Open Agenda

Southwark Council
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Pensions Advisory Panel

Monday 9 December 2024
2.00 pm
Meeting Room 225 - 160 Tooley Street, London SE1 2QH

Membership

Councillor Rachel Bentley
Councillor Stephanie Cryan (Chair)
Councillor Emily Hickson

Staff Representatives

Roger Stocker
Helen Laker
Derrick Bennett

Officers

Clive Palfreyman
Caroline Watson
Barry Berkengoff

Advisors

David Cullinan
Colin Cartwright

INFORMATION FOR MEMBERS

Contact
020 7525 7222 or email: andrew.weir@southwark.gov.uk

Members of the panel are summoned to attend this meeting

Althea Loderick
Chief Executive
Date: 29 November 2024

PRINTED ON RECYCLED PAPER

Pensions Advisory Panel

Monday 9 December 2024
2.00 pm
Meeting Room 225 - 160 Tooley Street, London SE1 2QH

Order of Business

ANY OTHER OPEN BUSINESS AS NOTIFIED AT THE START OF THE MEETING AND ACCEPTED BY THE CHAIR AS URGENT

PART B - CLOSED BUSINESS

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."

17. CLOSED MINUTES

To agree as a correct record, the open minutes of the meeting held on 30 September 2024

Date: 29 November 2024

Agenda Item 5

Southwark Council

Pensions Advisory Panel

MINUTES of the OPEN section of the Pensions Advisory Panel held on Monday 30 September 2024 at 2.00 pm at Ground Floor Meeting Room G02C - 160 Tooley Street, London SE1 2QH

PRESENT: Councillor Stephanie Cryan (Chair)
Councillor Rachel Bentley
Clive Palfreyman
Caroline Watson
Tracey Milner
Spandan Shah
Mike Ellsmore
Colin Cartwright
David Cullinan
Andrew Weir

1. APOLOGIES

Apologies were received from Councillor Emily Hickson, Barry Berkengoff, Helen Laker and Roger Stocker.

2. CONFIRMATION OF VOTING MEMBERS

Councillor Stephanie Cryan, Councillor Rachel Bentley and Caroline Watson were confirmed as voting members.

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. TRAINING SESSION - LOCAL GOVERNMENT PENSION SCHEME POOLING UPDATE

Tracey Milner, the Interim Pension Investments Manager, provided training on the local government pension scheme pooling update.

The chair requested that going forward that there should be a standing item on local government pension scheme pooling.

6. MINUTES

RESOLVED:

That the minutes of the meeting held on 26 February 2024 be agreed as a correct record.

7. MATTERS ARISING

There were none.

8. UPDATE ON THE LOCAL PENSION BOARD

Mike Ellsmore, the Chair of the Local Pension Board, updated the pensions advisory panel on the last meeting of the local pension board.

RESOLVED:

That the update from the local pension board (LPB) meeting of 3 July 2024 be noted.

9. PENSION SERVICES - ADMINISTRATION AND OPERATIONAL UPDATE

Barry Berkengoff, the Pensions Manager, sent apologies and was therefore not at the meeting to present the report.

The Strategic Director of Finance presented the report.

There were questions on the report and a brief discussion.

RESOLVED:

That the update on the pensions administration function be noted.

10. ASSET ALLOCATION AND NET ZERO STRATEGY UPDATE - 30 JUNE 2024

Caroline Watson, the Chief Investment Officer, introduced the report.

There were questions on the report and a discussion.

RESOLVED:

That the fund's asset allocation at 30 June 2024, overall performance and other matters considered by the officers and advisers of the fund during the quarter to the end of June and post quarter end, be noted.

11. MULTI-ASSET CREDIT UPDATE

Tracey Milner, the Interim Pension Investments Manager presented the report.

There were questions on the report and a discussion.

RESOLVED:

That the decision made at the special meeting of 4 March 2024, to appoint LCIV (Alternative Credit Fund) as multi-asset credit manager with a £100 million allocation, be ratified.

12. ADVISORS' UPDATES - QUARTER TO SEPTEMBER 2024

David Cullinan presented his report and updated the panel.

Colin Cartwright from Aon presented his report and updated the panel.

There were questions and a discussion on the reports.

RESOLVED:

That the quarterly investment updates be noted.

13. CARBON FOOTPRINT UPDATE - 30 JUNE 2024

Spandan Shah, the Interim ESG Manager, presented the report.

There were questions on the report and a discussion.

RESOLVED:

That the fund's carbon footprint at 30 June 2024 be noted.

14. UPDATE ON APPROACH TO ENGAGEMENT AND VOTING

Spandan Shah, the Interim ESG Manager, presented the report.

There were questions on the report and a discussion.

RESOLVED:

That the Fund's engagement and voting activity for the quarter ended 30 June 2024 for the underlying investments of the Fund be noted.

15. EQUALITY, DIVERSITY, AND INCLUSION POLICY

Spandan Shah, the Interim ESG Manager, presented the report.

There were questions on the report and a discussion.

RESOLVED:

That the standalone Equality, Diversity, and Inclusion ('EDI') policy (or 'the Policy') for the Fund, attached as Appendix 1 to the report be agreed, subject to the addition of benchmarking metrics.

16. PENSION FUND STATEMENT OF ACCOUNTS & AUDIT FINDINGS REPORTS 2021-22 AND 2022-23

Caroline Watson, the Chief Investment Officer, introduced the report.

There were questions on the report and a discussion.

RESOLVED:

1. That the update provided in this report on the audit of the pension fund statement of accounts for 2021-22 and 2022-23 be noted.

2. That the Pension Fund Audit Findings reports as issued by Grant Thornton, as Appendix 1, be noted.

EXCLUSION OF THE PRESS AND PUBLIC

That the press and 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 category 3 of paragraph 10.4 of the access to information procedure rules of the Southwark Constitution.

The following is a summary of the decisions taken in the closed part of the meeting.

17. QUARTERLY INVESTMENT UPDATE - AON CLOSED REPORT

The voting members of the pensions advisory panel considered the closed information relating to this item.

18. ACTUARIAL FUNDING UPDATE - JUNE 2024

The voting members of the pensions advisory panel considered the closed information relating to this item.

19. UPDATE ON STEWARDSHIP CODE APPLICATION

The voting members of the pensions advisory panel considered the closed information relating to this item.

The meeting ended at 3.48pm.

CHAIR:

DATED:

Agenda Item 7

Meeting Name:	Pensions Advisory Panel
Date:	9 December 2024
Report title:	LGPS (England & Wales) Fit for the Future Consultation
Ward(s) or groups affected:	Not applicable
Classification:	Open
Reason for lateness (if applicable):	Not applicable
From:	Pensions Investment Manager

RECOMMENDATIONS

1. The Pensions Advisory Panel (PAP) is asked to:

   - Note the content of this report.
   - Note that officers will circulate to members of PAP a draft response to the LGPS (England & Wales) Fit for the Future Consultation, ahead of the consultation deadline.

Background

2. At the 30 September 2024 PAP meeting, officers delivered a training session on LGPS pooling, intended to bring members of PAP up to date on LBSPF’s progress on pooling assets in the London Collective Investment Vehicle (LCIV). This session complemented various updates on pooling that PAP has received over 2023 and 2024.

3. At the meeting, officers advised that there was an expectation that a government consultation on the future of the LGPS was expected to be released some time after the Chancellor of the Exchequer’s Autumn statement.

4. An open consultation “LGPS (England & Wales) Fit for the Future” was released immediately after the Chancellor’s Mansion House speech on 14 November 2024, with a deadline to respond by 16 January 2025.

LGPS Pooling – timeline of recent events

5. The below table summarises the key LGPS pooling activities that have taken place over the last year, as presented to PAP on 30 September 2024, updated for activities that have occurred subsequently.

Date	Activity
2 October 2023	Deadline for responses to the LGPS Next Steps on Investments Consultation
22 November 2023	Autumn statement – government response to the Consultation
16 April 2024	LG Minister wrote to all councils asking for a productivity plan to be submitted (by 19th July). This did not include a requirement for a productivity plan for LBS PF
15 May 2024	LG Minister requested a separate productivity plan by 19th July covering efficiencies in the management of LBS PF: • Listed assets should be pooled by 31/3/2025 • Pools should eventually reach £50bn to maximise benefits of scale • Funds should have a plan to invest up to 5% of assets to support levelling up • Acceleration of investment into high growth UK companies
19 July 2024	Deadline for Funds to respond on approach to efficiencies in the management, governance and administration – still required post change in government, fund required to outline: • How your fund will complete the process of pensions asset pooling to deliver benefits of scale • How you ensure your LGPS fund is efficiently run, including consideration of governance and benefits of greater scale
20 July 2024	Chancellor Rachel Reeves announces “landmark” pensions review
16 August 2024	Terms of reference of pensions review published
4 September 2024	Call for evidence to inform the pensions review
25 September 2024	Deadline for submission of responses to call for evidence
30 October 2024	Chancellor’s Autumn statement:
14 November 2024	Chancellor’s Mansion House speech and release of “Local Government Pensions Scheme (England & Wales): Fit for the future” consultation: • No changes to structure of underlying funds • Minimum standards for pools (i.e. FCA regulated) • Full delegation of implementation of investment strategy to pool – and principal advice to be taken from pools • Transfer of ALL legacy assets by 31 March 2026 (still expectation that listed assets are transferred by 31 March 2025 although this is not enshrined in regulation)
16 January 2025	Deadline for consultation response

6. In LBSPF's response to the May-July 2024 consultation, a commitment was made to attempt to pool all of the Fund's listed assets (i.e. equities and liquid fixed income), that are not currently pooled, by the March 2025 deadline mentioned in the table above. A progress report is covered separately under Item 13 of this agenda.

LGPS (England & Wales) Fit for the Future

7. On Thursday 14 November 2024 the Chancellor presented her Mansion House speech, which set out plans to boost growth of the UK economy. Alongside these announcements, the Government published the following documents:

- An interim report from the Pension Investment Review:
  Pensions Investment Review: interim report - GOV.UK
- A report analysing the trends of UK pension fund investment:
  Pension fund investment and the UK economy
- A consultation on further consolidation in the Defined Contribution Market:
  Pensions Investment Review: Unlocking the UK pensions market for growth - GOV.UK
- A consultation, titled "Fit for the Future" on Local Government Pension Scheme (LGPS) reform in England & Wales:
  Local Government Pension Scheme (England and Wales): Fit for the future - GOV.UK

8. As anticipated, the "Fit for the Future" Consultation focusses on three key themes: LGPS pooling, UK investment and governance. The consultation will be open for nine weeks, with interested parties having until 16 January 2025 to respond. The consultation includes 30 questions (covering 18 separate proposals), asking respondents to confirm the extent to which they agree or disagree with the Government's proposals. Significantly pools, such as London CIV (LCIV), working with their partner funds, have until 1 March 2025 to also provide a report setting out how they intend to deliver the proposed pooling model and how they plan to complete transfers of all assets, including legacy assets.

9. The proposals are summarised as follows:

i	Pooling	• Partner funds to fully delegate implementation of investment strategy to, and take principal advice from, the pools (e.g. LCIV) • All pools to be regulated by the Financial Conduct Authority (FCA) • Legacy assets to be transferred to the pools (by 31 March 2026)
ii	UK investment	• Set a target allocation to local investment, with input from other local bodies to agree priorities and identify opportunities. • Record of local investments to be included in the Investment Strategy Statement and annual accounts.
iii	Governance (Fund and pool)	• Builds on many of the recommendations that emerged from the Scheme Advisory Board's Good Governance Project

		• Independent person to be appointed as adviser/member of committee. • Further requirements around transparency and reporting and board membership of pools

10. A full list of the consultation questions is attached as Appendix 1.

11. As per previous consultations/calls for evidence, officers will prepare a response to the "Fit for the Future" consultation and will circulate the response to members of PAP ahead of submitting by the deadline.

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

Community Impact Statement

12. No immediate implications arising

Equalities (including socio-economic) Impact Statement

13. No immediate implications arising

Health Impact Statement

14. No immediate implications arising

Climate Change Implications

15. No immediate implications arising

Resource Implications

16. No immediate implications arising

Legal Implications

17. No immediate implications arising

Financial Implications

18. No immediate implications arising

Consultation

19. No consultation is needed.

APPENDICES

Name	Title
Appendix 1	"Fit for the Future" consultation questions

AUDIT TRAIL

Lead Officer	Clive Palfreyman, Strategic Director of Resources		
Report Author	Tracey Milner, Pensions Investments Manager		
Version	Final		
Dated	28 November 2024		
Key Decision?	N/A		
CONSULTATION WITH OTHER OFFICERS / DIRECTORATES / CABINET MEMBER			
Officer Title		**Comments Sought**	**Comments Included**
Assistant chief executive, governance and assurance		N/A	N/A
Strategic Director of Resources		N/A	N/A
Cabinet Member		N/A	N/A
Date final report sent to Constitutional Team			

ITEM 7
APPENDIX 1

LGPS (England & Wales) Fit for the Future Consultation

Consultation Questions

Pooling

Question 1

Do you agree that all pools should be required to meet the minimum standards of pooling set out above?

Question 2

Do you agree that the investment strategy set by the administering authority should include high-level investment objectives, and optionally, a high-level strategic asset allocation, with all implementation activity delegated to the pool?

Question 3

Do you agree that an investment strategy on this basis would be sufficient to meet the administering authority's fiduciary duty?

Question 4

What are your views on the proposed template for strategic asset allocation in the investment strategy statement?

Question 5

Do you agree that the pool should provide principal investment advice on the investment strategies of its partner AAs? Do you see that further advice or input would be necessary to be able to consider advice provided by the pool – if so, what form do you envisage this taking?

Question 6

Do you agree that all pools should be established as investment management companies authorised by the FCA, and authorised to provide relevant advice?

Question 7

Do you agree that AAs should be required to transfer all listed assets into pooled vehicles managed by their pool company?

Question 8

Do you agree that administering authorities should be required to transfer legacy illiquid investments to the management of the pool?

Question 9

What capacity and expertise would the pools need to develop to take on management of legacy assets of the partner funds?

Question 10

Do you have views on the indicative timeline for implementation, with pools adopting the proposed characteristics and pooling being complete by March 2026?

Question 11

What scope is there to increase collaboration between pools, including the sharing of specialisms or specific local expertise? Are there any barriers to such collaboration?

Question 12

What potential is there for collaboration between partner funds in the same pool on issues such as administration and training? Are there other areas where greater collaboration could be beneficial?

Local investment

Question 13

What are your views on the appropriate definition of 'local investment' for reporting purposes?

Question 14

Do you agree that administering authorities should work with their Combined Authority, Mayoral Combined Authority, Combined County Authority, Corporate Joint Committee or with local authorities in areas where these do not exist, to identify suitable local investment opportunities, and to have regard to local growth plans and local growth priorities in setting their investment strategy? How would you envisage your pool would seek to achieve this?

Question 15

Do you agree that administering authorities should set out their objectives on local investment, including a target range in their investment strategy statement?

Question 16

Do you agree that pools should be required to develop the capability to carry out due diligence on local investment opportunities and to manage such investments?

Question 17

Do you agree that administering authorities should report on their local investments and their impact in their annual reports? What should be included in this reporting?

Governance of funds and pools

Question 18

Do you agree with the overall approach to governance, which builds on the SAB's Good Governance recommendations?

Question 19

Do you agree that administering authorities should be required to prepare and publish a governance and training strategy, including a conflict of interest policy?

Question 20

Do you agree with the proposals regarding the appointment of a senior LGPS officer?

Question 21

Do you agree that administering authorities should be required to prepare and publish an administration strategy?

Question 22

Do you agree with the proposal to change the way in which strategies on governance and training, funding, administration and investments are published?

Question 23

Do you agree with the proposals regarding biennial independent governance reviews? What are your views on the format and assessment criteria?

Question 24

Do you agree with the proposal to require pension committee members to have appropriate knowledge and understanding?

Question 25

Do you agree with the proposal to require AAs to set out in their governance and training strategy how they will ensure that the new requirements on knowledge and understanding are met?

Question 26

What are your views on whether to require administering authorities to appoint an independent person as adviser or member of the pension committee, or other ways to achieve the aim?

Question 27

Do you agree that pool company boards should include one or two shareholder representatives?

Question 28

What are your views on the best way to ensure that members' views and interests are taken into account by the pools?

Question 29

Do you agree that pools should report consistently and with greater transparency including on performance and costs? What metrics do you think would be beneficial to include in this reporting?

Question 30

Do you consider that there are any particular groups with protected characteristics who would either benefit or be disadvantaged by any of the proposals? If so, please provide relevant data or evidence.

Agenda Item 8

Meeting Name:	Pensions Advisory Panel
Date:	9 December 2024
Report title:	Update on the Local Pension Board
Ward(s) or groups affected:	Not applicable
Classification:	Open
Reason for lateness (if applicable):	Not applicable
From:	Chair of the Local Pension Board

RECOMMENDATION

1. The Pension Advisory Panel (PAP) is asked to note the update from the Local Pension Board (LPB) meeting of 9 October 2024.

KEY AREAS OF DISCUSSION

Session on the General Code of Practice

2. A session was conducted by Gavin Paul from Barnett Waddingham which covered the background and evolution of the General Code of Practice (the Code), requirements of the latest version of the Code released in March 2024 and its applicability to LGPS.

3. Gavin also discussed results of the detailed desktop review Barnett Waddingham have undertaken to assess the Fund's compliance with the Code. Based on the analysis, the Fund is in a very good position in terms of already complying with requirements of the Code. Barnett Waddingham are still finalising some aspects of the review.

4. The Fund officers will work on the gaps identified where additional work is required to align with requirements of the Code.

Pension Services

5. The Strategic Director of Resources provided an update on progress made to date on the IT systems in place, including cyber risk assessment; the National Pension Dashboard (NPD); the issuance of annual benefit statements (ABS); and complaint management.

6. Future work will be in relation to effective launch of 'self-service' portal, launch of revamped Fund website, supporting members with digital access, including

providing any tool/trainings to develop skills to use the self-service portal more efficiently, and resolving any queries on issuing ABS.

Government Actuary Department – Section 13 Report

7. The Chief Investment Officer provided an update regarding key findings in relation to an independent assessment conducted by the Government Actuary Department (GAD) of the Fund’s approach to the 2022 triennial valuation and subsequent funding position at that date.

Risk Register

8. The Chief Investment Officer presented the risk register. ‘Pensions Scams’ has been added as an additional risk relevant for the Fund operations. Appropriate safeguards and mitigatory measures are in place to address this risk. Fund officers will continue to monitor this.

9. There have been no other changes to the risks identified or the corresponding risk scoring.

10. Fund officers will evaluate whether the current risk scoring methodology could be simplified going forward.

Update on current LGPS issues

11. An update was provided by the interim ESG manager on key developments, including the issuance of a statement from the Scheme Advisory Board in relation to the Fiduciary Duty and dealing with lobbying, and the Call for Evidence following the launch of the Pensions Investment Review by the government.

12. There was a subsequent discussion on how Fund officers are approaching investment decision-making, considering the ongoing conflict in the Middle East. Fund officers are constantly assessing the developments as part of the investment decisions whilst ensuring its primary fiduciary duty, which is to continue to generate sufficient returns to pay members’ liabilities as they become due.

13. Fund officers will continue to proactively monitor the potential exposure and engage with the Fund’s investment managers as a responsible asset owner.

Re-appointment of Local Pension Board Chair

14. The voting members unanimously agreed to re-appoint Mike Ellsmore as the Chair of the Local Pension Board for a further year. Members thanked Mike for his continuing valuable contribution to the Board.

