

# Pensions Advisory Panel

Wednesday 9 March 2022

1.00 pm

Ground Floor Meeting Room G02A - 160 Tooley Street, London SE1 2QH

## Membership

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

## Staff Representatives

Roger Stocker  
Julie Timbrell  
Derrick Bennett

## Officers

Duncan Whitfield  
Caroline Watson  
Barry Berkengoff

## Advisors

David Cullinan  
Colin Cartwright

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## INFORMATION FOR MEMBERS

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### Contact

Andrew Weir by email: [andrew.weir@southwark.gov.uk](mailto:andrew.weir@southwark.gov.uk)

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Members of the committee are summoned to attend this meeting

**Eleanor Kelly**

Chief Executive

Date: 3 March 2022



# Pensions Advisory Panel

Wednesday 9 March 2022

1.00 pm

Ground Floor Meeting Room G02A - 160 Tooley Street, London SE1 2QH

## Order of Business

Item No.	Title	Page No.
1.	<b>APOLOGIES</b>	
	To receive any apologies for absence.	
2.	<b>CONFIRMATION OF VOTING MEMBERS</b>	
	Voting members of the committee to be confirmed at this point in the meeting.	
3.	<b>NOTIFICATION OF ANY ITEMS OF BUSINESS WHICH THE CHAIR DEEMS URGENT</b>	
4.	<b>DISCLOSURE OF INTERESTS AND DISPENSATIONS</b>	
	Members of the committee to declare any interests and dispensation in respect of any item of business to be considered at this meeting.	
5.	<b>MINUTES</b>	1 - 7
	To agree as a correct record, the open minutes of the meetings held on 22 December 2021 and 26 January 2022.	
6.	<b>CARBON FOOTPRINT UPDATE</b>	8 - 12

<b>Item No.</b>	<b>Title</b>	<b>Page No.</b>
7.	<b>QUARTERLY INVESTMENT UPDATES</b>	13 - 30
	— DAVID CULLINAN	
	— AON	
8.	<b>QUARTERLY ACTUARIAL FUNDING UPDATE</b>	31 - 32
9.	<b>LOCAL PENSION BOARD UPDATE</b>	33 - 35
10.	<b>PENSION SERVICES - ADMINISTRATION FUNCTION YEAR END UPDATE</b>	36 - 40
11.	<b>ANY OTHER BUSINESS</b>	

Date: 3 March 2022



## **Pensions Advisory Panel**

MINUTES of the OPEN section of the Pensions Advisory Panel held on Wednesday 22 December 2021 at 1.00 pm at Online/Virtual via Microsoft Teams

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**PRESENT:** Duncan Whitfield  
Caroline Watson  
Tim Jones  
Roger Stocker  
Derrick Bennett  
Colin Cartwright  
Jonathan Taylor  
David Cullinan  
Mike Ellsmore  
Jack Emery  
Andrew Weir

### **1. APOLOGIES**

There were apologies from Barry Berkengoff, Pensions Manager, and Councillor Rebecca Lury.

### **2. CONFIRMATION OF VOTING MEMBERS**

The officer voting members present were confirmed.

As there were no elected voting members present, Duncan Whitfield, the Strategic Director of Finance and Governance, suggested that the meeting should proceed and that no decisions would be taken. Those present agreed to this suggestion.

### **3. NOTIFICATION OF ANY ITEMS OF BUSINESS WHICH THE CHAIR DEEMS URGENT**

There were none.

At this point Duncan Whitfield welcomed Roger Stocker, the newly elected

representative for retired members.

Everyone then introduced themselves.

#### **4. DISCLOSURE OF INTERESTS AND DISPENSATIONS**

There were none.

#### **5. MINUTES**

That the minutes of the meeting held on 29 September 2021 were noted. The minutes would be agreed at the meeting that would be scheduled for later in January 2022, when elected members of the panel would be present.

#### **6. CARBON FOOTPRINT UPDATE**

Jack Emery, CIPFA trainee, presented the report.

He advised that the results for September 2021 show that the Fund has reduced its weighted carbon exposure by 50% since September 2017. The movement of equities during the quarter to September 2021 from BlackRock passive emerging market holdings into the Comgest Global Emerging Markets Plus Fund had predominantly driven the reduction since the end of June 2021.

There was a discussion regarding measuring the carbon intensity of index linked gilts and also the Fund's property investments. Caroline Watson, senior finance manager, advised that she receives quarterly updates on the approach and progress of the Fund's direct property investments towards achieving net zero carbon within their holdings.

#### **RESOLVED:**

That the Fund's carbon footprint at 30 September 2021 be noted.

#### **7. QUARTERLY INVESTMENT UPDATES**

David Cullinan updated the panel. He advised that the Fund had performed in line with the index. Over the year the Fund had returned 16% and over the past ten years had returned around 10% per annum.

Colin Cartwright from Aon addressed the panel. He advised that the markets had performed well but warned that inflation was a concern and that interest rates were expected to rise. Jonathan Taylor from Aon added that Newton were overweight compared to their strategic allocation.

There was a discussion regarding the underweight of property in the Fund. It was

noted that property valuations tended to be conservative and that the real value of property investments was likely to be higher than stated.

There was also a discussion regarding the Competition and Markets Authority Order. Duncan Whitfield advised that Caroline Watson should consult with Mike Ellsmore, chair of the local pension board, regarding this matter.

**RESOLVED:**

That the quarterly investment updates be noted.

**8. LAUNCH OF NET ZERO CARBON INVESTMENT STRATEGY**

This item was deferred to a future meeting, to be scheduled for later in January 2022.

**9. ESG PRIORITY ALLOCATION - UPDATE ON IMPLEMENTATION OF NEW INVESTMENTS (VERBAL UPDATE)**

Caroline Watson gave a verbal update on the ESG priority allocation.

She advised that between April 2021 and January 2022 circa £380 million will have been moved to low or zero carbon products.

Following the decision made in September 2021 to invest in three new funds under the ESG priority allocation, it was confirmed that the due diligence process for all three funds have now been completed. The due diligence process for the Temporis Impact Fund V has also been completed and the majority of the commitment was drawn down in early December.

There was a brief discussion.

**RESOLVED:**

That the ESG priority allocation verbal update be noted.

**10. PENSION FUND STATEMENT OF ACCOUNTS 2020-21**

Caroline Watson, senior finance manager, presented the pension fund statement of accounts 2020-21 and draft audit findings report. It was noted that the accounts were still to be signed off.

Mike Ellsmore informed the panel that it was a great achievement for Caroline to have got to this position.

**RESOLVED:**

That the unaudited pension fund statement of accounts 2020-21 be noted.

**11. QUARTERLY ACTUARIAL FUNDING UPDATE**

Jack Emery presented the report.

The funding level at 30 September 2021 was 114% (114% at 30 June 2021). The surplus had decreased by £4 million in the quarter to September 2021. This small change was due to a slight fall in the net discount rate increasing liabilities. This had however mostly been offset by better than expected asset returns.

Roger Stocker asked if the Fund was on a buyout basis. It was confirmed that it was not.

**12. LOCAL PENSION BOARD UPDATE (VERBAL UPDATE)**

Mike Ellsmore gave a verbal update.

He advised that there had been a training session on additional voluntary contributions at the last meeting. He advised that he had requested Barry Berkengoff to do some communications with the members of the Fund on this topic.

He further advised that the updated CIPFA code of practice on knowledge and skills 2021 had also been looked at.

He also confirmed that he had been re-elected as the chair of the local pension board for a further year.

**RESOLVED:**

That the local pension board verbal update be noted.

**13. PENSIONS SERVICES UPDATE**

Barry Berkengoff had sent apologies. The report was noted.

**RESOLVED:**

That the pensions services update be noted.

**14. ANY OTHER BUSINESS**

There was a brief discussion regarding outcomes from COP26 and the impact that

this would have on the level of new products available.

The meeting ended at 2.31pm.

