SOUTHWARK
PENSION SERVICES

Southwark Council
southwark.gov.uk

PENSIONS DIGEST

The London Borough of Southwark Pension Fund magazine

SPRING 2021

www.southwarkpensions.co.uk

YOUR PENSION CONNECTION

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HELLO AND WELCOME...

...to the second edition of your pensions magazine 'Pensions Digest' – bringing you the latest news from the Southwark Pension Fund (the Fund) and the wider pensions world.

Since the release of the winter magazine, we've reached the year anniversary of lockdown restrictions and my thoughts are still with those who have sadly passed away. 2020 was a difficult year for us all, however, brighter days are coming and the lockdown roadmap will hopefully let us all get back to normal.

I want to reassure you all that safeguarding your pension remains the Fund's top priority and I'm pleased to report normal service has been maintained.

Not only has normal service been maintained throughout the pandemic, but the Fund's assets have increased by over £300 million to £1.9 billion during a time of economic uncertainty. A huge thanks goes out to the Pensions Admin and Investment Teams for their continued hard work at this time.

COVID-19 has brought about new ways of working for us all, but it has however also seen an increased level of elaborate pension scams. People of all ages are being targeted by scammers to try and get their hands on your hard-earned pension. We have added an article in the 'News' section at **www.southwarkpensions.co.uk/news** on the website to help you spot the signs.

If there's any items that you would like to see covered in future issues, please let us know, by email at **lbspensions@southwark.gov.uk**

Mike Ellsmore
Independent Chair,
Southwark Local Pension Board

PENSIONS NEWS

Head on over to the online version of this magazine at **www.southwarkpensions.co.uk** and click on the blue 'Pensions Digest' button. You'll be able to read further articles on:

- New tax year 2021/22;
- Retirement Living Standards – what's your idea of a comfortable retirement?;
- Government revoking £95,000 exit cap regulations;
- The Pension Schemes Bill becomes the Pension Schemes Act; and
- Cyber-crime and the impact on pension schemes.

Manage your pension online

Don't forget that you can use the secure area of the pensions database that holds your personal information. You can log on to update your basic information and run projections and retirement scenarios. It too can be accessed via the new website by clicking or tapping on the orange 'Review my account' box.

Let's stay in touch

If you would like to receive the digital communications, we'll need your email address and National Insurance number (so we can match your records). All you need to do is contact Southwark Pension Services on either:

lbspensions@southwark.gov.uk; or

020 7525 4924

CHANGES TO SOUTHWARK ADMINISTRATION

Pensioner payroll services are changing

The responsibility to pay pensions will move from Southwark Council to the Fund as part of agreed changes in payroll software. More information about this will follow but rest assured, **this won't have an impact on pension benefits or payment dates.**

First Contact Resource Centre

This will be the first of its kind within the LGPS community.

Plans are underway to move all inbound pensions enquiry work into Pension Services. This will be a dedicated team dealing with all telephone, email and written enquiries from all member categories in the Fund (employees, former employees and retired members), employers, schools, HR and other stakeholders.

Further information will follow as the service goes live, which is expected later in 2021.

Futureproofing IT administration/payroll software within Southwark Pension Services

In 2020, we took the strategic decision to procure Civica's Universal Pensions Management (UPM) solution. We considered this was the best way to meet the Fund's goals of improving pension system operational efficiency, member self-service, employer accessibility and enhanced digitalised engagement and communication with Fund members and employers. There were also longer term cost savings (40%) to be achieved on hosting and support. You can find out more at **www.civica.com/en-gb/product-pages/universal-pensions-management**

As part of this process, we also procured Civica's Pensioner Payroll Solution, hence the update around changes to pensioner payroll services.

Civica is a global leader in software for public services and an existing technology partner of the Council. The company provides software in many other areas such as Transport, Regulated Services, Legal & Records and Democracy and Engagement. UPM is at the forefront of technical development and takes advantage of real-time automation, providing an enhanced customer experience to pension fund members and employers.

Click on 'Digital Pensions Digest' at **www.southwarkpensions.co.uk** to view online.

INVESTMENTS

Progress in reducing fossil fuel investments in the Fund

Considerable progress has been made since the Council made its commitment in 2016 to reduce the Fund's exposure to fossil fuel investments.

75% of the Fund's investments are now in low, zero or negative carbon holdings. Since it was first measured in 2017, the Fund's carbon footprint has reduced by 44%.

This has been achieved in a managed and risk-controlled manner, making sure investment returns are maintained and therefore meeting the primary fiduciary duty of ensuring that there are sufficient funds available to pay pensions as they fall due. This is demonstrated by the increase in Fund value of over £480 million since December 2016.

Key changes to investments

- New 5% allocation to sustainable infrastructure which includes investment in renewable energy such as solar and wind power;
- The Fund's stock market investments in developed economies such as the USA, UK and Europe have been switched to low carbon investments;
- The Fund has strengthened its management of Environmental, Social and Governance issues including the management of the Fund's carbon footprint in its investments in emerging markets such as those in China, India and Eastern Europe; and
- Direct equity investments fully divested from oil and gas sector.

Future plans

- The remaining 25% of Fund holdings not in low carbon or equivalent investments will be reviewed over the next 12 months;
- Work will continue to identify new, low carbon, investment opportunities;
- Following funding of the sustainable infrastructure investments, there will be benefits to the Fund from the carbon offset achieved by these fund investments in renewable power; and
- The Fund will build on the 44% reduction in its carbon footprint and continue to develop the way in which this is measured, whilst participating in opportunities to benchmark with other LGPS funds in this area.