Community, equalities (including socio-economic) and health impacts

Community Impact Statement

15. No immediate implications arising

Equalities (including socio-economic) Impact Statement

16. No immediate implications arising

Health Impact Statement

17. No immediate implications arising

Climate Change Implications

18. No immediate implications arising

Resource Implications

19. No immediate implications arising

Legal Implications

20. No immediate implications arising

Financial Implications

21. No immediate implications arising

Consultation

22. No immediate implications arising

AUDIT TRAIL

Lead Officer	Clive Palfreyman, Strategic Director of Resources	
Report Author	Mike Ellsmore, Chair of Local Pension Board	
Version	Final	
Dated	25 November 2024	
Key Decision?	N/A	
CONSULTATION WITH OTHER OFFICERS / DIRECTORATES / CABINET MEMBER		
Officer Title	**Comments Sought**	**Comments Included**
Assistant chief executive, governance and assurance	N/A	N/A
Strategic Director of Resources	N/A	N/A
Cabinet Member	N/A	N/A
Date final report sent to Constitutional Team		

Agenda Item 9

Meeting Name:	Pensions Advisory Panel
Date:	9 December 2024
Report title:	Pension Services – admin/ops update
Ward(s) or groups affected:	Not applicable
Classification:	Open
Reason for lateness (if applicable):	Not applicable
From:	Head of Pensions Operations

RECOMMENDATION

1. The Pensions Advisory Panel (the Panel) is asked to note this update on the pensions administration and operational function.

BACKGROUND INFORMATION

2. The Panel last received an update in September 2024 setting out specific information on recruitment, IT/systems, National Dashboard Programme, communication initiatives and complaint management.

Recruitment

3. Recruitment remains stable albeit some vacancies exist within First Contact, Admin and Data teams.

IT/Systems

4. Remediation work is underway following the software provider's 2024 Health Check. Improvements are being made to Employer Hub (the secure portal for employers to upload data), and Member Portal (namely around member log in/authentication process, self-service functionality and document storage).

5. A new tracing and mortality screening service is now in place with Lumera ITM. This is part of the pension funds ongoing commitment to good data management and fraud prevention.

6. Separately to this, the pension fund will also be participating in the 2024/25 National Fraud Initiative (NFI). This exercise matches electronic data within and between public and private sector bodies to prevent and detect fraud.

National dashboard programme

7. The Pensions Regulator (TPR) has issued a clear message to trustees and pension schemes to take immediate action to prepare for dashboards or risk facing regulatory enforcement. TPR has emphasised the importance of pension schemes being dashboard ready with accurate and complete data ahead of the connection deadlines. Whilst TPR aims to support schemes in their preparations, they acknowledge that readiness levels will vary across the pensions industry.

8. The Pensions Dashboards Programme has confirmed that Gov.UK One Login will be the identity service provider for anyone using the dashboards service.

9. Provided by the UK government, Gov.UK One Login ensures users only have to prove their identity once and can use this proof to access other services they use, saving time and effort. This means users who have already registered to use government services through Gov.UK One Login will not have to prove their identity again when registering to use the new dashboards service.

10. Southwark Council’s “connect by” date remains unchanged as 31 October 2025.

UK budget – Autumn 2024

11. Please see tax summary below. The most significant tax change affecting the LGPS is that Government will bring death benefits payable from a pension into a person’s estate for inheritance tax purposes from 6 April 2027.

12. Whilst dependant pensions are not impacted, lump sums payable on a member’s death could now be subject to an additional 40% tax charge on benefits where estates are above the inheritance tax thresholds.

13. Some technical detail is subject to consultation but this change is expected to create an additional operational burden on the pension fund.

Option	*Rumoured change*	Outcome	Detail
Rate of tax relief	*Flat rate tax relief for all*	**No change**	**This change was not made.** Tax relief continues at the marginal rate.
Tax-free lump sum allowance	*Reduced tax-free lump sum allowance*	**No change**	**No changes to the tax-free lump sum allowance.**
Annual allowance	*Lower annual allowance*	**No change**	**This change was not made.**
Death benefits	*Remove inheritance tax (IHT)exemption for pensions*	**Change**	**Lump sums payable from "discretionary" pension schemes on death will fall into the IHT regime from April 2027.** (Pension pots are currently IHT tax free on death before 75 or taxed at marginal income tax rate if 75 or over.)
National Insurance Contributions (NICs)	*NIC to be payable on employers' pension contributions*	**No change**	**This change was not made.** However, there are much wider increases in employers' NICs.
Lifetime allowance	*LTA to be reintroduced?*	**No change**	**This change was not made.** The LTA will not be reintroduced as a result of this budget.

Progress to December 2024

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

Communication initiatives

15. Whilst the 2024 Annual Benefit Statement (ABS) production exercise was a lot smoother this year, employer data validation remains very time consuming.

16. Therefore, the pension fund plans to undertake an employer engagement piece of work around Q1 2025 around ABS, but also on wider employer responsibilities relating to the pension fund (employer discretions, IDRP, ill-health and so on).

17. As part of future planned work for ABS 2025, we are making changes to the Employer Hub, to include built-in year-end validation and variance checking to try and reduce data/upload errors.

18. Pension Savings Statements (PSS) for 2023/24 Annual Allowance (AA) purposes were issued to anyone affected or with a tax charge by 4 October 2024. Fewer staff received a PSS as a result of the CPI adjustment and increase in AA from £40,000 to £60,000 on 6 April 2023.

19. A re-modelled Southwark Pension Fund website has now gone live. This includes improved user navigation and a dedicated section for Pension Fund Finance and Investment information (as part of phase 2).

COMPLAINT MANAGEMENT

Against Employer:

- Pensions Ombudsman single complaint - ill-health tiering award appeal against a former school employer. All ill-health tiering awards are recommended by Occupational Health following a medical assessment, but the employer makes the final decision.
  Case Open - with Ombudsman pending formal decision.

- Pensions Ombudsman single complaint - protracted complaint from a former member of Council staff about pension benefits under a Settlement Agreement.
  Case Open - Southwark has provided its final response and bow awaits the Ombudsman Adjudicators Opinion.

Against Administering Authority (i.e. Pension Fund):

- Pensions Ombudsman single complaint - cohabiting partners' pension/death grant claim made against pension fund. Applicant alleged both he and the deceased were financially dependent on one another and living together as husband and wife. **Complaint formally determined and upheld in part. Ombudsman found no evidence of a cohabiting relationship and said the Administering Authority had reached the correct decision based on the evidence available. Complainant appealed the Ombudsman's decision.**

  Case Open - appealed at High Court of Justice in October 2024. Judge determined the pension fund should reconsider its original decision and any new evidence.

- Pensions Ombudsman single complaint - pensions liberation claim that pension fund undertook no receiving scheme due diligence when a transfer out was paid in 2016.
  Case Open - Pension Fund denies all allegations. The complainant has now taken an identical matter to the Crown Court, meaning the Pensions Ombudsman may have to discontinue its own investigation.

- IDRP stage 2 - dispute over the allocation of a lump sum death grant.
  **Case Open - further new evidence being considered by the IDRP stage 2
  Adjudicator.**

Admin performance monitoring

Performance metrics are detailed in Appendix 1 covering the three-month period to November 2024.

Future work planning

20. Pension Services has signed up to a wider Resources Directorate Business Plan over 2024/25. This includes IT related objectives such as improved member self-service functionality and staff survey follow up actions.

Conclusions

21. Recruitment and retention of key staff with the necessary skills is critical to the achievement of all future plans, as is succession planning.

22. There will continue to be some reliance on specialist external support. However, with internal training now firmly established and taking place each week, 95% of all BAU and project work is managed in-house by Pension Services.

KEY ISSUES FOR CONSIDERATION

Policy framework implications

23. There are no immediate implications arising from this report.

Community, equalities (including socio-economic) and health impacts
Community impact statement

24. There are no immediate implications arising from this report.

Equalities (including socio-economic) impact statement

25. There are no immediate implications arising from this report.

Health impact statement

26. There are no immediate implications arising from this report.

Climate change implications

27. There are no immediate implications arising from this report.

Resource implications

28. There are no immediate implications arising from this report.

Legal implications

29. There are no immediate implications arising from this report.

Financial implications

30. There are no immediate implications arising from this report.

Consultation

31. There are no immediate implications arising from this report.

AUDIT TRAIL

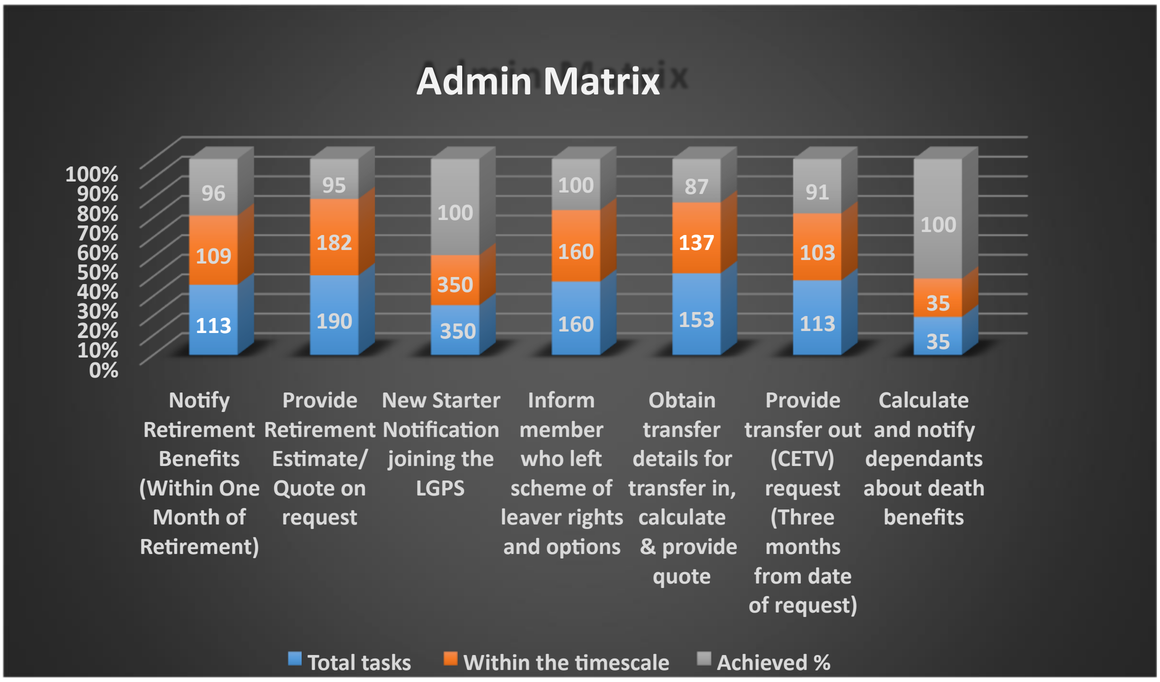
<table>
<tr><td>Lead Officer</td><td colspan="2">Clive Palfreyman, Strategic Director, Resources</td></tr>
<tr><td>Report Author</td><td colspan="2">Barry Berkengoff, Head of Pensions Operations, Resources</td></tr>
<tr><td>Version</td><td colspan="2">Final</td></tr>
<tr><td>Dated</td><td colspan="2">26 November 2024</td></tr>
<tr><td>Key Decision?</td><td colspan="2">No</td></tr>
<tr><td colspan="3">CONSULTATION WITH OTHER OFFICERS / DIRECTORATES / CABINET MEMBER</td></tr>
<tr><td>Officer Title</td><td>Comments Sought</td><td>Comments Included</td></tr>
<tr><td>Assistant chief executive, governance and assurance</td><td>No</td><td>N/a</td></tr>
<tr><td>Strategic director of resources</td><td>No</td><td>N/a</td></tr>
<tr><td>Cabinet Member</td><td>No</td><td>N/a</td></tr>
<tr><td colspan="2">Date final report sent to Constitutional Team</td><td></td></tr>
</table>

APPENDIX 1

Admin Metrics – September, October, and November 2024

	Total Tasks	Within Time frame	Achieved	
Notify Retirement Benefits (Within One Month of Retirement)	113	109	96%	↓
Provide Retirement Estimate/ Quote on request	178	175	98%	↑
New Starter Notification joining the LGPS	350*	350*	100%*	→
Inform member who left scheme of leaver rights and options	160*	160*	100%*	↑
Obtain transfer details for transfer in, calculate and provide quote	153	137	87%	↑
Provide transfer out (CETV) request (Three months from date of request)	113	103	91%	↑
Calculate and notify dependants about death benefits	35	35	100%	→

* Employer auto re-enrolment exercise effective September 2024 resulted in increased joiners and opt-outs one month later.


Admin Matrix
100%
90%
80%
70%
60%
50%
40%
30%
20%
10%
0%
96
109
113
95
182
190
100
350
350
100
160
160
87
137
153
91
103
113
100
35
35
Notify Retirement Benefits (Within One Month of Retirement)
Provide Retirement Estimate/ Quote on request
New Starter Notification joining the LGPS
Inform member who left scheme of leaver rights and options
Obtain transfer details for transfer in, calculate & provide quote
Provide transfer out (CETV) request (Three months from date of request)
Calculate and notify dependants about death benefits
Total tasks
Within the timescale
Achieved %

Agenda Item 10

Meeting Name:	Pensions Advisory Panel
Date:	9 December 2024
Report title:	Asset Allocation and Net Zero Strategy Update – 30 September 2024
Ward(s) or groups affected:	Not applicable
Classification:	Open
Reason for lateness (if applicable):	Not applicable
From:	Pensions Investment Manager

RECOMMENDATIONS

1. The Pensions Advisory Panel is asked to note the Fund's asset allocation at 30 September 2024, overall performance and other matters considered by the officers and advisers of the Fund during the quarter to the end of September and post quarter end.

Background

2. Decision making for the Southwark Pension Fund is a bipartite mutual responsibility between the Strategic Director of Resources (S151 officer) and the Pensions Advisory Panel (PAP). London Borough of Southwark, as administering authority for the Southwark Pension Fund, has delegated responsibility for the management and decision making for the Fund to the S151 officer. All Fund investment decision making, ongoing investment monitoring and risk management by the S151 officer must be made with regard to advice received from PAP.

3. Additional oversight of the decision-making process is provided via the Local Pension Board.

Pension Fund Investments – September Quarter 2024

Position Statement at 30 September 2024

4. The market value of the Fund increased during the quarter from £2,257.8m to £2,271.9m, an increase of £14.1m (+0.6%). In contrast, in the previous quarter the market value of the Fund increased by £18.9m.

5. The value of the major asset classes at 30 September compared to 31 June is as follows:

	30 June		30 September	
	£m	%	£m	%
Low carbon passive equities	810.920	35.9	814.905	35.9
Active Emerging Market equities	97.140	4.3	97.359	4.3
Active global equities	314.917	14.0	311.501	13.7
Total Global Equities	1,222.977	54.2	1,223.765	53.9
Total Multi-Asset Credit	208.185	9.2	215.813	9.5
Total Index Linked Gilts	159.437	7.1	161.977	7.1
Total Property	355.793	15.7	353.439	15.6
Total ESG Priority	295.291	13.1	289.943	12.8
Total Cash & Cash Equivalents	16.125	0.7	26.993	1.1
Total Fund	**2,257,809**	**100.0**	**2,271,930**	**100.0**

6. The following table shows the breakdown of the market valuation as at 30 September 2024 by asset class/manager and compares the totals with the target asset allocation, which was agreed by PAP in December 2022:

	Manager(s)	TOTAL FUND £m	Actual %	Target %	(Under) Overweight
Low carbon passive equity	Blackrock LGIM	410.329 404.576	18.1 17.8	17.5 17.5	+0.6 +0.3 +0.9
Active Emerging Market equity	Comgest	97.359	4.3	5.0	-0.7
Active global equity	Newton	311.501	13.7	10.0	+3.7
Total Global Equity		**1,223.765**	**53.9**	**50.0**	**+3.9**
Total Multi-Asset Credit	Robeco LCIV-CQS	**110.699** **105.115**	**4.9** **4.6**	**5.0** **5.0**	**-0.1** **-0.4**
Total Index Linked Gilts	Blackrock LGIM	**103.244** **58.733**	**4.5** **2.6**	**5.0** **5.0**	**-0.5** **-2.4**
Total Property	See table below (Para 9)	**353.439**	**15.6**	**20.0**	**-4.4**
Total ESG Priority	See table below (Para 16)	**289.943**	**12.8**	**10.0**	**+2.8**
Total Cash & Cash Equivalents	LGIM Northern Trust Blackrock Newton Nuveen	**5.088** **4.017** **4.436** **6.890** **6.561**	**0.2** **0.2** **0.2** **0.3** **0.3**	0.0 0.0 0.0 0.0 0.0	+0.2 +0.2 +0.2 +0.3 +0.3

					+1.2
TOTAL Fund		**2,271.930**	**100.0**	**100.0**	**0.0**
30 June 2023		2,257.809			
31 March 2023		2,238.942			
31 December 2023		2,165.880			
30 September 2023		2,057.902			

7. The Fund's Strategic Asset Allocation (SAA) has tolerance, within specific ranges, for deviation from the target allocation for each manager/asset class. All allocations are within the maximum permitted by the SAA. The key overweight positions are in Global Equity via Newton (+3.7%) and ESG Priority Funds (+2.8%). In contrast, the key underweights are in Property (-4.4% excluding cash held by Nuveen) and Index-linked gilts (-2.9%).

8. The majority of the (minor) changes in over and underweight positions are linked to market movements, where there has been ongoing strong absolute performance in equity markets. The increase in the underweight to property (from -4.2% to -4.4%) is predominantly due to a revaluation of the Darwin Leisure Development Fund (see paragraph 13). The -0.1% movement in the overweight to ESG priority is predominantly due to net distributions received, specifically from Blackstone (see paragraph 16).

Fund Manager Activity – public market assets

9. There was no rebalancing of equities during the quarter. Ahead of a formal review of the Fund's equity holdings, rebalancing is only necessitated should there be cashflow requirements to fund private market drawdowns.

Fund Manager Activity – property

10. The table below breaks down the property holdings showing the valuation of the direct and indirect fund holdings as at 30 September 2024.

Manager	Description	Market Value £m	Actual %	Target %
Nuveen	Direct property UK Retail Warehouse Fund	228.200 2.025	10.1	14.0
Invesco	UK Residential Fund	46.720	2.1	1.5
M&G	UK Residential Property Fund	43.310	1.9	1.5
Darwin	Leisure Development Fund	18.696	0.8	1.5
Frogmore	Frogmore Real Estate Fund III	4.793	0.2	0.75
Brockton	Brockton Capital Fund III	9.694	0.4	0.75
Total Property		**353.439**	**15.6**	**20.0**
Last quarter		**355.793**	**15.8**	**20.0**

11. The table shows that there is a significant underweight in the core property mandate run by Nuveen (-3.9%, excluding cash). However, it should be noted that Nuveen have permission to draw down cash, which is held within the Pension Fund's cash balances, as and when appropriate investment opportunities arise. No such transfers happened during the quarter.

12. Just prior to quarter end, officers and Nuveen agreed an operational change to the direct property benchmark. The purpose is to improve alignment with the market environment within which Nuveen is operating on behalf of the Fund. The benchmark change (from an absolute cash basis to a real-estate index-based benchmark) was effective from 1 October 2024.

13. As advised at the PAP meeting of 30 September 2024, effective 1 July 2024 the assets held in the M&G Residential Property Fund are now deemed to be pooled since they fall under the supervision of London CIV. Following the quarter end, officers instigated a conversation between London CIV and Invesco, with the aim of achieving a similar outcome for the Invesco UK Residential Housing Fund.

14. Following the quarter end, officers were notified of a significant reduction in the valuation of the Darwin Leisure Development Fund – from £25.0m at 30 June to £18.7m at 30 September 2024. Darwin's explanation for the reduction is that there have been significant headwinds to the valuation of the portfolio, including the challenging economic backdrop and impact on costs and revenues. Given that this is the second time that a significant change to the valuation has taken place since LBSPF invested £30m in the Fund (in July 2023), officers requested a face-to-face meeting with representatives of Darwin. The meeting took place on 27 November 2024 and PAP will receive a verbal update on any notable matters arising.

