

LONDON BOROUGH OF SOUTHWARK PENSION FUND  
PENSIONS ADVISORY PANEL

Date: 22 <sup>nd</sup> September 2015	Chair Person: Fiona Colley
Time: 11:30am	Notes of meeting: Pauline Birbal
Venue: Southwark Council 160 Tooley St, London, SE1 2TZ	
<p>Attendees: Cllr Fiona Colley (Chair); Cllr Eliza Mann; Duncan Whitfield; Fay Hammond; Chris Cooper; Roy Fielding; Yvonne Thompson-Hoyte; Pauline Birbal; David Cullinan (State Street); Jo Holden (Mercer); Andy Farrington (Mercer); Mike Ellsmore (LPB)</p> <p>Local Pension Board Members attended as observers for agenda item 5 – Jo Anson; Colleen Reid; Neil Tasker; Bill White; Mike Pinder</p>	

Item No	Item
1	Apologies: Cllr Paul Fleming; Malcolm Laird; Caroline Watson
2	Disclosures of Interest & Dispensations: None
3	The minutes of the 2 <sup>nd</sup> June 2015 were agreed as accurate.
4	<p>Matters Arising:</p> <ul style="list-style-type: none"> <li>• Member event: a planning meeting to be set up with Chris Cooper and Duncan Whitfield, with subsequent briefing of Cllr Colley; the Member event to occur in Nov 2015 at Tooley Street and Queens Road.</li> <li>• LAPFF: Elected members have been confirmed as being added to the distribution list and PAP members have begun to receive alerts.</li> </ul>
5	<p>Collective Investment Vehicle – presentation by Hugh Grover, London Councils</p> <ul style="list-style-type: none"> <li>• The London CIV is a proactive response to possible merger of Local Government Pension Schemes being enforced by government.</li> <li>• There are 30 of the 33 London LGPS signed up. Benefits include reduced fees derived through economies of scale of the potential CIV fund whilst enabling Councils continue to have control over their investment decisions.</li> <li>• Southwark Pension fund includes passive global equities held by Blackrock and Legal and General Investment Management (£522m); both of these fund managers are part of the CIV. Should Southwark join the CIV, they could benefit from renegotiated rates will reduce the fees for the pension scheme by an estimated £500k (gross of any costs associated with joining the CIV).</li> <li>• The CIV are continuing to work on the legal documentation, detailed operating models and relevant regulatory applications required.</li> <li>• The aim is to be operational with assets under management before Christmas 2015. This is initially with 9 passive funds.</li> <li>• Therefore, Councils need to make investment decisions in the autumn should they wish to join at this stage.</li> </ul>

	<p>PAP members were concerned about:</p> <ul style="list-style-type: none"> <li>• The speed of the decision required</li> <li>• The perception that the presentation was overly focussed on “selling” the CIV</li> <li>• The CIV invests in the same funds as Southwark currently holds, but with lower fees.</li> <li>• Although the reduced fees would benefit the pension scheme, it will be necessary to undertake a full financial business case for joining the CIV (i.e. there are CIV joining costs and transition costs in moving funds)</li> <li>• Given the indications on the governments approach to merging pension funds the CIV makes sense.</li> <li>• PAP not reassured that the CIV will be fully operational by December 2015.</li> <li>• It would be more efficient to move the entire passive equity fund rather than a partial move.</li> </ul> <p>Agreed: That the Finance Director (DW) and the Chair of PAP (FC) will consider financial business case for investing in the CIV. Should the financial case demonstrate a positive value for the Southwark Pension Fund., the necessary decision steps would be taken to transfer the existing Blackrock and Legal and General Investment Management passive equity funds to the CIV.</p>
6	<p>Investment Update</p> <p>Update from Jo Holden (Mercer)</p> <ul style="list-style-type: none"> <li>• Reiterated Newton’s strong performance over that last year</li> <li>• Henderson portfolio positive at quarter two</li> <li>• Performance was good considering that overall liabilities performance is down nationally</li> </ul> <p>David Cullinan (State Street)</p> <ul style="list-style-type: none"> <li>• Overall the Fund returned -3.4% in the last quarter which was 0.3% behind the benchmark return of -3.1%. This was due to the below benchmark weighting in Property.</li> <li>• The fund underperformed the benchmark by 0.4% over the last year (11.5% vs. 11.9%) with the below benchmark commitment to property proving unfavourable.</li> <li>• Over 3 years the return of 12.0% was 0.2% below benchmark, therefore 1.2% below the investment target to outperform the benchmark by 1.0%</li> </ul>
7	<p>Newton Performance Review presented by Rob Hay &amp; David Moylett</p> <ul style="list-style-type: none"> <li>• A presentation was given on Newton’s recent performance – covering fund return over the last five years, stocks that contributed to/detracted from recent performance as well as future strategy</li> <li>• Overall although not reaching their target; their performance was 2% above the comparative index over the last five years</li> </ul>
8	<p>Investment Strategy Review</p> <p>Blackrock Transition Post Trade Report</p>

	<ul style="list-style-type: none"> <li>It was noted that the transition costs were lower than originally projected.</li> </ul> <p>Property Procurement</p> <ul style="list-style-type: none"> <li>All 4 Property managers appointed.</li> <li>Invesco is the 4<sup>th</sup> and final to be finalised, but this is progressing.</li> </ul> <p>Henderson Benchmark Review</p> <ul style="list-style-type: none"> <li>Duncan, Fay &amp; Chris meeting with Henderson this afternoon – update to follow</li> </ul> <p><b>Action: Invited Henderson to December PAP meeting</b></p>
9	<p>Pension Fund Annual Report 2014/15</p> <ul style="list-style-type: none"> <li>The Pensions Fund Annual Report has been published as draft on the council's website in July 2015</li> <li>Awaiting audit opinion which is due on 24<sup>th</sup> September 2015, no issues anticipated.</li> </ul>
10	<p>Local Pensions Board (LPB)</p> <ul style="list-style-type: none"> <li>First meeting of LPB was held; Mike Ellsmore (LPB Chair) stated that he was impressed with member commitment</li> <li>The issues raised by the LPB included: more information on the compliancy with Myners Principles, information on administration unit costs and administration performance indicators.</li> <li>The LPB are intending to commission a review of the Southwark Pension Scheme governance arrangement to provide assurance for LPB members.</li> <li>There will be four LPB meetings a year.</li> </ul>
11	<p>Pension Fund Survey</p> <ul style="list-style-type: none"> <li>The prize draw has taken place; the next step is to inform the winner and present the iPad.</li> <li>There are currently 350 completed survey responses which remained concerning as not representative of the 20,000+ pension fund members. The survey will be extended until the Member Event has taken place with the hope of increasing participation.</li> </ul>

12	<p>Standing items</p> <p>Actuaries Funding Update</p> <ul style="list-style-type: none"> <li>• Report noted</li> </ul> <p>Training schedule</p> <ul style="list-style-type: none"> <li>• No update since last report</li> <li>• Newton conference 26/11/15 The Landmark Hotel</li> </ul> <p>Pension Service Team update</p> <ul style="list-style-type: none"> <li>• Report noted</li> <li>• Payroll/Pensions Admin are moving over to Finance imminently. A review will take place after everyone is moved and settled</li> </ul> <p>LAPFF Quarterly Engagement report</p> <ul style="list-style-type: none"> <li>• Report noted</li> </ul>
13	AOB: None