

LONDON BOROUGH OF SOUTHWARK PENSION FUND  
PENSIONS ADVISORY PANEL

Date: 9 <sup>th</sup> January 2018	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 James Barber; Duncan Whitfield; Fay Hammond; Chris Cooper; Alex Moylan; Karrim Jalali; Jo Holden (Mercer); Susan Greenwood (Mercer); David Cullinan; Mike Ellsmore	

Item No	Item
1	<b>Apologies:</b> None
2	<b>Disclosures of Interest &amp; Dispensations:</b> None

3	The minutes of the 3 <sup>rd</sup> October 2017 meeting were agreed as accurate.
4	<p><b>Matters Arising:</b></p> <p>London CIV Update</p> <ul style="list-style-type: none"> <li>• Governance Review, carried out by Willis Tower Watson, is now complete.</li> <li>• Confirmed at Joint Sectoral Committee that London Councils intend to carry out additional work considering the structures of other LGPS pools.</li> <li>• Changes in personnel: Chief Executive has left and CIO has also resigned.</li> <li>• Acting Chief Executive is Mark Hyde-Harrison.</li> </ul> <p>MiFID II Update</p> <ul style="list-style-type: none"> <li>• Confirmed that the Fund has been opted up to professional status with all service providers.</li> </ul> <p>Carbon Footprint Update</p> <ul style="list-style-type: none"> <li>• Trucost carrying out measurement of investment portfolio's current carbon footprint.</li> <li>• TH Real Estate: issues re gathering data for energy usage of individual properties in the portfolio. Trucost taking an underlying asset approach for the initial assessment.</li> <li>• Initial Trucost results paper was tabled and it was noted that data was obtained largely from company annual reports (with quality and availability of data much higher in developed compared to emerging markets).</li> </ul> <p>Next Steps</p> <ul style="list-style-type: none"> <li>• More detailed analysis for equity portfolios: re Newton, to present detailed equity exposure (by countries and sectors).</li> </ul> <p>Actions:</p> <ul style="list-style-type: none"> <li>• Trucost to be invited to March 2018 PAP meeting.</li> </ul>

<p>5</p>	<p><b>Investment Update</b></p> <p>David Cullinan</p> <ul style="list-style-type: none"> <li>• Newton disappointing quarter and one year performance.</li> <li>• BlackRock active funds have outperformed but do not have challenging benchmarks.</li> <li>• Performance attribution: underperformance by Newton has been levelled out by the diversified growth and absolute return bond funds and by property.</li> </ul> <p>Susan Greenwood (Mercer)</p> <ul style="list-style-type: none"> <li>• Portfolio absolute returns strong in quarter. Behind benchmarks but meeting actuary target.</li> <li>• Need to review Newton portfolio.</li> </ul> <p>Agreed:</p> <ul style="list-style-type: none"> <li>• Newton to attend March 2018 PAP meeting.</li> </ul>
<p>6</p>	<p><b>Investment Strategy Review</b></p> <p>Investment in Low Carbon Target Index</p> <ul style="list-style-type: none"> <li>• Recommendation to invest in BlackRock Low Carbon Equity Tracker Fund (manageable transition costs; fees acceptable; proposal reasonable).</li> <li>• Move 50% of developed passive equities held with BlackRock into this Fund.</li> </ul> <p>Agreed:</p> <ul style="list-style-type: none"> <li>• Recommendation set out above to be actioned</li> <li>• To consider how to achieve objective of moving 50% of the Fund's developed passive equities to the low carbon target index.</li> </ul> <p>Sustainable Infrastructure</p> <ul style="list-style-type: none"> <li>• JH: recommends 5% strategic allocation, but diversify across a number of managers and years.</li> <li>• Mercer papers provided a short list of managers. Four funds listed are only current ones available to invest in.</li> <li>• ME: recommended PAP considers number of fund managers throughout the process to ensure continue with simple fund structure. Also to keep in mind high funding level.</li> <li>• DW: PAP to consider global vs UK allocation to sustainable infrastructure.</li> </ul> <p>Agreed:</p> <ul style="list-style-type: none"> <li>• All four managers to be invited to present to the Fund as soon as possible as part of an initial selection process.</li> <li>• 5% strategic allocation to sustainable infrastructure.</li> </ul> <p>Portfolio Rebalancing</p> <ul style="list-style-type: none"> <li>• Recommendation: that PAP delegate decision to Strategic Director of Finance and Governance (SDFG) to rebalance (within target allocations) over time to allow flexibility when opportunities arise.</li> </ul>

	<p>Agreed:</p> <ul style="list-style-type: none"> <li>• Rebalancing (within target allocations) to be delegated to SDFG.</li> </ul>
7	<p><b>Pensions Services Update</b></p> <p>Jo Anson attended for this agenda item.</p> <ul style="list-style-type: none"> <li>• Update provided on pensions services team (vacancies and team members leaving). Difficulty in recruiting pensions administration staff. Potential options are to create a training programme or to outsource. Middle option to use specialist support being adopted at present.</li> <li>• Re the backlog data provided, advised that there will always be a backlog as some cases are awaiting external data or action. Unable to separate proportion of backlog that is dependant on others. Overall trend is an increase in backlog.</li> <li>• Work with payroll providers re obtaining data progressing.</li> <li>• DW: aim to have data to bring to PAP re progress, in next 6 months.</li> </ul>
8	<p><b>Local Pension Board Update</b></p> <ul style="list-style-type: none"> <li>• ME: insurance now in place for LPB members.</li> <li>• Constitutional changes re size of LPB to be tabled at next meeting.</li> </ul>
9	<p><b>Governance Review Update</b></p> <ul style="list-style-type: none"> <li>• Majority of recommendations have been implemented.</li> <li>• Original actions have been reviewed and amended to achieve desired outcome.</li> <li>• PAP requested LPB comments regarding the progress update paper.</li> </ul>
10	<p><b>Standing Items</b></p> <ul style="list-style-type: none"> <li>• Update on Property Fund drawdowns – noted</li> <li>• Funding Update – little change in funding level since previous quarter</li> <li>• Responsible investment and engagement monitor – report noted.</li> </ul>
11	<p><b>Any Other Business</b></p> <ul style="list-style-type: none"> <li>• KJ: noted changes to the LGPS regulations regarding consideration of ESG in making investment decisions.</li> </ul>