

Item No. 10.	Classification: Open	Date: 5 December 2022	Meeting Name: Pensions Advisory Panel
Report title:		Investment Strategy Review	
From:		Senior Finance Manager, Treasury & Pensions	

Recommendations

1. The pensions advisorypanel is asked to:
 - 1) Confirm the recommendation agreed via email correspondence to extend the Fund's investments with Temporis Capital, by investing circa £30m in the Temporis Renewable Energy Fund, subject to satisfactory completion of legal due diligence.
 - 2) Recommend the following actions as part of the investment strategy review:
 - i. Reallocate the 10% current strategic asset allocation to diversified growth funds to the other underlying asset classes in the Fund.
 - ii. Agree a new 10% strategic asset allocation to multi asset credit.
 - iii. Remove the current 5% strategic asset allocation to absolute return bonds once suitable multi asset credit funds are found.
 - 3) Agree the proposed framework, as set out in the closed Appendix A, as a minimum set of requirements to be met prior to agreeing a new investment within the illiquid assets allocation.
 - 4) Note the modelling results, as set out in the closed Appendix A, which set out the investment returns and value at risk for the current and proposed strategy.
 - 5) Note the next steps as set out in the closed Appendix A.

Investment Strategy Review Objectives

2. The investment strategy of the Southwark Fund is developed as part of a three year cycle, involving the triennial actuarial valuation and a formal review of investment strategy as influenced by the results of the valuation.
3. The triennial valuation provides the Fund with the most accurate indication of pension liabilities, the expected rate of investment return required to meet future pension benefits and potential impact on the Fund's cash flow from forecast changes in membership.

4. The objective of a subsequent review is to ensure that the asset class and manager allocations will best capture investment opportunities with an optimal level of risk exposure to meet future pension payments over the long term.
5. In the event that the asset or manager allocation mix is no longer deemed to be appropriate or that more beneficial investment opportunities are available, the Fund will assess the cost and benefit implications of a potential change in strategy.
6. The officers, in conjunction with Aon, have commenced a review of the investment strategy. The review assessed the current investment portfolio in the context of the overall investment return requirements as set out in the Fund's actuarial valuation and regarding overall as well as specific risk exposures for the Fund.
7. The strategy review also sought to incorporate the Fund's commitment to achieving net zero carbon exposure within its investments by 2030.

Community, Equalities (including socio-economic) and Health Impacts

Community Impact Statement

8. There are no immediate implications arising.

Equalities (including socio-economic) Impact Statement

9. There are no immediate implications arising.

Health Impact Statement

10. There are no immediate implications arising.

Climate Change Implications

11. There are no immediate implications arising.

Resource Implications

12. There are no immediate implications arising.

Legal Implications

13. There are no immediate implications arising

Consultation

14. There are no immediate implications arising.

Financial Implications

15. There are no immediate implications arising.

AUDIT TRAIL

Lead Officer	Duncan Whitfield, Strategic Director of Finance and Governance		
Report Author	Caroline Watson, Senior Finance Manager, Treasury and Pensions		
Version	Final		
Dated	25 November 2022		
Key Decision?	N/A		
CONSULTATION WITH OTHER OFFICERS / DIRECTORATES / CABINET MEMBER			
Officer Title	Comments Sought	Comments Included	
Director of Law and Governance	N/A	N/A	
Strategic Director of Finance and Governance	N/A	N/A	
Cabinet Member	N/A	N/A	
Date final report sent to Constitutional Team		28 November 2022	