

LONDON BOROUGH OF SOUTHWARK PENSION FUND
PENSIONS ADVISORY PANEL

Date: 2 nd June 2015	Chair Person: Fiona Colley
Time: 11am	Notes of meeting: Caroline Watson
Venue: Southwark Council 160 Tooley St, London, SE1 2TZ	
Attendees: Fiona Colley; Eliza Mann; Duncan Whitfield; Fay Hammond; Chris Cooper; Yvonne Thompson-Hoyte; Pauline Birbal; David Cullinan; Jo Holden; Malcolm Laird	

Item No	Item
1	Apologies: Mike Ellsmore, Paul Fleming, Chris O'Brien
2	Disclosures of Interest & Dispensations: None
3	Minutes of the last meeting <ul style="list-style-type: none"> • Agreed
4	Matters Arising: <ul style="list-style-type: none"> • Survey – 65 members started and didn't complete the survey • Point 9 – to be covered in agenda item 10
5	<p>Investment Update</p> <p>Jo Holden (Mercer)</p> <ul style="list-style-type: none"> • No changes to manager ratings • Less positive view re developed market equities – fits in with move to diversified growth decision • UK property – moving to neutral territory. Fits with move away from standard property. • Absolute performance – all managers positive 1 and 3 years • Newton in positive territory but still not meeting target • Performance relative to liabilities – positive over 3 years. Recommend consider how to capitalise on this prior to 2016 valuation. • Last 2 quarters Newton has outperformed in growing markets. Previously tended not to. • Henderson performance acceptable. <p>David Cullinan (State Street)</p> <ul style="list-style-type: none"> • Strong performance from all markets in quarter. • Good 1 year performance. No impact from overweighting of equities. • Newton strong absolute return of 20.2% over 1 year. • Newton taking low risk for level of return. • Henderson benchmark will be changed over next quarter. • DW: Newton different now to what we bought into. JH: portfolio more concentrated (reduced number of stocks). Not the growth manager reported to be when appointed. Much more defensive. • Newton to attend September PAP and Henderson to attend December PAP. • DW: Henderson valuations prudent/low compared to reality.

	<ul style="list-style-type: none"> JH: prefer them to be prudent. May want them to focus on this when they attend December PAP. <p>Action: Invite Newton to September PAP meeting and Henderson to December PAP meeting.</p>
6	<p>Local Pensions Board</p> <ul style="list-style-type: none"> Now have full complement of members Training day 29th June. Three places available for PAP members. CC: concerned induction covers lot of material. Lot for people to take in and not well equipped for first meeting in July. FH: identify specific training needs from induction. Discuss at first Board meeting. FC: confirmed further letter received from Unison requesting information. <p>Action: PAP members to contact Yvonne Thompson-Hoyte if they would like to attend the training day</p>
7	<p>Local Authority Pension Fund Forum (LAPFF)</p> <ul style="list-style-type: none"> Keith Bray, Forum Officer, provided a presentation on the LAPFF. LAPFF's main concentration is shareholder activism. £165bn in value (membership). Gives influence with FTSE 100 companies. Questions effectiveness of screening – disinvesting does not lead to changes. CC: has LAPFF looked at zero hours contracts and living wage? Zero hours not previously discussed but members able to request issues are put on future agendas. EM: asked about the Council's public health role and investment in tobacco. LAPFF has produced research papers and met with tobacco companies. LAPFF's role is not to advise members whether to invest in tobacco or not. Referred to recent Counsel opinion commissioned by the Shadow Scheme Advisory Board and that the first role of administering authorities is to invest in the interests of members. FC: whilst clear engagement strategy with oil companies re reducing carbon emissions, what issues does LAPFF engage with tobacco companies on KB: gave a number of examples such as plain packaging and labour practises DW: PAP's prime responsibility is to optimise the returns on the fund's investments. There should be caution around discussions and it is difficult to talk about tobacco in isolation. <p>Survey Results</p> <ul style="list-style-type: none"> FH: offering a prize. Posters and further promotions to follow. Update in September. To obtain Newton's views on disinvestment in September and their stance on engagement. DW: need to take a view on how many responses needed for results to be relevant. Obtain a view from Peter Hall. <p>Actions: LAPFF: Regular updates on future PAP agendas re voting. Email link to Counsel opinion to PAP members and add to LAPFF email distribution list.</p> <p>Actions: Survey: Continue to implement further promotion. Clarify with comms. re how many responses required for results to be relevant.</p>

8	<p>Investment Strategy Review</p> <p>BlackRock transition</p> <ul style="list-style-type: none"> • commencement delayed re risks around general election • remaining documentation with legal and transition expected to commence shortly <p>Property briefing</p> <ul style="list-style-type: none"> • Tenders sent out to four property investment companies • Presentations from property providers on 10th June (invite sent to PAP elected members)
9	<p>Review of Statement of Investment Principles</p> <ul style="list-style-type: none"> • Amendments to Statement of Principles agreed.
10	<p>Standing items</p> <p>Actuaries Funding Update</p> <ul style="list-style-type: none"> • JH: referred to chart on page 161, showing what has contributed to change in funding level • Financial assumptions: bond yields low. Therefore cannot assume high asset growth. Need discussion with actuaries around valuation methodology if bond value trends continue to 2016 valuation. <p>CIV</p> <ul style="list-style-type: none"> • FC: attended joint sectoral committee meeting on Southwark's behalf. • Funds expected to launch end of September • Initial funds within vehicle to be advised within next few months. Expected to be some of our passive managers. • Investment managers already responding to CIV offering lower fees to local authorities. To ask managers for fee reductions. • Potential for developing property, infrastructure and alternatives. • CIV to adopt LAPFF principles for voting and likely to become member of LAPFF when set up. <p>Training schedule</p> <ul style="list-style-type: none"> • noted <p>Pension Service Team update</p> <ul style="list-style-type: none"> • CC: requested information on potential impact on fund of pensions flexibility and also an equalities breakdown as risk it could impact on poorer scheme members. ML advised that this information is not currently available as it is not held for scheme members. • ML: under current enhanced redundancy programme, 70 people are so far entitled to pension benefits before end of July. To note impact on fund's cash flow. <p>Action: CIV – request to fund managers re fee reductions.</p>

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AOB

- CC: asked that PAP consider an open AGM.
- DW: concerns that scheme members could see this as a decision making meeting. Could be another type of meeting – member event. FC: could be alongside outcome of survey.

Action: Member event to be included on September agenda