Fund Manager Activity – ESG Priority allocations (ex-property)

15. The below table breaks down the ESG priority holdings (excluding property) showing the valuation of underlying funds as at 30 September 2024 against the original commitments:

Manager	Fund	Commitment	Market Value £m	Last Quarter £m
Glennmont	Glennmont Clean Energy Fund III	€35m	31.199	32.404
Glennmont	Glennmont Clean Energy Fund IV	€50m	10.735	11.353
Temporis	Operational Renewable Energy	£33.3m	57.534	56.387
	Renewable Energy	£30.6m	27.143	25.951
	Impact Strategy	£31.0m	27.904	25.425

Blackrock	Global Renewable Power Infrastructure	$40m	28.628	27.907
Darwin	Bereavement Services Fund	£20m	23.010	22.790
Blackstone	Strategic Capital Holdings II	$110m	49.189	56.431
BTG Pactual	Core US Timberland	$40m	34.600	36.642
TOTAL			**289.943**	**295.291**

16. As previously advised, on the 21st of March officers had an update call with Glennmont regarding the status of fundraising for Fund IV. The key issue was that the final closure of the Fund was to be delayed, enabling three investors to finalise their paperwork having missed the original deadline. Having completed the paperwork required to enable this to take place, officers received confirmation on 27th July that the Fund's first close has taken place with total fundraising of €1.9bn.

17. The following table shows the private market cash transactions (excluding property) for the September quarter:

	Drawdowns	**Distributions**
Blackrock GRP	-£1.6m	
Blackstone	-£0.7m	£5.4m £0.7m
Glennmont III	-£0.1m	
Temporis Impact Fund		£3.5m
Temporis Operational Renewable Energy		£2.8m
Temporis Renewable Energy		£1.2m £0.3m
Total impact on LBSPF cash balances	**-£2.4m**	**+£13.9m**
Last Q total	-£21.8m	+£0.5m

18. Given that distributions exceeded, by some margin, drawdowns for the quarter there was no need to carry out any LGIM liquidity fund or equity trading to top up liquid cash balances to fund day to day pension fund activity.

UK Holdings

19. Under new annual reporting guidelines, LGPS funds are now expected to declare what proportion of their total portfolio is allocated to UK assets. This is in line with both the previous and new government's aim to increase pension fund investment in the UK. To increase transparency on a Business as Usual (BAU) basis, the following table identifies the Fund's UK based assets as at quarter end (30 September 2024):

Type	Manager	% of manager portfolio	£m	% of LBS Fund
UK listed equity	Blackrock LGIM Newton	3.4% 3.7% 9.1%	14.0 15.0 28.4	0.6 0.7 1.2
Index-Linked Gilts	Blackrock} LGIM}	100%	162.0	7.1
Multi-Asset Credit	Robeco LCIV-CQS	9.2% 18.7%	10.2 19.7	0.4 0.9
UK Residential Housing	Invesco} M&G}	100%	90.0	4.0
Direct Property	Nuveen	100%	230.2	10.1
Opportunistic Property	Brockton} Frogmore}	100%	14.5	0.6
Leisure Development	Darwin	100%	18.7	0.8
Bereavement Services	Darwin	100%	23.0	1.0
Renewable Infrastructure	Temporis Blackrock	100% 6%	112.6 1.7	5.0 0.1
Private Equity	Blackstone	5%	2.5	0.1
TOTAL			**742.3**	**32.7**
Last Quarter			735.1	32.6

*If a manager is not shown above, it is because there is zero exposure to UK.

20. In some instances, estimates have been made based on reporting or advice received from the relevant fund managers. Many of the above mandates or funds have a global reach and reporting may be denominated in currency other than GBP and on a lagged basis.

Investment Performance Results for the Period

21. The following table shows the total fund returns for the quarter and for longer-term assessment periods:

	Quarter to 30 September	Year to 30 September	3 Years to 30 September p.a.	Inception to 30 September p.a.
Fund[1]	0.7	11.4	3.6	8.3
Benchmark[1]	1.7	15.1	6.2	7.6
Relative	-1.1	-3.7	-2.6	+0.8

[1] The fund return and benchmark figures are subject to change given outstanding queries with JP Morgan (custodian)

22. The Fund made a return of 0.7% in the quarter, behind the benchmark return of +1.7%. The total fund return for the year to the end of September 2024 was 11.4%, which was below the benchmark return of 15.1%. Over 3 years, the

Fund returned 3.6% p.a. compared to a benchmark return of 6.2% p.a., a difference of -2.6% p.a. An annualised return of 8.3% since inception means that the Fund has exceeded, by some margin, the 2022 actuarial valuation's assumed investment returns of 4.05% p.a.

23. Further information on the performance of underlying managers will be provided in the adviser update (Item 11).

Manager meetings

24. Officers had update meetings with Blackrock and Glennmont (Renewable Infrastructure), and Robeco (credit fund). Officers also attended various regular updates with London CIV. There were no notable matters arising.

25. Post quarter end, officers met with Invesco (residential property) and Newton (global equity).

LGPS Next Steps on Investments – ongoing activity

26. As agreed at the last PAP meeting, an update on government's review of the management of the LGPS would be included as a standing item in this report.

27. Given the significance of the publication of the "LGPS (England and Wales) Fit for the future" consultation on 14th November 2024, this is covered under a separate Item 7 on this meeting's agenda.

Further Areas of Progress

28. Further potential opportunities with new and existing managers in asset classes such as sustainable infrastructure, property, and wider alternatives, are being pursued by officers in conjunction with Aon. The PAP will be updated on progress in these areas at future meetings.

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

Community Impact Statement

29. No immediate implications arising

Equalities (including socio-economic) Impact Statement

30. No immediate implications arising

Health Impact Statement

31. No immediate implications arising

Climate Change Implications

32. No immediate implications arising

Resource Implications

33. No immediate implications arising

Legal Implications

34. No immediate implications arising

Financial Implications

35. No immediate implications arising

Consultation

36. No immediate implications arising

APPENDICES

No.	Title

Lead Officer	Clive Palfreyman, Strategic Director of Resources	
Report Author	Tracey Milner, Pensions Investments Manager, Treasury and Pensions	
Version	Final	
Dated	26 November 2024	
Key Decision?	N/A	
CONSULTATION WITH OTHER OFFICERS / DIRECTORATES / CABINET MEMBER		
Officer Title	**Comments Sought**	Comments Included
Director of Law and Democracy	N/A	N/A
Strategic Director of Resources	N/A	N/A
List other officers here		
Cabinet Member	N/A	N/A
Date final report sent to Constitutional Team		

Agenda Item 11

Meeting Name:	Pensions Advisory Panel
Date:	9 December 2024
Report title:	Advisers' Updates - Quarter to September 2024
Ward(s) or groups affected:	Not applicable
Classification:	Open
Reason for lateness (if applicable):	Not applicable
From:	Chief Investment Officer

RECOMMENDATIONS

1. The pensions advisory panel is asked to:

   - Note David Cullinan's investment report attached as Appendix 1.
   - Note Aon's quarterly investment dashboard attached as Appendix 2.

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

Community Impact Statement

2. No immediate implications arising

Equalities (including socio-economic) Impact Statement

3. No immediate implications arising

Health Impact Statement

4. No immediate implications arising

Climate Change Implications

5. No immediate implications arising

Resource Implications

6. No immediate implications arising

Legal Implications

7. No immediate implications arising

Financial Implications

8. No immediate implications arising

Consultation

9. No immediate implications arising

APPENDICES

Name	Title
Appendix 1	Independent adviser's report – quarter to September 2024
Appendix 2	Aon's quarterly investment dashboard – quarter to September 2024

AUDIT TRAIL

Lead Officer	Clive Palfreyman, Strategic Director of Resources	
Report Author	Caroline Watson, Chief Investment Officer	
Version	Final	
Dated	21 November 2024	
Key Decision?	N/A	
CONSULTATION WITH OTHER OFFICERS / DIRECTORATES / CABINET MEMBER		
Officer Title	**Comments Sought**	**Comments Included**
Assistant chief executive, governance and assurance	N/A	N/A
Strategic Director of Resources	N/A	N/A
Cabinet Member	N/A	N/A
Date final report sent to Constitutional Team		

LONDON BOROUGH OF SOUTHWARK - Quarterly Report September 2024

Executive Summary

- The economic outlook improved further this quarter. Both equities and bonds responded positively and there were encouraging signs from real estate investments
- The Fund returned 0.7% over the period, and lagged the benchmark
- The Fund returned a very healthy 11.4% over the full year but remained some way behind the benchmark
- The medium and long-term returns for the Fund remain very solid, ahead of both elevated inflation and actuarial assumption, but behind benchmark
- The near-term outlook for markets remains largely unchanged - optimism around the direction of interest rates and inflation is being tempered by political tensions globally and most recently, potential implications of the US election. It is likely to remain a challenging environment for both our own investment strategy and the managers we employ to manage the assets

Market Background

Despite marked volatility in early August, the September quarter of 2024 proved to be a solid one for global markets, both equities and fixed income. Interest rate cuts by several central banks, including the BoE, US Fed and the European Central Bank, more optimism around the US economy and new stimulus measures in China were amongst factors delivering positive momentum. One exception was the oil price which fell despite heightened Middle East tension as global growth concerns reduced demand.

Global equities returned around 5% in local currency terms, but a strong pound reduced this significantly for UK investors. At a broad level, value stocks outperformed with utilities and real estate amongst the top performing sectors whilst IT lagged, and energy stocks retreated. At a regional level, the UK, emerging and lesser Asia Pacific markets posted the best returns with the US (in sterling terms) underperforming.

Against a background of interest rate cuts and lower inflation, yields on sovereign bonds fell and prices rose commensurately during the quarter. Global government bonds returned around 4%, gilts lower at just over 2% and linkers around 1.5%. Credit markets also posted solid positive returns.

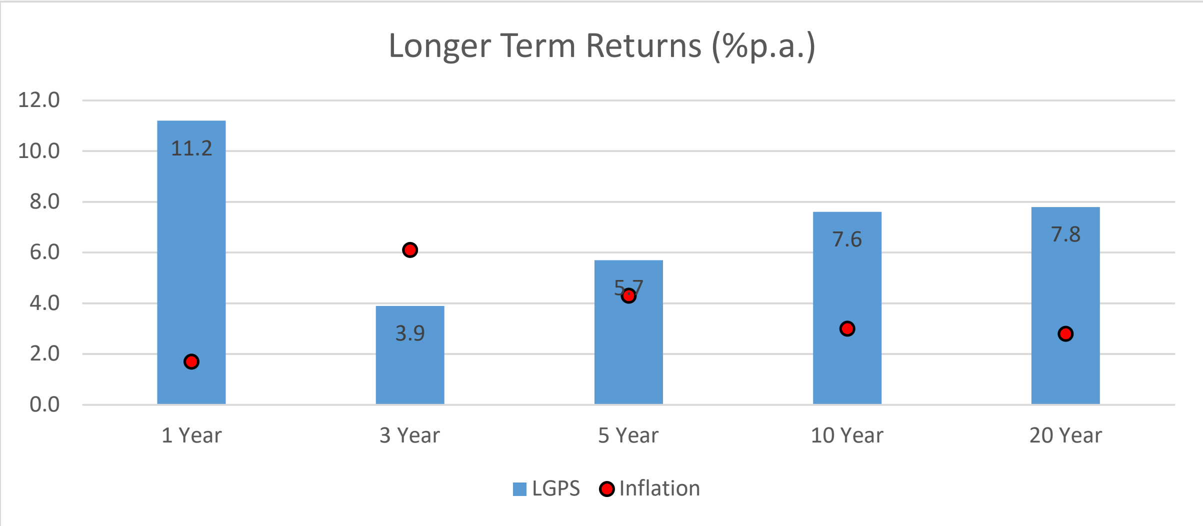
Property saw a continuation of the modest recovery evidenced last quarter with capital gains in most sectors except offices which continued to see values decline albeit at a slower pace.

LGPS Funds

The average LGPS fund is expected to have returned around 1.4% over the quarter.

Longer-Term

The full-year outcome is predicted to be in the region of 11%, double that of the same period a year ago.
The three-year return, an important measurement point for the LGPS, is likely to have remained at around 4%p.a. still lagging stubbornly high inflation of more than 6%p.a.
Over the last ten and 20 years the average fund has delivered a return in the region of 7-8% p.a. Despite the recent spike in inflation, the longer-term returns represent a near 5%p.a. buffer.
Over all longer-term periods, funds which have had a relatively high equity commitment are likely to have outperformed their peers despite facing sharper volatility.



Total Fund

The Fund returned 0.7% over the quarter. Compared to a benchmark return of 1.7%, this represents a relative underperformance of around 1%.

Performance from the Fund's managers was mixed, as is normally the case, and the analysis below shows the make-up of the returns, both absolute and graphically in relative terms:

	Manager	Returns: Fund	Benchmark	Relative
Global Equity	BLK	0.4	0.3	
	LGIM	0.6	0.5	
	Newton	-0.9	1.4	
	Comgest	0.1	2.5	
MAC	Robeco	4.6	5.0	
	LCIV	6.8	2.4	
Property	Nuveen	2.0	1.7	
	Invesco	0.0	1.9	
	M&G	1.0	1.9	
	Darwin Leisure	-25.1	1.5	
	Frogmore	-3.0	3.9	
	Brockton	0.0	3.6	
ESG Priority	Glenmont	-4.4	2.4	
	Temporis	7.1	2.4	
	Temporis (New)	10.8	1.7	
	Temporis (Impact)	25.3	2.4	
	BLK	-2.9	2.4	
	Darwin Bereavement	1.0	1.5	
	Blackstone	-12.9	2.9	
	BTG	-5.6	1.5	
Index-Linked	BLK	1.6	1.5	
	LGIM	1.5	1.5	
Cash	LGIM/BLK/NT/Mgr Frictional	1.1	1.2	-0.1
Total Fund		**0.7**	**1.7**	**-1.0**

During the quarter, performance from the active equities, value add/opportunistic property and ESG priority portfolios (excepting the Temporis investments), was disappointing.

This first table doesn't account for the size of any position and the resulting influence on the bottom line.

The table below groups the portfolios into our preferred asset classifications and this time, the size of the positions is accounted for:

	Fund Weight	BM Weight	Fund Return	BM Return	Relative Return	Asset Allocation Policy	Investment Selection
Global Equity	54.4	50.0	0.1	0.8	-0.7		-0.4
MAC	9.2	10.0	5.7	3.7	1.9		0.2
Property	16.0	20.0	-0.4	1.9	-2.2		-0.4
ESG Priority	13.1	10.0	0.5	2.2	-1.7		-0.2
Index-Linked	7.1	10.0	1.6	1.5	0.1		
Cash	0.3	0.0	1.1				
	100.0	**100.0**	**0.7**	**1.7**	**-1.0**	**-0.0**	**-0.8**

For illustrative purposes, overweights are shaded blue as are manager outperformances.

Over the quarter, the Fund underperformed by 1%.

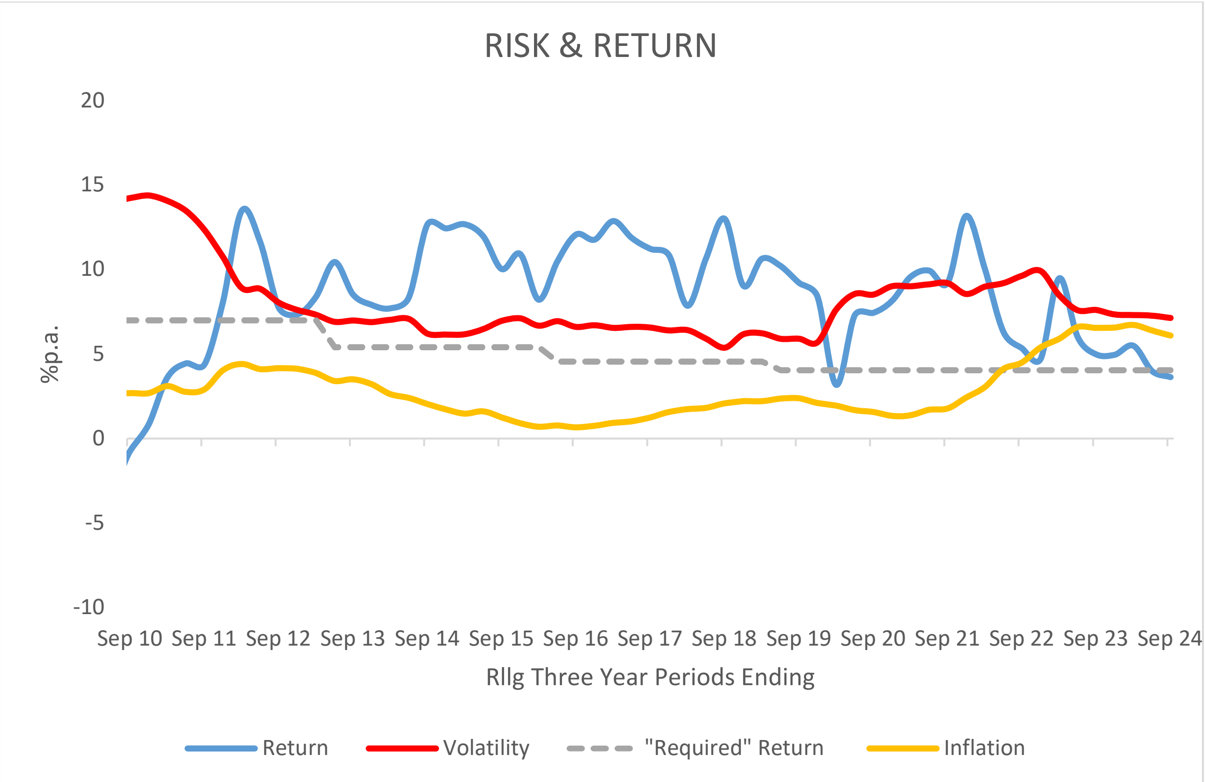
The aggregate over/underweights with respect to the target benchmark ("asset allocation policy" in the table) had next to no impact and it was selection within asset class that determined the outcome. In weighted terms, the performance of our active equity and non-core property managers had the biggest negative influence.

Over the **full year**, the Fund returned a very strong 11.4% but lagged the benchmark by more than 3%. The main contributors to the underperformance were active equity, property and ESG priority portfolios.

Medium-term, the Fund has returned roughly 4%p.a. over the three-years and 6%p.a. over the five-year period. Both periods' returns have been behind benchmark, the latter by a smaller margin.

Longer-term, over the last ten-years, the Fund has delivered a very valuable 8.2%p.a. return but close to 1%p.a. off the target benchmark.

Repeating the analysis I've been showing for the last few quarters charting the progress of the Fund's return in the context of inflation and the return assumed by the actuary:



In summary,

- The blue line shows that over almost all post financial crisis periods, returns delivered have consistently outpaced the return assumption used in the Actuary's modelling (the dotted line on the chart).
- The red line shows the volatility of the returns being delivered (sometimes, and arguably unhelpfully, termed "risk"). This has remained heightened post pandemic but has begun to reduce
- The extreme right-hand side of the chart shows that inflation (the yellow line) whilst falling, remained above both the Fund return and the 'base' return set by the actuary. This is expected to trend back towards some semblance of normality but in the immediate short-term, this continues to cause concern

Newton – Active Global Equity

Newton recorded a return of -0.9% in the quarter. This was a hefty 1.7% behind the global equity index the manager aims to beat, bringing to an end a pretty decent string of outperformances. The underperformance came about from stock selection in the Healthcare and Technology sectors

In their report they now show a comparison of the portfolio relative to a notional benchmark adjusted for the adjusted 'opportunity set' arising from the net-zero transition. Over the quarter, the adjusted benchmark was ahead of the headline index, likely a result of the poor performance of energy stocks, and so the overall impact on the bottom line was again supportive for Newton.

The portfolio's annual return was a very substantial 22.6%, comfortably ahead of the index which returned 20.2%.

Longer-term numbers have been disappointing in benchmark relative terms, but the delivered returns have been extremely positive.

Newton's overarching outlook has changed little from last quarter. They expect to see continued near-term market volatility with macro-economic factors still at the forefront of investors' minds combined with any fallout from the US election. They reiterate that they will continue to "seek out those businesses with credible net zero commitments, durable returns and enduring financial resilience". It is difficult to disagree with this philosophy, but individual stock picks can and will have a significant bearing.