We have made considerable progress to divest from fossil fuels and will continue to lead the way among LGPS funds in this area, while continuing to grow the value of the Fund.

Upgrade your internet browser

To increase safety and your viewing experience, download:

- Google Chrome at **www.google.com/intl/en_uk/chrome**; or
- Chromium Edge at **www.microsoft.com/en-us/edge** and you'll be on your way.

AN INTERVIEW WITH...

Caroline Watson
Senior Finance Manager

Q: For those members who don't know you, can you tell us a little about your career so far with Southwark?

A: I joined Southwark in 2004 and have worked in pension fund accounting and investments since then, adding treasury management to my role in 2016. When I joined, the assets of the Fund were valued at around £500 million and have grown to nearly £2 billion today.

My main responsibilities are financial management and pension fund accounting. This includes ensuring all member and employer contributions are received in the Fund, and that all expenditure, including pensions payroll of around £5 million per month, is correctly accounted for. I ensure there are adequate funds available to pay benefits and balance this against the returns available from long-term investments. I am also responsible for the preparation of the pension fund Statement of Accounts and Annual Report.

I support the Pensions Advisory Panel (PAP) by providing reports on areas such as investment strategy reviews; approach to the implementation of the Fund's low carbon commitment; asset allocation; updates on the funding level; and approach to compliance with The Pensions Regulator (TPR) code of practice.

I also support the work of the Local Pension Board (LPB), which includes drafting reports on national changes to Local Government Pension Scheme (LGPS) governance; the work of the Scheme Advisory Board; and updates on national initiatives, such as the LGPS Cost Transparency Initiative, and their application to the Fund. I manage the training plan and induction process for LPB members, ensuring their level of knowledge and skills complies with regulations.

I am responsible for implementing changes to the investment strategy and monitoring the performance of investment managers, advisers and the Fund's custodian against their contracts and targets. I work with the Fund's actuaries on all aspects of triennial actuarial valuations.

During my time working with the Fund, there have been many challenges, including the 2008 financial crisis and more recently the impact of COVID-19 on the investments. The resilience and stability of the investment strategy has seen the Fund through these challenging times, with full funding being achieved at the 2019 actuarial valuation.

Q: Can you explain the main role of the LPB?

A: The LPB was established on 25 March 2015 by Council Assembly and consists of six voting members - three Scheme Member Representatives and three Employer Representatives. It operates independently of the PAP and isn't a decision-making body in relation to the management of the Fund.

Its role is to assist Southwark Council as Scheme Manager of the Fund, and ensure compliance with the LGPS Regulations and other pensions and taxation legislation relating to the governance and administration of the Fund, and any requirements imposed by TPR in relation to the LGPS.

The Board ensures effective and efficient governance and administration of the Fund and provided oversight of all operation matters.

Q: What does the PAP do?

A: The PAP advises and makes recommendations to the Strategic Director of Finance and Governance on all aspects of the Fund, with a particular focus on its investments. This includes establishing and monitoring strategic asset allocation and the monitoring of investment performance.

Following the Council's commitment in December 2016 for the Fund to reduce its exposure to fossil fuel investments over time, the PAP has focused on reviewing the investment strategy in line with this commitment.

Considerable progress has been made in moving investments to low carbon alternatives within a managed and controlled approach, ensuring that the required level of investment returns continue to be achieved within an acceptable level of risk.

75% of the Fund is now in low, zero or negative carbon investments, with a plan in place to review the remaining holdings within the next year. We have developed and improved the measurement of the Fund's carbon footprint during this time to enable progress towards achieving the low carbon commitment to be monitored and reviewed. A reduction in carbon footprint of 44% has been achieved since first measured in September 2017.

Overall, the Fund is in an excellent state of financial health despite the pandemic, with a £170 million increase in value over the six months to December 2020 and overall assets now at £1.93 billion.

Q: What are the plans for the future for the PAP?

A: Over the next 12 months the PAP will continue to focus on the implementation of the changes to the investments agreed under the investment strategy review. This will include the review of options for the new Environmental, Social and Governance (ESG) priority allocation, with a view to appointing new investment mandates by the end of the calendar year.

Once the commitments under the ESG priority allocation are funded, over £940 million of assets will have been moved to low, zero or negative carbon investments since the commitment to reduce fossil fuel investments over time was made in 2016.

Q: And one final question, Caroline what do you enjoy doing with your time outside work?

A: During the last year I have benefited from being able to spend more time with my family, with remote working providing an opportunity to improve my work life balance.

We enjoy taking our puppy for walks to our local parks. However, attempts to train him haven't gone very well so far! Most of my free time is spent looking after my two daughters.

SOUTHWARK
PENSION SERVICES

GETTING IN TOUCH WITH US

If you have a question about the Fund or your benefits in particular, take a look on our website to see if you can find the answer. Alternatively, contact the Southwark Pension Services team using the details below.

Our postal address has changed!

Southwark Pension Services
Southwark Pension Fund
PO Box 7606
WS10 1EJ

020 7525 4924
Please note the phone lines are open Monday to Friday between 8:30am and 5:00pm (excluding Bank Holidays).

lbspensions@southwark.gov.uk

Click on 'Digital Pensions Digest' at **www.southwarkpensions.co.uk** to view online.

Visit the member self-service portal at **pensions.southwark.gov.uk** to access your Fund information 24/7. If you have any problems using it, please telephone the number above.

For more pension information, visit **www.southwarkpensions.co.uk/understanding-pensions/where-to-get-help**

Stay tuned for the Autumn 2021 magazine where we share more news and plans for the future.

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