

Pensions Advisory Panel

Tuesday 23 September 2025

11.30 am

Meeting Room 225 - 160 Tooley Street, London SE1 2QH

Membership

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

Staff Representatives

Roger Stocker
Julie Timbrell
Derrick Bennett

Officers

Clive Palfreyman
Caroline Watson
Barry Berkengoff

Advisors

David Cullinan
Colin Cartwright

INFORMATION FOR MEMBERS

Contact

Andrew Weir on 020 7525 7222 or email: andrew.weir@southwark.gov.uk

Members of the committee are summoned to attend this meeting

Althea Loderick

Chief Executive

Date: 15 September 2025



Pensions Advisory Panel

Tuesday 23 September 2025
11.30 am
Meeting Room 225 - 160 Tooley Street, London SE1 2QH

Order of Business

Item No.	Title	Page No.
1.	APOLOGIES	
	To receive any apologies for absence.	
2.	CONFIRMATION OF VOTING MEMBERS	
	Voting members of the committee to be confirmed at this point in the meeting.	
3.	NOTIFICATION OF ANY ITEMS OF BUSINESS WHICH THE CHAIR DEEMS URGENT	
4.	DISCLOSURE OF INTERESTS AND DISPENSATIONS	
	Members of the committee to declare any interests and dispensation in respect of any item of business to be considered at this meeting.	
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	To agree as a correct record, the open minutes of the meeting held on 19 March 2025	
6.	MATTERS ARISING	
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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 closed minutes of the meeting held on 19 March 2025.

18. FIT FOR THE FUTURE UPDATE – CLOSED**19. QUARTERLY INVESTMENT UPDATE - AON - CLOSED****20. RESPONSIBLE INVESTMENT UPDATE - CLOSED**

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

Date: 15 September 2025



Pensions Advisory Panel

MINUTES of the OPEN section of the Pensions Advisory Panel held on 19 March 2025 at 1.30pm in Meeting Room G02C - 160 Tooley Street, London SE1 2QH

PRESENT: Councillor Stephanie Cryan (Chair)
Councillor Rachel Bentley
Councillor Emily Hickson
Clive Palfreyman
Caroline Watson
Barry Berkengoff
Tracey Milner
Spandan Shah
Julie Timbrell
Roger Stocker
Mike Ellsmore
David Cullinan
Colin Cartwright

1. APOLOGIES

Apologies were received from Derrick Bennett.

2. CONFIRMATION OF VOTING MEMBERS

Councillor Stephanie Cryan, Councillor Rachel Bentley, Councillor Emily Hickson, Caroline Watson and Barry Berkengoff 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. MINUTES

RESOLVED:

That the open minutes of the meeting held on 9 December 2024 be agreed as a correct record, and signed by the Chair.

6. MATTERS ARISING

There were none.

7. LOCAL GOVERNMENT PENSION SCHEME POOLING – VERBAL UPDATE

Tracey Milner, Interim Pension Investments Manager gave a brief verbal update to the panel.

There was a brief discussion.

RESOLVED:

That the verbal update be noted.

8. UPDATE ON THE LOCAL PENSION BOARD

Mike Ellsmore then updated the Panel on the last meeting of the LPB. He highlighted that there was a failure by some employers to pay their contributions to the fund.

The Panel raised some questions, and discussed the issue of the employers who were not paying their contributions to the fund, including the way that these breaches could be addressed.

RESOLVED:

That the update from the Local Pension Board (LPB) meeting of 22 January 2025 be noted.

9. PENSIONS SERVICES - ADMINISTRATION AND OPERATIONAL UPDATE

Barry Berkengoff, Head of Pension Operations, presented the report.

Some questions were raised about the report and these were discussed, as well as a brief discussion on formal complaints and the opportunity to bring schools in

house in the future.

RESOLVED:

That the update on the pensions administration and operational function be noted.

10. ASSET ALLOCATION AND NET ZERO STRATEGY UPDATE - 31 DECEMBER 2024

Tracey Milner, Interim Pensions Investment Manager, introduced the report.

There were questions on the report and a discussion regarding the content of the report.

RESOLVED:

That the Fund's asset allocation at 31 December 2024, overall performance and other matters considered by the officers and advisers of the Fund during the quarter to the end of December and post quarter end be noted.

11. ADVISORS' UPDATES - QUARTER TO DECEMBER 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.

12. COMPLIANCE WITH THE GENERAL CODE & ACTION PLAN FOLLOWING BARNETT WADDINGHAM REVIEW

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

There were questions on the report and a discussion.

Caroline Watson advised that there would be a future update on this item when there was progress to report.

RESOLVED:

1. That the findings from Barnett Waddingham's review of the Fund's readiness in complying with the requirements of the revised General Code of Practice

(‘the Code’) be noted.

2. That the action plan, which includes specific actions and steps to be taken by the Fund to address areas of gaps/improvements identified as part of the review, be noted.

13. CARBON FOOTPRINT UPDATE – 31 DECEMBER 2024

Spandan Shah, Interim ESG Manager, Finance and Governance, presented the report.

Spandan advised that compared to the previous quarter (30 Sept 2024), the Weighted Carbon Intensity (‘WCI’) had decreased by 9%. Since September 2017, the Fund had reduced its WCI by 84%.

There were questions on the report and a brief discussion.

RESOLVED:

That the Fund’s updated carbon footprint as at 31 December 2024 be noted.

14. UPDATE ON ENGAGEMENT AND VOTING ACTIVITY – 31 DEC 2024

Spandan Shah, Interim ESG Manager, Finance and Governance, presented the report.

There were questions on the report and a short discussion.

RESOLVED:

That the Fund’s engagement and voting activity for the quarter ended 31 December 2024 for the underlying investments of the Fund be noted.

15. PENSION FUND STATEMENT OF ACCOUNTS 2023-24

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

There were no questions on the report.

RESOLVED:

1. That the pension fund statement of accounts, set out as Appendix 1, be noted.
2. That the ISA 260 report as issued by KPMG, set out as Appendix 2, 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.

16. CLOSED MINUTES

The voting members of the Panel considered the closed information relating to this item.

17. LOCAL GOVERNMENT PENSION SCHEME POOLING – VERBAL UPDATE

The voting members of the Panel considered the closed information relating to this item.

18. QUARTERLY INVESTMENT UPDATE – AON CLOSED REPORT

The voting members of the Panel considered the closed information relating to this item.

19. QUARTERLY ACTUARIAL FUNDING UPDATE – DECEMBER 2024

The voting members of the Panel considered the closed information relating to this item.

The meeting ended at 3.16pm

CHAIR:

DATED:

Meeting Name:	Pensions Advisory Panel
Date:	23 September 2025
Report title:	Fit for the Future Update
Ward(s) or groups affected:	Not applicable
Classification:	Open
Reason for lateness (if applicable):	Not applicable
From:	Chief Investment Officer

RECOMMENDATIONS

1. That the Pensions Advisory Panel (PAP) notes the positive progress on plans to transition the Fund's assets to the London CIV investment pool in line with the requirements of the outcome of the "Fit for the Future" consultation, which has a challenging deadline of 31 March 2026.
2. That PAP agrees that an additional meeting be diarised in November, to which members of LPB will be invited, to receive training on the impact of the actuarial valuation on the Fund's strategic asset allocation.

Background

3. PAP has been receiving regular updates on LGPS pooling since the previous and current Governments issued various calls for evidence and consultation exercises on the future of the LGPS.
4. Given the outcome of the Fit for the Future consultation and an associated ramping up of activity to pool the LBSPF's assets with London CIV, this item serves to update on progress to date and to identify activities that need to be fulfilled ahead of the 31 March 2026 pooling deadline.

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

Community Impact Statement

5. No immediate implications arising

Equalities (including socio-economic) Impact Statement

6. No immediate implications arising

Health Impact Statement

7. No immediate implications arising

Climate Change Implications

8. No immediate implications arising

Resource Implications

9. No immediate implications arising

Legal Implications

10. No immediate implications arising

Financial Implications

11. No immediate implications arising

Consultation

12. No immediate implications arising

APPENDICES

No.	Title
None	

AUDIT TRAIL

Lead Officer	Clive Palfreyman, Strategic Director of Resources		
Report Author	Tracey Milner, Interim Pensions Investments Manager, Treasury and Pensions		
Version	Final		
Dated	10 September 2025		
Key Decision?	No		
CONSULTATION WITH OTHER OFFICERS / DIRECTORATES / CABINET MEMBER			
Officer Title	Comments Sought	Comments Included	
Assistant Chief Executive – Governance and Assurance	No	No	
Strategic Director of Resources	Yes	Yes	
Cabinet Member	No	No	
Date final report sent to Constitutional Team		10 September 2025	

Meeting Name:	Pensions Advisory Panel
Date:	23 September 2025
Report title:	Asset Allocation Update – 30 June 2025
Ward(s) or groups affected:	Not applicable
Classification:	Open
Reason for lateness (if applicable):	Not applicable
From:	Interim Pensions Investment Manager

RECOMMENDATION

1. The Pensions Advisory Panel is asked to note the Fund's asset allocation at 30 June 2025, 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.

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 – June Quarter 2025

Position Statement at 30 June 2025

4. The market value of the Fund increased during the quarter from £2,269.8m to £2,328.6m, an increase of £60.0m (+2.6%). In contrast, in the previous quarter the market value of the Fund decreased by £59.4m.
5. The value of the major asset classes at 30 June compared to 31 March is as follows:

	31 March		30 June	
	£m	%	£m	%
Low carbon passive equities	794.403	35.0	829.600	35.6
Active Emerging Market equities	91.992	4.1	97.606	4.2
Active global equities	236.976	10.4	254.276	10.9
Total Global Equities	1,123.371	49.5	1,181.482	50.7
Total Multi-Asset Credit	219.441	9.7	223.773	9.6
Total Index Linked Gilts	230.093	10.1	231.597	10.0
Total Property	367.204	16.4	372.424	16.0
Total ESG Priority	297.894	13.1	285.134	12.2
Total Cash & Cash Equivalents	27.616	1.2	34.162	1.5
Total Fund	2,269.773	100.0	2,328.573	100.0

6. The following table shows the breakdown of the market valuation as at 30 June 2025 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	425.671	18.3	17.5	+0.8
		403.929	17.4	17.5	-0.1
Active Emerging Market equity	Comgest	97.606	4.2	5.0	-0.8
Active global equity	Newton	254.276	10.9	10.0	+0.9
Total Global Equity		1,182.482	50.8	50.0	+0.8
Multi-Asset Credit	Robeco LCIV-CQS	112.662	4.8	5.0	-0.2
		111.111	4.8	5.0	-0.2
Index Linked Gilts	Blackrock LGIM	108.097	4.6	5.0	-0.4
		123.500	5.3	5.0	0.3
Total Property	See table (Para 10)	372.424	16.0	20.0	-4.0
Total ESG Priority	See table (Para 15)	285.134	12.2	10.0	+2.2
Cash & Cash Equivalents	LGIM	5.078	0.2	0.0	+0.2
	Custody	1.953	0.1		+0.1
	Northern Trust	0.818	0.0	0.0	+0.0
	Blackrock	11.920	0.5	0.0	+0.5
	Newton	8.279	0.4	0.0	+0.4
	Nuveen	6.115	0.3	0.0	+0.3
TOTAL Fund		2,328.573	100.0	100.0	0.0
31 March 2025		2,269.773			
31 December 2024		2,329.132			
30 September 2024		2,271.930			
30 June 2024		2,257.809			
31 March 2024		2,238.942			

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 position is now in the ESG priority funds (+2.2%). In contrast, the key underweight is in Property (-4.0% excluding cash held by Nuveen).
8. The majority of the changes in over and underweight positions are linked to market movements, with equities having another strong quarter. There is narrative on contributory factors to the decrease in the overweight to ESG priority in Paragraphs 16-18.

Fund Manager Activity – listed assets

9. During the quarter there was an £11m redemption from the LGIM low carbon transition fund to provide funding for a Nuveen property transaction that subsequently failed (Para12). The funds were returned by Nuveen and were held in Money Market Funds (rather than reinvested in equity) given expected cashflows over the coming months. Post quarter end, officers redeemed an additional £7m of equities from the LGIM low carbon transition fund to support day to day liquidity and to fund a separate property purchase by Nuveen (Para 13).
10. An update on the Fund's cash management policy, reflecting changes required following the appointment of Northern Trust as global custodian, can be found at Item 16 of this meeting's agenda.

Fund Manager Activity – property

11. The table below breaks down the property holdings showing the valuation of the direct and indirect fund holdings as at 30 June 2025.

Manager	Description	Market Value £m	Actual %	Target %
Nuveen	Direct property UK Retail Warehouse Fund	250.535 1.641	10.8 0.3	14.0
Invesco	UK Residential Fund	44.938	1.9	1.5
M&G	UK Residential Property Fund	44.167	1.9	1.5
Darwin	Leisure Development Fund	18.762	0.8	1.5
Frogmore	Frogmore Real Estate Fund III	3.252	0.1	0.75
Brockton	Brockton Capital Fund III	9.129	0.4	0.75
Total Property		372.424	16.0	20.0
Last quarter		371.357	16.4	20.0

12. The table shows that there is a significant underweight in the core property mandate run by Nuveen (-3.9%, excluding cash), although this has reduced from -4.3% since the end of December. 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.

13. During the quarter, Nuveen notified officers that a property transaction would be taking place on the 11th of April. Late in the process Nuveen raised concerns about tenant covenant strength and requested a reduction in pricing to reflect these concerns and the associated added risk. The vendor responded by increasing the price and the transaction was halted by Nuveen with funds (plus interest) returned to the Pension Fund bank account on 16 April.
14. Post quarter end, Nuveen notified officers that a property transaction would be taking place in July (Para 8). In summary the investment property is at a retail park in the Midlands and is fully let to national (i.e. household name) occupiers. The current EPC rating of the asset is B/C.
15. Nuveen advised that £11m of funding would be required from LBSPF's cash balances. The funds were duly transferred to Nuveen on the 15 July and the property purchase was completed on the 1 August. All other things being equal, the purchase will decrease Nuveen's underweight (excluding cash held by the manager) by 0.7%

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

16. The below table breaks down the ESG priority holdings (excluding property) showing the valuation of underlying funds as at 30 June 2025 against the original commitments:

Manager	Fund	Commitment	Market Value £m	Last Quarter £m
Glennmont	Glennmont Clean Energy Fund III	€35m	32.809	32.044
Glennmont	Glennmont Clean Energy Fund IV	€50m	15.098	15.594
Temporis ¹	Operational Renewable Energy (TORES)	£33.3m	54.988	55.462
	Renewable Energy (TREF)	£30.6m	25.277	25.852
	Impact Strategy (TIV)	£31.0m	25.792	25.792
Blackrock	Global Renewable Power Infrastructure	\$40m	19.814	25.958 ¹
Darwin	Bereavement Services Fund	£20m	18.874	22.328
Blackstone	Strategic Capital Holdings II	\$110m	57.188	56.502
BTG Pactual	Core US Timberland	\$40m	36.096	38.362
TOTAL			285.134	297.894

¹ Due to a delay in reporting for Blackrock GRP, the March valuation shown above reflects the September statement, adjusted for cashflows between September and March 2025.

17. The Temporis valuations shown above reflect the manager valuations at 30 September, adjusted for cash distributions to the TORES and TREF funds during the quarter. Due to an administrative error, Northern Trust did not receive either the December or March valuations ahead of closing the June accounts. The latest available valuations (at 30/6) for the Temporis Funds are: TORES £51.3m, TREF £23.6m and TIV £25.6m. The total market value per manager reporting was therefore £100.5m (£106.1m in the table). The reduction is mainly due to distributions received from Temporis in the March and June quarters.
18. The Blackrock GRP valuation shown above shows a significant quarterly reduction in the custody value of the Fund's holding in GRP III. During the December quarter, Blackrock advised that a couple of assets in the portfolio were to be revalued to zero, and that this would be reflected in the December valuation, which was received too late to be accounted for in March. The table in Para 15 therefore shows the September GRP III valuation, adjusted for cashflows between September and March, and does not reflect the revaluation of the holding in December. The quarterly reduction in value for June (i.e. per the March Blackrock valuation) is ~2%.

	LBSPF per quarterly manager statement
March	\$27,151,673.55
December	\$27,761,472.40
September	\$32,201,483.62

19. Ahead of the release of June valuations, Darwin advised that the Net Asset Value of the Bereavement Fund would be reduced by c15%, to reflect challenging market conditions for the funeral plan business. Officers met with Darwin on 1 August to discuss the valuation issue and will update this meeting on any notable matters arising.
20. The following table shows the private market cash transactions (excluding property) for the June quarter:

	Drawdowns	Distributions
Blackstone		£0.1m
Temporis Operational Renewable Energy		£0.5m
Temporis Renewable Energy		£0.6m
Total impact on LBSPF cash balances		+£1.2m
Last Q total	-£0.5m	+£1.4m

21. During the quarter there was an operational change in the way that the private market drawdowns/distribution are being paid/received. To facilitate more efficient accounting and performance measurement by Northern Trust (the fund's custodian effective 1 April 2025), drawdowns and distributions are now being paid directly from/to the relevant manager's account at custody. More detail on the cash management policy can be found at Item 16 of this meeting's agenda.
22. Total cash distributions in the quarter were £1.2m. The Blackstone receipt shown above was net of a drawdown request.

UK Holdings

23. 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 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 estimated value of the Fund's UK based assets as at quarter end (30 June 2025):

Type	Manager	% of manager portfolio	£m	% of LBS Fund
UK listed equity	Blackrock	3.1	13.4	0.6
	LGIM	3.8	15.3	0.7
	Newton	13.4	35.1	1.5
Index-Linked Gilts	Blackrock} LGIM}	100.0	231.6	9.9
Multi-Asset Credit	Robeco	10.9	8.7	0.4
	LCIV-CQS	17.4	19.4	0.8
UK Residential Housing	Invesco} M&G}	100.0	90.0	3.9
Direct Property	Nuveen	100.0	252.2	10.8
Opportunistic Property	Brockton} Frogmore}	100.0	12.4	0.5
Leisure Development	Darwin	100.0	18.8	0.8
Bereavement Services	Darwin	100.0	18.9	0.8
Renewable Infrastructure	Temporis	100.0	106.1	4.6
	Blackrock	6.0	1.2	0.1
Private Equity	Blackstone	5.0	2.8	0.1
TOTAL			825.8	35.6
Last Quarter			817.6	36.0

*if a manager is not shown in the table, it is because there is zero exposure to UK.

24. 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.

25. The allocation to UK was largely unchanged compared to the last quarter, although this masks some movements for the underlying asset managers which are mainly due to listed market movements or private market revaluations.

