Pensions Advisory Panel

Thursday 13 June 2024
2.00 pm
Room G02C, 160 Tooley Street

Membership

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

Staff Representatives
Roger Stocker
Helen Laker
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

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Members of the committee are summoned to attend this meeting
Althea Loderick
Chief Executive
Date: 13 June 2024

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Southwark Council
southwark.gov.uk

Pensions Advisory Panel

Thursday 13 June 2024
2:00 pm
Room GO2C, 160 Tooley Street

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.

5. MINUTES

To agree as a correct record, the open minutes of the meeting held on 24 February 2024. **(5 MINUTES)**

Item No.	Title	Page No.

Date: 13 June 2024

Southwark Council

Pensions Advisory Panel

MINUTES of the OPEN section of the Pensions Advisory Panel held on Monday 26 February 2024 at 1.00 pm at Meeting Room 225 - 160 Tooley Street, London SE1 2QH

PRESENT

Councillor Stephanie Cryan (Chair)
Councillor Rachel Bentley
Councillor Emily Hickson
Clive Palfreyman
Caroline Watson
Tracy Milner
Roger Stocker
Spandan Shah
Mike Ellsmore
Colin Cartwright
David Cullinan
Andrew Weir

1. APOLOGIES

Apologies were received from Barry Berkengoff and Helen Laker.

2. CONFIRMATION OF VOTING MEMBERS

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

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

There were none.

4. DISCLOSURE OF INTERESTS AND DISPENSATIONS

The voting members confirmed their interest in the actuarial funding item.

5. **MINUTES**

RESOLVED:

That the minutes of the meeting held on 17 July 2023 be agreed as a correct record.

6. **EQUALITIES, DIVERSITY AND INCLUSION ORAL UPDATE**

Spandan Shah, Interim ESG Manager, Finance and Governance, provide a short verbal update on the topic of equalities, diversity and inclusion (EDI).

He advised that he had reached out to the head of diversity (EDI) within the council in order to align with the wider council on EDI.

RESOLVED:

That the EDI oral update be noted.

7. **UPDATE ON THE LOCAL PENSION BOARD**

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

There was a brief discussion, particularly about training for members and staff representatives.

RESOLVED:

That the update from the local pension board (LPB) meeting of 24 January 2024 be noted.

8. **PENSION SERVICES – ADMINISTRATION FUNCTION UPDATE**

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

The Strategic Director of Finance advised that there were no more members in the pensions team.

There was a brief discussion regarding the rebranding of the pension fund website and expanded content.

RESOLVED:

That the update on the pensions administration function be noted.

9. ASSET ALLOCATION AND NET ZERO STRATEGY UPDATE - DECEMBER 2023

Caroline Watson, Senior Finance Manager, Treasury and Pensions, introduced the report.

There were questions on the report and a discussion.

RESOLVED:

That the fund's asset allocation at 31 December 2023, overall performance and other matters considered by the officers and advisers of the fund during the six months to the end of December and post quarter end, be noted.

10. GLENNMONT CLEAN ENERGY FUND IV

Tracey Milner, Interim Pension Investments Manager presented the report.

There were questions on the report and a discussion.

RESOLVED:

1. That it be noted that, in line with the governance arrangements for new investments, voting members of the pensions advisory panel made an offline recommendation to the Strategic Director of Finance to progress a commitment in the Glennmont Clean Energy Fund IV.

2. That the decision to progress the commitment to Glennmont Clean Energy Fund IV be ratified.

11. ADVISERS' UPDATES - QUARTER TO DECEMBER 2023

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.

It was agreed that Newton would be invited to one of the upcoming advisory panel meetings.

RESOLVED:

That the quarterly investment updates be noted.

12. MULTI-ASSET CREDIT

Tracey Milner, Interim Pension Investments Manager presented the report.

There were questions on the report and a discussion.

RESOLVED:

3. That the progress in evaluating the market for multi-asset credit managers be noted.

4. That the officer proposal to invite managers and LCIV to attend a meeting for voting members of the pensions advisory panel on 4 March be agreed.

13. CARBON FOOTPRINT UPDATE - 31 DECEMBER 2023

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

There were questions on the report and a discussion.

RESOLVED:

That the fund's carbon footprint at 31 December 2023 be noted.

14. UPDATE ON APPROACH TO ENGAGEMENT AND VOTING

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

There were questions on the report and a discussion.

RESOLVED:

That the update on the engagement and voting activity for the underlying investments of the fund be noted.

15. ACTUARIAL FUNDING UPDATE - DECEMBER 2023

Caroline Watson, Senior Finance Manager, Treasury and Pensions, introduced the report.

There were no questions on the report

RESOLVED:

1. That he updated funding position at 31 December 2023 be noted.

2. That the amended funding strategy statement attached at Appendix 1 to the report 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. GLENNMONT CLEAN ENERGY FUND IV

The voting members of the penisons advisory panel considered the closed information relating to this item. Please see item 10 for the decision.

17. QUARTERLY INVESTMENT UPDATE - AON

The voting members of the pensions advisory panel considered the closed information relating to the Aon presentation section of this item. Please see item 11 for the decision.

18. MULTI-ASSET CREDIT

The voting members of the pensions advisory panel considered the closed information relating to this item. Please see item 12 for the decision.

19. ACTUARIAL FUNDING UPDATE - DECEMBER 2023

The voting members of the pensions advisory panel considered the closed information relating to this item. Please see item 15 for the decision.

The meeting ended at 2.32pm.

CHAIR:

DATED:

Item No. 8	Classification: Open	Date: 13 June 2024	Meeting Name: Pensions Advisory Panel
Report title:		Pension Services – admin/ops update	
Ward(s) or groups affected:		None	
From:		Head of Pensions Operations, Finance	

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 February 2024 setting out specific information on recruitment, IT/systems, National Dashboard Programme, communication initiatives and complaint management.

RECRUITMENT

3. Senior Data Officer and Data Officer interviews took place during February and March 2024 resulting in the appointment of one Senior Officer and three Data Officers. Two out of the four appointments came from within Southwark.

4. First Contact Officer interviews took place in May but no appointment was made.

IT/SYSTEMS

5. An independent Cyber Risk Assessment has now been completed on new UPM admin and payroll software. Findings are positive but some recommendations were made.

6. The full report is being circulated under separate cover.

NATIONAL DASHBOARD PROGRAMME

7. The Pensions Regulator has now confirmed that Southwark Council's "connect by" date is 31 October 2025.

MCCLOUD REMEDY

8. A software update is imminent and will allow McCloud calculations to be automated on the pensions admin system.

9. Until then, manual checks are being done for all leaver calculations (retirement, deferreds and transfers) to ensure anyone who is entitled to receive the McCloud remedy receives the correct pension uplift.

10. A wider project will then begin to identify any members that may require a remedy since 2014.

PROGRESS TO JUNE 2024

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

COMMUNICATION INITIATIVES

11. A 2024 Annual Benefit Statement (**ABS**) Action Plan has been agreed and a separate report was shared with the Local Pension Board.

12. The 2024 deferred member ABS exercise is nearing completion and statements and newsletters are expected to be issued later in June.

13. As part of this annual Pension Increase process, year-end P60's were issued to all retired staff in May.

COMPLAINT MANAGEMENT

Against Employer:

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

- Pensions Ombudsman single complaint - a long-standing and protracted employer complaint from a former member of Council staff about pension benefits and a Settlement Agreement. **Case Open - applicant has made a number of formal submissions. Case back with Southwark to respond.**

- IDRP stage 1 - ill-health complaint against the Council as employer. Whilst the ill-health tiering award is not in dispute, a disagreement exists over contractual working hours which will affect the final value of pension benefits being paid. **With Council HR to respond**.

- IDRP stage 1 - multiple complaints against the Council over claimed incorrect employee pension deductions made from the Council's payroll system. **Council made refunds in March 2024 to affected staff. Case Closed.**

Against Pension Fund

- Pensions Ombudsman single complaint - a cohabiting partners' pension and death grant claim made against the pension fund. The applicant alleged both he and the deceased were financially dependent on one another and living together as husband and wife. **Complaint formally determined and partially upheld. The Ombudsman found no evidence of a cohabiting relationship and said the Administering Authority had reached the correct decision based on all the evidence available. Applicant was awarded £500 to cover a specific non-financial injustice.** [1] **Case Closed.**

[1] Determination is available to view HERE and is a public document.

- Pensions Ombudsman single complaint - pensions liberation complaint where an applicant contests the pension fund undertook no receiving scheme due diligence when a transfer out was paid back in 2016. **Case Open – pension fund has investigated and provided a formal response.**

- IDRP stage 2 - dispute over the allocation of a (lump sum) death grant. **Additional new evidence is being considered by the stage 2 Adjudicator**.

ADMIN PERFORMANCE MONITORING

Performance metrics continue to be provided to the Local Pension Board.

However, the pension fund will be looking at the new SAB guidance around KPIs.

FUTURE WORK PLANNING

14. All pension fund 'payroll' responsibilities will return to the employer in during June/July 2024. For historical reasons these have sat with pensions admin for many years but will move back to the employer as part of agreed good governance. Activities include AVC/APC set up, 50/50 elections, opt-outs, Hard to Fill elections and more.

15. Pension Services has signed up to a wider Finance Directorate Business Plan over 2024/25. All admin and IT related objectives will be shared with the Panel once signed off by the Strategic Director, Finance.

CONCLUSIONS

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

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

KEY ISSUES FOR CONSIDERATION

Policy framework implications

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

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

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

Equalities (including socio-economic) impact statement

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

Health impact statement

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

Climate change implications

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

Resource implications

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

Legal implications

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

Financial implications

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

Consultation

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

SUPPLEMENTARY ADVICE FROM OTHER OFFICERS

Director of Law and Governance

27. Not applicable.

Strategic Director, Finance

28. Not applicable.

Other officers

29. Not applicable.

AUDIT TRAIL

Lead Officer	Clive Palfreyman, Strategic Director, Finance	
Report Author	Barry Berkengoff, Head of Pensions Operations, Finance	
Version	Final	
Dated	10 June 2024	
Key Decision?	No	
CONSULTATION WITH OTHER OFFICERS / DIRECTORATES / CABINET MEMBER		
Officer Title	**Comments Sought**	**Comments Included**
Director of Law and Governance	No	N/a
Strategic Director of Finance and Governance	No	N/a
List other officers here		
Cabinet Member	No	N/a
Date final report sent to Constitutional Team / Scrutiny Team		

Item No.	Classification:	Date:	Meeting Name:
9	Open	13 June 2024	Pensions Advisory Panel
Report title:		Asset Allocation and Net Zero Strategy Update – 31 March 2024	
From:		Chief Investment Officer	

Recommendations

The Pensions Advisory Panel is asked to:

- Note the Fund's asset allocation at 31 March 2024, overall performance and other matters considered by the officers and advisers of the Fund during the quarter to the end of March and post quarter end.