Comgest – Active Emerging Market Equity

Comgest returned a return just above zero in the quarter, significantly adrift of the benchmark which returned 2.5%. Disappointingly, this was a sixth consecutive quarter of underperformance.

As I've reported previously, it is difficult from Comgest's reports to accurately isolate the attributes making up the relative performance but the likely biggest detractor over the quarter was the significant underweighting to China. This makes up almost a quarter of the index and so will invariably dominate the outcome.

Over the full year, the portfolio returned 6.3%, trailing the index by a very uncomfortable 8+% margin.

Since inception returns have been disappointing, with the portfolio undershooting the index in three out of every four quarters. Numerically, the portfolio has returned -4.4%p.a. compared to the index at -0.1%p.a.

Nuveen Real Estate – Core Property

Note that the performance objective for the portfolio (the benchmark) changed to the MSCI UK Quarterly Universe +0.5%p.a. (over rolling three years). The previous benchmark was to achieve an annualised return of 7%p.a. Whilst in the current environment, this may appear as a softening of our return aspiration, it is a much more realistic measure, short and medium-term, for the asset class which delivers returns in often pronounced cyclical patterns.

The portfolio return was 2.4% over the quarter (Nuveen's number). The welcome difference this quarter was that capital growth was positive and added 1% onto the 1.4% from income. All the portfolio's investments increased in value with the exception of the offices. The return was ahead of the new benchmark which returned 1.8%.

There was no activity during the quarter.

The full year return reported by Nuveen was 3.5%, which was broadly in line with the comparable real estate benchmark.

The three-year return reported by Nuveen was a modest 0.9%p.a. reflecting the weakness in the sector over this period. This was ahead of the property based benchmark over the same period which returned -0.4%p.a.

There is some optimism in Nuveen's latest report, and they remain confident that the current strategy and assets will exceed the performance objective over the longer-term. The portfolio has a very clear strategy which includes a focus on improving each of the portfolio's holdings sustainability credentials. This aligns well with the Fund's overarching investment strategy.

Residential/Opportunistic Real Estate

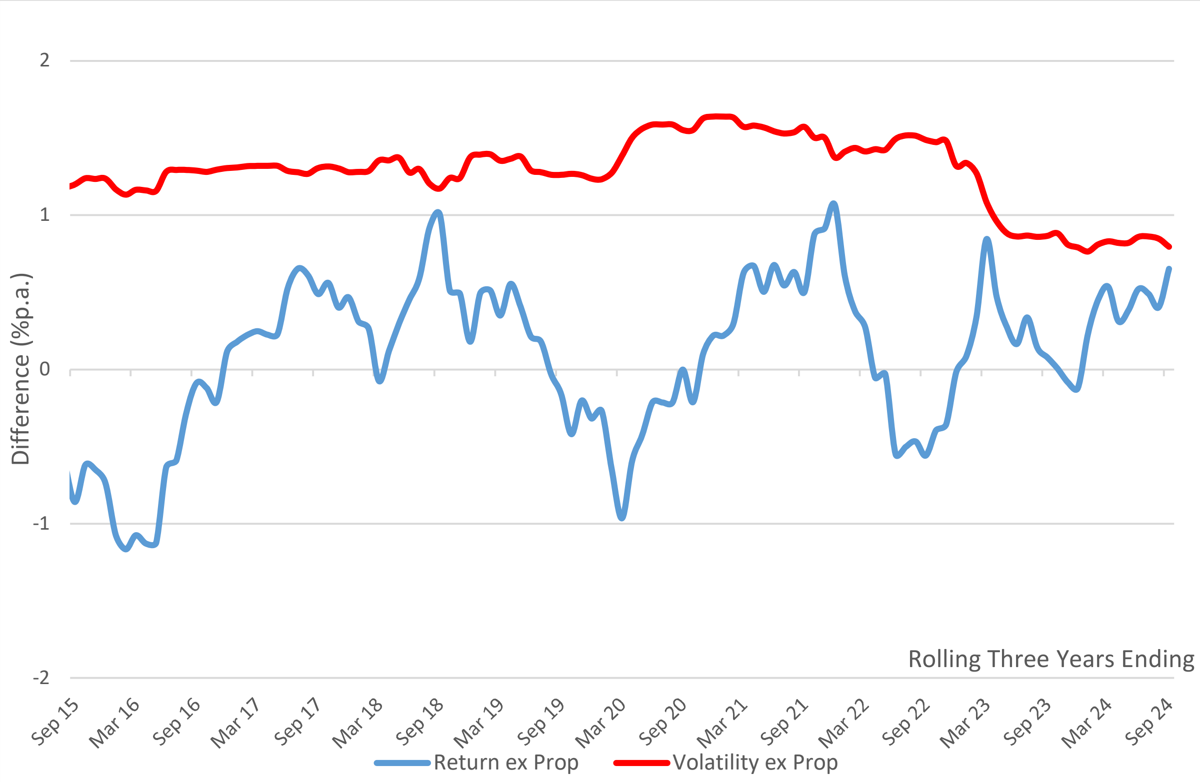
As can be seen from the graphic on page 3 above, the non-core portfolio struggled again over the latest quarter, with all of the managers failing to hit benchmark. In the round, the aggregate returned almost -4%. The one standout performance came from the Darwin Leisure fund which returned -25%.

Southwark's Property Allocation

The core and aggregate added value/opportunistic assets performed quite differently over the quarter and in the round, the entire real estate portfolio performance was near zero and lagged benchmark. Over the full year, core and non-core assets performed weakly. The following table gives a flavour of this.

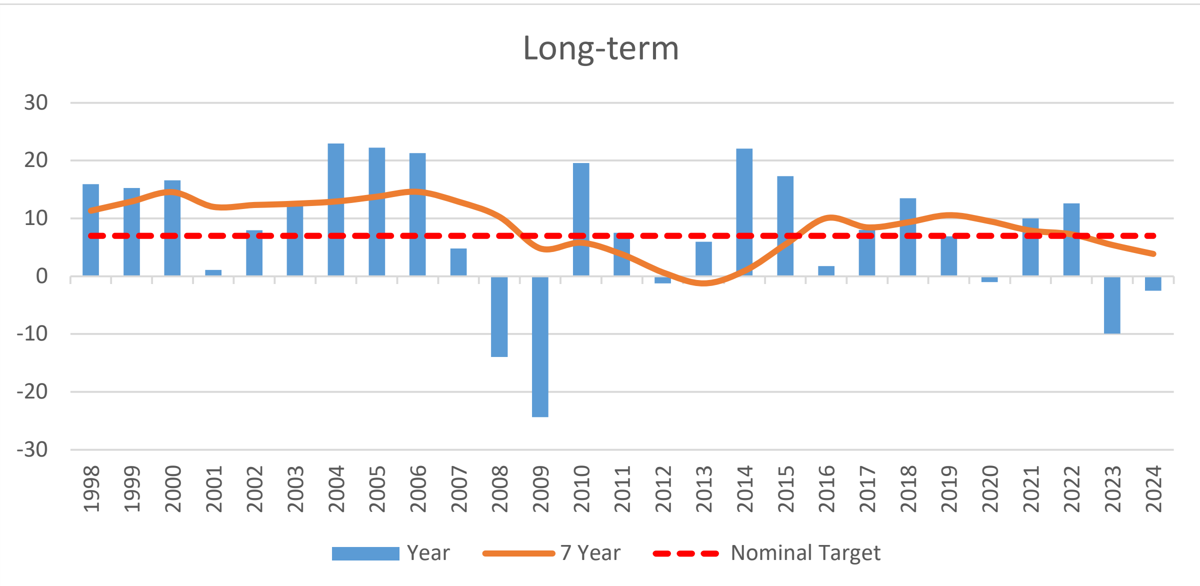
	Quarter			Year		
	Fund	Benchmark	Relative	Fund	Benchmark	Relative
All Property	0.0	1.8	-1.8	-4.1	7.5	-10.8
Core	2.0	1.7	0.3	-2.9	7.0	-9.3
Ex Core	-3.8	2.1	-5.7	-7.4	8.4	-14.6

Targeted at 20%, the Fund has a significant allocation to real estate which has, and will have, a significant bearing on the performance (and volatility) of the Fund. The now familiar chart below shows the impact on risk and return over consecutive rolling three-year periods.



In the latest three-year period, the asset class has underperformed other investment types and so the Fund return was negatively impacted by our real estate holdings (by around 0.7%p.a.). Volatility however has been reduced by a broadly similar margin (around 0.8%p.a.). There has therefore been a very small benefit in terms of risk/return trade-off.

I include again a chart showing the very long-term performance of our property investments. The benchmark for the core portfolio has changed this quarter, but the nominal 7%p.a. is a not an unreasonable aspiration for the asset class.



As a reminder, this shows that, notwithstanding the global financial crisis period, property had been a steady generator of positive and relatively stable returns over time. It shows clearly the cyclical nature of the returns generated and so I will continue to track this.

Robeco – Global Credit

The portfolio delivered a solid 4.6% return but lagged the benchmark of 5%. The manager cites issuer selection as the cause of underperformance but there were no individual names contributing significantly either positively or negatively.

Over the full year, the portfolio returned a very strong 12.3% but this was modestly behind benchmark.

Returns since inception remained ahead of the index benchmark.

CQS – Global Credit

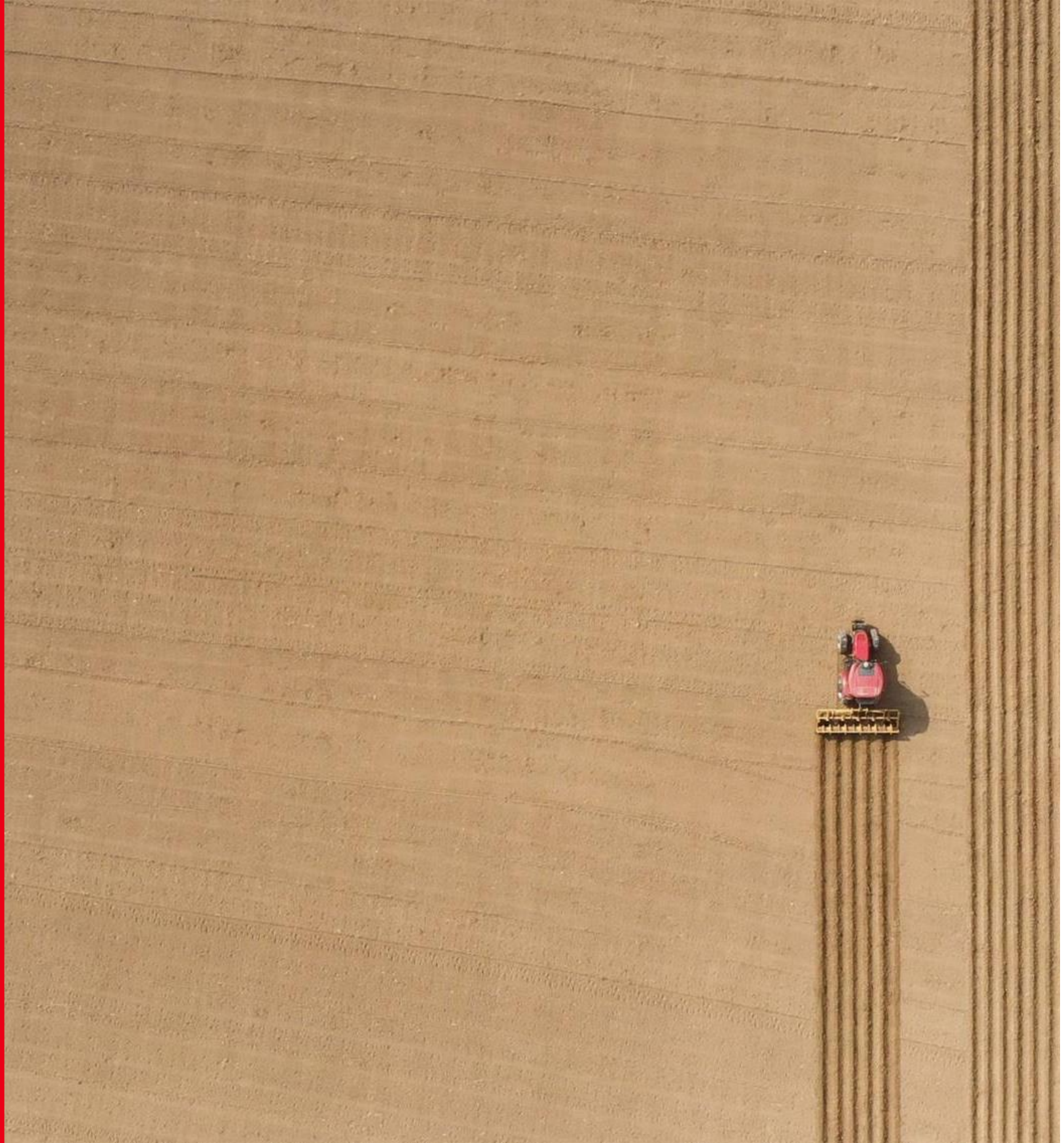
The portfolio returned 2.7% over the quarter, 0.3% ahead of the benchmark. It has returned 5.2% since its end March inception outperforming the benchmark by 0.2%.

"ESG Priority" Allocation

The performance of the Fund's infrastructure and other diversified alternative investments was very mixed over the quarter, but positive in the round. In aggregate, the portfolios underperformed target. In a sharp reversal from last quarter, the Temporis investments outperformed strongly. This highlights the dangers of drawing any meaningful conclusions from short-term measurement periods when monitoring these types of illiquid investments. As I mentioned last quarter, a 'deep dive' as the funds begin to mature may be worthwhile next year.

Passive Portfolios

The portfolios tracked within tolerance over the quarter.



Strategic Investment Dashboard Q3 2024

London Borough of Southwark Pension Fund

Prepared for: The Pension Advisory Panel

Prepared by: Aon

9 December 2024

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Executive Summary

Long-term strategy

Funding level

	30 June 2024	30 Sep 2024	
Funding Level	116%	117%	▲
Surplus	£313M	£327M	▲

Over the quarter, the funding level improved due to the slight increase to the net discount rate used to value the liabilities.

Since the last actuarial valuation, the surplus and funding level have increased (see more detail on slide 10). This is due to a reduction in liabilities given the net discount rate has increased, which has more than offset the lower than expected return on assets

The PAP may wish to consider the Fund's surplus position as it approaches the 2025 valuation

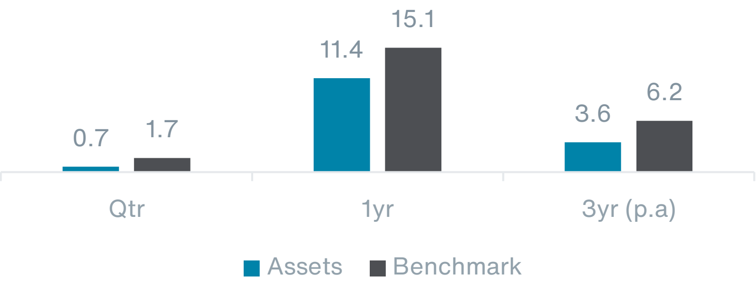
Investment Performance

Expected Return

7.4% ▲

The 30 September 2024 expected return for the portfolio is 7.4% compared to the strategic asset allocation expected return of 7.1%.

Performance



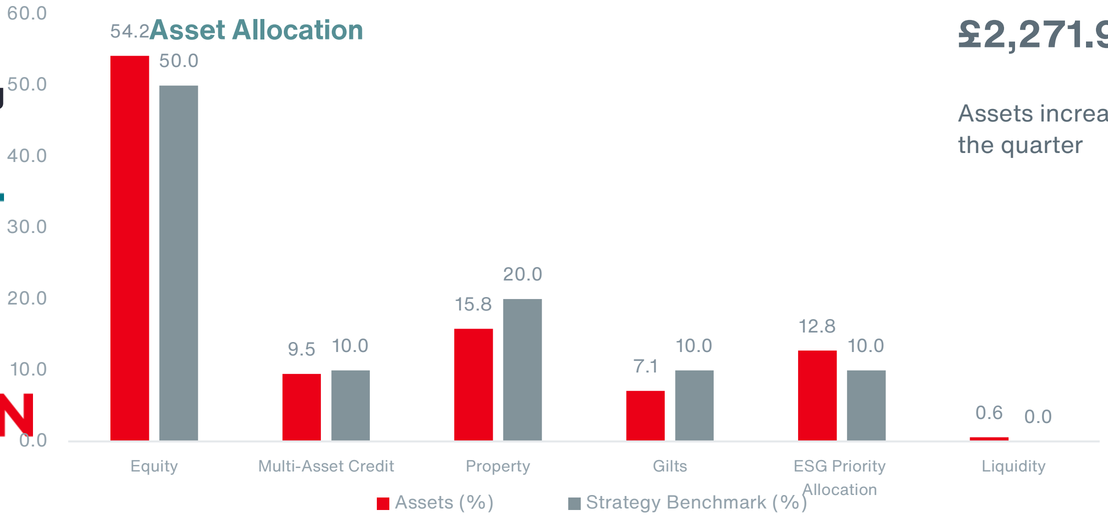
The Fund underperformed over the quarter, 1 and 3-year period relative to the composite benchmark (on an annualised basis).

Over the quarter, the Fund's credit managers contributed positively to performance. The Fund's Property and some of the underlying funds in the ESG Priority Mandate were the main contributors to underperformance over the quarter. Further detail can be found in the manager performance section.

Update: Aon continues to monitor the performance of the Fund's investments and have notified the Officers of concerns regarding some of the figures being reported by JPM.

Strategic Positioning

Asset Allocation



£2,271.9m ▲

Assets increased by £14.1m over the quarter

As at quarter end, the Fund remains underweight to the Multi-Asset Credit, Property and Gilt asset classes and overweight to the Equity and ESG Priority Allocation asset classes.

Update: Based on Aon's latest Asset Allocation views, we believe that now is an attractive entry point to increase the Fund's allocation to Index-Linked Gilts towards the target weight.