Investment Performance Results for the Period

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

	Quarter to 30 June	Year to 30 June	3 Years to 30 June p.a.	Inception to 30 June p.a.
Fund	2.9	3.5	5.7	8.2
Benchmark	3.6	6.8	8.9	n/a
Relative	-0.7	-3.3	-3.2	n/a

Source: Northern Trust (reflecting historic figures provided by JPM Morgan prior to 1/4/2025)

27. The Fund made a return of 2.9% in the quarter, behind the benchmark return of 3.6%. The total fund return for the year to the end of June 2025 was 3.5%, which was below the benchmark return of 6.8%. Over 3 years, the Fund returned 5.7% p.a. compared to a benchmark return of 8.9% p.a., a difference of -3.2% p.a. An annualised return of 8.2% since inception means that the Fund has exceeded, by some margin, the 2022 actuarial valuation's assumed investment returns of 4.05% p.a.
28. Further information on the performance of underlying managers will be provided in the adviser update (Item 9).

Operational issues

29. During the quarter officers participated in a significant amount of onboarding activity following the award of the new custody contract to Northern Trust, who replaced JP Morgan from 1 April 2025.
30. A report on the Pension Fund's cash management policy update, following the appointment of Northern Trust, can be found at Item 16.

Manager meetings

31. During the quarter officers attended various regular investment updates with London CIV.
32. During April officers met with Sian Kunert, the new LCIV relationship manager for LBSPF. The focus of the meeting was to ensure that Sian had full visibility on the fund's underlying investments and was a first step in building a transition plan for the transfer of the fund's non-pooled investments to London CIV.
33. In May officers, including the Strategic Director of Resources, met with Dean Bowden, the LCIV CEO. The purpose of the meeting was for Dean to give an update on the likely outcome of the consultation and an update on

developments at LCIV. These meetings are expected to take place at least every six months.

34. In July officers participated in LCIV's Sustainability Working Groups where LCIV executives presented the draft responsible Investment matrix and gave officers the opportunity to provide feedback to LCIV. Further information on the matrix can be found in Item 18.
35. A full report on LGPS pooling, and plans to transition LBSPF's assets to London CIV, can be found in item 18.
36. Officers also met with Nuveen in May, Invesco in June and Newton (global equity) post quarter end. Commentary on the Newton meeting can be found in item 18.

Further Areas of Progress

37. The PAP will be updated on progress on LGPS pooling at future meetings. It is also expected that training on the 2025 actuarial valuation outcome and the Strategic Asset Allocation review will take place in Autumn 2025. This will be in addition to the next meeting of PAP, which is scheduled to take place on 9 December 2025.

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

Community Impact Statement

38. No immediate implications arising

Equalities (including socio-economic) Impact Statement

39. No immediate implications arising

Health Impact Statement

40. No immediate implications arising

Climate Change Implications

41. No immediate implications arising

Resource Implications

42. No immediate implications arising

Legal Implications

43. No immediate implications arising

Financial Implications

44. No immediate implications arising

Consultation

45. No immediate implications arising

APPENDICES

No.	Title
None	

AUDIT TRAIL

Lead Officer	Clive Palfreyman, Strategic Director of Resources		
Report Author	Tracey Milner, Interim Pensions Investments Manager, Treasury and Pensions		
Version	Final		
Dated	10 September 2025		
Key Decision?	No		
CONSULTATION WITH OTHER OFFICERS / DIRECTORATES / CABINET MEMBER			
Officer Title	Comments Sought	Comments Included	
Assistant Chief Executive – Governance and Assurance	No	No	
Strategic Director of Resources	Yes	Yes	
Cabinet Member	No	No	
Date final report sent to Constitutional Team		10 September 2025	

Meeting Name:	Pensions Advisory Panel
Date:	23 September 2025
Report title:	Advisers' Updates - Quarter to June 2025
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

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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 June 2025
Appendix 2	Aon's quarterly investment dashboard – quarter to June 2025

AUDIT TRAIL

Lead Officer	Clive Palfreyman, Strategic Director of Resources	
Report Author	Caroline Watson, Chief Investment Officer, Pensions and Treasury Investments	
Version	Final	
Dated	10 September 2025	
Key Decision?	N/A	
CONSULTATION WITH OTHER OFFICERS / DIRECTORATES / CABINET MEMBER		
Officer Title	Comments Sought	Comments Included
Assistant Chief Executive - Governance and Assurance	No	No
Strategic Director of Resources	Yes	Yes
Cabinet Member	No	No
Date final report sent to Constitutional Team		10 September 2025

LONDON BOROUGH OF SOUTHWARK - Quarterly Report June 2025

Executive Summary

- Tariff uncertainty fuelled concerns over the outlook for growth and inflation through another volatile quarter. Equities recovered strongly from an early quarter sell-off and bonds posted modest gains
- The Fund returned 2.9% over the period, but lagged its benchmark by 0.7%
- The Fund returned 3.5% over the full year and remained some way behind the benchmark
- Whilst the three year number was subdued both in absolute and relative terms, long-term returns for the Fund remained solid, ahead of both elevated inflation and actuarial assumption, but behind benchmark
- The near-term market outlook remains very uncertain. Rate cuts should be supportive of global growth, but inflation concerns may well dictate the pace. Trade wars are still a threat and while geopolitical headwinds persist, volatility in markets is likely to remain

Market Review

Elevated levels of volatility continued into the June quarter which was dominated again by the spectre of US trade tariffs. The quarter began with a sharp global sell-off on the announcement of “liberation day”. A subsequent policy shift, by way of a 90 day pause, pacified otherwise nervous investors however, and markets recovered.

In terms of equities, despite tariff worries and concerns over events in the Middle East, markets ended the quarter in positive territory. The world index gained around 5% and geographically, the major regions posted broadly similar currency adjusted returns. In the UK, once the dust settled post the tariff turmoil, the headline index hit all-time highs in June with a better than expected growth outlook, new trade deals and modest interest rate cut proving supportive. New highs were also recorded in the US towards the end of the quarter driven very much by strong performance from the “magnificent seven”. European stocks rose following the delay to tariffs, rate cuts and a stronger euro. Asian and emerging markets benefitted from the easing of potentially damaging tariffs and a weaker dollar. Over the period, growth stocks outperformed, with technology and communication the best performing sectors. Energy and healthcare were the poorest sectors over the period.

Bond markets were similarly volatile over the quarter with yields rising initially following “liberation day” before falling back after the postponement. In the UK, corporate issues outperformed gilts, but both posted positive returns in the 2%-3% region.

Property was expected to generate returns of around 2%, with valuations increasing across all sectors with the exception of offices and alternatives, a similar pattern to the recent past.

LGPS Funds

The average LGPS fund is expected to have returned 3% over the quarter.

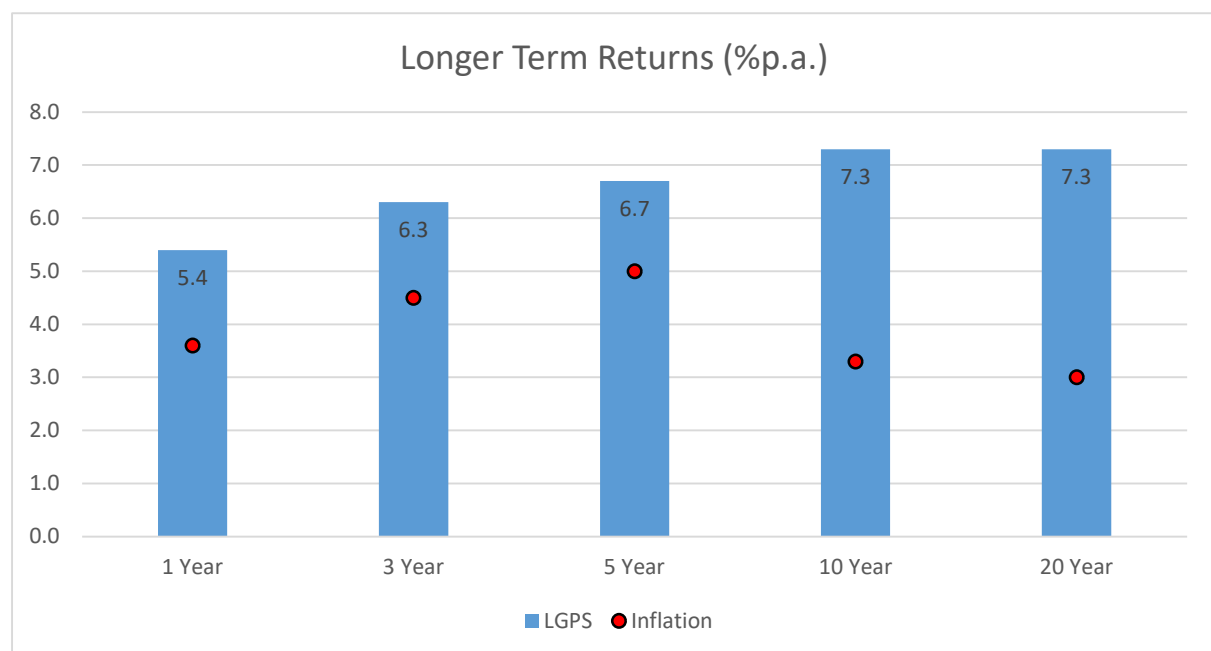
Longer-Term

Despite elevated levels of market volatility, the average pension fund was expected to have delivered over 5% for the last twelve months.

The three-year result rose to over 6%p.a. with solid equity performance offset by negative results from many bond investments and property.

Over the last ten and twenty years, the average fund return has delivered a return of 7.3% p.a.

Over all longer-term periods, funds with relatively high equity commitments are likely to have outperformed their peers despite facing sharper volatility. Over these periods, funds have delivered a significant real return.



Total Fund

The Fund returned a modest 2.9% over the final quarter. Compared to a benchmark return of 3.6%, this represents a relative underperformance of 0.7%.

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:

LATEST QUARTER

	Manager	Returns		
		Fund	Benchmark	Relative
Global Equity	BLK	6.1	5.3	
	LGIM	6.0	5.9	
	Newton	6.7	5.2	
	Comgest	6.1	5.5	
MAC	Robeco	1.8	1.9	
	LCIV-CQS	2.2	2.2	
Property	Nuveen	1.8	1.5	
	Invesco	-2.8	1.9	
	M&G	1.5	1.9	
	Darwin Leisure	0.1	1.5	
	Frogmore	0.0	4.0	
	Brockton	-5.6	3.6	
ESG Priority	Glenmont	0.6	2.4	
	Temporis	0.0	2.4	
	Temporis (New)	0.0	1.7	
	Temporis (Impact)	0.0	2.4	
	BLK	-23.7	2.4	
	Darwin Bereavement	-15.5	1.5	
	Blackstone	-0.0	2.9	
	BTG	-5.9	1.5	
Index-Linked	BLK	0.7	0.7	
	LGIM	0.7	0.7	
Cash	LGIM/BLK/NT/Mgr Frictional	0.4	1.1	-0.7
Total Fund		2.9	3.6	-0.7

The Fund has lagged the benchmark over the last few quarter but in this period, our active equity and core property managers posted returns ahead of their respective benchmarks, although this is not hugely obvious from the chart above. Our opportunistic and residential property and ESG priority portfolios delivered sub-benchmark returns, some by fairly large margins (scale breaks are shown for the two larger laggards).

It is worth looking at this over the full year.

YEAR

	Manager	Returns		
		Fund	Benchmark	Relative
Global Equity	BLK	7.5	7.1	
	LGIM	8.4	8.0	
	Newton	3.1	9.9	
	Comgest	-0.0	6.4	
MAC	Robeco	6.6	6.9	
	LCIV-CQS	8.5	9.4	
Property	Nuveen	6.6	6.8	
	Invesco	-3.8	8.0	
	M&G	3.0	8.0	
	Darwin Leisure	-24.8	6.0	
	Frogmore	-34.2	16.5	
	Brockton	-5.9	15.0	
ESG Priority	Glenmont	-2.0	10.0	
	Temporis	7.0	10.0	
	Temporis (New)	8.3	7.0	
	Temporis (Impact)	11.2	10.0	
	BLK	-35.4	10.0	
	Darwin Bereavement	-17.2	6.0	
	Blackstone	0.7	12.0	
	BTG	-1.5	6.0	
Index-Linked	BLK	-7.1	-7.2	
	LGIM	-7.2	-7.2	
Cash	LGIM/BLK/NT/Mgr Frictional	4.0	4.7	-0.6
Total Fund		3.5	6.8	-3.1

Over this longer period, the Fund returned 3.5% undershooting the benchmark by 3%. In terms of performance attribution, the pattern is very similar to the quarter. As I reported last quarter, the targets for the non-core property and ESG portfolios have probably been quite aggressive over this challenging year and that the key disappointment has been the performance of our active equity managers.

These tables don't however consider the size and by implication, influence, of individual portfolios on the bottom line.

The tables below, covering the latest quarter and full year, group the portfolios into our preferred asset classifications and this time, the size of the positions is accounted for:

LATEST QUARTER

	Fund Weight	BM Weight	Fund Return	BM Return	Relative Return	Asset Allocation Policy	Investment Selection
Global Equity	50.4	50.0	6.2	5.5	0.7		0.3
MAC	9.7	10.0	2.0	2.1	-0.0		
Property	16.5	20.0	1.0	1.7	-0.7		-0.1
ESG Priority	12.9	10.0	-3.7	2.2	-5.8		-0.7
Index-Linked	10.0	10.0	0.7	0.7	-0.0		
Cash	0.6	0.0	0.4				
	100.1	100.0	2.9	3.6	-0.7	0.0	-0.5

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

Over the quarter, the Fund underperformed by 0.7%.

We don't take active allocation decisions per se, and so we should expect investment selection to determine out or underperformance rather than asset allocation policy. In the latest quarter, our equities added value to the bottom line, but this was more than offset by the combined performance of the ESG Priority portfolios.

Looking over the one year, carrying an underweighting to poorly performing index-linked added some value, but this had only a very modest offset to the pronounced underperformance within equities, property and ESG Priority.

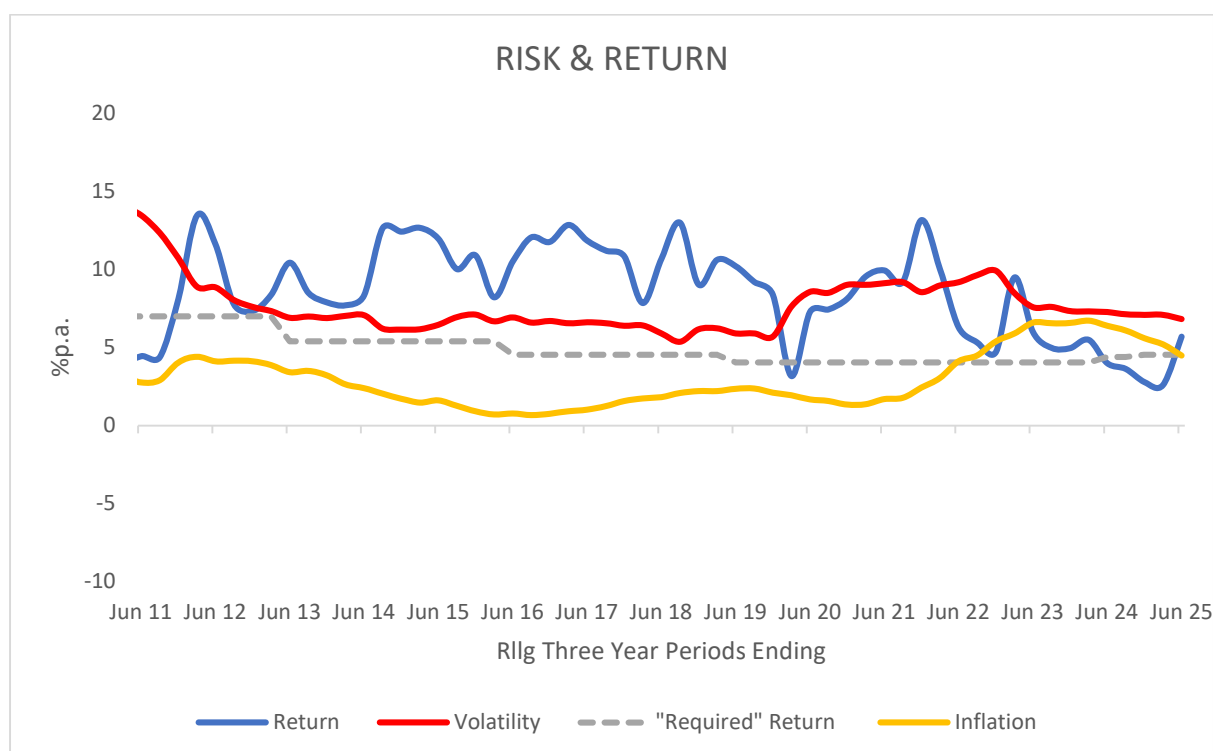
YEAR

	Fund Weight	BM Weight	Fund Return	BM Return	Relative Return	Asset Allocation Policy	Investment Selection
Global Equity	53.3	50.0	5.9	7.5	-1.4		-0.8
MAC	9.4	10.0	7.5	8.2	-0.6		-0.1
Property	16.0	20.0	1.8	8.6	-6.2	-0.1	-1.0
ESG Priority	12.9	10.0	-2.2	9.4	-10.6	0.1	-1.4
Index-Linked	7.8	10.0	-7.1	-7.2	0.1	0.3	
Cash	0.6	0.0	4.0				
	100.0	100.0	3.5	6.8	-3.1	0.3	-3.2

Medium-term, the Fund has returned 5.7%p.a. over the three-years and 6.2%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 near 7.7%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 tracks the Fund's performance over rolling three-year periods. It shows quite a sharp uptick in the Fund's three year return which is now ahead of the return assumption used in the Actuary's modelling and inflation
- The red line shows the volatility of the returns being delivered (sometimes, and arguably unhelpfully, termed "risk"). This has remained heightened post pandemic but appears to have stabilised
- The chart also shows inflation trending downwards but remains above long-run norms

Newton – Active Global Equity

Newton returned a very solid 6.6% return over the quarter, bettering the benchmark by around 1.5%. Outperformance arose very much from the portfolio sector allocations, notably the overweight to the best performing technology sector and zero exposure to the poorest performing energy sector. In terms of the latter, the Fund's mandate will definitely have had a bearing, but the house view has historically been to underweight energy. The impact is quantified in the manager's quarterly report which shows 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 and so the overall outperformance would have been lower.

Despite the welcome outperformance in the latest quarter, underperforming in three previous quarters resulted in an annual return a very disappointing c7% adrift of the index benchmark.

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

Newton's outlook still talks of uncertainty in equity markets in the near-term and it's difficult to argue against this. Newton's research focused approach seeks to identify companies that will benefit from themes addressing the global climate crisis while demonstrating financial resilience. This approach, theoretically, should yield long-term positive outcomes but will, and has, delivered quite volatile short-term results.

Comgest – Active Emerging Market Equity

Comgest delivered a return of 6.5% over the quarter, outperforming the benchmark by 0.6%. This was an encouraging result, given two years of consistent underperformance. In their report, they comment that their focus on companies with sustainable competitive advantages and pricing power, positions the portfolio well for varying economic scenarios. This is very much at odds with what we've experienced, with markets having rotated wildly through every type of scenarios over these two years.

Over the full year, the portfolio returned near zero, trailing the index by a substantial 6+% margin.

Since inception returns have been disappointing, with the portfolio outperforming the index in only four of the fifteen quarters measured. In return terms, the portfolio has achieved a return of more than 4%p.a. behind the index.