Background

1. Decision making for the Southwark Pension Fund is a bipartite mutual responsibility between the Strategic Director of Finance (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.

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

Pension Fund Investments – March Quarter 2024

Position Statement at 31 March 2024

3. The market value of the Fund increased during the quarter from £2,165.9m to £2,238.9m, an increase of £73.1m (+3.4%). In contrast, in the previous quarter the market value of the Fund increased by £108m.

4. The value of the major asset classes at 31 March 2024 compared to 31 December is as follows:

	31 December		31 March	
	£m	%	£m	%
Low carbon passive equities	745.500	34.4	815.340	36.4
Active Emerging Market equities	93.903	4.3	94.974	4.2
Active global equities	277.634	12.8	306.951	13.7
Total Global Equities	**1,117.037**	**51.6**	**1,217,265**	**54.4**
Total Multi-Asset Credit	**105.756**	**4.9**	**205.828**	**9.2**
Total Absolute Return Bonds	**108.709**	**5.0**	**0**	**0**
Total Index Linked Gilts	**156.791**	**7.2**	**153.080**	**6.8**
Total Property	**322.392**	**14.9**	**348.897**	**15.6**
Total ESG Priority	**278.241**	**12.8**	**287.311**	**12.8**
Total Cash & Cash Equivalents	**76.952**	**3.6**	**26.560**	**1.2**
Total Fund	**2,165.880**	**100.0**	**2,238,942**	**100.0**

5. The following table shows the breakdown of the market valuation as at 31 March 2024 by asset class/manager and compares the totals with the target asset allocation, which was agreed by PAP in December 2022:

	Manager(s)	TOTAL FUND £000	Actual %	Target %	(Under) Overweight
Low carbon passive equity	Blackrock LGIM	407,161 408,178	18.2 18.2	17.5 17.5	+0.7 +0.7 +1.4
Active Emerging Market equity	Comgest	94,974	4.2	5.0	-0.8
Active global equity	Newton	306.9526	13.7	10.0	+3.7
Total Global Equity		**1,217,265**	**54.4**	**50.0**	**+4.4**
Total Multi-Asset Credit	Robeco LCIV-CQS	**105,828** **100,000**	**9.2**	**10.0**	**-0.8**
Total Index Linked Gilts	Blackrock LGIM	**93,521** **59,559**	**4.2** **2.7**	**5.0** **5.0**	**-0.8** **-2.3**
Total Property	See table below (Para 10)	**348,897**	**15.6**	**20.0**	**-4.4**
Total ESG Priority	See table below (Para 18)	**287,311**	**12.8**	**10.0**	**+2.8**
Total Cash & Cash Equivalents	LGIM Northern Trust Blackrock Newton Nuveen	**5,117** **4** **9,608** **6,609** **5,222**	**0.2** **0.0** **0.4** **0.3** **0.2**	0.0 0.0 0.0 0.0 0.0	+0.2 0.0 +0.4 +0.3 +0.2 **+1.2**
TOTAL Fund		**2,238,942**	**100.0**	**100.0**	**0.0**
31st December		2,165,880			
30th September		2,057,902			

6. The Fund's Strategic Asset Allocation (SAA) has tolerance, within specific ranges, for deviation from the target allocation for each manager/asset class.

All allocations are within the maximum permitted by the SAA. The key overweight positions are in Global Equity via Newton (+3.7%) and ESG Priority Funds (+2.8%). In contrast, the key underweight is in Property (-4.4% excluding cash held by Nuveen).

7. Aside from changes due to market movements, where there has been ongoing strong absolute performance in equity markets, compared to the end of December the main changes in the asset allocation weightings are seen in:

   - Full redemption of the Absolute Return Bond (ARB) fund to fund a multi-asset credit allocation to LCIV-CQS means that there is no longer an overweight to ARB.
   - Given the funding of Robeco in September and LCIV-CQS in March, the allocation to Multi-Asset Credit is near to its central weight (previously underweight by 5.3%)
   - a decrease in the overweight to cash (from +3.6% to +1.2%). The majority of this decrease is due to the funding of Nuveen property purchases from cash held internally and by Nuveen.

Fund Manager Activity – public market assets

8. At a special meeting of the voting members of PAP on 4th March, it was agreed to allocate a £100m mandate to the Alternative Credit Fund run by CQS for London CIV. A full report on this decision will be presented to the meeting of PAP on 30th September 2024.

9. Following this decision, and having completed all due diligence with both LCIV and Northern Trust (the fund administrator for LCIV), the allocation to LCIV was made at the next available monthly dealing date of 28th March 2024. This was funded by full redemption of the Blackrock Absolute Return Bond Fund.

Fund Manager Activity – property

10. The table below breaks down the property holdings showing the valuation of the direct and indirect fund holdings as at 31 March 2024.

Manager	Description	Market Value £m	Actual %	Target %
Nuveen	Direct property UK Retail Warehouse Fund	218.775 1.995	9.9	14.0
Invesco	UK Residential Fund	46.412	2.1	1.5
M&G	UK Residential Property Fund	42.629	1.9	1.5
Darwin	Leisure Development Fund	25.059	1.1	1.5
Frogmore	Frogmore Real Estate Fund III	5.062	0.2	0.75
Brockton	Brockton Capital Fund III	8.966	0.4	0.75
Total Property		**348.897**	**15.6**	**20.0**
Last quarter		**322.393**	**14.9**	**20.0**

11. The table shows that there is a significant underweight in the core property mandate run by **Nuveen** (-4.1%, excluding cash). However, it should be noted that Nuveen have permission to draw down cash, which is held within the Pension Fund's cash balances, as and when appropriate investment opportunities arise.

12. At the end of December, the underweight to **Nuveen** was -5.1% with £21.7m of cash held by the manager to fund a purchase that completed in the New Year. An additional £10.8m of cash was transferred to Nuveen during the March quarter. There were 3 major transactions during the quarter:

    - Field Lodge, Cambridge – purchase of the freehold of a care home occupied by Care UK
    - City Technology, Portsmouth – purchase of the freehold of an industrial unit occupied by City Technology
    - Opus 9, Warrington – purchase of the freehold of a multi-let industrial warehouse

13. Post quarter end (April) an additional £4m was transferred to **Nuveen** to fund the purchase of an industrial unit in Northamptonshire.

14. It should also be noted that the proportion of the **Nuveen** portfolio that has an EPC rating A or B has increased from 20% to just over 38% over the twelve months to 31st March 2024.

15. The S151 officer agreed to vote in favour of a further extension to the redemption terms of the UK Retail Warehouse fund (from June 2024 to December 2025) at the recommendation of the fund manager at **Nuveen**. This is to protect all investors, both continuing and redeeming, from potential significant losses being crystallised through sales being forced in a market that is lacking in core capital for larger assets.

16. In February, there was a £2.4m net drawdown into the **Brockton Capital Fund III** in relation to investment in respect of the fund's flexible office portfolio. Following this drawdown there remains an undrawn commitment of c£2m against LBS PF's total commitment of £15m.

17. Officers held meetings with **London CIV and M&G (**separately) to discuss the potential for the investment in the M&G Residential Property Fund to be aggregated with that of three other London Boroughs in order to access a lower fee share-class. Officers are minded to accept the proposal given that

    - A fee discount (net of the LCIV monitoring fee) of 5 bps would be applied
    - The assets would be under the supervision of LCIV and would therefore be considered as pooled (as are the assets in the LGIM and Blackrock passive funds)
    - LBS would remain as the legal owner of the holdings in the Fund
    - LCIV would carry out ongoing monitoring of the Fund

18. Given that this represents an operational change in management, PAP is not required to recommend acceptance of the terms and conditions of the change in arrangements. Officers are aiming to complete all paperwork ahead of 1st July to ensure that the lower fee applies as soon as possible.

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

19. The below table breaks down the ESG priority holdings (excluding property) showing the valuation of underlying funds as at 31 March 2024 against the original commitments:

Manager	Fund	Commitment	Market Value £m
Glennmont	Glennmont Clean Energy Fund III	€35m	31.154
Glennmont	Glennmont Clean Energy Fund IV	€50m	-
Temporis	Operational Renewable Energy Renewable Energy Impact Strategy	£33.3m £30.6m £31.0m	65.711 31.621 21.781
Blackrock	Global Renewable Power Infrastructure	$40m	24.996
Darwin	Bereavement Services Fund	£20m	22.694
Blackstone	Strategic Capital Holdings II	$110m	53.289
BTG Pactual	Core US Timberland	$40m	36.064
TOTAL			**287.311**
Last Quarter			**278.241**

20. As advised at the meeting of PAP on 27th February 2024, LBS PF was admitted as an investor to the **Glennmont Clean Energy Fund IV** on 20 December 2023. However, the first cash drawdown was transferred in April 2024 so the valuation above is zero.

21. On the 21st of March, officers had an update call with **Glennmont** regarding the status of fundraising for Fund IV, the final close status of the Fund and the rebrand of Glennmont Infrastructure to Nuveen Infrastructure. The key issue was that the final closure of the Fund was to be delayed to enable three investors to finalise their paperwork having missed the original deadline. At the time of writing, officers were awaiting the paperwork required to enable this to take place. Officers were also assured that the rebrand of Glennmont to Nuveen would have no day-to-day impact on LBS.

22. Officers were advised that Blackstone Alternative Asset Management has changed its name to **Blackstone Multi-Asset Investing ("BXMA")**, to reflect the evolution of the company's asset mix over thirty years. Additionally, some restructuring of the business, with the integration of the GP stakes business into the wider Blackstone Strategic Partners Platform, has led to the departure of the head of the GP stakes business. As discussed with officers on a call on the 27th of February, Blackstone have advised that there are no implications on the day-to-day management of the LBS portfolio.

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

	Net Drawdowns	Net Distributions
Blackstone	£4.4m	
Glennmont III	£2.4m	
Total impact on LBSPF cash balances	**-£6.6m**	**£0.0**
Last Q total	**-£4.3m**	**+£5.5m**

24. Given that net drawdowns exceeded distributions for the quarter (and in conjunction with the property drawdowns discussed in paragraphs 12 and 16), there was a partial redemption of holdings in the LGIM liquidity fund (£2.4m) to fund the drawdowns. A full report on the operation of the fund's cashflow management policy will be considered at the PAP meeting of 30th September 2024.

Investment Performance Results for the Period

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

	Quarter to 31 March	Year to 31 March	3 Years to 31 March p.a.	Inception to 31 March p.a.
Fund	3.6	11.3	5.6	8.4
Benchmark[1]	4.9	13.3	7.3	7.6
Relative	-1.3	-2.0	-1.7	+0.9

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

26. The Fund made a return of 3.6 % in the quarter, behind the benchmark return of +4.9%. The total fund return for the year to the end of March 2024 was 11.3%, which was below the benchmark return of 13.3%. Over 3 years, the Fund returned 5.6% p.a. compared to a benchmark return of 7.3 % p.a., a difference of -1.7% p.a. An annualised return of 8.4% since inception means that the Fund has exceeded, by some margin, the 2022 actuarial valuation's assumed investment returns of 4.05% p.a.