**CHAIR:**

**DATED:**





## **Pensions Advisory Panel**

MINUTES of the OPEN section of the Pensions Advisory Panel held on Wednesday 26 January 2022 at 2.30 pm at Online/Virtual via Microsoft Teams

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**PRESENT:** Councillor Rebecca Lury (Chair)  
Duncan Whitfield  
Caroline Watson  
Derrick Bennett  
Colin Cartwright  
David Cullinan  
Mike Ellsmore  
Jack Emery  
Virginia Wynn-Jones

### **1. APOLOGIES**

Apologies were received from Julie timbrell and barry berkengoff

### **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**

The chair agreed to accept item 6, Launch of the New Investment Strategy, as late and urgent.

### **4. DISCLOSURE OF INTERESTS AND DISPENSATIONS**

### **5. MINUTES**

The minutes of 29 September 2021 were agreed as a correct record.

**6. LAUNCH OF NEW INVESTMENT STRATEGY**

Members discussed the report.

**RESOLVED:**

That the pensions advisory panel:

- a. Agreed the final version of the Investment Strategy Statement as Appendix A of the report.
- b. Agreed the updated investment strategy to achieve net zero carbon exposure by 2030 as Appendix B of the report.

The meeting ended at 3.00pm.

**CHAIR:**

**DATED:**

<b>Item No.</b> 6	<b>Classification:</b> Open	<b>Date:</b> 22 December 2021	<b>Meeting Name:</b> Pensions Advisory Panel
<b>Report title:</b>		Carbon Footprint Update	
<b>From:</b>		CIPFA Trainee, Treasury & Pensions	

## Recommendation

1. The pensions advisory panel is asked to:
  - Note the Fund's progress on reducing the carbon footprint from 30 September 2017 to 30 September 2021.

## Progress to date

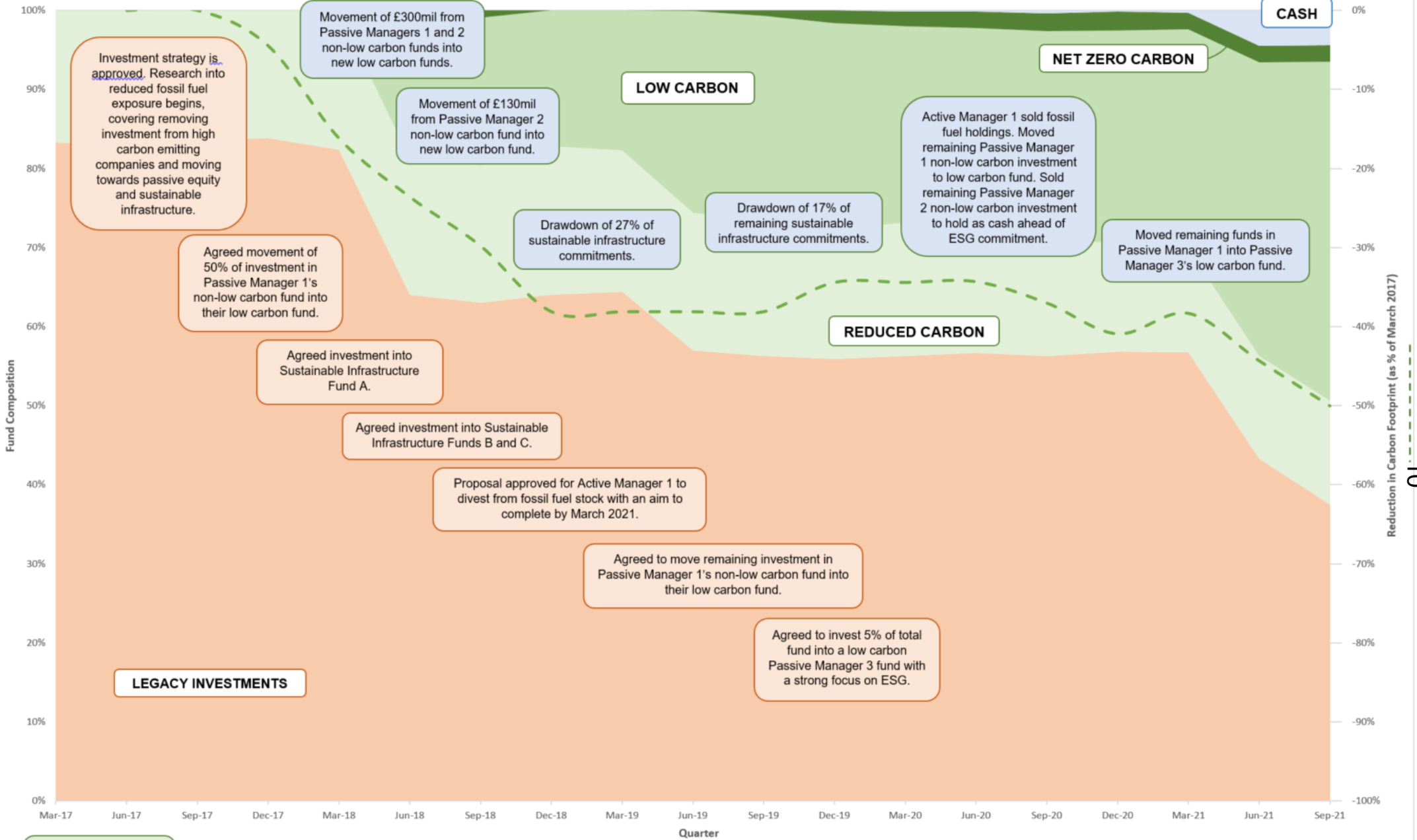
2. In December 2016, after due consideration of the long term risk to the Fund; the Fund announced that investments in fossil fuel companies would be cut over the long term. This commitment was incorporated into the Investment Strategy Statement for the Fund published in March 2017 and updated in December 2021. Southwark is one of the first LGPS Funds to make such a commitment and places the Fund at the forefront of sustainable fossil fuel aware investment.
3. The carbon emissions data for September 2021 show that the Fund has reduced its weighted carbon exposure by 50% since September 2017. This historical movement has been driven through reallocation of assets to funds which show lower carbon intensities. This is reflected through the movement of all equity holdings into low or reduced carbon investments in the period to September 2021. Where measuring equities as a stand-alone asset class, a reduction in carbon footprint has been seen of 73% from September 2017 to September 2021.
4. The progress of the carbon emissions reduction is summarised in the graphic at the end of this document, outlining Pensions Advisory Panel decisions in orange, asset movements in blue and changes in measurement process in green. This graph highlights the scale of the changes the Fund has made to its asset allocations and the improvement this has had on the Fund's carbon emissions.
5. It is important to note that the ability to measure the carbon emissions has not kept up with our asset movements within some asset classes. Where some classes are harder to measure, proxies are employed with prudent supporting calculations in order to avoid overstatement of the reduction in the footprint.

6. The carbon emissions data as at 31 December 2021 is currently being assessed within the context of the updated investment strategy statement and as such has not been included at this stage.

### **View for the future**

7. The market for measuring carbon intensities is still within its infancy and as such, is rapidly evolving over time. Officers within the pension fund are trying to manage both the volatility and complexity of measurement criteria employed by the current data provider. As the science evolves, the Fund's approach to measurement will evolve alongside it. As such, alternative data provider options are being explored with a view to finding a more comprehensive data source with broader emissions data, to include private market investments as well as equities. This will minimise the use of proxy values for assessment of the Fund's progress and ensure greater accuracy in the output of measurements.
8. In quarter 3 of 2021, commitments were made to four new funds as part of the Fund's new ESG priority allocation. Moving forward, these new allocations will be monitored for their impact on the Fund's carbon emissions and to ensure satisfactory investment performance against targets.

# Composition of the LBS Pension Fund and Carbon Footprint Reduction since March 2017



Investment strategy is approved. Research into reduced fossil fuel exposure begins, covering removing investment from high carbon emitting companies and moving towards passive equity and sustainable infrastructure.

Agreed movement of 50% of investment in Passive Manager 1's non-low carbon fund into their low carbon fund.

Agreed investment into Sustainable Infrastructure Fund A.

