

## **Pensions Advisory Panel**

MINUTES of the OPEN section of the Pensions Advisory Panel held on Wednesday 3 March 2021 at 3.00 pm at Online/Virtual

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**PRESENT:** Councillor Rebecca Lury (Chair)  
Councillor Jon Hartley  
Duncan Whitfield  
Caroline Watson  
Chris Cooper  
Julie Timbrell  
Derrick Bennett  
Barry Berkengoff  
Susan Greenwood  
Tom Bacon  
David Cullinan  
Mike Ellsmore  
James Gilliland  
Andrew Weir

### **1. APOLOGIES**

There were no apologies for absence.

### **2. CONFIRMATION OF VOTING MEMBERS**

Councillor Rebecca Lury, Councillor Jon Hartley, Caroline Watson and Barry Berkengoff were confirmed as voting members at the beginning of the meeting.

### **3. NOTIFICATION OF ANY ITEMS OF BUSINESS WHICH THE CHAIR DEEMS URGENT**

There were none.

#### **4. DISCLOSURE OF INTERESTS AND DISPENSATIONS**

There were none.

#### **5. MINUTES**

##### **RESOLVED:**

That the minutes of the meeting held on 11 November 2020 be agreed as a correct record.

#### **6. PUBLICATION OF PENSIONS ADVISORY PANEL MEETING PAPERS**

Caroline Watson advised that, following the request at the previous pensions advisory panel meeting, the agenda papers would be published on the council's website going forward. This would commence from the next meeting in June 2021.

It was confirmed that historical papers would not be published.

##### **RESOLVED:**

That the update on the publication of pensions advisory panel papers be noted.

#### **7. ASSET ALLOCATION**

Caroline Watson briefly introduced the report.

It was noted that property was currently underweight and equities overweight to their strategic allocation.

##### **RESOLVED:**

That the fund's asset allocation at 30 December 2020 be noted.

#### **8. CARBON FOOTPRINT UPDATE**

Caroline Watson introduced the report. It was noted that the Fund's carbon footprint continues to decrease compared to when first measured in September 2017.

There was a discussion regarding the investment in Royal Dutch Shell. However, it was noted that the investment was a very small proportion of the total £1.9 billion value of the fund.

There was also a discussion about whether the fund had looked at investing in the London CIV. The consensus was that currently the Southwark fund's investments were significantly ahead of the CIV's strategy.

**RESOLVED:**

That the fund's updated carbon footprint as at 31 December 2020 be noted.

**9. QUARTERLY INVESTMENT UPDATE**

David Cullinan updated the panel. He advised that the fund's performance was positive overall and that the fund's strategy was playing out well. He noted that the performance of the active managers was below expectations.

Susan Greenwood advised that she supported David's statement.

Caroline Watson advised that Aon were appointed as the investment advisors to the fund from 1 April 2021.

Duncan Whitfield thanked Mercer for all their help over the last six years.

Tom Bacon advised that the fund had grown from a value of £1.1 billion in 2014 to a value of £1.9 billion to date. He advised that it had been a very positive period for the fund, with significant progress being made in reducing fossil fuel exposure, and that Mercer were proud to have assisted the fund during this period.

**RESOLVED:**

That the quarterly investment updates be noted.

**10. INVESTMENT STRATEGY REVIEW PROGRESS UPDATE**

Caroline Watson presented the report.

She advised that at the June 2021 PAP meeting consideration will be given to the new ESG priority allocation with a view to then holding manager selection interviews over the summer. Five per cent of assets from global equities will be switched to new alternatives mandates in order to meet the 15% target asset allocation.

It was also noted that over 90% of the fund's equities are now in investments with low carbon credentials, or will be once the changes set out in this report are implemented. Later this year consideration will be given to low carbon alternatives for the remaining developed market passive equities held with Legal and General Investment Management (LGIM) (circa £90 million). This will include a review of developments in low carbon equity products offered by LGIM.

There was a discussion on the timescales in relation to the LGIM investment.

**RESOLVED:**

- 1) That the progress to date regarding the investment strategy review be noted.
- 2) That the next steps in implementing changes to the asset allocation be noted.
- 3) That the update on property and sustainable infrastructure drawdowns be noted.

**11. EMERGING MARKET ACTIVE EQUITY MANDATE**

Caroline Watson presented the report.

There were no questions.

**RESOLVED:**

- 1) That it be noted that at the manager assessment session held on 3 February 2021, the Comgest Growth Emerging Markets Plus Fund was considered the most suitable investment opportunity.
- 2) That the pensions advisory panel recommended that 5% of the total Fund (circa £110 million) shall be invested in the Comgest Growth Emerging Markets Plus Fund subject to legal due diligence.

**12. PENSIONS SERVICES UPDATE**

Barry Berkengoff presented the report and updated the panel on the performance of the Pension Services team and on a number of the team's initiatives.

He advised that the work to bring Contact Centre enquiry work under Pension Services control was progressing well. The business case had been signed off and new job descriptions had been evaluated by HR. The new First Contact function will be embedded within the Projects and Technical team which is also responsible for training and communication. This allows us to further develop and deliver on the funds 'digital by default' communication and customer access strategies.

Barry also updated the Panel on the progress regarding IT. Implementation of Civica's payroll software is now at the build stage. Phase 1 of the project is on track with pensioner payroll services expected to go live in May 2021.

The Panel was also informed that the Southwark Pension Fund website was currently one of the best LGPS websites, and that Pension Services had entered two communication awards with Pensions Age and Professional Pensions showcasing the new website, launched last year.

Barry advised the Panel that the government had now withdrawn the planned £95,000 exit cap for local government employees.

Performance monitoring data had been collected between 1 November 2020 and 31 January 2021 and was also discussed. Barry explained that the information focused on statutory requirements and that longer-term aspirations were to benchmark against CIPFA guidance (or better). Mike Elsmore commented that they were a good set of improving metrics.

Barry also provided updates around recruitment, recent communications, training and development and complaint management.

**RESOLVED:**

That the update on the pensions administration function be noted.

**13. LOCAL PENSION BOARD UPDATE**

Mike Ellsmore advised that he had nothing further to add to the update in the agenda.

There were no questions.

**RESOLVED:**

That the update from the local pension board (LPB) meeting of 20 January 2021 be noted.

**14. QUARTERLY ACTUARIAL FUNDING UPDATE**

Caroline Watson presented the update.

Caroline asked the panel to note the funding level at the end of December 2020 and note the higher than expected investment returns during the quarter.

**RESOLVED:**

That the quarterly actuarial funding update be noted.

**15. ANY OTHER BUSINESS**

Councillor Rebecca Lury thanked Susan Greenwood and Tom Bacon from Mercer for all their help over the last six years.

It was noted that the next meeting would be on 23 June 2021.

The meeting ended at 4.00pm.

**CHAIR:**

**DATED:**