Nuveen Real Estate – Core Property

The portfolio return was 1.8% over the quarter. This represented both capital appreciation (0.6%) and income (1.3%). As with last quarter, all the portfolio's investments increased in value with the exception of the offices. The return was marginally ahead of the benchmark which returned a provisional 1.7%.

The full year return reported by Nuveen was 8.9%, which was ahead of the 6.7% posted by the MSCI Quarterly index.

The three-year return reported by Nuveen was a -2.2%p.a. reflecting the weakness in the sector over this period. This was around 1%p.a. ahead of the property based benchmark over the same period which returned -3.3%p.a.

Nuveen report that the sector continues to recover despite headwinds caused by economic and interest rate uncertainty. They talk about investor sentiment being dented so far this year tempering activity in both investments and developments. They are comfortable with the current portfolio and remain confident that the portfolio strategy and underlying assets will exceed the performance objective over the longer-term.

Residential/Opportunistic Real Estate

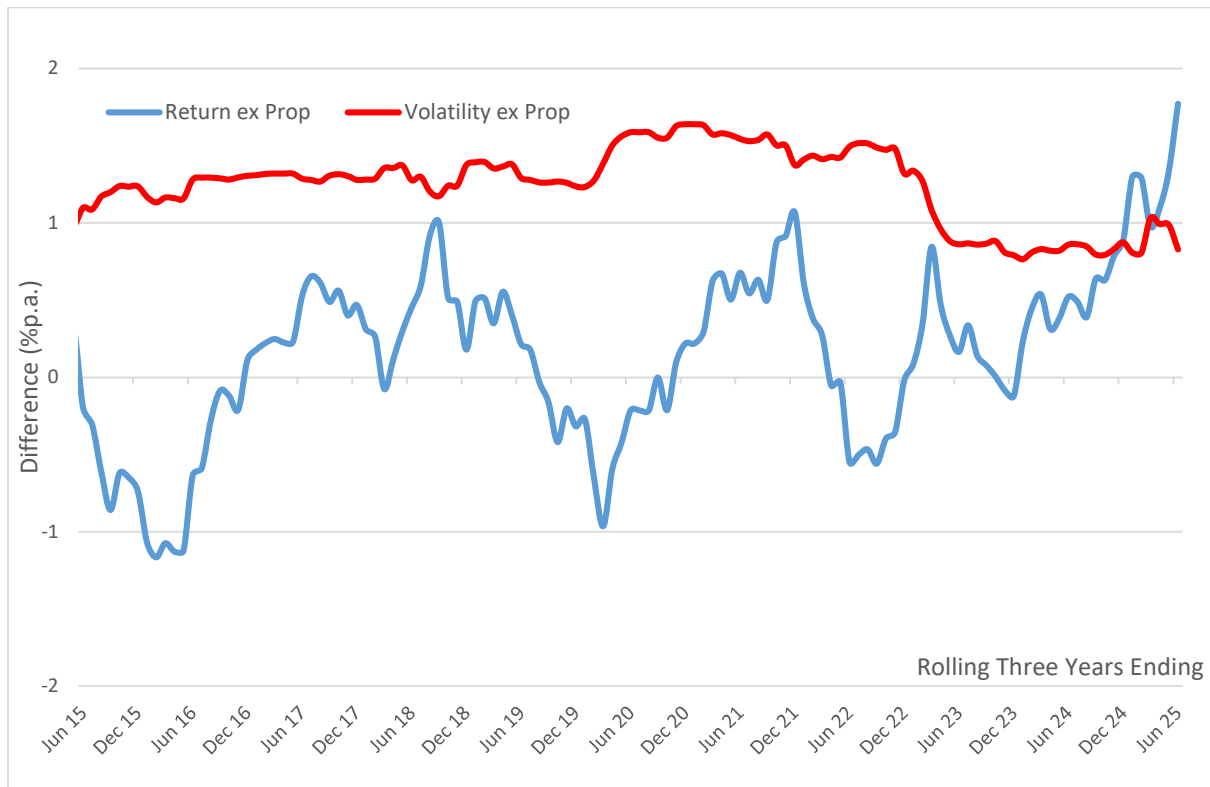
As can be seen from the graphics on pages 3 and 4 above, the managers of the non-core property assets struggled over the latest quarter and indeed over the full year, with all of the managers failing to hit benchmark by varying margins over the longer measure. In the round, the aggregate returned just under -7% over the year.

Southwark's Property Allocation

The core and aggregate added value/opportunistic assets performed quite differently over both the quarter and year as can be seen in the table below. In aggregate, the entire real estate portfolio performance was in low single figures, but positive, over both the quarter and year.

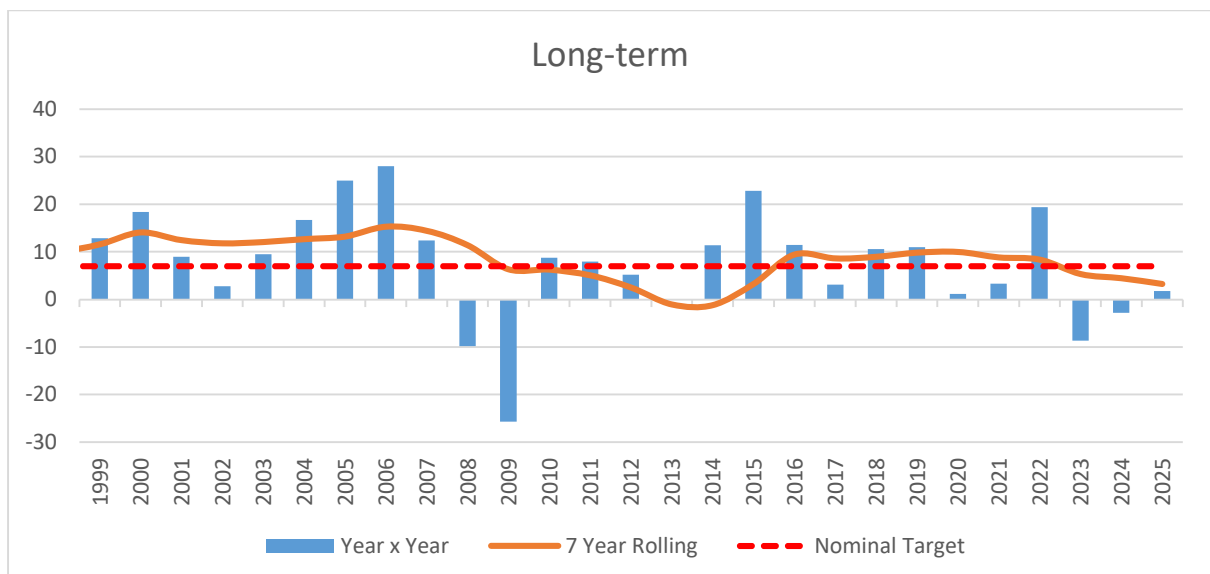
	Quarter			Year		
	Fund	Benchmark	Relative	Fund	Benchmark	Relative
All Property	1.0	1.7	-0.7	1.9	8.5	-6.1
Core	1.8	1.5	0.4	6.6	6.8	-0.1
Ex Core	-0.9	2.0	-2.8	-7.2	12.1	-17.2

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 close to 2%p.a.). Volatility has been reduced however but by a lesser value. There has therefore been no 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 year, 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 – Multi-Asset Credit

The portfolio delivered a 1.8% return over the period, marginally behind the benchmark.

Over the full year, the portfolio returned 6.6%. This again was marginally behind the index which returned 6.9%.

Returns since inception remained ahead of the index benchmark by around 0.3%p.a.

LCIV-CQS – Multi-Asset Credit

The portfolio returned 2.2% over the quarter, performing very much in line with the benchmark.

Over the full year, the portfolio has returned a very respectable 8.5% but has failed to match the benchmark which returned 9.4%.

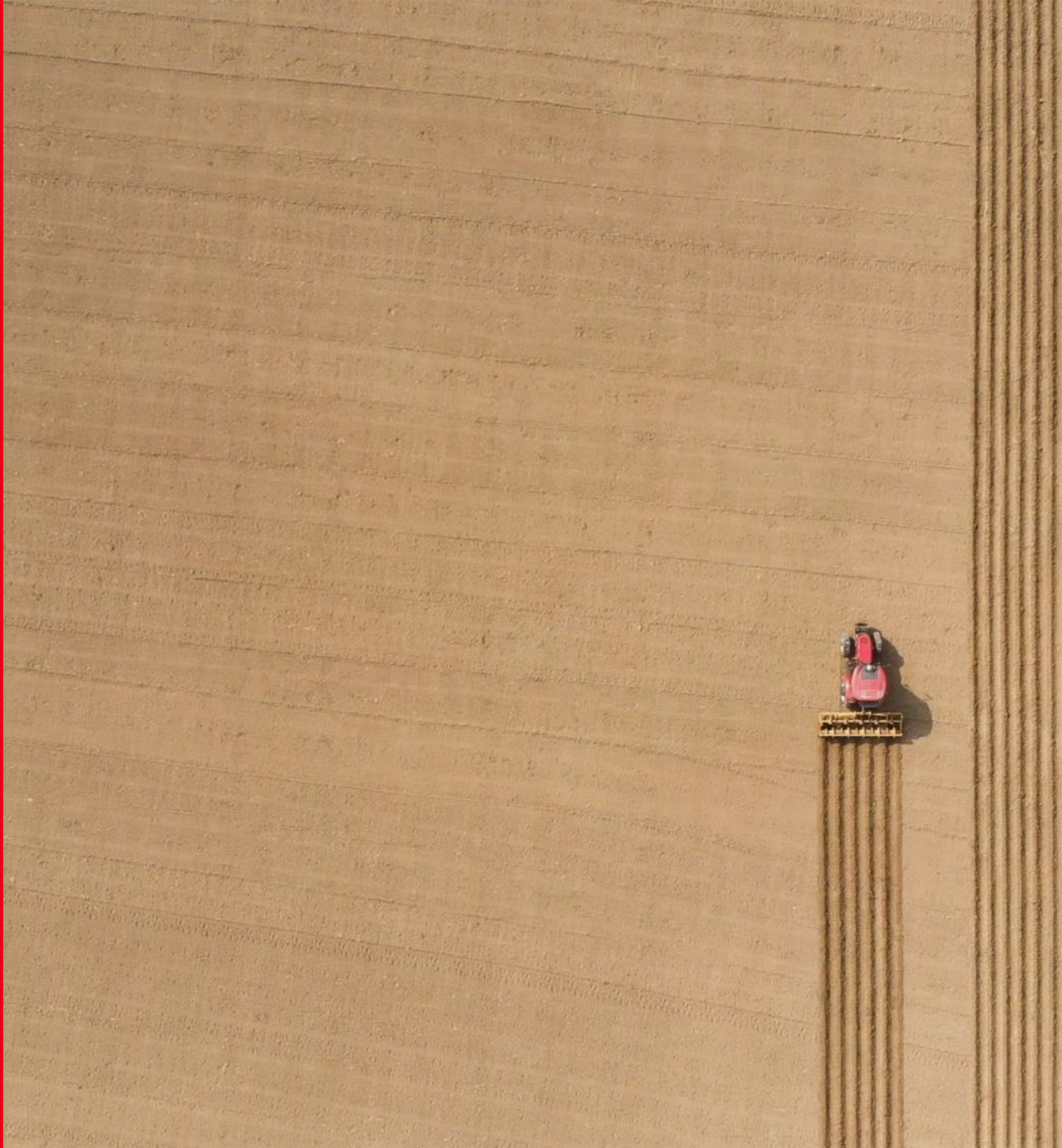
Since inception, the portfolio has underperformed by around 0.7%p.a.

“ESG Priority” Allocation

The performance of the Fund’s infrastructure and other diversified alternative investments was generally negative (relative to benchmark) over the quarter and year. As I continue to report, illiquid investments can often underperform in their early investment phase as they require time for asset appreciation, to benefit from operational improvements, or for market demand to materialise. The efficacy of these strategies should best be gauged over longer time-horizons than one quarter or year.

Passive Portfolios

The portfolios tracked within tolerance over the quarter.



Strategic Investment Dashboard Q2 2025

London Borough of Southwark Pension Fund

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Prepared for: The Pension Advisory Panel

Prepared by: Aon

4 September 2025

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1

Executive Summary



Long-term strategy



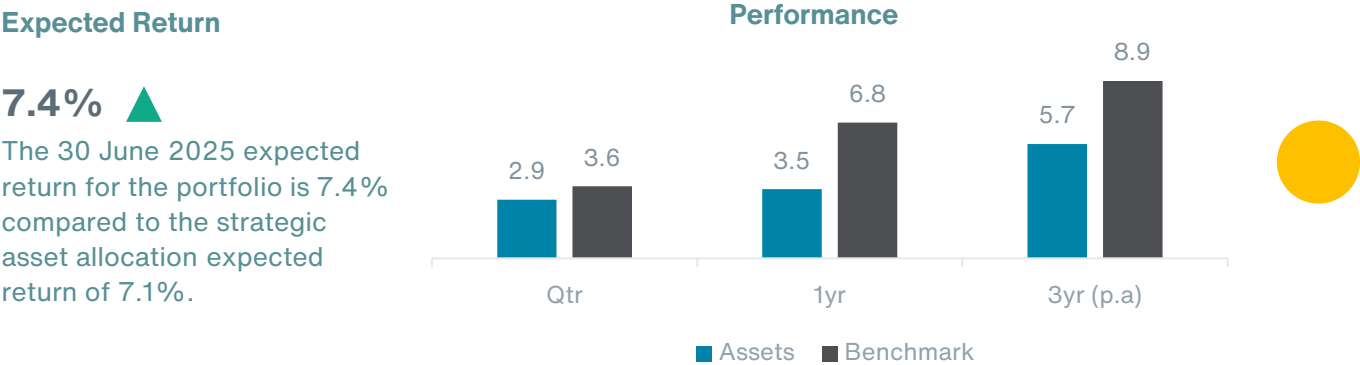
Funding level		31 Dec 2024
Funding Level		120%
Surplus		£385M



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

We will not be providing any funding level updates (post 31 December 2024) until the 31 March 2025 actuarial valuation has been completed as any funding update will be based on the 2022 liability information and could be inaccurate.

Investment Performance

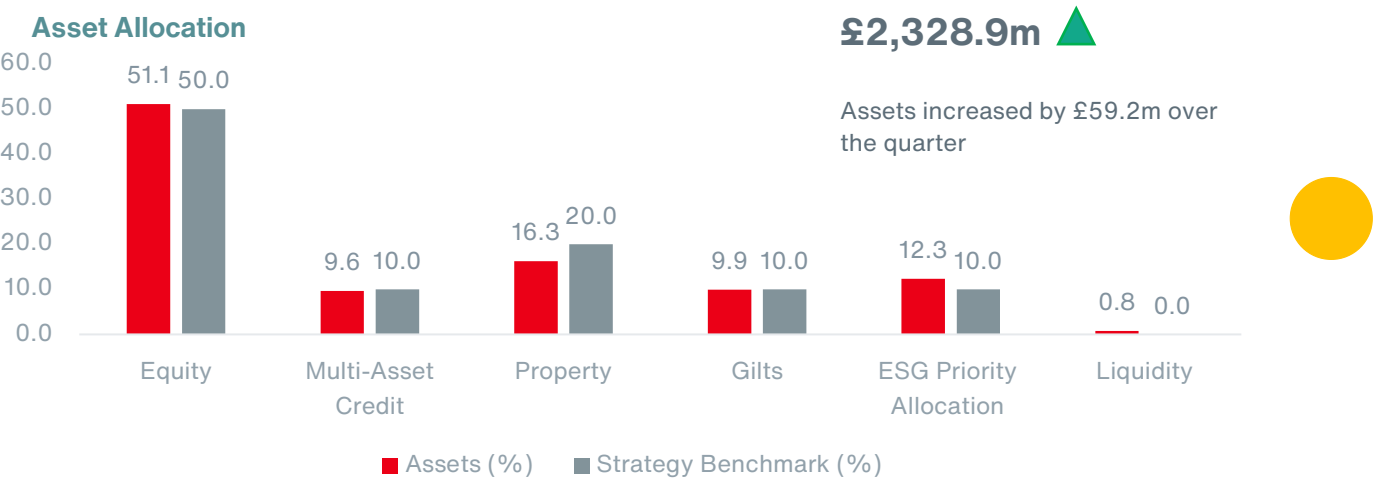


Over the quarter, fund’s absolute performance was primarily driven by the rise in global equity markets. The main driver for this was the volatility as a result of tariff uncertainty from the US market as trade agreements took place over the quarter.

The fund underperformance is mainly due to the property holdings where the UK property market saw a low point in valuations.

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Strategic Positioning



As at quarter end, the Fund is underweight to Property and overweight to the ESG Priority Allocation relative to the target allocations.

Update: Over the quarter, the custodian for the Fund was changed from JP Morgan to Northern Trust, who are now providing the Fund asset reporting data as of Q2 2025.

Following the Triennial Actuarial Valuation, we will work with the Officers to optimise the Fund’s asset allocation to meet target return and design long term journey plan in conjunction with the upcoming LCIV pooling in Q1 2026.

2

Asset Allocation

AON



Asset Allocation – Asset Class

31 March 2025

30 June 2025

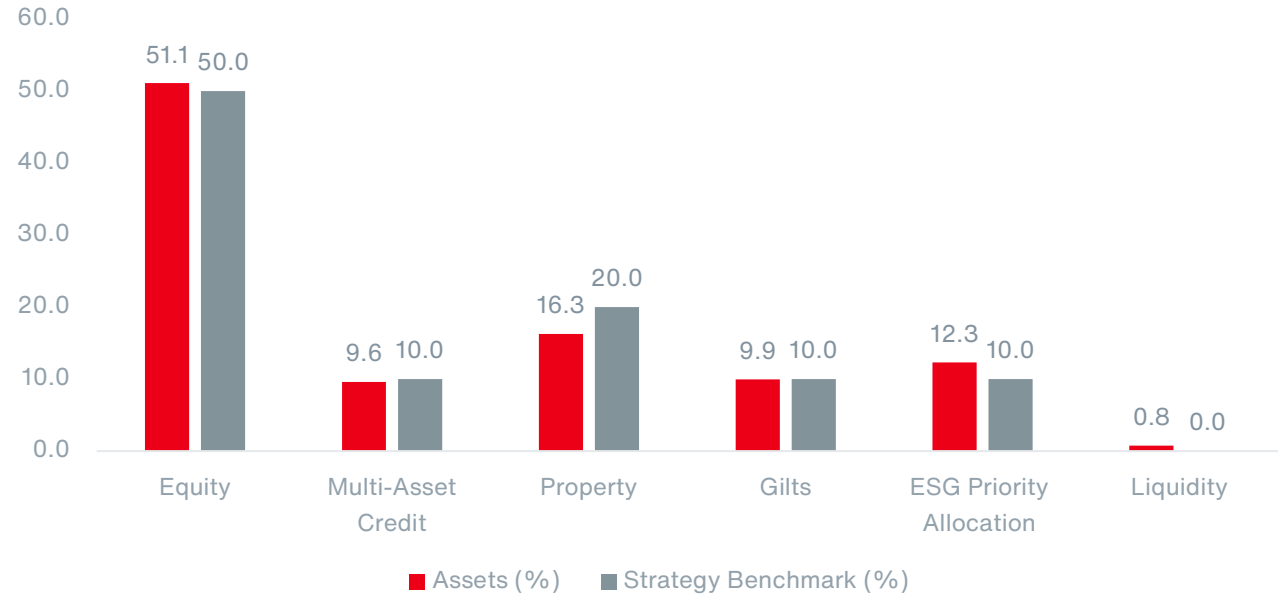
	Valuation (£m)	Weight (%)	Valuation (£m)	Weight (%)	Strategic	Relative
Growth	£2,025.0	89.2%	£2,062.8	89.3%	90.0%	-0.7%
Equity	£1,132.6	49.9%	£1,181.5	50.7%	50.0%	1.1%
Multi-Asset Credit	£219.4	9.7%	£223.8	9.6%	10.0%	-0.4%
Property	£375.1	16.5%	£372.4	16.3%	20.0%	-3.7%
ESG Priority Allocation	£297.9	13.1%	£285.1	12.3%	10.0%	2.3%
Matching	£244.8	10.8%	£249.4	10.8%	10.0%	0.7%
Index-Linked Gilts	£230.1	10.1%	£231.6	10.0%	10.0%	-0.1%
Liquidity Fund	£14.7	0.6%	£17.8	0.8%	0.0%	0.8%
Total	£2,269.8	100%	*£2,328.9	100%	100%	-

Source: Northern Trust.. Totals may not sum due to rounding.