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

Manager meetings

28. Officers had update meetings with Blackstone (private equity), Invesco (residential property), LCIV and M&G. Paragraph 17 outlines the notable matters arising from the latter two meetings. A service review meeting with JP Morgan (the fund's custodian) also took place.

29. Post quarter end, officers had update meetings with Newton (active global equity), Nuveen (direct property), Darwin Alternatives (leisure and bereavement services funds), Temporis (renewable energy) and Robeco (credit fund). There were no notable matters arising.

LGPS Next Steps on Investments Consultation – ongoing activity

30. As discussed at the PAP meeting of 26 February, in November 2023 government issued a response to the LGPS Next Steps on Investments consultation. PAP was advised that the key areas of interest were that government is progressing proposals (that were set out in the consultation) to accelerate and expand pooling and increase investment in levelling up and private equity.

31. On 15 May, the Minister for Local Government, Simon Hoare MP, issued a letter to Chief Executives and S151 officers of all LGPS administering authorities (AA) in England, asking that each AA set out the approach to efficiencies in the management, governance and administration of the LGPS. The main driver seems to be the belief that further efficiencies in fund administration and management should be achieved with the cost of fund management and administration cited in the letter (attached as Appendix 1).

32. The deadline for submitting responses is 19th July 2024. In spite of the General Election being called subsequent to the letter being issued, it is expected that officers will prepare and submit a response ahead of the deadline.

Further Areas of Progress

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

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

34. **Community Impact Statement**

    No immediate implications arising

35. **Equalities (including socio-economic) Impact Statement**

    No immediate implications arising

36. **Health Impact Statement**

    No immediate implications arising

37. **Climate Change Implications**

    No immediate implications arising

38. **Resource Implications**

    No immediate implications arising

39. **Legal Implications**

    No immediate implications arising

40. **Financial Implications**

    No immediate implications arising

41. **Consultation**

    No immediate implications arising

Lead Officer	Clive Palfreyman, Strategic Director of Finance		
Report Author	Tracey Milner, Pensions Investments Manager, Treasury and Pensions		
Version	Final		
Dated	1 June 2024		
Key Decision?	N/A		
CONSULTATION WITH OTHER OFFICERS / DIRECTORATES / CABINET MEMBER			
Officer Title		**Comments Sought**	Comments Included
Director of Law and Democracy		N/A	N/A
Strategic Director of Finance		N/A	N/A
List other officers here			
Cabinet Member		N/A	N/A
Date final report sent to Constitutional Team			

Department for Levelling Up,
Housing & Communities

Simon Hoare MP
Minister for Local Government
2 Marsham Street
London
SW1P 4DF

Chief Executives and Section 151 Officers of
Administering Authorities in England

By email

15 May 2024

Dear Colleagues,

Efficiencies in local government and the management of Local Government Pension Scheme (LGPS) funds

I wrote to all chief executives on 16 April setting out my expectations for the productivity plans to be developed by each authority as announced at the local government finance settlement. In this, I asked for plans covering service transformation, better use of technology and data and reduction of wasteful spend as well as views on barriers which government could remove (letter at annex A).

I am now writing to you to ask you to set out your approach to efficiencies in the management, governance and administration of your LGPS fund and asset pool in a separate letter. I am interested in what is happening across local government to deliver efficiencies in the management of the £359 billion of pension assets you hold, and in your administration of pension benefits for the 6.6 million members.

Since taking on ministerial responsibility for the LGPS I have been grateful for the generous engagement I have received, and I have been struck by the generally strong financial position of the scheme, as well as the strong commitment to serving scheme members. However, it is clear that there is also a need for improvements, including to meet the expectations set out on asset pooling and investments set out at the Autumn Statement. More efficiencies in fund administration and management should also be achieved: across the scheme in 2022-3 investment management costs were £1.7 billion and £280 million on administration and governance.

Your response should consider the following themes on pensions.

1. **How your fund will complete the process of pension asset pooling to deliver the benefits of scale.**

- What proportion of assets have been pooled in your chosen LGPS asset pool? Is your fund on track to pool all listed assets by March 2025, and if not, what are the barriers to this?
- Is there scope for minimising waste and duplication by making use of your LGPS asset pool's services and expertise in reporting and development of the pensions investment strategy ? What is your expenditure on pensions investment consultancy ?
- Does your LGPS asset pool have an effective, modern governance structure in place, which is able to deliver timely decisions and ensure proper oversight ? If not, what steps are you taking to make your pool's governance more effective?

2. **How you ensure your LGPS fund is efficiently run, including consideration of governance and the benefits of greater scale.**

- Does your LGPS fund have effective and skilled governance in place, which is able to hold officers, service providers and the pool to account on performance and efficiency?
- Would you be likely to achieve long-term savings and efficiencies if your LGPS fund became part of a larger fund through merger or creation of a larger pensions authority?

As set out in my previous letter I do not wish to impose excessive burdens. I expect your letter to be no more than two pages in length. Your plans must be returned by 19 July 2024, by email to lgpensions@levellingup.gov.uk. We will review your responses and consider the issues emerging and the implications for future national policy.

I look forward to working with you to deliver the best outcomes.

with every good wish.

Yours,

Simon Hoare

SIMON HOARE MP
Minister for Local Government

Item No. 12	Classification: Open	Date: 13 June 2024	Meeting Name: Pensions Advisory Panel
Report title:		Advisers' Updates - Quarter to March 2024	
From:		Chief Investment Officer	

Recommendations

The PAP 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

1. **Community Impact Statement**

   No immediate implications arising

2. **Equalities (including socio-economic) Impact Statement**

   No immediate implications arising

3. **Health Impact Statement**

   No immediate implications arising

4. **Climate Change Implications**

   No immediate implications arising

5. **Resource Implications**

   No immediate implications arising

6. **Legal Implications**

   No immediate implications arising

7. **Financial Implications**

   No immediate implications arising

8. **Consultation**

   No immediate implications arising

APPENDICES

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

AUDIT TRAIL

Lead Officer	Clive Palfreyman, Strategic Director of Finance	
Report Author	Caroline Watson, Chief Investment Officer	
Version	Final	
Dated	6 June 2024	
Key Decision?	N/A	
CONSULTATION WITH OTHER OFFICERS / DIRECTORATES / CABINET MEMBER		
Officer Title	**Comments Sought**	Comments Included
Director of Law and Democracy	N/A	N/A
Strategic Director of Finance and Governance	N/A	N/A
List other officers here		
Cabinet Member	N/A	N/A
Date final report sent to Constitutional Team		

LONDON BOROUGH OF SOUTHWARK - Quarterly Report March 2024

Executive Summary

- The economic outlook improved further this quarter. Equities responded positively whilst bond markets weakened as widely anticipated interest rate cuts remained elusive
- The Fund returned almost 4% over the period, but lagged the benchmark
- The Fund returned a very healthy 11.3% over the full year but remained some way behind the benchmark
- The medium and long-term returns for the Fund remain solid, ahead of both heightened inflation and actuarial assumption, but behind benchmark
- The near-term outlook for markets remains quite uncertain. Optimism around the direction of interest rates and inflation is being tempered by political tensions both at home and overseas. It is likely to remain a challenging environment for both our own investment strategy and the managers we employ to manage the assets

Market Background

The momentum built up last quarter continued into the final quarter of the financial year. Signs of economic resilience, a reasonably benign inflation outlook and continued enthusiasm over AI more than offset any worries over slower than anticipated interest rate cuts and equities recorded their best quarterly return in five years. Regionally, the US and Japan performed best with major indices hitting all-time highs. The UK lagged its developed peers due in part to a lower weighting to IT and higher weighting to underperforming basic materials. Emerging market performance was positive but behind that of developed markets, weighed down by lingering concerns over Chinese growth prospects.

With expectations that interest rate cuts might be lower and slower than previously anticipated, sovereign bond yields rose significantly, and prices fell. Credit markets were also relatively weak but less so as credit spreads narrowed sharply.

Despite the moderate improvement in the economic outlook, property transaction activity remained very subdued. Headline index returns showed a modest increase in total return terms, but capital values continued to fall particularly in the beleaguered office sector. As I have mentioned previously however, the property sector will typically lag other asset classes in responding to macroeconomic sentiment.

LGPS Funds

The average LGPS fund is expected to have returned around 5% over the quarter.

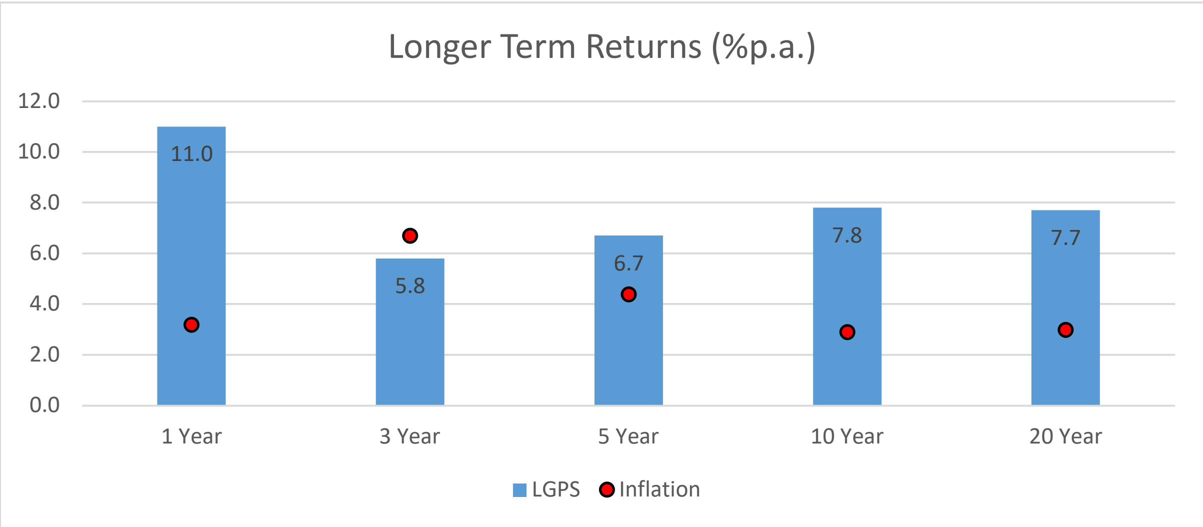
Longer-Term

The full-year outcome is predicted to be in the region of 11%, in stark contrast to the near -2% recorded last year.

The three-year return, an important measurement point for the LGPS, is likely to have picked up to almost 6%p.a. but this will still lag stubbornly high inflation (see chart below).

Over the last ten and 20 years the average fund has delivered a return in the region of 7-8% p.a. Despite the recent spike in inflation, the longer-term returns represent a near 5%p.a. buffer.