Agreed investment into Sustainable Infrastructure Funds B and C.

Proposal approved for Active Manager 1 to divest from fossil fuel stock with an aim to complete by March 2021.

Agreed to move remaining investment in Passive Manager 1's non-low carbon fund into their low carbon fund.

Agreed to invest 5% of total fund into a low carbon Passive Manager 3 fund with a strong focus on ESG.

Movement of £300mil from Passive Managers 1 and 2 non-low carbon funds into new low carbon funds.

Movement of £130mil from Passive Manager 2 non-low carbon fund into new low carbon fund.

Drawdown of 27% of sustainable infrastructure commitments.

Drawdown of 17% of remaining sustainable infrastructure commitments.

Active Manager 1 sold fossil fuel holdings. Moved remaining Passive Manager 1 non-low carbon investment to low carbon fund. Sold remaining Passive Manager 2 non-low carbon investment to hold as cash ahead of ESG commitment.

Moved remaining funds in Passive Manager 1 into Passive Manager 3's low carbon fund.

Agreed to begin analysing fund carbon footprint.

Initial measurement of carbon footprint by Analytics Company 1 to highlight areas of concern.

Began working with a new Analytics Company to measure the carbon footprint of the fund.

Began measuring carbon footprint on quarterly basis.



**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**

9. No immediate implications arising.

### **Equalities (including socio-economic) Impact Statement**

10. No immediate implications arising.

### **Health Impact Statement**

11. No immediate implications arising.

### **Climate Change Implications**

12. No immediate implications arising.

### **Resource Implications**

13. No immediate implications arising.

### **Legal Implications**

14. No immediate implications arising

### **Consultation**

15. No immediate implications arising.

## Financial Implications

16. No immediate implications arising.

## AUDIT TRAIL

<b>Lead Officer</b>	Duncan Whitfield, Strategic Director of Finance and Governance	
<b>Report Author</b>	Jack Emery, CIPFA Trainee, Treasury & Pensions	
<b>Version</b>	Final	
<b>Dated</b>	1 March 2022	
<b>Key Decision?</b>	N/A	
<b>CONSULTATION WITH OTHER OFFICERS / DIRECTORATES / CABINET MEMBER</b>		
<b>Officer Title</b>	<b>Comments Sought</b>	<b>Comments Included</b>
Director of Law and Governance	N/A	N/A
Strategic Director of Finance and Governance	N/A	N/A
Cabinet Member	N/A	N/A
Date final report sent to Constitutional Team		1 March 2022

# London Borough of Southwark Pension Fund

## **Report Card**

May 2018 to September 2021



# Content

- Growth
- Asset Allocation
- Manager Roster
- Investment performance
- Risk/Return
- Health Check
- Looking Forward

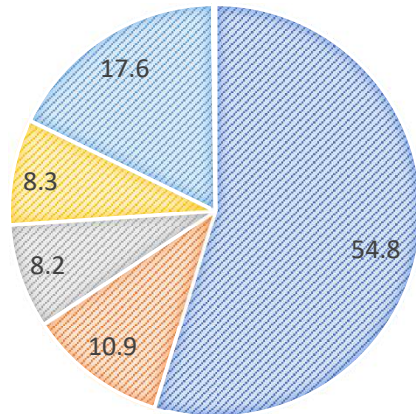
# Asset Value Growth



- Assets have grown substantially over the last four years
- 'Substantially' translates to 30% or £480m
- Two dips experienced;
  - Late 2018, concerns over global growth led the US Fed' to raise interest rates
  - Early 2020 saw global equity and credit markets fall sharply as the COVID-19 pandemic brought the global economy to a halt
- Markets however have proven resilient and have continued to rise
- As 2021 comes to a close, markets are again unsettled

# Asset Allocation

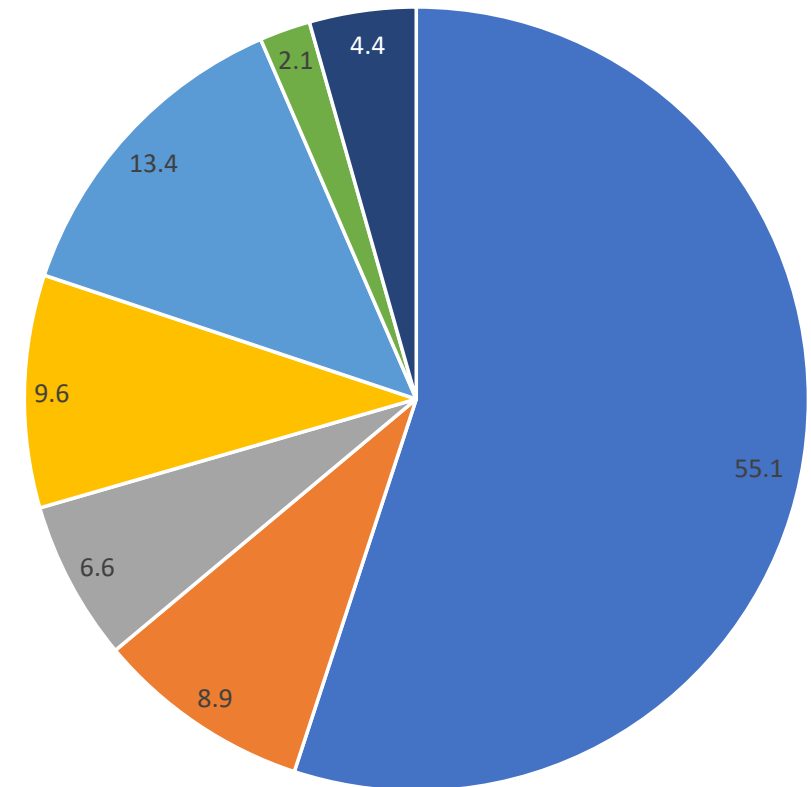
May 2018



■ Equities ■ Bonds ■ ARB ■ DG ■ Property ■ Cash

- The Fund is still heavily committed to equities
- It has derived a huge amount of value from this
- Changes in 'core' asset mix largely due to market movements
- The structure remains much less complex than the sector as a whole
- Sustainable Infrastructure introduced
- Liquidity buffer increased