*Cash held by Newton and Nuveen are included in the total valuation stated

Asset Allocation – Current vs Strategic

Strategic allocation & Benchmark



£2,328.9m ▲

Assets increased by £59.2m over the quarter

Comments

- As at quarter end, the Fund is underweight to Property and overweight to the ESG Priority Allocation relative to the target allocations.
- Following the Triennial Actuarial Valuation, we will work with the Officers to optimise the Fund’s asset allocation to meet target return and design long term journey plan in conjunction with the upcoming LCIV pooling in Q1 2026.

30 June 2025

7.4%

Expected Absolute Return

30 June 2025

3.9%

Standard Deviation*

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

Strategic Allocation

7.1%

Expected Absolute Return

Strategic Allocation

3.4%

Standard Deviation*

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

3

Manager Performance



Manager focus – returns relative to benchmark (%)

	3 month (%)		1 year (%)		3 year (%)	
	Return	Relative	Return	Relative	Return	Relative
LGIM Low Carbon Transition Developed Markets Index Fund	6.0	0.1	8.4	0.4	-	-
Newton Active Global Equity	6.7	1.5	3.1	-6.9	11.2	-4.6
Comgest Growth Emerging Markets Plus	6.1	0.6	-0.0	-6.4	1.6	-3.8
BlackRock World Low Carbon Equities Fund	6.1	0.9	7.5	0.5	-	-
Robeco Multi-Asset Credit	1.8	-0.1	6.6	-0.3	-	-
LCIV Alternative Credit CQS	2.2	0.0	8.5	-0.8	-	-
Nuveen Real Estate	1.8	0.4	6.6	-0.1	-4.7	-11.6
Invesco Real Estate UK Residential Fund	-2.8	-4.7	-3.8	-11.8	-1.7	-9.7
M&G UK Residential Property Fund	1.5	-0.5	3.0	-5.0	0.5	-7.5
Frogmore Real Estate Partners III	-0.0	-4.0	-34.2	-50.8	-29.4	-46.0
Brockton Capital Fund III	-5.6	-9.2	-5.9	-20.9	-6.0	-21.0
Darwin Leisure Development Fund	0.1	-1.4	-24.8	-30.8	-	-
Darwin Bereavement Services Fund	-15.5	-16.9	-17.2	-23.2	-3.1	-9.1
Glenmont Clean Energy Fund III	2.4	-0.0	0.8	-9.2	9.3	-0.7
Glenmont Clean Energy Fund IV	-3.2	-5.6	-8.4	-18.4	-	-
Blackrock Global Renewable Power	-23.7	-26.1	-35.4	-45.4	-7.9	-18.0
BTG Pactual OEF Fund	-5.9	-7.4	-1.5	-7.5	3.3	-2.7
Temporis Operational Renewable Energy Strategy	0.0	-2.4	7.0	-3.0	14.1	4.1
Temporis Impact Strategy V	0.0	-2.4	11.2	1.2	12.1	2.1
Temporis Renewable Energy Fund	0.0	-1.7	8.3	1.3	-	-
Blackstone Strategic Capital Holdings GP Stakes Fund II	-0.0	-2.9	0.7	-11.4	-0.7	-12.7

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.

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	0.7	-0.0	-5.9	1.3	-	-
BlackRock Aquila Over 5y Index Linked Gilts	0.7	-0.0	-7.1	0.1	-3.2	0.2
BlackRock Sterling Liquidity Fund	0.0	-1.1	3.0	-1.8	-	-
LGIM Sterling Liquidity Fund	1.1	0.1	4.8	0.2	-	-
Northern Trust Money Market Fund	0.0	-1.1	4.3	-0.5	-	-
Total performance	2.9	-0.7	3.5	-3.3	5.7	-3.2

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 rose over Q2 2025, despite facing a significant correction in the early weeks of the quarter. For most of the quarter, announcements and modifications on trade policy increased uncertainty among investors as higher than expected tariff rates were imposed to major U.S. trading partners. The reciprocal tariff announcement made by the U.S. President increased market volatility, leading to the CBOE Volatility Index (VIX) touching 52.3 in early April, before closing the quarter at 16.7, which is below its 20-year average of 19.3. The UK secured its first trade deal with the US since global tariffs were introduced by President Trump. The UK now faces a lower tariff of 10% on the first 100,000 cars exported, and 0% on aerospace engines and parts

Emerging Market (EM) equities were the second-best performing market in local currency terms over Q2 2025. All major equity markets in the region delivered positive returns. With political stability returning to the country, Korean equities were the best EM performer returning 21.7% followed by Taiwanese and Indian equities, which rose by 11.1% and 10.1%, respectively. Brazilian equities rose by 8.8% while Chinese equities were the worst performer with 2.6% returns.

Over Q2 2025, US equities were the best-performing market in local terms but second-worst performer in sterling terms, with the US Dollar depreciating significantly. UK equities were the worst performing market over Q2 2025, rising by 2.4%. The Information Technology (IT) sector outperformed with a return of 13.1%. The Financial sector, the largest sector in the MSCI UK Index (24.4% of the index weight) rose by 7.0%. Meanwhile, Industrials sector (15.6% of the index weight) was the second best-performer, rising 12.6%.

The US Federal Reserve (Fed) maintained interest rates over the quarter between a range of 4.25%-4.50%. The Federal Open Market Committee (FOMC) has projected a GDP growth of 1.4% for 2025, down from the March projection of 1.7%, while PCE inflation is forecasted to rise to 3.0% this year, up from the March projection of 2.7%.

Fund Manager News

Newton – Performance Commentary: Over the quarter the portfolio had an overweight position to the technology sector and no exposure to the energy sector which led to the portfolio's outperformance relative to its benchmark. Specifically, overweight positions in Microsoft, Micron Technology, Meta Platforms, ServiceNow and Taiwan Semiconductor Manufacturing were top contributors. There was underperformance of traditionally defensive sectors such as consumer and healthcare. Healthcare was impacted by tariff and pricing concerns within the pharmaceutical industry

Comgest – Performance Commentary: Relative outperformance over the quarter was in part driven by sector allocation – the Fund held more weight in Information Technology and Financials. These are non-cyclical sectors which typically perform better during an upmarket. The top three contributors for the performance on a stock level are Taiwan Semiconductor Manufacturing and Mercadolibre

Multi-Asset Credit Mandate

11

Market Commentary & Outlook

UK investment grade credit spreads narrowed by 10bps to 92bps over the quarter, based on the IBoxx Sterling Non-Gilts index. Both higher-quality and lower-quality bond credit spreads narrowed, with AAA-rated non-gilt spreads falling by 4bps to 24bps, AA-rated non-gilt spreads fell by 6bps to 54bps, and BBB-rated non-gilt spreads fell by 14bps to 129bps. The IBoxx Sterling Non-Gilts Index posted a return of 2.8%.

Global investment grade credit spreads fell by 8bps to 88bps over the quarter. US high yield saw its credit spreads decline by 59bps, ending the quarter at 296bps (based on the ICE BofA Global Corporate index and US High Yield index, respectively). Hard currency emerging debt credit spreads fell by 27bps to 322bps (based on the JP Morgan EMBI Global Diversified index).

Once the actuarial valuation has been completed, any potential investment options can be considered during the review of the investment strategy while having the LCIV pooling exercise at the forefront of our minds.

Fund Manager News

Robeco - During the second quarter, the fund's performance closely tracked the index, aided by a modestly long beta and the overall tightening of market spreads. However, the portfolio's overweight position in EUR-denominated credit, where spreads tightened by only 6bps, and its underweight exposure to the USD market, which saw spreads tighten by 11bps, resulted in relative underperformance. Issuer selection was mixed and, on balance, detracted from returns. Charter Communications was a positive contributor following its merger announcement with Cox Communications and a reduction in leverage targets, which could lead to an investment-grade rating for the new entity's unsecured bonds. In contrast, EIX bonds faced challenges due to concerns over credit metrics, driven by high capital expenditures and potential wildfire liabilities. ZF Friedrichshafen also lagged, affected by renewed tariff pressures on OEMs and suppliers, as well as ongoing operational restructuring issues.

LCIV Alternative Credit Fund – The fund performed in line with its quarterly target despite challenging market conditions, with strong contributions from high yield and senior secured loans. However, longer-term returns remain below target, and selective credit events underscore the importance of active management. Key takeaway over the quarter was an 8.9% increase in cash levels as the manager anticipated high volumes of debt issuance at the start of Q3. Default rates within the portfolio remained well below those seen in the broader sub-investment grade market, which has been crucial to the fund's results. Over recent quarters, the investment manager has steadily expanded the number of individual holdings, especially in the high yield segment, enhancing portfolio diversification—a strategy expected to provide added resilience in volatile market conditions.

Market Commentary & Outlook

Valuations across the market appear to be reaching their lowest point, suggesting that prices may be stabilizing after a period of decline. In particular, certain sectors such as housing, data centres, and logistics are experiencing a unique dynamic: supply in these areas remains constrained, while demand continues to increase. This imbalance is likely to support stronger pricing and rental growth in these segments, potentially positioning them for outperformance as market conditions improve

UK property capital values rose over the second quarter leading to a total return of 1.7%. Capital values rose by 0.3%, and the income return was 1.4%. Vacancy rates increased from 12.1% to 12.2%.

The Office sector was the worst performer, returning 1.0%, while the Industrial sector was the best performer, returning 2.1%. The Retail sector rose 1.8%

Fund Manager News

Darwin Leisure Development Fund – Performance Commentary – Recent underperformance has been a combination of lower revenues across the portfolio sites and higher operating costs. Holiday rental income is up 9% and over £1 million compared to last year, just 4% below budget, with Norfolk Woods and Blenheim Palace performing strongly. Ancillary income—mainly from golf and spa and making up 16% of total income—was 22% above budget, thanks to Dundonald Links’ success, including rebooking Trump Turnberry golfers and hosting major events. Food and beverage income, about 20% of the portfolio, was below budget due to wages being 11% higher than expected. Overall, EBITDA for the nine months to June is over £1 million ahead of last year, with higher costs, especially wages, affecting budget variance. Management is working to reduce costs using technology.

Darwin Leisure Development Fund – Portfolio Update – Over the quarter, their phase 2 plan for Blenheim Palace, focused on informal, wellness-led accommodation and communal activities in a landscaped garden, was well received. They aim to replicate this concept at other sites. Additionally, we’re exploring installing Padel courts to boost income from guests and local communities through rentals and clubs.

ESG Priority Allocation Mandate

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Market Commentary & Outlook

Valuations and performance continue to be underpinned by stable revenues that are either contracted or regulated, often featuring built-in escalators that help offset inflation and rising costs. These predictable income streams, combined with a strong base of tangible assets, provide resilience to the portfolio. As a result, these characteristics should help maintain robust performance even in periods of slower economic growth, offering investors a measure of protection against broader market volatility

Fund Manager News

BTG Pactual OEF Fund – Over Q2 2025, the fund experienced continued challenges, with a net return of -0.81% for the quarter and -0.91% year-to-date, though the Fund maintained a positive return of 7.93% since inception. As of the end of the quarter, the Fund's Gross Asset Value (GAV) stood at \$1.3bn, while NAV was \$1.0bn representing a \$6.7m decrease compared to last quarter. This reduction was primarily due to asset value declines that outpaced capital contributions and income. Nevertheless, the Fund generated US\$8.2 million in revenue during the quarter, led by timber sales from the Tilton, CNC, Scioto, and Green River properties, as well as land sales on CNC. These results underscore both the volatility in asset values and the continued importance of operational activities in supporting the Fund's financial performance.

BlackRock Global Renewable Power – battery storage developer Akaysha have achieved the Commercial Operations Date 1 milestone on the first half of the Watarah Super Battery. As the project moves towards full commercial operations, grid testing continues to be carried out. Akaysha are currently negotiating with Hitachi amongst other companies to provide long term maintenance services and continues to work closely with lenders to implement relevant contract modifications.

Darwin Bereavement Services Fund – Performance Commentary – Memoria's funeral plan business initially thrived through a major partnership with the Co-op, selling over 6,000 plans annually and generating profits above £1 million. However, after losing the contract due to a price war it could not compete in, Memoria's shift to a direct-to-consumer model was unsuccessful, hindered by weak brand presence, insufficient digital marketing expertise, and high acquisition costs, resulting in losses over £4 million in 2024. Despite cost-cutting measures, the business remained unviable.

Rather than close Memoria Funerals, the group opted for a strategic rebuild, appointing industry veteran Steve Wallis as CEO in April 2025. The turnaround plan includes diversifying customer acquisition channels, improving customer experience, enhancing products, building internal capabilities, and delivering significant cost savings. The new strategy focuses on sustainable profitability at lower volumes. This reset led to a 15% reduction in the Fund's net asset value, following an earlier 4% cut after initial restructuring

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Matching Portfolio

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Market Commentary & Outlook

The UK nominal gilt yield curve shifted downwards across short and medium-term maturities, while yields at the longer end of the curve shifted upwards. The 10-year nominal bond yield fell by 15bps to 4.62%, whereas the 30-year nominal bond yield rose by 9bps to 5.57%.

The index-linked gilt yield curve shifted mostly upwards over the quarter (except for the two-year maturity, where it fell). Breakeven inflation fell across all maturities. The 10-year breakeven inflation rate fell by 38bps to 3.13%.

Performance Summary

Blackrock Sterling Liquidity Fund - The fund underperformed its benchmark (SONIA) over the second quarter of 2025.

LGIM Sterling Liquidity Fund – The fund continues to slightly outperform its reference index (SONIA). The changes to its Securities Lending Programme have now been in effect for a full quarter (effective commence date end of Q1 2025)

Northern Trust MMF – The fund returned null over the quarter, slightly underperforming its reference index (SONIA).

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Appendix

AON



Funding level since latest Valuation

as at 31 December 2024

Change to funding level since 31 March 2022



Change to surplus/(deficit) since 31 March 2022



Explanation of Ratings – InForm assessment

Aon InForm assessment

Our manager research process assesses each component using both our qualitative and Aon InForm criteria. With the exception of Operational Due Diligence ("ODD"), each component is assessed as follows:

Qualitative Outcome	Explanation
1	Weak
2	Average
3	Above Average
4	Strong

Barometer Outcome	Explanation
	Factor in insolation meets or exceed our desired criteria. The further the blue bar is to the right, the more favourable the outcome.
	Factor in insolation does not meet our desired criteria. The further the red bar is to the left, the less favourable the outcome.
&	Represents prior quarter outcome
-	There is a lack of data, which means that we are not able to assess this factor, however we do not consider this in isolation to justify an Alert

Inform Outcome	Explanation
✓	Pass: This component in isolation meets or exceed our desired criteria
⚠	Alert: This component in isolation does not meet our desired criteria, or the lack of data on this component means that we are not able to judge whether it meets our desired criteria
-	Not assessed: There is a lack of data, which means that we are not able to assess this component, however we do not consider this in isolation to justify an Alert
↗	Component has improved over the quarter
=	Component remains broadly unchanged over the quarter
↘	Component has worsened over the quarter

Explanation of Ratings - ODD

Operational Due Diligence (“ODD”)

- The ODD factor is assigned a rating. The table below describes what these ratings mean.
- Please note: Operational due diligence inputs provided to the research team by Aon’s Operational Risk Solutions and Analytics Group (ORSA). ORSA is an independent entity from Aon Solutions UK Limited, Aon Hewitt Investment Consulting, Inc., and Aon Hewitt Inc./Aon Hewitt Investment Management Inc. Investment advice is provided by these Aon entities.

Rating	Explanation
A1 Pass	No material operational concerns – the firm’s operations largely align with a well-controlled operating environment.
A2 Pass	The firm’s operations largely align with a well-controlled operating environment, with limited exceptions – managers may be rated within this category due to resource limitations or where isolated areas do not align with best practice.
Conditional Pass (“CP”)	Specific operational concerns noted that the firm has agreed to address in a reasonable timeframe; upon resolution, we will review the firm’s rating.

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 Fund.
 - The analysis considers the expected return of the Fund'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 Fund'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 Fund'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 Fund 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 Fund's investment strategy relative to simulations of the liability proxy.
 - The simulations are constructed using Aon Investment'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 Fund.

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 PAP and Aon Solutions UK Limited on the understanding that it is solely for the benefit of the addressees.

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Meeting Name:	Pensions Advisory Panel
Date:	23 September 2025
Report title:	Carbon Footprint Update – 30 June 2025
Ward(s) or groups affected:	Not applicable
Classification:	Open
Reason for lateness (if applicable):	Not applicable
From:	Interim Environmental, Social and Governance (ESG) Manager

RECOMMENDATION

1. The Pensions Advisory Panel is asked to note the Fund's updated carbon footprint as at 30 June 2025.

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) 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 June 2025 show an increase in Weighted Carbon Intensity ('WCI') (Scope 1 and Scope 2) of the Fund by 7% compared to the previous quarter (31 March 2025). On an aggregate basis, since September 2017 baseline, the Fund has reduced its WCI by ~81%.
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 an increase in WCI for the BlackRock and LGIM developed market low-carbon equities (10.9 vs 10.4). On a standalone basis, there is a 5% decrease in the WCI of the LGIM fund and a 13% increase in the WCI of the BlackRock fund, primarily driven by increase in stock level emissions intensity of companies in the Industrials, Energy and Utilities sectors.