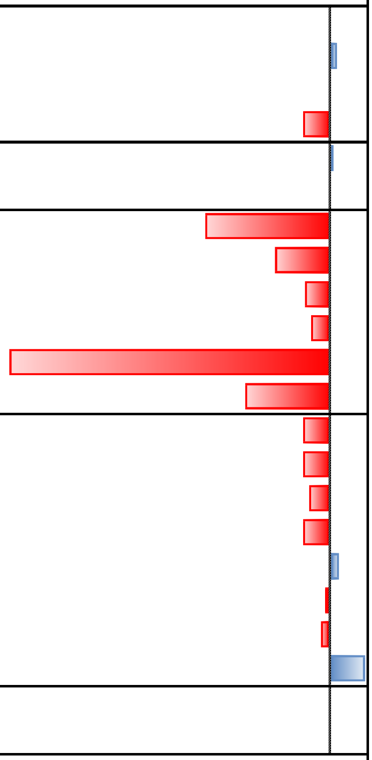
Over all longer-term periods, funds which have had a relatively high equity commitment are likely to have outperformed their peers despite facing sharper volatility.



Total Fund

The Fund returned 3.6% over the quarter. Compared to a benchmark return of 4.9%, this represents a relative underperformance of 1.2%.

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

	Manager	Returns		
		Fund	Benchmark	Relative
Global Equity	BLK	9.4	9.4	
	LGIM	9.3	8.7	
	Newton	9.8	9.8	
	Comgest	1.0	3.3	
MAC	Robeco	0.1	-0.1	
	LCIV			
Property	Nuveen	-9.3	1.7	
	Invesco	-2.9	1.9	
	M&G	-0.2	1.9	
	Darwin Leisure	-0.0	1.5	
	Frogmore	-25.2	3.9	
	Brockton	-4.0	3.6	
ESG Priority	Glenmont	0.1	2.4	
	Temporis	0.0	2.4	
	Temporis (New)	0.0	1.7	
	Temporis (Impact)	0.0	2.4	
	BLK	3.0	2.4	
	Darwin Bereavement	1.1	1.5	
	Blackstone	2.1	2.9	
	BTG	4.7	1.5	
Index-Linked	BLK	-2.4	-2.4	
	LGIM	-2.4	-2.4	
ARB	BLK			
Cash	LGIM/BLK/NT/Mgr Frictional	1.8	1.8	0.0
Total Fund		**3.6**	**4.9**	**-1.2**

During the quarter, performance from the illiquid portfolios, property and ESG priority, was generally disappointing.

This table doesn't account for the size of any position and the resulting influence on the bottom line e.g. Frogmore accounts for less than half a percent of the Fund's assets and so any out or underperformance will have a largely second order impact.

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

	Fund Weight	BM Weight	Fund Return	BM Return	Relative Return	Asset Allocation Policy	Investment Selection
Global Equity	51.9	50.0	8.8	8.6	0.1	0.1	0.1
MAC	4.9	10.0	0.1	-0.0	0.1	0.2	
Property	15.9	20.5	-6.8	2.0	-8.7	0.1	-1.4
ESG Priority	12.9	9.5	1.3	2.2	-0.9	-0.1	-0.1
Index-Linked	7.2	10.0	-2.4	-2.4	0.0	0.2	
ARB	5.0	0.0	0.0			-0.2	
Cash	2.2	0.0	1.8			-0.1	
	100.0	**100.0**	**3.6**	**4.9**	**-1.2**	**0.2**	**-1.4**

Over the quarter, the Fund underperformed by 1.2%.

The aggregate over/underweights with respect to the target benchmark ("asset allocation policy" in the table) added 0.2%, but this was more than offset by the performance of our managers ("selection" in the table) which cost 1.4%. The most significant drag came from our property assets.

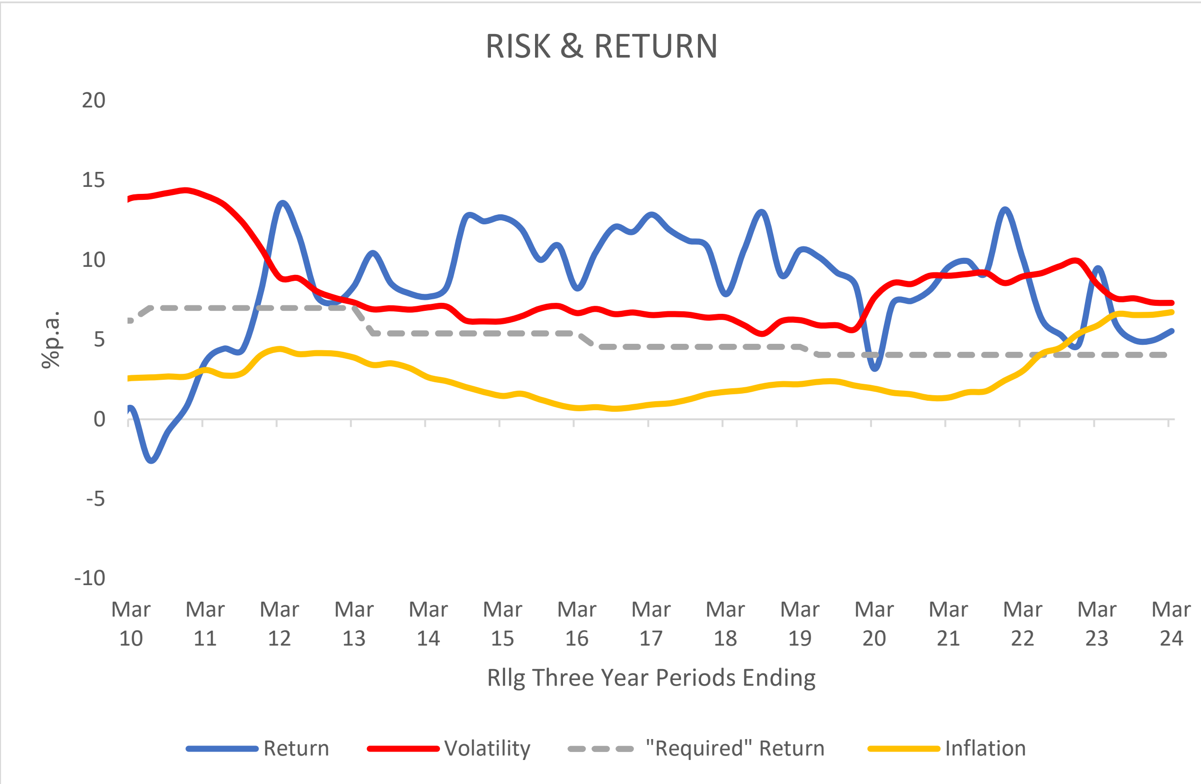
For illustrative purposes, overweights are shaded blue as are manager outperformances.

Over the **full year**, the Fund returned a very strong 11.3%, but lagged the benchmark by 1.7%. The two biggest contributors to the underperformance were Newton (active global equity) and Nuveen (core property).

Medium-term, the Fund has returned roughly 6%p.a. over the three-years and 7%p.a. over the five-year period. Both periods' returns have been behind benchmark, the latter by a smaller margin.

Longer-term, over the last ten-years, the Fund has delivered a very valuable 8.8%p.a. return but 0.7%p.a. off the target.

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



In summary,

- The blue line shows that over almost all post financial crisis periods, returns delivered have consistently outpaced the return assumption used in the Actuary's modelling (the dotted line on the chart).
- The red line shows the volatility of the returns being delivered (sometimes, and arguably unhelpfully, termed "risk"). This has remained heightened post pandemic but has begun to reduce
- The extreme right-hand side of the chart shows that inflation (the yellow line) has now overtaken both the Fund return and the 'base' return set by the actuary. With CPI likely to remain ahead of the Government's target in the immediate short-term, this continues to cause concern

Newton – Active Global Equity

Newton recorded a return of 9.8% in the quarter, 0.7% ahead of the global equity index the manager aims to beat. This outperformance was driven by positive stock selection in the industrials, technology, and health care sectors.

In their report they now show a comparison of the portfolio relative to a notional benchmark adjusted for the adjusted 'opportunity set' arising from the net-zero transition. Over the quarter, the adjusted benchmark was modestly behind the headline index but the overall impact on the bottom line was immaterial.

The portfolio's annual return was a very substantial 16.1% but considerably behind the benchmark due largely to the sharp underperformance in the September quarter.

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

Newton are rightly cautious over the near-term outlook for stock markets given the pain of high interest rates has yet to feed into the real economy. A focus on companies with resilient long-term prospective earnings and credible net zero commitments remains a prudent strategy.

Comgest – Active Emerging Market Equity

Comgest returned 1% during the quarter, lagging the index benchmark by a sizeable 2.3%.

Unfortunately, it is difficult from Comgest's reports to accurately isolate the attributes making up the relative performance. From a geographical viewpoint, country selection subtracted value overall and from an industry perspective, stock selection in financials was detrimental.

Over the full year, the portfolio returned -1% (JP Morgan quoted return), trailing the index by an uncomfortable margin (c7%).

Since inception returns have been disappointing in both absolute and relative terms.

BlackRock - Active

Both active portfolios, ARB and diversified growth have now been closed.

Nuveen Real Estate – Core Property

The portfolio return was a modest 0.1% over the final quarter (Nuveen's number). Income of 1.2% just offset a capital reduction of 1.1%.

Falls in valuations were evidenced generally across the whole sector but industrials and offices fared worst.

There was some activity during the quarter, the portfolio picking up assets from distressed sellers in a couple of industrial units and a care home. Nuveen expect these acquisitions to strengthen the portfolio's income potential.

The full year return reported by Nuveen was near zero which perversely, represents an improvement on the numbers reported earlier in the year.

The current seven-year number of c2.5p.a. is up slightly from last quarter but remains some way behind the 7%p.a. target set by the Panel.

The portfolio's one indirect holding performed quite well over the quarter but had a very poor 12 months.

There are many headwinds facing the commercial real estate sector and returns are likely to be behind expectation until such times as inflation and interest rates revert to some semblance of normality and activity picks up.