September 2021

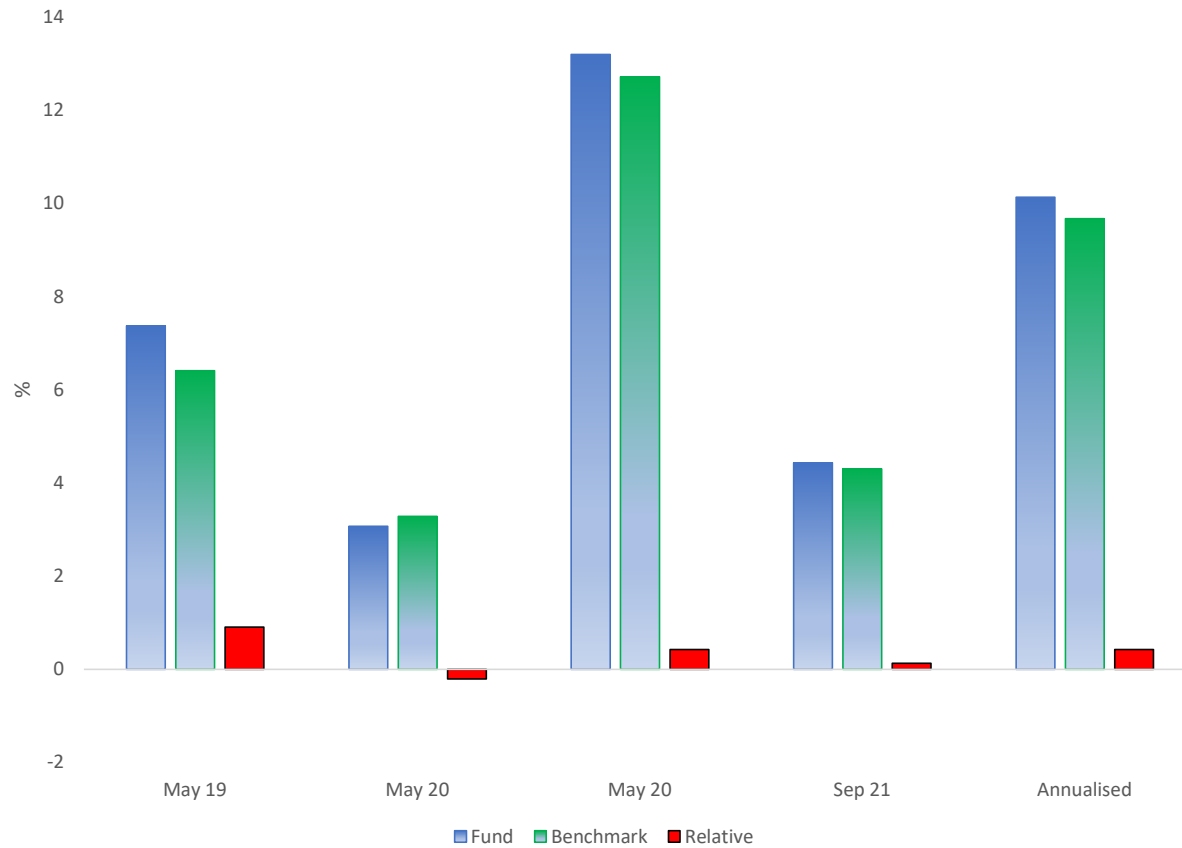


■ Equities ■ Bonds ■ ARB ■ DG ■ Property ■ Sustainable Infra' ■ Cash

# Manager Roster

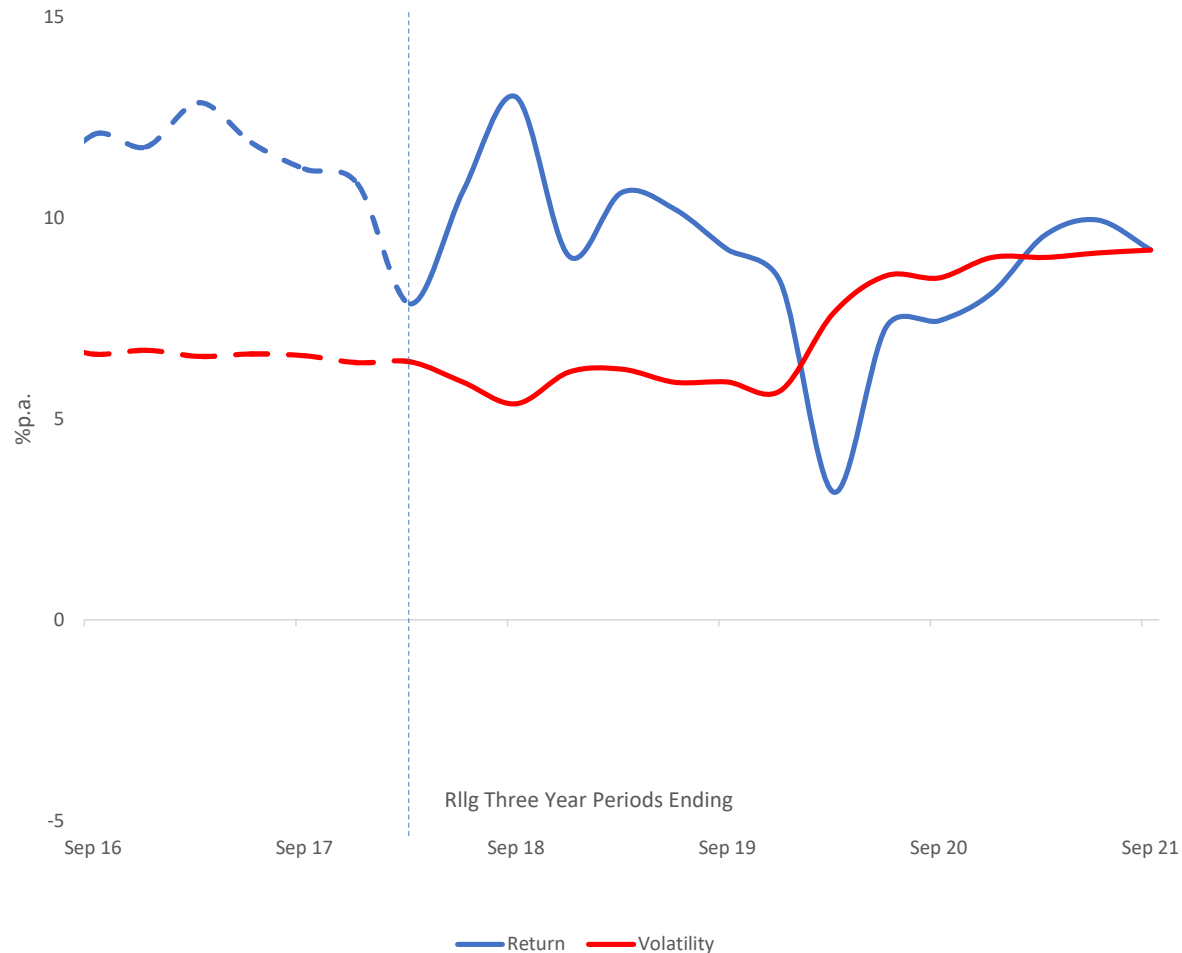
Manager	Mandate	Change From May 2018
BlackRock	Passive Equity and Index Linked Gilts	Equity now low carbon
LGIM	Passive Equity and Index Linked Gilts	Equity now low carbon
Newton	Active Equity	Now no fossil fuel investments
Comgest	Active Emerging Market Equity	<b>New manager</b> – low carbon brief
BlackRock	Diversified Growth	
BlackRock	Absolute Return Bonds	
Nuveen	Core Property	Now reduced carbon
Invesco	Residential Property	Now reduced carbon
M&G	Residential Property	Now reduced carbon
Frogmore	Opportunistic Property	
Brockton	Opportunistic Property	Now reduced carbon
Temporis	Sustainable Infrastructure (Renewable Energy)	<b>New manager</b> – zero carbon
Glenmont	Sustainable Infrastructure (Clean Energy)	<b>New manager</b> – zero carbon
BlackRock	Sustainable Infrastructure (Renewable Power)	<b>New manager</b> – zero carbon
BlackRock	Liquidity	New Portfolio