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Asset Allocation

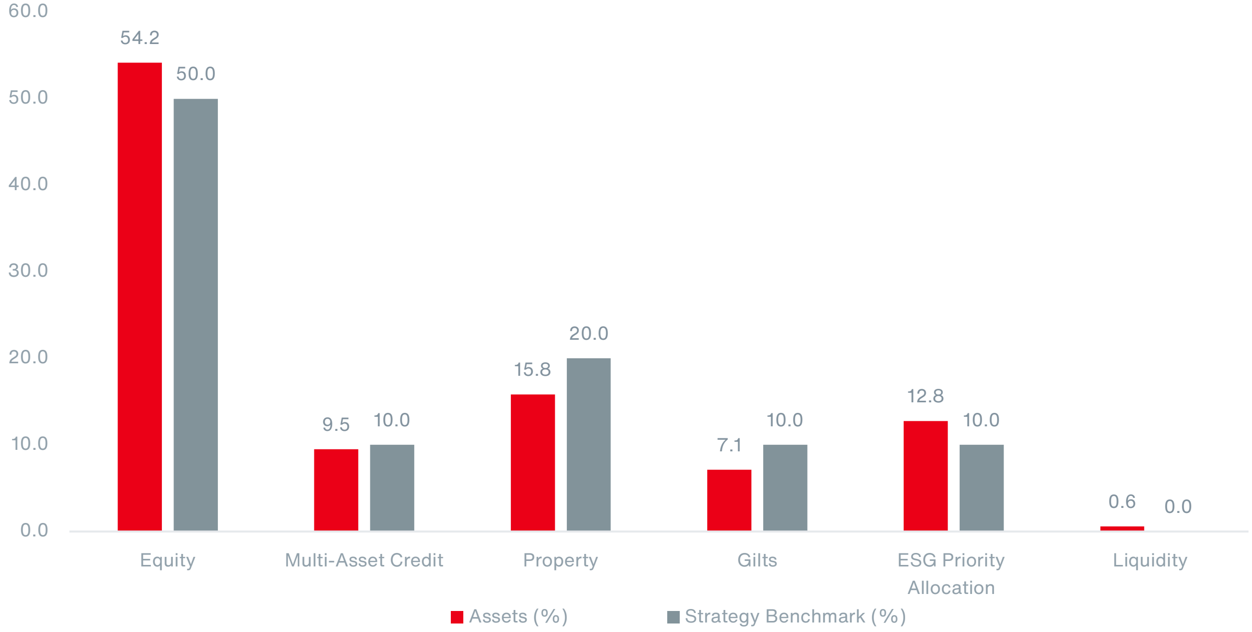
Asset Allocation – Asset Class

	30 June 2024		30 September 2024			
	Valuation (£m)	Weight (%)	Valuation (£m)	Weight (%)	Strategic	Relative
Growth	**£2,092.3**	**92.7%**	**£2,096.4**	**92.3%**	**90.0%**	**2.3%**
Equity	£1,228.9	54.4%	£1,230.6	54.2%	50.0%	4.2%
Multi-Asset Credit	£208.2	9.2%	£215.8	9.5%	10.0%	-0.5%
Property	£359.9	15.9%	£360.0	15.8%	20.0%	-4.2%
ESG Priority Allocation*	£295.3	13.1%	£289.9	12.8%	10.0%	2.8%
Matching	**£165.5**	**7.3%**	**£175.5**	**7.7%**	**10.0%**	**-2.3%**
Index-Linked Gilts	£159.4	7.1%	£162.0	7.1%	10.0%	-2.9%
Liquidity Fund	£6.1	0.3%	£13.5	0.6%	0.0%	0.6%
Total	**£2,257.8**	**100%**	**£2,271.9**	**100%**	**100%**	**-**

Source: J.P.Morgan.. Totals may not sum due to rounding.
**The first initial investment (of the €50m commitment) into the Glenmont Clean Energy IV Fund was carried out during Q2 2024 and is now reflected.*

Asset Allocation – Current vs Strategic

Strategic allocation & Benchmark



£2,271.9m

Assets increased by £14.1m over the quarter

30 September 2024

7.4%

Expected Absolute Return

30 September 2024

4.2%

Standard Deviation*

*This is a measure of portfolio volatility versus the mean return

Strategic Allocation

7.1%

Expected Absolute Return

Strategic Allocation

4.0%

Standard Deviation*

*This is a measure of portfolio volatility versus the mean return

Comments

- As at 30 September 2024, the Fund is overweight to the equity and ESG Priority Allocation mandates, whilst being underweight to the government bond, multi-asset credit and property asset classes.
- Over the quarter, the Fund received c.£1.2m and c.£0.3m in distributions from its holding in the Temporis Renewable Energy Fund ("TREF") which were paid out on 24 July 2024 and 18 September 2024, respectively.
- Over the quarter, the Fund received a distribution of c.£2.8m from its holding in the Temporis Operational Renewable Energy Strategy ("TORES") which was paid out on 20 September 2024.
- Over the quarter, the benchmark of the Nuveen real estate portfolio was updated to track the performance of the MSCI UK Quarterly Property Index in replacement of the current performance objective of the fund (exceed an annualised return of 7% p.a. over a rolling seven-year period).
- The Board of Darwin Alternative Investment Management (Guernsey) Limited, the Manager of the Darwin Leisure Development Fund (the 'Fund') has, after careful consideration, taken the decision to revise downward its management projections or revenues and costs, which has resulted in a fall in the Net Asset Value (NAV) of the Fund by approximately 23% (A Accumulation Units) as at 30 September 2024. Further commentary can be found on slide 13 of this report.

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Manager Performance

Manager focus – returns relative to benchmark (%)

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	3 month (%)		1 year (%)		3 year (%)	
	Return	Relative	Return	Relative	Return	Relative
LGIM Low Carbon Transition Developed Markets Index Fund	0.6	0.1	21.5	0.5	-	-
Newton Active Global Equity	-0.9	-2.3	22.7	-0.6	7.1	-4.4
Comgest Growth Emerging Markets Plus	0.1	-2.4	6.3	-8.4	-3.7	-4.3
BlackRock World Low Carbon Equities Fund	0.4	0.1	21.9	0.5	-	-
Robeco Multi-Asset Credit	4.6	-0.4	12.3	-0.3	-	-
LCIV Alternative Credit CQS	6.8	4.4	-	-	-	-
Nuveen Real Estate	2.0	0.3	-2.9	-10.0	-0.6	-8.6
Invesco Real Estate UK Residential Fund	0.0	-2.0	-3.4	-11.4	1.9	-6.1
M&G UK Residential Property Fund	1.0	-1.0	-1.1	-9.1	0.5	-7.5
Frogmore Real Estate Partners III	-3.1	-6.9	-33.4	-49.9	-16.2	-32.7
Brockton Capital Fund III	-0.0	-3.6	-8.7	-23.7	-3.8	-18.8
Darwin Leisure Development Fund	-25.1	-26.6	-25.1	-31.1	-	-
Darwin Bereavement Services Fund	1.0	-0.5	4.3	-1.7	-	-
Glenmont Clean Energy Fund III	-4.1	-6.6	-4.1	-14.1	11.5	1.5
Glenmont Clean Energy Fund IV	-5.4	-7.9	-	-	-	-
Blackrock Global Renewable Power	-2.9	-5.4	-0.5	-10.5	9.9	-0.1
BTG Pactual OEF Fund	-5.6	-7.0	-3.7	-9.7	-	-
Temporis Operational Renewable Energy Strategy	7.1	4.7	-2.9	-12.9	21.1	11.4
Temporis Impact Fund	25.3	22.9	16.3	6.3	-	-
Temporis Renewable Energy Fund	10.8	9.1	-5.4	-12.4	-	-
Blackstone Strategic Capital Holdings GP Stakes Fund II	-12.9	-15.8	1.3	-10.7	-	-

Source: J.P.Morgan and fund managers as required. Totals may not sum due to rounding. The total 1-year and 3-year performance includes prior period performance of the Fund's legacy holdings.

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Manager focus – returns relative to benchmark (%) (cont.)

`	3 month (%)		1 year (%)		3 year (%)	
	Return	Relative	Return	Relative	Return	Relative
LGIM Over 5y Index Linked Gilts	1.5	0.0	6.4	0.0	-	-
BlackRock Aquila Over 5y Index Linked Gilts	1.6	0.1	6.8	0.3	-3.7	-0.4
BlackRock Sterling Liquidity Fund	0.7	-0.5	10.9	5.7	-	-
LGIM Sterling Liquidity Fund	1.3	0.1	5.1	0.0	-	-
Northern Trust Money Market Fund	1.6	0.3	5.1	0.0	-	-
Total performance	**0.7**	**-0.7**	**11.4**	**-3.7**	**3.6**	**-2.6**

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Source: J.P.Morgan and fund managers as required. Totals may not sum due to rounding. The total 1-year and 3-year performance includes prior period performance of the Fund's legacy holdings.

Equity Mandate

Market Commentary & Outlook

Global equity markets continued to rise over the quarter. The MSCI ACWI rose 5.0% in local currency and 0.6% in sterling terms. Global equity markets saw continued growth over the quarter, with the MSCI ACWI rose 3.5% in local currency terms. UK equities delivered the highest returns in sterling terms among developed markets in Q3 2024. Among heavyweight sectors, Consumer Staples (18.4% of index weight) outperformed with a return of 11.5%. The Financial sector, the largest sector in the MSCI UK Index (20.1% of index weight),rose by 4.4%. The Industrial sector rose by 1.4%. US equities, which were second best performer in Q2 were the second worst performing market in sterling terms. However, among developed markets, they were the best performer in local terms in Q3 2024. Except for Energy, all the other sectors posted positive returns. Emerging Market (EM) equities were the best-performing market in local currency and sterling terms in Q3 2024. All major equity markets in the region delivered positive returns except for the Korean and Taiwanese equities which fell by 10.2% and 1.7%, respectively

The Fed's decision to cut interest rates by 50bps to ease monetary policy was a key performance contributor in September as well as the stimulus package announced by China. This resulted in a rally in the regions risk assets which had been trading at lower levels prior. We expect the avoidance of a disputed US election with a clear Trump victory will help equities and riskier bonds over Q4.

Fund Manager News

Newton – Performance Commentary: Unlike Q2. the fund underperformed its benchmark over the quarter with the healthcare stock selection unable to replicate Q2 returns. Novo Nordisk (Danish pharmaceutical) faced greater competition in the industry which made investors grow wary and as a result finished the quarter as one the top performance detractors. Other two top detractors were ICON and Edwards Lifesciences who also fall under the healthcare sector. On the other hand, the China stimulus package did push growth in life insurer AIA group's share and Inditex did perform strongly as investors were encouraged by their business model.

Although suffering a poor quarter, the fund remains above benchmark in the long term, and they have identified that market volatility will continue with the AI sector coming under scrutiny.

Comgest – Performance Commentary & Portfolio Positioning: The fund underperformed its benchmark over the quarter due to being underweight in China which saw a significant rally in the last few weeks of the quarter. However, absolute returns of the fund remain positive with financial holdings in South Africa contributing positively and their macro environment appears to be stabilising. Data suggests that their two holdings in the region are now reaping the benefits of their investments over the years; Discovery have confirmed it is at an inflection point. The largest detractors from the performance were SK Hynix and Samsung Electronics in the IT sector, the latter being one of the top 10 holdings at 3.9% of portfolio.

As central banks cut their interest rates the fund expects to see positive returns for Emerging Market equites and currency performance due to historical data. The re-election of PM Modi in India means more growth encouraging for equities in the region due to a continuation of his policies.

Multi-Asset Credit Mandate

Market Commentary & Outlook

The index-linked gilt yield curve shifted downwards over the quarter as yields fell across maturities (except at the shortest end of the curve). Breakeven inflation generally fell across the maturities, with 10-year breakeven inflation falling by 12bps to 3.46%. Long-dated gilts outperformed medium and short-dated gilts over the quarter. Fixed-interest gilts outperformed Index-linked gilts across maturities

UK gilt yields have risen in the run-up to the budget. Whilst UK specific concerns have contributed, we think most of the recent move up has been down to US Treasury movements. We believe that there will be some attractive entry points to increase fixed rate hedging levels in the coming weeks and months. .

Fund Manager News

Robeco – The fund's two main performance drivers are issuer selection and beta positioning (total risk taken in the portfolio relative to the benchmark index). Beta positioning had limited impact on performance as it did last quarter as well. The portfolio had a small overweight beta position during both this quarter and last. This position worked well during most of the quarter as spreads remained fairly tight. Issuer selection made an overall positive return contribution during the period. The overweight position in Cellnex was the standout contributor with 3.7bps as it rallied on lower rates and increased its dividend policy. Paramount also outperformed following an agreement to a renewed merger offer from Skydance. Warner Bros underperformed severely caused by worry of a split that the company may make to boost returns to shareholders but would in turn be disadvantageous to bondholders.

LCIV Alternative Credit Fund – Performance: The fund performed well over Q3 and 1-year period (13.1% absolute, 3.1% relative), outperforming its objective and a potential indicator for good returns in the long term. The biggest positive contributor was made by high yield bonds, where returns were boosted by spread tightness within bank debt and backing by regulatory notion that European banks are more open to mergers and acquisitions. Next strong contributor were loans, driven by high income and the strong demand from CLOs issuers. ABS posted positive returns, also pushed by high income and a strong supply/demand. US did outperform Europe within high yield (result of Fed's rate cut) but the funds preference to Europe was still favourable in financials and loans. The fund suffered no defaults in Q3 for the second quarter running.

LCIV Alternative Credit Fund - Fund Update: The yield to maturity declined from 8.1% to 7.3% following declining government bond yields over the quarter. Interest rate duration has increased form 0.5years to 0.9 years over the quarter and spread duration remains consistent. Income is the basis of large portion of the portfolio's expected return, meaning that spread widening issues can be offset and reduce any adverse impact on total returns. The fund manager's view on corporate fundamental remains broadly positive. The 5%increase in senior secured loans due to rising defaults in Q2 had now been reversed and was used to fund an increase in high yield, shifting from floating to fixed rate bonds. The increase was mainly in US HY but the European bias remains. Majority of the trades were carried out through "portfolio trades" which allows for large volumes of orders in single trades in a more cost-effective manner. The fund agreed to sell Patagonia holdings because of non-conviction in their ESG activity and efforts

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Property Mandate

Market Commentary & Outlook

The UK property market, like all other global real estate markets, has been materially impacted by rising interest rates. The higher interest rate environment has led to an increase in property yields (decreasing property valuations), higher debt costs and reduced transactions as uncertainty prevailed. UK valuers have incorporated an element of sentiment in their valuations given reduced transactional evidence and changed macro environment and as a result valuations within the UK have declined quickly with other regions following more slowly. As a result, the UK is expected to recover more quickly, as buyer and seller pricing expectations become more aligned. There is evidence of that in the UK market property yields, and hence valuations are now stabilised, except for the offices sector which has continued to suffer in the post covid environment. Industrial, which includes logistics and data centres have done much better, and according to INREV data, have now overtaken offices and residential as the largest sector for non-listed funds in Europe as well as the US now.

Going forward over the short to medium term, returns will likely be driven by income and improved operational efficiency rather than capital gains from falling yields. Further falling interest rates are likely to support current yields rather than reduce them meaningfully.

General comments

Over the quarter, one-year and three-year periods all of the Fund's property investments have underperformed against their respective benchmarks. All of the property mandates are benchmarked against an absolute return target. Given the headwinds faced by property markets over the past 12-24 months and the higher interest rate environment, we do not believe that the significant underperformance reported for some of the mandates are a result of manager skill and competence and, in our view, it would be more sensible to judge the performance of these investments against an appropriate real estate index.

Fund Manager News

M&G UK Residential Property Fund: At the end of the quarter, 93% of the portfolio's assets are stabilised with 7% in the development phase. The stabilised portfolio continued to perform strongly, delivering an average occupancy over the period of more than 97%. This represents an improvement to the average occupancy in Q2 2024 (95%) principally due to positive letting activity at some of the Fund's assets allied to smaller improvements across the stabilised portfolio. The sale of seed units continued to progress in Q3 as the Fund completed the sale of a further 20 individual units from the seed portfolio which generated £6.1m, reflecting a 13.1% premium to investment value. The completion of the seed asset sales programme is expected in Q1 2025.

Invesco Real Estate UK Residential Fund: On 30th September, the Fund completed the sale of the Platform portfolio with completion scheduled for late November 2024 at a sale price of £115m which is in line with the initial offer price. The first phase of The Holloway project has been completed in Q3 2024, with 57 residents already moved in at rents c. 8% ahead of the business plan. The second phase is anticipated to be finished in April 2025. Post quarter-end, the final 2024 GRESB ESG Performance results were released; the score for UKRF has improved and the Fund gained four points compared to 2023, reaching a 5-star GRESB rating. Improvement has been anticipated over the last years, as the fund assets reached stabilization, with the rating recognizing the management and ESG standards that have implemented to the portfolio.

Property Mandate (cont.)

Fund Manager News

Darwin Leisure Development Fund – Portfolio Update: The Board of Darwin Alternative Investment Management (Guernsey) Limited, the Manager of the Darwin Leisure Development Fund (the 'Fund') has, after careful consideration, taken the decision to revise downward its management projections or revenues and costs, which has resulted in a fall in the Net Asset Value (NAV) of the Fund by approximately 23% (A Accumulation Units) as at 30 September 2024. The COVID-19 pandemic, including park shutdowns, broader macroeconomic issues, and the UK's cost-of-living crisis, has adversely affected all UK holiday park operators. High levels of inflation which led to rising interest rates, fuel, utility and food costs have significantly impacted both operators and consumers, driving up operational expenses and putting pressure on domestic budgets, in particular discretionary spend. Furthermore, the cost-of-living crisis in the UK over the last few years has affected all operators in the sector. The holiday parks owned by DLDF have not been immune to these sector-wide challenges. Consequently, this trading environment has impacted margins and increased total costs for the Fund.

Darwin Bereavement Services Fund – Portfolio Update: Whilst the death rate continued to remain below the five-year average, cremation numbers at Memoria remained resilient, with 12,300 cremations year to date to 31 August compared to 10,454 cremations for the same period in the previous year. RNS is continuing its impressive year with strong hospital booklet sales driving revenues. Sister company Bereavement Support Network is also experiencing a successful year as it continues to grow revenue streams through expansion into the registrar space and widening the product offering to bereaved families. Addfield continues to outperform expectations with order volumes and revenue continuing on an upward trajectory, supported by large orders from an international charitable organisation

Darwin Bereavement Services Fund – ESG Update: In Q3 2024, Memoria conducted a total of 1,012 cremations using its three electric cremators, equating to around 24% of cremations in the whole portfolio. Addfield, the Fund's cremator and incinerator manufacturing company, has become a proud signatory to the UN's Global Compact Network, a global movement dedicated to driving sustainable business. Addfield has supplied an NHS hospital in Wolverhampton with a new highly efficient medical waste incineration facility, where medical waste products can be dealt with on-site, which is saving the Wolverhampton NHS trust around £200,000 a year. Heat produced by this incinerator is fed back into the hospital heating system, and offsets the fossil-fuelled boilers, creating clean, free and green recovered energy

ESG Priority Allocation Mandate

Market Commentary & Outlook

Private infrastructure has continued to perform well despite a backdrop of higher rates, which increased borrowing costs and put pressure on valuations. As with many private asset classes, infrastructure fundraising slowed in 2023 as investors await more clarity over the path of interest rates. As a cyclical inflation slowdown and GDP growth uncertainty plays out, we think infrastructure's resilient return profile and exposure to secular growth trends would be particularly attractive.

We believe that investing in private infrastructure assets is more attractive outlook than traditional real estate, with energy transition providing an attractive opportunity for 'value add' managers. Huge levels of investment in the last two will be required globally if countries are to achieve their commitments to limit global greenhouse gas emissions, and we think that in some countries this will create attractive opportunities for investors prepared to take development risk.

Fund Manager News

BTG Pactual Open Ended Core US Timberland Fund: The Fund's Net Asset Value ("NAV") increased by $10.4m over the quarter driven by asset appreciation, income and capital contributions which were partially offset by Fund redemptions. The Fund generated $5.9m in revenue in Q3 2024 led by timber sales across various sites in the portfolio as well as land sales. A Purchase and Sale Agreement ("PSA") was executed with a conservation buyer for two high conservation CNC tracts totalling 407 acres.

Temporis Impact Strategy Fund ('TIS V') - Over the trailing 12 months ended 30 September 2024, the TIS V wind assets have outperformed the assets held in the wider Temporis portfolio, with the hydro assets being a key driver of the Fund's performance over the period. During the quarter, TIS V completed the acquisition of an in-development battery project into the Future Power Enterprises ("FPE") development company. The intention is to explore an exit as a ready-to-build project. Temporis believe that the acquisition is well priced, with the upfront consideration being reimbursement of costs only, and a deferred consideration linked to a sale price over a hurdle.

Temporis Operational Renewable Energy Strategy ('TORES') – Fund Update: During Q1, the Blackcraig holding suffered a prolonged power outage due to a mechanical failure in the Scottish power transition network. Blackcraig has now been returned to its original grid connection bay, and all remedial works have been completed. The Asset management team have approached insurers and are in the process of appointing lawyers around Blackcraig's potential contractual rights to damages from the grid counterparty because of these outages.

Temporis Renewable Energy Fund ('TREF'): During 2023 and 2024 long term forecasts for both power prices and inflation have fallen significantly compared to those available in the 2022 valuation, leading to a lower NAV at 30 June 2024 which has been partially offset by strong generation vs. budget. The fund performed at 97.8% of expected electricity generation, a slight reduction vs the 12 months leading up to 30 June 2024. The UK experienced abnormally slow wind speeds in May which has been partially offset by strong generation in August.