Residential/Opportunistic Real Estate

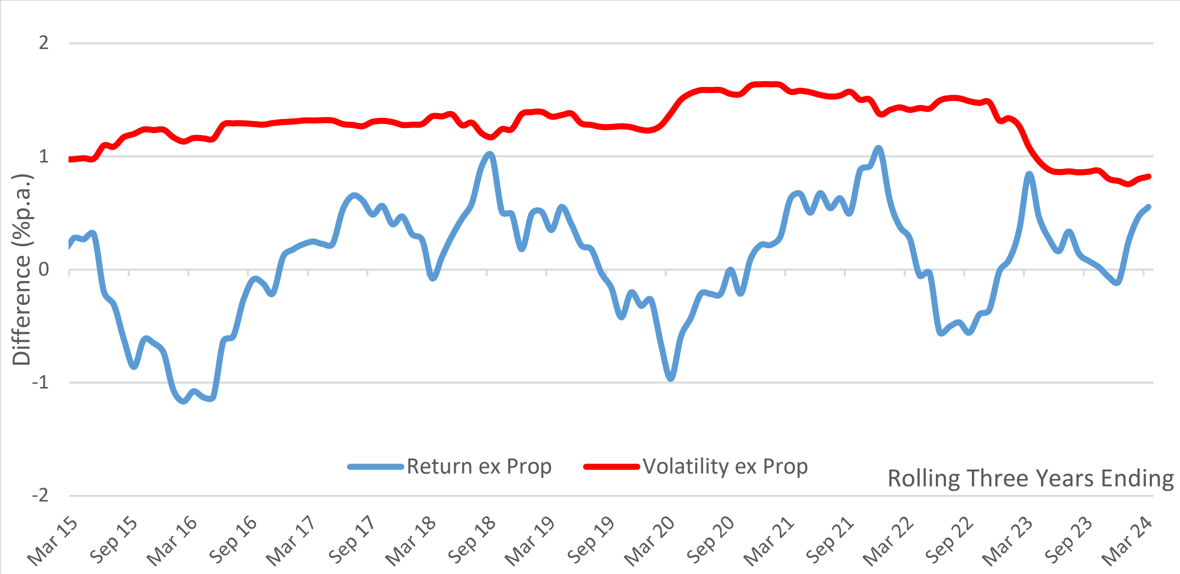
As can be seen from the graphic on page 3 above, the non-core portfolio struggled over the quarter. Frogmore's -25% return stood out with the manager acknowledging a significant write down in the value of the portfolio. This has led to an extension in the life of the fund out to 2026 in order to avoid distressed selling and an aspiration to "protect and enhance equity" through active management and a pick up in the market environment.

Southwark's Property Allocation

Both the core and aggregate added value/opportunistic assets performed weakly over the quarter and lagged their respective benchmarks. Over the full year, the story was similar, with both core and non-core delivering low single figure negative returns thereby falling someway short of benchmark. The following table gives a flavour of this.

	Quarter			Year		
	Fund	Benchmark	Relative	Fund	Benchmark	Relative
All Property	-6.5	1.8	-8.1	-2.8	7.5	-9.6
Core	-9.3	1.7	-10.9	-3.7	7.0	-10.0
Ex Core	-2.4	2.0	-4.3	-2.5	8.5	-10.1

The Fund has a sizeable allocation to real estate. This has, and will have, a significant bearing on the performance (and volatility) of the Fund and is an important differentiator in its overall strategy. The chart below shows the impact on risk and return over consecutive rolling three-year periods.



In the latest three-year period, the overall Fund return was impacted negatively by our real estate holdings (by nearly 0.6%). Volatility overall has been reduced by a slightly higher margin. There has therefore been little benefit in terms of risk/return trade-off.

Robeco

The portfolio performed marginally ahead of the benchmark over the quarter (portfolio 0.1%, benchmark -0.1%). Issuer selection was the reason cited by Robeco. We are unlikely to see wide variances in relative performance as we move ahead, but they have made a pretty decent start since their September inception.

"ESG Priority" Allocation

The performance of the Fund's infrastructure and other diversified alternative investments was pretty flat to negative over the quarter. As I've mentioned in the last couple of quarters, it is too early to provide any meaningful commentary on the performance of these relatively immature investments, but early signs are reasonably encouraging.

Passive Portfolios

The portfolios tracked within tolerance over the quarter.

Strategic Investment Dashboard Q1 2024

London Borough of Southwark Pension Fund

Prepared for:	The Pension Advisory Panel
Prepared by:	Aon
Date:	7 June 2024

Executive summary

Long-term funding strategy

Funding level

115%

No change vs 31 December 2023

Surplus

£293M

The surplus increased by £18m vs 31 December 2023

Over the quarter, the funding level remained at 115% whilst the surplus has increased by £18m. This is due to the asset return being higher than expected over the quarter.
The funding level has improved since the 2022 valuation, due to the increase in the net discount rate (expected return net of inflation), which has reduced the liabilities, and has more than offset the lower-than-expected returns on assets. The expected return is CPI+2% pa.

No further action is required at this stage

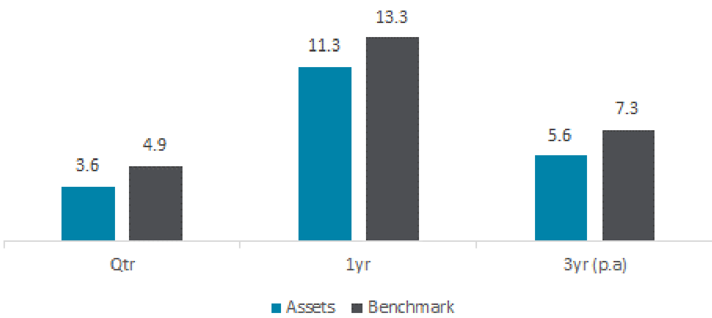
Investment Performance

Expected return

7.3%

The 31 March 2024 expected return for the portfolio is 7.3% compared to the strategic asset allocation expected return of 7.1%.

Performance



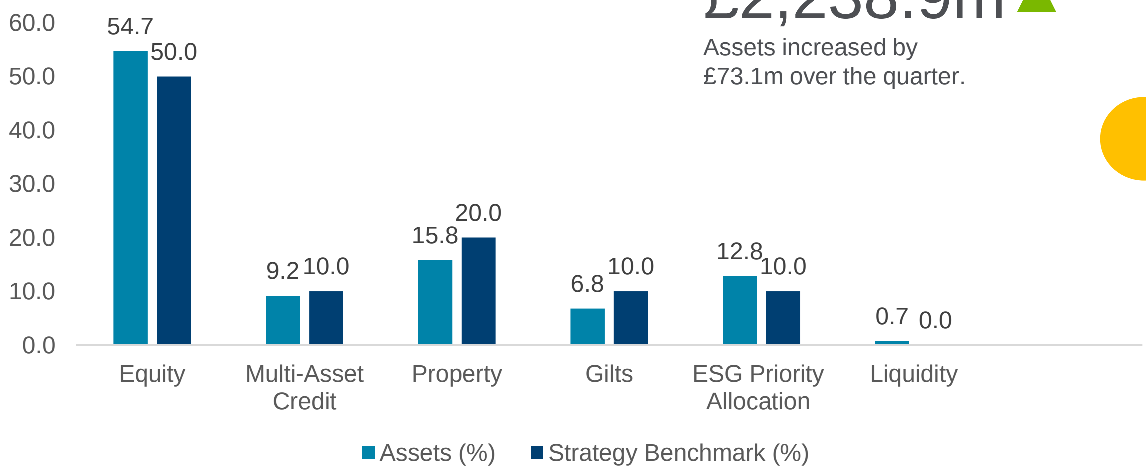
Southwark underperformed over the quarter, 1 and 3-year period relative to the composite benchmark (on an annualised basis)

Over Q1, the underperformance of the Fund's property managers more than offset the gains achieved by the equity, credit and ESG Priority Allocation buckets which resulted in a negative total performance of the fund

Update: Aon continues to monitor the performance of the Fund's investments and notify the PAP of any concerns.

Strategic Positioning

Asset Allocation



£2,238.9m

Assets increased by £73.1m over the quarter.

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

Update: Over the quarter, following Aon and the Officer's recommendation, the PAP agreed to fully redeem the remainder of their legacy holdings in the Blackrock Absolute Return Fixed Income Fund and invest the proceeds into the LCIV Alternative Credit Fund, managed by CQS.

AON

Asset allocation – Asset Class

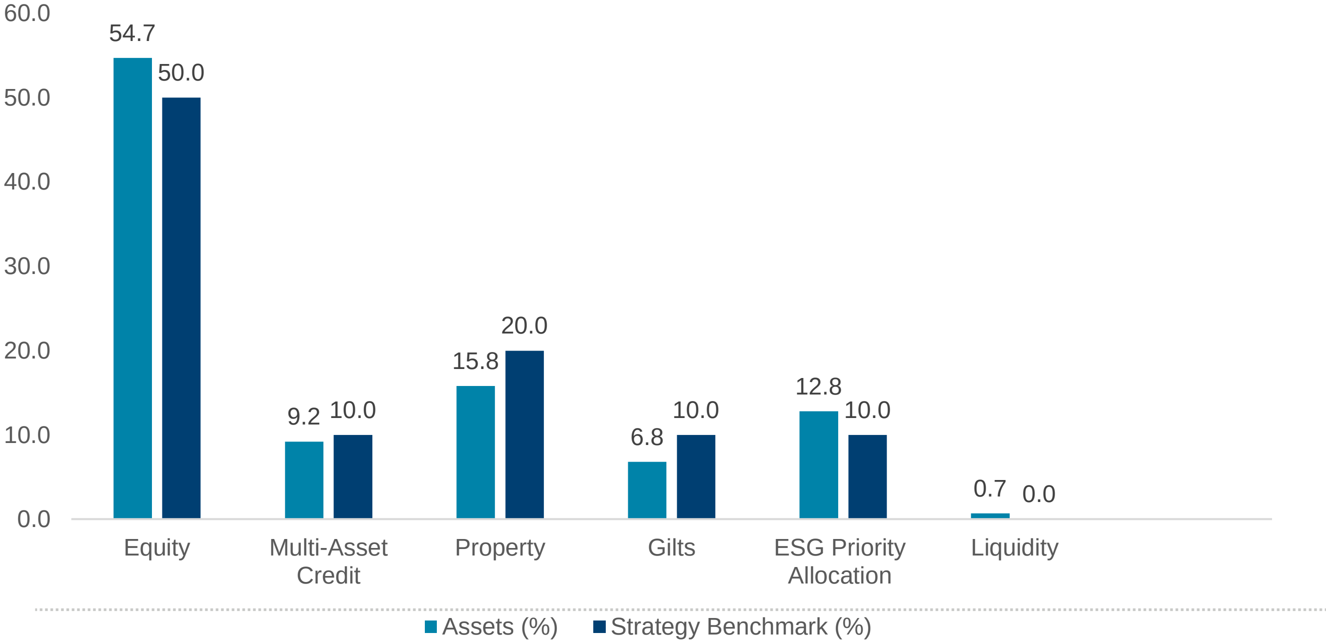
	31 Dec 2023		31 Mar 2024			
	Val (£m)	Weight	Val (£m)	Weight	Strategic	Relative
Growth	£1,961.4	90.6%	£2,071.1	92.5%	90.0%	2.5%
Equity	£1,124.6	51.9%	£1,223.9	54.7%	50.0%	4.7%
Multi-Asset Credit*	£105.8	4.9%	£205.8	9.2%	10.0%	-0.8%
Absolute Return Fixed Income	£108.7	5.0%	-	0.0%	0.0%	0.0%
Property	£344.1	15.9%	£354.1	15.8%	20.0%	-4.2%
ESG Priority Allocation	£278.2	12.8%	£287.3	12.8%	10.0%	2.8%
Matching	£204.4	9.4%	£167.8	7.5%	10.0%	-2.5%
Index-Linked Gilts	£156.8	7.2%	£153.1	6.8%	10.0%	-3.2%
Liquidity Fund	£47.6	2.2%	£14.7	0.7%	0.0%	0.7%
Total	**£2,165.9**	**100%**	**£2,238.9**	**100%**	**100%**	**-**

Source: J.P.Morgan.. Totals may not sum due to rounding.