# Returns – Periodic and Annualised



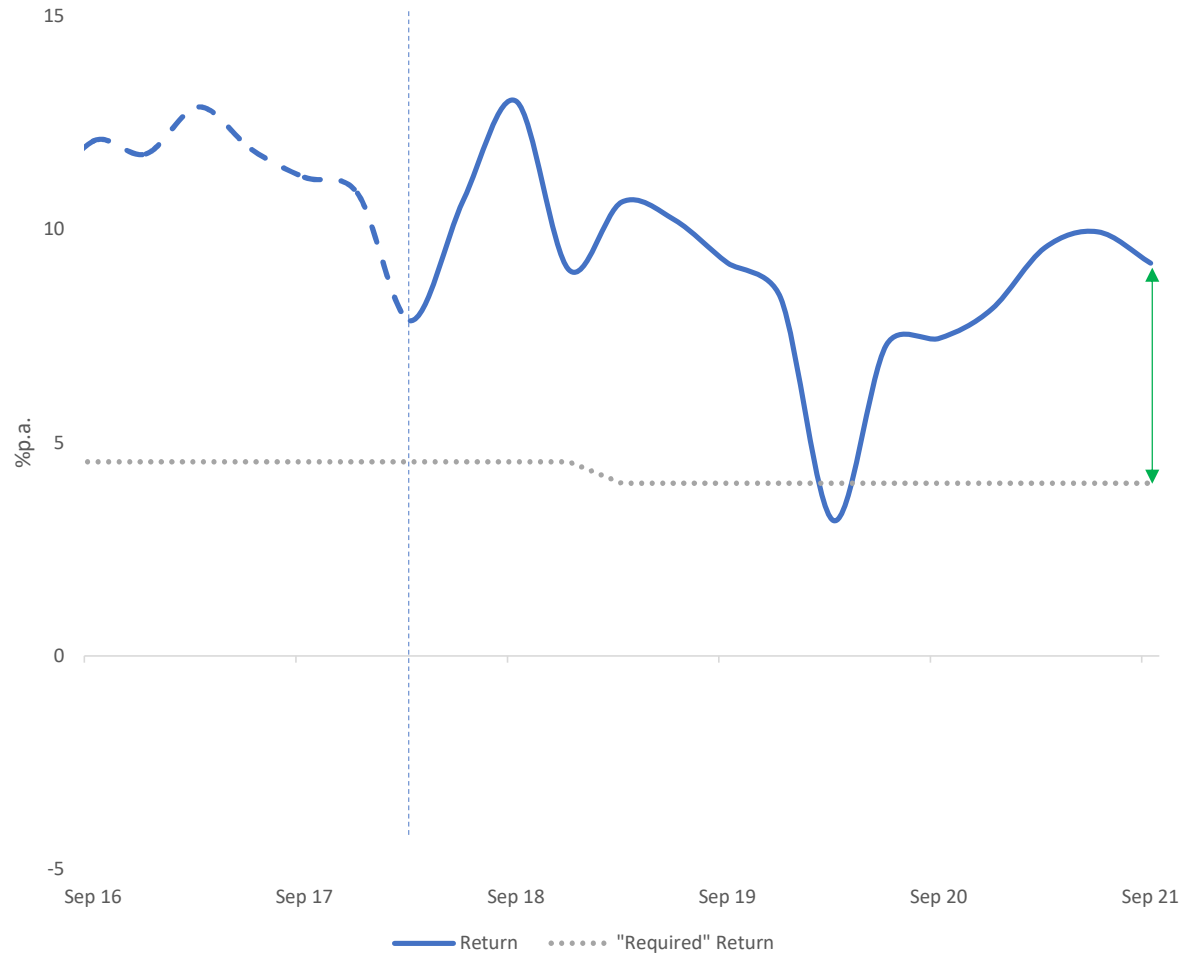
- Absolute returns are very strong
- Returns typically ahead of benchmark
- Margins are small however

# Risk and Return



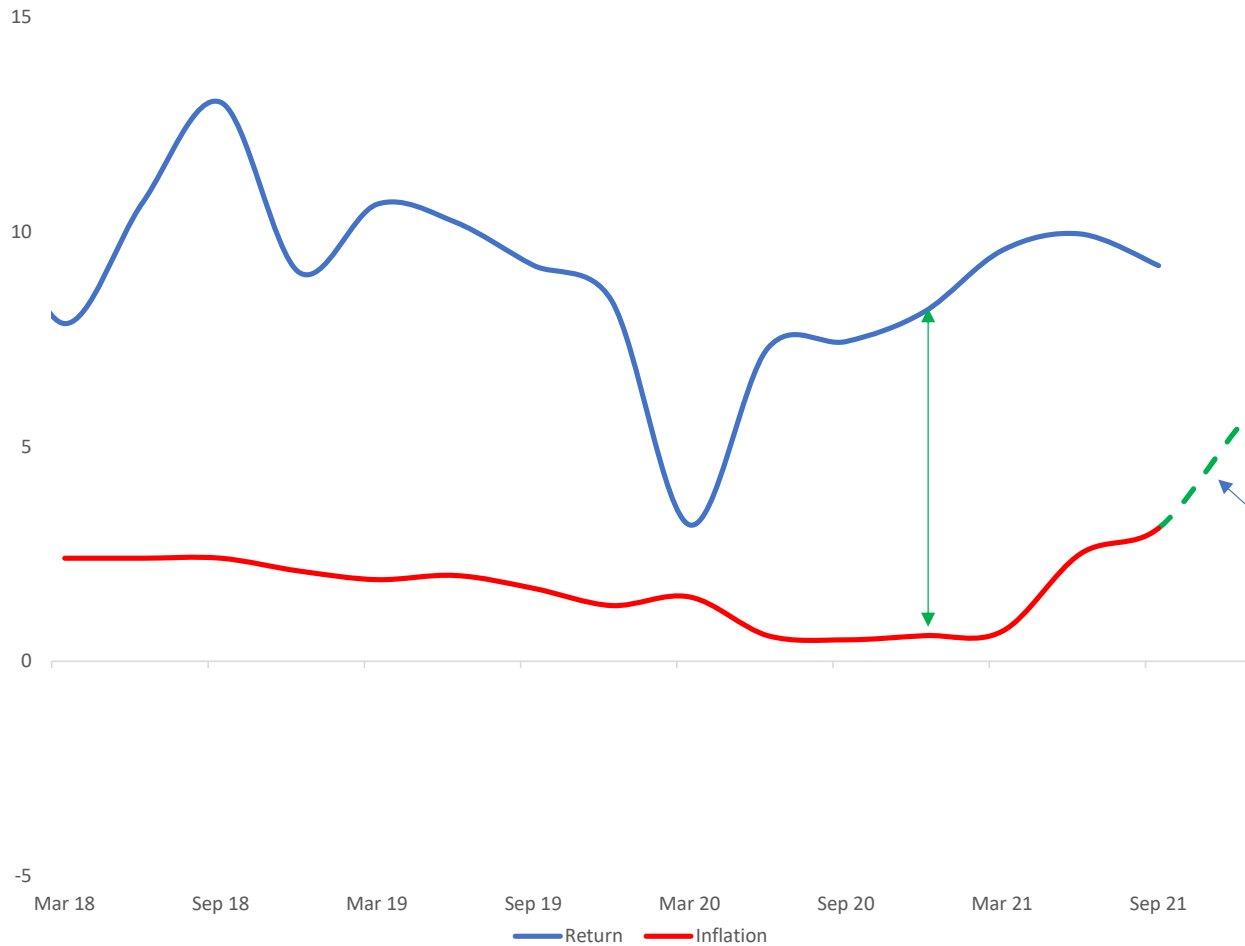
- Absolute returns remain very strong over most periods
- The negative impact of COVID was pronounced in return terms, but has been short-lived
- The impact of COVID on volatility has been pronounced and market turbulence remains heightened

# Returns and Growth Assumption



- Returns remain well ahead of actuarial assumption (**arrowed in chart**)