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	March 2025	June 2025
Equity - Developed	Blackrock, LGIM	98.7	23.0					
Equity - Developed Market Low Carbon	Blackrock, LGIM		24.2	51.0	17.5	13.7	10.4	10.9
Equity - Emerging Markets	Blackrock	18.1	19.1					
Equity - Emerging Markets	Comgest			0.2	0.4	2.2	1.6	1.6
Equity - Global	Newton	10.6	4.4	5.8	6.9	4.5	2.9	3.4
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	4.8
Core Property	Nuveen	14.3	10.6	12.0	1.8	1.7	2.8	2.9
ESG Priority Allocation - Property	Invesco, M&G, Brockton, Frogmore	8.8	10.9	4.6	4.8	0.8	1.1	1.1
ESG Priority Allocation - Alternatives	BTG Pactual, Blackstone, Darwin			0.1	0.5	1.1	1.0	0.5
Sustainable Infrastructure	Blackrock, Glennmont, Temporis	0.0	0.0	0.0	0.0	1.8	1.8	4.2
IL Gilts	Blackrock, LGIM	14.0	14.0	24.2	21.4	8.8	11.1	10.9
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	37.8	40.4
Total Change in Footprint			-38.3%	-43.2%	-60.0%	-81.4%	-82.3%	-81.1%

- b. Comgest (neutral): During Q1, the WCI of the Comgest investment has remained the same (1.6 vs 1.6).
- c. Newton Global Equity (negative impact): Overall WCI of the Newton portfolio has increased compared to previous quarter (3.4 vs 2.9). This is primarily driven by an increase in stock level emissions intensity of certain companies in the portfolio.
- d. Multi-asset credit funds with LCIV and Robeco (positive impact): Overall WCI for both the multi-asset credits funds is positive (4.8 vs 5.1), driven primarily by a c. 18% decrease in WCI of the Robeco fund and a 4% decrease in the WCI of the LCVI-CQS fund.
- e. Nuveen (negative impact): There is an increase in the WCI for the quarter (2.9 vs 2.8). As with the previous quarter, this is on account of higher vacancies and ongoing refurbishments at some assets impacting tenancy income. While this impacts short-term carbon footprint, we expect to see an improvement in the long-term.
- f. ESG Priority Allocation (positive impact): Aggregate WCI for all investments in the ESG Priority Allocation category including both property assets (Invesco, M&G, Brockton, etc) and wider infrastructure assets (BTG Pactual, Darwin) has decreased compared to the previous quarter (1.6 vs 2.1). This is on account of overall reduction in composition of these assets as a proportion of the total portfolio. We use Nuveen WACI as a proxy for these investments.
- g. Sustainable Infrastructure (negative impact): Until Q4 2024-25, we used 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. For Q1 2025-26, we have received actual WACI data from Glenmont (Nuveen Infrastructure), Temporis and Blackstone. We have also received latest WACI from BlackRock for the GRP III fund. The WACI of all these assets are higher (compared to erstwhile BlackRock proxy data) – the reason is that the assets are still in various stages of development and not fully commercialised, impacting the WACI (which considers \$m revenue as a base). Additionally, there have also been some write-downs in the BlackRock fund which have impacted revenue generation compared to initial business plans. Aggregate WACI for all investments in the category has therefore increased (4.2 vs 1.8). We will continue to engage with all managers to discuss/understand progress on development and commercialisation including holding them to account specifically in relation to decarbonisation of the assets over time.
- h. Index-linked Gilts (positive impact): WCI for the index-linked gilts over the quarter has decreased (10.9 vs 11.1). This is primarily due to market movements.

5. The unweighted exposure for each investment is set out below:

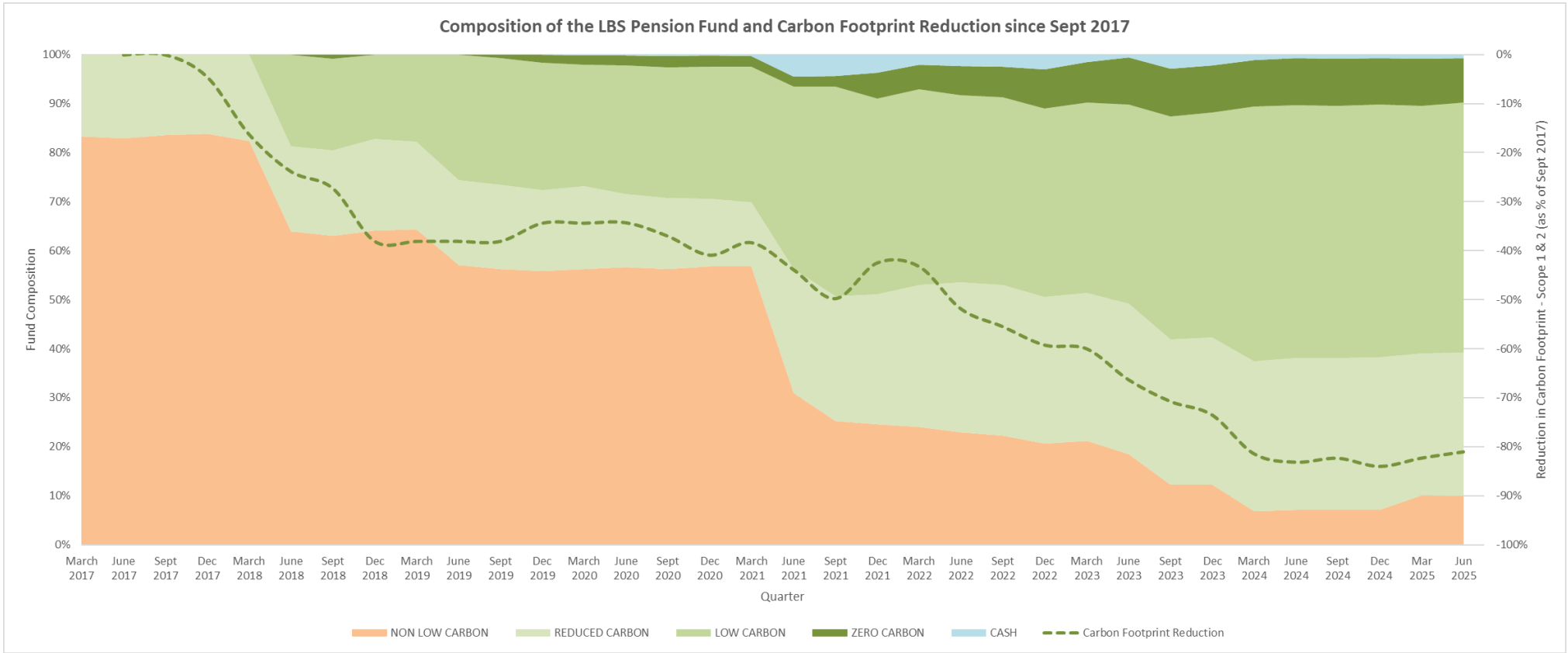
Unweighted Carbon Intensity		Unweighted Carbon Intensity tCO₂e/\$m revenue
Asset Class	Fund Manager(s)	June 2025
Cash And Equivalents	BlackRock, LGIM, Nuveen, Newton	0.00
Core Property	Nuveen	26.00
Global Equities	Newton	31.00
Low Carbon Equity	BlackRock	31.70
Low Carbon Equity	LGIM	29.70
Emerging Markets Equity	Comgest	39.00
ESG Priority Allocation - Alternatives	BTG Pactual, Blackstone, Darwin Bereavement & Leisure Dev	57.00
ESG Priority Allocation - Property	Brockton, Frogmore, Invesco, M&G	104.00
Multi-asset Credit Funds	Robeco, LCIV	100.00
Sustainable Infrastructure	BlackRock, Glenmont, Temporis	257.80
Index Linked Gilts	Blackrock, LGIM	220.00
Total		896.10

6. During the quarter, the holdings in the Zero Carbon, Low Carbon and Reduced Carbon investments are ~90% of our total investment in line with our Strategic Asset Allocation.
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.



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.

APPENDICES

No.	Title
None	

AUDIT TRAIL

Lead Officer	Clive Palfreyman, Strategic Director of Resources		
Report Author	Spandan Shah, Interim ESG Manager, Pensions and Treasury Investments		
Version	Final		
Dated	10 September 2025		
Key Decision?	No		
CONSULTATION WITH OTHER OFFICERS / DIRECTORATES / CABINET MEMBER			
Officer Title	Comments Sought	Comments Included	
Assistant Chief Executive, Governance and Assurance	No	No	
Strategic Director of Resources	Yes	Yes	
Cabinet Member	No	No	
Date final report sent to Constitutional Team		10 September 2025	

Meeting Name:	Pensions Advisory Panel
Date:	23 September 2025
Report title:	Update on Engagement and Voting activity – 30 June 2025
Ward(s) or groups affected:	Not applicable
Classification:	Open
Reason for lateness (if applicable):	Not applicable
From:	Interim ESG Manager – Pensions and Treasury Investments

RECOMMENDATION

1. The Pension Advisory Panel is asked to note the Fund's engagement and voting activity for the underlying equity investments for the quarter ended 30 June 2025.

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 equity assets for both segregated and pooled mandates.
3. 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 June 2025.

Key engagement and voting themes

4. During the quarter, the key ESG-focused engagement and voting themes for the listed assets are outlined below:
 - a. Environment-focused themes:
 - i. Climate risk
 - ii. Biodiversity
 - iii. Water management
 - b. Social themes:
 - i. Human Rights

c. Governance-related themes:

- i. Board and leadership quality
- ii. Corporate Strategy
- iii. Compensation & Remuneration

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

ENGAGEMENT AND VOTING SUMMARY

LAPFF (1 April 2025 - 30 June 2025)

6. The LAPFF engagement report for the period 1 April 2025 to 30 June 2025 is available at:

<https://www.lapfforum.org/wp-content/uploads/2025/07/LAPFF-Q2-2025-QER.pdf>

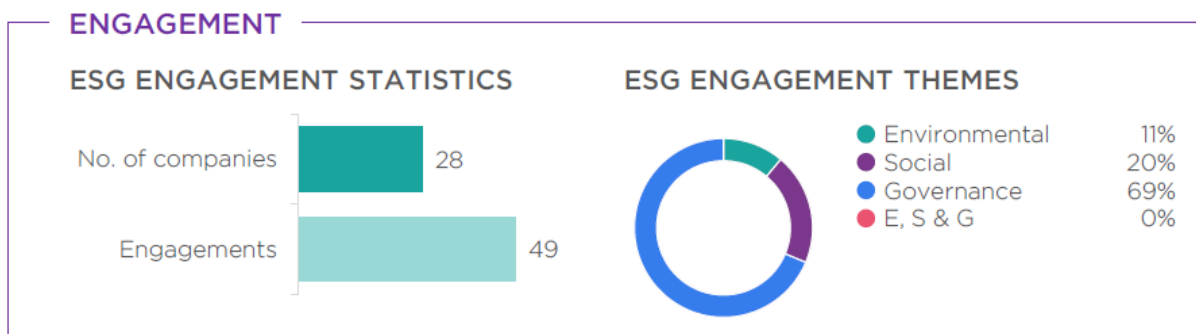
7. During the quarter, LAPFF participated in the 'Taiwan in the World: Sustainability Breakthrough & Responsible Investment Dialogue' conference, hosted in Taipei, Taiwan, in April 2025. The conference facilitated engagement with some of LAPFF's most significant investee companies in the region as well as provided insights into Taiwan's sustainability landscape. The trip also included direct engagements with several Taiwanese companies and organisations across the energy, semiconductor, and finance sectors.
8. Additionally, LAPFF continued its engagement with mining companies on water stewardship, luxury goods companies on human rights, with banks and defense companies on conflict affected and high-risks areas and other companies on decarbonisation and climate plans.
9. LAPFF had meetings with 24 companies during the quarter as part of their engagement activity.
10. An overview of the engagement themes undertaken by LAPFF across the 17 UN Sustainable Development Goals is captured in the table below:

LAPFF SDG ENGAGEMENTS

SDG 1: No Poverty	0
SDG 2: Zero Hunger	1
SDG 3: Good Health and Well-Being	1
SDG 4: Quality Education	0
SDG 5: Gender Equality	3
SDG 6: Clean Water and Sanitation	16
SDG 7: Affordable and Clean Energy	2
SDG 8: Decent Work and Economic Growth	25
SDG 9: Industry, Innovation, and Infrastructure	10
SDG 10: Reduced Inequalities	20
SDG 11: Sustainable Cities and Communities	10
SDG12: Responsible Production and Consumption	15
SDG 13: Climate Action	43
SDG 14: Life Below Water	1
SDG 15: Life on Land	4
SDG 16: Peace, Justice, and Strong Institutions	16
SDG 17: Strengthen the Means of Implementation and Revitalise the Global Partnership for Sustainable Development	0

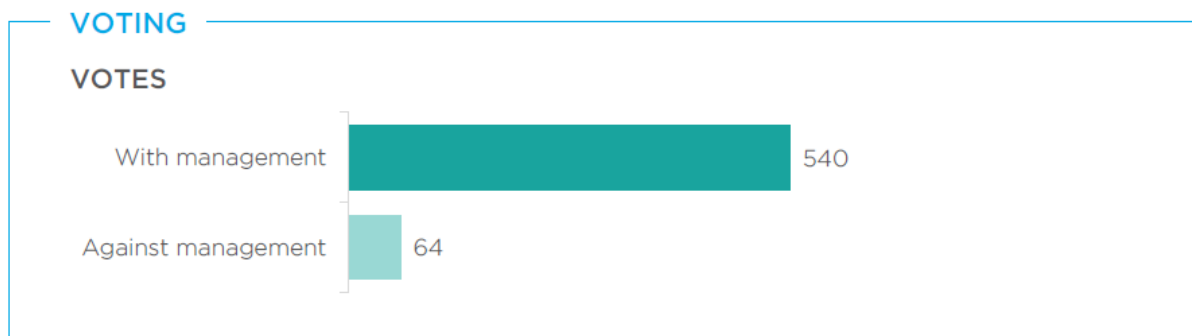
Comgest (12-month period from 1 April 2024 – 31 March 2025)¹

11. On a quarterly basis Comgest provides information on the voting undertaken and their engagement across ESG matters over the previous 12-month period.
12. Over the 12-month period from 1 April 2024 to 31 March 2025, Comgest had 49 engagements with 28 companies. Engagement themes included climate, biodiversity and human rights.
13. Breakdown of the engagement themes is captured in the chart below.



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

¹ Source: Comgest Quarterly Report shared on 07/07/2025 which includes data for 12-month period from 1 Apr 2024 to 31 Mar 2025



Newton (Engagement data: 12-month period from 1 July 2024 - 30 June 2025; Voting data: 1 Apr 2025 – 30 Jun 2025)

15. On a quarterly basis, Newton provides information on the voting undertaken and their engagement across ESG matters.
16. During the 12-month period from 1 July 2024 – 30 June 2025², for our segregated fund, Newton had engagements with two companies in relation to climate transition risk and net-zero strategy and human capital.
17. Additionally, during the quarter, as part of its investment research, Newton met with three companies to discuss strategy, supply chain risks, and opportunities in environmentally friendly products.
18. During the quarter, Newton voted with the management on 91.8% resolutions and against the management on 8.2% of the resolutions. Total resolutions where Newton was eligible to vote were 232.

LGIM (Engagement & voting data for 12-month period from 1 July 2024 – 30 June 2025)

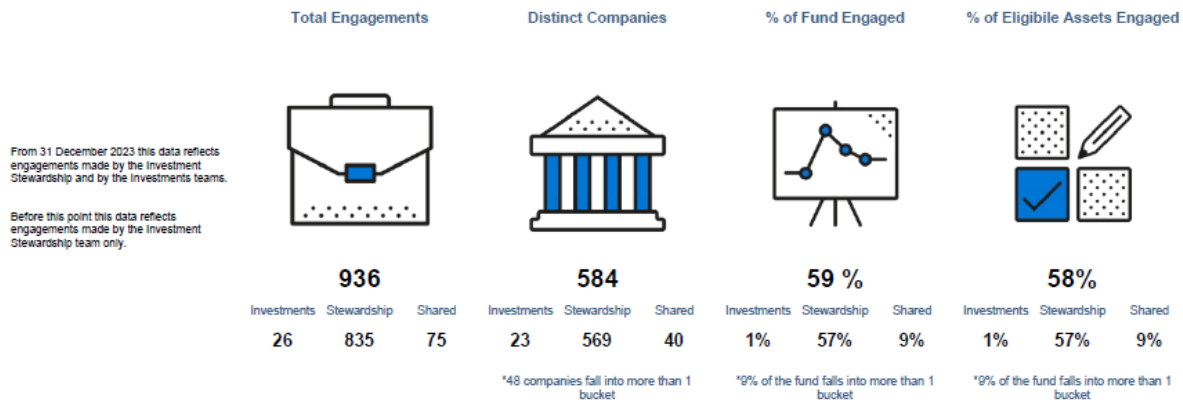
19. For the Low Carbon Transition Developed Markets Equity Index Fund³, during the 12-month period from 1 July 2024 to 30 June 2025, LGIM voted with the management on 77.45% resolutions and against the management on 22.15% of the resolutions. Total resolutions where LGIM was eligible to vote were 21,068.
20. During the 12-month period, Low Carbon Transition Developed Markets Equity Index Fund, LGIM had 936 engagements with 584 companies comprising 59% of the fund value.
21. The top 5 engagement topics were Climate Impact pledge, human rights, deforestation, climate change and remuneration.
22. Summary of the engagement activity is captured below⁴:

² Source: Newton Quarterly RI Report shared on 14/08/2025

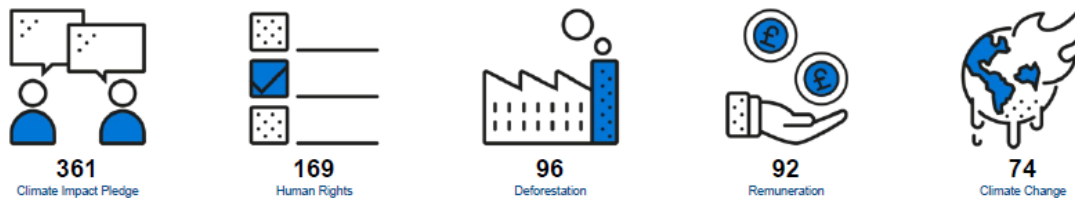
³ Shared by LGIM team on 04/08/2025

⁴ Shared by LGIM team on 07/08/2025

Engagement Metrics



Top 5 Engagement Topics

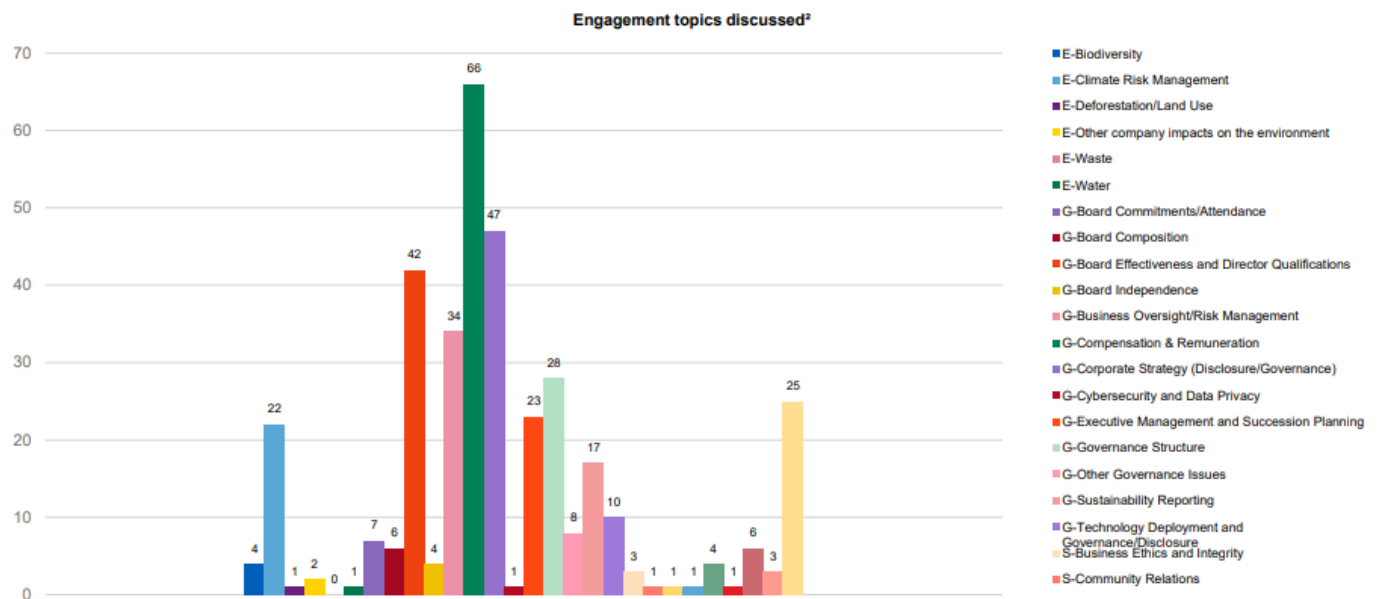


BlackRock (1 April 2025 - 30 June 2025)

23. During the quarter, for the ACS World Low Carbon Equity Tracker Fund⁵, BlackRock had engagements with 117 companies. Top 5 engagement topics were compensation & remuneration, corporate strategy, Board effectiveness and Director qualifications, risk management and governance structure. Summary of the engagement activity is captured below:

⁵ Based on BlackRock Stewardship Engagement report for quarter ended 30/06/2025

Reporting Period: 01-APR-2025 to 30-JUN-2025



24. During the quarter, for the ACS World Low Carbon Equity Tracker Fund⁶, BlackRock voted with the management on 95.84% proposals and against the management on 3.41% of the proposals. Total management and shareholder proposals where BlackRock was eligible to vote were 7,000.

