

LONDON BOROUGH OF SOUTHWARK PENSION FUND
PENSIONS ADVISORY PANEL

Date: 6 th December 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; Alex Moylan; Jo Holden (JH) (Mercer); Ian Campbell (Mercer); Malcolm Laird; Mike Ellsmore; Michael Ferguson (Aon Hewitt)	

Item No	Item
1	Apologies: none
2	Disclosures of Interest & Dispensations: None
3	The minutes of the 6 th September 2016 meeting were agreed as accurate.
4	<p>Matters Arising:</p> <p>Fund manager meetings</p> <ul style="list-style-type: none"> An update was provided following the meetings on 1 December with BlackRock, Newton, TH Real Estate and Brockton.
5	<p>Investment Update</p> <p>Update from Jo Holden (Mercer)</p> <ul style="list-style-type: none"> Update provided on fund manager performance for the quarter to September. No concerns or action required. Mercer due to review socially responsible investment ratings this quarter and it was also noted that one of the objectives of the investment and engagement sub committee of the Scheme Advisory Board is to encourage better standards of ESG across the LGPS. Discussion on structure of BlackRock dynamic diversified growth fund. This will be reviewed as part of the investment strategy review. <p>Update on Independent Adviser Recruitment</p> <ul style="list-style-type: none"> PAP was advised of progress on the appointment of an independent adviser. Following termination of State Street performance measurement and league tables service, performance measurement is now being provided by the fund's custodian, JP Morgan. The fund has signed up to the PIRC local authority universe.

6	<p>Update on Actuarial Valuation</p> <ul style="list-style-type: none"> Initial valuation results indicate an improvement in the funding level. Assumptions used have resulted in an increase in risk. This will be explained by the actuaries at the March 2017 PAP meeting. Council's contribution rate remains unchanged (with a variation between past and future service which nets off) Recovery period has reduced from 21 to 18 years. <p>Actions: Actuaries to be invited to the March 2017 PAP meeting.</p>
7	<p>Investment Strategy Review</p> <p>(a) & (b) Investment Strategy Statement</p> <ul style="list-style-type: none"> Draft investment principles and responsible investment principles were considered. Support for commitment to look into sustainability energy and infrastructure (which is consistent with results of scheme member survey). Support for reduction in fossil fuel investments <p>Actions:</p> <ul style="list-style-type: none"> to note actions set out in investment strategy statement work plan Comments from PAP on further drafts of ISS to be obtained virtually Final draft ISS to be tabled at March 2017 PAP meeting <p>('c) Currency Hedging</p> <ul style="list-style-type: none"> JH advised on role of currency hedging and recommended that it should be considered as part of investment strategy review Existing passive equity managers have hedged and unhedged versions of global equity funds Objective to protect recent gains made from fall in Sterling. <p>Recommendation: PAP to delegate progression of this to FH</p> <p>Actions:</p> <ul style="list-style-type: none"> Extend January 2017 meeting with Legal and General Investment Management to include currency hedging Obtain clarity on fees and transition costs
8	<p>Pension Fund Audit Report 2015/16</p> <ul style="list-style-type: none"> FH drew attention to the recommendations made re overseas pensioners and membership data and provided an update on progress in implementing both recommendations.
9	<p>Local Pension Board Update – Mike Ellsmore</p> <ul style="list-style-type: none"> Main focus of October 2016 LPB meeting was Aon Hewitt's report on the

	<p>governance review.</p> <ul style="list-style-type: none"> • Ongoing issue re professional indemnity insurance and whether the LPB is covered. JH confirmed this had been discussed at the investment sub committee and is to be passed back to the Scheme Advisory Board.
10	<p>Report on Review of Pension Fund Governance Arrangements</p> <ul style="list-style-type: none"> - Michael Ferguson, Aon Hewitt • A summary was provided of the key findings of the review and resulting recommendations. • Key points are that processes are in place but not always formally documented; PAP focus tends to be on investments – recommended that this is widened; to consider an employer representative be added to PAP membership. • The work plan for implementation of the recommendations was agreed. But it was noted that given limited resources, it may require review. Aim is to implement all recommendations within a year with all red rated items to be addressed by March 2017 • It was noted that the constitution does not currently set out a requirement for the Chair of PAP to be the Cabinet Member for Finance, Modernisation and Performance. • The delegation of decision making to the Strategic Director of Finance and Governance (SDFG) is not typical of LGPS funds. However it was confirmed that the SDFG has always taken the advice of PAP. <p>Actions/Agreed:</p> <ul style="list-style-type: none"> • Implementation of recommendations as per the work plan, with progress updates and review at future PAP meetings • Aon Hewitt to be invited back to PAP in one year.
11	<p>Contract Monitoring Report</p> <ul style="list-style-type: none"> • PAP members were asked to note the contract monitoring report which sets out the performance of all pension fund investment and support services contracts. <p>Agreed:</p> <ul style="list-style-type: none"> • Going forward, non fund manager contracts should be monitored via the Corporate Contracts Review Board and fund manager contracts are covered by the monitoring provided by Mercer. Quality measures re fund manager performance to be included in Mercer quarterly reports.
12	<p>Standing Items</p> <ul style="list-style-type: none"> • Update on Property Fund drawdowns – noted • Training schedule – noted • Pensions Services Team Update: ML referred to the new administration strategy and advised that scheme employers are required to demonstrate by April 2017 how they are complying. The report was noted. • Responsible investment and engagement monitor – report noted