*The investment in the LCIV Alternative Credit Fund – CQS was successfully implemented on 28 March 2024 with monies sourced from the Blackrock Absolute Return Fixed Income Fund

Strategic allocation – Snapshot

Strategic allocation & benchmark



	31 March 2024	Strategic Allocation
Expected Absolute Return	**7.3%**	**7.1%**
Standard Deviation **This is a measure of portfolio volatility versus the mean return**	**4.2%**	**4.1%**

Assets

£2,238.9m

Assets increased by £73.1m over the quarter.

Comments

- As at 31 March 2024, the Fund is overweight to the equity and ESG Priority Allocation mandates, whilst being underweight to the government bond and property asset classes.
- Following Aon and the Officer's recommendation, the PAP agreed to fully redeem the remainder of their legacy holdings in the Blackrock Absolute Return Fixed Income Fund and invest the proceeds into the LCIV Alternative Credit Fund, managed by CQS. This was successfully implemented on the 28 March 2024.
- In Q4 2023, the PAP agreed to make a commitment of €50m into the Glennmont Clean Energy Fund IV ("Glennmont IV"). Post quarter end, the Fund issued a capital call of £14.1m which included an equalisation payment. As per the Fund's cashflow management policy, the holdings in the LGIM Sterling Liquidity Fund were topped up using the passive equity mandate to ensure that sufficient monies were available to meet the drawdown of capital.
- Aon will look to work with the Officer's to assess options available to address the Fund's underweight position in the property portfolio now that the implementation of the MAC mandate has been fully completed.

Source: J.P.Morgan and fund managers as required. Totals may not sum due to rounding

Manager performance – 31 March 2024

	3 month (%)		1 year (%)		3 years (p.a.) (%)	
	Return	Relative	Return	Relative	Return	Relative
LGIM Low Carbon Transition Developed Markets Index Fund	9.3	0.6	23.3	2.2	-	-
Newton Active Global Equity	9.8	0.0	16.5	-7.6	8.9	-4.5
Comgest Growth Emerging Markets Plus	1.0	2.3	-0.1	-6.8	-	-
BlackRock World Low Carbon Equities Fund	9.4	0.0	24.5	0.4	-	-
Robeco Multi-Asset Credit	0.1	0.2	-	-	-	-
Blackrock Absolute Return Fixed Income	1.3	0.1	3.8	-1.3	0.6	-3.0
Nuveen Real Estate	-9.3	-11.0	-3.7	-10.7	1.7	-8.3
Invesco Real Estate UK Residential Fund	-2.9	-4.9	7.9	-0.2	5.6	-2.4
M&G UK Residential Property Fund	-0.2	-2.2	-1.4	-9.4	0.4	-7.6
Frogmore Real Estate Partners III	-25.2	-29.1	-30.1	-46.6	-14.5	-31.0
Brockton Capital Fund III	-4.0	-7.5	-3.7	-18.7	-1.2	-16.2
Darwin Leisure Development Fund	-0.0	-1.5	-	-	-	-
Glennmont Clean Energy Fund	0.1	-2.4	-2.3	-12.3	16.0	6.0
Blackrock Global Renewable Power	3.0	0.6	8.9	-1.2	11.6	1.6
BTG Pactual OEF Fund	4.7	3.2	0.9	-5.1	-	-
Darwin Bereavement Services Fund	1.1	-0.4	5.0	-1.0	-	-
Temporis Operational Renewable Energy Strategy	0.0	-2.4	59.2	49.2	25.5	15.5
Temporis Impact Fund	0.0	-2.4	33.9	23.9	-	-
Temporis Renewable Energy Fund	0.0	-1.7	7.0	0.0	-	-
Blackstone Strategic Capital Holdings GP Stakes Fund II	2.1	-0.8	-1.3	-10.7	-	-
LGIM Over 5y Index Linked Gilts	-2.4	0.0	-6.8	0.0	-	-
BlackRock Aquila Over 5y Index Linked Gilts	-2.4	0.0	-2.9	0.4	-0.6	0.1
Northern Trust Liquidity Fund	1.7	0.4	-	-	-	-
BlackRock Sterling Liquidity Fund	2.1	0.8	-	-	-	-
LGIM Sterling Liquidity	1.2	-0.1	-	-	-	-
Total Performance	**3.6**	**-1.3**	**11.3**	**-2.0**	**5.6**	**-1.7**

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.

Fund Manager News and Strategy Updates

Below we highlight areas of note relating to changes in fund manager business, strategy and/or Aon's research rating.

- **Frogmore Real Estate Partners III, L.P – Portfolio update:** The current projected returns for the Fund based upon the eleven projects are an IRR of 0.5% and a multiple of 1.1x. These are before the deduction of Investment & Asset Advisory fees, Fund expenses and any Carry payments. On 9th February £50.3m of the senior debt facility was repaid following the sale of the 'Ruby Zoe' Hotel (West Block). In April 2024, approval was received from over 80% of investors to extend the life of the Fund to 9th September 2026. The determining factor in this decision was not to sell the six remaining assets in what is currently a depressed market where any vendors are assumed to be 'forced sellers'.
- **Comgest – Performance Commentary:** Whilst emerging markets rose over the quarter, there was wide disparity in performance across countries and sectors. A decline in the Chinese market, predominantly driven by weakness in the property sector, was mitigated by strong stock selection in the portfolio with defensive investments such as Midea and Inner Mongolia Yili contributing positively to performance at the overall portfolio level. The fund's holding in Indian auto manufacturer Maruti Suzuki (MSIL) was another strong performer, driven by channel restocking and healthy retail growth.
- **Comgest – Portfolio Positioning:** The Fund increased exposure to the IT sector on indications of an upturn in semiconductor demand and reduction in inventories. Comgest made their first investment in Poland, initiating a position in discount food retailer Dino, taking advantage of share price weakness caused by broad but temporary sector margin pressure. The focus remains on populating the portfolio with defensive companies whilst simultaneously aiming to ensure that these companies can deliver sustainable growth in earnings per share.
- **Darwin Bereavement Services Fund – Portfolio Update:** Performance for Memoria in Q1 has been strong despite the death rate during the quarter being considerably behind the same point last year. The assets in the portfolio are also continuing to benefit from a reduction in energy prices.
- **Darwin Bereavement Services Fund – ESG Update**: The three electric cremators operated by the Memoria Portfolio continue to offer environmental benefits. During Q1, around 100 tonnes of C02 emissions were saved through the cremations held at these states, which is equivalent to carbon sequestered from the atmosphere by 177 acres of forest.
- **Darwin Leisure Development Fund – Portfolio Update:** The portfolio has also benefited from the ongoing reduction in energy prices. The Blenheim Palace Lodge Retreat has been a drag on holiday rental income over the quarter. In response Darwin have made changes to the marketing personnel with a view to increase brand awareness of the site.
- **Darwin Leisure Development Fund – ESG Update:** Over the quarter, the portfolio replaced a total of 21 diesel and petrol vehicles with electric vehicles in an effort to reduce the carbon emissions generated from the Fund's fleet of vehicles.

Fund Manager News and Strategy Updates

Below we highlight areas of note relating to changes in fund manager business, strategy and/or Aon's research rating.

- **Newton – Portfolio Activity:** Strong stock selection in the industrial, technology and health care sectors and holding a zero weighting to the property sector contributed positively to performance over the quarter. Power management company Eaton headed the list of top contributors, registering better than expected organic revenue and earnings, and being supported by strong secular drivers such as electrification. Meta Platforms also performed well, with investors reacting positively to a strong set of fourth-quarter results and the issuance of the first-ever dividend.
- **Newton – Portfolio Outlook:** Whilst equities have continued to rise, even as markets have changed their tune in recent weeks and months on the prospect of rate cuts, there is uncertainty around the path that monetary policies will take as well as the outcome of political contests in developed economies and the impact this might have on fiscal policy and the global economy. Despite this backdrop, structural demand trends remain in place with many sectors and industries as many global transition continue apace. Newton continue to focus on holding companies with resilient earning profiles, attractive market outlooks and credible net zero commitments.
- **Nuveen – Performance Update:** Underperformance in the direct property sector was driven by outward yield movements based on new market evidence and weak investor sentiment. The office sector has continued to feel the impact of the change in working patterns and rising occupancy costs, with many businesses rethinking their office requirements over the medium to long-term. We have seen evidence of companies either deciding to relocate to smaller locations or pausing on renewing lease extensions/agreements.
- **Nuveen – Portfolio Update:** Over the quarter the Fund acquired the freehold of a care home occupied by Care U.K. for £17,800,000, and a multi-let industrial warehouse in a prominently situated area of Warrington, adjacent to Junction 9 of the M62 motorway. The Fund has exchanged to acquire the freehold of an industrial unit occupied by City Technology (a subsidiary of Honeywell) for £6,300,000.
- **Temporis Operational Renewable Energy Strategy (‘TORES’) – Fund Update:** The underlying investments in the portfolio experienced a surge in performance because of the high levels of wind and rain experienced in the UK. During the quarter, the Blackcraig holding suffered a prolonged power outage due to a mechanical failure in the Scottish power transition network. The Asset Management team have been exploring options to recoup a portion of the lost revenue through a combination of insurance claims and direct compensation from Scottish Power.

Further information

Funding level since latest Valuation
as at 31 March 2024

Change to funding level since 31 March 2022

Change to surplus/(deficit) since 31 March 2022

Please note these graphs are based on a roll forward of assets and liabilities from 31 March 2022.

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

Explanation of Ratings – Overall ratings

ESG Factor

The ESG factor is assigned a rating and can be interpreted as follows:

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

Key assumptions of the model (1)

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

Key assumptions of the model (2)

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

TAS compliance

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

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

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

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

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

Item No. 13	Classification: Open	Date: 13 June 2024	Meeting Name: Pensions Advisory Panel
Report title:		Carbon Footprint Update – 31 March 2024	
From:		Interim ESG Manager	

Recommendations

The PAP is asked to:

- Note the Fund’s updated carbon footprint as at 31 March 2024.

During quarter ended 31 March 2024, we changed our carbon data provider from Sustainalytics to Trucost to assist with assessments of the CO2 equivalent exposure of our passive listed holdings. We also rely on the Weighted Average Carbon Intensity (WACI) calculations undertaken by our fund managers for the calculations. The table below sets out the weighted carbon intensity (with $ million revenue as a base) by asset class against our benchmark period of September 2017. In our calculations, we currently only capture Scope 1 and Scope 2 carbon emissions.