Engagement and Voting case studies

25. Appendix 1 to the report includes select case studies from engagement and voting activity undertaken by fund managers with various companies in their respective portfolios during the quarter ended 30 June 2025.

Policy framework implications

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

Community impact statement

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

Equalities (including socio-economic) impact statement

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

Health impact statement

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

⁶ Based on BlackRock Proxy Vote summary report for quarter ended 30/06/2025

Climate change implications

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

Resource implications

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

Legal implications

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

Financial implications

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

Consultation

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

APPENDICES

No.	Title
Appendix 1	Case studies - Engagement and Voting

AUDIT TRAIL

Lead Officer	Clive Palfreyman, Strategic Director of Resources		
Report Author	Spandan Shah, Interim ESG Manager, Pensions and Treasury Investments		
Version	Final		
Dated	10 September 2025		
Key Decision?	No		
CONSULTATION WITH OTHER OFFICERS / DIRECTORATES / CABINET MEMBER			
Officer Title	Comments Sought	Comments Included	
Assistant Chief Executive, Governance and Assurance	No	No	
Strategic Director of Resources	Yes	Yes	
Cabinet Member	No	No	
Date final report sent to Constitutional Team		10 September 2025	

Appendix 1 – Case studies: Engagement and Voting activity during the quarter from 1 April 2025 to 30 June 2025

Fund manager: Robeco

Case study 1 – Closed Successful Human Capital Management Engagement

- This engagement with a global pharmaceutical company ('the company') began in September 2022 and involved multiple touchpoints including conference calls, in-person meetings, and written correspondence with senior management of the company.
- Over the last 12 months, Robeco escalated its focus on pay equity disclosures and talent management, sharing practical examples and SFDR-aligned metrics. Robeco supported various shareholder proposals requesting enhanced diversity disclosures.
- The engagement evolved to also include mental health and global workforce representation, reflecting a holistic approach to human capital management.
- The engagement was closed successfully in June 2025, with four out of five objectives met. The company had demonstrated strong progress in workforce diversity, achieving gender parity across global roles and 41% female representation on its Board.
- The company also published detailed Diversity & Inclusion ('D&I') impact reports and committed to meaningful disclosures despite regulatory constraints in the US. The company now conducts Pay equity analyses regularly, and its reporting has expanded to include UK and Ireland gender pay gap reports.
- Talent management remains an area for improvement, particularly in aligning career development programmes with D&I goals. The engagement has contributed to enhanced transparency and accountability, supporting both societal benefits and investor needs for SFDR-aligned data.
- The engagement included active participation in collaborative investor forums such as the Biopharma Sustainability Roundtable.
- Robeco will continue to monitor the company's progress and may re-engage if gaps persist.

Fund manager: Comgest

Case Study 1 – Engagement with Tencent

- Comgest analysts visited the Tencent headquarters and showroom and met with an Investor Relations representative. In addition to discussing business development and the latest progress regarding the US Department of Defence's 1260H list (an official register of entities identified as "Chinese military companies" operating directly or indirectly in the United States, see statutory requirement of Section 1260H of the National Defence Authorization Act for Fiscal Year 2021), we conducted an in-depth discussion on artificial intelligence (AI) and its potential impact on Tencent's business. The company

acknowledged the importance of responsible practices, particularly around data privacy and financial information.

- Tencent is committed to balancing user experience and monetisation of its ecosystem with a long-term development perspective, which is aligned with the company's mission statement: "technology is power, and doing good is a choice".
- Comgest continues to monitor developments in AI technology and both how investee companies, such as Tencent, are looking to harness the tool, and impacts on the environment and society.

Case Study 1 – Engagement with Wal-Mart de Mexico (Walmex)

- Comgest analysts held an in-person meeting with Walmex's CEO and CFO. The discussion covered a range of ESG-related topics, with a particular focus on the company's energy strategy, upcoming labour reforms and the regulatory outlook.
- Comgest also discussed Walmex's adaptability to rising energy costs, to which management highlighted that electricity is a significant cost component and emphasised their growing investment in renewable energy, encouraged by the current government's supportive stance.
- Comgest team discussed the impact of Mexico's potential 40-hour workweek reform. The Walmex management stated that they are preparing for the implementation of the reform and assessing its potential impact on employment levels. The company also commented on the need for changes in the banking system to enable meaningful reform.
- Comgest will continue to engage with Walmex on the above topics and monitor progress over time.

Fund manager: BlackRock

Case Study 1 – Engagement with PepsiCo Inc (PepsiCo)

- BlackRock Investment Stewardship (BIS) engaged with several members of PepsiCo's management team in April 2025 at the company's request to better understand the company's approach to several business-relevant matters, including executive compensation, human capital management, and the management of the climate-related risks and opportunities relevant to its business.
- The engagement gave PepsiCo the opportunity to provide additional clarity on its sustainability strategy following two climate-related shareholder proposals being submitted to the ballot of the company's May 2025 annual general meeting (AGM). The shareholder proposals requested enhanced reporting on the company's approach to biodiversity-related risks, and plastics use.
- With respect to its nature-related ambitions, PepsiCo noted in the engagement that it provides investors with the requested information in its sustainability-related disclosures. Specifically, through its "pep+" program, PepsiCo executed a comprehensive sustainability strategy that includes regenerative agriculture

and water stewardship. PepsiCo noted its progress in this respect during the engagement, including exceeding its 2025 target of increasing agricultural water-use efficiency by 15% two years ahead of schedule. It also saw a 22% improvement when compared to a 2015 baseline in high water-risk watersheds through partnerships, targeted training and programs.

- With regards to the shareholder proposal on plastics use, PepsiCo provided BIS with an update on its “Positive Value Chain” initiative; including progress it is making towards its goal of 100% recyclable, compostable, biodegradable or reusable (RCBR) packaging.
- BIS supported management’s recommendation on all ballot items at the May 2025 AGM. All management proposals and no shareholder proposals received majority shareholder support. Overall, the engagement was helpful in enabling BIS to better understand the company’s approach to these matters.

Meeting Name:	Pensions Advisory Panel
Date:	23 September 2025
Report title:	UK Stewardship Code Application Update
Ward(s) or groups affected:	Not applicable
Classification:	Open
Reason for lateness (if applicable):	Not applicable
From:	Chief Investment Officer, Pensions and Treasury Investments

RECOMMENDATIONS

1. The Pensions Advisory Panel ('PAP') is asked to note:
 - a. The successful outcome of the Fund's recent application in May 2025 to become a signatory to the UK Stewardship Code ('the Code').
 - b. An overview of the Code and next steps for the Fund.

UK Stewardship Code – Background

2. Stewardship is the responsible allocation, management and oversight of capital to create long-term value for clients and beneficiaries leading to sustainable benefits for the economy, the environment and society.
3. The UK Stewardship Code ('the Code') sets the stewardship standards for organisations investing money on behalf of UK pensioners, and those that support them. The Code applies to asset owners, asset managers and service providers.
4. As a LGPS fund , the Code applies to Southwark Pension Fund ('the Fund') as an asset owner.
5. While there is no regulatory mandate for the Fund to be a signatory to the Code, it is industry best practice to adopt it on a voluntary basis. It also shows a sign of an organisation's robust approach and enhanced transparency in relation to internal governance and engaging with underlying assets across the portfolio.
6. The Code comprises a set of 12 'apply and explain' principles for asset managers and asset owners, and a separate set of six principles for service providers.

7. The principles are supported by reporting expectations which indicate the information that organisations should publicly report to become a signatory.
8. The Code has four main sections:
 - a. Purpose and Governance
 - b. Investment Approach
 - c. Engagement
 - d. Exercising Rights and Responsibilities.
9. To become a signatory to the Code, organisations are required to submit to the Financial Reporting Council ('FRC') a Stewardship Report demonstrating how they have applied the Code's 12 principles in the previous 12 months. The report may cover any 12-month period beginning after 1 January 2020.
10. The FRC assesses the report and if it meets the reporting expectations, the organisation will be listed as a signatory to the Code. FRC conducts a very detailed and thorough review of the application. The threshold for acceptance is quite high.
11. Once listed, organisations have to submit a report annually to remain signatories to the Code.

Update on the Fund's Stewardship Code application for 2025

12. Last year, in May 2024, the Fund applied to become a signatory to the UK Stewardship Code. Unfortunately, while the Fund's application demonstrated promising reporting in many areas, it fell short on the FRC standards to become a signatory.
13. Fund officers subsequently put in additional efforts to address all the gaps and improvement areas highlighted in the previous application and submitted a revised application for the 12 month period from 1 April 2024 to 31 March 2025 during the 2025 application window.
14. Fund officers are extremely pleased to update the PAP that the Fund has met the expected standard of reporting and will be listed as a signatory to the Code. The result of the 2025 FRC review was formally published in the public domain on 13 August 2025.
15. Going forward, we will be able to refer to the Fund as a signatory to the UK Stewardship Code. This is a very promising development and reaffirms the Fund's commitment to being a responsible investor.
16. Fund officers will continue to implement best practice in relation to the Fund's approach to stewardship and ensure the signatory status continues going forward (noting the proposed changes below and any implications from the upcoming LGPS pooling mandate).

Changes to the definition of 'Stewardship' introduced by the Financial Reporting Council as part of 2026 Stewardship Code

17. In November 2024, the FRC undertook an extensive consultation on revisions to the 2020 Code. On 3 June 2025, the FRC published the UK Stewardship Code 2026 ('2026 Code'), which will be effective from 1 January 2026.
18. Alongside other implementation-focused changes, one of the key changes introduced in the 2026 Code is the revised definition of stewardship.
19. In the 2026 Code, stewardship is defined as "the responsible allocation, management and oversight of capital to create long-term sustainable value for clients and beneficiaries."
20. The definition in the 2020 Code was "the responsible allocation, management and oversight of capital to create long-term value for clients and beneficiaries leading to sustainable benefits for the economy, the environment and society."
21. As per FRC, this change in definition is to address concerns that the previous definition implied a duty to deliver societal or environmental benefits beyond economic aspects. Some also viewed that as per the previous definition wider benefits to the economy, environment and society should be seen as standalone objectives that always need to be delivered.
22. The revised language in the 2026 Code aligns with the language in section 172 of the Companies Act 2006 (on directors' duties) in describing what is expected of investors by stating that they should "take account of long-term risks and opportunities, having regard to the economy, the environment and society, upon which beneficiaries' interests depend". It is for investors to weigh these factors appropriately when making investment decisions.
23. There has been a mixed reaction to the change in the definition. Many, including senior members at the UK Sustainable Investment and Finance Association, Pensions for Purpose and Minerva Analytics, have expressed disappointment around the removal of the direct reference to the environment and society in the definition.

What this means for the Fund

24. Where relevant and practical, Fund officers have and continue to consider an overlay of climate change and wider ESG parameters as part of our routine investment-related decision-making process.
25. Additionally, the Fund continues to view climate change and other material ESG issues as financial risks which may impact long-term value of the fund.

26. Based on this, Fund officers believe that we can operate as usual in line with our current approach with no requirement to expressly call out/highlight the change in definition, which will be effective from 2026.

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

Community Impact Statement

27. There are no immediate implications arising.

Equalities (including socio-economic) Impact Statement

28. There are no immediate implications arising.

Health Impact Statement

29. There are no immediate implications arising.

Climate Change Implications

30. There are no immediate implications arising.

Resource Implications

31. There are no immediate implications arising.

Legal Implications

32. There are no immediate implications arising.

Financial Implications

33. There are no immediate implications arising.

Consultation

34. No consultation is needed.

APPENDICES

No.	Title
None	

AUDIT TRAIL

Lead Officer	Clive Palfreyman, Strategic Director of Resources		
Report Author	Spandan Shah, Interim ESG Manager, Pensions and Treasury Investments		
Version	Final		
Dated	10 September 2025		
Key Decision?	No		
CONSULTATION WITH OTHER OFFICERS / DIRECTORATES / CABINET MEMBER			
Officer Title	Comments Sought	Comments Included	
Assistant Chief Executive, Governance and Assurance	No	No	
Strategic Director of Resources	Yes	Yes	
Cabinet Member	No	No	
Date final report sent to Constitutional Team		10 September 2025	

Meeting Name:	Pensions Advisory Panel
Date:	23 September 2025
Report title:	Responsible Investment – General Update – 30 June 2025
Ward(s) or groups affected:	Not applicable
Classification:	Open
Reason for lateness (if applicable):	Not applicable
From:	Chief Investment Officer, Pensions and Treasury Investments

RECOMMENDATION

1. The Pensions Advisory Panel ('PAP') is asked to note the update on two key Responsible Investment ('RI') aspects of the portfolio - the Fund's 2030 net zero target and approach to exposure to conflict in the Middle East, as at 30 June 2025.

Update on the Fund's 2030 Net zero target

2. The Fund continues to focus on decarbonisation of all assets in the portfolio. Decarbonisation also remains a key component of investment related decision-making process of the Fund with the aim of reaching net zero by 2030 in line with the formal target.
3. Over the past year, due to increased political scrutiny and pressure, particularly in the US, many asset managers and corporates globally have backtracked on their decarbonisation goals and focus on wider ESG aspects like diversity and inclusion. This will inadvertently impact the Fund's net zero targets and focus on wider RI parameters.
4. From April 2026, following the LGPS pooling mandate, implementation of the investment strategy for the Fund will be undertaken by LCIV.
5. Fund officers are in ongoing discussions with LCIV to better understand their approach to the net zero milestones, in the short and medium-term, and the corresponding product offerings across both public and private asset classes to identify most appropriate options for the Fund both in terms of the financial performance and alignment with our 2030 net zero target.

6. In the meantime, Fund officers will continue to operate as usual and engage with all asset managers on decarbonisation of the holdings and assess/report progress to the PAP, including presenting an update on the carbon footprint portfolio at every quarterly PAP meeting.

Fund's approach to ongoing conflict in the Middle East

7. The conflict in the Middle East continues to be an important focus area for the Fund. The Fund has exposure to companies in the UN List of companies operating in the Occupied Palestinian Territories including East Jerusalem and West Bank settlements.
8. The Fund continues to implement best practices in relation to monitoring and reporting exposure to the conflict and proactively assessing impact and exploring alternative options for this.
9. The Fund officers are in discussions with the equity investment managers – LGIM and BlackRock - to understand their approach to engagement/stewardship with companies in the UN List while stressing the Fund's requirement of strictly enforcing human rights as part of their engagement process.
10. Fund officers will continue to monitor the situation and implement any best practices developed by LCIV, LAPFF or other LGPS.

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

Community Impact Statement

11. There are no immediate implications arising.

Equalities (including socio-economic) Impact Statement

12. There are no immediate implications arising.

Health Impact Statement

13. There are no immediate implications arising.

Climate Change Implications

14. There are no immediate implications arising.

Resource Implications

15. There are no immediate implications arising.

Legal Implications

16. There are no immediate implications arising.

Financial Implications

17. There are no immediate implications arising.

Consultation

18. No consultation is needed.

APPENDICES

No.	Title
None	

AUDIT TRAIL

Lead Officer	Clive Palfreyman, Strategic Director of Resources		
Report Author	Caroline Watson, Chief Investment Officer, Pensions and Treasury Investments		
Version	Final		
Dated	10 September 2025		
Key Decision?	No		
CONSULTATION WITH OTHER OFFICERS / DIRECTORATES / CABINET MEMBER			
Officer Title	Comments Sought	Comments Included	
Assistant chief executive, governance and assurance	No	No	
Strategic Director of Resources	Yes	Yes	
Cabinet Member	No	No	
Date final report sent to Constitutional Team		10 September 2025	

Meeting Name:	Pensions Advisory Panel
Date:	23 September 2025
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 Pensions Advisory Panel (PAP) is asked to note the update from the Local Pension Board (LPB) meeting of 2 July 2025.

KEY AREAS OF DISCUSSION

Training session – LGPS Pooling and Governance implications

2. The training session covered various aspects of the Fit for the Future consultation, including new pooling requirements, mandate for local UK-based investments and increased focus on governance going forward.
3. There were initial questions and discussions on various aspects of the proposals, including decision-making on strategic asset allocation after the pooling and impact on net zero target due to the pooling mandate.
4. Subsequently, there were also discussions on potential efficiencies from pooling and changes to in-house staffing requirements going forward given the increased focus on governance aspects of the Fund operations.

Action Tracker

5. The Head of Pensions Operations presented the Action Tracker. An update was provided regarding progress made on each item in the tracker.
6. The Board's main focus was on the Fund's Administration Strategy. The Head of Pensions Operations confirmed that the revised Administration Strategy is currently being finalised and will be tabled at the next Board meeting and the PAP meeting. Following this, it will go through a formal consultation process involving various internal and external stakeholders.

