

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

Date: 18 th February 2014	Chair Person: Richard Livingstone
Time: 9.30am	Notes of meeting: Caroline Watson
Venue: Southwark Council 160 Tooley St, London, SE1 2TZ	
Attendees: Duncan Whitfield; Eliza Mann (EM); Toby Eckersley; Chris Cooper; Chris O'Brien; Carl Rushbridge; Pauline Birbal; Yvonne Thompson-Hoyte; Malcolm Laird; David Cullinan; Emily McGuire (EMCG)	

Item No	Item
1	Apologies: Dave Howes
2	Disclosures of Interest & Dispensations None.
3	Matters Arising Minutes of previous meeting – agreed
4	Training – noted that the 3 rd and final training session has now taken place and this now completes knowledge and skills framework requirements.
5	<p>Grant Thornton</p> <p>Attendees from Grant Thornton – Nick Beth and Sue Exton</p> <ul style="list-style-type: none"> • Audit Findings Report 2012/13 presented to Audit & Governance Committee on 30th Sept 2013. • TE: concerns re not meeting requirement to receive separate payments from schools for TPA, LGPS and LPFA. Report to be produced for next meeting. • Audit adjustments noted. No overall issues • Controls that operate in council pension fund system - nothing to report. • TE: Internal audit needs to look at admitted and scheduled bodies in context of CARE scheme. <p>Coming of Age Report</p> <ul style="list-style-type: none"> • Based around local audit teams within LGPS • Focus on investment not enough on governance and administration. • Longer term focus on liability management.

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6	<p data-bbox="331 237 528 271">Share Action</p> <p data-bbox="331 311 916 344">Emily Kenway attended from ShareAction</p> <ul data-bbox="379 385 1366 763" style="list-style-type: none"> • New 'pilot' project – impact of responsible investment on a geographical area. Includes areas such as living wage, apprenticeships, air quality, human trafficking. • Islington & Hackney have signed up. Launching September 2014 • Fee structure – sliding scale (£2,000, £1,000 & £500) • TE: very political. Dangerous for pension funds. If aim of company succeeds then there will be a considerable amount of pressure. • DW: London shouldn't be focus as it's vast and there are other areas that could benefit more. • RL: likes the principle. Probably need to work more closely with Newton. Not sure if for Southwark. Doesn't think so political.
7	<p data-bbox="331 833 707 866">WM Performance Report</p> <p data-bbox="331 907 555 940">David Cullinan</p> <ul data-bbox="379 981 1366 1359" style="list-style-type: none"> • Fund slightly behind benchmark in Q1. • Fund asset allocation – minimum impact on bottom line • Risk 0.6% pa. Stable as result of passive underpin • Newton: strong 1 year return but well behind performance target. Cash and non cash equivalents around 10%. • Discrepancy re Henderson figures for Q4 2013. To report back on this before next meeting • Henderson performance has not been good, but hoping for a recovery in the property market. Benchmark reported on an annual basis. Reporting quarterly - harder to see proper performance in regards to property.
8	<p data-bbox="331 1431 485 1464">Aon Hewitt</p> <p data-bbox="331 1505 536 1538">Emily McGuire</p> <p data-bbox="331 1579 596 1612">Investment Update</p> <ul data-bbox="379 1653 1366 2072" style="list-style-type: none"> • As the actuarial valuation has not been finalised a full funding update has not been provided. Will reinstate at next available opportunity. An initial result from 31/03/13 actuarial valuation shows a funding level of 82.5%. • P3&4 Asset Allocation – Overweight in equities, underweight in property. Need to consider longer term 60/20/20 mix of assets. Challenges ahead with equities. Turnaround in property market. • P9 – HGI quarterly performance was good and driven by strong returns across a number of assets. Acquisition of Wagamama & Clerkenwell Road were encouraging but process of acquiring properties was very slow and we believe fund 'missed the boat' because of this. Good work in reducing voids. • DW: We have biggest allocation to property in LGPS. Not sure if

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	<p>we should stay with them much longer.</p> <ul style="list-style-type: none"> • EMCG: look at another property manager either for £60m or whole portfolio. • DW: What are the practicalities of making the change in property? Take from current manager and put with another? Emily to provide a road map of how we move away from HGI (practicalities and mechanism) for next meeting. • P10 – BlackRock: performance for the bond and equity funds was within tolerance levels. • P11 – BlackRock Securities Lending - concerns regarding its policies and level of transparency. Includes issues such as its share of revenue and percentage of fund on loan. Current policy of lending up to 100% of the fund and taking a 40% share of revenue is not something we are in agreement with but up to now BR has not been willing to fully engage on this issue. Reputationally they are at risk. <p>Collective Investment Vehicle Update</p> <ul style="list-style-type: none"> • Report went to London Councils last week. All agreed to go ahead. • First look at passive assets – least contentious (4 providers) • Alternatives would be of most benefit in terms of cost • DW: we are going to be invited to pay £1 to be apart of the ‘company’ (regulated by FCA). • Considerable amount of unknowns and work still to be done • Update at next meeting. Needs to be an official paper (TE) to PAP
9	<p>Customer Survey Paper</p> <ul style="list-style-type: none"> • Revised paper presented with recommendations. • Asking for PAP to consider form and content. • PAP instructed officers to evaluate methods of distribution and propose best option. • Results to be presented at first PAP after survey closes. • Results should be consolidated into the pension fund administration practices and investment management strategy. • DW: Cost is an issue. Problem in distribution. Could use internet to minimise cost. How do we ensure members do the survey once? Maybe add payroll or membership number to the submission. A good question would be ‘what type of member are you?’ • ML: Could put message on payslips to look at the website for survey. • CC: Still think questions are difficult. Need for education to enable people to fill out. Questions should be asked, but how equipped are they to answer. • DW: will probably get a considerable amount of ‘don’t knows’, but might highlight what we are doing wrong. • EM: How is it to be publicised? • DW: Include Comms. Set up working group to get this moving to include Chris O’Brien, Chris Cooper and someone from Comms. • TE: Interesting questions, not patronising, but Comms might need

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	<p>to simplify.</p> <ul style="list-style-type: none"> • RL: Make it clear that this is not a ballot and outcome will not change investment e.g. Ethical Investment section
10	<p>Funding Strategy Statement</p> <ul style="list-style-type: none"> • Amendments to 2010 FSS recommended (as guided by actuaries). • TE: Admitted & Scheduled bodies - attention needs to be drawn to the Funding Strategy Statement to say what they are obliged to do e.g. cessation, subsumption etc. • Administration Policy should reconcile with Funding Strategy Statement. Need to do this before it goes out. Therefore, admitted & scheduled bodies cannot say they didn't know about the information • Brief one page report at next PAP
11	<p>Admitted & Scheduled bodies</p> <p>Academy Pooling</p> <ul style="list-style-type: none"> • Do not pool at present • Would require the academy to share the future service rate of the authority • Recommendation – no changes until details are firmer <p>Revised admitted & scheduled bodies policies</p> <ul style="list-style-type: none"> • Agreed recommendations on both
12	<p>AOB</p> <ul style="list-style-type: none"> • Newton Stock Lists – noted • Engagement report - noted
13	<p>Date of next meeting – to be circulated, possibly 10/04/14</p>