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**	**June 2023**	**Sept 2023**	**Dec 2023**	**March 2024**
Equity - Developed	Blackrock, LGIM	98.7	23.0						
Equity - Developed Market Low Carbon	Blackrock, LGIM		24.2	51.0	17.5	18.9	17.1	16.6	13.7
Equity - Emerging Markets	Blackrock	18.1	19.1						
Equity - Emerging Markets	Comgest			0.2	0.4	2.4	2.4	2.2	2.2
Equity - Global	Newton	10.6	4.4	5.8	6.9	6.1	5.2	5.2	4.5
Diversified Growth Fund	Blackrock	26.7	15.6	16.5	12.6	7.3			
Absolute Return Bonds	Blackrock	22.4	10.0	6.8	19.6	15.1	12.6	7.9	
Multi-Asset Credit	Robeco, LCIV						2.7	1.4	5.1
Core Property	Nuveen	14.3	10.6	12.0	1.8	1.8	1.8	1.8	1.7
ESG Priority Allocation - Property	Invesco, M&G, Brockton, Frogmore	8.8	10.9	4.6	4.8	4.9	5.2	5.2	0.8
ESG Priority Allocation - Alternatives	BTG Pactual, Blackstone, Darwin			0.1	0.5	2.7	4.1	3.7	1.1
Sustainable Infrastructure	Blackrock, Glennmont, Temporis	0.0	0.0	0.0	0.0	0.0	0.0	0.0	1.8
IL Gilts	Blackrock, LGIM	14.0	14.0	24.2	21.4	12.6	11.4	12.6	8.8
Cash And Equivalents	Blackrock, Nuveen, Newton	0.0	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	71.1	62.5	56.6	39.7
Total Change in Footprint			**-38.3%**	**-43.2%**	**-60.0%**	**-66.3%**	**-70.7%**	**-73.5%**	**-81.4%**

Results

1. The results for 31 March 2024 show a continuing improvement in the carbon footprint (Scope 1 and Scope 2) for the Fund. Since September 2017, the Fund has reduced its weighted carbon intensity by ~81%.

2. The reduction in Weighted Carbon Intensity ('WCI') for the *period from 1 January 2024 to 31 March 2024* has been driven by a combination of the following:

    a. Developed market equities (positive impact): The decrease in WCI for the BlackRock and LGIM developed market equities (13.7 vs 16.6) is due improvement in the carbon footprint of the underlying portfolio companies based on the data available from Trucost as well as from BlackRock and LGIM.

    b. Nuveen (positive impact): There is a marginal improvement in the WCI for the quarter (1.7 vs 1.8).

    c. Comgest (neutral): Comgest WCI is the same as previous quarter and hence has had no impact on the overall weighted carbon intensity of the Fund.

    d. Newton Global Equity (positive impact): Newton continues to actively engage with the underlying portfolio companies on their carbon footprint. Based on the data shared by Newton, WCI for the quarter has shown an improvement (4.5 vs 5.2).

    e. BlackRock Absolute Return Bonds (ARB): We have now fully divested from the BlackRock ARB and have in turn invested the proceeds in a low carbon multi-asset credit fund with LCIV, which has a better carbon footprint compared to ARB.

    f. Multi-asset credit fund with LCIV: From the proceeds of the ARB divestment, we have invested £100 million in a multi-asset credit fund with LCIV. The investment was made at the end of March 2024, so this is the first quarter we are reporting the WCI for the investment. On a standalone basis for the quarter, the unweighted carbon intensity of the LCIV investment is 74 MT CO_2e compared to 99 MT Co2e for the ARB.

    g. Multi-asset credit fund with Robeco (negative impact): During the quarter, the WCI for is 1.8 vs 1.4. WACI used for the calculations is based on the details shared with us by Robeco. There is an agreed mandate with Robeco to reduce the carbon footprint of the underlying portfolio so we expect to see a decrease in the carbon intensity over time.

h. ESG Priority Allocation (positive impact): We have revisited the approach we have adopted historically for calculating the carbon footprint:

    i. Comgest (which is an emerging markets equity fund) and not reflective of the underlying asset characteristics or the risk profile of the Darwin Leisure Fund and BTG Pactual Timberland Fund in ESG Priority Allocation. As a more appropriate approach, we have used WACI of the Nuveen investment as a proxy for the Darwin Leisure Fund and WACI of the BlackRock investment in sustainable infrastructure as a proxy for BTG Pactual Timberland Fund.
    ii. For the Darwin Bereavement Services Fund, we continue to use Comgest as a proxy.
    iii. For other property investments with Frogmore, Brockton, Invesco and M&G, we have now used latest Nuveen WACI as a proxy versus an earlier historical number.
    iv. Due to this change, there is a positive impact on the WCI for the quarter for the ESG Priority Allocation

i. Sustainable Infrastructure: We have received actual WACI information from BlackRock in relation to our investment in Global Renewable Power III Fund. We are now using this as a proxy for all other investments in the sustainable infrastructure category. While historically, we have assumed the carbon footprint to be zero based on most managers approach to such assets, using actual WACI data (where available) as a proxy is a more conversation approach. Overall WCI for the category for the quarter is 1.8 vs 0.

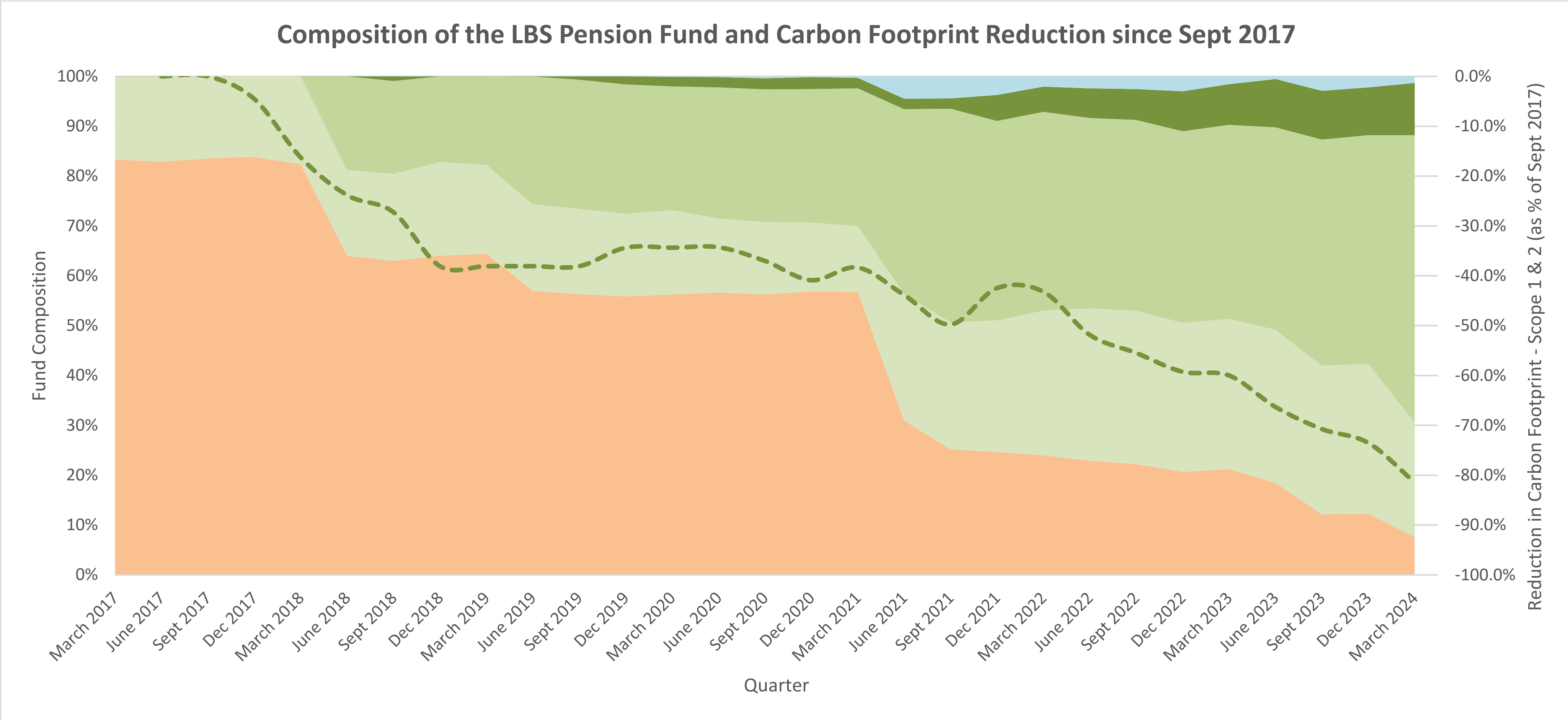
j. Index-linked Gilts (positive impact): WACI for the index-linked gilts over the quarter has improved (8.8 vs 12.6). We have used actual WACI from BlackRock and also from LGIM (where historically we used proxy numbers).

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

Unweighted Carbon Intensity		**Unweighted Carbon Intensity tCO2e/$m revenue**
Asset Class	**Fund Manager(s)**	**March 2024**
Cash And Equivalents	BlackRock, Nuveen, Newton	0.00
Core Property	Nuveen	17.60
Global Equities	Newton	32.70
Low Carbon Equity	LGIM	37.20
Low Carbon Equity	BlackRock	38.00
Equity – Emerging markets	Comgest	51.00
ESG Priority Allocation - Property	Brockton, Frogmore, Invesco, M&G	70.40
ESG Priority Allocation - Alternatives	BTG Pactual, Blackstone, Darwin Bereavement & Leisure Dev	92.50
Multi-asset credit Fund	Robeco, LCIV	111.4
Sustainable Infrastructure	BlackRock, Glenmont, Temporis	112.5
Index Linked Gilts	Blackrock, LGIM	269.20
Total		**832.50**

4. During the quarter, there has been an increase in holdings in the Zero Carbon, Low Carbon and Reduced Carbon investments, with the holdings now making up ~ 92% of our total investment (up from ~85% as at 31 March 2024).

5. The carbon footprint reduction infographic (set out below, with further information on the following page) has been produced in order 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 for use as a way of easily displaying the Fund's progress towards net zero.



Composition of the LBS Pension Fund and Carbon Footprint Reduction since Sept 2017
Fund Composition
100%
90%
80%
70%
60%
50%
40%
30%
20%
10%
0%
Reduction in Carbon Footprint - Scope 1 & 2 (as % of Sept 2017)
0.0%
-10.0%
-20.0%
-30.0%
-40.0%
-50.0%
-60.0%
-70.0%
-80.0%
-90.0%
-100.0%
March 2017
June 2017
Sept 2017
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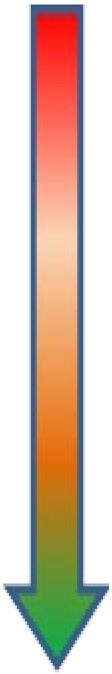
Dec 2023
March 2024
Quarter



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.

