

## Pensions Advisory Panel

MINUTES of the OPEN section of the Pensions Advisory Panel held on Tuesday 11 February 2020 at 10.00 am at Meeting Room 225 - 160 Tooley Street, London SE1 2QH

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**PRESENT:** Councillor Victoria Mills (Chair)  
Julie Timbrell  
Derrick Bennett  
Alex Moylan  
Susan Greenwood  
David Cullinan

**OTHERS  
PRESENT:** Caroline Watson  
Tom Bacon  
Beatrice Ogunyanwo  
Tsitsi Danga  
Andrew Weir

### 1. APOLOGIES

The chair welcomed everyone to the meeting.

Apologies were received from Duncan Whitfield, Councillor Jon Hartley and Councillor Eliza Mann.

### 2. CONFIRMATION OF VOTING MEMBERS

The members present were confirmed as the 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 minutes of the meetings held on 22 October be agreed as a correct record.

## 6. INITIAL INVESTMENT STRATEGY REVIEW

Alex Moylan introduced the report. He advised that the actuarial valuation had determined that the Southwark pension fund was currently 100% funded. This compared to it being 88% funded in 2016.

Alex also ran through the fiduciary obligations and environmental, social and governance (ESG) considerations. He also advised that as part of the strategy review both passive emerging market equities and absolute return bonds would be considered for further review with a view of removing them from the portfolio should suitable alternatives be available.

The pensions advisory panel also noted the proposal from Newton to divest their active equity mandate from both fossil fuels and tobacco stocks with a target date for implementation of not later than the end of the current calendar year.

Tom Bacon and Susan Greenwood from Mercer gave a presentation on the investment strategy review. There was a broad discussion around risk. As the fund was currently 100% funded, the possibility of looking at more defensive investments was suggested. It was also noted that the pensions advisory panel should be careful not to ask Newton to divest from lots of other areas otherwise it would become too restrictive.

Tsitsi Danga, a CIPFA trainee, gave a presentation on cash flow data and projections. The Fund's negative cash flow position before investment income is expected to continue due to an increasing number of pensioner members not being matched by an increase in active members. The net cash flow position after investment income is projected to be positive over the next 5 years.

Following the discussions the pensions advisory panel agreed the recommendations of the report as listed below.

### RESOLVED:

- a) That the objectives and considerations for the investment strategy review as set out in full within Appendix A be noted.
- b) That the fund's statutory duties and fiduciary responsibilities with regard to investment decision making and environmental, social and governance (ESG) considerations be noted.
- c) That the following outline investment strategy proposals be incorporated in the fund's investment strategy statement and be considered at the March 2020 pensions advisory panel meeting:
  - i. That the overall risk appetite of the fund is appropriate to meet the 2019

valuation return target.

- ii. That the asset allocation mix remains suitable but that the concentration of specific asset class risks should be minimised and diversification across the portfolio improved.
  - iii. That there shall be three high level sub-portfolio classifications as set out in Appendix A:
    - Growth - Core - 70%
    - Growth - Blended Alternatives - 15% of total.
    - Defensive - 15% of total.
- d) That the following actions be agreed as part of the ongoing investment strategy review:
- i. Determine a suitable risk and return target for the new blended alternatives allocation and assess suitable asset mixes to achieve this target, with a focus on long-term illiquid investments.
  - ii. Identify appropriate alternatives for the fund's passive emerging markets mandate to better meet the fund's commitment to divest from fossil fuels.
  - iii. Agree the proposal received from Newton, as Appendix B, to divest their active equity mandate from both fossil fuel and tobacco stocks with a target date for implementation of no later than the end of the calendar year.
  - iv. Continue evaluation of risks associated with index linked gilts in light of the prospective change in methodology for the calculation of inflation. This may necessitate a short term investment decision taken prior to the next pensions advisory panel (PAP) meeting. If a decision is deemed necessary, the PAP Chair shall be consulted in advance and PAP members notified of the decision.
  - v. Seek to identify opportunities within the defensive sub-portfolio for alternative long-term inflation-linked assets, such as high lease to value property.
  - vi. Assess suitable replacements for the current absolute return bonds allocation within the defensive sub portfolio.

The meeting ended at 12:10pm.

**CHAIR:**

**DATED:**