# Returns and Inflation

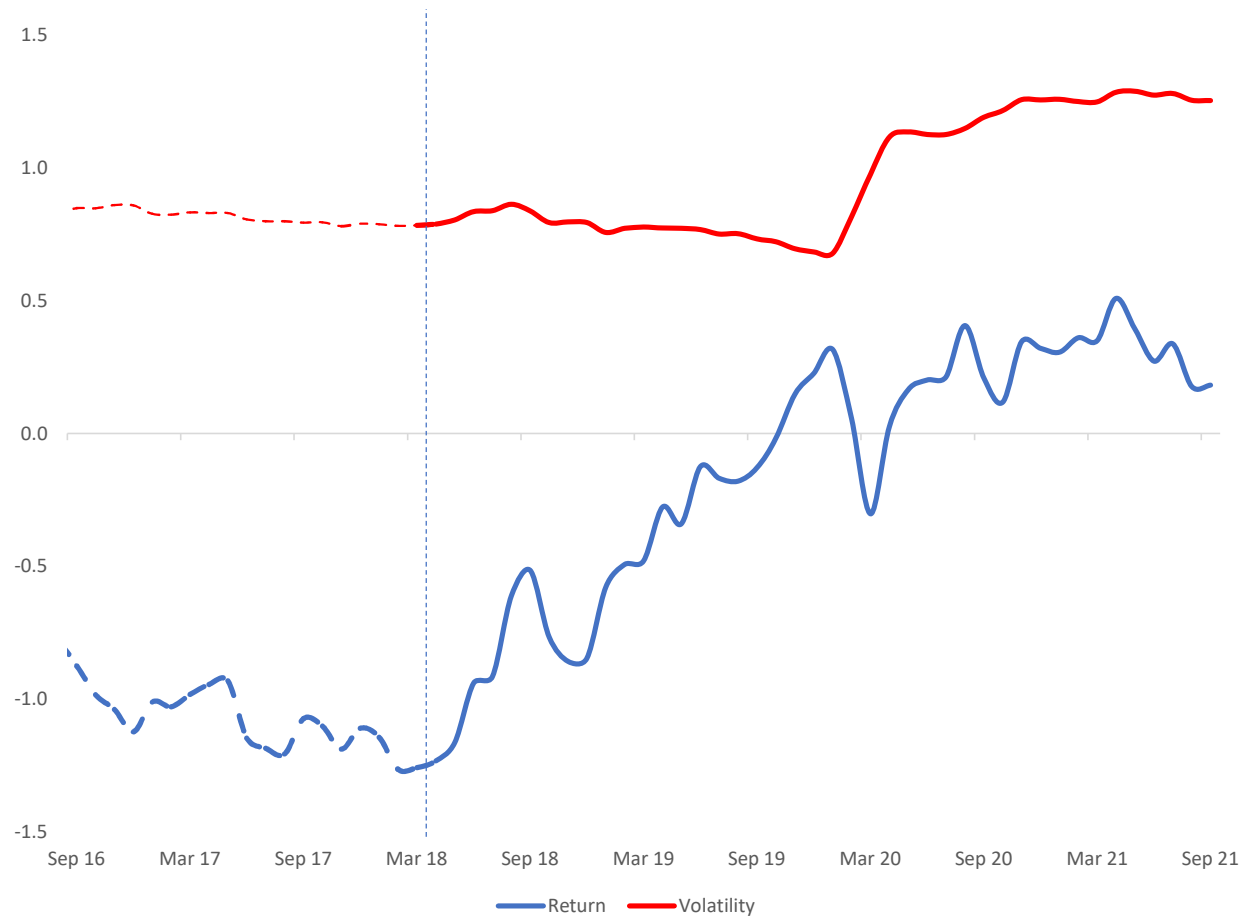


- Returns remain well ahead of inflation (**arrowed in chart**)
- Inflation is rising sharply however
- How will this impact the cost of funding benefits?

3.1% at end September  
5.4% at end December

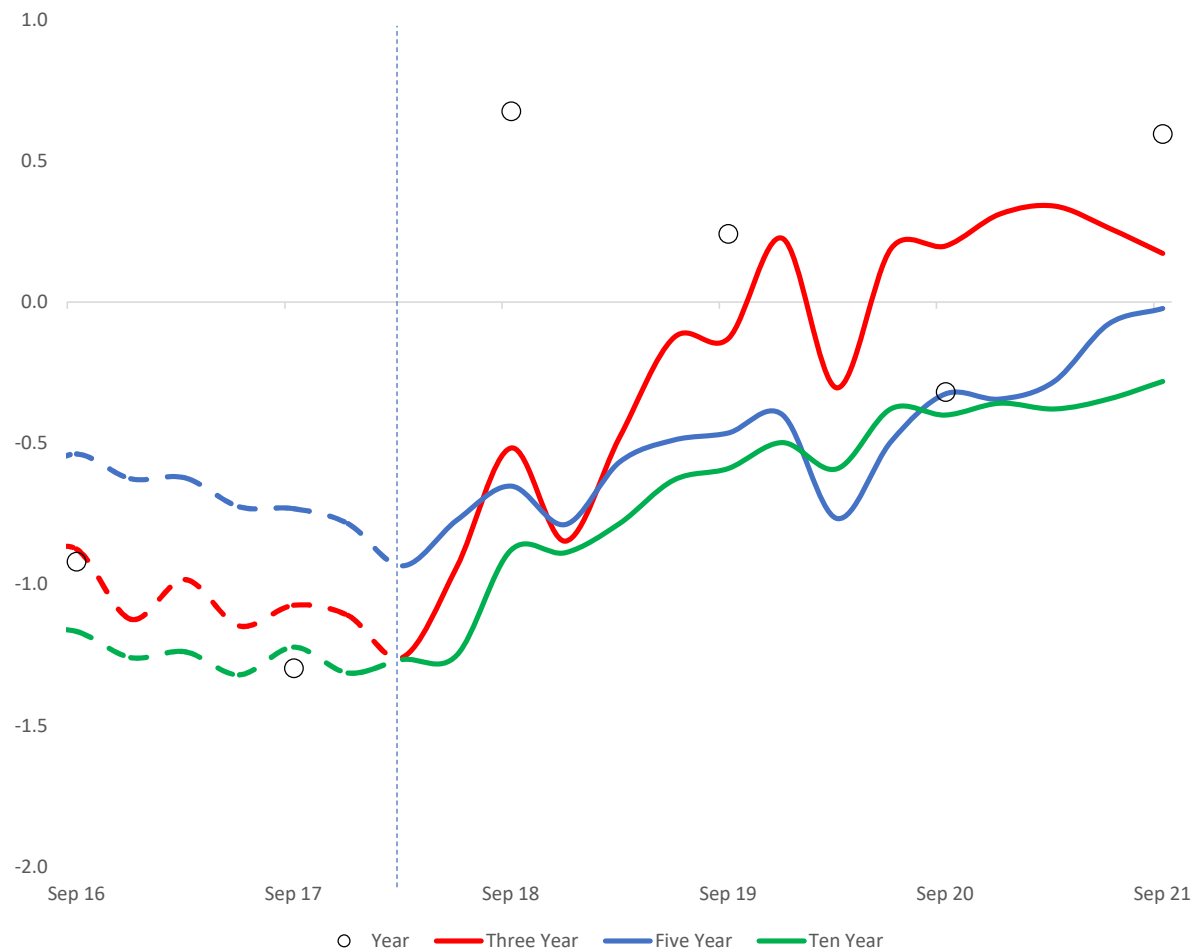


# Benchmark Relative Risk and Return



- Relative performance is on an improving trajectory and is now above benchmark
- Volatility of relative returns (confusingly often described as relative risk, active risk or tracking error) has increased in line with market turbulence but not uncomfortably so
- Information ratio (a crude measure of 'skill') is now positive

# Rolling Relative Returns



- Looking at all rolling observations, the trajectory of relative performance is clear
- Since May 2018, three out of the four observed annual returns have been ahead of benchmark
- All four annual observations leading up to May 2018 were below benchmark

# Health Check

- Asset value growth has been substantial
- Returns have exceeded actuarial assumptions by a significant margin
- Returns have exceeded inflation by a significant margin
- Consistently 'poor' relative performance has been arrested
- Risk is well contained
- Fund structure continues to evolve but remains transparent and aligned with a clear and measurable investment strategy
- The Fund is in the vanguard of responsible investing and new manager hires demonstrate this
- But.....

# Looking Forward

- High inflation and projected low growth are both bad news for funds
- How will this be reflected in the 2022 valuations?
- Geopolitical tensions are disrupting markets (amongst other factors)
- COVID hasn't gone away and new variants may emerge
- Above trend volatility will remain for the foreseeable future
  
- Funds' appetite for sustainable, low carbon investments is putting pressure on supply
- This could inflate prices and reduce future investment returns
- 'Offsets' will therefore grow in demand

# Quarterly Investment Dashboard Q4 2021

London Borough of Southwark Pension Fund



Prepared for: The Pensions Advisory Panel

Prepared by: Aon

Date: 1 March 2022

# At a glance...

## Assets

£2,138.8m 

Assets increased by £78.1m over the quarter.

## Funding

118% 

Funding level increased by 4.0% over the quarter.