Pension Services

7. The Head of Pensions Operations presented the report.
8. An update was provided on recruitment within the service, IT and systems, national pension dashboard programme (NPD) and issuance of annual benefits statements (ABS).
9. There was a detailed discussion on the topic of the LGPS auto-enrolment, and a complaint raised by a member of the Fund directly with the Chair of the Board. It was agreed that dealings between an employee and an employer are outside the scope of the Fund's remit.
10. However, given that Southwark Council is the largest employer in the Fund, it this is an important issue for the Fund, and the Board will work towards resolving this alongside other stakeholders in the Council.

TPR Guidance – McCloud Underpin and 2025 Annual Benefit Statement

11. The Head of Pensions Operations presented the report. An update was provided on the work done to date in relation to the McCloud remedy underpin.
12. There was a discussion on challenges around late availability of a technology solution, which has also led to more manual work being required to be undertaken leading to further delays. The Pensions Regulator has acknowledged this issue and has released guidance allowing LGPS funds to defer the provision of implementing the McCloud remedy for affected members by a year.
13. The Head of Pensions Operations recommended to defer the implementation of the McCloud remedy by a year, in line with the regulator's guidance, considering the potential risks of incorrect implementation and errors in ABS statements (considering imminent deadline). The Board acknowledged the risks and agreed to the proposal.
14. It was confirmed that based on an initial analysis, limited members (approximately 10% or less) are going to be impacted by this.

Revised Risk Register

15. The Chief Investment Officer presented the report.
16. A revised risk register and new risk dashboard were introduced to the Board, detailing the changes made to the risk register but confirming use of the earlier quantification methodology to ensure alignment with risks assessed by Southwark council.
17. It was agreed that a new Risk management policy will be tabled at the upcoming Board meeting. It was also agreed that any changes made to the risk register going forward will be highlighted in the dashboard through some visuals.

Breaches Log

18. The Head of Pensions Operations presented the report.
19. There was an update on the status of various ongoing breaches in the breaches log. It was noted that the log has been amended in consideration to the new developments relating to ABS and McCloud guidance issued by the regulator.

LGPS – Access and Fairness Consultation

20. The Head of Pensions Operations presented the report.
21. There was a discussion on the overall focus of the consultation, covering subsequent effects that the consultation will have on the Fund especially on areas including survivor pensions, death grants, opt outs, and the McCloud remedy.
22. There was a question on the status of refund of pension contributions in case of early leavers.

Cyber Security – Annual Audit of External Providers

23. An update was provided regarding the work undertaken in assessing preparedness of the Fund's investment managers, custodian and banker in complying with the recommendations of the UK National Cyber Security Centre's (NCSC) Cyber Essentials Standards for IT Infrastructure and 10 Steps to Cyber Security in relation to cyber security risks.
24. The assessment outlines five core technical control areas as listed in the Cyber Essentials: firewalls, secure configuration, security update management, user access control and malware protection and the 10 parameters outlined in the 10 Steps.
25. All of the Fund's external stakeholders have policies and processes in place across all the core technical control areas as a means to proactively manage and mitigate any cyber security risks.
26. Responses were requested from 18 organisations to assess their compliance with two frameworks. Responses were received from 17 organisations. Further response is awaited from Blackstone on additional queries raised following review of initial information.

The General Code – Action Plan

27. The report was prepared by the Chief Investment Officer.
28. The Board noted the report. The Chair of the Board confirmed that the Board will continue to monitor the progress of the pending tasks in the action plan at future meetings.

Local Pension Board – Annual Report

29. The Chair outlined the key focus areas for the Board during 2024-25, which included review of the Funding Strategy Statement and the Risk Register, a detailed cyber security assessment of the Fund operations, an annual cyber security assessment of the Fund's managers, banking provider and custodian and findings from the audit conducted by external auditor.
30. The Board continues to monitor closely the performance of the Pension Administration function, including ensuring timely delivery of Annual Benefit Statements.
31. Going forward, the Board will continue to monitor the impact of various regulations and initiatives relevant to LGPS, including Fit for Future regulation, MHCLG's Access and Fairness Consultation, implementation of the McCloud remedy and the national dashboard for pensions and the Scheme Advisory Board's Good Governance Project.
32. The Board will also focus on other aspects of the Fund operations including review of the Risk Register, review of various policies in place and breached log and cyber security aspects.

Update on Current LGPS issues

33. An update was provided on the local audit reforms and the government's commitment to separate pension fund accounts from those of administering authorities.
34. A second update was also provided in relation to the SAB acknowledging the possible implementation challenges given the pace and scale of proposals of the Fit for the Future consultation. SAB is working on developing guidelines and recommendations for LGPS to enable funds to easily navigate upcoming changes in the LGPS ecosystem.

Any other Business

35. The Head of Pensions Operations provided a training session on navigating through the member portal to Tony O'Brien and Helen Laker.
36. The Chief Investment Officer highlighted two actions points in relation to:
 - a. completing declaration of interest forms
 - b. approval of the 2024/25 Board training log.

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

Community Impact Statement

37. There are no immediate implications arising.

Equalities (including socio-economic) Impact Statement

38. There are no immediate implications arising.

Health Impact Statement

39. There are no immediate implications arising.

Climate Change Implications

40. There are no immediate implications arising.

Resource Implications

41. There are no immediate implications arising.

Legal Implications

42. There are no immediate implications arising.

Financial Implications

43. There are no immediate implications arising.

Consultation

44. No consultation is needed.

APPENDICES

No.	Title
None	

AUDIT TRAIL

Lead Officer	Clive Palfreyman, Strategic Director of Resources		
Report Author	Mike Ellsmore, Chair of Local Pension Board		
Version	Final		
Dated	10 September 2025		
Key Decision?	No		
CONSULTATION WITH OTHER OFFICERS / DIRECTORATES / CABINET MEMBER			
Officer Title	Comments Sought	Comments Included	
Assistant Chief Executive – Governance and Assurance	No	No	
Strategic Director of Resources	No	No	
Cabinet Member	No	No	
Date final report sent to Constitutional Team		10 September 2025	

Meeting Name:	Pensions Advisory Panel
Date:	23 September 2025
Report title:	Pension Services 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 June 2025 setting out specific information on recruitment, IT/systems, National Dashboard Programme, communication initiatives, Strictly Education payroll provider and complaint management.

Recruitment

3. Two admin and two data team vacancies currently exist across Pension Services. We are working with Council HR to recruit these positions.
4. Shortlisted applications took place in August for both admin roles. We will update the Panel in due course.

IT/Systems

5. Online modeler testing within the Member Self-Service Portal is currently underway for death benefits and ill-health early retirement transactions.
6. Future development plans for the Member Portal have now been approved by the Strategic Director, Resources. Once fully scoped by the data/systems team, implementation dates will be shared with the Panel.

National Dashboard Programme

7. Southwark's "connect by" date remains unchanged at 31 October 2025.
8. Although the Government has not yet agreed an actual "go-live" date, it is expected that the Dashboard Service will commence later in 2026.
9. The Pension Fund is considering a joint training session on this high-profile piece of work and will keep Panel and Board members updated.

Progress to September 2025

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

Communication initiatives

11. Annual Benefit Statements (**ABS**) for deferred members (i.e. former Southwark staff) were issued in July 2025. This exercise has since identified a number of 'invalid' and 'gone away' addresses which will be taken forward by the data/systems team in readiness for ABS 2026.
12. For active members (i.e. contributing staff) in the Council and external employers, validated year-end data was extracted in August 2025 and the 2025 ABS and newsletter is on target for issue before 31 August 2025.
13. Agreed ABS provisions are in place with the Council for depot staff or anyone actively employed without access to Southwark IT/email/laptops.
14. A timeline for moving to more digital communication is now underway and began with the issue of the Pension Increase newsletter in April 2025 and deferred member ABS newsletter in July 2025.

LGPS Auto Re-Enrolment – 1 May 2025 (update for the Panel)

15. Southwark's Unite Branch Secretary wrote to some members of the Board on 29 May 2025 expressing the concerns of Unite members in how the recent LGPS Auto Re-Enrolment process had been dealt with, namely that Unite members were dissatisfied with the lack of clear communication about the re-enrollment process which caused frustration and confusion.
16. The Independent Chair of the Board had asked the Head of Pensions Operations to respond, where it was confirmed May's exercise had been conducted by the Council's Payroll and HR functions, and that there had been agreed communication plans in place. The Head of Pensions Operations had re-iterated the benefits of LGPS membership to Unite members, and that the Pension Fund was committed to working with both the Council and Unions to improve future Re-Enrolment communications.

Strictly Education update – schools payroll provider

17. The majority of former Strictly Education schools are now signed up to existing Southwark payroll providers (EPM, Dataplan) or have procured a new payroll provider.
18. The Pension Fund has been working closely with schools to strengthen employer engagement and therefore overall compliance to ensure monthly data returns are submitted on time. Training and guidance is being offered to ensure School Business Managers feel supported and can contact a dedicated data officer should there be any data problems.
19. Future developments around reporting will provide employers access to real-time compliance dashboards showing whether they are meeting legal obligations. This level of collaborative approach will help employers, and the Pension Fund identify any barriers such as payroll system limitations.

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 allocation and decision.

- Pensions Ombudsman single complaint - protracted complaint from a former member of Council staff about a legal Settlement Agreement.

Case OPEN – the Council received Pension Ombudsman's Final Determination on 25 March 2025 which upheld the complaint in part, but only for an element of non-financial injustice. The Council accepted the Final Determination whereas the complainant did not and has decided to appeal the Ombudsman's decision in Court, on a point of law. Further updates to the Panel to follow in due course.

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

- Pensions Ombudsman single complaint - pensions liberation claim that the Pension Fund undertook no receiving scheme due diligence in 2016.

Case OPEN – the Pension Fund denies all allegations. Complainant has taken an identical matter to the Crown Court, meaning the Pensions Ombudsman may discontinue its own investigation.

- Internal Dispute Resolution Procedure single complaint - the estate of deceased former employee complained that the Pension Fund failed to return a preserved refund 35 years ago or maintain regular contact with the former employee who has been described as a 'vulnerable' adult.

Case OPEN – Adjudicator upheld complaint in part but was unable to agree to the refund as the member had attained age 75 many years ago prohibiting a payment. But it was acknowledged that the Pension Fund could have done more to try and trace the individual.

- Internal Dispute Resolution Procedure single complaint - whilst a Cash Equivalent Transfer Value (CETV) was requested and produced within the statutory deadline, final payment was declined by the Pension Fund.

Case OPEN – Adjudicator upheld complaint in part (communication leading to confusion) but could not agree to transferring funds to the receiving arrangement because member was within 12 months of Normal Pension Age by the time IFA advice had been sought.

Admin performance monitoring

Performance metrics are detailed in Appendix 1 covering the three-month period June, July and August 2025.

Horizon scanning

20. A standalone report presented to the Board covering the Access and Fairness Consultation is attached for information as Appendix 2.

Future work planning

21. Pension Services signed up to a wider Resources Directorate Business Plan over 2025/26. This includes IT-related objectives such as improved member self-service functionality and any staff survey follow-up actions.

Conclusions

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

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.

APPENDICES

No.	Title
Appendix 1	Admin/Ops Performance Metrics June, July and August 2025
Appendix 2	Copy of Board paper on Access and Fairness Consultation

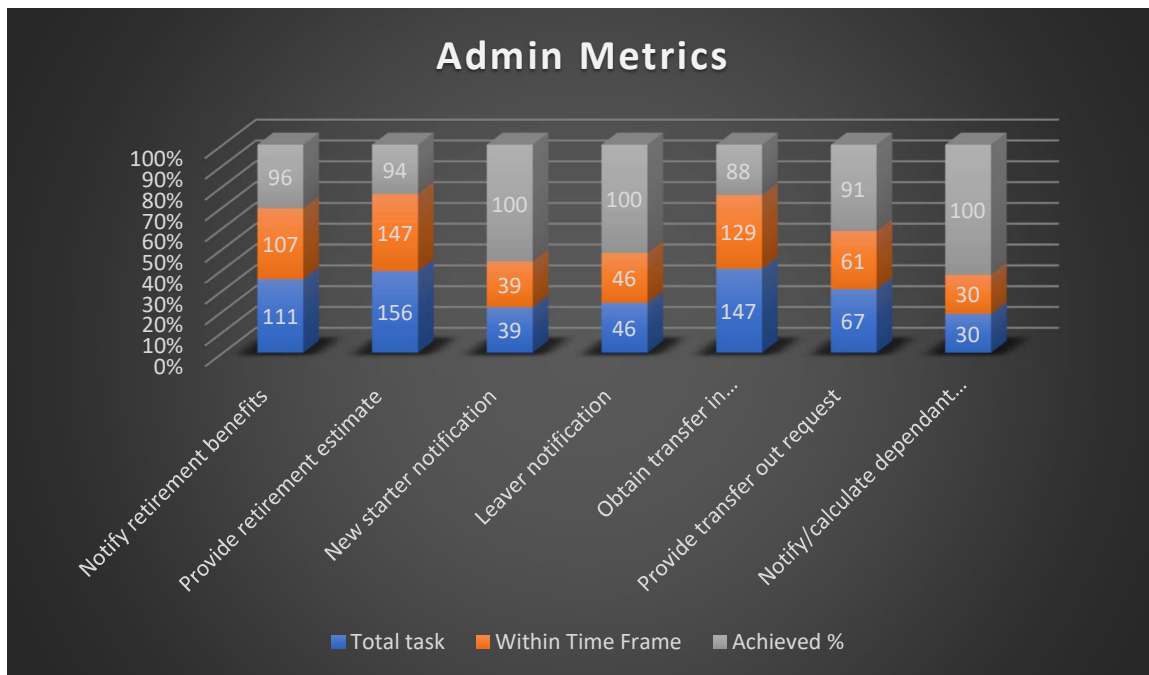
AUDIT TRAIL

Lead Officer	Clive Palfreyman, Strategic Director of Resources		
Report Author	Barry Berkengoff, Head of Pensions Operations, Resources		
Version	Final		
Dated	10 September 2025		
Key Decision?	No		
CONSULTATION WITH OTHER OFFICERS / DIRECTORATES / CABINET MEMBER			
Officer Title		Comments Sought	Comments Included
Assistant Chief Executive – Governance and Assurance		No	No
Strategic Director of Resources		No	No
Cabinet Member		No	No
Date final report sent to Constitutional Team			10 September 2025

APPENDIX 1

Admin Metrics – June, July & August 2025

	Total Tasks	Within Time frame	Achieved	
Notify Retirement Benefits (Within One Month of Retirement)	111	107	96%	↑
Provide Retirement Estimate/ Quote on request	156	147	94%	↑
New Starter Notification joining the LGPS	39	39	100%	→
Inform member who left scheme of leaver rights and options	46	46	100%	→
Obtain transfer details for transfer in, calculate and provide quote	147	129	88%	↑
Provide transfer out (CETV) request (Three months from date of request)	67	61	91%	↓
Calculate and notify dependants about death benefits	30	30	100%	→



Meeting Name:	Local Pension Board
Date:	2 July 2025
Report title:	Access and Fairness Consultation
Ward(s) or groups affected:	Not applicable
Classification:	Open
Reason for lateness (if applicable):	Not applicable
From:	Head of Pensions Operations

RECOMMENDATION

1. The Local Pension Board (the **Board**) is asked to note this paper on the Access and Fairness Consultation.

BACKGROUND INFORMATION

2. On 15 May 2025, the Ministry of Housing, Communities and Local Government (**MHCLG**) launched a consultation on proposed changes to the Local Government Pension Scheme (the **LGPS**) in England and Wales.
3. The proposed changes are aimed at improving fairness in and equal access to the LGPS and its benefits, particularly for many members who have been paid lower salaries throughout their working lives.

AT A GLANCE...

4. The proposals cover the following areas:-
 - **Survivor Pensions and Death Grants**, aiming to fix historic discrimination and ensure equal access to the scheme
 - Proposals to address the **Gender Pension Gap**, including mandatory reporting
 - Gathering data on numbers and reasons for **Opt-Outs** in the LGPS
 - Fixing issues in **Forfeiture**, and other technical improvements, including the correction of **McCloud** remedy

Survivor Pensions and Death Grants

In recent years there have been a number of changes to survivor benefits, as new types of legal relationships have been introduced, but there are still some outcomes of legal cases which are not yet reflected in the LGPS Regulations.

Summary of proposals

Equalisation – survivor pension payable to the survivor of a marriage or civil partnership with a member will be calculated in the same way regardless of sex or sexual orientation.¹

Cohabitee Survivor Pensions – removal of the requirement for a signed nomination form in the case of qualifying cohabitee survivors. Retrospective for deaths occurring between 1 April 2008 and 31 March 2014.

Death Grant – removal of age 75 cap on eligibility for death grants, backdated for all deaths on or after 1 April 2014, and eliminating the two-year limit on Administering Authorities to identify the appropriate personal representatives.

Gender Pension Gap

Analysis from the Government Actuary's Department on LGPS data ² shows that in the LGPS in England and Wales, the average CARE pension accrued by active female members (who make up **74%** of the active membership) is **34.7% lower** than the average pension accrued by active male members (and that gap is even wider for the Pre-2014 Final Salary part of the LGPS).

The proposals aim to enhance the opportunities for women to improve their pensions and will benefit male members as well.

Summary of proposals

Unpaid leave – making authorised absences of less than 31 days automatically pensionable.

Cost Alignment – aligning cost of buying back lost pension for authorized absences of over 30 days with actual member contribution rates (rather than actuarial factors) and extending the option deadline to 12 months.

Child Related Leave – including all additional maternity, shared parental leave and adoption leave without pay in the definition of child-related leave.

Reporting – two metric reporting will become mandatory. The consultation sets out an expectation that this will be reported at both pension fund and employer level and set out in the 2025 Triennial Valuation Report (and Annual Report).

¹ Goodwin v Secretary of State for Education (2020) legal judgement

² Data extract from 31 March 2020

Opt-Outs

It is proposed it will become mandatory for Administering Authorities to collect and report on data relating to members opting out of the LGPS.

However, it will require employers to provide this information to Administering Authorities, which could be a challenge as some employers may struggle to produce accurate and timely information about active scheme members.

Summary of proposals

Mandatory reporting – to help understand trends and reasons for opt-outs and will help shape future EDI improvement comms strategies.

Annual Report – it will be required to publish data related to opt-outs in the Annual Report each year.

Additional data collection – online survey that will return information directly to MHCLG, including reasons for opt-out as well as additional info around ethnicity, age, gender, marital status etc.

Forfeiture

Current Regulations require that a member must have left employment because of the offence for forfeiture of their pension to be possible.

There are known cases of LGPS members who have been convicted of an offence but had already left employment before conviction, meaning their LGPS benefits could not be forfeited.

Summary of proposals

Removal of existing requirement – as well as abolishing the three month time limit for forfeiture application to be made.

Regulations – removing interim payments direction regulation.

Guidance – publishing guidance on making forfeiture application.

McCloud Remedy

Regulations are already in place to implement the McCloud remedy, but the experience of Administering Authorities has flagged some issues with the existing regulations as currently drafted.

Summary of proposals

Pension Sharing Orders – clarifying divorce credits and the approach to be

taken on deaths on 30 September 2023.

Club transfers – confirm that interest should not apply except in specific cases

Tax losses – include Part 4 tax losses in the 2023 Regulations.

Give an underpin date – for members over age 65 who join the LGPS from another public sector scheme.

Other Regulatory Changes

- Ensuring that a direction to change Administering Authority for a person or group of people can be retrospective.
- Updating the list of scheme employers to include Combined County Authorities and companies under the control of Welsh Corporate Joint Committees.
- Clarifying the definition of an exiting employer, in relation to the use of deferred debt agreements.
- Ensuring that those who left the scheme before 1 April 2008 can take a de minimis commutation payment where they meet the relevant criteria.
- Removing the requirement in the 2013 Regulations for a member transferring out their main scheme benefits to also transfer their AVCs. This change will mean that members transferring out can leave their AVC fund within the LGPS if they wish.
- Allowing scheme members who left before 1 April 2014 to use their AVC fund to buy additional pension in the LGPS.
- Removing the requirement to pay all refunds within 5 years of leaving. However, all refunds must be paid before the member reaches age 75.
- Making changes to the regulations to reflect the abolition of the Lifetime Allowance and the introduction of the Lump Sum Allowance and Lump Sum and Death Benefit Allowance. This includes the circumstances in which a Pension Commencement Excess Lump Sum (PCELS) can be paid from the LGPS (which is slightly different to the transitional guidance for paying a PCELS that is currently in place).
- Providing that in future, a child's short-term pension paid under the 1995 and 1997 scheme rules will cease if the recipient ceases to meet the definition of an eligible child during the payment period.
- Updating the definition of paternity leave to include the right for bereaved fathers the right to paternity leave from the first day of employment in the event of the death of their partner in the time surrounding birth or adoption.
- Amendments to remove various references to European institutions and to make minor changes requested by the Joint Committee for Statutory Instruments.

NEXT STEPS

5. The consultation closes on 7 August 2025. We expect the Local Government Association to share their consultation response to Administering Authorities by mid-July 2025.
6. Southwark will then decide if it wishes to do its own response to the consultation, working alongside colleagues in the Pensions Officer Group.
7. Following the consultation process the Government will work with the Scheme Advisory Board to implement the proposals, with any amendments.

KEY ISSUES FOR CONSIDERATION

8. Not applicable.

Policy framework implications

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

Community, equalities (including socio-economic) and health impacts 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 immediate implications arising from this report.

SUPPLEMENTARY ADVICE FROM OTHER OFFICERS

Director of Law and Governance

18. Not applicable.

Strategic Director - Resources

19. Not applicable.

Other officers

20. Not applicable.

AUDIT TRAIL

Lead Officer	Clive Palfreyman, Strategic Director - Resources		
Report Author	Barry Berkengoff, Head of Pensions Operations - Resources		
Version	Final		
Dated	23 June 2025		
Key Decision?	No		
CONSULTATION WITH OTHER OFFICERS / DIRECTORATES / CABINET MEMBER			
Officer Title		Comments Sought	Comments Included
Assistant Chief Executive, Governance and Assurance		No	N/a
Strategic Director, Resources		No	N/a
List other officers here		N/a	N/a
Cabinet Member		No	N/a
Date final report sent to Constitutional Team / Scrutiny Team			

Meeting Name:	Pensions Advisory Panel
Date:	23 September 2025
Report title:	Refresh of Pension Fund Cash Management Policy
Ward(s) or groups affected:	Not applicable
Classification:	Open
Reason for lateness (if applicable):	Not applicable
From:	Interim Pensions Investments Manager, Pensions and Treasury Investments

RECOMMENDATION

1. The Pensions Advisory Panel is asked to note the updates to the Fund's cash management policy, which reflect changes in operational procedures following the appointment of Northern Trust as the Fund's global custodian.

Background

2. At the meeting of 6 March 2023, PAP:
 - i. Agreed to note the need for a formalised cash flow management policy to be implemented for the Pension Fund.
 - ii. Agreed the approach to the Fund's cash flow management as proposed at the meeting.
3. Given the recent appointment of Northern Trust as the Fund's global custodian, and the introduction of new ways of managing the Fund's cashflow, it is timely to update the cash flow management policy.

Cash Flow Management Policy 2023

4. There were several reasons why the cashflow management policy was reviewed in 2023 including:
 - i. Management of the Fund's cash negative position, which results from the increasing maturity of the Fund membership (i.e. contributions in are exceeded by benefits paid out).

- ii. Increase in illiquid investments to help the Fund meet its Net Zero carbon emissions targets. Illiquid investments tend to have a long investment and lock-up period.
 - iii. The need to maximise potential investment returns from cash.
5. At the time, the Fund held operational cash balances in NatWest, with additional cash investment in a liquidity fund managed by Blackrock. The liquidity fund required five clear working days to access cash, which limited officers' ability to be reactive to any unexpected large-scale payments.
6. The basic framework of the policy agreed in 2023 was as follows:
- i. A five-tier cash management structure, intended to reflect how quickly assets can be realised to meet cash obligations as they fall due:

Tier	Definition	Notice	2023	Minimum
1	Primary cash vehicles	1 day	NatWest Bank account Money Market Funds (2)	£0.75m £6.25m
2	Secondary cash vehicle	3 days	LGIM Sterling Liquidity Fund	£5m
3	Source of funding to top-up 1 and 2 or fund substantial new investments	< 10 days	Passive Equity Funds I-L Gilt Funds	n/a
4	Lower liquidity listed assets	n/a	Active equity Diversified Growth Absolute return bonds	n/a
5	Illiquid assets	n/a	Direct Property Property funds ESG priority funds	n/a

- ii. The above limits and thresholds on cash balances to be reviewed, initially on a quarterly basis, to ensure that they were suitable in practice.
 - iii. Replacement of the Blackrock liquidity fund with an equivalent LGIM product with a shorter lead-in time for accessing funds as required.
7. As shown above across the most liquid of cash sources working balances of £7m are maintained. Additional short-term liquidity of £5m is available three days after a redemption request is submitted to LGIM (requests must be submitted the day before the trade date, which settles two days later).

8. When the policy was agreed, it was noted that, while they sit in Tier 3, the Fund's index-linked holdings should not be used as funding given that they are a matching asset and provide protection against inflation, a driver of increases in pension payments. In addition, at that time there was a historic underweight to index-linked gilts (ongoing until it was addressed in January 2025) and it would have been inappropriate to increase the underweight by redeeming units for cash.

The 2023 Policy in Practice

9. Following the policy being agreed, officers engaged with ICD (a cash management platform already used by the Southwark Council treasury team) to choose the best available Money Market Funds on the platform: assessment criteria included prevailing interest rates and trading cut-off points. Funds run by Northern Trust and Blackrock were chosen.
10. There have been some operational breaches of the cash management policy since it was implemented, which resulted in balances held at NatWest and in the Money Market Funds falling below their operational minimum of £750k/£7m in total. Any operational breaches are reported to the Strategic Director of Resources.
11. In addition, there have been instances when expected fund manager cashflows were not received as advised – when this has happened officers have acted to ensure that the manager compensates the pension fund for any interest foregone.
12. The following summarises the activity on the Northern Trust and Blackrock Money Market Funds since the funds were first operational (July 2023 – June 2025):

July 2023-June 2024

Manager	PERIOD OPEN BAL	PERIOD CLOSE BAL	DAYS INVESTED	AVG DAILY BAL	AVG 1d YIELD	Interest accrued
Northern Trust	£0.00	£0.00	338	£2,141,177.22	5.18%	£111,664.24
BlackRock	£0.00	£1,051,143.49	347	£3,880,665.53	5.20%	£203,655.47
Totals		£1,051,143.49		£6,021,842.75	5.19%	£315,319.71

July 2024-June 2025

Manager	PERIOD OPEN BAL	PERIOD CLOSE BAL	DAYS INVESTED	AVG DAILY BAL	AVG 1d YIELD	Interest accrued
Northern Trust	£0.00	£817,788.87	365	£3,614,186.84	4.68%	£168,246.59
BlackRock	£1,051,143.49	£11,919,717.04	365	£6,470,108.61	4.71%	£298,265.55
Totals	£1,051,143.49	£12,737,505.91		£10,084,295.45	4.69%	£466,512.14

13. In the period July 2023 to 30 June 2025 there were 71 subscriptions into the two Money Market Funds and 116 redemptions. Total interest accrued over the period was £0.8m.
14. As referenced in paragraph 8, index-linked gilts have not been used as a source of funds should there be insufficient in Tiers 1 and 2. Hence equities (via LGIM or Newton) have been a source of liquidity when necessary. These transactions have been documented in PAP papers since October 2023 and are summarised below.

Liquidity Transactions 2023/2024 to 30 June 2025

Quarter	Transaction(s)	Source	Purpose
6/23	+£33.0m	Blackrock liquidity fund redemption	Initial subscription to LGIM liquidity fund
9/23	£12.1m	LGIM liquidity fund	Part funding of private market drawdowns Part funding of Invesco balance
12/23	£14.3m	LGIM liquidity fund	Invesco final funding Nuveen property purchase Part funding of private market drawdowns
3/24	£2.4m	LGIM liquidity fund	Part funding of private market drawdowns Nuveen property purchase
6/24	£11.5m £6.0m £5.0m	LGIM equity LGIM liquidity fund Newton cash at custody	Private market drawdowns Nuveen property purchase
9/24	n/a	n/a	Private market drawdowns were funded through distributions
12/24	£15.7m £1.7m	LGIM equity LGIM liquidity fund	Nuveen property purchase Private market drawdowns
3/25	£70m £2m	Newton LGIM liquidity fund	I-L Gilt rebalancing Top up Tier 1 cash balances
6/25	£11m* £5m	LGIM equity LGIM liquidity fund	Nuveen property purchase Top up Tier 1 cash balances

*returned by Nuveen when the property purchase failed

15. Finally, the Investment Management Agreement (IMA) with LGIM was updated: LGIM reviews the liquidity fund balance monthly and if it is less than £5m, units in the LGIM equity fund are sold to top up the liquidity balance to £5m. This process has enabled officers to focus on the monitoring and management of the Tier 1 cash sources. The following shows the rebalancing activity undertaken by LGIM to top up the liquidity fund as required:

LGIM rebalancing transactions

Month	Transaction
4/24	£1.4m
5/24	£1.5m
6/24	£3.0m
12/24	£1.6m
2/25	£2.0m
8/25	£5.0m
TOTAL	£14.5M

16. The above shows that the balance on the LGIM sterling liquidity fund fell below the £5m target (per the cash policy) on 6 occasions and £14.5m of equity was sold to rebalance to the target. As at 30 June 2025 LGIM's equity allocation represented 17.4% of the pension fund, in line with the strategic allocation of 17.5%. The annual return on the liquidity fund (to 30 June 2025) was 4.95% (5.15% p.a. since inception in May 2023).
17. In summary, the cash management policy has been effective, with sufficient finance being available to fulfil operational and special cashflow requirements, and there is no reason to review the operational limits identified in Paragraph 6.

Updates since 2023

18. During 2024-2025 officers undertook procurement of a new global custodian and Northern Trust was appointed, effective 1 April 2025.
19. One of the aims of appointing Northern Trust was to enable more efficient accounting and performance measurement of the Fund's assets. Consequently, private market drawdowns and distributions are now being paid from/to the relevant manager's account at custody (rather than directly from the LBSPF NatWest bank account). In addition, manager invoices are being paid via Northern Trust.
20. Unlike the NatWest bank account, which shows credits as they appear, Northern Trust has a 48-hour turnaround time between cash reaching custody and it being credited to the relevant LBSPF account. While credit interest is accrued at the point that it is received by Northern Trust (and subsequently credited to LBSPF accounts) it is lower than would have been applied through NatWest. In turn, this is lower than can be achieved by placing with Money Market Funds. Hence the importance of active management of cash balances, which exceed immediate need, held at custody.
21. Given the role of Northern Trust as a source of liquidity, the cash management structure has been updated in the table below. This also reflects any manager changes since 2023 and asset classes as reported to PAP in Item 8 on this agenda, together with practical experience of operating the policy since 2023. A more detailed table can be found at Appendix 1.

Tier	Definition	Notice	2025	Minimum
1	Primary cash vehicles	1 day	NatWest Bank account Money Market Funds (2) Cleared Cash at custody	£0.75m £6.25m £0m
2	Secondary cash vehicle	3 days	Uncleared cash at custody LGIM Sterling Liquidity Fund	n/a £5m
3	Source of funding to top-up 1 and 2 or fund substantial new investments	< 10 days	Passive Equity Funds Newton I-L Gilt Funds	n/a
4	Lower liquidity listed assets	n/a	Active equity fund Multi-asset credit funds	n/a
5	Illiquid assets	n/a	Direct Property Property funds ESG priority funds	n/a

22. In practice, the above shows that:

- i. following a drawdown request, if there is a risk that the combined balances of the NatWest bank account and MMFs fall below £7m, the primary source of funds to top up the balances will be cleared cash held at custody. If there is insufficient cleared cash at custody, a redemption request from the LGIM liquidity fund will be submitted.
- ii. Depending on the time of the month, there will be a period when the minimum balance on the LGIM liquidity fund falls below £5m but this will be corrected through LGIM selling equities to top-up the balance at month-end.
- iii. Finally, if a significant (c£10m+) drawdown request is received, the first port of call will be either the passive equity pooled funds or Newton.
- iv. A decision on the most appropriate source of equity funding will be made with reference to the overall asset allocation of the pension fund – for example, if Newton is overweight the strategic target of 10%, Newton will be advised to ensure that cash is available at custody to fund liquidity requirements. This represents a slight change in the 2023 policy given that Newton was then categorised as a Tier 3 vehicle.

23. Equally, if there is a need to provide liquidity to the NatWest account (for example, because pensions paid out exceed contributions in) then the funding structure is as follows:
 - i) Redemption of MMFs
 - ii) Cleared cash at custody sourced to top-up MMF/NatWest combined balance
 - iii) If insufficient cleared cash at custody – submit liquidity fund redemption
 - iv) If liquidity fund balance is insufficient, submit equity redemption request.
24. This process described above mirrors the arrangements that were in place pre-April 2025, with the addition of Northern Trust and reclassification of Newton from Tier 4 to Tier 3, as per the policy agreed in 2023.
25. To ensure that the Pension Fund continues to maximise the interest earned on cash balances, there is a target to have zero cleared cash balances (adjusted for known movements) held at custody. As mentioned in paragraph 19, while balances at custody generate interest, the rate is less favourable than can currently be earned by utilising the Fund's Money Market Funds (at the time of writing, the interest rate on the Blackrock MMF is 4.06% whereas the interest on GBP cash balances held at Northern Trust is <1%).
26. Consequently, on a weekly basis, officers will make an assessment of how much cash at custody should be moved into Money Market Funds and will affect the transfer on the last working day of the week, to take advantage of interest accruing over the weekend.
27. Given that there has been a settling in period with Northern Trust, with various "teething" issues arising, the active management of cash at custody will be effective from 1 October 2025.

Future considerations

28. It is unclear how "Fit for the Future" and LGPS pooling will impact on the cash management policy. At present London CIV does not have Money Market Funds available, although officers understand that it is an ongoing project to on-board such funds.
29. It is therefore suggested that the cash management policy is reviewed again when more is known about London CIV's approach to managing illiquid market drawdowns and distributions and supporting the immediate cashflow needs of its partner funds.
30. A review of the Strategic Asset Allocation (SAA) of the Pension Fund will take place when the results of the 2025 actuarial valuation have been received. It is unlikely that changes to the SAA will impact on the cash management policy outlined above.

Conclusions

31. The Pension Fund cash management policy that was agreed in 2023 has been effective and currently remains fit for purpose. The policy has been updated to reflect the appointment of Northern Trust as global custodian, thus the provision of an additional source of liquidity, and following the practical experience of the period since 2023.
32. However, given the LGPS pooling imperative, the policy will need to be reviewed again at such time that there is clarity about the role of London CIV in helping LBSPF manage its cashflow.

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

Community Impact Statement

33. There are no immediate implications arising.

Equalities (including socio-economic) Impact Statement

34. There are no immediate implications arising.

Health Impact Statement

35. There are no immediate implications arising.

Climate Change Implications

36. There are no immediate implications arising.

Resource Implications

37. There are no immediate implications arising.

Legal Implications

38. There are no immediate implications arising.

Financial Implications

39. There are no immediate implications arising.

Consultation

40. No consultation is needed.

APPENDICES

No.	Title
Appendix 1	London Borough of Southwark Pension Fund Cash Structure Tiers Updated

AUDIT TRAIL

Lead Officer	Clive Palfreyman, Strategic Director of Resources		
Report Author	Tracey Milner, Interim Pensions Investments Manager, Pensions and Treasury Investments		
Version	Final		
Dated	10 September 2025		
Key Decision?	No		
CONSULTATION WITH OTHER OFFICERS / DIRECTORATES / CABINET MEMBER			
Officer Title	Comments Sought	Comments Included	
Assistant Chief Executive – Governance and Assurance	No	No	
Strategic Director of Resources	No	No	
Cabinet Member	No	No	
Date final report sent to Constitutional Team		10 September 2025	

LBSPF Asset Structure: Tier Allocation

Fund Manager	Asset Class	Cash Flow Tier	Notes
NATWEST	BANK ACCOUNT	1	
BLACKROCK	MONEY MARKET FUND	1	NEW 2023
NORTHERN TRUST	MONEY MARKET FUND	1	NEW 2023
NORTHERN TRUST	CLEARED CASH AT CUSTODY	1	NEW 2025
NORTHERN TRUST	UNCLEARED CASH AT CUSTODY	2	NEW 2025
LGIM	STERLING LIQUIDITY FUND	2	NEW 2023 – replaced Blackrock Liquidity Fund
BLACKROCK	LOW CARBON PASSIVE EQUITIES	3	
LGIM	LOW CARBON PASSIVE EQUITIES	3	
NEWTON	GLOBAL ACTIVE EQUITIES	3	UPGRADED FROM 4 TO 3
LGIM	INDEX LINKED GILTS	3	
BLACKROCK	INDEX LINKED GILTS	3	
COMGEST	EMERGING MARKET EQUITIES	4	
LCIV-CQS	MULTI-ASSET CREDIT	4	NEW asset class 2023/2024
LCIV-ROBECO	MULTI-ASSET CREDIT	4	NEW asset class 2023/2024
BLACKSTONE	ESG PRIORITY	5	
BTG PACTUAL TIMBERLAND	ESG PRIORITY	5	
DARWIN BEREAVEMENT SERVICES	ESG PRIORITY	5	
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TEMPORIS TORES/TREF/TIF	ESG PRIORITY	5	
NUVEEN	DIRECT PROPERTY	5	
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COMMITTEE: Pensions Advisory Panel

NOTE: Original held by Constitutional Team. All amendments/queries to
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