Matching Portfolio

Market Commentary & Outlook

Global bond yields trended lower during the quarter. The FTSE All Stocks Gilts Index and the FTSE All Stocks Index-Linked Gilts Index rose 2.3% and 1.4%, respectively. The Bank of England (BoE) reduced its policy interest rate by 0.25% to 5.0%, delivering its first cut in more than four years. Post quarter end, on the 6 November 2024, the BoE further reduced its policy interest rate by another 0.25% to 4.75%.

There are lots of counteracting forces on UK gilt yields now. Inflation is coming down, but demand is showing some strength, with growth rebounding from a technical recession at the end of 2023. Inflation normalising and policy rates starting to be cut will help lower yields. However, continued high issuance from large fiscal deficits will likely counteract forces.

Fund Manager News

Blackrock Sterling Liquidity Fund - The Fund performed in line with its benchmark (SONIA) over the third quarter of 2024. The Fund is positioned with large amounts of liquidity with 40% of the fund maturing within a week and a weighted average maturity of 50 days.

LGIM Sterling Liquidity Fund - The Sterling Liquidity Fund marginally outperformed its benchmark of SONIA during the third quarter of 2024 (on an annualised basis). The two largest sectors within the fund as at the end of the quarter were Certificate of Deposits and Commercial Paper at 46.2% and 18.6% respectively.

4

Appendix

Funding level since latest Valuation

as at 30 September 2024

Change to funding level since 31 March 2022

Change to surplus/(deficit) since 31 March 2022

Please note that the graphs are based on unaudited, provisional value of assets as at 30 September 2024 (provided by JPM). In rolling forward the liabilities we have used an estimate of cashflows paid out to the Fund, based on those at the level of the 2022 valuation.

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.

Colour	Rating	Explanation
	Buy-rated	The strategy is rated as best in class by Aon's manager research specialists
	Qualified	The strategy is rated as suitable for pension scheme investment by Aon's manager research specialists
	Sell	The strategy is rated as not suitable for pension scheme investment by Aon's manager research specialists
	Not Rated	The strategy is not monitored on an ongoing basis by Aon's manager research specialists

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.

Rating	Explanation
Advanced	The fund management team demonstrates an advanced awareness of potential ESG risks in the investment strategy. The fund management team can demonstrate advanced processes to identify, evaluate and potentially mitigate these risks across the entire portfolio.
Integrated	The fund management team has taken appropriate steps to identify, evaluate and mitigate potential financially material ESG risks within the portfolio.
Limited	The fund management team has taken limited steps to address ESG considerations in the portfolio.
N/A (Not Applicable)	ESG risks and considerations are not applicable to this strategy, for example, on the grounds of materiality or asset class relevance.
NR (Not Rated)	An evaluation of ESG risks is not yet available for this strategy.

Key assumptions of the model (1)

- The purpose of the model is to consider and monitor the return and risk characteristics of the long term investment strategy of the Scheme.
  - The analysis considers the expected return of the Scheme's investment strategy, and the standard deviation (measure of portfolio volatility versus the mean return) implied by the strategy.
  - Return statistics are shown relative to the expected return of the Scheme's liabilities.
  - There is only one outcome for inflation, benefit cashflows and contributions.
  - Unless otherwise stated, the parameters of the model (e.g. member movements, historic funding performance and contributions assumed) are unaltered from previous iterations of this quarterly report.
- In the calculation of risk and return, the Scheme's liabilities are represented by a proxy of purely fixed and purely real investment instruments ("the liability proxy").
- Investment risk is included in the model outputs but this is not the only risk that the Scheme faces; other risks include covenant risk, longevity risk, timing of member options, basis risks and operational risks.

Key assumptions of the model (2)

- The calculation of portfolio risk is approximate;
  - The calculation considers (5000 stochastic) simulations of returns over a single year of the Scheme's investment strategy relative to simulations of the liability proxy.
  - The simulations are constructed using Aon Solution's Asset Model – the details and assumptions of which are outlined in this appendix.
  - The calculation does not take into account any cashflows payable over the year; if cashflows are expected to be material the result is likely to be different.
  - The calculation may not perfectly capture inflation risk in the liabilities; actual liability returns are likely to differ to the liability proxy due to any limited inflation linkage in benefits (e.g. benefits linked to the increase in RPI with a 5% cap).
  - The calculation does not take into account longevity risk (i.e. liability values increasing due to members living longer than assumed).
  - Owing to these approximations, a more detailed ALM study is likely to result in a different result to the VaR calculation.
  - Other portfolios with different risk and return characteristics may be available to the Scheme.

TAS compliance

This document has been prepared in accordance with the framework below.

This document, and the work relating to it, complies with 'Technical Actuarial Standard 100: General Actuarial Standards' ('TAS 100').

The compliance is on the basis that the Pension Advisory Panel of the London Borough of Southwark Pension Fund are the addressees and the only users. If you intend to make any other decisions after reviewing this document, please let me know and I will consider what further information I need to provide to help you make those decisions.

The document has been prepared under the terms of the Agreement covering Scheme Actuarial services between the Trustees and Aon Solutions UK Limited on the understanding that it is solely for the benefit of the addressees.

If you require further copies of this document, please let me know.

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Agenda Item 12

Meeting Name:	Pensions Advisory Panel
Date:	9 December 2024
Report title:	Investment in Conflict Zones
Ward(s) or groups affected:	Not applicable
Classification:	Open
Reason for lateness (if applicable):	Not applicable
From:	Chief Investment Officer

RECOMMENDATIONS

1. The Pensions Advisory Panel (PAP) is asked to note the content of this report, in particular the legal position on divestment and the implications of the potential options available to the Fund within its passive equity allocation.

Background

2. The London Borough of Southwark (LBS) Pension Fund is part of the Local Government Pension Scheme (LGPS). The rules of the LGPS are set nationally under the Public Service Pensions Act 2013.

3. Decisions on the investment of LGPS funds are made locally by administering authorities, in accordance with general legal principles (fiduciary duties and public law principles) and LGPS legislation.

4. Legal advice on fiduciary duties produced for the LGA in 2014 explained that LGPS administering authorities have a fiduciary duty to act in the best interests of scheme members. Investment powers must be directed to achieve what is best for the financial position of the fund. The precise choice of investment may be influenced by other, wider factors if they do not risk material financial detriment to the fund.

5. The primary fiduciary duty of the fund is to ensure there are adequate funds available to pay pensions benefits to scheme members as they fall due.

6. Further advice has been sought by the LGPS Scheme Advisory Board, and Nigel Giffen KC will provide advice on the extent to which, or the circumstances in which, administering authorities might be entitled (rather than obliged) to have regard to such matters. A response was expected prior to the 25 November SAB Board meeting and, at the time of writing this report, this advice has not yet been published or made available to LGPS funds.

7. The LBS fund's investments are managed through a long-term investment strategy which targets investment returns within an acceptable level of risk. The fund is in a strong financial position: it was 109% funded at the last actuarial valuation which took place in 2022; and long-term investment returns remain stable at c.8% pa.

Governance & Decision-Making Arrangements

8. Southwark Council, as administering authority for the Southwark Pension Fund, has delegated responsibility for the management and decision making for the Fund to the Strategic Director of Resources ('S151 officer'). Overall decision making and governance of the Fund is a bipartite mutual responsibility between the Strategic Director of Finance and the Pensions Advisory Panel (PAP) with the PAP making recommendations to the Strategic Director of Resources in his position as ultimate decision maker for the Fund.

Current Investment Portfolio

9. The LBS Fund had total investments of £2.27bn as at 30 September 2024. Investments are held in a diversified range of asset classes to achieve a suitable balance between risk and return.

10. Approximately half of the Fund is invested in equities (shares in companies). We invest both directly and indirectly in equities:

    i. Direct: the pension fund owns the individual stocks and has influence over the companies invested in through setting investment guidelines for the manager to act upon

    ii. Indirect: investments in pooled funds. We invest in large funds along with other investors. This achieves scale and exposure to a wider range of companies, thereby increasing diversification and reducing risk. Such investments are an essential element of a pension fund's overall investment strategy. Individual investors in pooled funds do not have influence over the stocks held although they are able to choose specific pooled funds that meet their investment objectives. For example, LBS pension fund invests in pooled funds that target lower carbon than more generic funds, in line with the Net Zero 2030 policy.

11. The LBS Fund's investments by asset class at 30 September 2024 are set out in the table below. A detailed breakdown is set out in Appendix A.

Asset Class	**Value (£000)**
Equities	1,223,765
Index Linked Gilts	161,977
Property	353,439
Sustainable Infrastructure	183,143
Private Equity	49,189

Asset Class	Value (£000)
Bereavement Services	23,010
Timberland	34,600
Multi Asset Credit	215,813
Cash and Cash Equivalents	26,993
Total Fund	**2,271,930**

Israeli Investments

12. There is no standard recognised approach to defining and identifying investments that could be deemed to be Israeli investments. This leads to there being blurred lines on the definition of what an Israeli investment actually is, and how far the Pension Fund is exposed to such investments.

13. This means that it would be difficult to either instruct a fund manager to divest (in the case of where we hold direct investments) or to find a pooled fund which both meets the Fund's Net Zero requirements and excludes the companies concerned, even if there is consensus on what companies to consider for divestment. Any decision to divest, where achievable within the LGPS regulations and fiduciary duties, must be considered in proportion to the associated financial risks and volatility such a decision would expose the LBS fund to.

14. We have identified a suitable list against which to compare the LBS fund's equity holdings: the United Nations Office of the United Nations High Commissioner for Human Rights (OHCHR) list which is a list of companies operating in the West Bank Settlements.

15. The table below sets out the LBS Fund's holdings in companies included in the UN list. The fund has equity holdings in the list which totals £4.4m (0.19% of the total fund). The Fund's holdings in this list have reduced by 20% since first monitored. We continue to review with the fund managers on how this can be reduced further.

	BlackRock		**LGIM**		**Newton**		**Comgest**		**Total Fund**	
	£000	% of Total LBS Fund	£000	% of Total LBS Fund	£000	% of Total LBS Fund	£000	% of Total LBS Fund	Total (£000)	% of Total LBS Fund
UN List[1]	2,362	0.10%	2,093	0.09%	-	0.00%	-	-	4,455	0.19%

[1] 97 companies

Divestment Considerations

i. Segregated vs. Pooled Assets

16. As set out in paragraph 9 above, we invest in both directly owned and pooled assets. We have influence over the investments held in directly owned portfolios. However, the majority of the LBS fund is invested in pooled funds.

Investors have no influence over the underlying assets in pooled funds. (Details of our directly owned and pooled fund investments are set out in the asset allocation table in Appendix A).

17. The LBS fund has equity holdings in the UN list which total £4.4m (0.19% of the total fund). This is a very small percentage of the total fund (£2.2bn). Given the majority of the holdings are in pooled funds, (with BlackRock and LGIM) as one of many investors in these funds, we do not have any influence over the underlying holdings.

18. Divestment would require moving our total holdings in the two funds (c. £810m) to alternative equity investments which exclude such investments. Index tracking pooled funds with such exclusions do not exist. In order to implement such an exclusion within the equities asset class, we would need to invest in a segregated (directly held) mandate. This would be costly in terms of investment fees and would result in reduced diversification compared to the current pooled fund holdings, leading to increased investment risk and volatility of returns.

19. Given Newton is already managed via a segregated mandate and Comgest does not have any exposure to Israel, advice obtained from Aon has focused on potential approaches to implementing exclusions in the mandates held with LGIM and BlackRock.

20. Aon have discussed potential approaches with both managers and have identified potential approaches. However, these approaches would need to be implemented via a bespoke segregated mandate and would also require the Fund to obtain a licence agreement with the index provider.

21. It should be noted that there are cost implications to implementing such a change. The total ongoing charge for the existing arrangement with LGIM would nearly double if we were to transfer our holdings to a bespoke segregated mandate. Likewise, there would be an increase in costs if we moved to a bespoke segregated mandate with BlackRock.

22. When balancing the fiduciary duty to act in the best interests of scheme members against an objective to divest from Israeli investments, we must ensure that the requirement that investment powers must be directed to achieve what is best for the financial position of the fund is fully met.

ii. Impact of the Fund's Net Zero Carbon Strategy

23. The pension fund has a strategy in place to achieve net zero carbon in its investments by 2030. In order to achieve this, it has been necessary to make a number of changes to both the asset classes and types of funds that we invest in. Over £1.8bn of assets have been moved from legacy assets to lower carbon alternatives since 2017.

24. Pension funds invest in index tracking funds which hold all stocks in an index. These are core to pension fund investment strategies. They achieve a market return over time within a low level of risk due to greater diversification and at a

lower cost than direct investments. The LBS fund's index tracking equity allocation has been moved from traditional equity funds to low carbon funds. These exclude companies which derive the majority of their revenue from e.g., oil, gas and coal extraction. By excluding such companies, diversification is reduced and investment risk increases.

25. These funds have limited exclusions in place regarding controversial weapons. It would be difficult for them to implement additional exclusions in this area as this would move further away from index tracking thereby increasing investment risk and volatility of investment returns.

iii. Requirement to Pool Assets

26. The Chancellor's Mansion House Speech, and the subsequent release of the "LGPS (England and Wales) Fit for the Future Consultation," set out requirements for LGPS funds to accelerate progress in pooling assets with a requirement to transfer all legacy assets to the pool by 31 March 2026. This is in addition to the earlier requirement set out by government to pool all listed assets by 31 March 2025.

27. To implement exclusions, the Fund's passive equity investments would need to be transferred to segregated mandates with LGIM and BlackRock. This would not be consistent with the government's agenda to increase pooled assets with LCIV, given LCIV do not currently have any available solutions.

Exclusions and Engagement Activity

28. The pooled equity funds we invest in have varying exclusions in place regarding investments in conventional and controversial weapons. We have engaged with each fund manager on this subject and some have indicated that, given there has been interest from several investors, they are considering whether further restrictions can be put in place whilst maintaining the index tracking strategy within a similar level of risk and return. We will continue to monitor developments in this area.

Conclusions and Recommendations

29. Given the complexities and limitations of the options available to the LBS fund in terms of divestment, it is not possible to demonstrate that divestment from Israeli investments would meet the fiduciary duty requirement set out in paragraph 3 of this report: i.e., that the precise choice of investment may be influenced by other, wider factors if they do not risk material financial detriment to the fund.

30. For the reasons set out in this report, it is recommended that the LBS fund does not divest from Israeli investments at this time. Officers will continue to monitor developments in this area, including the potential for fund managers to develop and bring to the market new investment products that exclude such investments.

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

Community Impact Statement

31. No immediate implications arising

Equalities (including socio-economic) Impact Statement

32. No immediate implications arising

Health Impact Statement

33. No immediate implications arising

Climate Change Implications

34. No immediate implications arising

Resource Implications

35. No immediate implications arising

Legal Implications

36. No immediate implications arising

Financial Implications

37. No immediate implications arising

Consultation

38. No immediate implications arising

APPENDICES

Name	Title
Appendix A	Asset Allocation – 30 September 2024

AUDIT TRAIL

Lead Officer	Clive Palfreyman, Strategic Director of Resources	
Report Author	Caroline Watson, Chief Investment Officer	
Version	Final	
Dated	26 November 2024	
Key Decision?	N/A	
CONSULTATION WITH OTHER OFFICERS / DIRECTORATES / CABINET MEMBER		
Officer Title	**Comments Sought**	**Comments Included**
Assistant chief executive, governance and assurance	N/A	N/A
Strategic Director of Resources	N/A	N/A
Cabinet Member	N/A	N/A
Date final report sent to Constitutional Team		

APPENDIX A – ASSET ALLOCATION

Asset Class	Manager	Pooled Fund/ Directly Held	Value (£000)
Low Carbon Passive Equities	BlackRock	Pooled	410,329
Low Carbon Passive Equities	LGIM	Pooled	404,576
Active Emerging Market Equities	Comgest	Pooled	97,359
Active Global Equities	Newton	Direct	311,501
Total Equities			**1,223,765**
Index Linked Gilts	BlackRock	Pooled	103,244
Index Linked Gilts	LGIM	Pooled	58,733
Total Index Linked Gilts			**161,977**
Sustainable Infrastructure	Temporis	Pooled	112,581
Sustainable Infrastructure	BlackRock	Pooled	28,628
Sustainable Infrastructure	Glennmont	Pooled	41,934
Total Sustainable Infrastructure			**183,143**
Active Core Property	Nuveen	Direct	230,225
Opportunistic Property	Brockton	Pooled	9,694
Opportunistic Property	Frogmore	Pooled	4,793
Private Residential	Invesco	Pooled	46,720
Private Residential	M&G	Pooled	43,310
Leisure Development Fund	Darwin	Pooled	18,696
Total Property			**353,439**
Private Equity	Blackstone	Pooled	49,189
Total Private Equity			**49,189**
Bereavement Services	Darwin	Pooled	23,010
Total Bereavement Services			**23,010**
Timberland	BTG Pactual	Pooled	34,600
Total Timberland			**34,600**
Multi Asset Credit	LCIV-CQS	Pooled	105,115
Multi Asset Credit	Robeco	Pooled	110,699
Total Multi Asset Credit			**215,814**
Total Cash and Cash Equivalents			**26,993**
Total Fund			**2,271,930**

Agenda Item 13

Meeting Name:	Pensions Advisory Panel
Date:	9 December 2024
Report title:	Listed Assets Review
Ward(s) or groups affected:	Not applicable
Classification:	Open
Reason for lateness (if applicable):	Not applicable
From:	Pensions Investment Manager

RECOMMENDATIONS

1. To note the content of this report.

2. To agree to the proposal that decisions on the transition of the Fund's listed/liquid assets to London CIV are deferred until such time that there is clarity on the new Regulations that will be in place following the current consultation on the future of the LGPS.

Background information

3. The current investment strategy of the Southwark Fund was 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.

4. The last review of the Strategic Asset Allocation of the Pension Fund took place following the 2022 actuarial valuation. The objective of the review was to ensure that the asset class and fund manager allocations of the Fund best capture investment opportunities with an optimal level of risk exposure to meet future pension payments over the long term.

5. In addition, the review sought to incorporate the Fund's commitment to achieving net zero carbon exposure, within its investments, by 2030.

6. As a result of the 2022 investment strategy review, the following high level investment strategy was agreed for the Fund in December 2022:

Asset class	Target Allocation %	Maximum Allocation	Role within strategy	Carbon classification
Equity	50	60	Expected long-term growth in capital and income in excess of inflation over the long-term	Low/reduced carbon

Asset class	Target Allocation %	Maximum Allocation	Role within strategy	Carbon classification
Multi-Asset Credit	10	20	Diversified approach to fixed income investing which aims to deliver equity like returns over time with a lower level of risk	Low carbon
Index-Linked Gilts	10	20	Low risk (relative to the liabilities) asset that provides inflation linked income and protection from falling interest rates	Non-low carbon
Property	20	30	Provides diversification from equities and fixed income Generates investment income and provides some inflation protection.	Reduced carbon
Sustainable Infrastructure (ESG Priority)	5	10	Asset class provides additional diversification from traditional asset classes. Generates sustainable, reliable income with significant linkage to inflation. Provides risk mitigation from declining fossil fuel usage.	Zero carbon
Bereavement Services Timberland Private Equity (ESG Priority)	} } 5 }	10	ESG priority allocation. Focus on investments with strong ESG and, in particular, low carbon credentials.	Low carbon Zero carbon Reduced carbon

LGPS Pooling – timeline of recent events

7. At 30 September 2024 PAP meeting, officers delivered a training session on LGPS pooling, intended to bring members of PAP up to date on LBSPF's progress on pooling assets in the London Collective Investment Vehicle (LCIV). This session complemented various updates on pooling that PAP has received over 2023 and 2024. The below table summarises the key activities with updates for events that have occurred post 30 September:

Date	Activity
2 October 2023	Deadline for responses to the LGPS Next Steps on Investments Consultation
22 November 2023	Autumn statement – government response to the Consultation
16 April 2024	LG Minister wrote to all councils asking for a productivity plan to be submitted (by 19th July). This did not include a requirement for a productivity plan for LBS PF
15 May 2024	LG Minister requested a separate productivity plan by 19th July covering efficiencies in the management of LBS PF: • Listed assets should be pooled by 31/3/2025 • Pools should eventually reach £50bn to maximise benefits of scale

	• Funds should have a plan to invest up to 5% of assets to support levelling up • Acceleration of investment into high growth UK companies
19 July 2024	Deadline for Funds to respond on approach to efficiencies in the management, governance and administration – still required post change in government, fund required to outline: • How your fund will complete the process of pensions asset pooling to deliver benefits of scale • How you ensure your LGPS fund is efficiently run, including consideration of governance and benefits of greater scale
20 July 2024	Chancellor Rachel Reeves announces “landmark” pensions review
16 August 2024	Terms of reference of pensions review published
4 September 2024	Call for evidence to inform the pensions review
25 September 2024	Deadline for submission of responses to call for evidence
30 October 2024	Chancellor’s Autumn statement:
14 November 2024	Chancellor’s Mansion House speech and release of “Local Government Pensions Scheme (England & Wales): Fit for the future” consultation: • No changes to structure of underlying funds • Minimum standards for pools (i.e. FCA regulated) • Full delegation of implementation of investment strategy to pool – and principal advice to be taken from pools • Transfer of ALL legacy assets by 31 March 2026 (still expectation that listed assets are transferred by 31 March 2025 although this is not enshrined in regulation)
16 January 2025	Deadline for consultation response

8. In LBSPF’s response to the May-July 2024 consultation, a commitment was made to attempt to pool all of the Fund’s listed/liquid assets (i.e. equities and liquid fixed income) by the March 2025 deadline.

9. While there is no legal requirement to do so, given the change in government and the publication of the “LGPS (England and Wales) Fit for the future” consultation on 14 November 2024, officers have progressed with a review of the fund’s listed assets that are not yet pooled. As requested by PAP at the meeting of 30 September 2024, this review includes a “deep dive” on the performance of Comgest, the Fund’s active emerging market equity manager.

10. This report focusses on the current position of the Fund’s listed assets and provide a comparison of the most closely aligned comparators that are currently available on LCIV. A key assumption that has been made is that, until the Strategic Asset Allocation of the Fund is reviewed following the 2025 actuarial valuation, there will be no change to the target allocation to each asset class and the allocation to active/passive assets will remain the same.

11. As at 30 September 2024, the Fund had the following allocation to listed/liquid assets:

Strategy	**Managers**	**£m**	**% of Fund**	**Status**	**Action**
Passive Global Equity	Blackrock/LGIM	814.9	35.9	Under supervision of LCIV	N/A
Active Global Equity	Newton	318.4	14.0	Not pooled	Consider LCIV options
Active Emerging Market Equity	Comgest	97.4	4.3	Not pooled	Consider LCIV options
Multi-Asset Credit	LCIV-CQS	105.1	4.6	Pooled	N/A
Multi-Asset Credit	Robeco	110.7	4.9	Not pooled	Consider LCIV options
I-L Gilts	Blackrock/LGIM	162.0	7.1	Under supervision of LCIV	N/A
TOTAL LISTED/LIQUID ASSETS		**1,608.5**	**70.8**		
Total Unlisted/Illiquid		649.9	28.6		N/A
Cash		13.5	0.6		
TOTAL FUND		**2,271.9**	**100.0**		

12. The above table shows that there are three mandates where the Fund does not currently comply with the (not binding) expectation that listed/liquid assets should be pooled by 31 March 2025: Newton global equity, Comgest Emerging Market equity and Robeco Multi-Asset Credit.

Purpose of meeting

13. Members of PAP will receive an update on the officer review of the listed/liquid assets managed by Newton (active global equity), Comgest (active emerging market equity) and Robeco (Multi-Asset Credit)

Next Steps

14. Further updates to PAP will be made as a standing item at future meetings.

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

Community Impact Statement

15. There are no immediate implications arising.

Equalities (including socio-economic) Impact Statement

16. There are no immediate implications arising.

Health Impact Statement

17. There are no immediate implications arising.

Climate Change Implications

18. There are no immediate implications arising.

Resource Implications

19. There are no immediate implications arising.

Legal Implications

20. There are no immediate implications arising

Consultation

21. There are no immediate implications arising.

Financial Implications

22. There are no immediate implications arising.

AUDIT TRAIL

<table>
<tr><td>Lead Officer</td><td colspan="2">Clive Palfreyman, Strategic Director of Resources</td></tr>
<tr><td>Report Author</td><td colspan="2">Tracey Milner, Interim Pensions Investments Manager</td></tr>
<tr><td>Version</td><td colspan="2">Final</td></tr>
<tr><td>Dated</td><td colspan="2">26 November 2024</td></tr>
<tr><td>Key Decision?</td><td colspan="2">N/A</td></tr>
<tr><td colspan="3">CONSULTATION WITH OTHER OFFICERS / DIRECTORATES / CABINET MEMBER</td></tr>
<tr><td>Officer Title</td><td>Comments Sought</td><td>Comments Included</td></tr>
<tr><td>Assistant Chief Executive (Governance and Assurance)</td><td>N/A</td><td>N/A</td></tr>
<tr><td>Strategic Director of Resources</td><td>N/A</td><td>N/A</td></tr>
<tr><td>Cabinet Member</td><td>N/A</td><td>N/A</td></tr>
<tr><td colspan="2">Date final report sent to Constitutional Team</td><td></td></tr>
</table>

Agenda Item 14

Meeting Name:	Pensions Advisory Panel
Date:	9 December 2024
Report title:	Carbon Footprint Update – 30 Sept 2024
Ward(s) or groups affected:	Not applicable
Classification:	Open
Reason for lateness (if applicable):	Not applicable
From:	Interim Environmental, Social and Governance (ESG) Manager

RECOMMENDATIONS

1. The pensions advisory panel is asked to note the Fund's updated carbon footprint as at 30 September 2024.

Results

2. The table on the next page sets out the weighted carbon intensity (with $ million revenue as a base) by asset class against our benchmark period of September 2017. For the calculations, we rely on the Weighted Average Carbon Intensity (WACI) calculations provided by our fund managers and available from Trucost, our carbon data provider. In our calculations, we currently consider Scope 1 and Scope 2 carbon emissions only.

3. The results for 30 Sept 2024 show a slight increase in the carbon footprint (Scope 1 and Scope 2) for the Fund. Compared to the previous quarter (30 June 2024), the Weighted Carbon Intensity ('WCI') has increased by 5%. Since September 2017, the Fund has reduced its WCI by ~82%.

4. The changes in the standalone investments across the asset classes in the portfolio is discussed below:

   a. Developed market equities (negative impact): There is a very marginal increase in WCI for the BlackRock and LGIM developed market low-carbon equities (11.6 vs 11.5), primarily due to market movements. On a standalone basis, there is a 1% increase the carbon footprint of the LGIM fund and a 3% increase in the carbon footprint of the BlackRock fund.

   b. Nuveen (positive impact): There is an improvement in the WCI for the quarter (1.4 vs 1.5) driven by results of various decarbonisation-focused initiatives that have been implemented across the portfolio over the past years.

Weighted Carbon Intensity over time		Weighted Carbon Intensity (Scope 1 & Scope 2) tCO2e/$m revenue						
Asset Class	**Fund Managers**	**Sept 2017 (baseline)**	**March 2021**	**March 2022**	**March 2023**	**March 2024**	**June 2024**	**Sept 2024**
Equity - Developed	Blackrock, LGIM	98.7	23.0					
Equity - Developed Market Low Carbon	Blackrock, LGIM		24.2	51.0	17.5	13.7	11.5	11.6
Equity - Emerging Markets	Blackrock	18.1	19.1					
Equity - Emerging Markets	Comgest			0.2	0.4	2.2	2.5	2.2
Equity - Global	Newton	10.6	4.4	5.8	6.9	4.5	3.6	3.6
Diversified Growth Fund	Blackrock	26.7	15.6	16.5	12.6			
Absolute Return Bonds	Blackrock	22.4	10.0	6.8	19.6			
Multi-Asset Credit	Robeco, LCIV					5.1	5.1	5.9
Core Property	Nuveen	14.3	10.6	12.0	1.8	1.7	1.5	1.4
ESG Priority Allocation - Property	Invesco, M&G, Brockton, Frogmore	8.8	10.9	4.6	4.8	0.8	0.7	0.6
ESG Priority Allocation - Alternatives	BTG Pactual, Blackstone, Darwin			0.1	0.5	1.1	1.2	1.0
Sustainable Infrastructure	Blackrock, Glennmont, Temporis	0.0	0.0	0.0	0.0	1.8	1.8	1.8
IL Gilts	Blackrock, LGIM	14.0	14.0	24.2	21.4	8.8	8.3	9.6
Cash And Equivalents	Blackrock, Nuveen, Newton	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Total Weighted Carbon Intensity		213.7	131.7	121.4	85.5	39.7	36.0	37.7
Total Change in Footprint			**-38.3%**	**-43.2%**	**-60.0%**	**-81.4%**	**-83.1%**	**-82.3%**

c. Comgest (positive impact): There is a decrease in the WCI of the portfolio (2.2 vs 2.5), as effects of the decarbonisation efforts of the underlying companies in the portfolio start to materialise.

d. Newton Global Equity (neutral): Newton continues to actively engage with underlying portfolio companies on their decarbonisation agenda. Overall WCI of the Newton portfolio is consistent compared to previous quarter (3.6 vs 3.6).

e. Multi-asset credit funds with LCIV and Robeco (negative impact): Overall WCI for both the multi-asset credits funds is negative (5.9 vs 5.1), driven primarily by an increase in carbon intensity of the LCIV-CQS fund. On a standalone basis, there is a 1.5% increase the WCI of the Robeco fund and a 25% increase in the WCI of the LCVI-CQS fund. Both, LCIV-CQS and Robeco, are engaging with the underlying companies in the portfolio in relation to the decarbonisation initiatives. Both funds also have interim and long-term decarbonisation targets, so we expect to see an improvement over time.

f. ESG Priority Allocation (positive): Overall WCI for all the investments in the ESG Priority Allocation category for both the property assets (Invesco, M&G, Brockton, etc) and wider infrastructure assets (BTG Pactual, Darwin) has decreased marginally compared to the previous quarter (1.6 vs 1.8) with a 5% positive impact to the Fund’s overall WCI.

g. Sustainable Infrastructure (neutral): We continue to use actual WACI information from BlackRock in relation to our investment in Global Renewable Power III Fund as a proxy for other investments in the sustainable infrastructure category. Overall WCI for all investments in the category is the same as previous quarter.

h. Index-linked Gilts (negative impact): WCI for the index-linked gilts over the quarter has increased (9.6 vs 8.3). This is primarily on account of an error in the reporting received from BlackRock for historical quarters. Numbers previously provided by BlackRock were incorrect (and lower) due to a data feed issue. The correct numbers from BlackRock are c. 25% higher which have in-turn contributed to higher WCI for the quarter.

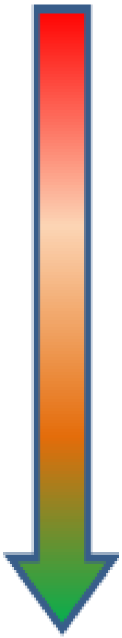
5. The unweighted exposure for each investment is set out below ranked in order of carbon footprint, from lowest to highest exposure.

Unweighted Carbon Intensity		**Unweighted Carbon Intensity tCO2e/$m revenue**
Asset Class	**Fund Manager(s)**	**Sept 2024**
Cash And Equivalents	BlackRock, LGIM, Nuveen, Newton	0.00
Core Property	Nuveen	13.50
Global Equities	Newton	25.60

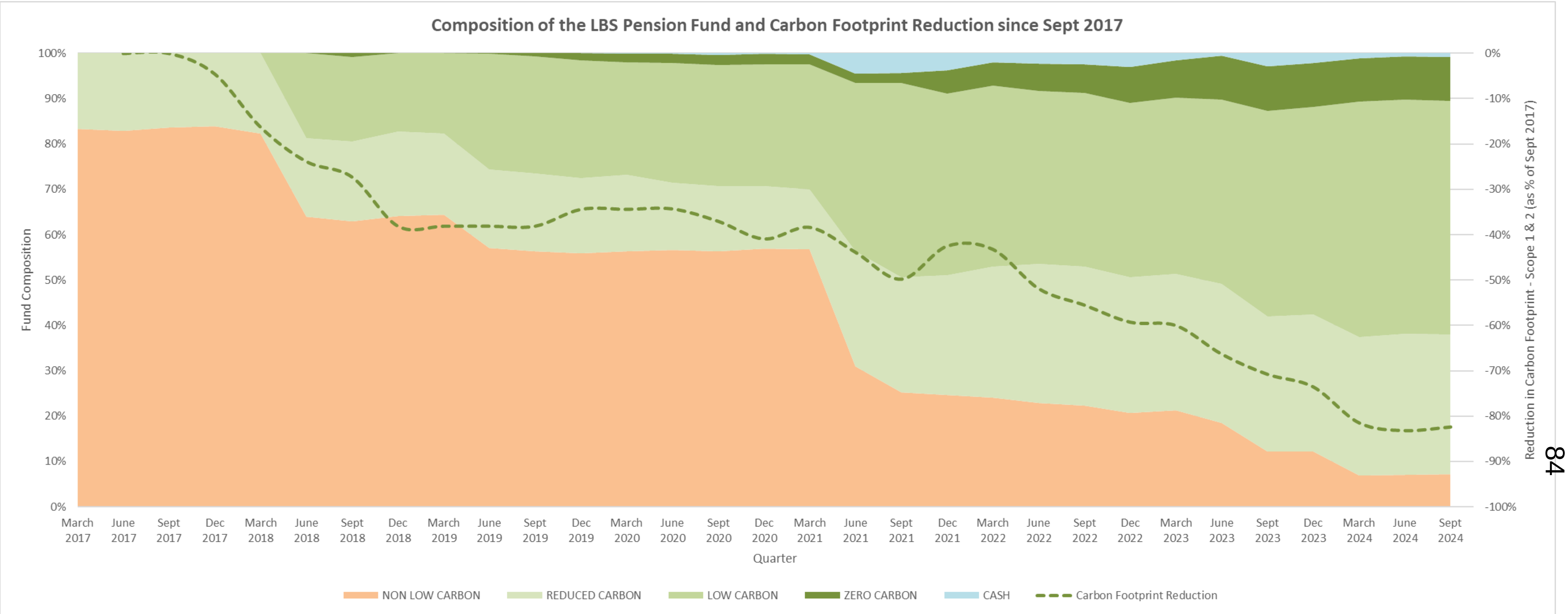
Unweighted Carbon Intensity		Unweighted Carbon Intensity tCO2e/$m revenue
Asset Class	**Fund Manager(s)**	**Sept 2024**
Low Carbon Equity	LGIM	28.90
Low Carbon Equity	BlackRock	36.00
Emerging Markets Equity	Comgest	51.00
ESG Priority Allocation - Property	Brockton, Frogmore, Invesco, M&G	54.00
ESG Priority Allocation - Alternatives	BTG Pactual, Blackstone, Darwin Bereavement & Leisure Dev	88.40
Sustainable Infrastructure	BlackRock, Glenmont, Temporis	112.5
Multi-asset Credit Funds	Robeco, LCIV	125.40
Index Linked Gilts	Blackrock, LGIM	266.90
Total		**802.20**

6. During the quarter, the holdings in the Zero Carbon, Low Carbon and Reduced Carbon investments are ~92% of our total investment (consistent with holdings as at 30 June 2024).

7. The carbon footprint reduction infographic (set out below, with further information on the following page) has been produced to demonstrate the changes in the composition of the Fund in terms of carbon emissions against the reduction of the carbon footprint over time. The graph is intended to easily display the Fund's progress towards net zero.



LEGACY INVESTMENTS	Investment products that are not actively targeting reduced carbon emissions. Some of these may potentially have exposure to fossil fuels; however, we are working to understand the extent of this and will address this in our strategy going forwards. The Fund intends to make no new investments in such products.
REDUCED CARBON	Investments either in property or in funds with specific oil and gas exclusions.
LOW CARBON	Funds specifically set up as 'low carbon' funds. All products within this category are currently index tracking developed market equities.
ZERO CARBON	Investments in vehicles that produce zero carbon or in some cases have a measurable offsetting impact on carbon emissions. Currently this category contains sustainable infrastructure products.
CASH	Held in the pension fund, usually pending anticipated drawdown requests or in advance of an acquisition.


Composition of the LBS Pension Fund and Carbon Footprint Reduction since Sept 2017
Fund Composition
100%
90%
80%
70%
60%
50%
40%
30%
20%
10%
0%
Reduction in Carbon Footprint - Scope 1 & 2 (as % of Sept 2017)
0%
-10%
-20%
-30%
-40%
-50%
-60%
-70%
-80%
-90%
-100%
March 2017
June 2017
Sept 2017
Dec 2017
March 2018
June 2018
Sept 2018
Dec 2018
March 2019
June 2019
Sept 2019
Dec 2019
March 2020
June 2020
Sept 2020
Dec 2020
March 2021
June 2021
Sept 2021
Dec 2021
March 2022
June 2022
Sept 2022
Dec 2022
March 2023
June 2023
Sept 2023
Dec 2023
March 2024
June 2024
Sept 2024
Quarter
NON LOW CARBON
REDUCED CARBON
LOW CARBON
ZERO CARBON
CASH
Carbon Footprint Reduction

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

Community Impact Statement

8. No immediate implications arising

Equalities (including socio-economic) Impact Statement

9. No immediate implications arising

Health Impact Statement

10. No immediate implications arising

Climate Change Implications

11. No immediate implications arising

Resource Implications

12. No immediate implications arising

Legal Implications

13. No immediate implications arising

Financial Implications

14. No immediate implications arising

Consultation

15. No consultation is needed.

AUDIT TRAIL

<table>
<tr><td>Lead Officer</td><td colspan="2">Clive Palfreyman, Strategic Director of Resources</td></tr>
<tr><td>Report Author</td><td colspan="2">Spandan Shah, Interim ESG Manager</td></tr>
<tr><td>Version</td><td colspan="2">Final</td></tr>
<tr><td>Dated</td><td colspan="2">25 November 2024</td></tr>
<tr><td>Key Decision?</td><td colspan="2">N/A</td></tr>
<tr><td colspan="3">CONSULTATION WITH OTHER OFFICERS / DIRECTORATES / CABINET MEMBER</td></tr>
<tr><td>Officer Title</td><td>Comments Sought</td><td>Comments Included</td></tr>
<tr><td>Assistant chief executive, governance and assurance</td><td>N/A</td><td>N/A</td></tr>
<tr><td>Strategic Director of Resources</td><td>N/A</td><td>N/A</td></tr>
<tr><td>Cabinet Member</td><td>N/A</td><td>N/A</td></tr>
<tr><td colspan="2">Date final report sent to Constitutional Team</td><td></td></tr>
</table>

Agenda Item 15

Meeting Name:	Pensions Advisory Panel
Date:	9 December 2024
Report title:	Update on Engagement and Voting activity
Ward(s) or groups affected:	Not applicable
Classification:	Open
Reason for lateness (if applicable):	Not applicable
From:	Interim ESG Manager – Treasury and Pensions

RECOMMENDATIONS

1. The Pension Advisory Panel is asked to note the Fund's engagement and voting activity for the quarter ended 30 September 2024 for the underlying investments of the Fund.

An update on the fund's engagement and voting activity

2. This report outlines the key engagement and voting themes across the Fund's listed assets for both segregated and pooled mandates. It also summarises the engagement and voting activity undertaken by LAPFF, active equities managers (Newton and Comgest) and passive equities managers (LGIM and Blackrock) up to the quarter ended 30 September 2024.

Key engagement and voting themes

3. Through the investment managers, the Fund engages with and votes on various ESG-focused themes and topics.

4. During the quarter, some of the key ESG-focused engagement and voting themes for the listed assets are listed below:

a. Environment-focused themes:
   i. Climate change
   ii. Water stewardship
   iii. Environmental risk

b. Social themes:
   i. Human Rights
   ii. Employee Diversity

c. Governance related themes:
   i. Board and leadership quality
   ii. Lobbying

iii. Executive remuneration

5. The investment managers summarise their engagement themes and voting decisions in reports which are subsequently shared with officers on a quarterly basis.