## Surplus

£335m 

Surplus increased by £84m over the quarter

## Manager ratings

10 **Buy rated** 6 **Not rated**  
0 **Qualified** 0 **Not recommended**

## Performance (short term)

—

We are not able to report the Scheme's performance over the quarter due to a delay in receiving the data

## Performance (longer term)

—

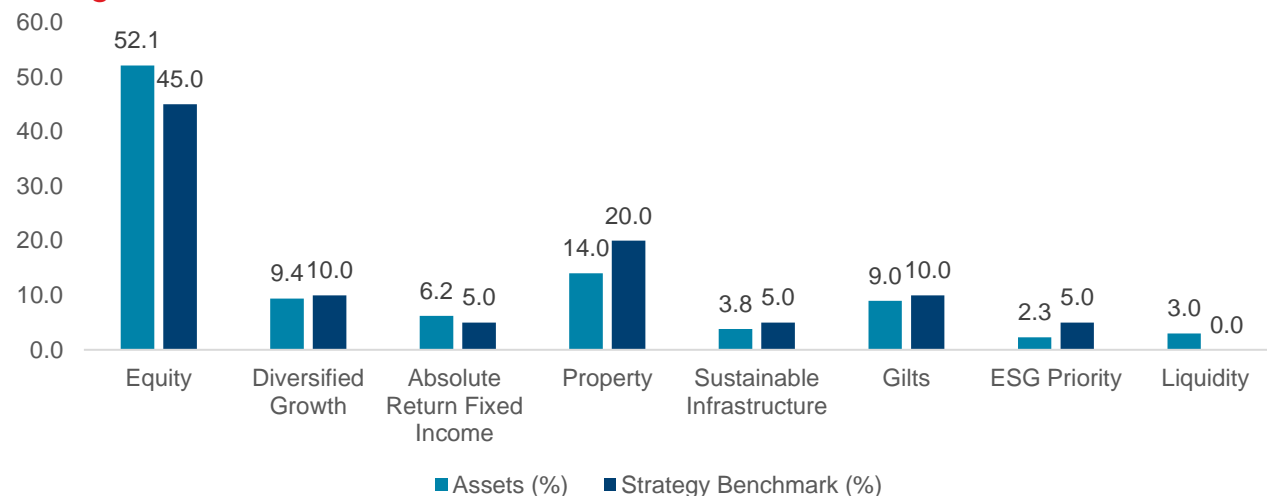
We are not able to report the Scheme's three-year performance due to a delay in receiving the data

## Comments

- The Fund's total assets increased by £78.1m over the quarter, from £2,060.7m to £2,138.8m.
- The Fund's funding level increased to 118% over the quarter. The surplus increased by £84m due to better than expected investment returns, which has been offset to a small extent by a slight fall in the net discount rate (discount rate less CPI) increasing liabilities.
- Over the quarter, the fund made the following investments:
  - £20m into the Darwin Bereavement Services Fund
  - \$40m capital commitment into the BTG Pactual OEF Fund
  - \$110m capital commitment into the Blackstone Strategic Capital Holdings (BSCH) GP Stakes Fund
  - Investment into the Temporis Impact Fund
- More information on notable developments are found in the Manager Review section

# Strategic allocation – Snapshot

## Strategic allocation & benchmark



## Relative allocation



## Assets

£2,138.8m ▲

Assets increased by £78.1m over the quarter.

## Comments

- Equity and absolute return fixed income remain overweight relative to strategic target for the asset class, while Sustainable Infrastructure, Property and ESG priority allocation are notably underweight target exposure.
- All asset classes remain well within the maximum strategic allocation limit.
- Over the quarter the Fund made investments into the Blackstone Strategic Capital Holdings (BSCH) GP Stakes Fund II, Temporis Impact Fund, Darwin Bereavement Services Fund & the BTG Pactual OEF Fund.
- Post quarter end, c.£32m was drawn down into the BSCH GP Stakes Fund II. As a result, we expect the allocation to the ESG Priority Allocation to be closer to target next quarter.

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# Explanation of Ratings – Overall ratings

## Overall ratings

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

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

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



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<b>Item No.</b> 8.	<b>Classification:</b> Open	<b>Date:</b> 9 March 2022	<b>Meeting Name:</b> Pensions Advisory Panel
<b>Report title:</b>		Actuarial Funding Update – December 2021	
<b>From:</b>		Senior Finance Manager, Treasury & Pensions	

### **Recommendation**

1. The pensions advisory panel is asked to:
  - Note the updated funding position at 31 December 2021.

### **Background**

2. The last triennial actuarial valuation of the Fund took place as at 31 March 2019. The valuation determined the Fund was 103% funded and had a surplus of £47m.
3. The actuaries provide quarterly funding updates which are projected from the results of the 2019 valuation. The purpose of the funding updates is to give a broad picture of the direction of funding changes since the actuarial valuation.

### **Funding Position**

4. The funding level at 31 December 2021 was 118% (114% at 30 September 2021). The surplus has increased by £84m in the quarter to December 2021. This change is due to better than expected investment returns, which has been offset to a small extent by a slight fall in the net discount rate increasing liabilities.

### **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

### Consultation

11. No immediate implications arising.

### Financial Implications

12. No immediate implications arising.

### AUDIT TRAIL

<b>Lead Officer</b>	Duncan Whitfield, Strategic Director of Finance and Governance	
<b>Report Author</b>	Caroline Watson, Senior Finance Manager, Treasury and Pensions	
<b>Version</b>	Final	
<b>Dated</b>	1 March 2022	
<b>Key Decision?</b>	N/A	
<b>CONSULTATION WITH OTHER OFFICERS / DIRECTORATES / CABINET MEMBER</b>		
<b>Officer Title</b>	<b>Comments Sought</b>	<b>Comments Included</b>
Director of Law and Governance	N/A	N/A
Strategic Director of Finance and Governance	N/A	N/A
Cabinet Member	N/A	N/A
Date final report sent to Constitutional Team		1 March 2022

<b>Item No.</b> 9.	<b>Classification:</b> Open	<b>Date:</b> 9 March 2021	<b>Meeting Name:</b> Pensions Advisory Panel
<b>Report Title</b>		Local Pension Board Update	
<b>From</b>		Chair of the Local Pension Board	

## RECOMMENDATION

1. The pensions advisory panel is asked to note:
  - The update from the local pension board (LPB) meeting of 19 January 2022.
  - The review of key areas of work for the Board.

## KEY AREAS OF DISCUSSION

2. A training session on the Administration Strategy – Administering Authority and Employer Responsibilities.
3. The main business included an update on pensions administration; an update on the implementation of the pensions regulator’s code of practice 14 (COP14) improvement plan; Government Actuary Department’s Section 13 report; draft pension fund statement of accounts for 2020-21; work plan and training plan for 2022-23; and a review of pension advisory panel meeting papers.

### Pensions Administration

4. This covered an update on the procurement and implementation of new pensions administration software; progress on recruitment and key communication initiatives and detailed KPIs.

### Pensions Regulator Code of Practice 14

5. An update was provided on the progress to date in implementing the COP14 action plan. It was noted that the majority of actions are now complete.

### Government Actuary Department’s Section 13 Report on 2019 Valuations

6. Members were briefed on the LBS results on the SAB standardised basis and the recommendations for the 2022 actuarial valuations.

## **Review of Key Areas of Work - Last Four Years & Looking Forward**

### **Last Four Years**

- Conclusion of 2016 governance review and commission of an independent assessment of the Fund's compliance against the Pensions Regulator's Code of Practice 14.
- Reviewed new draft conflict of interest policy for the Fund and identified need for a fund-specific policy in future (as recommended by the Good Governance Project).
- Ongoing detailed review of the pensions services function in the Board's scrutiny role of the Fund. Monitoring progress in areas such as recruitment and data improvement and the implementation and development of KPIs.
- Ongoing review and scrutiny of the pension fund risk register.
- Strengthened the structure of the Board by appointing an additional employee and employer representative (including a retired scheme member representative and a schools employer representative). A vice chair role has also been added to the Board structure.
- Monitored progress of the London CIV and the pooled status of assets in the Southwark Fund.
- Monitored the impact of Covid-19 on the pension fund and the actions taken to maintain an adequate service to scheme members and to protect the Fund's investments.
- 2019 triennial actuarial valuation: scrutinised and challenged all aspects of the process and results.
- Scheme Advisory Board Good Governance Project: tracked ongoing progress of the project, identifying the implications for the Southwark Fund.
- Ongoing training in compliance with CIPFA Knowledge and Skills Framework.