<u>Community, Equalities (including socio-economic) and Health Impacts</u>

6. **Community Impact Statement**

   No immediate implications arising

7. **Equalities (including socio-economic) Impact Statement**

   No immediate implications arising

8. **Health Impact Statement**

   No immediate implications arising

9. **Climate Change Implications**

   No immediate implications arising

10. **Resource Implications**

    No immediate implications arising

11. **Legal Implications**

    No immediate implications arising

12. **Financial Implications**

    No immediate implications arising

13. **Consultation**

    No immediate implications arising

AUDIT TRAIL

Lead Officer	Clive Palfreyman, Strategic Director of Finance	
Report Author	Spandan Shah, Interim ESG Manager	
Version	Final	
Dated	28 May 2024	
Key Decision?	N/A	
CONSULTATION WITH OTHER OFFICERS / DIRECTORATES / CABINET MEMBER		
Officer Title	**Comments Sought**	Comments Included
Director of Law and Democracy	N/A	N/A
Strategic Director of Finance and Governance	N/A	N/A
List other officers here		
Cabinet Member	N/A	N/A
Date final report sent to Constitutional Team		

Item No. **14**	**Classification:** Open	**Date:** 13 June 2024	**Meeting Name:** Pensions Advisory Panel
Report title:		Update on approach to Engagement and Voting	
From:		Interim ESG Manager – Treasury and Pensions	

RECOMMENDATIONS

1. The Pension Advisory Panel is asked to:
   - Note the Fund's engagement and voting activity for the quarter from 1 January 2024 to 31 March 2024 for the underlying investments of the Fund.

AN UPDATE ON THE FUND'S ENGAGEMENT AND VOTING ACTIVITY

2. This report outlines the key engagement and voting themes across the listed asset classes for both our segregated and pooled mandates. It also summarises the engagement and voting activity over the past quarter(s) for LAPFF; active equities portfolios (Newton and Comgest); and passive equities portfolios (LGIM, Blackrock and Robeco).

KEY ENGAGEMENT AND VOTING THEMES

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

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

   a. Environment-focused themes:
      i. Climate change
      ii. Environmental risk
      iii. Net-zero Strategy

   b. Social themes:
      i. Human Rights
      ii. Employee Diversity
      iii. Supply Chain Risks

   c. Governance related themes:
      i. Board Composition
      ii. Reputational Risk

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

6. The above themes, in particular, the focus on climate change and Net-Zero strategy, are aligned with the Fund's net-zero agenda. There is limited oversight and follow up

with the investment managers on their wider ESG-focused engagement and voting decisions.

ENGAGEMENT AND VOTING SUMMARY – SELECT LISTED FUNDS

LAPFF (Quarter ended 31 March 2024)

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

8. The report for the period 1 January to 31 March 2024 is available at: https://lapfforum.org/engagements/q1-2024-quarterly-engagement-report/

9. During the quarter from January to March 2024, LAPFF engaged with 148 companies through meetings, AGM attendance and letters/email correspondences.

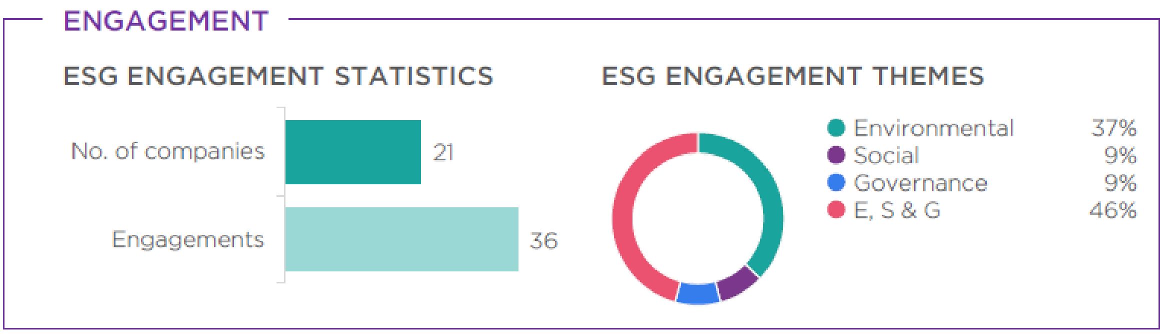
10. The primary areas of engagement were social risk and human rights, followed by climate change, reputational risk and environmental risk. Other engagement topics include supply chain management, governance, social risk, diversity, equity and inclusion, and finance and accounting. (See pages 9 and 10 of the report.)

Comgest (1 Jan – 31 Dec 2023)

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

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

13. Over the 12-month period from 1 Jan 2023 to 31 Dec 2023[1], Comgest had 36 engagements with 21 companies. Breakdown of the engagement themes is captured in the charts below.



14. Comgest voted with the management on 504 and against the management on 70 resolutions during the 12-month period.

[1] Source: Comgest Quarterly Report shared on 11/04/2024

Newton (Jan – March 2024)

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

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

17. During the period from Jan – March 2024, for our segregated fund, Newton had an engagement with Goldman Sachs on climate transition risk and net-zero strategy.

18. Newton also had stewardship meetings with various companies on:

    a. environmental aspects like use climate transition risk and net-zero strategy

    b. social aspects like cyber security, data privacy and opportunities in/access to socially sustainable products/services and supply chain risk management

    c. governance aspects like Board and leadership quality, skills and experience, conduct and culture, lobbying, internal controls, risk management, audit and tax

19. During the quarter, Newton voted with the management of portfolio companies on 3 resolutions and against the management on 1 resolution.

LGIM (12-month period ended March 2024)

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

21. LGIM also publishes its approach to voting in the public domain. Its voting intentions for 2023 are outlined in a blog available at: https://www.lgimblog.com/categories/esg-and-long-term-themes/lgims-voting-intentions-for-2023/

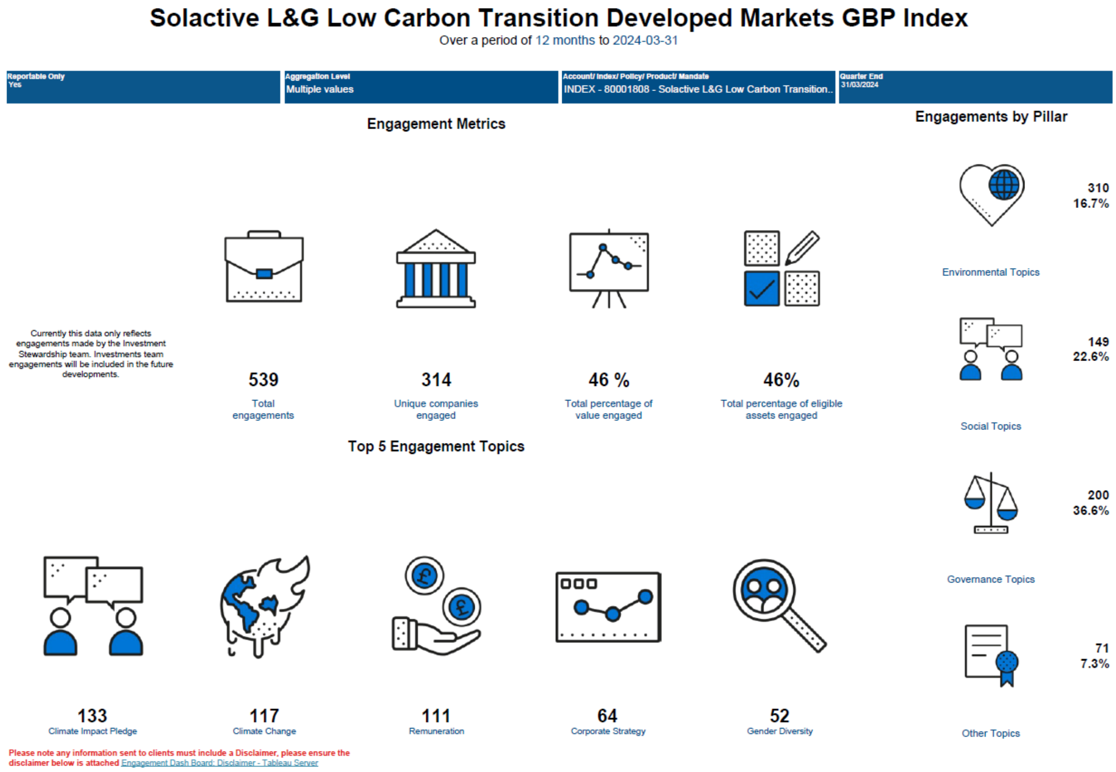
22. For the Low Carbon Transition Developed Markets Equity Index Fund, LGIM voted with the management on 78.04% resolutions and against the management on 21.80% of the resolutions. Total resolutions where LGIM was eligible to vote were 22,507.

23. During the 12-month period, Low Carbon Transition Developed Markets Equity Index Fund, LGIM had 539 engagements with 314 companies comprising 46% of the fund value.

24. Top 5 engagement topics were Climate Impact pledge, climate change, remuneration, corporate strategy and gender diversity.

25. Summary of the engagement activity is captured below[2].

[2] Information shared by LGIM on 29/04/2024 and 1/05/2024



ENGAGEMENT AND VOTING ACTIVITY NEXT STEPS

26. Going forward, the Fund intends to adopt a more proactive approach to engagement and voting activity.

27. In line with the Responsible Investment Policy, in addition to the focus on carbon footprint and the net-zero agenda, the Fund will identify other key ESG themes relevant for the investments and discuss with the investment managers to agree to qualitative and quantitative thresholds/parameters for continuing engagement with the portfolio companies and for voting decisions at annual/quarterly meetings.

28. The Fund will also aim to review the voting and engagement activity and provide specific guidance and action points to the fund managers to ensure it is aligned with our strategic priorities and the ISS and RI Policy.

KEY ISSUES FOR CONSIDERATION

29. Not applicable.

Policy framework implications

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

Community impact statement

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

Equalities (including socio-economic) impact statement

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

Health impact statement

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

Climate change implications

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

Resource implications

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

Legal implications

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

Financial implications

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

Consultation

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

SUPPLEMENTARY ADVICE FROM OTHER OFFICERS

Director of Law and Governance

39. Not applicable.

Strategic Director of Finance and Governance

40. Not applicable.

Other officers

41. Not applicable.

AUDIT TRAIL

Lead Officer	Clive Palfreyman, Strategic Director of Finance
Report Author	Spandan Shah, Interim ESG Manager - Treasury and Pensions

Version	Final version		
Dated	29 May 2024		
Key Decision?	N/A		
CONSULTATION WITH OTHER OFFICERS / DIRECTORATES / CABINET MEMBER			
Officer Title		**Comments Sought**	Comments Included
Director of Law and Democracy		N/A	N/A
Strategic Director of Finance and Governance		N/A	N/A
List other officers here			
Cabinet Member		N/A	N/A
Date final report sent to Constitutional Team			N/A