6. The above themes, particularly the focus on climate change, are aligned with the Fund's net-zero and wider Responsible Investment agenda.

ENGAGEMENT AND VOTING SUMMARY

LAPFF (1 July 2024 - 30 Sept 2024)

7. Attached is a link to the LAPFF website which includes historical reports of the stakeholder engagement activity it undertakes on an ongoing basis: https://lapfforum.org/engagements/

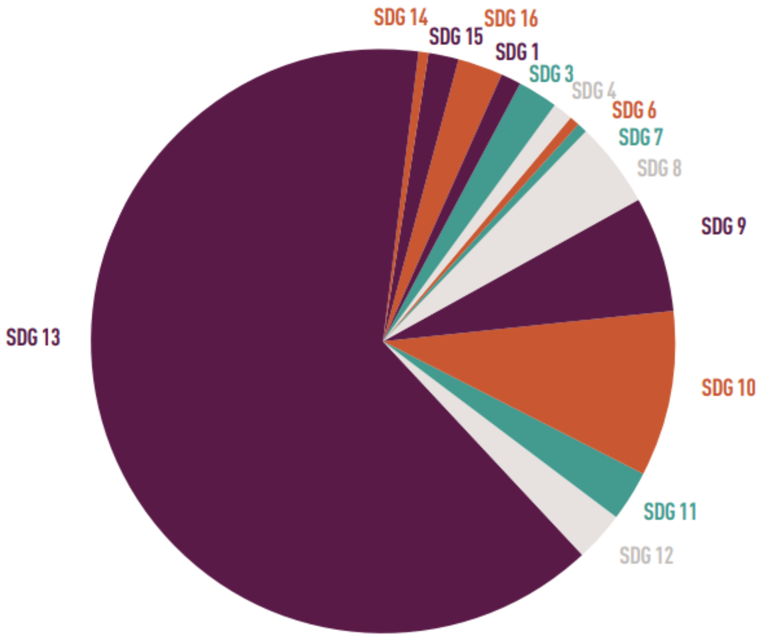
8. The report for the period 1 July 2024 to 30 September 2024 is available at: https://lapfforum.org/wp-content/uploads/2024/10/LAPFF-QER-Q3-2024-1.pdf

9. During the quarter from July to September 2024, in addition to 76 letters sent as part of Climate Transition Plan initiative, LAPFF engaged with 42 companies through meetings, AGM attendance and letters/email correspondences.

10. The primary areas of engagement were climate change, executive remuneration, environmental risk followed by social risks and governance.

11. Other engagement topics include employment standards, reputational risk, human rights, supply chain management, and finance and accounting.

12. An overview of the engagement themes undertaken by LAPFF across the 17 UN Sustainable Development Goals is captured in the below chart:



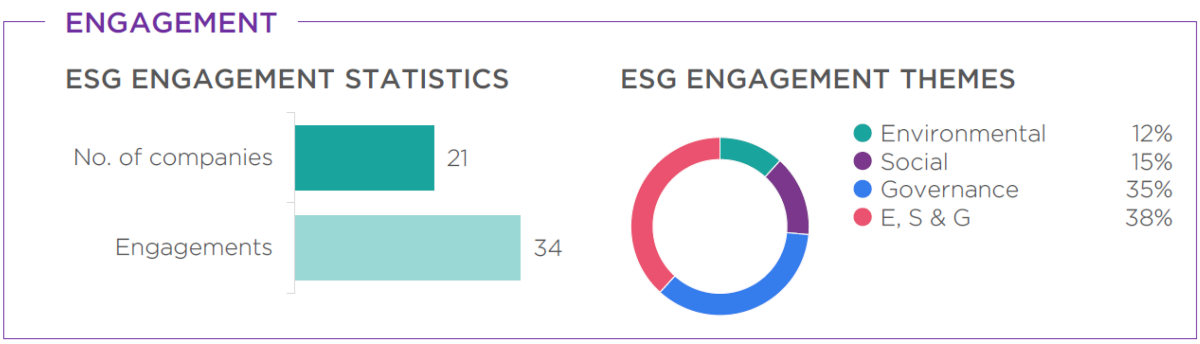
LAPFF SDG ENGAGEMENTS	
SDG 1: No Poverty	2
SDG 2: Zero Hunger	0
SDG 3: Good Health and Well-Being	4
SDG 4: Quality Education	2
SDG 5: Gender Equality	0
SDG 6: Clean Water and Sanitation	1
SDG 7: Affordable and Clean Energy	1
SDG 8: Decent Work and Economic Growth	8
SDG 9: Industry, Innovation, and Infrastructure	11
SDG 10: Reduced Inequalities	16
SDG 11: Sustainable Cities and Communities	5
SDG12: Responsible Production and Consumption	5
SDG 13: Climate Action	111
SDG 14: Life Below Water	1
SDG 15: Life on Land	3
SDG 16: Peace, Justice, and Strong Institutions	4
SDG 17: Strengthen the Means of Implementation and Revitalise the Global Partnership for Sustainable Development	0

Comgest (1 July 2023 – 30 June 2024) [1]

13. Comgest's Voting and Engagement Policy can be found at https://www.comgest.com/-/media/comgest/esg-library/esg-en/voting-and-engagement-policy.pdf.

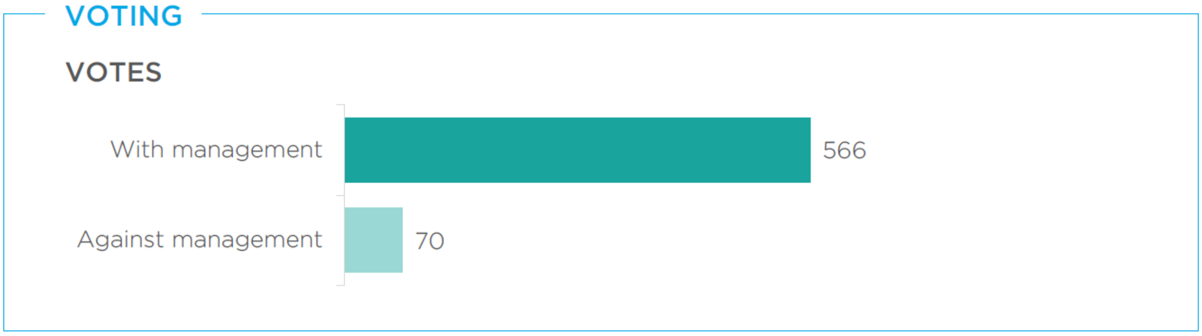
14. On a quarterly basis Comgest provides information on the voting undertaken and their engagement across ESG matters over the previous 12-month period.

15. Over the 12-month period from 1 July 2023 to 30 June 2024, Comgest had 34 engagements with 21 companies. Breakdown of the engagement themes is captured in the chart below.



16. The voting activity for the 12-month period is captured below:

[1] Source: Comgest Quarterly Report shared on 10/10/2024 which includes data for 12-month period from 1 July 2023 to 30 June 2024



Newton (July – September 2024)

17. Newton's Voting and Stewardship Policy can be found at https://www.newtonim.com/uk-lgps/special-document/governance-principles-and-voting-guidelines/ and https://www.newtonim.com/uk-lgps/special-document/stewardship-and-sustainability-policy/

18. On a quarterly basis, Newton provides information on the voting undertaken and their engagement across ESG matters.

19. During the period from July – September 2024[2], for our segregated fund, Newton had stewardship meetings with various companies on:

    a. environmental aspects like use climate transition risk and net-zero strategy
    b. social aspects like human capital including safety, working conditions, employee engagement and diversity & inclusion aspects and Opportunities in/access to socially sustainable products or services
    c. governance aspects like Board independence, Board and leadership quality, skills and experience, conduct and culture

20. During the quarter, Newton voted with the management of portfolio companies on 15 resolutions and against the management on 12 resolutions.

LGIM (12-month period ended 30 September 2024)

21. LGIM's Corporate Governance Policy can be found at https://www.lgim.com/landg-assets/lgim/_document-library/capabilities/lgim-uk-corporate-governance-and-responsible-investment-policy.pdf

22. LGIM also publishes its approach to voting in the public domain. Its voting intentions for 2024 are outlined in a blog available at: https://blog.lgim.com/categories/esg-and-long-term-themes/lgims-voting-intentions-for-2024/

23. For the Low Carbon Transition Developed Markets Equity Index Fund[3], LGIM voted with the management on 78.37% resolutions and against the management on 21.13% of the resolutions. Total resolutions where LGIM was

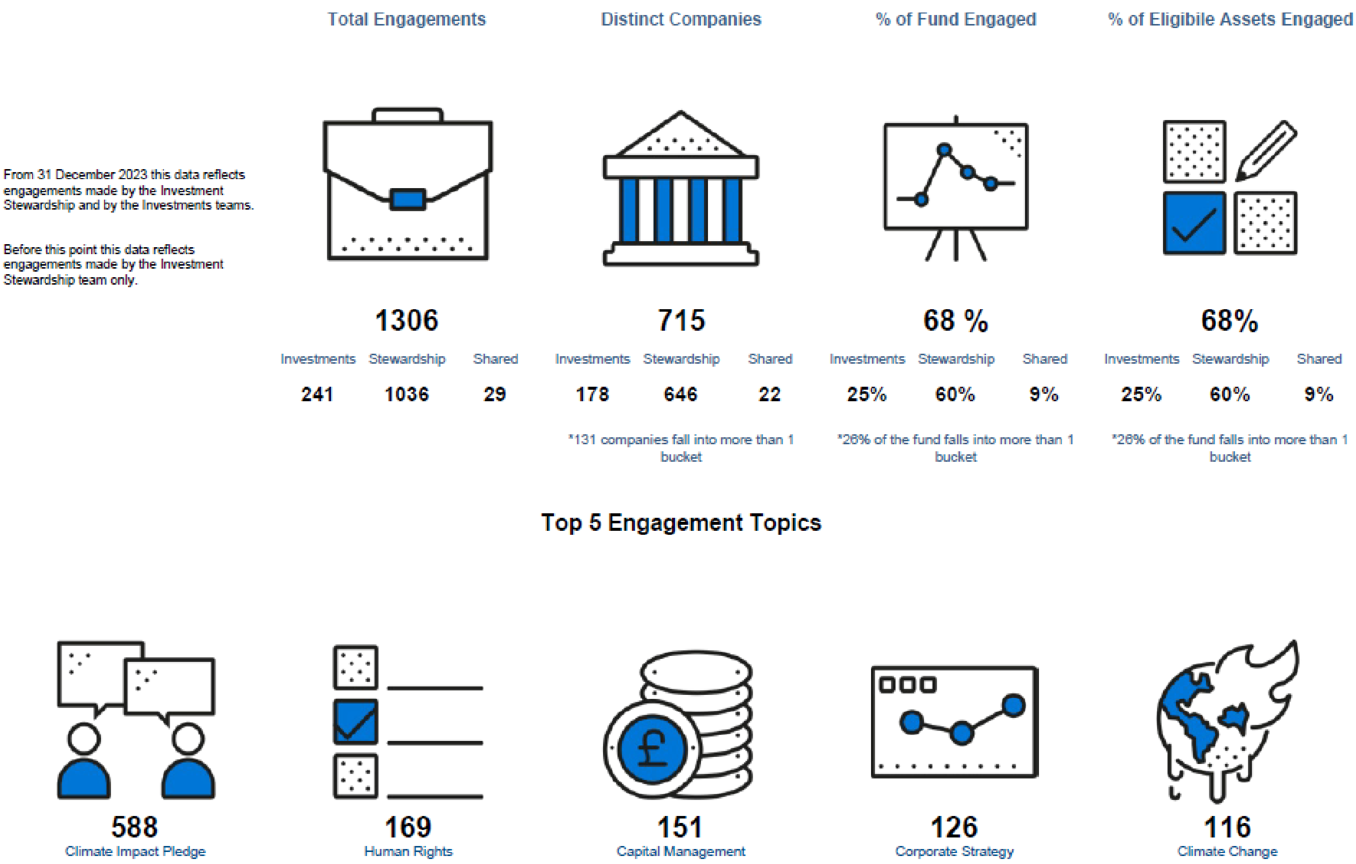
[2] Source: Newton Quarterly RI Report shared on 14/11/2024
[3] Shared by LGIM team on 21/11/2024

eligible to vote were 21,819.

24. During the 12-month period, Low Carbon Transition Developed Markets Equity Index Fund, LGIM had 1,306 engagements with 715 companies comprising 68% of the fund value.

25. Top 5 engagement topics were Climate Impact pledge, human rights, capital management, corporate strategy, and climate change.

26. Summary of the engagement activity is captured below[4].



BlackRock (1 July 2024 - 30 Sept 2024)

27. BlackRock's policies and approach to Investment Stewardship and Engagement can be found at https://www.blackrock.com/corporate/literature/fact-sheet/blk-responsible-investment-engprinciples-global.pdf and https://www.blackrock.com/corporate/literature/publication/blk-stewardship-priorities-final.pdf

28. BlackRock's voting intentions and approach differs by geographies. Its proxy voting guidelines for equity assets in various are available at https://www.blackrock.com/corporate/insights/investment-stewardship.

[4] Shared by LGIM team on 21/11/2024

29. During the quarter, for the ACS World Low Carbon Equity Tracker Fund[5], BlackRock voted with the management on 91.63% proposals and against the management on 6.28% of the proposals. Total proposals where BlackRock was eligible to vote were 812.

Engagement and voting activity next steps

30. The Fund is in discussions with the BlackRock and LGIM to explore ‘pass-through’ voting for the pooled equity assets, to better align with the priorities in the Responsible Investment (‘RI’) Policy.

31. The Fund will also review the voting and engagement activity in case of segregated mandates and provide specific guidance and action points to the fund managers to ensure it is aligned with our strategic priorities and the ISS and RI Policy.

Policy framework implications

32. There are no immediate implications arising from this report.

Community impact statement

33. There are no immediate implications arising from this report.

Equalities (including socio-economic) impact statement

34. There are no immediate implications arising from this report.

Health impact statement

35. There are no immediate implications arising from this report.

Climate change implications

36. There are no immediate implications arising from this report.

Resource implications

37. There are no immediate implications arising from this report.

Legal implications

38. There are no immediate implications arising from this report.

Financial implications

39. There are no immediate implications arising from this report.

[5] Based on BlackRock Proxy Vote summary report for quarter ended 30/09/2024

Consultation

40. There are no immediate implications arising from this report.

AUDIT TRAIL

Lead Officer	Clive Palfreyman, Strategic Director of Resources	
Report Author	Spandan Shah, Interim ESG Manager - Treasury and Pensions	
Version	Final	
Dated	25 November 2024	
Key Decision?	N/A	
CONSULTATION WITH OTHER OFFICERS / DIRECTORATES / CABINET MEMBER		
Officer Title	**Comments Sought**	**Comments Included**
Assistant chief executive, governance and assurance	N/A	N/A
Strategic Director of Resources	N/A	N/A
Cabinet Member	N/A	N/A
Date final report sent to Constitutional Team		

Agenda Item 16

Meeting Name:	Pensions Advisory Panel
Date:	9 December 2024
Report title:	Metrics to be considered as part of the Equality, Diversity, and Inclusion policy
Ward(s) or groups affected:	Not applicable
Classification:	Open
Reason for lateness (if applicable):	Not applicable
From:	Interim Environmental, Social and Governance Manager – Treasury and Pensions

RECOMMENDATIONS

1. The Pension Advisory Panel is asked to note the key KPIs/metrics the Fund will consider as part of implementing a standalone Equality, Diversity, and Inclusion ('EDI') policy (or 'the Policy') which was discussed in the previous meeting.

Equality, Diversity and Inclusion Policy

BACKGROUND

2. In line with The Pension Regulator (TPR) guidance, the Fund has developed a standalone EDI policy aimed at reinforcing commitment to EDI parameters as part of its internal and external operations.

3. The Fund's EDI policy covers the following key areas:

   a. Scope and Aim of the policy
   b. Definitions of EDI adopted by the Fund for implementing the policy
   c. Initiatives to be taken by the Fund to deliver its EDI aims
   d. Ways in which the Fund will monitor progress of its EDI aims
   e. Reporting the Fund's progress on EDI aims

4. The Policy applies to the Fund Governance structure, including the Local Pension Board ('LPB'), Strategic Director of Resources ('s151 officer') and the PAP, the Fund Management (including the Pensions & Treasury Investment team and the Pensions Operations team) and the Fund's external stakeholders (including but not limited to the investment managers, consultants, custodians, actuary, and LGPS pooled funds, e.g. LCIV).

5. In line with the discussions during the PAP meeting of 30 September 2024, we have outlined the key KPIs/metrics the Fund will consider as part of implementing the Policy and its ongoing review, monitoring, and reporting - where possible -

going forward.

Key KPIs/Metrics to be considered

6. Fund Governance (PAP + LPB + s151 officer)

KPI/Metric	Measurement
Diversity	Gender & ethnicity-based diversity at PAP & LPB (at the end of the financial year)
EDI trainings	Number of EDI-focused trainings provided to PAP & LPB during the financial year

7. Fund Management (Pensions Investment & Pensions Operations teams)

KPI/Metric	Measurement
Diversity	Gender & ethnicity-based diversity in the teams (at the end of the financial year)
EDI trainings	Number of EDI-focused trainings provided to the teams during the financial year
Pay-gap	Gender & ethnicity-based pay gap (& related targets) in line with the wider Southwark Council policy

8. Fund's external stakeholders (investment managers, consultants, custodians, actuary, and LGPS pools)

KPI/Metric	Measurement
Standalone EDI policy	Do they have a standalone EDI policy within their organisation? Measure improvement over time. If not, engage with them on developing a standalone EDI policy and initiatives
Diversity	Do they have Gender & ethnicity-based diversity targets at Board & Senior management level? Measure improvement over time. If not, engage with them on establishing diversity targets at Board & Senior management level.
	Do they have gender & ethnicity-based diversity targets at Investment/Portfolio management/Operations level? Measure improvement over time. If not, engage with them on establishing diversity targets at Investment/Portfolio management/Operations level.

KPI/Metric	Measurement
Pay-gap	Do they have gender and ethnicity-based pay gap targets? Measure improvement over time. If not, engage with them on their approach to addressing pay-gap.
Industry initiatives	Are they part of EDI-focused industry initiatives (e.g. the Diversity project, 10,000 Black Interns, etc,) If not, engage with them to be part of these initiatives to advance EDI in their organisation.
EDI trainings	Do they provide EDI-focused trainings to their workforce? Measure coverage of the trainings and improvement over time.
Reporting	Do they report EDI data periodically? Or as part of an industry initiative? Assess improvement over time based on the disclosures.

Policy framework implications

9. There are no immediate implications arising from this report.

Community impact statement

10. There are no immediate implications arising from this report.

Equalities (including socio-economic) impact statement

11. There are no immediate implications arising from this report.

Health impact statement

12. There are no immediate implications arising from this report.

Climate change implications

13. There are no immediate implications arising from this report.

Resource implications

14. There are no immediate implications arising from this report.

Legal implications

15. There are no immediate implications arising from this report.

Financial implications

16. There are no immediate implications arising from this report.

Consultation

17. There are no requirements for consultation for this report.

AUDIT TRAIL

Lead Officer	Clive Palfreyman, Strategic Director of Resources	
Report Author	Spandan Shah, Interim ESG Manager - Treasury and Pensions	
Version	Final	
Dated	25 November 2024	
Key Decision?	N/A	
CONSULTATION WITH OTHER OFFICERS / DIRECTORATES / CABINET MEMBER		
Officer Title	**Comments Sought**	**Comments Included**
Assistant chief executive, governance and assurance	N/A	N/A
Strategic Director of Resources	N/A	N/A
Cabinet Member	N/A	N/A
Date final report sent to Constitutional Team		

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MUNICIPAL YEAR 2024/25

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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Last updated – September 2024			