LONDON BOROUGH OF SOUTHWARK PENSION FUND
PENSIONS ADVISORY PANEL

Date: 14th May 2013	**Chair Person: Richard Livingstone**
Time: 10 a.m.	**Notes of meeting: Caroline Watson**
Venue: London Borough of Southwark 160 Tooley St, London, SE1 2TZ	
Attendees: Toby Eckersley; Duncan Whitfield; Dave Howes; Malcolm Laird; Emily McGuire; Chris Cooper; David Cullinan; Pauline Birbal; Chris O'Brien; Yvonne Thompson-Hoyte.	

Item No	Item
1	**Apologies: Tim McNally**
2	**Disclosures of Interest & Dispensations** **None.**
3	**Matters Arising** **Minutes of previous meeting – agreed**
4	**Public Service Pension Act 2013 - Unison** **ML advised that recommendations have been made to the Secretary of State that there should be a board to assist scheme administrators. RL asked about the impact of this on PAP. EM: may not have to reconstitute PAP. Don't know yet implications of Act on LGPS schemes. Will be set out in regulations and comes into place in 2014. DH: focus turning back to risk – data quality and liabilities. EM: greater influence from pensions regulator – more formality of duties and more oversight/scrutiny. DH: need to be clear on roles of different panels/boards and what they will cover. CC: changes in roles – increases the role of trade union representatives. EM: national board brings in templates and guidance on governance.**
5	**WM Performance Report** **DC: strong returns for quarter to March. Improving picture over 3 and 5 years. Performance for quarter in absolute return terms of 10%. Outperformance of 0.5%. 3 and 5 years behind benchmark. Overweighting to equities has added performance. No huge volatility quarter on quarter. Asset allocation positive over last year. Property returns still close to benchmark. WM to provide information on where fund sits against other public sector funds in terms of performance to benchmark.**

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6	**Aon Hewitt – Investment Update** **EM: Conservative about outlook ahead for equity markets. Intervention from central banks has been propping up equity markets. Can't keep continuing. Positive returns in bond markets. Would look to see funds trimming on equity positions. But low yield levels in bond markets. Strategy review – split between emerging and developed economies. Have been focused heavily on US. Within bond markets, look at absolute return types of markets. Also property portfolio.** **Good performance will help towards valuation. Liability side has also increased (by more than anticipated). Funding level has improved over quarter but down using same assumptions as last valuation. Overweight in equities and underweight in property has helped. Need to look at this as part of strategy review.** **Newton: performance above benchmark 1, 3 and 5 years. Thematic approach helping in current environment. Top ten contributors to performance – Heinz contributed 0.4% to outperformance. Not holding Apple good decision. Therefore shown as 0.0% in table. Top 10 detractors – mining stocks have not done so well. Page 8 – selected purchases and sales. Sales about trimming and taking profits.** **HGI: performance broadly in line with the index. Direct holdings have done well. Pooled funds (especially Europe) detractors. HIP fund now completely redeemed. Aberdeen – still a small amount left in this fund. 0.8% impact on performance when exit Aberdeen re penalties. Pooled funds reduced from 50% to 30% of fund. Direct holdings – completion of purchase of Swindon property in April.**
7	**Henderson Global Investors Presentation** **Attendees from HGI were Mike Sales, Ainslie McLennan and Jamie Johnson.** **JJ: 3 years ago, identified structural changes needed and restructure now almost complete (exit from remainder of European holdings underway). Vacancy rates have been significantly reduced. Now looking to add to vacancy rate so have more projects to work on. UK indirect – looking to 25% of property in long term. Direct holdings will grow – all cash to move into direct.** **Activity – Swindon purchase completed. Fits with industrial strategy. Fully occupied, strong estate. Wagamama purchase taking longer than anticipated. Property has long income and a good tenant. Buying from Irish vendor who isn't in control. Everyone involved on other side also involved in a significant number of other deals. Working through process and confident will get asset. Targeting Central London office market – fringe/emerging markets. Tech, media and telecoms being targeted. Risk in terms of void rates, refurbs etc – fund could take on more risk once out of remaining European holdings.** **Disposals: European exit – HIP fully redeemed. Aberdeen redemption confirmed – expect to happen in July. Early decision saved £3.8m.**

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	Inherent risks re UK indirect holdings – HGI to provide details through AON Hewitt. Underlying assets held in UK much more liquid. Also more accurate pricing on what could be achieved. **2012 – income increased through new lettings. Stuck to top 50 high streets – example re Chester of being able to re let at a higher rent (competitive bids). Minor tweaks only going forward for direct holdings. Income will be main driver of total return over next 5 years. Out performance on a 3 and 5 year basis expected. DH: why haven't they been successful in Central London office market? JJ: looking at several opportunities. Tough market. Confident will have a central London property by quarter 3. Competing against investors with different purposes – e.g. wealth preservation. TE: asked about the 2012 yield compared to the IPD Index. JJ: 6.5% benchmark in terms of income return. Direct now ahead of that. But with indirect, 2012 below.** **COB: asked about future cash drawdown from HGI. EM: HGI have an underweight position. DH: issue re VAT payments to be dealt with through IMA in future when do new agreements.** **TE: asked for advice to be obtained from HGI on complexities of exiting from individual funds. BlackRock UK Fund has 106 holdings. Therefore not for purpose of exposure to larger assets. EM: open ended fund, easy to exit. All other UK indirect holdings are closed funds. Property to be picked up as part of strategy review – e.g. is 20% correct amount, or 15% have at moment. TE: asked for an update at the next meeting on the cash flow position.**
9	**Date of Next Meeting** **10th September 2013 at 10am**