### **Looking Forward – Next Four Years**

- Continue to monitor the performance of the Pensions Administration Service.
- Monitor the implementation of the McCloud judgement ensuring that the Pensions Administration Service is adequately resourced to implement the necessary changes.
- Monitor developments and implementation of the Pensions Dashboard.

- Support the Administering Authority in improving the quality of data received from non- Southwark Council employers.
- Ensure compliance with the TPRs revised code of practice.
- Monitor progress of the Scheme Advisory Board's good governance project and support the Administering Authority in complying with the project's recommendations.
- Support the Administering Authority in developing a Fund specific conflicts of interest policy which applies to all officers and members involved in the Fund.
- Support the Administering Authority in ensuring that the Fund management and accounting team is adequately resourced given the increasing complexity of the Fund's assets.
- Ensure Board members are offered a comprehensive training programme to meet the skills and knowledge requirements for Board members.

## AUDIT TRAIL

<b>Lead Officer</b>	Duncan Whitfield, Strategic Director of Finance and Governance	
<b>Report Author</b>	Mike Ellsmore, Chair of the Local Pension Board	
<b>Version</b>	Final	
<b>Dated</b>	1 March 2022	
<b>Key Decision?</b>	N/A	
<b>CONSULTATION WITH OTHER OFFICERS / DIRECTORATES / CABINET MEMBER</b>		
<b>Officer Title</b>	<b>Comments Sought</b>	<b>Comments Included</b>
Director of Law and Governance	N/A	N/A
Strategic Director of Finance and Governance	N/A	N/A
<b>Cabinet Member</b>	N/A	N/A
<b>Date final report sent to Constitutional Team</b>	1 March 2022	

<b>Item No.</b> 10.	<b>Classification:</b> Open	<b>Date:</b> 9 March 2022	<b>Meeting Name:</b> Pensions Advisory Panel
<b>Report title:</b>		Pension Services - Administration Function Year End Update	
<b>From:</b>		Pensions Manager, Finance and Governance	

## RECOMMENDATION

1. That the Pensions Advisory Panel is asked to note this year-end update covering achievements over the past four years, together with forward planning goals over the next four years.

ACHIEVEMENTS – PAST 4 YEARS	
<b>Post 2016 restructure</b>	All backlogs cleared.
<b>Staff &amp; resources</b> (2018/19)	Full restructure undertaken to create a robust pensions team specialising in admin, data/IT, comms, training and project management.
<b>Implementation of i-Connect software</b> (LGPS data)	For all schools/external employers and to ensure data consistency. i-Connect also implemented for Council on SAP system.
<b>Technology</b>	Implementation of new Civica UPM pensions admin, payroll, and contact centre software to replace legacy LGPS pensions admin system.
<b>Pensioner Payroll</b>	Migration of pensioner payroll from Council's (SAP) payroll system to Civica software.
<b>Annual Benefit Statements</b>	Complete redesign to explain benefits and to show true financial value each year of staff being a member of pension fund.
<b>Annual Allowance</b>	Complete redesign of Pension Savings Statements, explaining tax implications and providing 'Scheme Pays' option. and..... Members likely to be affected in the future are informed early enough so that they can make informed changes to their pension provision.
<b>Contact Centre brought back to Pensions</b>	Creation of a new First Contact Resource team dealing with all written, website and telephone enquiries (members, employers).

	First London Borough to be able to accurately report all enquiries received within the section.
<b>Performance metrics</b>	Improvements in admin stats and statutory reporting, including enquiries.
<b>Southwark Pension fund website creation</b>	Shortlisted for comms award. Website works in harmony/alongside national LGPS website.
<b>Administration and Comms strategy</b>	Revised and updated to reflect changes in technology, trends and future service needs.
<b>Administering and Employing Authority discretions policies</b>	Revised and updated.
<b>Interfund transfers</b>	Streamlined making Southwark one of the leading London Boroughs for interfund processing.
<b>Training &amp; development</b> (staff, pension fund members, HR, employers, LPB)	All staff get five hours of dedicated pensions training every week. Southwark is the only London Borough to offer this level of training to staff on a weekly basis.
<b>Post covid adjustments</b>	Remote solutions put in place for printing and scanning.

FORWARD PLANNING – NEXT 4 YEARS	
<b>AVC reassessment</b>	Move to a new AVC provider offering improved fund choice and functionality (i.e. online investment switches and retirement modelling).
<b>Staff &amp; resources</b> (post Civica/technology review and succession planning)	Rationalise structure to ensure that all staff meet the needs of a modern pensions section.
<b>Technology</b>	Development of Civica UPM Member Self-Service (MSS) and online functionality for pension fund members and employers.
<b>Pensioner Payroll</b>	Improvements in pensioner services – online payslips/P60's/Pension Increase statements.  Pensioner Association creation with Council and existing association around welfare and wellbeing.
<b>Annual Benefit Statements</b>	LGPS video currently being created.  Online availability via MSS.



	Part of Total Reward Statement in future.
<b>Annual Allowance</b>	<p>Annual Allowance and Lifetime Allowance videos currently being created.</p> <p>Pensions MOT's for staff approaching age 50 explaining the benefits of the pension fund and what to expect approaching retirement.</p>
<b>First Contact Resource team</b>	Civica Contact Manager software procured to manage telephone enquiries with direct link to UPM system – ensures all tasks get recorded and can be reported against for SLA's/KPI's.
<b>Performance Metrics</b>	Benchmarking SLA's to CIPFA guidelines/ standards or better.
<b>Pension fund website</b>	<p>Development of website to create online enquiry/web forms to integrate seamlessly with new Civica UPM system.</p> <p>Creation of improved content, horizon scanning news, Q&amp;A's, MSS guidance etc.</p>
<b>Development of new Civica Employer portal</b>	Pensions team has greater control over LGPS data being uploaded to new admin system.
<b>Training &amp; development</b>	<p>Continuous development of training material to benefit staff, pension fund members, HR, employers and LPB members.</p> <p>Development of online training material via website and utilise the Council's My Learning Source.</p> <p>Material and services can be offered to other London Boroughs at discounted rate.</p>
<b>Comms</b>	Plain English review - the majority of comms sent to members will be

	<p>crystal marked.</p> <p>Comms partnership with Aon.</p> <p>Staff surveys/feedback sessions.</p> <p>With Covid uncertainties moving to a remote Teams based Employer Roadshows.</p>
<b>UK National Dashboard programme</b>	Southwark participation creating improved overall experience for pension fund members.
<b>Formalisation of Data Management Strategy</b>	In line with the Pensions Regulator/COP14 guidance and best practice.

### **Policy framework implications**

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

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

#### **Community impact statement**

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

#### **Equalities (including socio-economic) impact statement**

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

#### **Health impact statement**

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

### **Climate change implications**

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

### **Resource implications**

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

### **Legal implications**

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

### **Financial implications**

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

**Consultation**

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

**SUPPLEMENTARY ADVICE FROM OTHER OFFICERS****Director of Law and Governance**

11. Not applicable.

**Strategic Director of Finance and Governance**

12. Not applicable.

**Other officers**

13. Not applicable.

**AUDIT TRAIL**

<b>Lead Officer</b>	Duncan Whitfield, Strategic Director of Finance and Governance	
<b>Report Author</b>	Barry Berkengoff, Pensions Manager, Finance and Governance	
<b>Version</b>	Final	
<b>Dated</b>	3 March 2022	
<b>Key Decision?</b>	No	
<b>CONSULTATION WITH OTHER OFFICERS / DIRECTORATES / CABINET MEMBER</b>		
<b>Officer Title</b>	<b>Comments Sought</b>	<b>Comments Included</b>
Director of Law and Governance	No	N/a
Strategic Director of Finance and Governance	No	N/a
<b>Cabinet Member</b>	No	N/a
<b>Date final report sent to Constitutional Team</b>	3 March 2022	

**COMMITTEE:** Pensions Advisory Panel

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

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