

Pensions Advisory Panel

MINUTES of the OPEN section of the Pensions Advisory Panel held on Tuesday 22 October 2019 at 11.00 am at Meeting Room 225 - 160 Tooley Street, London SE1 2QH

PRESENT: Councillor Victoria Mills (Chair)
Councillor Eliza Mann
Chris Cooper
Julie Timbrell
Derrick Bennett
Alex Moylan
Barry Berkengoff
Susan Greenwood
David Cullinan

**OTHERS
PRESENT:** Caroline Watson
Tom Bacon
Mike Ellsmore
Robert Hay
David Moylett
Andrew Weir

1. WELCOME AND APOLOGIES

The chair welcomed everyone to the meeting.

Apologies were received from Duncan Whitfield and Councillor Jon Hartley.

2. CONFIRMATION OF VOTING MEMBERS

The members present were confirmed as the voting members.

3. DISCLOSURE OF INTERESTS AND DISPENSATIONS

There were none.

4. MINUTES

RESOLVED:

That the minutes of the meetings held on 13 November 2018 (amended), 26 March 2019 and 14 May 2019 be agreed as a correct record.

5. MATTERS ARISING

Alex Moylan updated the panel in relation to the London Collective Investment Vehicle (CIV). He advised that Mark Thompson had stepped down from the role of chief investment officer at London CIV after three weeks in the role. He advised that Dawn Turner from the Environment Agency had been appointed on a temporary basis to conduct a review in the ESG capabilities within the LCIV.

The chair asked that there be an agenda item on the London CIV for a future meeting.

The chair also asked that representatives from the London CIV be invited to attend a future meeting.

6. NEWTON PRESENTATION

Rob Hay and David Moylett from Newton Investment management gave a presentation to the panel on the strategy and the performance of the fund managed by them.

There was a discussion in relation to the fund's performance and the allocation of funds to different sectors and asset classes.

The fund had been given the target of outperforming the benchmark by 3% per annum (net of fees) over five year rolling periods but had not achieved this. It was noted that the value of the funds invested on behalf of Southwark Council had grown from £60 million in March 2007 to £202 million as at 30 September 2019.

Some concerns were raised regarding the investments in the oil and gas and tobacco sectors as well as diversity of the investment team at Newton.

The chair advised that she would be happy to write to Newton regarding diversity representation.

Alex Moylan advised that he would look to see if a decision had ever been taken to exclude tobacco investments from the pension fund.

RESOLVED:

1. That the presentation from Newton Investment management be noted.

7. QUARTERLY INVESTMENT UPDATE

There was a quarterly investment update from Mercer.

There was a discussion in relation to the fund's performance relative to other local authorities' funds. It was noted that the average local authority fund returned just short of 4% over the quarter. The Southwark pension fund returned 4.4% in the quarter.

RESOLVED:

1. That the quarterly investment update be noted.

8. ACTUARIAL VALUATION UPDATE

Alex Moylan gave a verbal update on the actuarial valuation.

It was noted that the fund was currently well funded but that there were likely to be headwinds in the future.

Alex Moylan advised that the actuary would be expected to attend the non-investment review meeting following the end of the calendar year.

RESOLVED:

1. That the verbal update on the actuarial valuation be noted.

9. INVESTMENT STRATEGY REVIEW INTRODUCTION

Susan Greenwood from Mercer addressed the panel. She advised that the valuation of the fund occurred every three years. Following the valuation, the strategy for the fund would be reviewed.

Alex Moylan advised that there would be a dedicated meeting next year to discuss the strategy for the fund going forward.

RESOLVED:

1. That the investment strategy review introduction be noted.

10. APPROACH TO FOSSIL FUEL DIVESTMENT - REFRESH

Alex Moylan presented the report.

It was noted that the fund had made considerable progress since 2017; committed £600 million in low carbon or fossil fuel exclusionary equities, invested 5% of the fund to three new renewable energy infrastructure funds, leading to a reduction in carbon footprint of just under 50%.

There was discussion on the carbon bubble risk and how Southwark could engage with the London CIV to move it forward in relation to fossil fuel divestment.

The point was also raised, that the fund had a duty to its current and future members when

members were making decisions.

RESOLVED:

1. That the progress made against the fund's objectives, as set out in the 2017 document for a target reduction in fossil fuel exposure be noted.
2. That the draft refresh of this document, setting out the approach for fossil fuel divestment, as set out in Appendix A, was considered and it was agreed that it would be brought for approval at the following full meeting of the pensions advisory panel as part of the fund's investment strategy statement.

11. PENSION SERVICES - ADMINISTRATION FUNCTION UPDATE

Barry Berkengoff presented the report.

He advised that the data team was no in place and that two thirds of the technical and projects team was also in place. He further advised that the pensions officer interviews had taken place and an offer had been made to one of the candidates.

There was also an update on the i-connect project, communication with members, the Altair pension system and complaint management.

There was a discussion relating to the use of the contact centre being used to handle low level pension queries, which was scheduled to go live in November or December.

He advised that complex queries would not be addressed by the contact centre staff. He also informed the panel that the pensions team were looking to review possibilities to move the AVC provision to a new provider.

It was agreed that Barry Berkengoff would meet with Councillor Mills and union panel representatives to discuss the use of the contact centre for pension queries.

RESOLVED:

1. That the update on the pensions administration function be noted.

12. LOCAL PENSION BOARD MEETING UPDATE

Mike Ellsmore gave a short update on the local pension board which was noted.

13. ANY OTHER BUSINESS

There was no other business.

The meeting ended at 1.30pm.

CHAIR:

DATED: