footprint in relation to the pension fund.

Alex Moylan advised that the assumptions that had been made were correct. He further advised that there was more difficulty in obtaining the carbon footprint data in relation to property exposure in the fund.

There was also a discussion in relation to the Scheme Advisory Board assessment of national LGPS cost cap and the implications of this on forthcoming actuarial valuation and employer contributions.

6. INTRODUCTION TO LGPS POOLING AND LCIV - VERBAL UPDATE

The pensions advisory panel received a verbal update from Caroline Watson on Local Government Pension Scheme pooling and the London Collective Investment Vehicle.

There was a discussion around the advantages and difficulties of the CIV. The CIV should provide fee savings as the funds of the London Local Authorities are pooled. The economies of scale, expertise and opportunities for risk management were also highlighted

However, it was noted that it was difficult to meet the needs of 32 funds. It was also noted that the CIV had a more generalist strategy and concerns were raised that the investment products on offer did not meet the requirements of Southwark's low carbon policy. Issues relating to governance were also raised.

It was agreed that a representative from the CIV would be invited to a future meeting of the Pensions Advisory Panel.

7. QUARTERLY INVESTMENT UPDATE

There was a quarterly investment update from Mercer.

There was a discussion in relation to the fund's performance and the allocation of funds to different asset classes.

RESOLVED:

1. That the quarterly investment update be noted.

8. INVESTMENT STRATEGY IMPLEMENTATION AND REBALANCING

Alex Moylan presented the report and there was a discussion on rebalancing of the investment portfolio and how Southwark could proceed to get closer to its carbon target.

It was noted that from the last survey of members of the pension fund in 2014 that scheme members wanted to invest in renewables.

RESOLVED:

1. That the Fund shall continue the implementation of the investment strategy review and asset allocation rebalancing through the following:
 - i. That there shall be an investment of £28 million into the Diversified Growth Fund managed by Blackrock as funded by sale of passive equity assets
 - ii. That the Fund shall invite a short list of property funds to present as part of an initial interview process with a view to investing up to £50m.
 - iii. That the Fund shall invite a short list of sustainable infrastructure funds to present as part of an initial interview process with a view to investing up to £65m.
2. That the investment performance of the low carbon target Fund for the quarter to September 2018 be noted.

9. PENSION ADMINISTRATION FUNCTION UPDATE

Jo Anson, Head of Financial and Information Governance addressed the panel.

She gave an overview of the challenges in relation to recruiting to the team. The team has had a number of vacancies (pensions manager, data manager, and pensions officers), and recruitment exercises have been undertaken. The team currently has all pensions officer posts filled and, after several unsuccessful attempts, the pensions manager post was filled in September 2018. There was discussion regarding the recruitment plan for the pensions administration team. Jo Anson advised that she was looking at building up the team by looking at apprenticeships and training our own staff. It was agreed that a further update on recruitment would be provided at the next meeting.

A number of achievements had been made over the past year. These included the successful rollout of i-connect software; a refresh of the information on the council's website regarding the Southwark Pension Fund had been completed, the Member's Self Service portal had been upgraded; the revised annual benefits statements for members had been sent out within statutory timescales, and the communications strategy had been reviewed and revised.

There was a discussion around the backlog of work and it was noted that Aon was assisting with this. Barry Berkengoff, the newly appointed Pensions Manager advised that the aim was to clear backlogs in order to understand better the extent of the business to be managed and to reach a steady state and also to ensure that statutory and regulated activities were being properly fulfilled. This would then allow the establishment of

performance metrics for the future.

It was raised that the Pensions Advisory Panel should think about how it is accountable to pension fund members.

It was also suggested that a survey of members should be circulated along with a newsletter to members.

RESOLVED:

1. That the update on the pensions administration function update be noted.
2. That the draft updated communications strategy be recommended to the strategic director of finance and governance for his approval, subject to consideration being given to sending a newsletter to members biannually
3. That further consideration be given to how the Pensions Advisory Panel can understand and take account of the views of members.

10. LOCAL PENSION BOARD MEETING - VERBAL UPDATE

It was noted that the local pension board had approved to elect a vice-chair.

It was also noted that the local pension board was carrying out work around the pensions regulator.

11. RESPONSIBLE INVESTMENT AND ENGAGEMENT MONITOR REPORT

Alex Moylan presented the report. He advised that as a long term investor stewardship of assets under management is important. This stewardship is carried out through stakeholder engagement and through shareholder voting on proposed resolutions.

It was noted that this is a complex and specialist task for which the Fund does not have the capacity or skills to undertake and as such the Fund procures external advice and collective engagement through membership of the Local Authority Pension Fund Forum (LAPFF) and through the expertise and detailed company knowledge of the Fund's investment managers.

There was discussion around the use of an external engagement and voting service but concern was raised that this may take away flexibility.

It was proposed that as the Investment Strategy Statement sets out the Fund's responsible investment principles, this report could be aligned to these in future.

RESOLVED:

1. That the engagement work undertaken on behalf of the Fund by the Local Authority Pension Fund Forum (LAPFF) as set out in Appendix A be noted.
2. That the stewardship and engagement action taken by Southwark Pension Fund

for the financial year to September 2018 be noted

12. ANY OTHER BUSINESS

It was noted that the next meeting would be held in mid-march, with the date to be confirmed.

The meeting ended at 12.15pm

CHAIR:

DATED: