Open Agenda

Pensions Advisory Panel

Wednesday 23 June 2021
3.00 pm
Online/Virtual

Membership

Councillor Jon Hartley
Councillor Rebecca Lury (Chair)
Councillor Eliza Mann

Staff Representatives
Chris Cooper
Julie Timbrell
Derrick Bennett

Officers
Duncan Whitfield
Caroline Watson
Barry Berkengoff

Advisors
David Cullinan
Colin Cartwright

INFORMATION FOR MEMBERS

Contact
Andrew Weir by email: andrew.weir@southwark.gov.uk

Members of the committee are summoned to attend this meeting
Eleanor Kelly
Chief Executive
Date: 17 June 2021

PRINTED ON RECYCLED PAPER

Pensions Advisory Panel

Wednesday 23 June 2021
3.00 pm
Online/Virtual

Order of Business

PART B - CLOSED BUSINESS

CLOSED APPENDIX 1 RELATING TO ITEM 13: QUARTERLY ACTUARIAL FUNDING UPDATE

EXCLUSION OF PRESS AND PUBLIC

The following motion should be moved, seconded and approved if the sub-committee wishes to exclude the press and public to deal with reports revealing exempt information:

> "That the public be excluded from the meeting for the following items of business on the grounds that they involve the likely disclosure of exempt information as defined in paragraphs 1-7, Access to Information Procedure rules of the Constitution."

ANY OTHER CLOSED BUSINESS

Date: 17 June 2021

Agenda Item 5

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:

Agenda Item 7

Item No. 7.	Classification: Open	Date: 23 June	Meeting Name: Pensions Advisory Panel
Report Title		Asset Allocation March 2021	
From		Senior Finance Manager, Treasury and Pensions	

Recommendation

1. The pensions advisory panel is asked to note the Fund's asset allocation at 31 March 2021, as set out below.

Asset Class	Manager	Start of Quarter £000	End of Quarter £000	Start of Quarter %	End of Quarter %	Strategic Benchmark %	Difference %
Global Equity	BlackRock	434,258	448,194	22.7	23.1	20.0	3.1
	Legal & General	441,639	458,876	23.1	23.6	20.0	3.6
	Newton	229,769	239,918	12.0	12.4	10.0	2.4
Total Global Equity		**1,105,666**	**1,146,988**	**57.8**	**59.0**	**50.0**	**9.0**
Diversified Growth	BlackRock	192,371	192,740	10.1	9.9	10.0	-0.1
Total Diversified Growth		**192,371**	**192,740**	**10.1**	**9.9**	**10.0**	**-0.1**
Absolute Return Bonds	BlackRock	134,018	135,739	7.0	7.0	5.0	2.0
Total Absolute Return Bonds		**134,018**	**135,739**	**7.0**	**7.0**	**5.0**	**2.0**
Property	Nuveen	189,596	194,899	9.9	10.0	15.0	-5.0
	M&G	22,366	30,271	1.2	1.6	1.5	0.1
	Invesco	15,136	22,421	0.8	1.2	1.5	-0.3
	Frogmore	8,573	7,365	0.4	0.4	1.0	-0.6
	Brockton	4,932	5,425	0.3	0.3	1.0	-0.7
Total Property		**240,603**	**260,381**	**12.6**	**13.4**	**20.0**	**-6.6**
Sustainable Infrastructure	Glennmont	16,378	13,959	0.9	0.7	2.0	-1.3
	BlackRock	4,646	3,486	0.2	0.2	1.5	-1.3
	Temporis	24,384	23,818	1.3	1.2	1.5	-0.3
Total Sustainable Infrastructure		**45,408**	**41,263**	**2.4**	**2.1**	**5.0**	**-2.9**
Index Linked Gilts	BlackRock	77,553	72,214	4.1	3.7	5.0	-1.3
	Legal & General	94,222	87,638	4.9	4.5	5.0	-0.5
Total Index Linked Gilts		**171775.0**	**159,852**	**9.0**	**8.2**	**10.0**	**-1.8**
Cash	Nuveen	22,827	5,516	1.2	0.3	0.0	0.3
Total Cash		**22,827**	**5,516**	**1.2**	**0.3**	**0.0**	**0.3**

Total	**1,912,668**	**1,942,479**	**100.0**	**100.0**	**100.0**	**0.0**

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	14 June 2021	
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		16 June 2021

Item No.	Classification:	Date:	Meeting Name:
8.	Open	23 June	Pensions Advisory Panel
Report Title		Carbon Footprint – 31 March 2021	
From		Senior Finance Manager, Treasury and Pensions	

Recommendation

1. The pensions advisory panel is asked to note the the fund's updated carbon footprint as at 31 March 2021 (set out below).

Since December 2018 the Fund has engaged Sustainalytics to assist with assessments of the CO2 equivalent exposure of its equity holdings. The table below sets out the weighted carbon intensity by asset class since September 2017.

Asset Class	Fund Managers	Current Target Asset Allocation	Weighted Carbon Intensity (tCO2e/$m revenue)										
			September 2017	December 2017	March 2018	June 2018	September 2018	December 2018	December 2019	June 2020	September 2020	December 2020	March 2021
Equity – Developed	**Blackrock, LGIM**	35.0%	98.7	98.7	81.2	63.9	63.9	49.6	62.9	50.8	55.1	44.1	47.2
Equity – Global	**Newton**	10.0%	10.6	10.6	10.4	10.4	10.4	4.7	3.7	3.7	7.0	7.0	4.4
Equity – Emerging Markets	**Blackrock**	5.0%	18.1	18.1	18.1	18.1	18.1	16.0	14.7	13.9	14.1	15.0	19.1
Diversified Growth	**Blackrock**	10.0%	26.7	22.4	17.6	20.0	10.1	15.0	15.1	20.9	15.9	16.0	15.6
Absolute Return Fixed Income	**Blackrock**	5.0%	22.4	16.9	14.3	13.4	15.9	11.5	8.3	15.6	7.1	8.7	10.0
Property	**Invesco, M&G, TH, Brockton, Frogmore**	20.0%	23.2	23.2	23.1	22.8	22.8	21.5	21.5	21.5	21.5	21.5	21.5
Sustainable Infrastructure	**Glenmont**	5.0%											
Il Gilts	**LGIM, Blackrock**	**10.0%**							14.0	14.0	14.0	14.0	14.0
Total		**100.0%**	**199.7**	**190.0**	**164.7**	**148.5**	**141.2**	**118.3**	**140.2**	**140.4**	**134.6**	**126.3**	**131.7**
Change Equity %				**0.0%**	**-13.9%**	**-27.5%**	**-27.5%**	**-44.8%**	**-36.2%**	**-46.4%**	**-40.2%**	**-48.2%**	**-44.5%**
Change Diversified Growth %				**-16.0%**	**-34.0%**	**-25.0%**	**-62.1%**	**-43.7%**	**-43.4%**	**-21.4%**	**-40.5%**	**-39.8%**	**-41.5%**
Change Absolute Return Fixed Income %				**-24.3%**	**-36.3%**	**-40.2%**	**-28.7%**	**-48.8%**	**-62.8%**	**-30.0%**	**-68.4%**	**-61.2%**	**-55.4%**
Change Property %				**0.0%**	**-0.2%**	**-1.7%**	**-1.7%**	**-7.1%**	**-7.3%**	**-7.3%**	**-7.3%**	**-7.3%**	**-7.3%**
Total Change in Footprint %				**-4.9%**	**-17.5%**	**-25.6%**	**-29.3%**	**-40.7%**	**-29.8%**	**-29.7%**	**-32.6%**	**-36.7%**	**-34.0%**

Change of approach

2. Following a review of the approach to measuring the Fund's carbon footprint, index linked gilts have been allocated a proxy measurement. All holdings in the Fund are now included in the carbon footprint measurement. The figures have been restated back to December 2019 to reflect this change.

3. The proxy measurement applied to index linked gilts is developed market equities. Sustainalytics were asked to consider whether this approach is appropriate. They confirmed that there is no satisfactory carbon footprint methodology for government debt; carbon footprints work very well for some asset classes, and rather less for others and the evaluation of sufficient methodology may be challenging. They confirm that other clients are taking the approach outlined above and that it will serve as adequately as any alternative approach.

4. There are recognised limits to this approach. However we will continue to work to improve the carbon footprint measurement over time and the continuing suitability of the index linked gilts holdings will be reviewed before March 2022 as part of the investment strategy review.

Results

5. The results for March 2021 show that the Fund has reduced its carbon exposure by 34% since September 2017. This is mostly a consequence of the transition of 50% of the Fund's developed market equities from conventional passive to specific low carbon passive. The unweighted exposure for each investment is set out below ranked in order of carbon footprint, from lowest to highest exposure.

		Mar-21
Asset Class	**Fund Manager**	**Unweighted Carbon Intensity (tCO2e/$M revenue)**
Equity – Active	**Newton**	36.4
Absolute Return Fixed Income	**Blackrock**	141.8
Diversified Growth	**Blackrock**	156.0
Il Gilts	**Blackrock, LGIM**	169.1
Equity – Developed Low Carbon	**Blackrock, LGIM**	175.2
Property	**Invesco, M&G, TH, Brockton, Frogmore**	215.4
Equity - Emerging Markets	**Blackrock**	328.8
Equity - Developed	**Blackrock, LGIM**	338.2

Equities

6. The significant reduction for Newton over the period from December 2017 reflects a number of portfolio and stock selection changes. A restriction has been introduced to the mandate, effective from 31 March 2021, preventing

further investment in companies invested within the Oil and Gas Producers and Oil and Gas Equipment, Services and Distribution Sub-Sectors. The commitment also includes the divestment of all existing holdings in these sectors. The remaining holdings were sold in March 2021, with this being reflected in the reduction in weighted carbon intensity of the portfolio between December 2020 and March 2021.

Sustainable Infrastructure

7. The Fund's commitment to invest 5% of total assets in sustainable infrastructure will reduce its overall carbon footprint over time as capital calls are received from these investments. For example, the Southwark fund invests in Temporis Operational Renewable Energy Strategy and its operational assets have offset approximately 404,000 gross tonnes of CO_2 emissions to date. Once all three sustainable infrastructure funds are fully drawn down, a carbon offset will be included in the carbon footprint calculation for the Fund.

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	14 June 2021
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		14 June 2021

LONDON BOROUGH OF SOUTHWARK - Quarterly Report March 2021

Market Background

The positive momentum in equity markets built up in the December quarter continued into the new quarter. Global markets gained 6% in local terms but near 4% allowing for a stronger Pound. An improving economic outlook, positive news on Covid vaccine efficacy and central banks' willingness to maintain 'accommodative' monetary policies in the short-term all added to the optimism.

This improved market environment was positive for more cyclical 'value' sectors (industrials, oil & gas etc.) helping to explain the broad regional variances in returns. In local currency terms, Japan and Europe performed best due to their particular sectoral biases. Emerging markets lagged as rising levels of Covid infections in developing countries and a stronger US Dollar weighed.

With renewed global growth widely anticipated in the second half of this year and with it, an expectation of higher inflation and tightening monetary policy, government bond yields rose sharply over the quarter. Total returns were negative for both conventional and index linked bonds.

Property returns were modest but positive. There are signs of rental values stabilising after a period of prolonged decline.

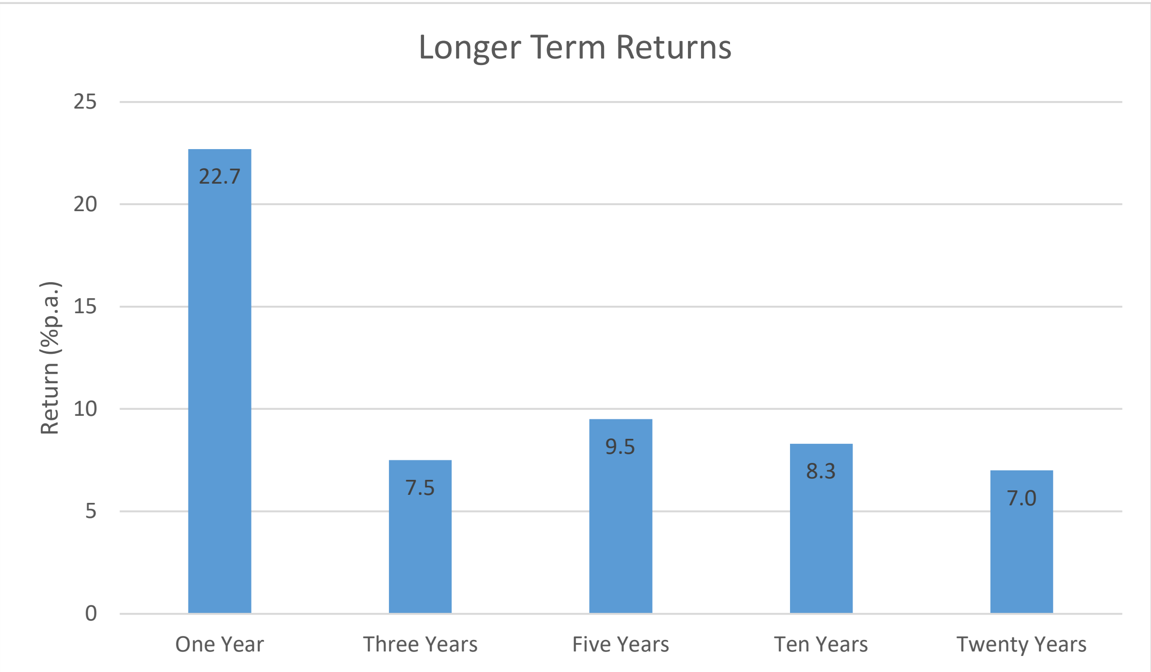
LGPS Funds

The average local authority fund was expected to record a return of just over 2%.

Longer Term

Now that the large market fall at the start of 2020 has dropped from the one-year number, the fiscal year result is estimated to be close to 23%.

The three-year number is back to 7.5% p.a., well ahead of most funds' expectations. Over the medium term the returns remain strong with the ten-year result now above +8% p.a. and the twenty-year return +7% p.a.



Total Fund

The Fund returned around 2% over the quarter, almost exactly in line with the benchmark.

Performance from the Fund's managers was mixed. The analysis below shows the make-up of the returns, absolute and relative.

			Returns			Contributions		
Manager	Brief	Start Value (£m)	Fund	Benchmark	Relative Return	Fund	Benchmark	Relative
BLK	Equity/ILG	512,114	1.7	1.7	-0.0	0.5	0.5	-
LGIM	Equity/ILG	536,078	2.0	1.5	0.5	0.6	0.4	0.1
BLK	Diversified Growth	192,371	0.1	0.8	-0.6	-	0.1	-0.1
BLK	Absolute Return Bond	134,018	1.3	1.0	0.3	0.1	0.1	-
Newton	Equity	229,769	4.3	4.5	-0.2	0.5	0.5	-
Brockton	Property	4,932	10.0	3.6	6.2	-	-	-
Nuveen	Property (Core)	212,414	3.9	2.5	1.4	0.4	0.3	0.2
Invesco	Property	15,136	0.7	1.9	-1.2	-	-	-
M&G	Property	22,366	0.3	1.9	-1.7	-	-	-
Frogmore	Property	8,573	-13.6	3.9	-16.9	-0.1	-	-0.1
Glenmont	Infrastructure	14,660	0.1	2.4	-2.3	-	-	-
Temporis	Infrastructure	24,384	0.0	2.4	-2.3	-	-	-
BLK	Infrastructure	3,399	3.5	2.4	1.1	-	-	-
Cash	Cash	18	0.0			-	-	-
Total		**1,910,231**	**2.0**	**2.0**	**0.0**	**2.0**	**2.0**	

By way of explanation, the third column from the right shows how much the managers have contributed to the overall return e.g. Newton added 0.5% whilst Frogmore detracted 0.1%. The column on the right-hand side shows how much the managers have contributed to the excess return e.g. Nuveen was the biggest contributor adding 0.2%.

The one-year return for the Fund was an extremely healthy 24.4% almost 1.5% above benchmark – an excellent outturn.

Medium-term, the Fund has returned between 9.6%p.a. and 10.4%p.a. over the three and five-year periods. The shorter period return was ahead of benchmark, the longer period marginally behind.

Over the last ten-years, the Fund has delivered a very respectable 9.4%p.a. return but 0.3%p.a. off the target.

Returns have been improving of late and while long-term returns are still sub-benchmark, the margin is reducing. The legacy of poor active equity performance which had the Fund trailing by 2% to 3% p.a. a few years ago is diminishing.

Newton – Active Global Equity

On a gross basis i.e., before the deduction of fees, Newton outperformed the world index by 0.2%. Stock selection within the technology sector and overweighting financials were the positive contributors. *After fees and relative to the stretched (index plus target aspiration) benchmark, the portfolio lagged by 0.2%.*

The portfolio's annual return was strongly positive but significantly behind the benchmark index (moreso the target) for a fourth quarter – fund 36.2%, benchmark (inc. stretch) 43.1%.

Longer-term numbers are very solid in absolute terms but remain some way short of target (particularly nearer-term).

BlackRock - Active

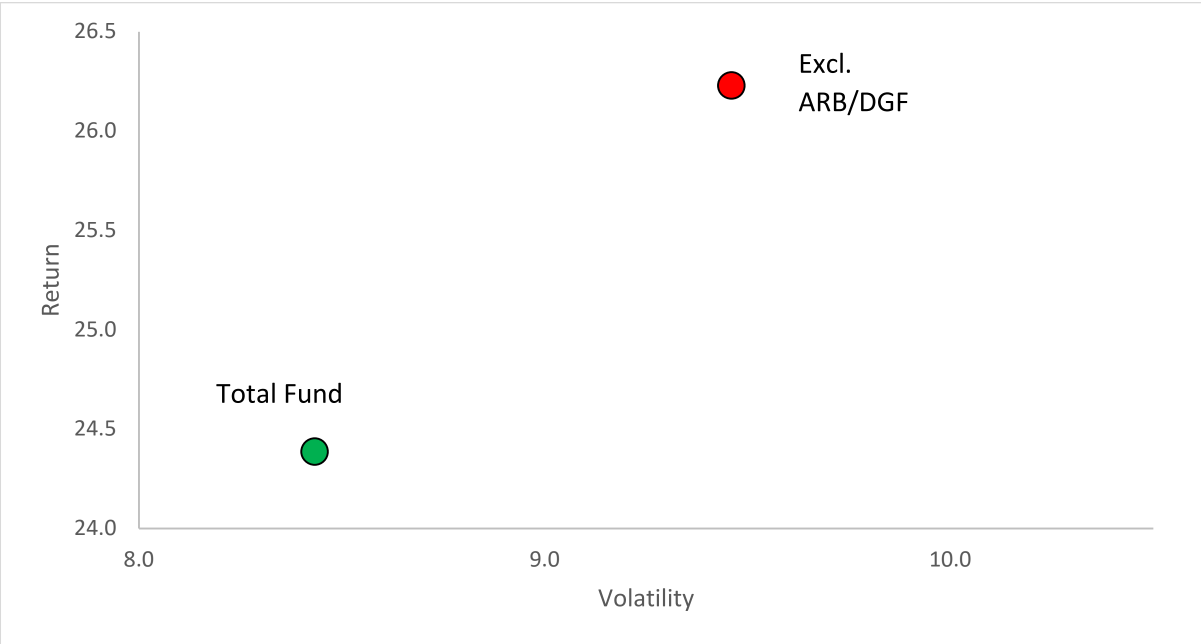
It will come as little surprise that the two active positions continued recent momentum with positive returns outstripping their cash-like benchmarks.

Performance in the ARBF portfolio was broad based and positive (1.3%) against a backdrop of negative returns generally from traditional bonds. The return from the DG portfolio was muted at 0.3% with positive equity returns offset by weakness in bonds.

Since their inception, returns from both strategies have been low digit single figures. In combination, the result has been broadly in line with the 3-4% absolute return sought.

These two portfolios hold traditional assets, but return profiles are designed to deliver results differently. In strong growth environments, returns will appear dampened, but in down markets, returns should be less impacted. Importantly, overall Fund volatility should reduce.

The chart below illustrates the impact over the full year to December. The actual Fund outcome is the green plot, the notional outcome (excl. ARB/DG) is the red plot.



This albeit short-term picture has returned to 'normal' in a return sense as growth assets have re-exerted dominance. What we see here is that the addition of these assets has dampened volatility, as expected, but has had a more pronounced detrimental effect on returns. This is the trade-off!

Nuveen Real Estate – Core Property

The portfolio performance was positive over the quarter, returning 2.3% (Nuveen numbers). Capital appreciation and income contributed in equal measure. The return of positive valuation growth is encouraging, with the portfolio's industrial assets performing well and by a greater margin than the falls in its retail holdings.

The portfolio's direct investments performed better than the indirect holdings, of which there is now only one, the Retail Warehouse Fund which, according to the manager, has reached or is nearing its valuation trough.

Near-term returns are disappointing for the asset class generally, but medium and longer-term numbers stack up very well. The current seven-year number of 6.1%p.a. is behind the 7%p.a. target set by the Panel.

The short-term outlook for the sector remains subdued, but the manager is bullish about the portfolio's direction of travel.

Other Real Estate

Reported returns were typically behind benchmark over the quarter and the full year. Quarterly reporting helps little in understanding investments in this sector.

Southwark's Property Allocation

The core and added value/opportunistic assets continue to perform quite differently, with the former typically outperforming the latter.

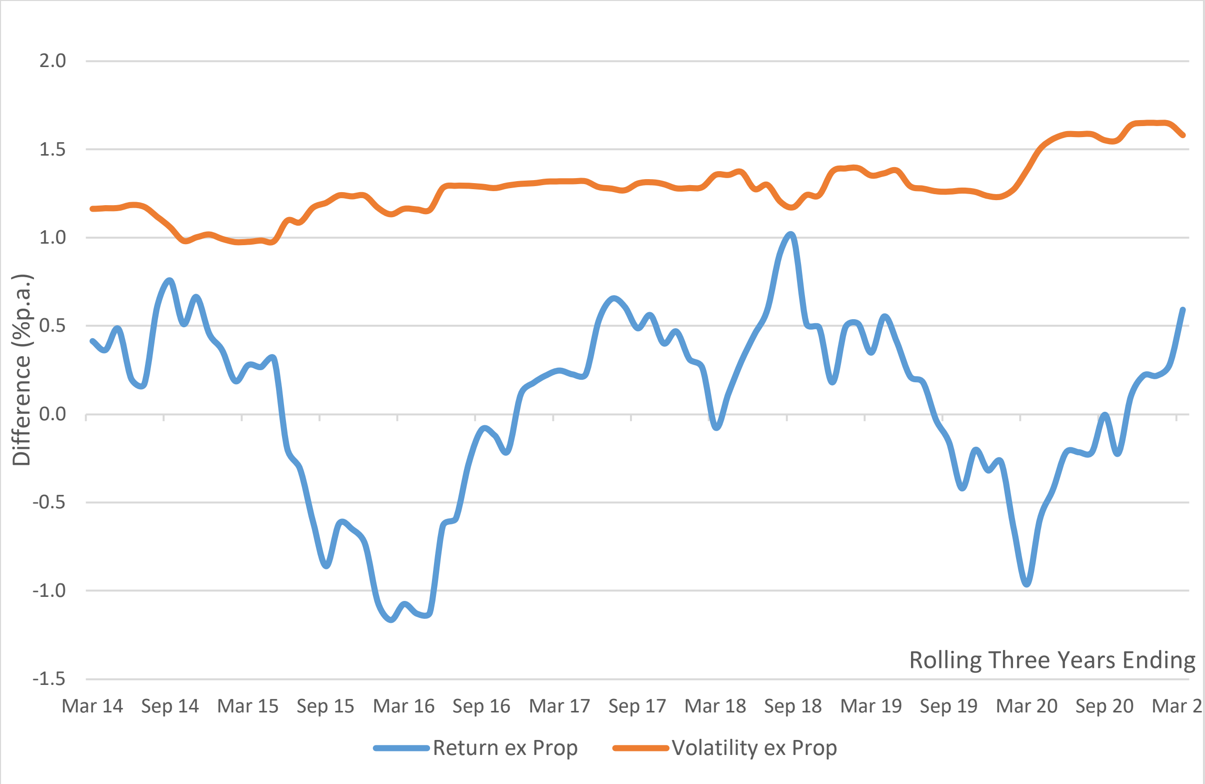
As mentioned previously, the added value/opportunistic portfolios are still early stage so a measure of underperformance against their relatively challenging benchmarks is not unexpected.

The core allocation is just shy of 80%, so this will realistically dictate how the Fund's real estate assets perform.

The Fund's large commitment to the asset class is an important differentiator in its overall strategy.

The chart below shows the impact on risk and return over consecutive rolling three-year periods.

In the latest three-year period, without property the overall return would have been higher (around 0.6%p.a.) but volatility significantly higher (by around 1.6%p.a.). This continues to be a very acceptable trade-off.



Passive Portfolios

The passive mandates have largely tracked the respective benchmarks as we would expect.

Summary

- A quieter quarter for funds following the roller-coaster that was calendar 2020!
- Funds have performed extremely well in general and ours is no different
- Despite recent market turbulence, assets have grown more than actuarial assumptions and so funding levels will have improved
- The moving parts that underly the Fund's performance have generally moved in the right direction.
- Newton has delivered extremely positive returns but continues to struggle against the target aspiration. As our only active equity manager this is disappointing
- Returns from the newer infrastructure and smaller property portfolios appear behind target but we should remind ourselves that these are longer-term investments. Short-term performance measures are often spurious

Quarterly Investment Dashboard Q1 2021

London Borough of Southwark Pension Fund

Prepared for: The Pensions Advisory Panel
Prepared by: Aon
Date: 23 June 2021

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At a glance…

Assets

£1942.5m

Assets increased by £32.8m over the quarter.

Funding

111%

Funding increased by 3% over the quarter.

Surplus

£187m

Surplus increased by £46m over the quarter.

Manager ratings

10 **Buy rated**

4 **Not rated**

1 **Qualified**

0 **Not recommended**

A named portfolio manager at the BlackRock Absolute Return Bond Fund departed in Q1 2021.

Performance (short term)

+2.9%

Scheme outperformed benchmark returning 2.9% vs 2.7% over the quarter.

Performance (longer term)

+9.6%

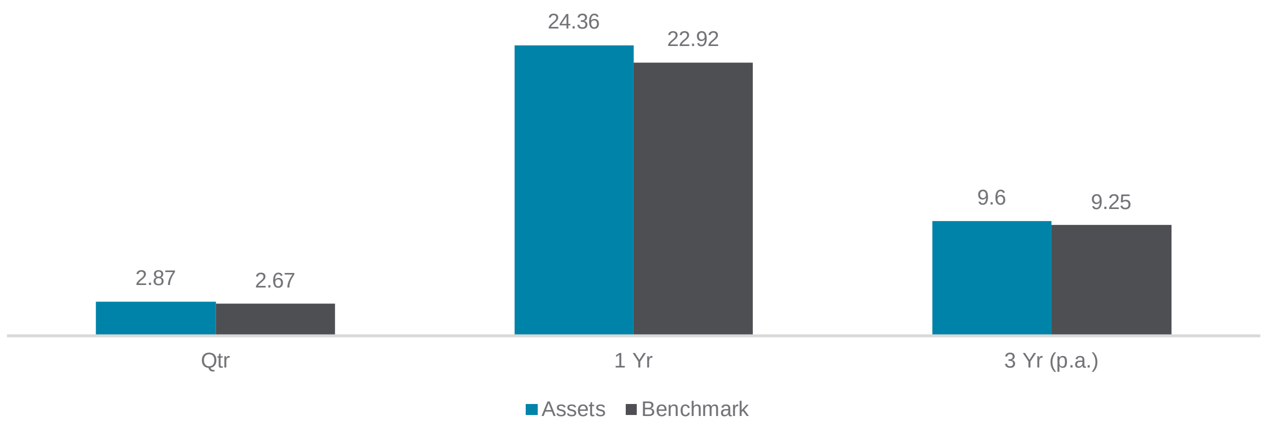
Over 3 years the scheme has outperformed benchmark returning 9.60% vs 9.25%.

Comments

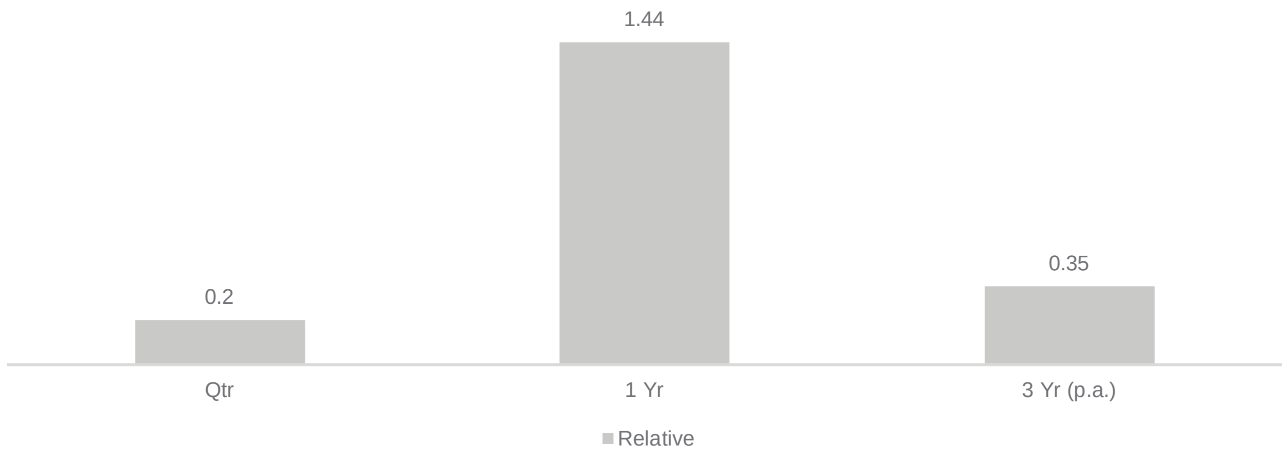
- The Fund's total assets increased by £33m over the quarter, from £1909.7m to £1942.5m.
- The Fund performance over the quarter was +2.87%, this was 0.2% higher than the benchmark return. The Fund also outperformed the benchmark over the 1 and 3 year periods, generating annualised performance of 24.36% and 9.60% respectively.
- The Fund's funding level increased by 3% over the quarter from 108% to 111%. This was partially due to an increase in the net discount rate which resulted in a lower liability figure.
- In late February 2021, Nuno Luis, named Portfolio Manager on the BlackRock Absolute Return Bond Fund (BARBF) departed from BlackRock.
- We recommend no action is taken based on this announcement and our ratings remain unchanged.

Scheme performance – Snapshot

Scheme performance & benchmark



Relative performance



Quarterly (relative)

+0.2%

The scheme returned 2.87% vs 2.67% over the quarter

3 year (relative)

+0.35%

The scheme returned 9.60% vs 9.25% over the period

Comments

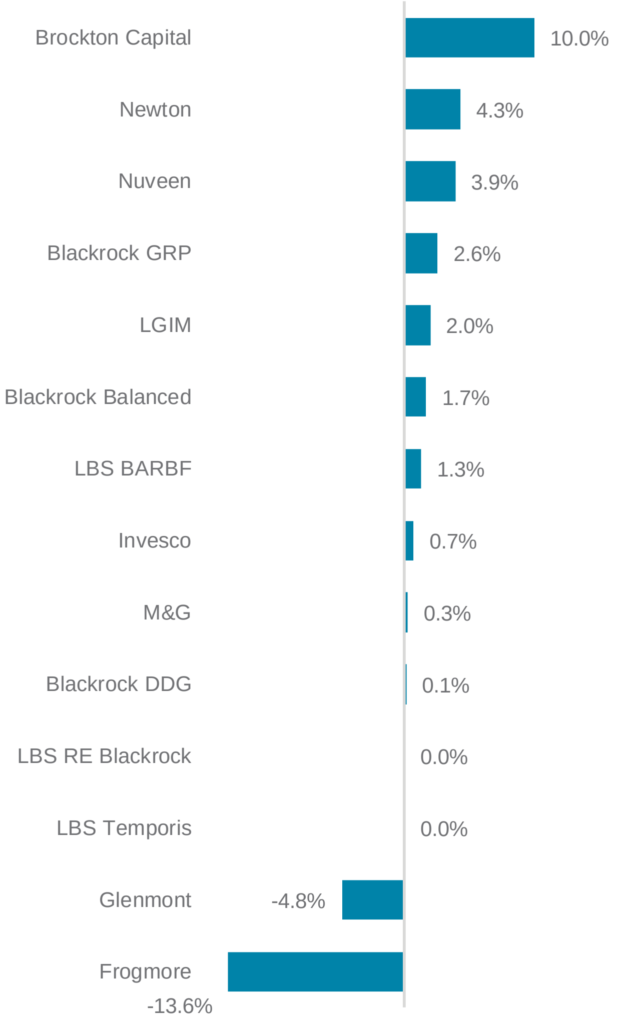
Over the quarter, the scheme marginally outperformed the benchmark.

The property portfolio (driven by the Nuveen real estate fund) made a significant contribution to this, outperforming the benchmark by 1.33%

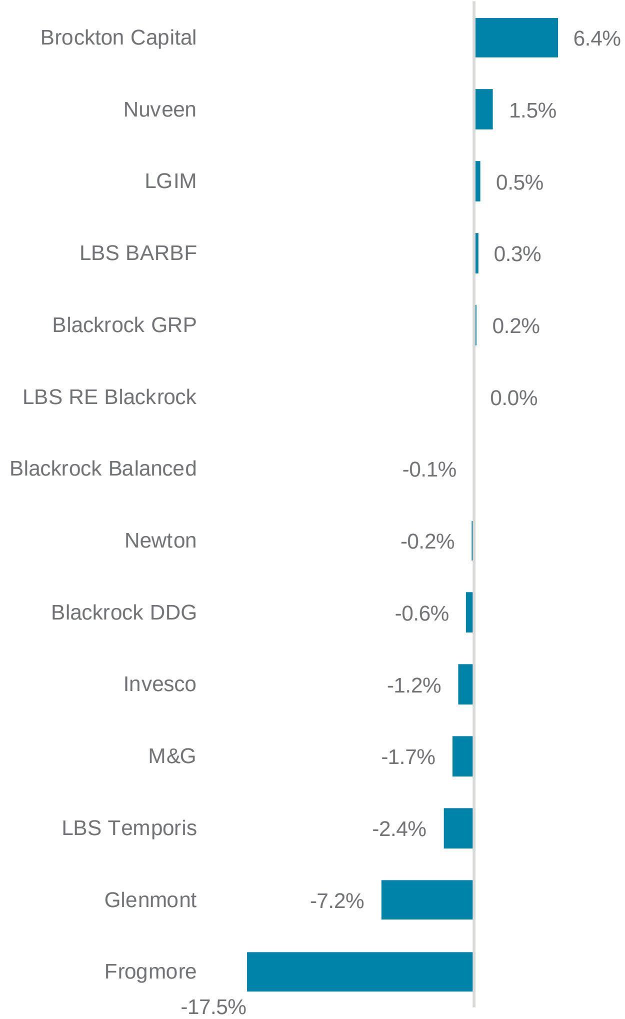
Source: J.P.Morgan and fund managers as required. Totals may not sum due to rounding

Manager performance – Quarter Snapshot

Absolute performance



Relative performance



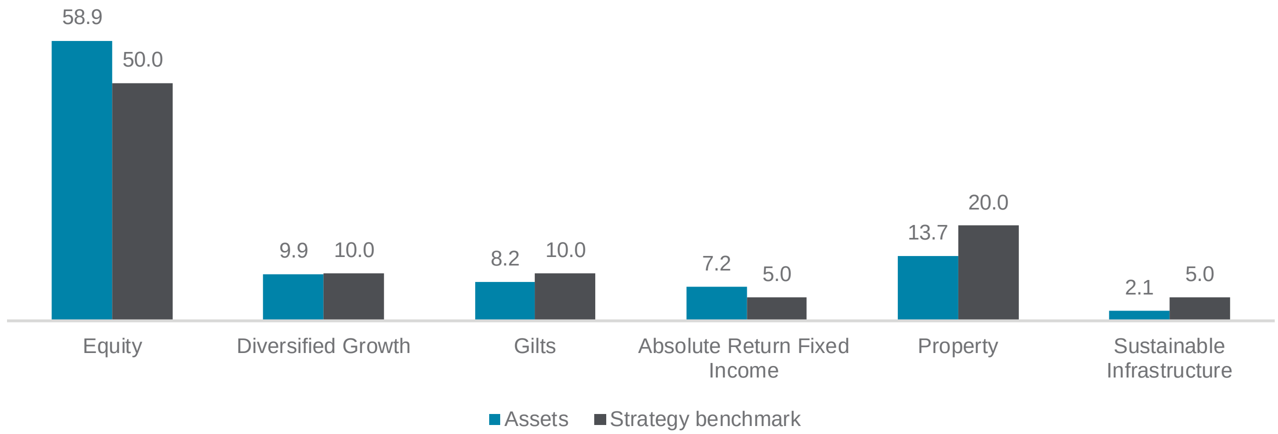
Rating summary

Manager Ratings	# of Funds
Buy	10
In review	0
Qualified	1
Sell	0
Not rated	4
Not recommended	0

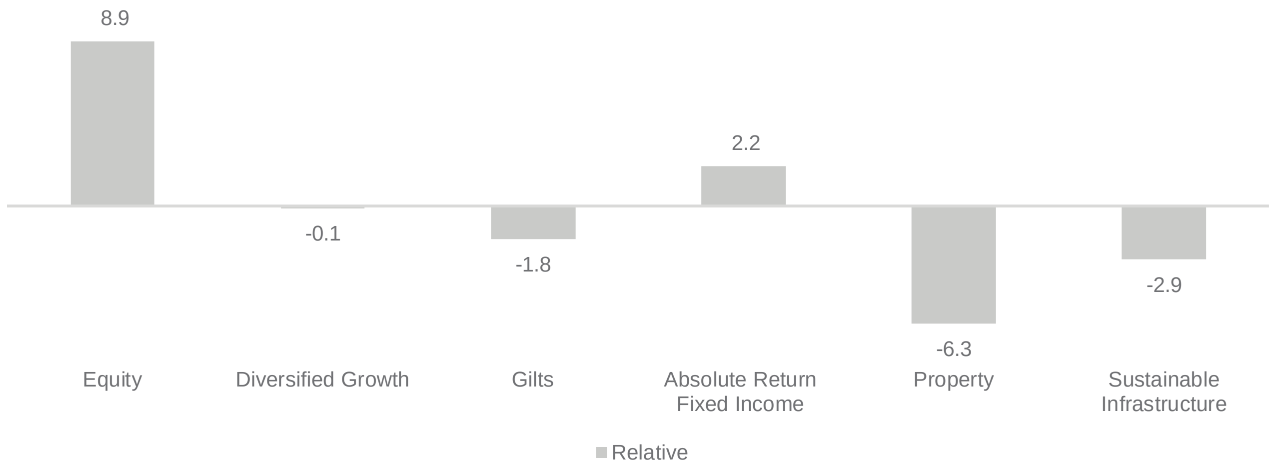
Fees shown are net. Source: J.P.Morgan and fund managers as required.

Strategic allocation – Snapshot

Strategic allocation & benchmark



Relative allocation



Assets

£1942.5m

Assets increased by £32.8m over the quarter.

Comments

- Equity and absolute return fixed income are overweight relative to strategic target for the asset class, while sustainable infrastructure and property and underweight target.
- However, all asset classes are well within the maximum strategic allocation limit.

Source: J.P.Morgan and fund managers as required. Totals may not sum due to rounding

Explanation of Ratings – Overall ratings

Overall ratings

An overall rating is then derived taking into account both the above outcomes for the product. The table lists how the overall rating can be interpreted.

The comments and assertions reflect our views of the specific investment product and our opinion of its quality. Differences between the qualitative and Aon InForm outcome can occur and if meaningful these will be explained within the Key Monitoring Points section. Although the Aon InForm Assessment forms a valuable part of our manager research process, it does not automatically alter the overall rating where we already have a qualitative assessment. Overall rating changes must go through our qualitative manager vetting process. Similarly, we will not issue a Buy recommendation before fully vetting the manager on a qualitative basis.

Overall Rating	What does this mean?
Buy	We recommend clients invest with or maintain their existing allocation to our Buy rated high conviction products
Buy (Closed)	We recommend clients invest with or maintain their existing allocation to our Buy rated high conviction products, however it is closed to new investors
Qualified	A number of criteria have been met and we consider the investment manager to be qualified to manage client assets
Not Recommended	A quantitative assessment of this strategy indicates it does not meet our desired criteria for investment. This strategy is not recommended.
Sell	We recommend termination of client investments in this product
In Review	The rating is under review as we evaluate factors that may cause us to change the current rating

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ESG Priority Allocation

Opportunity longlist

This report contains a high-level summary of illiquid investment options for the London Borough of Southwark Pension Fund ("the Fund") ESG Priority Allocation.

Background

As part of the investment strategy, the Fund has an ESG priority allocation of 15% of the portfolio. Of this, 10% has been committed. The objectives of this allocation are to:

1) Provide diversification to public equity markets and generate competitive financial returns.
2) Invest in companies that facilitate measurable environmental, social and/or governance ("ESG") impact, which is in the best interests of the Fund and wider society. In particular, this should align with the potential aim for the Fund to have a carbon neutral portfolio in the future.

The universe for alternatives is broad and includes various types of investment vehicle and mandate across geographies and sector. The following sections outline various opportunities the Officers and/or the investment adviser, Aon, are familiar with. The appendix also includes an overview of climate change focussed funds within the universe for consideration.

Why bring you this note?

To provide a longlist of ESG-focused illiquid investment funds for the ESG Priority Allocation to facilitate discussions about the upcoming manager selection.

Next steps

- Discuss which funds are best aligned to the aims of the ESG priority allocation.
- Agree which funds should be included in the manager selection process.

Identified Investment opportunities by Aon and the Officers

Aon 'Buy' rate several opportunities where the investment managers demonstrate that they are best in class for a given mandate and have completed the Aon due-diligence process.

The Officers regularly receive and discuss materials directly with investment managers and this section also includes particular funds noted for consideration.

Blackstone Strategic Capital Holdings II

Mandate: The Fund is a permanent capital vehicle that will target minority equity investments (“GP Stakes”) in the general partners and alternative asset management companies within the private equity, private credit, real estate, and infrastructure sectors.

Prepared for:	The Pensions Advisory Panel of the London Borough of Southwark Pension Fund
Prepared by:	Aon
Date:	23 June 2021

ESG Impact area: Invests stakes in general partners who in turn invest in a portfolio of private companies in sectors including Health & Wellbeing, Financials, Green Technologies and Sustainability.

ESG Impact Measurement: All general partners are required to have an ESG policy and Blackstone support general partners with resources to improve their ESG processes, including potential advice in relation to energy reduction in portfolio companies. Blackstone as a firm have established a 15% carbon reduction target across its own private controlled investments.

Buy-Rated by Aon?: Yes **Close:** Final close 1 November 2021.

CVC European Direct Lending Fund

Mandate: Direct investment to European mid-market companies, with target returns of 7-8% net IRR., quarterly yields and total term of 6-7 years.

ESG Impact Area: First ESG considerations incorporated in investment process and clauses in all loan documentation to encourage companies to incorporate ESG considerations.

ESG Impact Measurement: ESG-specific KPI's included in all loan documentation (e.g. including a specific carbon reduction environmental clause when underwriting a logistics firm.

Buy-Rated by Aon?: Yes. **Close:** Commitments ASAP.

CUBE Infrastructure Fund III

Mandate: Infrastructure focus on Western Europe. Closed ended with target 9-12% p.a. net IRR and initial cash yield of 4%.

ESG Focus: Energy transition (e.g. decarbonisation of district heating networks), telecom infrastructure, public transport (e.g. decarbonisation of fleets) and small allocations to waste collection and electric vehicle charging.

ESG Impact Measurement: Decarbonisation KPIs, number of new electric vehicles or charging points, passengers using sustainable public transport.

Buy-Rated by Aon?: Yes. **Close:** First close is targeted for mid-June 2021, final close Q4 2021.

PGM Affordable Housing Fund

Mandate: Real estate focus in UK. Open-ended core residential real estate investment vehicle with a target net annual return of 6-9% p.a. net IRR.

ESG Focus: Social impact, provides affordable housing in the UK for those with household income £24-32k with pre-set rent level, to plug gap following reduction in local authority housebuilding.

ESG Impact Measurement: Number of affordable homes delivered, energy efficiency of homes.

Buy-Rated by Aon?: Yes. **Close:** Open-ended.

Temporis Impact Fund

Mandate: Predominantly UK-focused (at least 75%), investing in energy infrastructure and technology. 10-year final maturity and a target return of 11-12% p.a. IRR (net of fees).

ESG Impact Area: UK renewable energy and low-carbon transition.

ESG Impact Measurement: Aim to add 1.5-2GW of renewable energy capacity, reduction of 170k tonnes of CO_2 avoided p.a., 120k additional homes powered and 250MW additional capacity.

Buy-Rated by Aon?: Not currently **Close:** Final close TBC.

Darwin Bereavement Services Fund

Mandate: Direct investment into UK Bereavement infrastructure assets. Open-ended authorised unit trust with net returns of 6-8% p.a. with a target yield of c.6 % p.a. for income units. Seek to raise an additional £100m.

ESG Impact Area: Social impact in improving bereavement services, some sites may also accommodate weddings and other community services.

ESG Impact Measurement: Reduction in carbon emissions from crematoriums.

Buy-Rated by Aon?: Not currently **Close:** Open ended.

Darwin Leisure Development Fund

Mandate: An open-ended authorised unit trust, invests in UK holiday parks, target net 10-14% p.a.

ESG Impact Area: Social and environmental benefit from improved leisure sites. Darwin as a firm aim to reduce gender pay gap amongst other firm-wide social aims (job creation, apprenticeships, local suppliers).

ESG Impact Measurement: Improved biodiversity of sites (rising animal populations), energy efficiency of lodges and waste management.

Buy-Rated by Aon?: Not currently **Close:** Open ended.

Blackrock Impact Private Equity Strategy

Mandate: Growth and buy-out focused vehicle with global remit (mainly concentrated in North America and Europe to date), confined by strict manager impact framework. Two investment options available: direct (selection of impact co-investments across themes) and balanced (focus on co-investments complemented by allocation to specialised primary managers). Target 12-16% net IRR. 10 or 13 year term (direct/ balanced vehicles, respectively).

ESG Impact Area: Opportunistic, focus on intentional, material, additional and measurable contributions towards meeting the UN Sustainable Development Goals ("SDG"s), in particular across themes of Health & Wellbeing, Financials, Education, Climate and Resources (e.g. waste management)

ESG Impact Measurement: Robust measurement of progress in the selected key performance indicators ("KPI"s) and scorecard against the defined target (e.g. SDGs) over holding period, detailed in annual impact report.

Buy-Rated by Aon?: Not currently **Close:** First close to take place around September/October 2021 with the final close in 2022.

London CIV Renewable Infrastructure Fund

Mandate: Global infrastructure fund (focus in North America, UK, Europe and Asia). Open-ended exempt unauthorised unit trust, 10-12y investment horizon. Target net return of 7-10% IRR (net of fees) and a target yield of 3-5% p.a.

ESG Impact area[1]: Renewable energy infrastructure (generation, transmission and distribution; onshore and offshore wind, solar) via both brown and greenfield sites.

ESG Impact Measurement[2]: Measurable increase (e.g. MWh produced) in renewable energy supply, energy storage and distribution.

Buy-Rated by Aon?: Not rated **Close:** Final close July 2021/ December 2022.

[1] ESG Impact area refers to the asset classes / sectors of investment by the Fund for which we may expect the fund will promote positive change.
[2] ESG Impact measurement refers to the potential metrics we expect the fund may be able to provide data on, this information could be tracked and included in future LBSPF reports to monitor LBSPF portfolio impact / carbon analysis.

Opportunities in Wider Alternatives Universe

For the opportunities listed above, the closing dates are known and represent managers that the Officers may be more familiar with (e.g. Temporis, having previously appointed another Temporis fund, the Operational Renewable Energy Strategy (TORES) fund) or have been 'Buy' rated by Aon, and which have passed Aon's due diligence processes and proven themselves as a quality investment proposition.

However, the funds listed above do not have a mandate to invest in truly innovative climate solutions, so it is less clear if an investment in such funds will accelerate the transition to a low carbon economy to the same degree as the LBSPF expects.

An alternative would be looking at delaying allocation as the Officers and advisers explore other private impact funds that are investing in portfolio companies especially focussed on providing innovative solutions to pressing world problems, such as climate change. The Appendix gives examples of these types of opportunities.

This is a new area we are investigating and more work on researching these types of funds is required, if these funds are of interest to the LBSPF, it would require a number of months to allow for research and due diligence processes to be carried out.

Next Steps

In considering which fund to allocate to, in addition to the question of climate change mitigation impact, the Officers may wish to consider the following criteria to narrow their focus (particularly if considering other climate focussed funds in the wider investment universe):

- Geography
- Asset class (e.g. real estate, infrastructure)
- Investment style (e.g. private equity/private debt/venture capital)
- Sector (e.g. energy, social impact)
- Vehicle type (e.g. closed/open ended; capital appreciation/income generating)

Once the PAP and Officers have agreed on a short list of options to take forward, the Officers and Aon will conduct a manager selection exercise. This will involve formally reviewing the key features of the respective investment funds and at present there is a session on 28 July 2021 where the managers will be invited to present.

Appendix: Climate focus in the wider universe

	Brookfield Global Transition Fund	Buoyant Ventures	Hydrogen Equity Partner Fund	Ocean 14 Capital	TPG Rise Climate	Wellington Climate Innovation Fund
Background	Primary vehicle for investing in and facilitating the global transition to a net-zero carbon economy	Early-stage venture fund Digital technologies and capital efficient companies that address climate risk measured by UN SDGs	Target high capital returns while providing scalable climate change mitigation solutions Investing across the hydrogen value chain	Capture high capital returns, improve ocean health, ensure sustainable food sources and provide scalable climate change mitigation tools.	Investments in businesses that have positive climate impact and carbon aversion	Target late-stage venture deals that address climate change
Strategy	Climate – Net Zero Carbon Seeks to combat climate change while generating attractive risk-adjusted returns Business Transformation, Clean Energy, Sustainable Solutions	Energy, Transportation, Agriculture and Environment	Transport and energy Upstream, midstream, and downstream Hydrogen-focused	Invests in venture and growth companies and technologies in the Blue Economy Food security & marine ecosystem health	Climate-focused Buyouts and growth equity Clean Energy, Greening Industrials, Decarbonized transport, Ag & Natural Solutions	Diverse, climate-focused Transportation, energy transformation, agriculture, sustainable buildings and cities, and industrial and enterprise efficiency
Staff	25 Investment professionals and Impact Specialists. 90+ Firm professionals	Led by 3 General Partners	Led by 4 Directors	Team of 12 people	8 Senior professionals and 20 sector specialists shared with the Rise Fund	Led by 2 co-heads, with support of 50+ Wellington analysts
Fund Size	Target $7.5 billion, including $2 billion from Brookfield	Fund I: target $100 million First closing expected Q2 2021	Target: GBP 500 million UK government (EIF) matching funding	Fund I: EUR 150 million European Investment Fund (EIF) is an anchor investor, commitment of EUR 35 million	Target and hard cap TBD First closing Q2 or Q3 2021	Fund I: Target $1.0 billion First close Q4 2021
Target	$100 million-plus deal sizes. Buyout and large projects. Deals may be alongside other Brookfield Funds.	$0.5-$7.5 million per deal	TBD	EUR 0.5-15 million per deal, with 15-20 companies	$150-$300+ million per deal	$20-$75 million per deal; target 20-25 deals
Countries of Focus	North America, Europe, South America and Asia Pacific	North America	Primarily United Kingdom	United Kingdom, with some broader Europe	Global, with majority focus on North America and Europe	Global, but expect high concentration in North America
Other	Measure impact against global 2050 net zero initiative. Target 10%+ net.	Majority female owned. Impact across nine UN SDGs. Target 3x and 30% gross returns.	Targets 20%-plus net returns. Financial gains and environmental gains	Environmental gains for oceans and competitive financial gains for investors. Target 15% net IRR	Target PE/Growth equity returns. Y Analytics impact measurement	Integrated KPI tracking of financial, ESG and climate impact metrics

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Item No. 11.	Classification: Open	Date: 23 June	Meeting Name: Pensions Advisory Panel
Report Title		Pension Services Update	
From		Pensions Manager, Finance and Governance	

Recommendation

1. The pensions advisory panel (the panel) is asked to note this update on the pensions administration function.

Introduction

2. The Panel received an update in March 2021 which set out information about staff changes, IT / systems, communications and complaint management.

3. This update brings the Panel up-to-date on the current position.

Covid-19 implications

4. Due to current lockdown levels, all staff are being asked to work remotely wherever possible, although this is starting to be relaxed across the council.

New postal address and remote mail solution

5. A remote scanning solution went live on 15 March 2021. All pensions correspondence is now being sent to a new address; Southwark Pension Fund, PO Box 7606, WS10 1EJ where it is then scanned, encrypted and sent to us electronically.

6. A remote postal solution (via Civica, our new pensions admin software provider) is in the final stages of implementation and is expected to go live in July 2021.

Contact Centre

7. A First Contact Team Leader (with significant experience of the council's CRM systems) has now been appointed. First Contact Officer interviews are taking place shortly.

8. The new First Contact Resource Team will be embedded within the Technical and Projects Team which is also responsible for all training and communication. This allows us to further develop and deliver on the funds 'digital by default' communication and customer access strategies. The First Contact Team will be the first service of its kind across the LGPS.

IT / systems

9. Implementation of Civica's pension administration and payroll system (UPM) is now at build/test stage. Extensive time is allocated for training and user acceptance testing to ensure all administration and payroll functions are as expected from the go-live date.

10. The initial recruitment exercise for a Pensions Payroll Manager was delayed 5 months due to technical problems outside of our control. A further recruitment exercise has recently been concluded resulting in an offer being accepted. Start date is to be confirmed.

11. As a result, the payroll go-live was put back to September. However, due to the delay, Civica resources had to be re-allocated to other clients, which has had an impact on the overall implementation timeline. Therefore, we have decided to align payroll go-live with pensions administration go-live in early 2022.

12. Payroll data migration (via SAP) has gone well with the completion of two successful parallel runs. Prior to go-live, one further data conversion will be done to bring payroll data up to date.

13. The first cut of data from the current pension administration system, Altair, has been delivered to Civica who are currently mapping it to the new UPM system. Initial reports are positive with no major issues.

Recruitment / staffing

14. The following job descriptions were evaluated, signed off by HR and were live on Southwark's recruitment website a few weeks ago:

- See IT update - a Pensions Payroll Manager could not be appointed initially and therefore we have used a specialist agency.
- A Payroll Officer has been appointed following an internal recruitment exercise.
- The First Contact Team Leader has now joined the team.
- First Contact Officer shortlisting is underway - over 100 applications were received.
- A Data Officer role is now being advertised following an internal move.
- Assistant Pension Officer/apprenticeship roles being advertised shortly.

Progress to June 2021

15. Since the last Panel update, further progress has been made in the following areas.

Communication and initiatives

16. Employers are now receiving regular weekly emails detailing information that might be useful to them. In the longer term a monthly news round-up will be issued.

17. A ‘Small Pots’ (value under £10k) trivial commutation exercise was communicated to a specific group of members in January 2021. 43 members returned forms to proceed.

18. 23 training courses are now available on My_Learning_Source. We have a dedicated pension training folder within the personal learning section of My_Learning_Source making it much easier for delegates to book relevant training sessions. Training continues to be rolled out to internal pension staff and HR, as well as the trade unions and employers. Fund members have participated in pension fund induction, general knowledge sessions and pre-retirement courses. Feedback continues to be very positive and we plan to develop further training for HR, employers, members and other stakeholders.

19. A Spring 2021 newsletter has been issued to members in both paper and digital versions.

20. Pension Services have been shortlisted for two communication awards with Pensions Age and Professional Pensions, showcasing the new pension fund website launched last year.

21. Consultation finished on the new Admin Strategy with no negative feedback being received from employers. The new strategy contains a simpler and more transparent charging structure for employer transgressions that require pension fund resources to resolve.

Complaint management

22. A list of recent complaints and how they have been managed is set out below:

- IDPR Complaint - son of deceased member requested information regarding his late father’s pension and dependent payments made. Applicant appealed the Stage 1 decision and escalated to Stage 2 for the Pensions Manager to make a final decision.

- General Complaint - communication received from a claims company for a former member who transferred out to another pension arrangement which has since shut down, and is seeking financial compensation from Southwark. Adequate checks were undertaken at the time of transfer, all election forms were signed at point of transfer.

- General Complaint - former member raised complaint against his financial advisors in relation to a transfer out from Southwark. We were contacted by the Financial Services Compensation Scheme to provide additional information to aid member’s case.

- Pensions Ombudsman complaint - delayed allocation of AVCs in 2016/17 and recent delayed AVC transfer to Lewisham. Terms to resolve matters passed to the Pensions Ombudsman in December rejected by complainant. A formal Opinion was issued in February followed by a second Opinion. The Pensions Ombudsman issued a Final Determination upholding the complaint in part. It showed the delay caused no financial loss to the former member who had claimed he had suffered a financial loss.

- General Complaint - a members pension became payable in 2017 and claim forms were sent but no response was ever received. Chasers were sent until a response was received in 2021. Pension was put into payment but contained pension increases from 2017 to 2021. As the pension was higher than what was detailed on claim forms in 2017 a complaint was raised as the 'variance' had not been disclosed prior to payment.

Other news - £95k Exit Cap

23. The Exit Cap was introduced very quickly in November 2020 to cap exit payments in the public sector at £95k.

24. Government has since withdrawn these regulations (although it does intend to offer similar regulations at some point in the future).

25. The £95k Exit Cap had been hanging over the public sector for a number of years but was inexplicably rushed through in Autumn 2020. It potentially fell foul of several areas of legislation, including equality, and the manner of its implementation also meant that Government had not met its statutory obligations on consultation.

26. No Southwark member benefits were affected, although significant time was spent by employers and the administering authority in trying to interpret and introduce the regulations.

Performance monitoring

27. Attached as Appendix 1 is data collected between 1 February and 31 May 2021. As explained in previous updates, the information focuses on statutory requirements.

28. Longer-term aspirations are to benchmark against CIPFA guidance (or better).

Conclusions

29. Implementation of the new structure is 95% complete but having the correct staff with the necessary skills in place is critical to the achievement of future plans.

30. There will continue to be some reliance on specialist external support. However, this is ever reducing as backlog work nears completion. Internal training is in place to ensure all business as usual work is all managed in-house by Pension Services.

31. Performance monitoring remains an important part of the pensions administration function. The procurement of new Civica software will allow Pension Services to develop workflow and task management, where more

detailed Management Information can be extracted around performance. However, the Panel is also asked to consider that processing speed is not the only indicator of success, and that attention to detail and the customer journey must also be considered.

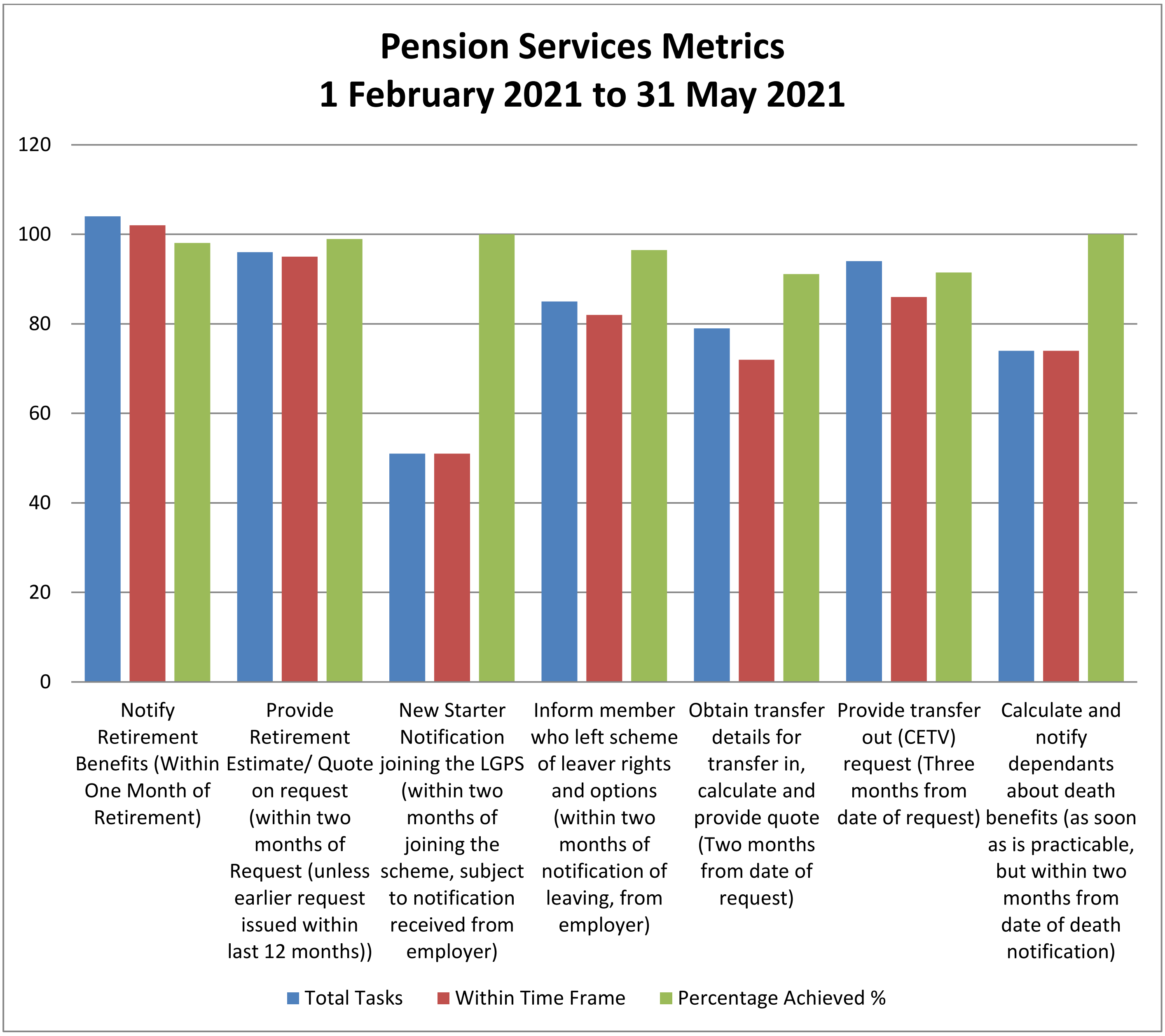
APPENDICES

Name	**Title**
Appendix 1	Pensions Services Metrics 1 February 2021 to 31 May 2021

AUDIT TRAIL

Lead Officer	Duncan Whitfield, Strategic Director of Finance and Governance	
Report Author	Barry Berkengoff, Pensions Manager	
Version	Final	
Dated	14 June 2021	
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		14 June 2021

APPENDIX 1



	Total Tasks	Within Time Frame	Achieved %
Notify Retirement Benefits (Within One Month of Retirement)	104	102	98
Provide Retirement Estimate/ Quote on request	96	95	99
New Starter Notification joining the LGPS	51	51	100
Inform member who left scheme of leaver rights and options	85	82	96
Obtain transfer details for transfer in, calculate and provide quote	79	72	91
Provide transfer out (CETV) request (Three months from date of request)	94	86	91
Calculate and notify dependants about death benefits	74	74	100

Agenda Item 12

Item No. 12.	Classification: Open	Date: 23 June	Meeting Name: Pensions Advisory Panel
Report Title		Local Pension Board Update	
From		Chair of the Local Pension Board	

RECOMMENDATION

1. The Pensions Advisory Panel is asked to note he update from the Local Pension Board (LPB) meeting of 7 April 2021.

KEY AREAS OF DISCUSSION

2. A training session on complaints management was provided by Barry Berkengoff, Pensions Manager.

3. The main business included an update on pensions administration; an update on the implementation of the pensions regulator's code of practice 14 (COP14) improvement plan; an update on the scheme advisory board (SAB) good governance project; and a review of PAP meeting papers.

Pensions Administration

4. This covered an update on the work with the first contact resource centre, including progress on recruitment; procurement and implementation of new pensions administration software; work on communications; and the expanded training and development material.

Pensions Regulator Code of Practice 14

5. An update was provided on the progress to date in implementing the COP14 action plan. Progress includes LPB members completing an annual declaration of interest form; information published on the pension fund website; breaches of the law reporting; a data improvement plan; and the updated LPB terms of reference being approved by council assembly.

SAB Good Governance Project

6. Details of the first three stages of the project was discussed, including the action plan that was sent to MHCLG for agreement in February 2021 requesting that the recommendations in the final report are implemented. The recommendations cover areas which include: general; conflicts of interest; representation; knowledge and understanding; service delivery for the LGPS

function; and compliance and improvement. It was recognised that consideration will need to be given to the implications for the Southwark fund.

AUDIT TRAIL

Lead Officer	Duncan Whitfield, Strategic Director of Finance and Governance		
Report Author	Mike Ellsmore, Chair of the Local Pension Board		
Version	Final		
Dated	14 June 2021		
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			14 June 2021

Item No.	Classification:	Date:	Meeting Name:
13.	Open	23 June	Pensions Advisory Panel
Report Title		Actuarial Funding Update – March 2021	
From		Senior Finance Manager, Treasury and Pensions	

Recommendation

1. The pensions advisory panel is asked to note the updated funding position at 31 March 2021 (See Appendix 1).

Background

2. The last triennial actuarial valuation of the Fund took place as at 31 March 2019. The valuation determined the Fund was 103% funded and had a surplus of £47 million..

3. The actuaries provide quarterly funding updates which are projected from the results of the 2019 valuation. The purpose of the funding updates is to give a broad picture of the direction of funding changes since the actuarial valuation.

Funding Position

4. The funding level at 31 March 2021 was 111% (108% at 31 December 2020). The surplus has increased by £46 million in the quarter to March 2021. This has resulted from an increase in the net discount rate, resulting in a lower liability figure, along with a greater than expected return on assets.

APPENDICES

Name	Title
Appendix 1	London Borough of Southwark Pension Fund – Funding Update as at 31 March 2021

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	14 June 2021	
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		14 June 2021

MUNICIPAL YEAR 2021/22

COMMITTEE: Pensions Advisory Panel

NOTE: Original held by Constitutional Team. All amendments/queries to Andrew Weir Tel: 020 7525 7222. Email: Andrew.weir@southwark.gov.uk

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